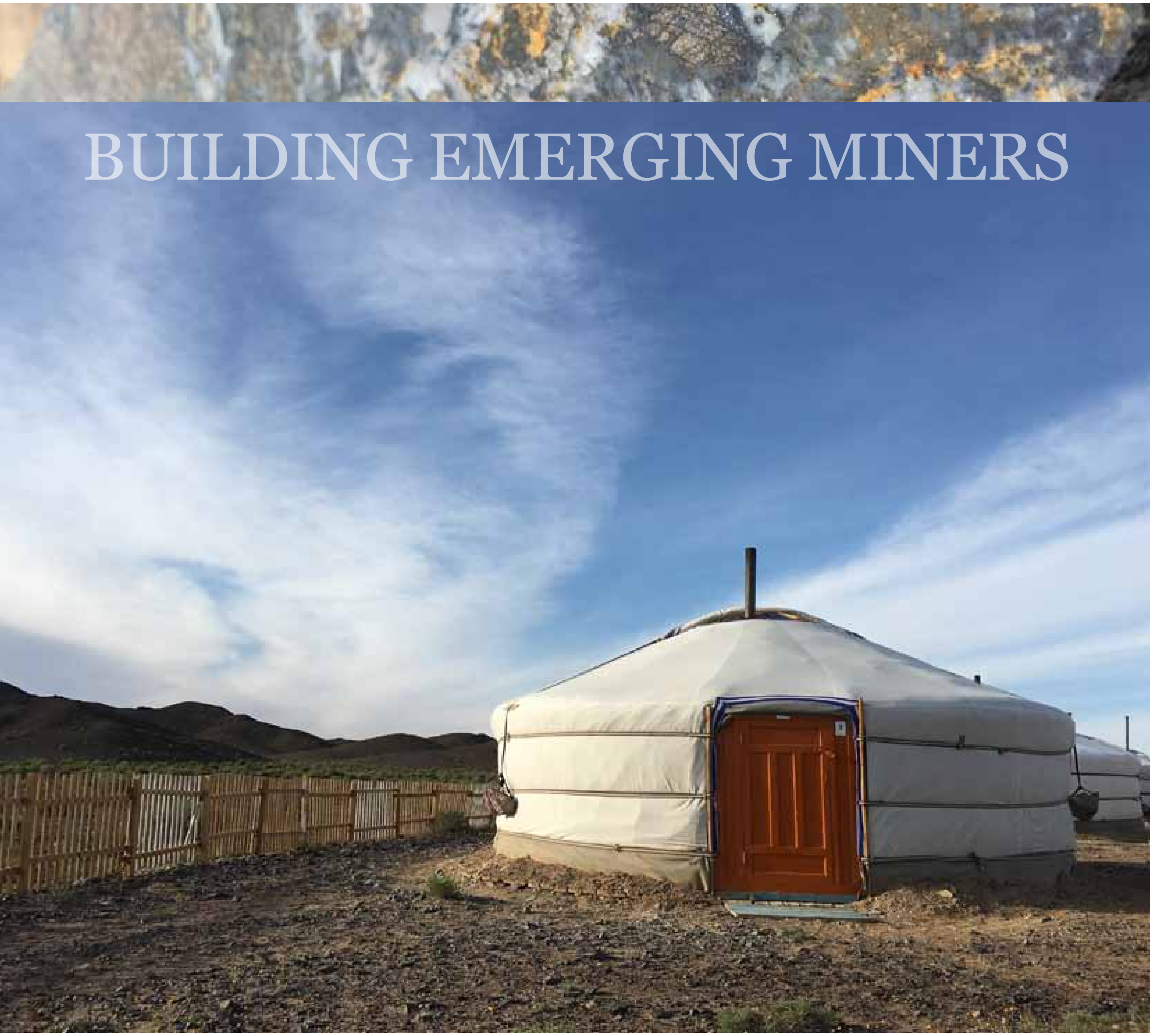
2016 ANNUAL REPORT

BUILDING EMERGING MINERS



Lion Selection Group

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PEOPLE PROJECTS OPPORTUNITIES

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Site visit to Erdene Resource Corp's Bayan Khundii project in Southern Mongolia, May 2016

Chairman's Letter to Shareholders

Your directors are pleased to provide you with the annual report for the year ended 31 July 2016. The state of your company is strong, with clear indications that the current cycle has passed its nadir.

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Lion's financial results improved during the year reflecting underlying investment performance including successful commissioning of Roxgold's Yaramoko project in Burkina Faso and a new gold discovery by Erdene Development Corporation in Mongolia. Pleasingly, Lion's share price has also reflected this success. One Asia, Lion's largest investment, remains primed for value improvement, however directors opted to maintain One Asia's valuation at 18cps as at 31 July 2016. Developments with the 2.8Moz Awak Mas were substantially universally positive, and an updated PFS (April 2016) combined with positive results from a geological review (August 2016) underline a valuable project in the current positive gold market. A range of options is being investigated to provide project funding and a liquidity event for One Asia Shareholders, including IPO, RTO (Reverse Takeover), merger with a larger listed entity and outright sale. At Pani, planning work commenced for a feasibility study to be undertaken once the on-going ownership dispute is resolved. One Asia is more fully discussed in Note 3(d) of the financial report and on pages 10 to 13.

Lion closely manages its investments and took the opportunity to boost its cash position with a timely exit from Doray Minerals. The additional funds provided a welcome boost to help push Lion's portfolio of emerging miners towards listing and/or production as seen with the Egan Street IPO and we plan for others to follow.

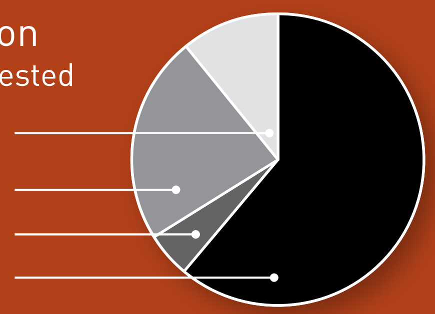
For junior mining companies this year has seen the tide turn, with mining equities experiencing strong performance since January 2016, particularly for gold with the Lion Clock moved beyond 6 o'clock marking the lowest ebb. The recovery in investor sentiment has injected fresh liquidity into the mining sector facilitating not only continued equity price performance in gold companies, but also sizeable and plentiful equity capital raisings. As always there are still some bumps to come along in this cycle, exacerbated by the forces of global financial uncertainty both aiding gold and real assets as an alternative asset class, but also hindering as investors remain hesitant and anticipate a long awaited lift in interest rates.

It is pleasing to see Lion and its team emerge from this challenging period in a strong position with a clear path to growth. The management team continues to be very well led by Robin Widdup with strong contributions from all team members. Your directors are most appreciative of this. As with many successful companies, management is well aligned with shareholders with many members of the Lion team being material shareholders and well incentivised to deliver on your company's potential.

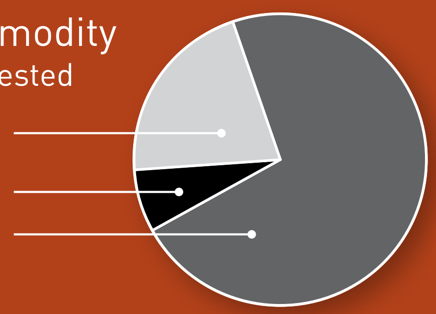
Barry Sullivan
Chairman

Lion Selection Group Investment Summary

By Region
Funds Invested



By Commodity
Funds Invested



AS AT 30 SEPTEMBER 2016

	COMMODITY	MARKET VALUE A$M
Australia		
Egan Street Resources	Gold	3.6
Other Australia	Gold	0.3
Africa		
Roxgold	Gold	9.2
Toro Gold	Gold	1.0
Other Africa		1.7
Cash dedicated to Africa[1]		1.2
Asia		
One Asia Resources[2]	Gold	9.1
Erdene Resources	Gold	2.8
Other Asia		0.9
Americas	Iron Ore / Coal	0.3
Uncommitted Net Cash		**11.0**
Net Tangible Assets		**$41.1m**
NTA Per Share		**38c**

1 Includes committed cash of US$0.8 million to AFL3.
2 One Asia at a value of A$0.18/share.

Note: The above table includes investments held directly by Lion and the value to Lion of investments which are held by African and Asian Lion Funds.

Lion Manager's Report

Miners – out of the doldrums

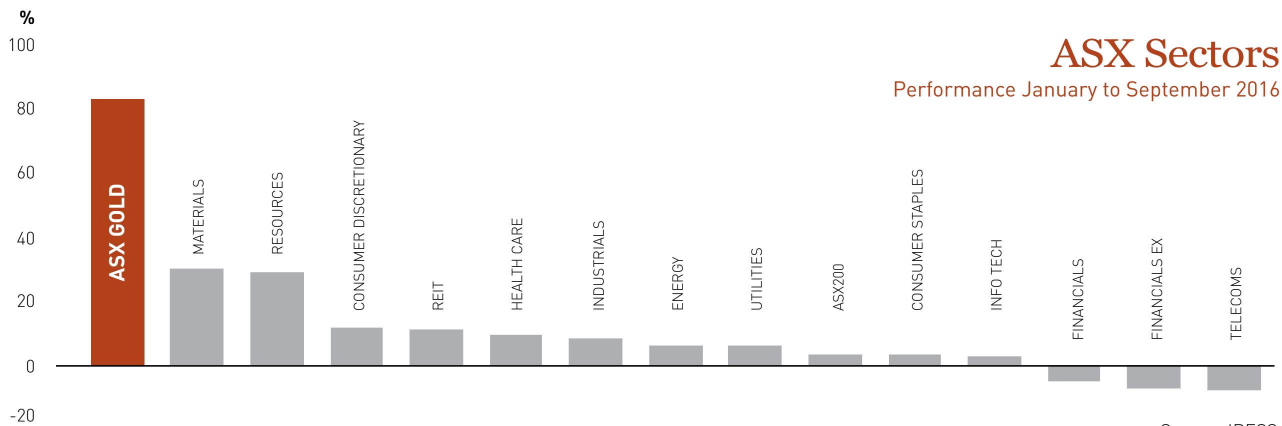
2016 marks a reversal in investor sentiment toward miners, after five years of persistent negative performance which culminated in capitulation selling in 2015. Having previously been regarded as 'risky' and 'irresponsible', perception changed to 'rational' and 'cheap'. The switch has been marked by a strong rally in mining equities, an increase in equity raising frequency and average raising size for miners, and re-opening of the IPO market to miners.

Gold and Gold Equities – leading the way

A stand out feature of mining performance during 2016 has been gold equities. Owing to industry leading cost improvements, gold miners were well placed to capture the benefits of an improving commodity price. Gold opened 2016 at a low price not seen since 2010, but then rallied more than US$300/oz. A revival in investor interest toward gold reflects a range of factors:

- Global uncertainty – elections in the US, Brexit, conflicts in the Middle East and tensions in the South China Sea.
- Ongoing negative real interest rates – which have been historically extremely supportive of gold.

A consequent rally in gold equities is not surprising, however has been exacerbated as investors seeking mining exposure and growth against an otherwise flat market, brought with them strict requirements on company capitalisation, balance sheet strength and cash flow margins. With a limited inventory of suitable companies, investors crowded initially into larger gold stocks. As a result, the ASX gold index is up by 84% during 2016 (to 30 September) and at one stage had more than doubled from the levels of 1 January 2016. Investor appetite has subsequently clearly overflowed into smaller producers and also developers. Smaller, non-producing gold companies fell the furthest during the last five years, but since the improvement in the market have put on the most impressive gains.



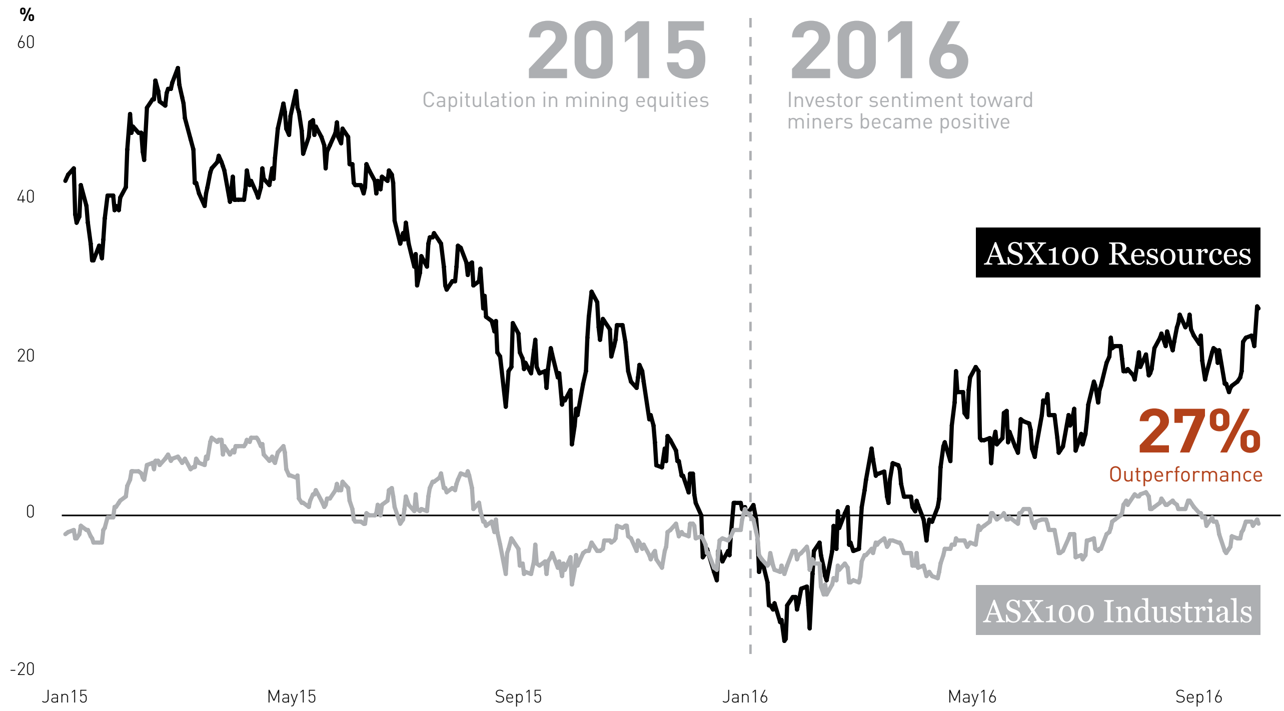
Source: IRESS

Lion Manager's Report

... improvement for miners is a genuine investor movement and not just a rising tide for equities.

Sentiment has also rubbed off onto miners of metals other than gold. Miners generally have benefited from stabilisation in the prices of most mining commodities, and trading profits being recycled from successful gold investments – looking for 'what next'. Performance of miners during 2016 has been against an otherwise flat equity market.

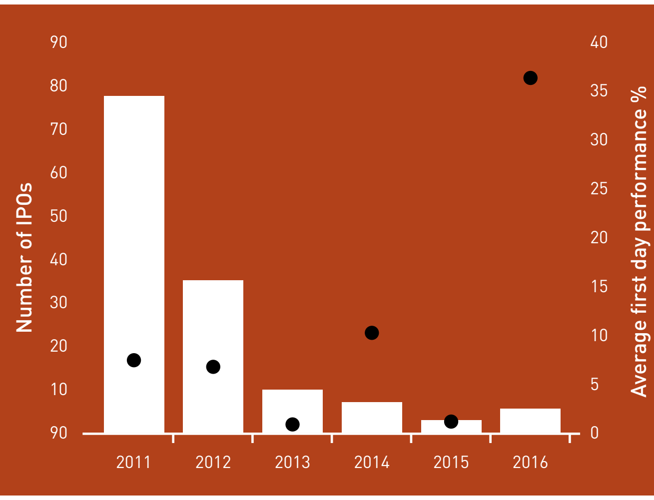
In the nine months to 30 September, the ASX100 Resources index outperformed the ASX100 Industrials by 27% – a signal that improvement for miners is a genuine investor movement and not just a rising tide for equities.



