



Lion Selection Group

2020

ANNUAL REPORT



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BUILDING EMERGING MINERS

Drilling at Erdene's Bayan Khundii Gold Project



Erdene geologists, Bayan Khundii Gold Project

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Chairman's Letter to Shareholders

Your directors provide you with the annual report for the year ended 31 July 2020. Back-to-back performance in Lion's portfolio over the last two years has put your company in a strong position. Lion has benefited from its exposure to advanced gold projects, reflecting both technical progress and the standout increases in the gold price.

Your directors provide you with the annual report for the year ended 31 July 2020.

Back-to-back performance in Lion's portfolio over the last two years has put your company in a strong position. Lion has benefited from its exposure to advanced gold projects, reflecting both technical progress and the standout increases in the gold price. The gold price has materially increased since mid 2019, and gold equities most noticeably following suit since March 2020.

The outlook for gold remains strong, driven by low to negative interest rates and risk-aversion. The global response to the COVID-19 crisis has seen extreme monetary policy settings, with excess liquidity potentially devaluing paper currencies worldwide in comparison to hard assets like gold. Investment has flowed into physical gold, ETFs and gold equities, reflecting gold's safe-haven investment status and portfolio diversification benefits. Gold's importance as a standalone asset class was underlined by the Bank of International Settlement upgrading gold reserves held by banks to be Tier-1 capital, encouraging central banks and commercial banks alike to increase their gold reserves. Gold has also been gaining ground because of low interest rates. Although gold has no yield, when real interest rates turn negative, gold becomes more attractive.

Pleasingly, Lion's portfolio is positioned to take advantage of the current gold bull market.

At Pani, a deal with J Resources was executed to combine two tenements, creating what increasingly appears to be a world class gold project. Early indications are promising from step-out drilling potentially linking the two existing resources. Closure of the J Resources deal has taken longer than originally envisaged to receive approval from regulatory authorities and third-party financiers, however the parties continue to work towards completion.

At Nusantara, the Awak Mas gold project is essentially ready to go, with local strategic partner Indika Energy corner-stoning finance at the project level. A combination of higher gold price, optimising higher grade material in the early years and extensional drilling at Awak Mas has materially upgraded reserves and project economics.

Erdene Development Corp has delivered in multiple areas with its Bayan Khundii project being fast-tracked towards development. Unique in Lion's experience, Erdene has made a new high-grade discovery within its conceptual open pit when doing in-fill drilling. The recently released DFS highlights compelling economics, with the potential for a further sweetener early in the production profile if the new in-pit discovery holds together. These facets have attracted the attention of high profile investor Eric Sprott, whose investment in Erdene has helped re-rate the share price.

As ever, Lion closely monitors the value and risks of its portfolio. Despite the strong financial performance this year, Lion's underlying potential portfolio value proposition remains compelling, with unlocking funding risk in many cases being the key to realising the upside.

After two decades of operation the African Lion Fund has begun the process of closure, which is expected to be achieved by late 2020. This move has simplified the structure and operation of Lion, also signalling increased focus on Australia rather than international for future new investments.

The Lion board would like to thank the Lion team who continue to be active in helping many investees throughout the year.



Barry Sullivan
Chairman

Lion Selection Group Investment Summary

Water well restored by Erdene Resource Development Corp at the Bayan Khundii Gold Project

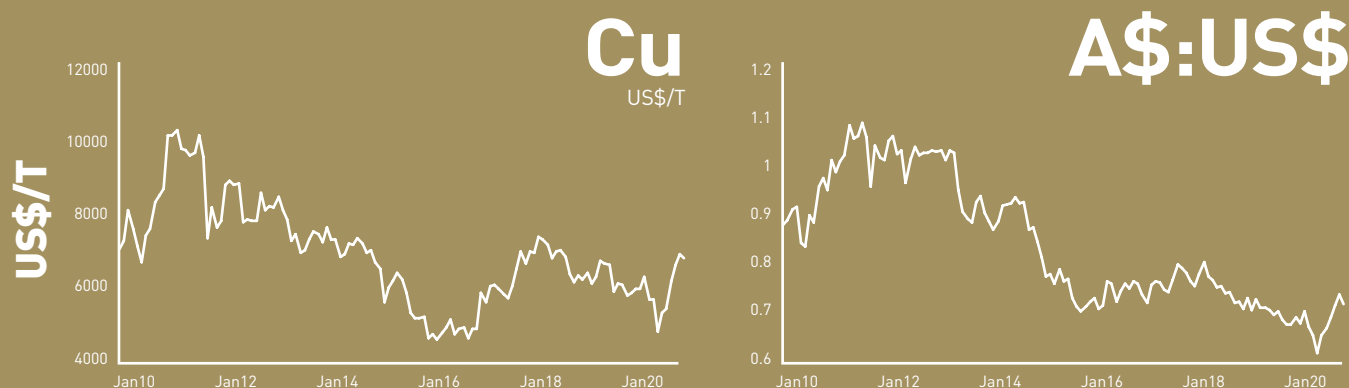


AS AT 30 SEPTEMBER 2020

	COMMODITY	MARKET VALUE A\$M
Pani Joint Venture (33.3% Interest)	Gold	60.7
The fair value of Lion's interest in the Pani Joint Venture increased to A\$60.7M at 31 July 2020. This increase reflects the sustained escalation in gold prices from the time of the most recent arm's length transaction in November 2018 ¹ .		
Portfolio		
Nusantara Resources	Gold	15.5
Erdene Resources	Gold	5.3
Sihayo Gold	Gold	1.8
Celamin Holdings	Phosphate	1.2
Other		0.6
<ul style="list-style-type: none"> Portfolio holdings measured at fair value Includes investments held directly by Lion and the value to Lion of investments held by African Lion 		
Net Cash		10.5
Net Tangible Assets		A\$95.6M
NTA Per Share		63.7c
Capital Structure		
Shares on Issue:	150,141,271	
Share Price:	50¢ps	30 September 2020

1. Lion Selection Group ASX Announcement 4 August 2020, Pani Update and Valuation Revision.

Lion Manager's Report



- 2020 has seen the proliferation of COVID-19, which has impacted economies and markets and resulted in the roll out of stimulus and fresh quantitative easing.
- Gold has surged and reached new record highs off the back of an outlook for persistently low interest rates, a fundamental which is excellent for gold.
- Gold equities have been amongst the best performing equities, one of the few sectors that has recovered pre-COVID-19 highs and is now seeing interest from generalist investors.
- The Canadian market has regained an appetite for exploration stage companies, recording a stunning market re-rating and fresh funding – especially for gold explorers.
- Investors in explorers have switched from rewarding success to pricing potential, which reflects a surge in liquidity to explorers.
- Lion Clock – now at 10 o'clock.

2020: the year of COVID-19

2020 has been characterised by extremes, and not just in the mining industry or equity market. The biggest news of 2020 has been COVID-19, which has had, and continues to have, far reaching social and economic effects. Aside from wars, COVID-19 is the most monumental disruption to the global economy during the modern industrial era. Many people probably feel that January and February 2020 (which were 'pre-COVID-19') was a very long time ago – so may well have forgotten that many equity market indices hit record high prices in February 2020, and COVID-19 impacted a market that was already beginning to show signs of exuberance.

As the world shut down to try and stem the spread, sudden enforced restrictions brought on the worst unemployment

statistics since the Great Depression. In response to the economic shock, Governments and Central Banks implemented their largest ever stimulus and quantitative easing measures, with the result that interest rates are now virtually zero with little prospect of a short-term increase.

Equity markets fell by around 40% in late February and early March, in the most rapid correction of that magnitude in history and March was the worst month for stock markets since 1987. The aftermath of the crash was equally unusual, where most historical crashes have featured a period of market risk aversion, the equity market recovery (especially in certain sectors) has been stunning, in fact on many stock markets April was the best month ever.

Lion Manager's Report



By mid-year in 2020, gold had appreciated by more than the whole of 2019

The effect on commodities has been mixed. All commodities were caught up in the March market weakness, although many had begun to soften in the months leading up to the market collapse. The outlook for commodities has evolved from earlier in the year to now feature even lower interest rates and the likelihood of new demand from stimulus measures. The most noticeable difference in the world is an enormous jump in sovereign debt levels and fiscal deficits which have blown out to fund economic stimulus packages.

The most unusual aspect of all is that COVID-19 has not gone away, nor is it expected to fade rapidly. Nevertheless, markets are taking a more optimistic view on the future than might be expected following a massive economic contraction, market meltdown and the continued overshadowing of the pandemic over the world.