Source: IRESS

Lion Manager's Report

IPO volumes improving after cyclical low and first day performance is well above historic average



Source: ASX, company announcements and IRESS data

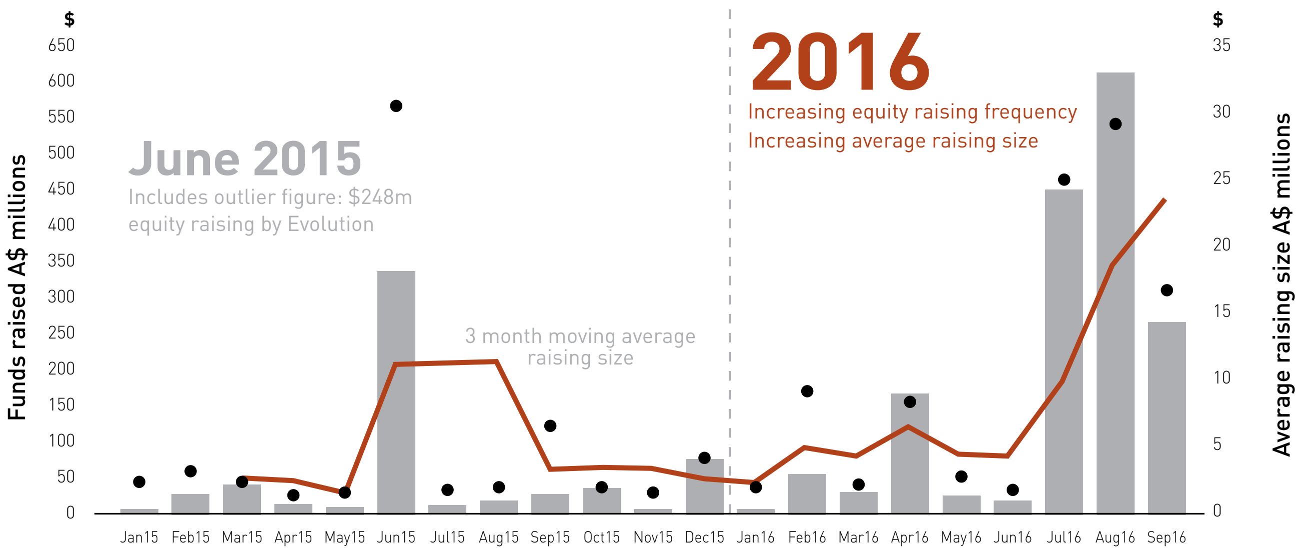
Miners raising equity capital again

Equity price recovery only tells a part of the story of the recovery in investor sentiment. Renewed investor interest has brought liquidity back to the mining space, and made it possible again for miners to raise funds – which had been extremely challenging during the downturn. During 2016 there has been an increased frequency of mining equity raisings as well as increased average size of deals. Importantly, the ability to raise funds extends to junior, non-producing companies who were the hardest hit in the down turn.

Mining IPO market – re-opened

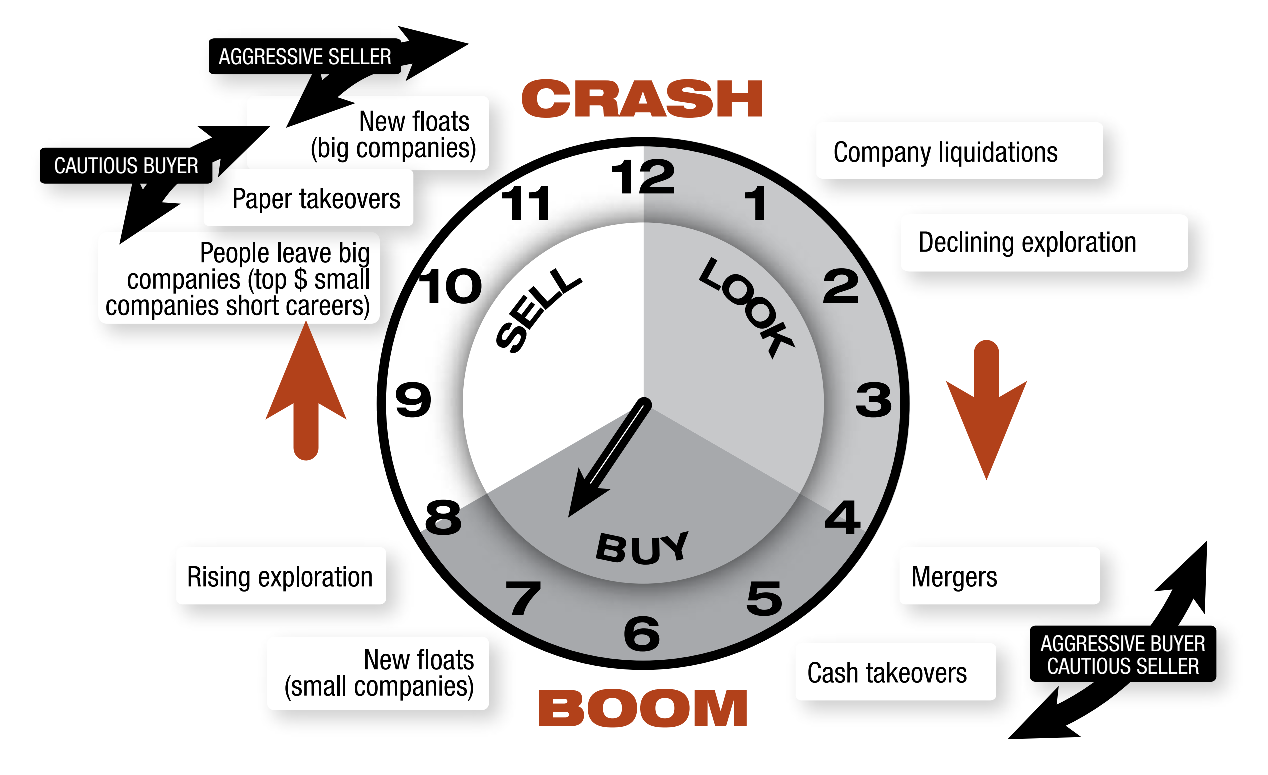
The improvement in liquidity has also led to the re-opening of the IPO market to miners. Initial Public Offerings are a highly discretionary style of capital raising. IPO's require investors to commit funds weeks or months prior to actual trading, in situations where the story has no public market background for investors to examine and no reference trading price. Therefore,IPO's require calm and optimistic investors and cannot rely on idle movement of money. The years of the downturn saw a steady decline in IPO volume for mining companies, which reflected a complete drying up of liquidity. 2016 (to 30 September) has seen five mining IPO's so far, including one of Lion's investments (EganStreet Resources ASX:EGA). This is in contrast to two IPO's of miners in 2015.

Share price performance on the first day of trading also provides valuable insight – share price appreciation during the first trading of a newly listed company indicates investment demand exceeded that available in the IPO capital raising. The average day one performance of mining IPO's from 2011 to present is 8%; average day one performance of mining IPO's in 2016 has been 37%, which is most encouraging.



Source: IRESS data and company announcements

Lion Manager's Report



Lion Clock – 7 o'clock and the BOOM is on

The Lion resources clock depicts the evolution of sentiment through the mining cycle, and is set according to indicators of liquidity which are tracked by the Lion team. 12 o'clock is the time when the market tips over from boom into bust, and 6 o'clock is the turning point from bust into boom. In 2015, referencing an increase in mining M&A volume as miners took advantage of cheap valuations of projects and their peers, as well as improving listings via reverse takeover, the time on the clock was 4:30. It was noted that conditions appeared very much like what would be expected, just before the boom began.

The clock has been adjusted three times since 2015:

5 o'clock – April 2016: Performance of gold equities since 1 January was 40%, miners broadly only 1%. However investors were no longer focussed on unsustainable dividend payments by major miners or balance sheet issues. Miners had become 'cheap'.

6 o'clock – May 2016: Performance of gold equities since 1 January was 59%, miners broadly 8%. By this stage out-performance over industrials was very clear, and equity raisings were becoming more frequent. 6 o'clock marks the lowest ebb of the cycle, and the start of the boom.

7 o'clock – August 2016: Performance of gold equities since 1 January was 95%, miners broadly 25%. The equity raising trend was well underway, however the crucial evidence was the re-opening of the IPO market for miners.

Given the aggressive equity performance during calendar year 2016, it is tempting to think that valuations of miners have run too hard, too fast. Cycle turning points from bust to boom have been characterised a bounce in the sector on limited liquidity in the past, so the events of 2016 are not without precedent. So far, only comparatively few investors have returned to the mining market.

With history as a guide, we expect more and more investors to return to the mining space over the years to come, and have a strong view that the best days of the boom are ahead of us.

Lion Performance

Total shareholder return for Lion Selection Group versus ASX Small Resources Accumulation Index

	Lion	ASX Small Resources
1 Year	42.9%	45.4%
3 Years	-20.4%	-2.9%
5 Years	-14.1%	-17.7%
10 Years	5.5%	-4.0%
15 Years	13.5%	5.8%
Inception – 19 years	7.9%	3.0%

Lion places the greatest emphasis on long term returns, as this timeframe best matches the investment timeframe approach used by Lion.

Past performance is no guarantee of future performance, but we believe the long term performance illustrated above endorses the Lion investment model which importantly has remained unchanged. Lion takes a portfolio approach to invest in companies with quality people and projects, with the advantage of being able to take a long term investment view, elements which are essential to generating excess returns from the small resources sector.

1. Investment performance figures reflect the historic performance of Lion Selection Group Limited (ASX:LSG, 1997–2007), Lion Selection Limited (ASX:LST, 2007-2009), Lion Selection Group Limited (NSX:LGP, 2009–2013) and Lion Selection Group Limited (ASX:LSX, 2013-present).
2. Methodology for calculating total shareholder return is based on MorningStar (2006), which assumes reinvestment of distributions.
3. Distributions made include cash dividends, shares distributed in specie as a dividend, proceeds from an off market buyback conducted in December 2008, and the distribution of shares in Catalpa Resources via the demerger of Lion Selection Limited in December 2009. Lion assume all distributions are reinvested, with all non-cash distributions sold and the proceeds reinvested on the distribution pay date.
4. Investment performance is pre-tax and ignores the potential value of franking credits on dividends that were partially or fully franked.
5. Past performance is not a guide to future performance.
6. Indices used for comparison are accumulation indices, which assume reinvestment of dividends.
7. Source: IRESS, Lion Manager.

One Asia Resources

Lion and Asian Lion own a combined equity interest of 36% of One Asia Resources, an Australian unlisted public company representing one of Lions larger investments. One Asia is focused on the development of the Pani and Awak Mas gold projects in Sulawesi, Indonesia.

Progress at Awak Mas has been particularly pleasing, with a series of positive developments generating renewed interest in the project. At Pani, planning during the year with One Asia's partner Provident for taking the very prospective Pani project into feasibility was undertaken pending resolution of the ongoing ownership dispute on the project. On balance Lion has opted to maintain its One Asia valuation to $0.18/share for the period ending 31 July 2016, noting that the ultimate realised value of an investment in One Asia could be in a very wide range.

One Asia Resources

	PFS Mar 2015	PFS Apr 2016
Resource	60.6Mt x 1.45g/t: 2.83Moz	60.6Mt x 1.45g/t: 2.83Moz
Mined / Treated	23Mt x 1.55g/t [1,2]	23Mt x 1.55g/t [1,2]
Treatment Rate per annum	2.5Mt	2.5Mt
Mine Life	10 years	10 years
Gold Recovered	1.02Moz [3]	1.02 Moz [3]
Cash Operating Cost (C1)	**US$565/oz**	**US$496/oz**
All in Sustaining Cost [4]	**US$638/oz**	**US$535/oz**
Capex	US$198M	US$161M
Including Contingency	18%	18%
Pit Optimisation Gold Price	US$1,250	US$1,250
NPV	**US$166M**	**US$231M**
IRR	**34%**	**49%**

(1) Strip ratio 3.8 : 1 recovery 89.2%.
(2) Includes Inferred Resources from Tarra Main of 2.8Mt @ 1.38 g/t Au.
(3) Includes 111k ounces of gold recovered from an Inferred Resource on Tarra Main.
(4) Quoted All-in-Sustaining Costs as defined by the World Gold Council ('WGC'). Excludes income tax.

Awak Mas

The Awak Mas updated Prefeasibility Study (PFS) (April 2016) combined with positive results from the geological review (August 2016) underline a project with significant value for One Asia shareholders in the current positive gold market.

One Asia's Awak Mas project is held under a 7th generation Contract of Work and is owned 100%. During the year One Asia provided an updated Prefeasibility Study (PFS) for Awak Mas, including Salu Bulo and Tarra Main satellite deposits, benefiting from lower fuel prices and generally declining industry costs. Using a gold price assumption of US$1,250/oz the PFS demonstrates that a commercial scale gold project can be developed at Awak Mas and the results warrant the completion of a Definitive Feasibility Study (DFS).

- **Revised pre-production capital cost estimated at US$161M, (2015: US$198M).**
- Estimated C1 cash costs of **US$496/oz** (2015: US$565/oz) and all-in sustaining costs of **US$535/oz** (2015: US$638/ oz).
- The revised NPV, after taking into account the above capital and operating cost adjustments, is estimated at **US$231M** (at US$1,250 per ounce gold price and an 7.5% discount rate), up from the **US$166M** reported in the PFS for the same gold price and discount rate. This NPV estimation retains the pit design and physical parameters that were used in the 2015 study.

The current Awak Mas economic model assumes power will be provided by a new coal fired power station to be funded and operated by an independent power producer (IPP). The national power grid is being expanded into the region around Awak Mas and there is a possibility that grid power could become available in 2017/18. This could increase confidence in future feasibility work by reducing development risk for power supply and the company has initiated discussions on this alternative. Utilising the local power grid would also provide obvious environmental and social benefits. One Asia continues to refine the economic model, incorporating the findings of geological review, strategic review, updating fuel, power, mining and other costs since the 2016 updated PFS. This is expected to result in a slight escalation in capital and operating costs.

One Asia is actively exploring and evaluating strategic options for Awak Mas. This includes assessing the most appropriate way to fund and manage a DFS and the best pathway to project funding if the DFS confirms the results of earlier work. With gold equity markets relatively buoyant and the economics of Awak Mas improving due to lower costs and higher gold price, One Asia believes it is an opportune time to provide value for One Asia shareholders. A variety of options exist for Awak Mas including vending the project in exchange for shares in a listed entity, taking Awak Mas to a separate IPO, outright sale or taking the project into a DFS within the existing One Asia umbrella. Key issues being considered include the ability to finance and develop the project, management capability, valuation and a timely path to liquidity.

One Asia Resources

Pani Project
One Asia's interest in the Pani project tenement is under an Izin Usaha Pertambangan licence (the Pani IUP) held by a regional co-operative, KUD Dharma Tani Marisa (KUD), formed under Indonesian law. One Asia holds its economic interest in Pani through contractual arrangements with the KUD as its local joint venture partner. In December 2013 One Asia received reports that the KUD signed a co-operation agreement with a subsidiary of publicly listed Indonesian company J Resources over the Pani IUP which conflicts with the contractual obligations the KUD has with One Asia. One Asia advises that all legal agreements with the KUD remain in place under Indonesian law. One Asia continues to liaise with local authorities and its advisors to ensure that those contractual obligations are honoured, and continues to work on-site at the Pani project.

One Asia agreed in May 2015 to a joint venture with Provident Capital Partners Pte Limited (Provident) on its interest in the Pani project. The purpose of the arrangement is to resolve the current Pani IUP dispute, working in co-operation with the KUD and the local community to develop the Pani Project. The ultimate ownership of the joint venture is intended to be 66.6% Provident and 33.3% One Asia, with One Asia and Provident each committing US$4m cash. Progress on resolving the current Pani IUP dispute has been slow but steady, with One Asia and Provident actively working with the KUD, the local community and regional authorities to resolve the current dispute.

In January 2016 the District Court of Marisa ruled on the KUD Management case where the management team lead by Mr Idris Kadji remains supportive of and continues to honour the legal agreements with One Asia, while the opposing management team lead by Mr Uns Mbuinga does not.

One Asia viewed the result of the decision through the Marisa District Court as a positive outcome over the opposing KUD management team lead by Mr Mbuinga. However, the decision also brings into question the validity of the appointment of the management team led by Mr Kadji. The Marisa Court decision was appealed by both parties. On 12 July 2016, the appeal decision was released upholding the original decision on all material issues. This decision has again been appealed by the Defendant, Mr. Mbuinga to the Supreme Court of Indonesia. Based on the information available, the Lion Board has formed the view that at the date of this report there is a reasonable basis to believe One Asia's rights to ownership of the Pani project remains intact and, while subject to uncertainty regarding timing, there are a number of strategic options being actively pursued that the directors believe can provide a satisfactory path forward for developing the project.

One Asia Resources

Pani Project – December 2014 JORC Resource

Classification	Tonnes (Mt)	Au Grade (G/T)	Au (Million Oz)
Measured	10.8	1.13	0.39
Indicated	62.5	0.81	1.63
Inferred	16.2	0.67	0.35
Total	**89.5**	**0.82**	**2.37**

On 3 December 2014, One Asia announced an updated JORC Resource of 2,370,000 ounces of gold at the Pani Project. A summary of the geological resources at a cut-off grade of 0.2g/t is tabulated above. The above resource estimates have been calculated from 137 diamond drill holes for 26,017m of drilling and assays on 24,996 primary samples. The mineralisation remains open to the South and West within the IUP boundary. Pani appears to have compelling economics at current gold prices given the potential for a low stripping ratio, open pit mine and heap leach processing. One Asia and Provident undertook planning during the year for a feasibility study for the project once the ownership dispute is resolved. This included site visits and site work by independent consultants, Provident and One Asia staff.

The Pani IUP was issued in November 2009 for a period of 13 years, and, subject to government approval, is extendable for two 10 year periods. The IUP is subject to the Mining Law 4 of 2009, including applicable royalty rates and levels of local ownership and input.

One Asia Corporate

During the year Lion invested US$0.6m in a One Asia Resources US$1m short term loan facility. It is expected that the loan will convert to a rights issue later in 2016 when sufficient information is available to determine the appropriate issue price of new shares.

The ultimate realised value of an investment in One Asia could be in a very wide range, reflecting the Pani tenure risk, early stage of the Pani project, ability to recognise value for the improving Awak Mas economics, resource upside, development risk, gold price, and other factors. In the event that the current Pani project ownership dispute is not satisfactorily resolved or value cannot be recognised for Awak Mas, the ultimate realised value could be less than 18 cents per One Asia share. Conversely, the ultimate realised value could be far more than 18 cents per One Asia share as the projects are de-risked. In light of information available, and in particular the pricing of One Asia's June 2015 rights issue, the board considers that $0.18/share is the valuation within this range that is most reasonably representative of the fair value under current market conditions.

One Asia remains one of Lion's largest investments, representing a material component of Lion's portfolio. Lion's investment model involves weighting investment towards the best opportunities in the portfolio, which from time to time results in concentration of Lion's portfolio towards specific investments. The Lion board is conscious of the issues of portfolio balance but is of the view that the potential reward from a concentration of the portfolio in One Asia outweighs the risks if the challenges of developing a mine in Indonesia can be overcome.

Roxgold

Roxgold CEO John Dorward and
COO Paul Criddle, first gold pour May 2016

Lion holds an indirect investment in Roxgold through its African Lion 3 Fund which invested US$17M between 2011 and 2013. Yaramoko's 55 Zone has subsequently evolved into one of the highest grade new gold mines globally with an Indicated Resource grade of 15.8g/t gold and Resource and exploration upside remaining to be tested.

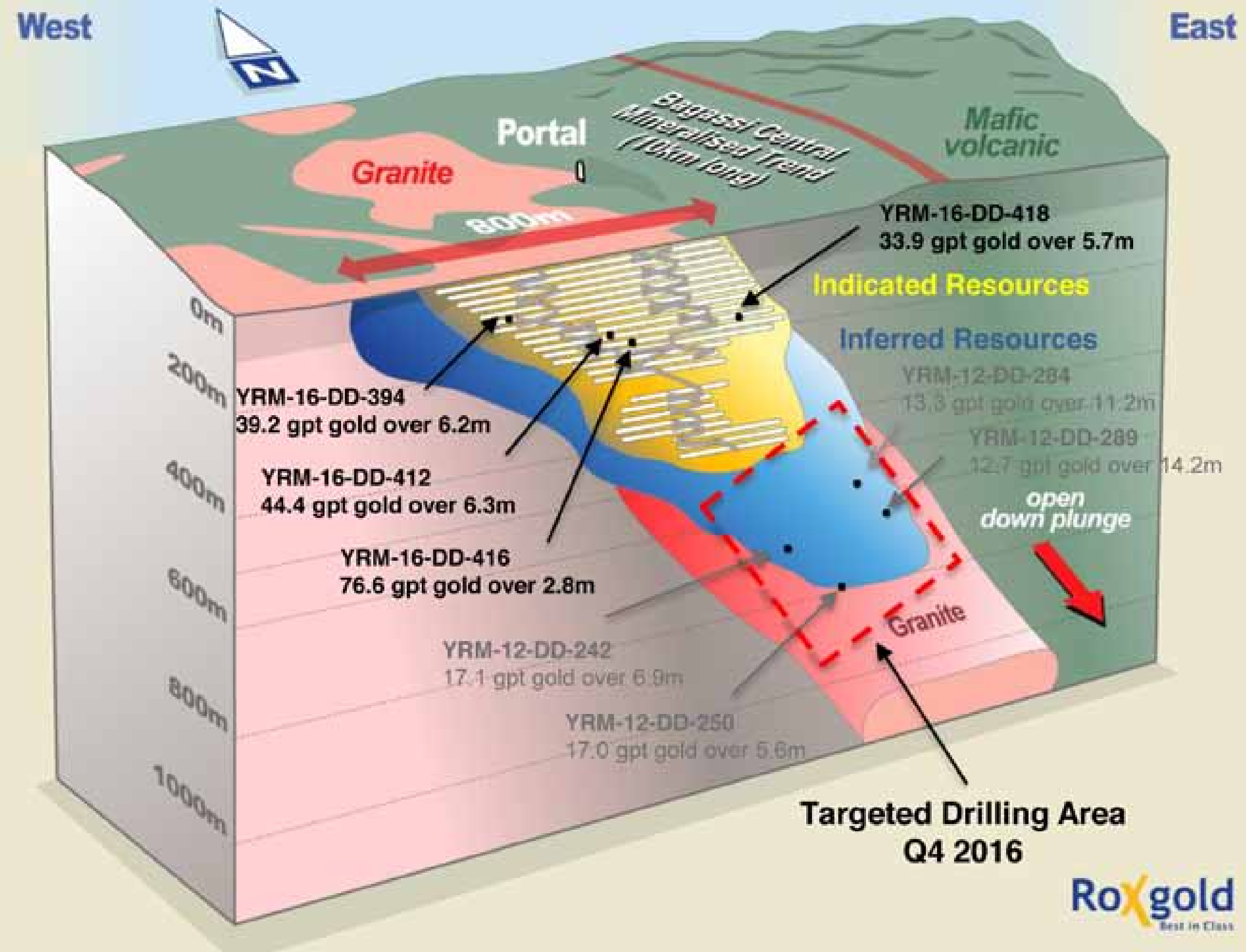
Following the building of an experienced Roxgold mine development team, first production from Yaramoko was delivered ahead of schedule in May 2016 and $4m under budget.

Mining at Yaramoko is currently designed down to 430m depth at the 55 Zone where a Mining Reserve of 2Mt @ 11.8g/t (759,0000zs) has been estimated. The 55 Zone is a near vertical quartz vein system identified over a strike length of 900m and gold mineralised to approximately 1000m depth and remains open. Mining is being progressed from the top of the mine down using sublevel open stoping. Initial stoping has performed well with dilution at below that estimated in the 2014 Feasibility Study. The stope voids are backfilled using cemented rock fill (CRF) to achieve maximum extraction of the ore.

From production start-up May 2016 to the end of September 2016, Roxgold produced 47,469ozs gold at a grade of 15.6g/t gold. The strong production performance resulted in Roxgold building a cash position of US$63.5M as at 31 August 2016.

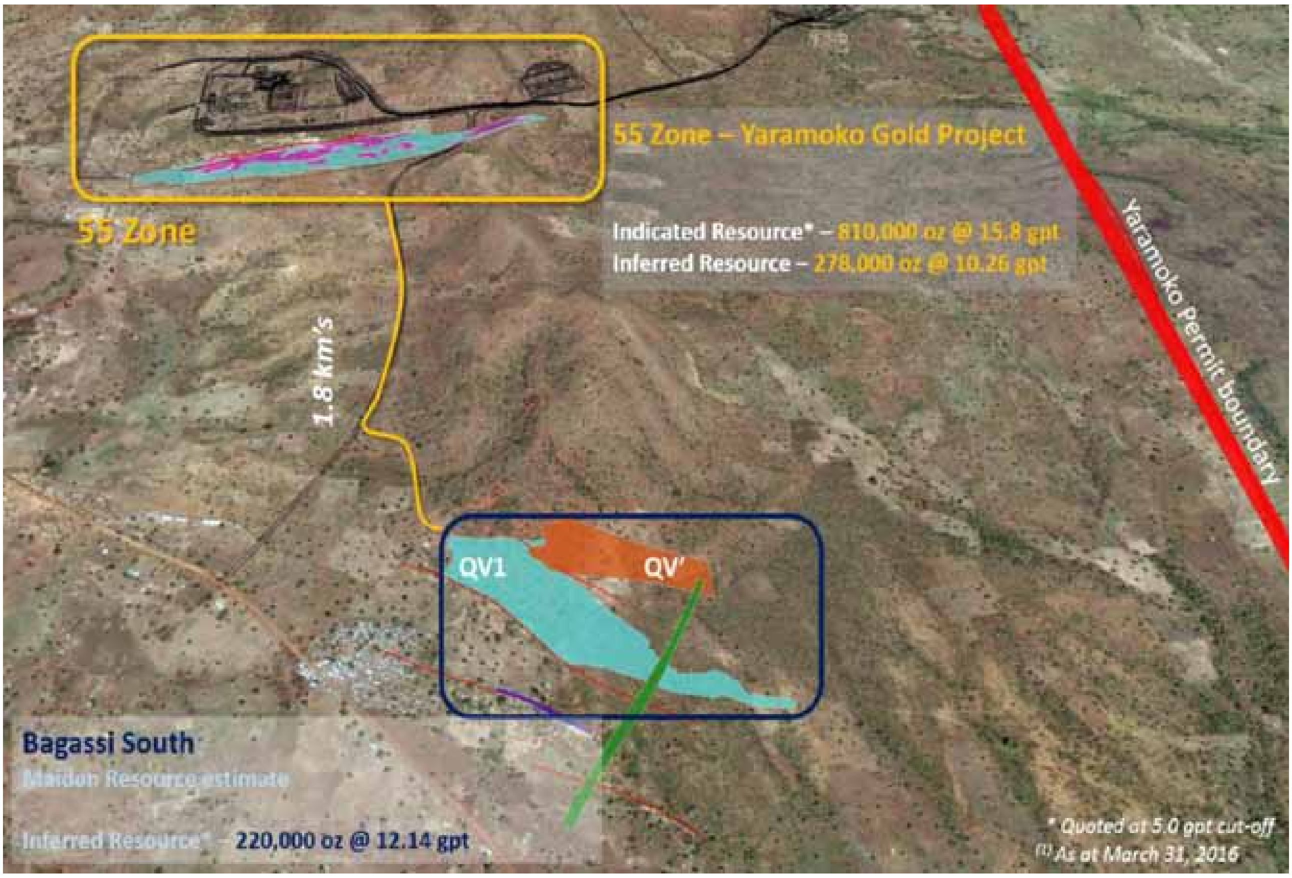
Roxgold is reviewing expansion options based on the positive mining experience gained at 55 Zone and the potential for additional Resources to be defined at Yaramoko and Bagassi South (located 1.8kms from the Yaramoko Mill). At Yaramoko drilling in late 2016 will initially target additional Resources below the existing mine design, from 430m to 1000m depth and upgrade confidence in existing Resources. At Bagassi South drilling will look to expand the Inferred Resource of 563,000t @ 12.14g/t gold (220,000ozs). A new life of mine plan, integrating all this new information is expected early in 2017.

Roxgold holds a 230 sq km exploration licence prospective for additional high grade quartz vein hosted gold deposits and also lower grade but higher tonnage discovery. Following the successful commissioning of the Yaramoko mine and mill, exploration activity will increase and potentially provide additions to life of mine planning scenarios.



Yaramoko – Resource distribution and staged expansion potential

*5.0g/t Au cut-off



Bagassi South location

Erdene Resources Development Corp

Bayan Khundii Gold Project
looking northeast from Westridge

Lion and Asian Lion own a combined equity interest of 6.5% of Erdene Resources Development Corp.

Erdene is one of the few explorers that have remained active in Mongolia since the Government of Mongolia introduced a moratorium over issuing new exploration licenses in 2010. The moratorium has since been lifted, but many exploration and mining companies exited Mongolia during the period. We applaud this persistence which looks to be delivering discovery of a new mineral field, with initial success in areas of outcrop but more recent success using science to look under cover.

Through a combination of 100% held tenure and a strategic alliance with Teck, Erdene is exposed to a substantial holding of unexplored and prospective geology in the fertile gold-copper Tian Shan belt, which hosts several world class assets.

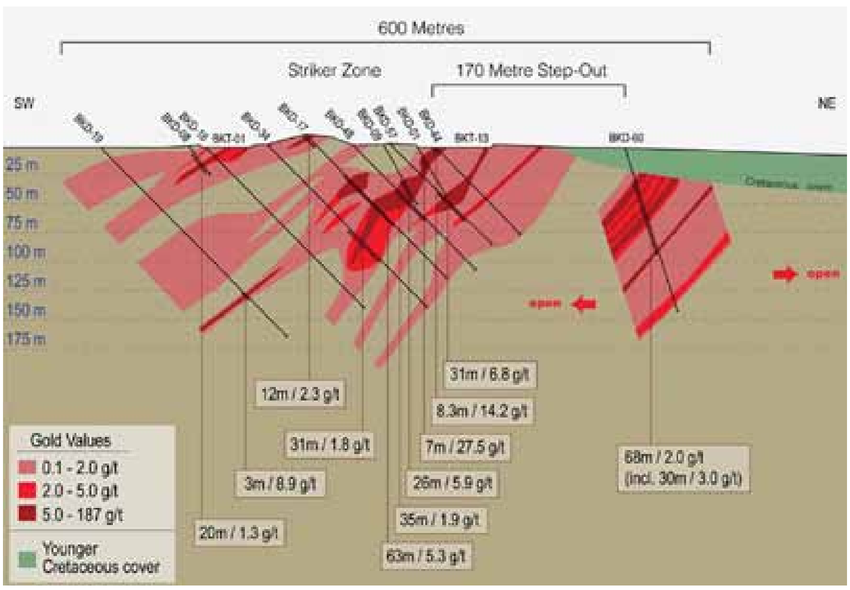
Erdene discovered epithermal gold / silver / lead / zinc mineralisation at Altan Nar in 2014, and has established a small Resource (249koz Au Eq) based on limited drilling of two of a total of eighteen discrete targets that are clustered within a 5.5km x 1.5km zone.