Commodities

Commodity prices have a strong influence on the equity market for resource stocks. As the price and outlook for commodities fluctuate, it influences investor interest for explorers and producers of individual minerals. The immense economic impact of COVID-19 brought about a fresh episode of quantitative easing and stimulus in the world's largest economies, which feeds directly into the fundamentals for many commodities.

Quantitative easing was struck off the back of already very low interest rates. Mid 2019 saw the perception toward rates shift from 'rates likely to rise' to 'not rising soon', and the effect of the latest economic shock has been to push rates firmly into 'lower for longer' territory. Gold has historically performed well under low to negative real interest rates and is often sought during times of uncertainty. The combination of these with money seeking a return in a market where debt provides little to no yield and a market recovery that is far from certain has provided wonderful fundamentals for gold.

Gold was robust in 2019 as the interest rates scenario was teetering, but then became a focus of the market in 2020 when any glimmers of interest rate recoveries in the short-term were put to bed. The gold price appreciated by US\$230/oz in 2019, and most of that performance was within the period June to August. In 2020, but for the disruption of the March market weakness and a softening gold price in August and September, the trend for gold has been more consistently positive. By mid-year in 2020, gold had appreciated by more than the whole of 2019, and by early August was up by almost \$550/oz, peaking at a record closing price of \$2,063/oz on 6 August. Gold can often be the domain of gold fanatics, but when it sets new record highs it draws huge attention such that fundamentals for gold are now reported in mainstream media.

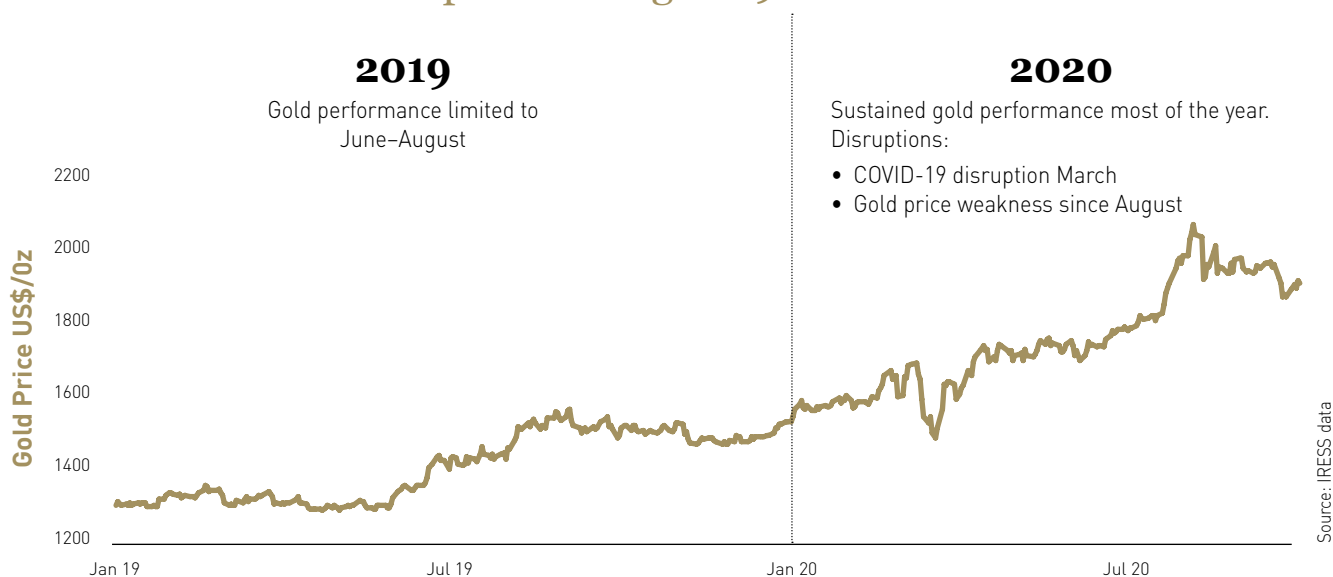
Lion Manager's Report

The short-term impact of COVID-19 has been to slow economies, and this is intuitively negative for most other commodities. The nature and timing of stimulus has had varying effects on the outlook for individual commodities and short- and medium-term demand. Even so, most commodities have resumed their pre-collapse trading patterns.

COVID-19 has ravaged the oil price owing to a demand shock as the world slowed in early 2020, existing surplus production and inflexible supply due to the combined challenges of engineering a slowing of oil production and the dependence of many oil nations on continued production to prop up their own economies. Had the CoronaVirus shock happened at any other time in the industrial era, a recovery in the oil price would have been expected to correlate with a global economic recovery. Now however, decarbonisation and reduction in fossil fuel dependency is a high-level global concern. Stimulus directed at decarbonisation and apparent global resolve toward a cleaner world may well accelerate the development of greener energy generation or larger scale storage. This could well impinge on the recovery outlook for oil and could also have a consequence for future

demand patterns of other commodities that are related to batteries and alternative power generation. Iron ore has benefited over recent years from disaster related supply disruption in Brazil, and more recently from the deployment of post COVID-19 stimulus in China. Base metals prices are mostly still well off their 2018 peaks. The outlook for copper should be promising under a global decarbonisation / electrification theme, however this is still far enough off for the market to remain fairly circumspect. At any rate, copper and most other base metals are trading at prices that are below the incentive price that is probably needed to develop new sources of supply. The exception is nickel, which finds itself as part-traditional base metal, part-battery metal and enjoys periods where one fundamental or the other rejuvenates market interest.

Gold price during 2019 and 2020



Lion Manager's Report

Morning briefing at Nusantara's
Awak Mas Gold Project



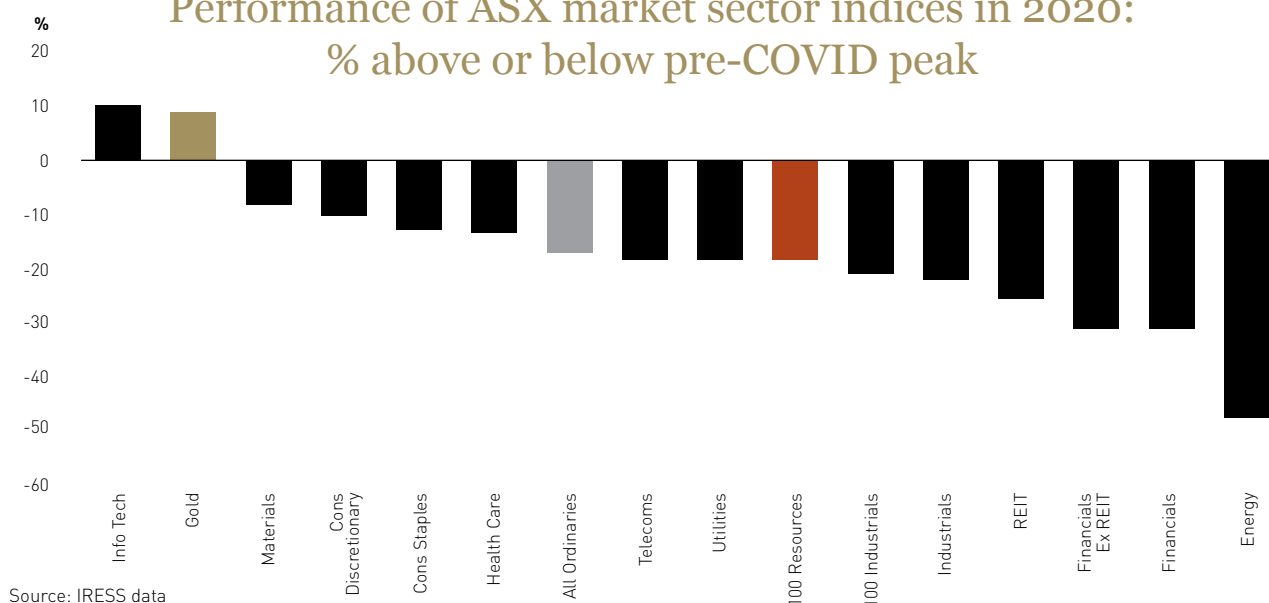
Mining equities

Global equity markets underwent a rapid recovery following the March COVID crash, although recovery has been mixed when all sectors of the market are considered. In the Australian market, only the IT and gold sectors are trading at levels above their pre-COVID peaks – the rest of the market is below the levels attained in February. An apparently spectacular overall recovery in the US market has been anchored to technology stocks which account for a large proportion of that market. In a low interest rate environment there are fewer options for attractive yields that are 'risk free'. Under these circumstances more and more money seeks equities to obtain a reasonable return, and the pattern

so far has seen equity investors seeking this from 'growth' sectors. With big technology as a driver, large markets such as the US are now trading at close to record price to earnings levels and whilst that logically presents a risk, the backdrop of such dramatically low interest rates and an outlook for ongoing quantitative easing is also unprecedented.