In 2015, Erdene discovered another epithermal system at Bayan Khundii, located 20km from Altan Nar. Drilling during late 2015 and early 2016 demonstrated at least one high grade gold structure within broadly anomalous and pervasively altered package of felsic volcanics. The best intersections reported from the first phase of drilling include 7m at 27.5g/t and 63m at 5.3g/t, both intersections close to surface.

Erdene is in the process of discovery at Bayan Khundii, and is yet to commence project economic assessment.

We further applaud Erdene directors and staff for 'belt tightening' during the base of cycle 2011-2015 when funding was difficult. They cut administration costs in order to keep exploring. Something that was rare amongst ASX juniors and a lesson we should learn from our Canadian friends.

Striker Zone heading northeast
under younger cover



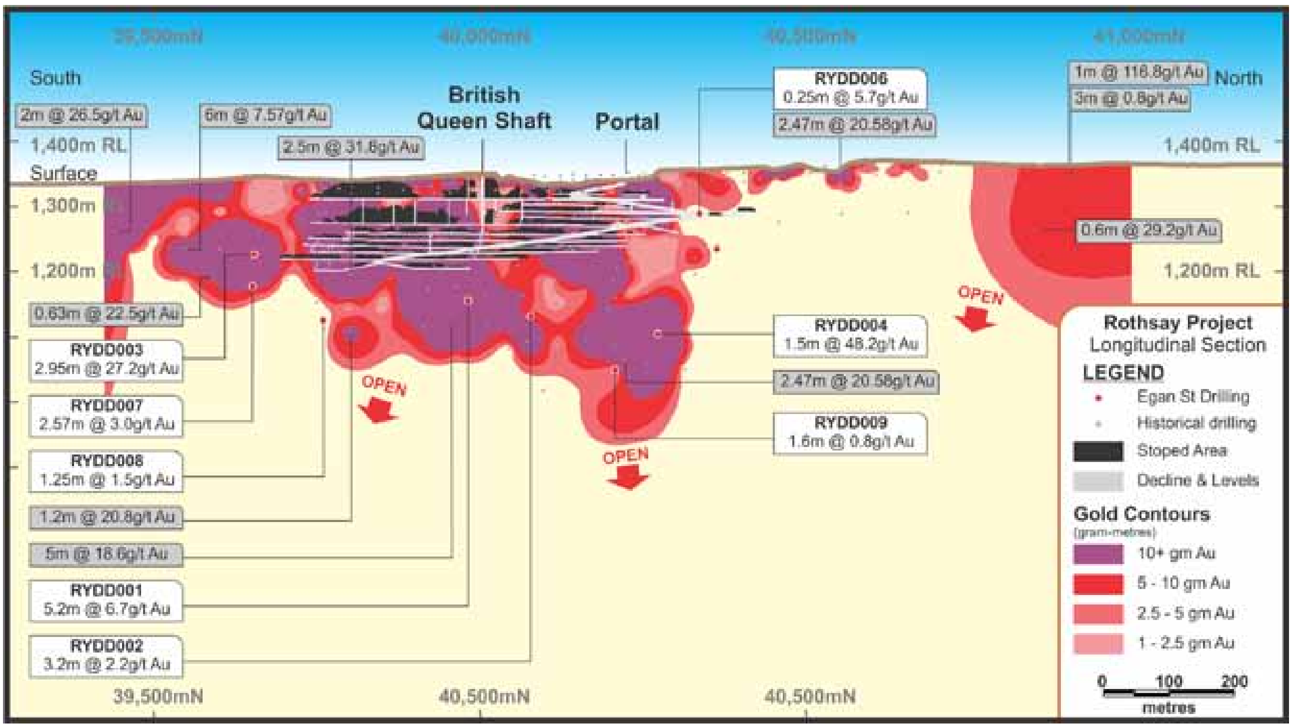
EganStreet Resources

Lion holds a 16.59% interest in EganStreet Resources Limited. Lion first invested in EganStreet Resources, which has been renamed from Auricup Resources, in 2011. Having missed the market window to list, Auricup did what work it could on limited funding between 2011 and 2014. In 2015, the company turned a corner, appointing two new directors (Marc Ducler and Lindsay Franker) who were to become executive management if the company could be listed.

Auricup examined a substantial number of opportunities to list the company via a reverse takeover (RTO), but could not find one with acceptable terms. A pitch from a stockbroker for a conventional IPO coincided with improving market conditions in early 2016. After renaming the company and a reconstruction of capital, EganStreet Resources raised A$6m via a fully underwritten rights issue and small placement and listed on ASX on 13 September 2016.

EganStreet is focused on the Rothsay gold deposit, located approximately 300km north-north east of Perth, in the Southern Murchison region of Western Australia. Rothsay is a high grade gold deposit, containing an Indicated and Inferred Mineral Resources of 226koz at 11.3g/t gold.

Significantly, the Resource is open and there are multiple additional prospects and Resource extension opportunities. The focus of the company is principally to conduct Mineral Resource definition and extension drilling and to examine the economics of establishing a profitable, stand-alone gold producing mine at Rothsay.



Principal Risks and Uncertainties

The activities of Lion are subject to risks that can adversely impact its business and financial condition. The risks and uncertainties described below are not the only ones that Lion may face. There may be additional risks unknown to Lion and other risks, currently believed to be immaterial, which could turn out to become material.

Risk Factor	Nature
Investment in resource companies	Lion has investments in a range of resource companies whose exploration, development and mining activities are at varying stages. Lion's investees are subject to operating risks that are inherent to mining and exploration activities, and may influence the financial performance and share price of the investees. The value of Lion's investments in these companies, and in turn the financial performance of Lion itself, will continue to be influenced by a variety of factors including: • general investment, economic and market conditions as outlined above, which can affect the investee's performance and share price; • exploration is a speculative endeavor which may not result in investees finding economic deposits capable of being successfully exploited; • mining operations may be affected by a variety of factors which may or may not be within the control of the investee; • depending on the location of its exploration and/or mining activities, an investee may be subject to political and other uncertainties, including risk of civil rebellion, expropriation, nationalisation, and renegotiation or nullification of existing contracts, mining licences and permits or other agreements; • reliance on the performance of key management of Lion, investees and Lion Manager; • investees may enter into hedging transactions to fix the commodity price for a portion of production and there is a risk that the investee may not be able to deliver into these hedges if, for example, there is a production shortage at their mining operations, which could adversely affect the investee's operating performance if the commodity price moves unfavourably; • investees that borrow money are potentially exposed to adverse interest rate movements that may affect their cost of borrowing, which in turn would impact on their earnings and increase the financial risk inherent in their businesses. In this situation there is also risk that an investee may not be able to repay its debts and may be at risk of bankruptcy; • resource nationalisation, politicial unrest, war or terrorist attacks anywhere in the world could result in a decline in economic conditions worldwide or in a particular region, which could impact adversely on the business, financial condition and financial performance of the investee; • there is a risk that investees may lose title to mining tenements if conditions attached to licences are changed or not complied with. Further, it is possible that tenements in which Lion's investees have an interest may be subject to misappropriation or legal challenge in jurisdictions without well-established legal systems. • a form of native title reflecting the rights and entitlements of indigenous inhabitants to traditional lands may exist on investee's tenements, such that exploration and/or mining restrictions may be imposed or claims for compensation forthcoming; and • the high initial funding requirements of emerging exploration and mining companies can result in delays in developing projects and a lack of liquidity, which may affect Lion's ability to invest or divest.
Market Movements	The performance of Lion and the prices at which its shares may trade on ASX can be expected to fluctuate depending on a range of factors including movements in inflation, interest rates, exchange rates, general economic conditions and outlooks, changes in government, fiscal, monetary and regulatory policies, prices of commodities, global geo-political events and hostilities and acts of terrorism. Certain of these factors could affect the trading price of Lion's shares, regardless of operating performance. Lion attempts to mitigate these factors by implementing appropriate safeguards and commercial actions but these factors are largely beyond Lion's control. The underlying value of Lion's investments in its investees also may not be fully reflected in Lion's share price.
Reliance on key personnel	A number of key management and personnel is important to attaining the respective business goals of Lion. One or more of Lion's or Lion Manager's respective key employees could leave their employment, and this may adversely affect the ability of Lion to conduct its business and, accordingly, affect the financial performance and share price of Lion. Further, the success of Lion in part depends on the ability of Lion and Lion Manager to attract and retain additional highly qualified management and personnel.
Growth	Lion continues to seek to grow both organically and through new investment opportunities. There are always risks that the benefits, synergies or efficiencies expected from such investments or growth may take longer than expected to be achieved or may not be achieved at all. Growth also brings substantial demands on management. The Lion board and the Lion Manager apply their experience to the evaluation and financing of new opportunities to determine whether the expected risks and rewards of those opportunities meet Lion's requirements and its strategies for diversification of risk and for capital and income growth. The operating results of Lion will largely depend on the ability of the Lion board to make sound investment decisions.

Corporate Governance Statement

As a professional investor in junior miners, Lion is particularly focussed on the corporate governance of its investee companies. Lion's approach is based on experience through multiple resource cycles and reflects its view that in corporate governance one size does not fit all and careful consideration must be given for smaller mining companies, notably a material sub-set of ASX listed companies. Three key departures are relevant, in particular for pre-production mining companies:

(1)

Because the mineral resource/ore reserve usually has both greater value and risk than purely financial assets, a company's internal controls and processes surrounding establishing and announcing these are one of the most material aspects for pre-production mining companies. This extends to studies that seek to establish parameters around how a mining operation might operate. This area may have been overlooked in the current ASX guidelines and consideration should be given for how mining companies approve such releases, and having geological and mining expertise at board level to understand the issues and provide formal approval. Regulatory debate in 2016 has focussed on scoping study disclosure and restricting release of this information which is vital to investor comprehension and proper functioning of the ASX as a funding mechanism. Lion opposes any restriction on disclosure of feasibility work.

(2)

The ASX Corporate Governance Council requires listed firms to adopt a majority of 'independent' board members without links to management or substantial shareholders (ie 5% or greater shareholding), or explain 'if not, why not'. The concept is that such directors should be more dispassionate and less biased in favour of either management or significant shareholders. We note that there is limited empirical research supporting that such boards add value to a company, and in Lion's experience this structure can be detrimental for junior mining companies. Lion concurs that it is essential that a board operates as an effective check on management, however a non-executive director with a significant shareholding is often better placed to fulfil this role, and has interests closely aligned with the general shareholder register. Junior mining companies often have many challenges to be overcome to develop their projects, and need the necessary entrepreneurial drive to achieve this. In a crisis, an ASX-defined independent director risks being disinterested, overly conservative, or may lack the fortitude to see the task through when their personal incentives are limited to on-going directors fees.

(3)

The ASX guidelines provide that non-executive directors should not receive options with performance hurdles or performance rights as part of their remuneration which may lead to bias in their decision making and compromise their objectivity. Lion notes that pre-production mining companies almost always have limited cash, and issuing appropriately structured options both reduces the cash burden on the company and provides greater alignment with the interests of shareholders.

Corporate Governance Statement

The Board of Directors of Lion is committed to high standards of corporate governance. This statement summarises the Company's corporate governance framework. Full documentation may be viewed on Lion's website, www.lionselection.com.au/about-lion.

The Board

The Board of directors monitors the progress and performance of Lion on behalf of its shareholders, by whom it is elected and to whom it is accountable. The Board charter seeks to ensure that the Board discharges its responsibilities in an effective and capable manner.

The Board's primary responsibility is to satisfy the expectations and be a custodian for the interests of its shareholders. In addition, the Board seeks to fulfil its broader ethical and statutory obligations, and ensure that Lion operates in accordance with these standards. The Board is also responsible for identifying areas of risk and opportunity, and responding appropriately.

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

In addition, the Board guides strategic planning and ensures it adheres to the interests and expectations of Lion's shareholders, manages risks and opportunities, and monitors company progress, expenditure, significant business investments and transactions, key performance indicators and financial and other reporting.

Composition of the Board

Lion recognises that Recommendation 2.1 of the Principles and Recommendations of the ASX Corporate Governance Council suggests the establishment of a Nomination Committee and associated Charter. However, in view of the small size of Lion's Board, the Board in its entirety, acts effectively as Nomination Committee and there is no need to further subdivide it. As such, a Nomination Committee is an unnecessary measure for Lion.

The Lion Board as a whole reviews the size, structure and composition of the Board including competencies and diversity, in addition to reviewing Board succession plans and continuing development.

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

Lion's Constitution provides that the number of directors is to be determined by the Board and shall not be less than three. As a matter of policy, the Board is comprised of a majority of independent non-executive directors. At present, the Company has four directors – three independent non-executive directors, being Barry Sullivan (who is also the Chairman), Chris Melloy and Peter Maloney, and an executive director, Robin Widdup. The relevant skills, experience and expertise of each director as well as the period of office held by each director are described on page 29 of the Director's Report.

Independence

The independent and objective judgment of Lion's directors is of paramount importance to the effective operation of the Board. Independence is defined for the purposes of the director as he/she being independent of any business relations, whether managerial or otherwise, with Lion or its actual or potential investments which might interfere with their ability to make sound, unfettered, objective judgments, and act in the best interest of Lion and its shareholders.

The directors' independence is regularly assessed by the Board.

Relationship with African Lion (AFL) and Asian Lion Limited (ALF)

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

The Manager has been appointed by the shareholders of these funds to implement its investment strategy and manage their investments. This includes all steps of the investment selection process and making of recommendations to the Investment Committee of each fund.

Corporate Governance Statement

Management agreements have been established to formalise the relationship between the funds and the Manager. The Manager, under these agreements, undertakes to act as investment manager for the funds. The Manager is at liberty to engage specialists and consultants as appropriate to assist in the assessment process and provides a regular flow of information to Lion's directors.

However, the investment committee including Lion's representative retains the power to make the final investment decision on the basis of this information and advice. This retention of final investment decisions allows the investment committee to effectively review the function and proficiency of the Manager and of the investment selection processes.

Corporate Governance
The Board will at least annually review Lion's corporate governance policies and practices and seek assurance that the policies and practices are being observed, and that subject to size constraints, they are consistent with contents and format of the corporate governance statement required by the Australian Stock Exchange (ASX).

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

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities by reviewing:

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

The Audit Committee consists only of non-executive directors, all of whom are independent. All members of the Audit Committee must have a working knowledge of basic finance and accounting practices.

The external auditor and members of the Manager and Board of Directors may be invited to attend the meetings and to provide information as necessary.

Members of the Audit Committee at the date of this report are Peter Maloney (Chairman), Chris Melloy and Barry Sullivan.

Nomination Committee
Lion recognises that Recommendation 2.1 of the Principles and Recommendations of the ASX Corporate Governance Council suggests the establishment of a Nomination Committee and associated Charter. However, in view of the small size of Lion's Board, the Board in its entirety, acts effectively as Nomination Committee and there is no need to further subdivide it. As such, a Nomination Committee is an unnecessary measure for Lion.