The performance of gold producers has been the standout of the Australian market over five years (being the time since the end of the 2011-2015 mining market downturn). In this time the gold index has outperformed not only non-resources market indices (such as the ASX 100 Industrials Index) but also the collective resources market (e.g. ASX 100 Resources Index) by a long margin.

Performance of ASX market sector indices in 2020: % above or below pre-COVID peak



Lion Manager's Report

Generalist investors recognising the gold sector

From 2011 to 2015 the mining sector was punished by investors for the excesses of the previous boom. As investors rotated their funds into other sectors, the market weighting of miners fell to multi-decade lows. Miners began to regain market favour in 2016, and as is typical of the early stages of a boom, the first investors consisted mostly of mining specialists – investors that always hold miners and could recognise the value on offer.

As booms progress, there is typically a growing participation from generalist investors who are not obliged by their mandate to consider the sector over any other and only do so once operating and financial performance justifies their investment.

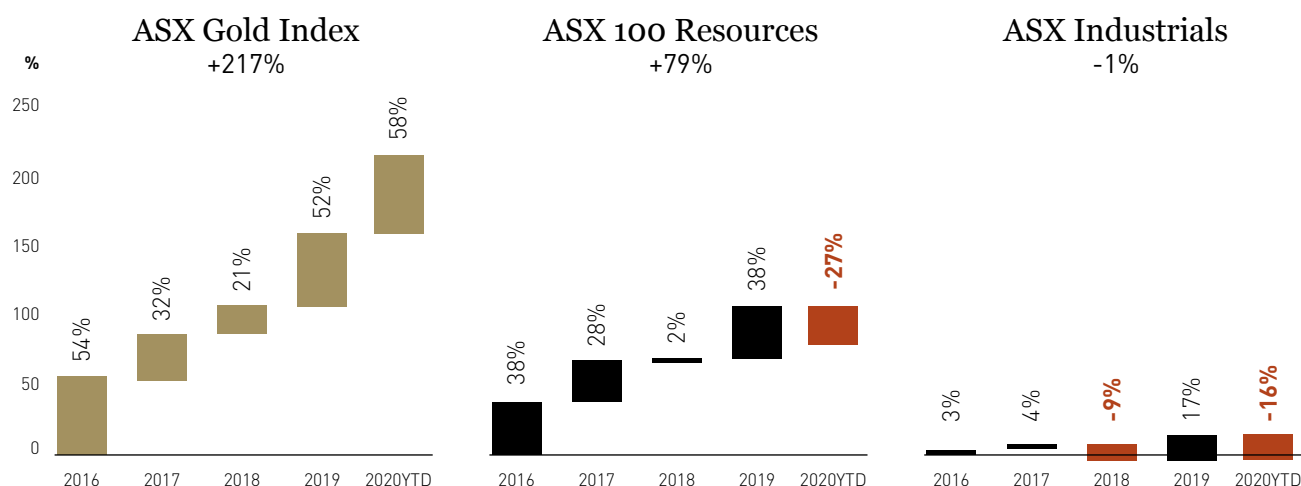
2020 has seen generalist investors take a strong interest in the gold sector, which is part of the reason for the strong performance that has taken place. In August 2020, Berkshire Hathaway made headlines for taking a circa US\$560M position in Barrick Gold, the world's largest producer, tantalising because Warren Buffett has been famously outspoken against holding gold in the past. It is important to point out that this is in fact a small

investment for Berkshire Hathaway, and in that regard might not even have been championed by Buffett directly.

To an outsider looking in, this appears an ideal exposure for a value-oriented investor such as Berkshire Hathaway – the investment is in a gold producer which has leverage to the commodity price, but also generates earnings and is capable of paying dividends. Even so, the underlying assumption is that such an investment is presumably underpinned by a view on the outlook for gold, and as such is an excellent example of 'generalist' money moving into the space having previously held little to no exposure.

Large investments by generalist investors and outstanding index performance paint a picture of uniform investor interest across the sector. It is important to note that indices measure only the performance of the largest companies in a market – and performance in the large companies does not necessarily mean the juniors in the same sector share the same investor appeal. This is especially so in mining, where explorers are totally reliant on investment market support to fund their activities.

Year by year (2016–2019, 2020 YTD) performance of key ASX stock indices



Year by year (2016 – 2019, 2020 YTD) performance of key ASX stock indices: ASX Gold Index (XGD), ASX100 Resources Index (XTR) and ASX100 Industrials Index (XTI). Bars show incremental index (■) or loss (■) comparing the end of a calendar year with the opening prices of 2016. 2020 YTD is to 30 September 2020.

Source: IRESS data

Lion Manager's Report

Liquidity for explorers and developers, and the return of Canada

Globally significant events often overshadow everything else that happens during the same year. Hewlett Packard was founded in 1939, and the Spanish Civil War came to an end – but the year is overshadowed by Hitler's invasion of Poland which led to the start of World War II. 2020 will forever be synonymous with the COVID-19 pandemic, and whilst it might not make the same headlines, 2020 is also the year that liquidity truly returned to the explorer space. The two events are connected – investor interest has targeted gold explorers above all, and the gold price surge stems in no small way from factors linked to COVID-19. The matter of extreme significance for the mining cycle is that liquidity is now surging toward explorers from the largest market for miners in the world – Canada, which until quite recently has been reluctant to fund explorers.

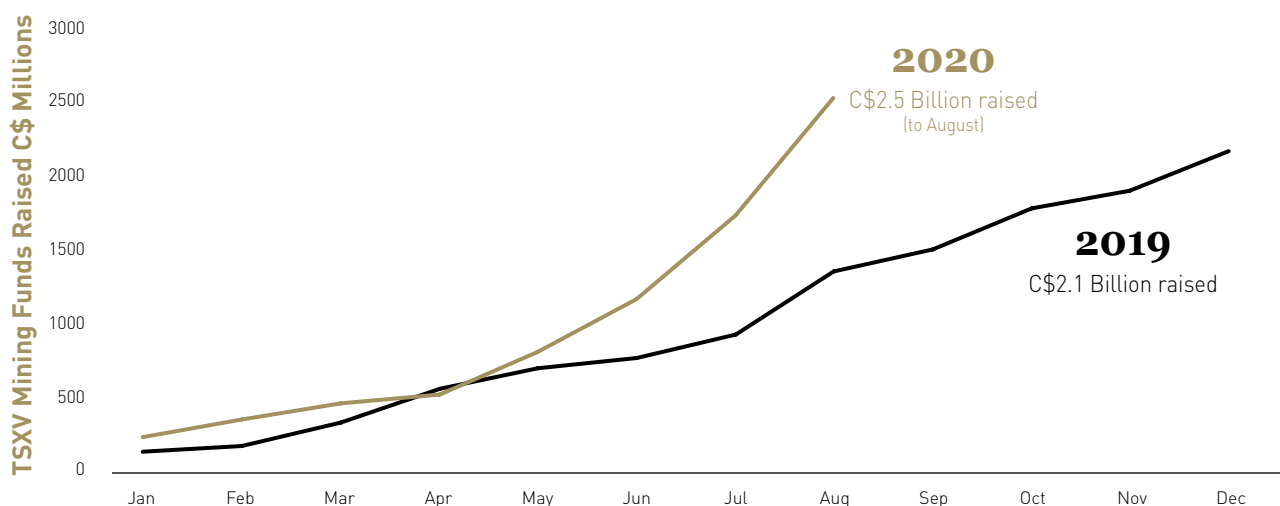
Exploration companies are incredibly sensitive to liquidity because constant market funding is required for them to be able to operate. When funding is scarce, they underperform their larger peers and the market. Yet when funding is plentiful, they can provide outstanding returns.

Canadian equity exchanges collectively have historically raised more equity funding for miners and explorers on an annual basis than any other exchange, which makes

Canadian markets the largest pool of investment capital for risky enterprises such as exploration. But 'risk investors' are not obliged to continually fund exploration, and for periods of time these investors' 'risk money' flows elsewhere. Through 2017, 2018 and much of 2019, the main fascination for Canadian risk money was medicinal cannabis, but by late 2019 this theme had waned. Canadian investors were ready for something new, and the renewed lustre of gold against a backdrop of declining outlook for interest rates and then a global pandemic has been the catalyst to cause a migration of capital.