The Lion Board as a whole reviews the size, structure and composition of the Board including competencies and diversity, in addition to reviewing Board succession plans and continuing development.

Nomination, Appointment and Retirement of Directors
The directors of the Board are specifically and individually selected for their diverse skills and knowledge already acquired through their education, professions, experience, positions held and ongoing exposure to industry.

If a vacancy occurs or if it is considered that the Board would benefit from the services and skills of an additional director, the Board selects a panel of candidates with appropriate expertise and experience and, after assessment, appoints the most suitable candidate.

Lion's Constitution requires that directors appointed by the Board submit themselves for re-election at the first meeting of shareholders following their appointment. Whilst directors are not appointed for a fixed term, under the Constitution, one-third of the directors (excluding any Managing Director) must retire by rotation each year and submit themselves for re-election by shareholders.

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

Compensation Arrangements and Remuneration Committee
Due to the small size of the Lion Board and the fact that remuneration matters are monitored by the Board in its entirety, the Board believes a separate Remuneration Committee is unnecessary and inappropriate.

Neither the Executive Director nor Chief Executive Officer receives any remuneration from the Company, but are paid by the Manager, which receives fees from the Company as per the Management Agreement. Additionally, remuneration matters for the Company predominantly relate to the remuneration paid to the Manager, something which is addressed by a set formula in the Management Agreement.

Corporate Governance Statement

Lion's Constitution stipulates that the aggregate remuneration available for division amongst the non-executive directors is determined by the shareholders in general meeting. With shareholder approval, the aggregate was increased to $200,000 per annum commencing 1 August 2011. This amount, or some part of it, is divided among the non-executive directors as determined by the Board. At present the aggregate annual remuneration paid to non-executive directors is $132,000.

Performance Evaluation

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

Business Risks

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

Risks associated with the exploration and mining industry include geological, technical, management competence, 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 risks;
- downturn in the stock market; and
- changes to the law – corporations/taxation legislation.

Individual investments each have their own risks which relate to the mining industry generally. Under the guidance of the Lion board, the Manager has established procedures relating to investment and divestment decisions, and management of investments with emphasis on risk assessment. The Manager reports through monthly reports and at Board and investment meetings on Lion's investments and related risk.

The activities of Lion are subject to risks that can adversely impact its business and financial condition. Principal risks and uncertainties are described on page 18.

Code of Conduct

The Board acknowledges the need for the highest standards of corporate governance practice and ethical conduct by all directors and employees of both the Company and the Manager.

The directors of Lion, all company employees, directors and employees of the Manager, undertake to preserve the highest standards of integrity, accountability and honesty in their dealings, operating in strict adherence to statutory and ethical obligations. These individuals are mindful and respectful of relevant policies and responsibilities.

The Company's practices are stringently monitored by the Board, while the Board itself is subject to the principles of its charter and upholds a high standard of independence, objectivity and openness in its dealings and relationship with shareholders and the management team.

The Shareholder Communications Strategy, the Securities Trading Policy, and the Continuous Disclosure Policy collectively form a solid ethical foundation for company practices.

Securities Trading Policy

Lion has an established Securities Trading Policy. This policy is summarised below.

As a result of the nature of the business of Lion (together with any subsidiaries, and the Manager referred to as the Lion Group), directors, officers and other employees of the Lion Group will be in possession of information regarding a wide range of small and medium sized exploration and mineral production companies. From time to time some of this information may be classified as 'inside' information. They may also be aware of potential transactions between small and medium sized exploration companies and other companies.

Lion has adopted a policy and procedure designed to prevent the possibility of any actual or perceived conflict of interest between the interests of the Lion Group and its directors, officers and employees. They are also designed to prevent any insider trading by any director, officer or employee of Lion in the securities of Lion, investee companies and other companies where they may be in possession of insider information.

Supervisory and Compliance Procedures

Lion has procedures to ensure all directors, officers and employees of Lion are familiar with these policies, that they are reviewed on a regular basis and updated as necessary.

The trading activity of each director, officer and employee is reviewed from time to time.

Compliance procedures are in place which restrict trading by directors, officers and employees in securities of small and medium sized exploration and mining companies, and companies where a potential conflict of interest may occur.

Continuous Disclosure Policy
Lion is committed to continuous disclosure of material information as a means of promoting transparency and investor confidence. The practices of Lion are fully compliant with the ASX listing rules, including in particular those regarding continuous disclosure.

Lion will immediately notify the market of any information concerning itself which is not subject to the exceptions in the ASX Listing Rules and which a reasonable person would expect to have a material effect on the price or value of Lion's securities.

The Chief Executive Officer and the Company Secretary of Lion (Management) is responsible for the regular review of Lion's affairs to ensure that any relevant information is promptly announced to the ASX. Management is well aware of its legal responsibilities regarding continuous disclosure under the ASX Listing Rules. Management ensures that the processes governing the review and release of material information ensures compliance with these obligations, and that information is released in an efficient and consistent fashion. Where there is any disagreement or ambiguity as to the release of particular information, members of management will consult the full Board. Events such as trading halts, if they occur, will be arranged by the Management.

Release of material information to the ASX is conducted by Lion's Company Secretary. Where the ASX contacts Lion, for example in the event of unusual share price fluctuations, communications are managed by the Company Secretary.

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

Shareholder Communication
In addition to the management and investment services the Manager provides to Lion, it also provides comprehensive investor relations services which are reviewed annually by the Lion board. Both the Lion board and the Manager are mindful of the importance of not only providing information, but also encouraging and enabling two-way communication between the Company and its shareholders.

Lion's Other Corporate Governance Policies

Local Indigenous Communities
Lion has a policy that developments of Investees are not exploitative of local and indigenous communities and to assist such communities through symbiotic project development. This assistance is likely to focus on health, education and employment of indigenous people near to Investee companies' development projects.

Environment
Lion has a policy that environmental impact of developments is in line with country/international standards and does not adversely impact local communities.

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

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

To achieve its social governance objectives, the Company considers the following areas of activity:
- Exploration/access to land and resources.
- Project development and governance of mining and processing activity.
- Rent (royalty, tax etc) capture and distribution.
- Stewardship of water, biodiversity and energy use.
- Waste management.
- Social and environmental aspects of mine closure.

Director's Report

The Directors of Lion Selection Group Limited ('Lion' or 'the Company') submit their report on the operations of the Company for the financial year ended 31 July 2016.

At the date of this report, Lion had 106,911,630 fully paid ordinary shares on issue.

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

- Barry Sullivan
  Non-Executive Chairman
- Peter Maloney
  Non-Executive Director
- Chris Melloy
  Non-Executive Director
- Robin Widdup
  Director

Principal Activities
During the financial year the principal continuing activities of the Company were investment in mining and exploration companies.

Operating and Financial Review
This financial report is prepared in accordance with Australian Accounting Standards and therefore includes the result of the 'mark-to-market' of the Company's investment portfolio in both the Statement of Comprehensive Income and the Statement of Financial Position.

The Company's profit before tax for the year was $10.8 million (2015 loss: $33.5 million). This includes a realised gain from the sale of investments and an unrealised gain from mark to market movements in its investment portfolio recognised in the Statement of Comprehensive Income as set out in the table below.

The result for the year reflects a net mark to market gain of $11.9 million with respect to investments (42% increase compared with value of assets held at 31 July 2015). This includes an unrealised gain of $7.1 million. This improvement compares with the ASX Small Resources index increasing 43% during the year. The mark to market gain of $11.9 million in the portfolio value to 31 July 2016 includes:

- An increase in Lion's investment in African Lion 3 of $6.5 million, predominantly as a result of the underlying performance of Roxgold Inc, a TSX-listed company that successfully financed and constructed a high grade gold mine in Burkina Faso during the year.
- An increase in the value of Lion's direct investment in Doray Minerals of $4.8 million driven by higher gold prices. Lion realised its investment in Doray during the year.
- An increase in the value of Lion's direct and indirect holdings in Erdene Resource Development Corporation of $1.1 million reflecting exploration success discovering the Bayan Khundii project in Mongolia.

➔

	2016 $'000	2015 $'000
Gains/(Loss) attributable to movement in fair value of investments		
Mark to Market adjustment for period – investments realised during period	**4,747**	218
Mark to Market adjustment for period – investments held at end of period	**7,122**	(32,697)
Gains/(Loss) attributable to movement in fair value of investments	**11,869**	**(32,479)**
Results of Investments Realised During Period		
Sales Proceeds	**8,318**	945
Historical Cost of sales	**(6,736)**	(807)
Gross profit/(loss) measured at historical cost on investments realised	**1,582**	**138**
Represented by:		
Mark to Market recognised in prior periods	**(3,165)**	(80)
Mark to Market recognised in current period	**4,747**	218
	1,582	**138**

Gross profit/ (loss) on investments realised during the period includes mark to market adjustments realised in the current period as well as mark to market adjustments recognised in the Statement of Comprehensive Income in prior periods as set out in the table above.

Director's Report

Lion's directors believe it is important for shareholders that its financial statements and this report explain both the effect of realisation of its investments and mark to market of its investments on its results for the financial year. During the year Lion had a profit measured at historic cost on investments realised of $1.6 million largely with respect to the sale of its shares in Doray Minerals.

Profit after tax attributable to members was $10.8 million and earnings per share were 10.2¢.

During the year the company made new or follow-on investments totalling $2.9 million as follows:

Purchases:	**million**
One Asia Resources	$0.8
African Lion 3	$0.5
Doray Minerals	$0.4
Erdene Development Corp	$0.3
Other Investments	$0.3
	$2.3

Sales:	
Doray Minerals	$8.3
	$8.3

Distributions:	
African Lion 3	$0.2
African Lion 2 *	$0.1
	$0.3

*includes $0.1 million in specie distribution from AFL2 closure

At 31 July 2016 the Company held investments valued at $28.0 million (31 July 2015: $22.3 million), and cash of $13.2 million (31 July 2015: $8.1 million). Roxgold represents Lion's single largest investment valued at $10.3 million (including direct and indirect holdings).

Dividends
No dividend was declared or paid during the year (2015: Nil).

Compliance with Environmental Regulations
Lion has a policy that environmental impacts of developments of investees are in line with country/international standards and do not adversely impact local communities.

Lion has not been notified by any investee of any environmental breach by any government or other agency, and is not aware of any such breach.

Significant Changes in the State of Affairs
There were no significant changes in the State of Affairs of the Company.

Significant Events after Balance Date
There has not arisen in the interval between the end of the year and the date of this report, any item, transaction or event of a material or unusual nature which has or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future periods.

Proceedings on Behalf of the Company
No proceedings have been brought or intervened in or on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001.*

Likely Developments and Future Results
The Company's future operating results will depend on the results of its investments, and in particular its largest investment, One Asia. The Company's ability to sustain profits is dependent on future sales of investments which in turn are dependent on market opportunities and the performance of the Company's various investments, which are difficult to predict.

There are a wide variety of risks associated with the mining and exploration industry including market conditions, exploration, operational and political risk, tenure of tenements, liquidity and native title issues. Because of the vagaries of the mining and exploration industry and the long term nature of most of Lion's investments, the directors are unable to predict future results.

Corporate Governance Statement
In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Lion support the applicable principles of good corporate governance. The Company's corporate governance statement is contained in the annual report.

Employees
At 31 July 2016 there was 1 full time equivalent employee of the Company (2015: 1 FTE).

Remuneration Report
All disclosures in this remuneration report have been audited. This remuneration report outlines the director and executive remuneration arrangements of the Company as required by section 308 (3C) of the Corporations Act 2001. For the purposes of this report, key management personnel of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director, and includes the executive employed by the Company considered to meet the definition of key management personnel.

Key Management Personnel Remuneration Framework
Emoluments of individual Board members and other key management personnel are determined on the basis of market conditions and the level of responsibility associated with their position. The emoluments are not specifically related to company performance and there are no long-term or short-term performance-related incentives provided to key management personnel. Remuneration and other terms of employment for key management personnel are formalised in either service agreements or employment contracts.

The remuneration policy in relation to directors is determined by the full Board. Remuneration of other key management personnel is determined by the directors of the Company. Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. As approved by shareholders at the Annual General Meeting held on 1 December 2011, the maximum aggregate amount, including superannuation contribution, that may be paid to directors of the Company as remuneration for their services is $200,000 for any financial year.

Other key management personnel receive a base salary and superannuation contributions in accordance with Australian superannuation guarantee legislation.

Lion's only contracted executive, Ms Jane Rose, is employed under an employment contract with no fixed duration. The contractual notice period under this agreement is 3 months with no termination benefit specified in the agreement. The other Key Management Personnel are not subject to any notice period or termination benefit with respect to their positions with the Company.

The remuneration policy of the Company with respect to directors and other key management personnel provides for Director's & Officer's (D&O) Insurance cover, but does not provide options, shares, loans or any other non-monetary benefits.

Voting and Comments at the Company's 2015 Annual General Meeting
The Company received more than 98% of 'yes' votes on its Remuneration Report for the previous financial year. The Company did not receive any specific feedback at the Company's 2015 Annual General Meeting on its remuneration practices.

Details of Remuneration
Details of remuneration paid/payable to directors and the other key management personnel of the Company are detailed in the table on page 27. The benefits provided to Key Management Personnel are fixed with no at-risk components of remuneration.

Key Management Personnel Shareholdings
At the date of this report the direct and indirect interests of the directors and other key management personnel in the ordinary shares and options of Lion are detailed on page 28. No shares or options were issued as remuneration.

KEY MANAGEMENT PERSONNEL OF THE COMPANY – REMUNERATION FOR YEAR TO 31 JULY 2016

2016		SHORT TERM BENEFITS		TERMINATION BENEFITS	POST-EMPLOYMENT SUPERANNUATION	TOTAL
		SALARIES/ FEES	CASH BONUS			
NAME	NOTES	$	$	$	$	$
Directors						
P J Maloney		5,083	-	-	27,917	**33,000**
C P Melloy		8,000	-	-	35,000	**43,000**
B J K Sullivan		37,152	-	-	8,848	**46,000**
R A Widdup	(a)	-	-	-	-	**-**
Other Key Management Personnel						
C K Smyth	(a)	-	-	-	-	**-**
J M Rose		86,055	-	-	8,175	**94,230**
Total		**136,290**	**-**	**-**	**79,940**	**216,230**

2015		SHORT TERM BENEFITS		TERMINATION BENEFITS	POST-EMPLOYMENT SUPERANNUATION	TOTAL
		SALARIES/ FEES	CASH BONUS			
NAME	NOTES	$	$	$	$	$
Directors						
P J Maloney		23,250	-	-	28,750	**52,000**
C P Melloy		7,083	-	-	32,917	**40,000**
B J K Sullivan		36,530	-	-	3,470	**40,000**
R A Widdup	(a)	-	-	-	-	**-**
Other Key Management Personnel						
C K Smyth	(a)	-	-	-	-	**-**
J M Rose		86,055	-	-	8,175	**94,230**
Total		**152,918**	**-**	**-**	**73,312**	**226,230**

(a) R A Widdup and C K Smyth are employed by Lion Manager Pty Ltd, and do not receive any remuneration from the Company

Both Mr R A Widdup and Mr C K Smyth are executive directors and beneficial owners of Lion Manager Pty Ltd and have the capacity to significantly influence decision making of that company. Lion Manager provides management and investment services to Lion. These arrangements were approved by shareholders at Lion's AGM on 5 December 2012, with ongoing management fees of 1.5% p.a. based on the direct investments under management, currently equating to $645,000 per annum plus GST. There is an incentive applicable which would apply where Lion's performance outperforms a benchmark. In addition, up to a 12 month termination fee may be applicable should Lion seek to terminate the management agreement. Further details of the Management Agreement are set out in the Notice of Meeting for the 2012 AGM, available on Lion's website. As at the date of this report no incentive fee had accrued with respect to the Lion Manager contract.