The performance of early stage mining equities (but especially gold explorers) in the Canadian market in 2020 has been stunning. As at 31 August 2020 mining enterprises listed on the small capitalisation TSX Venture exchange (the TSXV – which are overwhelmingly explorers or small scale miners) have already raised more money than the same group did in the whole of 2019, 86% more than to the same time in 2019. The junior miners and explorers of the TSXV have also raised more than the large capitalisation miners listed on TSX so far in 2020 – if this trend is maintained it would be the first time for well over a decade that more money has flowed to juniors than established miners for fresh funding.

Funds raised on the TSXV for mining companies 2019 vs 2020 YTD



Funds raised on the TSXV for mining companies, most of which are explorers and many that focus on gold.

Source: TMX Market Intelligence.

Lion Manager's Report



The phenomenon of investor interest in explorers in Canada is not limited to capital raisings – the increase in market capitalisation has also been incredibly strong. To the end of August, the collective market capitalisation of mining classified companies on the TSXV has increased by 89% in 2020 (versus 10% in CY 2019), or an aggregate increase of C\$16.9B.

The C\$2.5B of new capital that has been raised in the same period is only a small fraction of the difference. These trends align strongly with a gold price tailwind, as a high proportion of mining companies active on TSX-V are gold explorers. The capitalisation of miners on the large capitalisation TSX has increased by 35% in 2020 so far (versus 43% in CY2019) – so whilst there is a positive trend for the sector, the story clearly has been about explorers in Canada in 2020.

ASX listed exploration and assessment stage companies have also experienced a similar positive surge of investor sentiment with a commensurate increase in capital raising tempo, albeit below TSX levels. For liquidity to now be flowing into the exploration space is important, but of overwhelming significance is that a great deal of this new liquidity is from the re-awakened Canadian market.

Investor appetite for exploration – now pricing potential and driving activity

2019 and 2020 have been successful years for the exploration business, with a number of discoveries taking place and a strong sense that the tempo of discovery has lifted above previous years. To make discoveries it is necessary to explore, and there should be no doubt that discoveries stem from exploration spending. Success is a critical factor for attracting new investment to the exploration space, and this recent track record, when combined with the tailwind of a strong gold price, sits behind a change in the way investors are now treating exploration companies.

The corollary of a jump in valuations across the exploration sector is that investors now value exploration differently. Up until January of this year, investors were clearly rewarding successful explorers which was a healthy improvement on much of the period from 2011 through to 2018. Whilst not universal, there are now growing instances where valuations can only indicate that investors are valuing potential, yet still await the milestone of exploration success. This stems from new liquidity now flowing into the exploration sector, which may bring with it a dilution of investor sophistication and hence a

Lion Manager's Report

Awak Mas, Indonesia



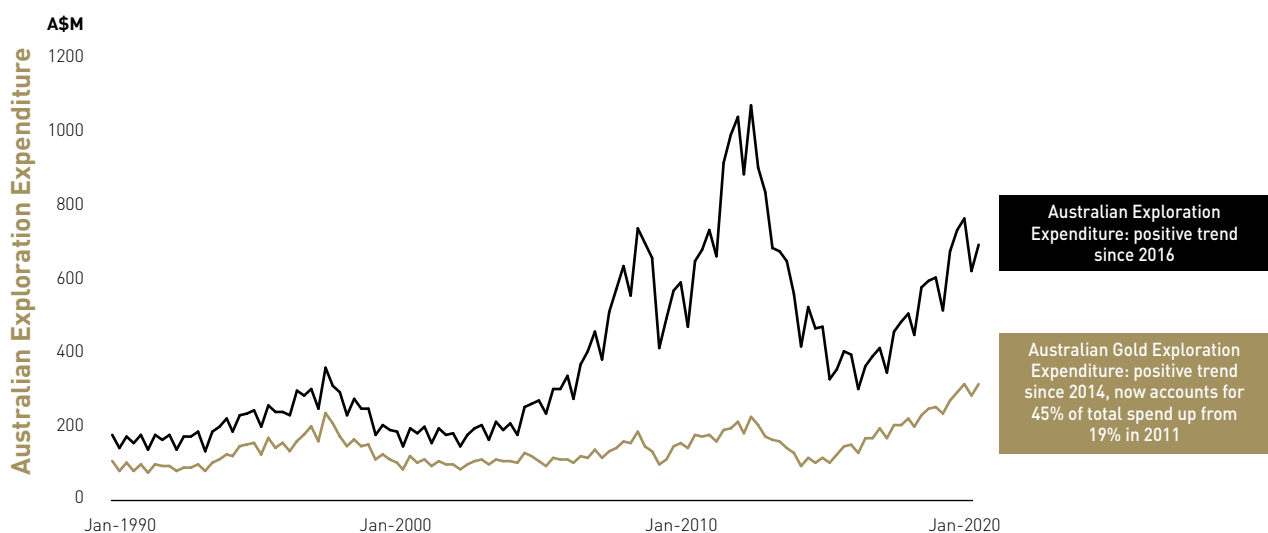
willingness to invest in risky situations at a price that misrepresents the uncertainty of the proposition.

Exploration expenditure patterns provide a great proxy for investor sentiment – because investors are directly influential in whether or not exploration budgets are available to spend. The Australian Bureau of Statistics tracks quarterly exploration expenditure within Australia – which is a useful, if possibly leading proxy of activity

globally. Total exploration spend has been trending upward since 2016, and the proportion of exploration spend which is for gold now accounts for almost half (45% at June 2020).

Gold exploration in Australia was as low as 19% of the total in late 2011/early 2012, and 2020 is the first time since 2004 that gold has accounted for such a large proportion of total exploration.

Total exploration expenditure and gold exploration expenditure in Australia, January 1990 to June 2020 (quarterly data)



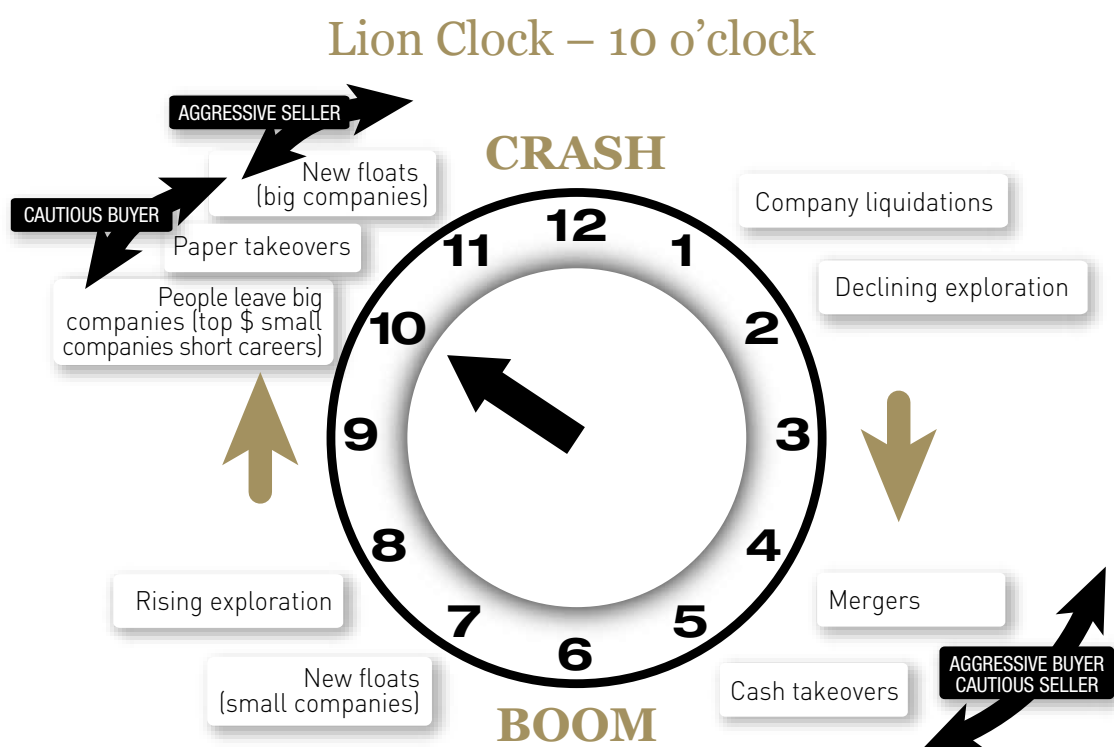
Lion Manager's Report

The Lion Clock was at 9 o'clock in January 2020, and the collapse of global markets in February and into March because of the COVID-19 pandemic could have brought about a premature bust (midnight) for the mining cycle.

However, aggressive government stimulus and quantitative easing has been deployed which has so far prevented further equity market weakness. In doing so, this has underwritten robust fundamentals for gold, which has set new record highs during the year. The gold sector has been amongst the strongest performers in the equity market recovery since and despite the clear centrlicity toward gold, investor enthusiasm for risky activities such as exploration is spreading across the sector in a fashion that was last seen almost a decade ago.