In addition, from 1 August 2013 Lion has requested Lion Manager provide comprehensive Investor Relations services associated with Lion's ASX listing for $12,500+ GST per month for twelve months. These arrangements are reviewed annually and may be terminated without fee.

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL OF THE COMPANY

NAME	BALANCE 1 AUGUST 2015	SHARES ISSUED AS REMUNERATION	NET CHANGE OTHER	CLOSING BALANCE 31 JULY 2016
Directors				
P J Maloney	1,724,847	-	15,542	1,740,389
C P Melloy	4,765,169		96,655	4,861,824
R A Widdup*	11,581,422	-	116,655	11,698,077
B J Sullivan	727,358	-	-	727,358
Other Key Management Personnel				
C K Smyth	375,088	-	41,655	416,743
J M Rose	-	-	-	-
Total	**19,173,884**	**-**	**270,507**	**19,444,391**

NAME	BALANCE 1 AUGUST 2014	SHARES ISSUED AS REMUNERATION	NET CHANGE OTHER	CLOSING BALANCE 31 JULY 2015
Directors				
P J Maloney	1,724,847	-	-	1,724,847
C P Melloy	4,717,665		47,504	4,765,169
R A Widdup*	11,533,918	-	47,504	11,581,422
B J Sullivan	727,358	-	-	727,358
Other Key Management Personnel				
C K Smyth	375,088	-	-	375,088
J M Rose	-	-	-	-
Total	**19,078,876**	**-**	**95,008**	**19,173,884**

* Mr Widdup's shareholding reflects his relevant interest in the Company.

OPTIONS ON ISSUE

NAME	BALANCE 1 AUGUST 2014	OPTIONS ISSUED AS REMUNERATION	EXPIRED	CLOSING BALANCE 31 JULY 2015
Directors				
P J Maloney	224,583	-	(224,583)	-
C P Melloy	707,663	-	(707,663)	-
R A Widdup	1,544,899	-	(1,544,899)	-
B J Sullivan	10,000	-	(10,000)	-
Other Key Management Personnel				
C K Smyth	45,221	-	(45,221)	-
J M Rose	-	-	-	-
Total	**2,532,366**	**-**	**(2,532,366)**	**-**

Lion had no options on issue during 2016.

Director's Report

Information on Directors

Barry Sullivan
BSc (Min), ARSM, FAusIMM, MAICD
Chairman

Barry Sullivan is an experienced and successful mining engineer with a career spanning 40 years in the mining industry. His initial mining experience was gained in the South African gold mining industry, followed by more than 20 years with Mount Isa Mines. In the final five years of his tenure with MIM, Barry was Executive General Manager responsible for the extensive Mount Isa and Hilton operations.

Barry was previously a non-executive Director and Chairman of Exco Resources and a non-executive Director of Catalpa Resources, Sedimentary Holdings, Bass Metals and Allegiance Mining. He was also a non-executive director of Lion's predecessor company, Lion Selection Limited.

Barry has been a non-executive director of Lion since December 2011, becoming Chairman from 25 February 2016.

Peter Maloney
BComm, MBA (Roch)
Non-Executive Director

Peter Maloney has broad commercial, financial and management expertise and experience. He has been Chief Financial Officer of Lion and an executive director of Lion Manager. Prior to that he held senior executive positions with WMC Resources and a number of other companies.

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

Peter has been a non-executive director of Lion since December 2010, including serving as Chairman between 1 January 2012 and 24 February 2016.

Chris Melloy
BE (Mining) (Hons), MEngSc, MAusIMM, F Fin
Non-Executive Director

Chris Melloy is a mining engineer with some 40 years' experience in the mining industry in operations, securities analysis and investment. He held senior positions in MIM and JB Were & Son prior to joining Lion.

Chris was an Executive Director of Lion Manager from its inception in 1997 through to 2011, becoming a non-executive director of Lion on 1 November 2012.

Robin Widdup
BSc (Hons), MAusIMM
Director

Robin has over 38 years of industry experience. He graduated from Leeds University in 1975 with an Honours Degree in Geology. From 1986 to 1997 Robin worked as an Analyst and Manager for J B Were & Sons – Resource Research team. Robin founded Lion Selection Group and Lion Manager in 1997.

Robin is Managing Director of Lion Manager Pty Ltd and a non-executive director of Lion investees One Asia and Asian Mineral Resources Ltd.

Other Key Management Personnel

Craig Smyth
BCA (Acctg), M App Fin, CA
Chief Executive Officer

Craig Smyth graduated from the Victoria University of Wellington with a Bachelor of Commerce and Administration, and has completed his Master of Applied Finance at the University of Melbourne. Craig's financial background includes Coopers & Lybrand, Credit Suisse First Boston (London) and ANZ Investment Bank. He is currently the CEO of Lion and Executive Director of Lion Manager Pty Limited. Craig is a member of the Institute of Chartered Accountants of Australia and New Zealand.

Jane Rose
Investor Relations Manager & Company Secretary

Jane Rose commenced work in 1983 as a legal administrative assistant. During the following 12 years, Jane held senior administrative positions with Phillips Fox and Corrs Chambers Westgarth in Melbourne and Nabarro Nathanson in London.

On returning to Australia, Jane worked as Executive Assistant to the Managing Director of Acacia Resources Limited and AngloGold Ashanti Limited where she was also responsible for the management of various corporate initiatives, including marketing and co-ordination of investor relations activities. From 2002 to 2006, Jane worked for several Lion investees, including MPI Mines Ltd, Leviathan Resources and Indophil Resources. Jane worked with Lion in early 2007 to assist with the merger, and she subsequently joined the company in July 2007 as Corporate Relations Manager.

In November 2008 Jane was appointed Company Secretary.

Director's Report

Directors' Meetings
During the year and up until the date of this report, the Company held nine directors' meetings. The table below reflects attendances of the directors at meetings of Lion's Board.

BOARD OF DIRECTORS	ATTENDED	MAX. POSSIBLE ATTENDED
P J Maloney	8	8
R A Widdup	9	9
B J K Sullivan	9	9
C P Melloy	9	9

Audit Committee Meeting
During the year and up until the date of this report, the Company held two audit committee meetings.

The table below reflects attendances of the audit committee meeting.

AUDIT COMMITTEE	ATTENDED	MAX. POSSIBLE ATTENDED
P J Maloney	2	2
B J K Sullivan	2	2
C P Melloy	2	2

Directors' Benefits
Since the end of the preceding financial year, no director has received or become entitled to receive a benefit, other than benefits disclosed in this report as emoluments or the fixed salary of a full time employee of the Company or a related body corporate, by reason of a contract made by the Company or related body corporate with the director or with a firm of which he is a member, or with an entity in which he has a substantial financial interest.

Indemnification of Directors, Officers and Auditors
An indemnity agreement has been entered into between Lion and each of the Company's directors named earlier in this report and with the Company Secretary. Under the agreement, the Company has agreed to indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities to the extent permitted by law. There is no monetary limit to the extent of this indemnity.

Lion has paid an insurance premium of $48,327 in respect of a contract insuring each of the directors, previous directors of the Company, and other key management personnel, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

Auditor Independence
We have obtained an independence declaration from our auditors, PricewaterhouseCoopers, as required under section 307 of the *Corporations Act 2001*. A copy can be found on page 32.

Non-Audit Services
No fees for non-audit services were paid/payable to the external auditors during the year ended 31 July 2016. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Rounding of Amounts
The Company is of a kind referred to in ASIC Instrument 2016/191 relating to the 'rounding off' of amounts in the financial report and Directors' report. Amounts in the financial report and Directors' report have been rounded off in accordance with that Instrument to the nearest thousand dollars unless specifically stated to be otherwise.

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

B J K Sullivan
Chairman

R A Widdup
Director
Melbourne

Auditor's Independence Declaration

As lead auditor for the audit of Lion Selection Group Limited for the year ended 31 July 2016, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne
22 September 2016

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Lion Selection Group Limited
Directors' Declaration

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

1. In the opinion of the directors:
   (a) the financial statements, notes set out on pages 38 to 55 are in accordance with the *Corporations Act 2001* and other mandatory reporting requirements, including:
      (i) complying with the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
      (ii) giving a true and fair view of the financial position of the Company's position as at 31 July 2016 and its performance for the year ended on that date; and
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.
3. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 July 2016.
4. The directors have been given the declaration by the chief executive officer required by section 295A of the *Corporations Act 2001*.

On behalf of the Board

B J K Sullivan
Chairman

R A Widdup
Director

Melbourne
Date: 22 September 2016

Statement of Comprehensive Income for the Year ended 31 July 2016

	NOTES	2016 $'000	2015 $'000
Gain/(loss) attributable to movement in fair value	4	**11,869**	(32,479)
Interest Income		**188**	330
Other Income		**146**	-
Management fees		**(804)**	(807)
Employee benefits		**(231)**	(226)
Other expenses	4	**(321)**	(345)
(Loss)/profit before income tax		**10,847**	(33,527)
Income tax (expense)/benefit	5	**-**	-
Net (loss)/profit after tax		**10,847**	(33,527)
Other Comprehensive Income		**-**	-
Total Comprehensive (Loss)/Income for the year		**10,847**	(33,527)
Attributable to:			
Non-controlling interest		**-**	-
Members		**10,847**	(33,527)
		Cents per share	**Cents per share**
Basic (loss)/earnings per share		**10.2**	(31.4)
Diluted (loss)/earnings per share		**10.2**	(31.4)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Financial Statements

Statement of Financial Position as at 31 July 2016

	NOTES	2016 $'000	2015 $'000
Current Assets			
Cash and cash equivalents	12	**13,221**	8,054
Trade and other Receivables	6	**11**	55
Total Current Assets		**13,232**	8,109
Non-Current Assets			
Financial Assets	7	**28,030**	22,299
Other Fixed Assets	8	**43**	16
Total Non-Current Assets		**28,073**	22,315
Total Assets		**41,305**	30,424
Current Liabilities			
Trade and Other Payables	9	**81**	47
Total Current Liabilities		**81**	47
Non-Current Liabilities			
Total Non-Current Liabilities		**-**	-
Total Liabilities		**81**	47
Net Assets		**41,224**	30,377
Equity			
Contributed equity	11	**109,770**	109,770
(Accumulated losses)	10	**(68,546)**	(79,393)
Total Equity		**41,224**	30,377

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the Year ended 31 July 2016

	NOTES	2016 $'000	2015 $'000
Cash flows from operating activities			
Interest received		**210**	313
Other income received		**23**	-
Payments to suppliers and employees (including GST)		**(1,297)**	(1,365)
Net operating cash flows	12(b)	**(1,064)**	(1,052)
Cash flows from investing activities			
Payments for investments		**(2,225)**	(2,925)
Payments for property, plant and equipment		**(46)**	-
Other investment related returns		**184**	-
Proceeds from investments		**8,318**	945
Net investing cash flows		**6,231**	(1,980)
Cash flows from financing activities			
Net financing cash flows		**-**	-
Net (decrease/increase) in cash and cash equivalents held		**5,167**	(3,032)
Cash and cash equivalents at beginning of financial period		**8,054**	11,086
Cash and cash equivalents at end of financial period		**13,221**	8,054

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

Financial Statements

Statement of Changes in Equity for the Year ended 31 July 2016

	ISSUED CAPITAL $'000	ACCUMULATED LOSSES $'000	TOTAL $'000
Balance at 31 July 2015	**109,770**	**(79,393)**	**30,377**
Total comprehensive income	-	10,847	**10,847**
Transactions with owners in their capacity as owners	-	-	**-**
Balance at 31 July 2016	**109,770**	**(68,546)**	**41,224**
Balance at 31 July 2014	**109,770**	**(45,866)**	**63,904**
Total comprehensive loss	-	(33,527)	**(33,527)**
Transactions with owners in their capacity as owners	-	-	**-**
Balance at 31 July 2015	**109,770**	**(79,393)**	**30,377**

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

Notes to the Financial Statements for the Year ended 31 July 2016

NOTE 1. CORPORATE INFORMATION

The financial report of Lion Selection Group Limited ('Lion' or 'the Company') for the year ended 31 July 2016 was authorised for issue in accordance with a resolution of the directors on 22 September 2016. The directors have the power to amend and reissue the financial report.

Lion is a company limited by shares incorporated in Australia. The nature of the operations and principal activities of the Company are described in the Directors' Report. The registered address of Lion is Level 2, 175 Flinders Lane, Melbourne.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Comparative information is reclassified where appropriate to enhance comparability.

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Lion is a for-profit entity for the purpose of preparing the financial statements.

The financial report complies with Australian Accounting Standards. The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial report has been prepared on a historical cost basis, except for financial assets that have been measured at fair value.

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

(b) New accounting standards and interpretations

The Company has not changed any of its accounting policies with respect to new and revised accounting standards which became effective for the annual reporting period commencing on 1 August 2015.

New Standards

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2018).

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption. The Company is yet to assess its full impact. However, initial indications are that assets currently held as fair value through profit and loss will continue to be carried at fair value with all fair value gains/losses being recognised in profit and loss. The Company has not yet decided when to adopt AASB 9.

(c) Significant accounting estimates and assumptions

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

(i) Income taxes

Lion is subject to income taxes in Australia. Judgment is required in determining the provision for income taxes and deferred taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Lion recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(i) Income taxes (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that sufficient future taxable amounts will be available to utilise those temporary differences and losses. This involves judgment regarding the future financial performance and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the level of deferred tax assets recognised which can result in a charge or credit in the period in which the change occurs.

(ii) Fair value of investments and other financial assets

The Company carries its investments at fair value with changes in the fair values recognised in profit or loss. The fair value of investments and other financial assets that are not traded in an active market is determined based on either the last sale price, or where not available, the market value of underlying investments. Determination of market value involves the Company's judgment to select a variety of methods and in making assumptions that are mainly based on market conditions existing at each balance sheet date. The key assumptions used in this determination are set out in note 2(j).

The Company's investment in One Asia, an unlisted company, represents a material proportion of Lion's portfolio. Accordingly estimates and assumptions surrounding the valuation of One Asia are significant to the Company's financial statements. Further detail on the Company's valuation of One Asia is set out in note 3(d).

(d) Revenue

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

(i) Interest

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

(ii) Dividends

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

(e) Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less or that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(f) Trade and other receivables

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

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

(g) Foreign currency translation

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

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Transactions and Balances (continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(h) Income tax

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

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

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity as part of Other Comprehensive Income.

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

(i) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(j) Investments, Other Financial Assets and Investments in Associates

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

The fair value of financial assets traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial assets that are not traded in an active market are determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

(k) Derecognition of financial assets and financial liabilities

(i) Financial assets

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

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

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

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

(l) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(m) Borrowings

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

(n) Payables

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

(o) Provisions

Provisions are recognised when Lion has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When Lion expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(p) Employee leave benefits – Wages, salaries, annual leave and long service leave

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

The liability for long service leave for which Lion has an unconditional right to defer settlement for at least 12 months after the balance sheet date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Notes to the Financial Statements for the Year ended 31 July 2016

(p) Employee leave benefits – Wages, salaries, annual leave and long service leave (continued)

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(q) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

If the entity reacquires its own equity instruments, for example, as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(r) Earnings per share

Basic earnings per share is calculated as net profit, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the segments, has been identified as the Board.

Investments have similar characteristics and so segments are determined on a geographical basis. The company invests only in small and medium mining and exploration companies with gold and base metal activities in Australia, Africa, East Asia and the Americas.