Explorers are now able to raise equity funds more readily than at any other time since mid-2011, indeed investors are clamouring into some stocks to the extent that valuations reflect potential rather than necessarily success. The change in sentiment of the investment market toward exploration stage companies recorded during 2020 opens the door to a new and exciting stage of the boom and takes the Lion Clock to 10 o'clock. The Lion Clock does not move at a steady pace, rather it reacts to indicators of liquidity and these tend to occur in irregular surges rather than a

set tempo. The time between 10 o'clock and 12 midnight in previous cycles has lasted for years, and importantly for investors substantial capital returns are most readily available through this stage. This is especially the case for junior miners and explorers, as this stage is characterised by liquidity moving into smaller companies as investors search for value. With exploration funds now being raised in the market and deployed widely, we expect to see discoveries take place and new projects developed as well as growth in the form of M&A to form larger companies.

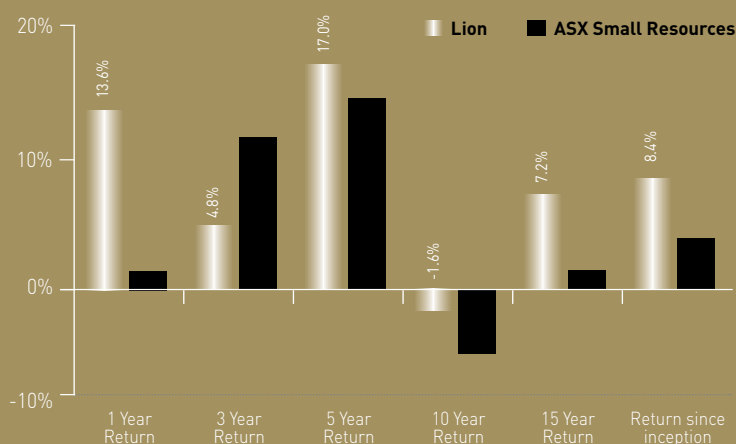




Drilling at Nusantara's Awak Mas Gold Project

Lion Performance

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



at 31 July 2020	Lion	ASX Small Resources
1 Year	13.6%	1.5%
3 Years	4.8%	11.5%
5 Years	17.0%	14.4%
10 Years	-1.6%	-4.9%
15 Years	7.2%	1.5%
Return since inception – 22 years	8.4%	3.8%

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.

- Investment performance figures reflect the historic performance of Lion Selection Group Limited (ASX:LST, 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)
- Methodology for calculating total shareholder return is based on MorningStar (2006), which assumes reinvestment of distributions
- 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.
- Investment performance is pre-tax and ignores the potential value of franking credits on dividends that were partially or fully franked.
- Past performance is not a guide to future performance.
- Indices used for comparison are accumulation indices, which assume reinvestment of dividends.
- Source: IRESS, Lion Manager

First Class Partners in Indonesia

Lion is fortunate to have extremely well-credentialled partners in each of its Indonesian projects:

- Pani: Merdeka CopperGold
- Nusantara – Awak Mas: Indika Energy



Multi-asset mid-tier Indonesian gold miner

Back by Provident, Thohir Group, Saratoga



Lion Selection Group

ASX:LSX



Multi-asset Indonesian energy, mining and services conglomerate



ASX:NUS



Pani

World class size and shape gold project
Drilling and assessment to come



Awak Mas

Long life / high margin gold project
Seeking debt funding

Pani Joint Venture (33.3%*)

Lion holds 33.3% in the Pani Joint Venture alongside Merdeka Copper Gold. The Pani gold project is emerging as a potential world class gold project, showing signs of size, exposure, geometry and metallurgy to warrant investigation of a large scale, long-life, open pit operation.

* Lion interest to become 20% after closing of the deal with J Resources

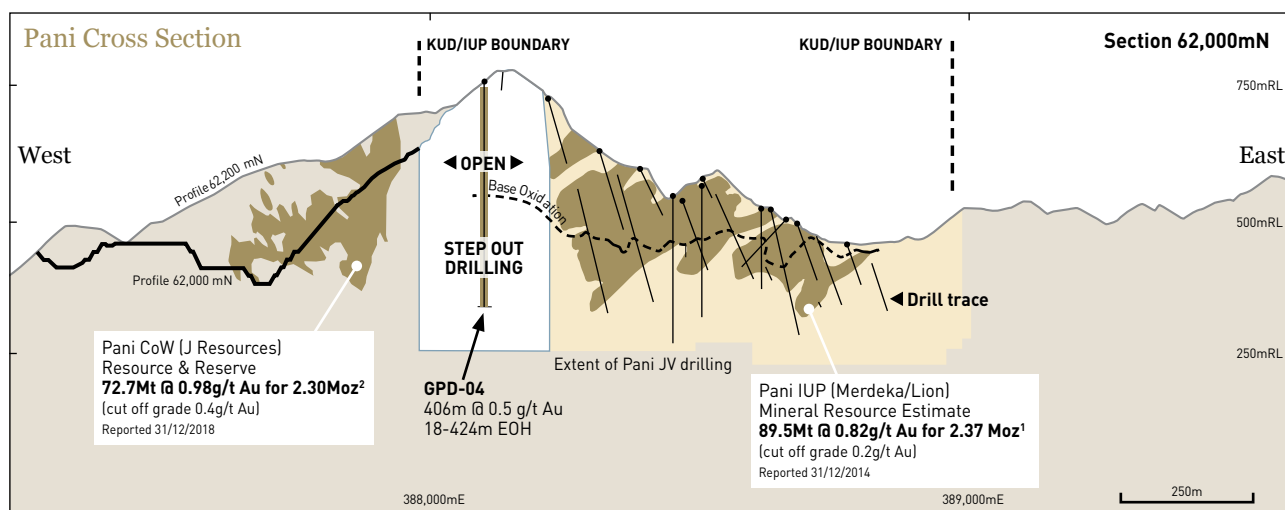
Pani currently consists of two Resources [2.37Moz¹ (33.3% Lion/ 66.7% Merdeka) and 2.30Moz² (100% J Resources)] on two licenses which historically have been separately held.

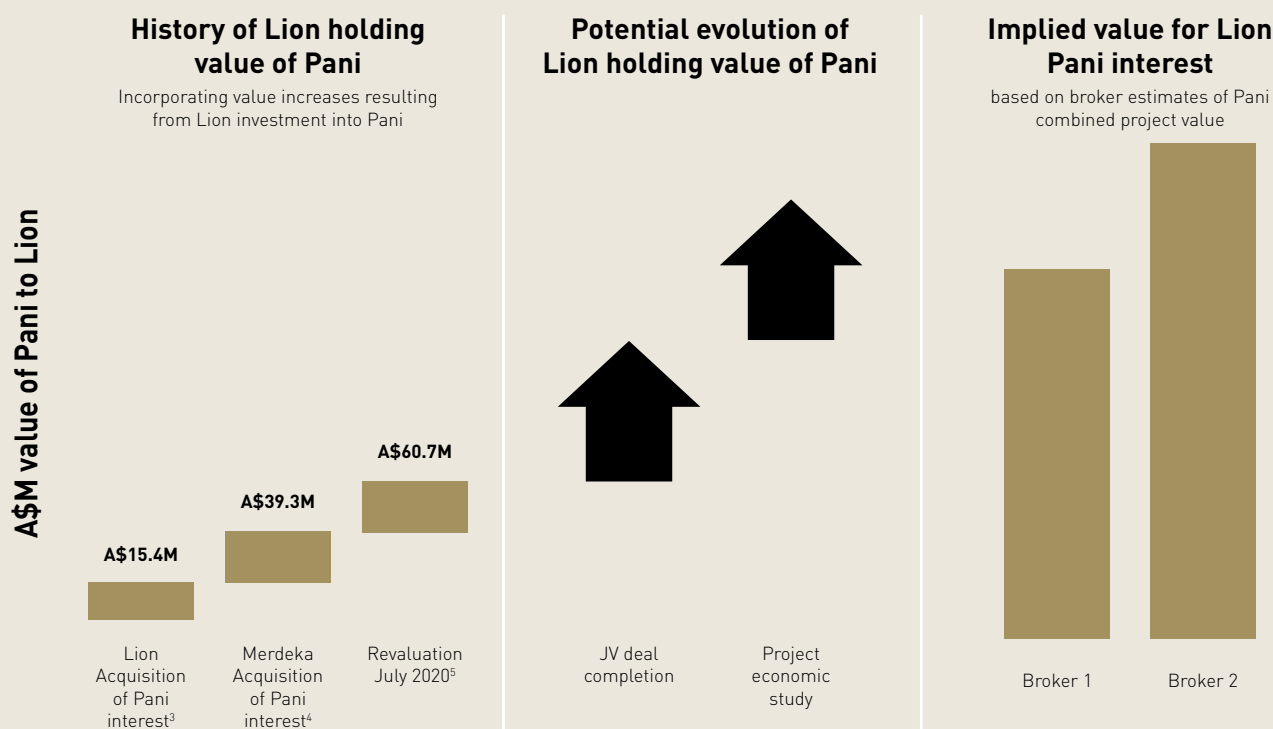
Mineralisation on the Pani trend that contains the two Resources extends for over 1.2km, and features intersections of gold mineralisation hundreds of metres thick. Mineralisation is open in all directions, and the 'link' zone between the two Resources has seen recent diamond

drilling with preliminary results appearing broadly consistent with mineralisation on either side. During the year a conditional agreement was signed with PT J Resources Asia Pasifik Tbk (J Resources) to combine the two adjacent gold Resources to form a single gold deposit, subject to approval from regulatory authorities and J Resources' lenders.