Notes to the Financial Statements for the Year ended 31 July 2016

NOTE 3. FINANCIAL RISK MANAGEMENT

Lion's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. Lion's overall risk management program is carried out under policies approved by the Board of Directors, and focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Board provides written principles for overall risk management, as well as policies covering specific areas. The Board reviews and agrees policies for managing each of these risks and they are summarised below. Lion also monitors the market price risk arising from all financial instruments.

Lion holds the following financial instruments:

	2016 $'000	2015 $'000
Financial assets		
Cash	**13,221**	987
Bank bills and deposits receivable	**-**	7,067
Investments in securities	**28,030**	22,299
Trade and other receivables	**11**	55
	41,262	30,408
Financial liabilities		
Trade and other creditors	**81**	47
	81	47

(a) Market risk

(i) Foreign Currency Risk

Lion operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar (USD), including with respect to commitments.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. To mitigate the Company's exposure to foreign exchange risk, non-AUD cash flows are closely monitored.

The Company's post-tax profit is not sensitive to movements in the AUD/USD exchange rate due to limited USD denominated asset holdings.

(ii) Price risk

Lion is exposed to equity securities price risk, with many of the Company's equity investments being publicly traded. This arises from investments held by Lion and classified on the balance sheet as fair value through profit or loss.

To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company, however from time to time the Company may seek to increase exposure to particular investments. Lion does not hedge its equities securities price risk.

Based on the financial instruments held at the end of the period, if the value of equity securities had increased by 10%/decreased by 10% with all other variables held constant, the Company's post-tax profit for the year would have been $2,803,000 higher/lower (2015: $2,229,900 higher/lower) as a result of gains/losses on equity securities classified as fair value through profit or loss.

(iii) Interest Rate Risk Exposures

Lion 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 below. All assets and liabilities are current, maturing within one year, with the exception of investments in securities, the value of which will be realised at the discretion of the Company. No decision has been made regarding the timing of this realisation.

2016	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE $'000	NON INTEREST BEARING $'000	TOTAL $'000	AVERAGE INTEREST RATE	
					FLOATING %	FIXED %
Financial assets						
Cash – AUD	13,221	-	-	13,221	2.0	-
Other receivables	-	-	11	11	-	-
Investment in securities		845	27,185	28,030	-	15
Financial Liabilities:						
Trade and other creditors	-	-	66	66	-	-
2015						
Financial assets						
Cash – AUD	987	-	-	987	1.1	-
Bank bills and deposits receivable	-	7,067	-	7,067		3.5
Other receivables	-	-	55	55	-	-
Investment in securities	-	-	22,299	22,299	-	-
Financial Liabilities:						
Trade and other creditors	-	-	47	47	-	-

(b) Credit risk

Lion is exposed to credit risk. Credit risk arises from cash and cash equivalents and deposits with banks as well as credit exposures to counter parties, including outstanding receivables and committed transactions. Lion has a policy of maintaining its cash and cash equivalents with the 'top 4' Australian Banks. For other counter parties, if there is no independent rating, management assesses the credit quality of the party, taking into account its financial position, past experience and other factors. The maximum exposure to credit risk approximates the carrying values as disclosed above.

(c) Liquidity risk

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

(d) Fair value measurements

The Company carries its investments at fair value with changes in value recognised in profit or loss.

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted priced (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets (such as publicly traded securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price.

NOTE 3. FINANCIAL RISK MANAGEMENT (continued)

Recognised fair value measurements

The following tables present the Company's assets and liabilities measured and recognised at fair value for the periods ended 31 July 2016 and 31 July 2015.

	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
At 31 July 2016				
Assets				
Financial assets at fair value through profit or loss				
Investments	3,853	15,618	8,559	**28,030**
Total Assets	**3,853**	**15,618**	**8,559**	**28,030**
At 31 July 2015				
Assets				
Financial assets at fair value through profit or loss				
Investments	6,097	6,803	9,399	**22,299**
Total Assets	**6,097**	**6,803**	**9,399**	**22,299**

Valuation techniques used to derive level 2 and level 3 fair values

The fair value of financial instruments that are not traded in an active market (for example, unlisted investments) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on unobservable inputs. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments are applied in accordance with the International Private Equity and Venture Capital Valuation Guidelines, including:

- Price of recent investment.
- Net assets, looking through to the underlying assets held through interposed investment vehicles.
- The fair value of unlisted option contracts is determined using a Black Scholes valuation at the reporting date.
- The use of quoted market prices or dealer quotes for similar instruments where available.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Valuation Processes

The Lion Manager includes a team that performs monthly valuations of the financial instruments required for financial reporting purposes, including level 3 fair values. This team reports directly to the Lion Board. Discussions of valuation processes and results are held between the Lion Manager and the Lion Board at least once every six months in line with Lion's half-yearly reporting dates, including changes in level 2 and 3 fair values.

Notes to the Financial Statements for the Year ended 31 July 2016

The following table presents the changes in level 3 instruments for the years ended 31 July 2015 and 31 July 2016.

Investments – Level 3	2016 $'000	2015 $'000
Opening Balance	**9,399**	30,955
Transfers into Level 3 (from level 2)	**-**	1,511
Transfers out of Level 3 (to level 2)	**(863)**	-
Other increases (purchases)	**-**	1,119
(Losses)/gains recognised in profit or loss	**23**	(24,186)
Closing balance	**8,559**	**9,399**

The Level 3 balance relates principally to Lion's investment in One Asia, an unlisted exploration company focused on the exploration for gold resources and development of gold mines in Sulawesi. Lion's investment in Egan Street Resources (previously named Auricup Resources) has been transferred from level 3 to level 2 in 2016 with that company being in the process of conducting an underwritten rights issue and IPO at the date of this report. The valuation of One Asia has been maintained at $0.18/share consistent with One Asia's $2.6m June 2015 rights issue at $0.18/share. Lion's entire investment in Asian Lion is also classified to level 3 due to One Asia representing a significant component of Asian Lion's portfolio. The Lion Board has opted to maintain its investment in One Asia within the level 3 investment category due to the escalated uncertainty in the value of the investment as discussed further below.

ONE ASIA RESOURCES

Lion has maintained its One Asia valuation to $0.18/share for the period ending 31 July 2016. Lion and Asian Lion own a combined equity interest of 36% of One Asia, an Australian unlisted public company. One Asia is focused on the development of two gold mines in Sulawesi, Indonesia.

Pani Project

One Asia's interest in the Pani project tenement is under an Izin Usaha Pertambangan licence (the Pani IUP) held by a regional co-operative, KUD Dharma Tani (KUD), formed under Indonesian law. One Asia holds its economic interest in Pani through contractual arrangements with the KUD as its local joint venture partner. In December 2013 One Asia Resources received reports that the KUD signed a co-operation agreement with a subsidiary of publicly listed Indonesian company J Resources over the Pani IUP which conflicts with the contractual obligations the KUD has with One Asia. One Asia advises that all legal agreements with the KUD remain in place under Indonesian law. One Asia continues to liaise with local authorities and its advisors to ensure that those contractual obligations are honoured, and continues to work on-site at the Pani project.

One Asia has agreed to a joint venture with Provident Capital Partners Pte Limited (Provident) on its interest in the Pani project. The purpose of the arrangement is to resolve the current Pani IUP dispute dating back to December 2013, working in co-operation with the KUD and the local community to develop the Pani Project. The ultimate ownership of the joint venture is intended to be 66.6% Provident and 33.3% One Asia, with One Asia and Provident each committing U$4m cash.

One Asia's alliance with Provident established in May 2015 continues with the objective of resolving the current Pani IUP dispute, and ultimately working in co-operation with Provident, the KUD and the local community to develop the Pani Project. Progress has been slow but steady, with One Asia and Provident actively working with the KUD, the local community and regional authorities to resolve the current dispute. In January 2016 the District Court of Marisa ruled on the KUD Management case where the management team lead by Mr Idris Kadji remains supportive of and continues to honour the legal agreements with One Asia, while the opposing management team lead by Mr Uns Mbuinga does not. One Asia viewed the result of the decision through the Marisa District Court as a positive outcome over the opposing KUD management team lead by Mr Mbuinga. However, the decision also brings into question the validity of the appointment of the management team led by Mr Kadji. The Marisa Court decision was appealed by both parties. On 12 July 2016, the appeal decision was released upholding the original decision on all material issues. This decision has again been appealed by the Defendant, Mr. Mbuinga to the Supreme Court of Indonesia.

The Pani IUP was issued in November 2009 for a period of 13 years, and, subject to government approval, is extendable for two 10 year periods. The IUP is subject to the Mining Law 4 of 2009, including applicable royalty rates and levels of local ownership and input.

NOTE 3. FINANCIAL RISK MANAGEMENT (continued)

Awak Mas Project

One Asia's Awak Mas project is held under a 7th generation Contract of Work and is owned 100%. During the year One Asia provided an updated Prefeasibility Study (PFS) based on an expanded 2.83 Moz gold incorporating the Salu Bulo and Tarra Main satellite deposits proximal to the Awak Mas deposit. Using a gold price assumption of US$1,250/oz the PFS demonstrates that a commercial scale gold project can be developed at Awak Mas and the results warrant the completion of a Definitive Feasibility Study (DFS).

The benefits of adding higher grade ore into the mine plan, and a reduction in the plant size and pit have led to significant improvements in NPV. In addition, the new work benefits from the flexibility of multiple pits and ore sources, lower fuel prices and generally declining industry costs.

One Asia is actively exploring and evaluating strategic options for Awak Mas. This includes assessing the most appropriate way to fund and manage a DFS and the best pathway to project funding if the DFS confirms the results of earlier work. With gold equity markets relatively buoyant and the economics of Awak Mas improving due to lower costs and higher gold price, One Asia believes it is an opportune time to provide value for One Asia shareholders. A variety of options exist for Awak Mas including vending the project in exchange for shares in a listed entity, taking Awak Mas to a separate IPO, outright sale or taking the project into a DFS within the existing One Asia umbrella. Key issues being considered include the ability to finance and develop the project, management capability, valuation and a timely path to liquidity.

The Awak Mas COW is situated in land classified as Area Penggunaan Lain (APL - land for other uses), a non-protected forest area that readily allows for activities beyond agriculture such as mining.

One Asia continues to have dialogue with the Government of the Republic of Indonesia (GOI) in relation to possible amendments to the Awak Mas COW, with the GOI seeking to align key terms with the provisions of the 2009 Mining Law. Key topics affecting the Awak Mas COW are royalty rates and levels of local ownership and input. The GOI is seeking to set royalty rates to that dictated by prevailing regulation, currently at 3.75% per ounce of gold produced versus the rate of US $235/kg as written in the COW (and assumed in the above April 2016 PFS numbers). The Company has indicated a willingness to re-negotiate the royalty rate as well as to allow some level of local divestment at fair market value. However, the Company has not been able to agree to any terms with the GOI at this time.

One Asia Valuation

The ultimate realised value of an investment in One Asia could be in a very wide range, reflecting the Pani tenure risk, early stage of the Pani project, ability to recognise value for the improving Awak Mas economics, resource upside, development risk, gold price, and other factors. In the event that the current Pani project ownership dispute is not satisfactorily resolved or value cannot be recognised for Awak Mas, the ultimate realised value could be less than 18 cents per One Asia share. Conversely, the ultimate realised value could be far more than 18 cents per One Asia share as the projects are de-risked. In light of information available, and in particular the pricing of One Asia's June 2015 rights issue, the board considers that $0.18/share is the valuation within this range that is most reasonably representative of the fair value under current market conditions.

One Asia remains one of Lion's largest investments, representing a material component of Lion's portfolio. Lion's investment model involves weighting investment towards the best opportunities in the portfolio, which from time to time results in concentration of Lion's portfolio towards specific investments. The Lion board is conscious of the issues of portfolio balance but is of the view that the potential reward from a concentration of the portfolio in One Asia outweighs the risks if the challenges of developing a mine in Indonesia can be overcome.

Notes to the Financial Statements for the Year ended 31 July 2016

NOTE 4. INCOME AND EXPENSES

	2016 $'000	2015 $'000
Gain/(loss) attributable to movement in fair value of investments		
Mark to Market adjustment for year – investments realised during year	**4,747**	218
Mark to Market adjustment for year – investments held at end of year	**7,122**	(32,697)
Gain/(loss) attributable to movement in fair value of investments as recorded in the Statement of Comprehensive Income	**11,869**	(32,479)

Lion is a long term investor and investment performance generally spans a number of financial periods. Measured on historic cost, gross profit/(loss) on investments realised during the year includes mark to market adjustments realised in the current year as well as mark to market adjustments recognised in the Statement of Comprehensive Income in prior years as set out in the table below.

Results of Investments Realised During Year		
Proceeds from sale of shares	**8,318**	945
Historical Cost of investment sales	**(6,736)**	(807)
Gross profit/ (loss) measured at historical cost on investments realised	**1,582**	138
Represented by:		
Mark to Market recognised in prior periods (including on acquisition)	**(3,165)**	(80)
Mark to Market recognised in current year	**4,747**	218
	1,582	138

The total comprehensive (loss)/profit is after charging the following other expenses		
Investor Relations	**70**	80
D & O Insurance	**48**	50
Legal Expenses	**4**	2
Depreciation	**19**	13
Corporate overheads	**180**	200
Total other expenses	**321**	345

Notes to the Financial Statements for the Year ended 31 July 2016

NOTE 5. INCOME TAX EXPENSE

(a) Statement of Comprehensive Income

	2016 $'000	2015 $'000
Current income tax	-	-
Deferred income tax	-	-
Income tax expense/(benefit) reported in the Statement of Comprehensive Income	-	-
Reconciliation of income tax expense		
Profit/(loss) from ordinary activities before income tax	10,847	(33,527)
Prima facie tax thereon at 30%	3,254	(10,058)
Tax effect of permanent and other differences:		
Non-deductible expenses	11	(5)
Accounting mark to market movement in the fair value of investments	(3,561)	9,744
Realised gain/(loss) on sale of investments	475	4
Deductible business related capital expenditure under Section 40-880	(33)	(33)
Utilisation of carried forward tax losses to offset gain on disposal of investment	(475)	-
Amount underprovided/(overprovided) in prior years	-	-
Tax benefit not recognised for accounting purposes	329	348
Total current income tax (benefit)/expense	-	-

(b) Unrecognised temporary differences

A deferred tax asset has not been recognised in the Statement of Financial Position as the benefits will only be realised if the conditions for deductibility and/or recognition set out in Note 2(h) occur.

		2016	2015
Unrecognised temporary differences at 31 July relate to the following:			
Tax losses available – revenue account		8,746	7,641
Tax losses available – capital account		62,314	63,939
Temporary Difference – unrealised investments	Note (i)	43,117	61,953
Accrued Expenses/Other temporary differences		135	220
Unrecognised tax losses and temporary differences at 31 July		114,312	133,753
Potential Tax Benefit @ 30%		34,294	40,126

Note (i) – Temporary difference – unrealised investments
Temporary difference – unrealised investments arises from the difference between the fair value and taxable value of the investment

NOTE 6. RECEIVABLES (CURRENT)

	2016	2015
Accrued interest	-	38
Sundry Debtors	11	17
Total current receivables, net	11	55

Notes to the Financial Statements for the Year ended 31 July 2016

NOTE 7. FINANCIAL ASSETS

	2016 $'000	2015 $'000
Listed investments (at fair value)	**3,853**	6,097
Unlisted investments (at fair value)	**24,177**	16,202
Total non-current financial assets	**28,030**	22,299

Listed shares are readily saleable with no fixed terms.