Pani developments during the year:

- Pani valuation increased to A\$60.7M, up from A\$38.7M.
- Preliminary results from step-out drilling in the zone between Resources appear broadly consistent with mineralisation on either side.
- Conditional agreement signed with J Resources to combine two adjacent gold Resources to form a single gold deposit, subject to approval from regulatory authorities and J Resources lenders.
- Concept study underway considering large-scale project with CIL processing.





Lion's Pani Valuation History and Potential

Pani Valuation

During the year the fair value of Lion's interest in the Pani Joint Venture increased to A\$60.7M at 31 July 2020. The increase reflects the sustained escalation in gold prices since November 2018, being the most recent arms-length transaction when Merdeka acquired its project interest in the Pani Joint Venture. This increase is most notable since mid-March 2020 with spot gold prices strengthening ~US\$500/oz, and the share prices of most peer companies selected increasing by more than 100%.

Further material upside is expected for the Pani gold project once the J Resources transaction completes. This upside has not been considered in the fair value for the assessment made at 31 July as the deal has not yet been completed. Until completed, there is an ongoing risk that the conditions precedent are not met and the deal is unable to be completed. In addition to revaluation reflecting the combination of ground positions, the combined project value could improve to the extent that step-out drilling on the Pani IUP between the two Resources confirms continuity.

J Resources Agreement

In December 2019 Lion and Merdeka announced that its Pani Joint Venture had reached conditional agreement with J Resources to combine the two neighbouring Pani tenements into one ownership group. Until recently, both Merdeka/Lion and J Resources had intended to develop separate projects. Reserves for both projects would have been constrained by the need to maintain pit walls within the respective tenements. By combining the projects into one project, the overall reserves are likely to be materially larger than the reserves would have been if the projects were developed separately. Merdeka/Lion and J Resources have concluded that there is a clear logic in combining the Pani IUP and the Pani COW into one ownership group, in order to develop one, larger gold mine project.

The resultant structure will see J Resources transfer its interests in PT Gorontalo Sejahtera Mining (GSM), the holder of the Pani Contract of Work tenement in exchange for a 40% ownership interest in the combined entity, including the Pani IUP tenement, diluting Lion's ownership to 20% in the larger combined entity.

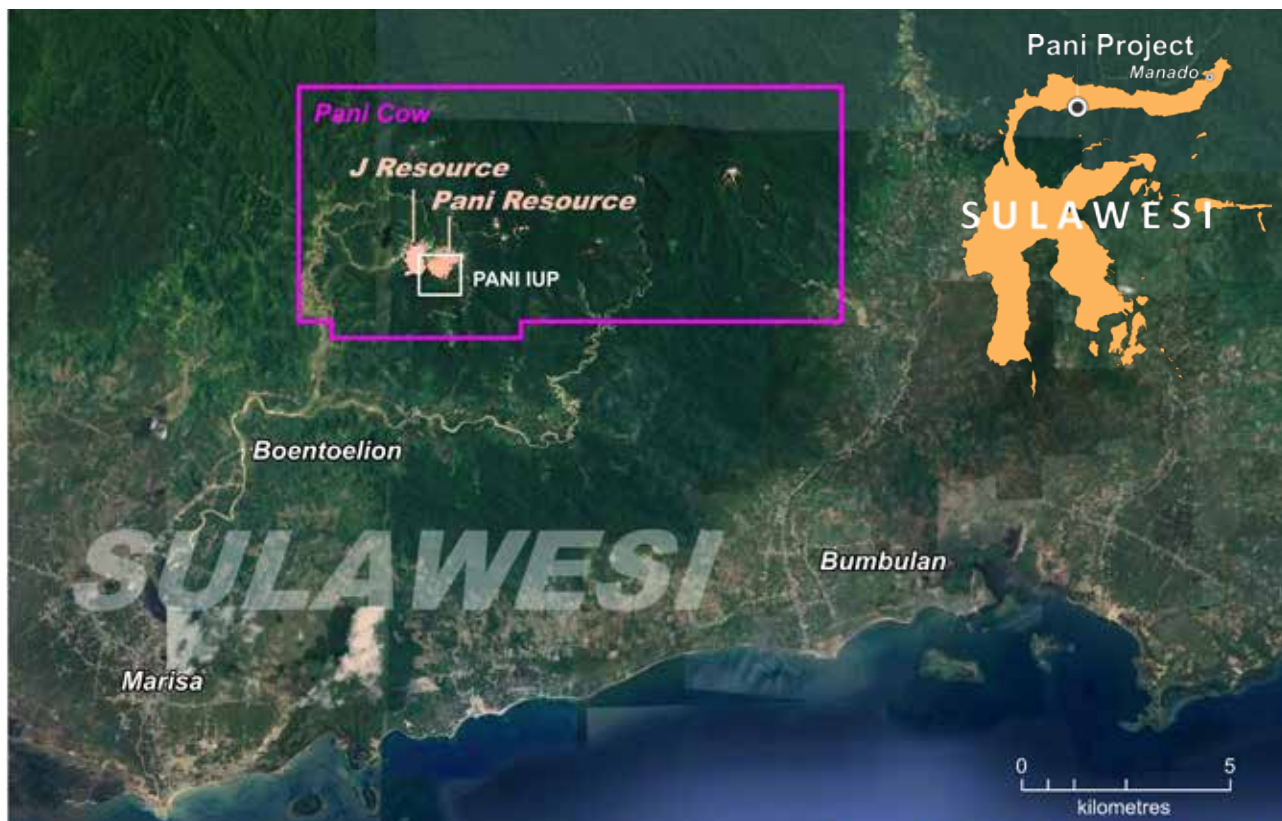
The J Resources agreement remains subject to regulatory approvals and approval from J Resources' secured lenders. The parties continue to work towards deal completion prior to deal expiry in November 2020 (unless extended by the parties):

- Regulatory approvals have been delayed by the COVID-19 pandemic along with changes to Indonesian mining laws enacted in May 2020.
- The parties have engaged with J Resources' secured lenders.
- The geological teams from both parties continue to work closely to share and integrate technical data in preparation for further technical work, drilling and development studies.

The parties expect conditions precedent to be satisfied in the second half of 2020 after which the new joint venture will commence.

Once completed, the combination of the two tenements is anticipated to materially improve the valuation of Lion's investment in the Pani Joint Venture.

Pani Joint Venture



Pani Regional Map

Step-Out Drilling

As reported previously, the Pani Joint Venture has been drilling a 11,000 metre drill program in the 'link' zone, which is the area on the Pani IUP between the established mineral resources. Two holes were drilled by Utah International in this zone in 1982, which assayed 406m @ 0.5 g/t Au (GPD-04) and 154m @ 0.57 g/t Au (GPD-05). As reported in Merdeka's June 2020 quarterly report⁶, four further holes have been completed or were underway for a total of 1,578.6 metres. This brings total drilling in the current program to 13 holes completed or underway for a total of 3,407.6 metres.

The Pani Joint Venture has temporarily paused its on-going drilling program pending completion of the J Resources agreement. It

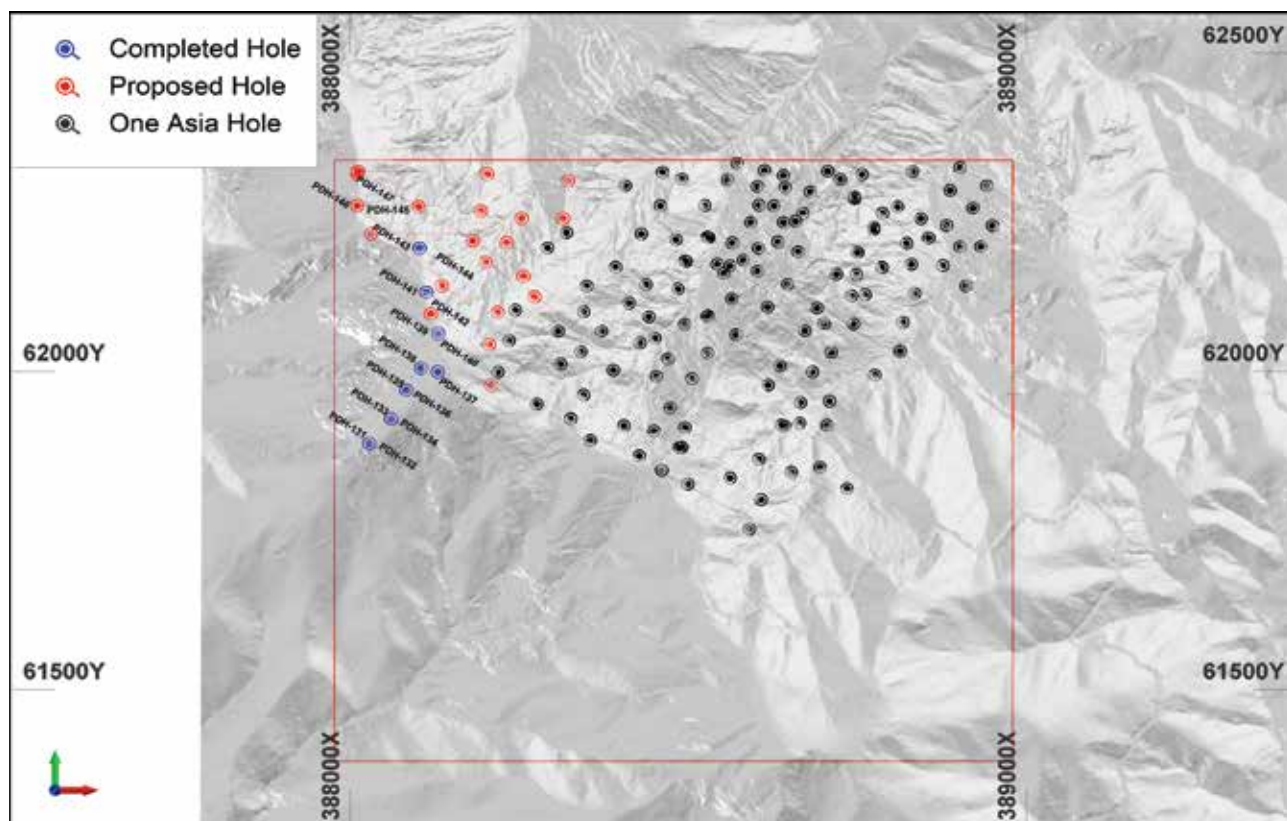
is anticipated that assay results of holes that have been drilled will be progressed and become available after the recommencement of drilling. Preliminary assays and observations from visual geological logging are broadly consistent with mineralisation that is observed within both the Pani COW and the Pani IUP.

It is expected that unification of technical databases, geological models and integration of new diamond drilling results will ultimately culminate in a unified Resource for the 'Pani Besar' ('Greater Pani') region which can then be used as the basis of project development studies.

During the year the Pani Joint Venture worked on an internal concept study focused on how a combined Pani Besar project might

look. The purpose of the concept study is to help scope further work, understand key risks requiring further assessment, and to assess for potential fatal flaws. The study is premised on high level assumptions, including that the Pani deposit is one continuous zone of mineralisation across the two tenements.

The Internal Concept Study aims to determine the potential viability of an open pit mine with conventional milling and CIL processing. The study is a preliminary technical and economic study based on low-level technical and economic assessments that are not sufficient to support the estimation of ore reserves. Further evaluation and appropriate studies are required before any ore reserves estimate or any assurance of an economic development of the project.



Schematic showing Pani proposed and completed drill holes

The combination of the Pani IUP and Pani CoW unlocks optimal development of the Pani deposit unrestricted by tenement boundaries, including:

- Favourable topography and ore geometries: low strip ratio, open pit operation amenable to large scale bulk mining.
- Metallurgical work to date suggests high recoveries are achievable, with conventional CIL assumed for the internal concept study.
- Low processing costs anticipated, with grid power available.
- Subject to appropriate assessment, initial concepts envisage 7.5 Mtpa to 15 Mtpa processing rates.

Pani IUP (Lion 33.3%/Merdeka 66.7%) 0.2g/t cut off ¹			
Category	Ore (Mt)	Grade (g/t Au)	Au (m oz)
Measured	10.8	1.13	0.39
Indicated	62.4	0.81	1.63
Inferred	16.2	0.67	0.35
Total	89.5	0.82	2.37




Pani CoW (J Resources 100%) 0.4g/t cut off ²			
Category	Ore (Mt)	Grade (g/t Au)	Au (m oz)
Measured	15.5	1.03	0.51
Indicated	41.3	0.98	1.31
Inferred	15.9	0.93	0.48
Total	72.7	0.98	2.30

1. Refer to One Asia Resources Limited news release 3 December 2014, (<https://www.lionselection.com.au/wp-content/uploads/2018/08/PANI%20JORC%20RESOURCE.pdf>).
2. J Resources Reserve and Resources Statement 31 December 2018. (http://www.jresources.com/assets/uploads/investor/Final_Reserves_Resources_Compilation_2017_to_2018.pdf)
3. See Lion announcement 17 April 2018.
4. See Lion announcement 5 November 2018.
5. See Appendix to Lion announcement 4 August 2020.
6. PT Merdeka Copper Gold Tbk Quarterly Report: June 2020 [3 August 2020, <https://www.merdekacoppergold.com/en/download/activities-report-q2-2020/>].

Nusantara Resources

Awak Mas Gold Project – Indonesia's next gold mine

Strong Foundation

	ASSET	1.53Moz Reserve ² 2.35Moz Resource ³
	LOCAL PARTNERS	Indika – 40% Petrosea – contractor
	FUNDING PATH⁴	US\$40M Indika US\$40M Petrosea Project Finance & Mezzanine

Value¹

NPV₅	US\$517M
IRR	45%
Long Life	16 years
Payback	< 2 years
Nusantara NPV₅ A\$2.08/share*	

Optionality

	EXPANSION
	EXPLORATION
	GOLD PRICE

*NPV₅ at USD1,700 per ounce gold price = USD517M. 60% NUS share at USD1:AUD0.70 over existing issued NUS shares of 212.6M = A\$2.08/share.

Following exploration drilling in 2019 and increased gold price in 2020, a new resource and an ore reserve were estimated for the Awak Mas Gold Project in Indonesia:

- Resource +19% 2.35Moz
- Ore Reserve + 34% 1.53Moz

These increases combined with updated metallurgical testwork allowed the 2018 DFS to be updated.

Exploration

Since discovery in the 1980's, the region around Awak Mas has been explored by a number of different gold companies outlining 16 known prospects with gold mineralisation over a 15 x 5 km area. New targets have been found using geophysics over a small area around Salu Bulu and this program is planned to be expanded over the next year targeting a gold field with multi-million ounce potential. Near mine drill targets are also expected to be tested in the corridor between Awak Mas and Salu Bulu.

2020 Addendum key assumptions and outcomes compared to the 2018 DFS

Description	2018 DFS	2020 Addendum
Gold Price Assumption	USD1,250 per ounce	USD1,700 per ounce
Upfront capital	USD146M	USD156M
Pre-Production capital	USD16M	USD16M
Gold Produced LOM	1.1M ounces	1.5M ounces*
AISC	USD758 per ounce	USD875 per ounce
Initial mine life	11 years	16 years
NPV₅ real ungeared – after tax	USD152M	USD517M
IRR – after tax	20%	45%
Payback – post tax	48 months	21 months

* The production targets referred to in Nusantara's announcement made 29 June 2020 are based on 92% Probable Reserves and 8% Inferred Mineral Resources. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production targets themselves will be realised.

Mineral Resource Estimate – April 2020

Reported at a cut-off grade of 0.5g/t Au and constrained within USD1,600 per ounce optimised pit shells

Category	Tonnes (Mt)	Au (g/t)	Au (Moz)
Indicated	44.2	1.39	1.97
Inferred	9.8	1.16	0.37
Total	54.0	1.35	2.35

Ore Reserve Estimate – June 2020

Reported at a cut-off grade of 0.5g/t Au and USD1,400 per ounce gold price

Category	Tonnes (Mt)	Au (g/t)	Au (Moz)
Probable	35.6	1.33	1.53
Total	35.6	1.33	1.53

1. ASX Announcement, 29 June 2020, Awak Mas NPV Increases by 240% to USD517M.
2. ASX Announcement, 16 June 2020, Ore Reserves Increase by 34% to 1.53M ounces.
3. ASX Announcement, 28 April 2020, Mineral Resource increases 18% to 2.35M ounces.
4. ASX Announcement, 26 February 2020, USD40M Gold Project Equity Deal.