Lion's ownership and economic interest in Asian Lion Ltd ('Asian Lion') is 62.8%. The directors have determined that Lion does not control Asian Lion as the Asian Lion Subscription and Shareholders Agreement ('SSA') restricts the ability of Lion to influence and direct the financial and operating decisions of Asian Lion. The SSA restricts Lion's voting power such that it is not commensurate with its ownership interest and it is unable to control the appointment or removal of directors or of members of the investment committee to which investment decisions have been delegated. Lion continues to carry its investment in Asian Lion as a financial asset at fair value through profit and loss.

NOTE 8. OTHER ASSETS (FIXED)

Plant, Property and Equipment – Cost	**77**	31
Accumulated Depreciation	**(34)**	(15)
Total other assets	**43**	**16**

NOTE 9. PAYABLES (CURRENT)

Sundry creditors and accruals	**81**	47
Total current payables	**81**	**47**

NOTE 10. RETAINED PROFITS & RESERVES

Movements in retained earnings were as follows:

(Accumulated losses) at the beginning of the financial year	**(79,393)**	(45,866)
Net (loss)/profit for period	**10,847**	(33,527)
(Accumulated losses) at the end of the financial year	**(68,546)**	(79,393)

NOTE 11. CONTRIBUTED EQUITY

Issued and paid up capital (fully paid)		
Opening Balance	109,770	109,770
Shares Issued	-	-
Share issue expenses	**109,770**	109,770
Issued and paid up capital (fully paid)	**109,770**	109,770

Notes to the Financial Statements for the Year ended 31 July 2016

NOTE 11. CONTRIBUTED EQUITY (continued)

Share Capital	**2016 SHARES**	**2015 SHARES**
Issued and paid up capital (fully paid)		
Opening Balance	**106,911,630**	106,911,630
Shares Issued	**-**	-
Issued and paid up capital (fully paid)	**106,911,630**	106,911,630

Capital Risk Management

Lion's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders. In order to maintain or adjust the capital structure, Lion may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

NOTE 12. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

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

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

	2016 $'000	**2015 $'000**
Cash on hand and at bank	**13,221**	987
Bank bills and deposits	**-**	7,067
Closing cash balance	**13,221**	8,054

(b) Reconciliation of Net Profit/(Loss) after Income Tax to Net Cash Provided by Operating Activities		
Net (loss)/profit after income tax	**10,847**	(33,527)
Adjustments for non cash income and expense items:		
Movement in fair value of investments (increase)/decrease in assets	**(11,869)**	32,479
Other non-cash (income)/expense	**(120)**	13
(Increase)/decrease in assets:		
Other receivables	**44**	(16)
(Decrease)/increase in liabilities:		
Payables	**34**	(1)
Net cash flow from operating activities	**(1,064)**	(1,052)

Notes to the Financial Statements for the Year ended 31 July 2016

NOTE 13. EARNINGS PER SHARE

	2016 $'000	2015 $'000
(a) (Loss)/earnings used in calculating earnings per share – basic and diluted	**10,847**	(33,527)
	2016 NUMBER	**2015 NUMBER**
(b) Weighted average number of ordinary shares for basic earnings per share	**106,911,630**	106,911,630

The calculation of weighted average number for the diluted earnings per share does not include any potential ordinary shares with respect to options as the options on issue are not considered to be dilutive for the current period. There were no options on issue at 31 July 2016 (2015: nil).

NOTE 14. COMMITMENTS

(a) Superannuation Commitments

Lion does not have its own superannuation plan. The only commitment to superannuation is with respect to statutory commitments. At balance date, the Company was contributing to various approved superannuation funds at the choice of employees at a minimum rate of 9.5% of salaries paid. Employees are able to make additional contributions to their chosen superannuation funds by way of salary sacrifice up to the age based deductible limits for taxation purposes.

(b) Investment Commitments

African Lion 3 Limited (AFL3)

Lion entered into an agreement in June 2008 to commit US$18.75 million in AFL3, of which US$0.8M remains undrawn at 31 July 2016 (Australian Dollar equivalent of $1.0 million).

NOTE 15. REMUNERATION OF AUDITORS

	2016 $'000	2015 $'000
(a) Audit Services		
Audit and review of financial reports	**84,509**	86,000
Total remuneration for audit services	**84,509**	86,000

(b) Non-audit Services

No fees for non-audit services were paid/payable to the external auditors during the year ended 31 July 2016 (2015: Nil).

NOTE 16. RELATED PARTY DISCLOSURES

(a) Directors and Key Management Personnel

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

Barry Sullivan	(Non-Executive Chairman)
Peter Maloney	(Non-Executive Director)
Chris Melloy	(Non-Executive Director)
Robin Widdup	(Director)

Notes to the Financial Statements for the Year ended 31 July 2016

NOTE 16. RELATED PARTY DISCLOSURES (continued)

(b) Lion Manager Pty Ltd Contract

Lion entered into a Management Agreement with Lion Manager Pty Ltd (Lion Manager), under which Lion Manager provides the company with management and investment services. The arrangements were approved by shareholders at Lion's AGM on 5 December 2012, with ongoing management fees of 1.5% p.a. based on the direct investments under management, currently equating to $645,000 per annum plus GST. There is an incentive applicable which would apply where Lion's performance outperforms a benchmark. In addition, up to a 12 month termination fee may be applicable should Lion seek to terminate the management agreement. Further details of the Management Agreement are set out in the Notice of Meeting for the 2012 AGM, available on Lion's website. As at the date of this report no incentive fee had accrued with respect to the Lion Manager contract.

In addition, from 1 August 2013 Lion has requested Lion Manager provide comprehensive Investor Relations services associated with Lion's ASX listing for $12,500 + GST per month for twelve months. These arrangements are reviewed annually and may be terminated without fee.

(c) Key Management Personnel Remuneration

	2016 $'000	2015 $'000
Short term employee benefits	**136,290**	152,918
Post-employment benefits	**79,940**	73,312
	216,230	226,230

NOTE 17. MATERIAL INVESTMENTS

	CARRYING AMOUNT		ENTITY OWNERSHIP	
	2016 $'000	2015 $'000	2016 %	2015 %
The Company had direct ownership of the following material investments at year end:				
African Lion 3 Ltd	**13,553**	6,502	**24**	24
Asian Lion Ltd	**2,243**	2,219	**63**	63
Egan Street Resources (formerly Auricup Resources Ltd)	**1,111**	863	**16**	20
Doray Minerals Ltd	**-**	3,159	**-**	4
One Asia	**7,161**	6,316	**24***	24*

* The entity ownership of One Asia reflects Lion's direct interest in the investee. Lion's relevant interest including the ownership held by Asian Lion is 36% (2015: 36%).

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

Notes to the Financial Statements for the Year ended 31 July 2016

NOTE 18. SEGMENT INFORMATION

Management has determined the Company's segments based on the internal reporting reviewed by the Board to make strategic decisions. The Company provides patient equity capital to carefully selected small and medium mining enterprises. Investments have similar characteristics and so segments are determined on a geographical basis. Lion invests only in mining and exploration companies and projects with gold and base metal activities in Australia, Africa, South East Asia and the Americas. Information with respect to Geographical Segments is set out below.

2016	AUSTRALIA $'000	AFRICA $'000	ASIA $'000	AMERICAS $'000	UNALLOCATED $'000	TOTAL $'000
Segment Revenue	-	96	-	-	238	334
Mark to Market adjustment	4,418	6,722	657	72	0	11,869
Segment Income	**4,418**	**6,818**	**657**	**72**	**238**	**12,203**
Segment Expense					(1,356)	(1,356)
Segment Result Before Tax	**4,418**	**6,818**	**657**	**72**	**(1,118)**	**10,847**
Segment Assets	1,523	13,918	12,517	72	13,275	41,305
Segment Liabilities	-	-	-	-	81	81
Other Segment Information						
Assets Acquired during the period	392	477	1,356	-	46	2,271
Cash Flow Information						
Net Cash inflow from operating activities	-	23	-	-	(1,087)	(1,064)
Net Cash inflow from investing activities	7,926	(293)	(1,356)	-	(46)	6,231
Net Cash inflow from financing activities	-	-	-	-	-	-
2015						
Segment Revenue					330	330
Mark to Market adjustment	(4,363)	(3,315)	(24,479)	(322)	-	(32,479)
Segment Income	**(4,363)**	**(3,315)**	**(24,479)**	**(322)**	**330**	**(32,149)**
Segment Expense					(1,378)	(1,378)
Segment Result Before Tax	**(4,363)**	**(3,315)**	**(24,479)**	**(322)**	**(1,048)**	**(33,527)**
Segment Assets	4,959	6,820	10,487	33	8,125	30,424
Segment Liabilities	-	-	-	-	47	47
Other Segment Information						
Assets Acquired during the period	-	1,357	1,518	50	-	2,925
Cash Flow Information						
Net Cash inflow from operating activities	-	-	-	-	(1,052)	(1,052)
Net Cash inflow from investing activities	857	(1,343)	(1,444)	(50)	-	(1,980)
Net Cash inflow from financing activities	-	-	-	-	-	-

NOTE 19. EVENTS OCCURING AFTER THE REPORTING PERIOD

There has not arisen in the interval between the end of the year and the date of this report, any item, transaction or event of a material or unusual nature which has or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future periods.

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

Report on the financial report

We have audited the accompanying financial report of Lion Selection Group Limited (the company), which comprises the statement of financial position as at 31 July 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

pwc

Auditor's opinion

In our opinion:

(a) the financial report of Lion Selection Group Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 31 July 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of Matter

We draw attention to Note 3(d) to the financial statements which describes the uncertainty related to the outcome of the Pani Project ownership dispute and its impact on the company's valuation of One Asia Resources Limited. Our opinion is not modified in respect of this matter.

Report on the Remuneration Report

We have audited the remuneration report included in pages 3 to 5 of the directors' report for the year ended 31 July 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Lion Selection Group Limited for the year ended 31 July 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Andrew Cronin
Partner

Melbourne
22 September 2016

Shareholder Information

Top 20 holders of ordinary fully paid shares – 30 September 2016

RANK	NAME	NO. OF SHARES	% OF UNITS
1	BNP Paribas Noms Pty Ltd ‹ Drp ›	12,157,697	11.37
2	National Nominees Limited	6,568,515	6.14
3	Rojana Hero Pty Ltd	6,219,973	5.82
4	Mr Robin Anthony Widdup + Mrs Janet Widdup ‹ Widdup Super Fund A/C ›	5,478,104	5.12
5	Mr Mark Gareth Creasy	4,448,976	4.16
6	Mirrabooka Investments Limited	4,360,378	4.08
7	HSBC Custody Nominees (Australia) Limited - A/C 2	3,847,295	3.60
8	Mr Michael David Brook + Mrs Jenny Lee Brook ‹ MD & JL Brook Super Fund A/C ›	3,464,048	3.24
9	Mr Christopher Paul Melloy + Mrs Anne Christine Melloy ‹ Melloy Super Fund A/C ›	2,870,378	2.68
10	HSBC Custody Nominees (Australia) Limited	2,717,551	2.54
11	Inconsultare Pty Ltd ‹ Morrison Family S/F A/C ›	2,500,000	2.34
12	Mr Dominic Paul McCormick	1,719,718	1.61
13	Mrs Pamela Julian Sargood	1,400,000	1.31
14	Melcor Investments Pty Ltd	1,208,613	1.13
15	Branjee Farm Pty Ltd	1,181,642	1.11
16	Majoli Pty Ltd	1,167,079	1.09
17	Wal Assets Pty Ltd ‹ The L A Wilson Property A/C ›	1,041,693	0.97
18	Avanteos Investments Limited ‹ Clearview S/P A/C ›	1,012,622	0.95
19	Pejali Pty Ltd	1,000,000	0.94
20	Mrs Sarah McIntyre + Mrs Anna Barry ‹ The Sarah McIntyre S/F A/C ›	954,000	0.89
Total Top 20 holders of ORDINARY FULLY PAID SHARES		**65,318,282**	**61.10**
Total Remaining Holders Balance		**41,593,348**	**38.90**

Distribution of Shareholdings as at 30 September 2016

SIZE OF HOLDING (ORDINARY FULLY PAID SHARES)	NO. OF SHAREHOLDERS
1 – 1,000	271
1,001 – 5,000	1,001
5,001 –10,000	361
10,001 – 100,000	532
100,001 – 9,999,999,999	111
Total Shareholders	**2,276**
Number of ordinary shareholders with less than a marketable parcel	505

Shareholder Information

Voting Rights

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

Substantial Shareholders as at 30 September 2016

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

NAME	NO. OF ORDINARY SHARES
OneVue RE Services Limited (formerly Select Asset Management Limited)	12,823,816
Robin Anthony Widdup	11,698,077
Cooper Investors Pty Limited	6,157,348

Lion Directors and Lion Manager Holdings

As at 30 September 2016, the members of the Lion Board and Lion Manager held shares directly and/or indirectly in Lion Selection Group Limited as follows:

NAME	NO. OF ORDINARY SHARES
Peter Maloney	1,740,389
Chris Melloy	4,861,824
Barry Sullivan	727,358
Robin Widdup	11,698,077
Mike Brook	4,918,037
Craig Smyth	416,743
Tim Markwell	40,022
Hedley Widdup	193,673
Total	24,596,123

Lion Selection Group Limited Registry

You can gain access to your security holding information in a number of ways. The details are managed via our registrar, Computershare Investor Services, and can be accessed as outlined below.

Computershare Investor Services Pty Limited

Enquiries within Australia	1300 850 505
Enquiries outside Australia	+61 3 9415 4000
Investor Enquiries Facsimile	+61 3 9473 2500
Investor Enquiries Online	www.investorcentre.com/contact

INVESTORPHONE

InvestorPhone provides telephone access 24 hours a day 7 days a week.

STEP 1 Call **1300 850 505** (within Australia) or **61 3 9415 4000** (outside Australia)

STEP 2 Say **'Lion Selection Group Limited'**

STEP 3 Follow the prompts to gain secure, immediate access to your holding details, registration details and payment information.

INTERNET ACCOUNT ACCESS VIA INVESTOR CENTRE

Securityholders can view their details online via Investor Centre:

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

STEP 2 Select 'Access a Single Holding'

STEP 3 Enter your Securityholder Reference Number (SRN) or Holder Identification Number (HIN), postcode or country if outside Australia

STEP 4 Enter **LSX** or **Lion Selection Group Limited**

STEP 5 Agree to the Terms and Conditions and type in the characters shown and click 'Login'.

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

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

STEP 2 Click on 'Login' and enter your **User ID** and **follow the prompts** to login, or for new users click on the 'Create Login' link and follow the prompts to register.

Corporate Directory

Registered and Principal Office

Level 2
175 Flinders Lane
Melbourne Vic 3000

Tel:	+61 3 9614 8008
Fax:	+61 3 9614 8009
Email:	info@lsg.com.au
Website:	www.lionselection.com.au

Directors

- Barry Sullivan
  Non-Executive Chairman
- Peter Maloney
  Non-Executive Director
- Chris Melloy
  Non-Executive Director
- Robin Widdup
  Director

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street, Abbotsford Vic 3067
Postal Address – GPO Box 2975 Melbourne Vic 3001

Enquiries within Australia	1300 850 505
Enquiries outside Australia	+61 3 9415 4000
Investor Enquiries Facsimile	+61 3 9473 2500
Investor Enquiries Online	www.investorcentre.com/contact
Website:	www.computershare.com

Chief Executive Officer
Craig Smyth

Company Secretary
Jane Rose

Auditors
PricewaterhouseCoopers

Erdene's Bayan Khundii Gold Project, Southern Mongolia

Lion Selection Group

Lion Selection Group Limited
ABN 26 077 729 572
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