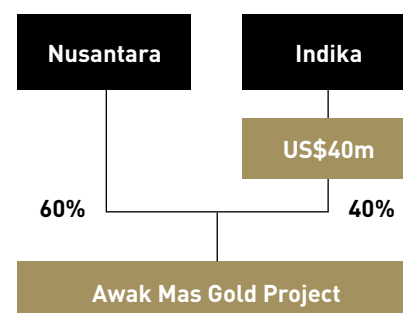
Awak Mas – Sensitivity to gold price

Gold Price per ounce (USD)	\$1,250	\$1,400	\$1,500	\$1,600	\$1,700	\$1,800	\$1,900	\$2,000
NPV 5% post tax (USD)	\$194M	\$303M	\$375M	\$446M	\$517M	\$588M	\$661M	\$735M
IRR post tax	22%	31%	36%	40%	45%	49%	53%	58%
Payback post tax	2.8 years	2.1 years	2.0 years	1.9 years	1.8 years	1.7 years	1.6 years	1.5 years

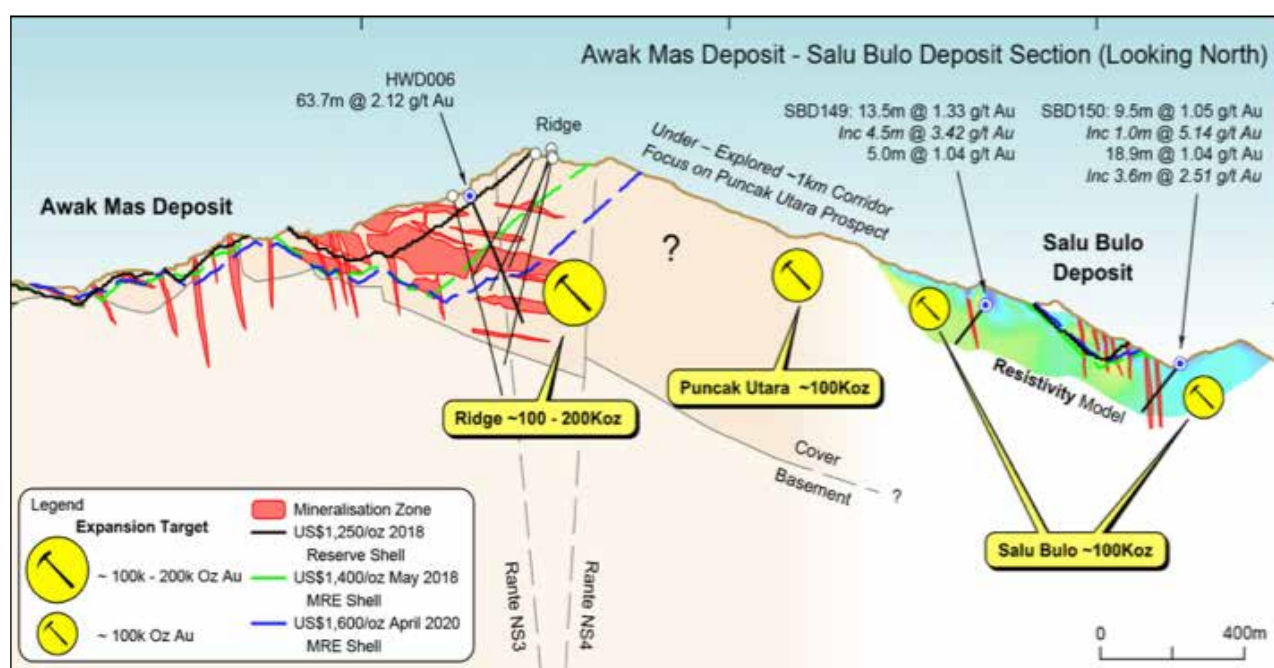
Partner – Indika

Indonesian listed company Indika Energy invested US\$15m in 2020 for a 25% stake in the Awak Mas Gold Project and is under agreement to invest a further US\$25m for a further 15% upon reaching a Final Investment Decision (FID) in early to mid 2021. The agreement with Indika additionally provided interim funding from 70% owned subsidiary

Petrosea with which to begin the FEED or Front End Engineering & Design process which, at completion early in 2021 is expected to be followed by provision of bank debt and mezzanine funding with which to reach FID. Matt Doube was employed as Chief Financial Officer in September 2020 to oversee the funding process.



Indika has invested US\$15m and has earned 25% project equity



Erdene Resources Development Corp



Developing a new high grade gold district in Mongolia

Erdene has spent over a decade establishing a platform from which to operate in Mongolia, which has delivered several discoveries including the high-grade Bayan Khundii in Southern Mongolia. With a Bankable Feasibility Study complete and debt financing discussions underway, Erdene is now strongly positioned to become a gold miner.

Highlights:

In July 2020, Erdene delivered a Bankable Feasibility Study¹ for the Bayan Khundii Gold Project which, being a shallow and high-grade open pit mine, delivers strong NPV and IRR from a low initial capital investment:

- US\$59M establishment capital, with six years of production based on Reserves, averaging 63,500oz gold per annum.
- 3.71g/t Reserve grade underpins an All-In Sustaining Cost of US\$733/oz.
- Using a gold price assumption of US\$1,800/oz, the project has an after tax NPV of US\$216M and IRR of 77%.

Exploration work continues to add value:

- Drilling within the Bayan Khundii open pit design has detected a new zone of mineralisation, featuring some extremely high grades including 5m at 126g/t gold². This zone will see further drilling as Erdene progresses toward mine development.
- The Dark Horse target is located 3.5km North of Bayan Khundii and features similar alteration style and extensive gold anomalism. High grade gold in trenches (eg 6m at 8.8g/t gold³) is to be followed up by drilling. The results available confirm Dark Horse as the best on-license target since the discovery of Bayan Khundii.

Strongly funded:

- Erdene completed a C\$20M financing in August 2020 which positions Erdene strongly to continue with pre-production development works and exploration at Bayan Khundii.
- Of the C\$20M financing, C\$15M was invested by well known gold investor Eric Sprott, which is a strong endorsement of Erdene's high-grade Bayan Khundii Gold Project and the prospectivity of the 100% owned Khundii Gold District.

Hedley Widdup from Lion Manager is a director of Erdene.

1. Refer to Erdene Resource Development Corporation news release made 20 July 2020.
2. Refer to Erdene Resource Development Corporation news release made 7 July 2020.
3. Refer to Erdene Resources Development Corporation news release made 15 July 2020.



Bayan Khundii camp, Mongolia

EganStreet Resources



Former Board of EganStreet at Rothsay

Taken over by Silver Lake Resources

A takeover bid by Silver Lake for EganStreet was announced on 30 July 2019, with an initial offer of 0.27 Silver Lake shares for every EganStreet share. The offer was subsequently improved to 0.431 Silver Lake shares for every EganStreet share and then declared unconditional on 7 November 2019. As consideration for its 16% shareholding in EganStreet, Lion received 9,110,050 Silver Lake shares, which were sold for net proceeds of A\$9.5M.

Brief history of Lion's investment in EganStreet

Lion made its first investment in Auricup in July 2011 to assist with funding of the purchase of the historic Rothsay gold mine from Silver Lake Resources. The company initially planned to list on ASX to explore and assess Rothsay for potential redevelopment but the deterioration of the gold price and the market for junior resource companies between 2011 and 2015 made fundraising challenging and thwarted ambitions of listing early on.

The high-grade nature of Rothsay was well known from historic

production and work done by previous owners. After several changes of directors in the intervening period, Marc Ducler and Lindsay Franker were appointed to the board in 2015 after having made an investment in the company.

In 2016, the company was renamed EganStreet Resources (so named after the street that Marc and Lindsay lived on in Kalgoorlie whilst studying at the Western Australian School of Mines) and went on to list on ASX in the same year after a well-supported \$6M IPO.

The company grew Resources at Rothsay and produced economic assessments culminating in a definitive feasibility in July 2018, which was updated with an expanded Resource and mine plan in February 2019. Lion invested A\$5.87M between 2011 and 2018, and the sale of the Silver Lake shares received as consideration for the takeover closed out a successful investment for Lion and somewhat of an end of an era having had a close and successful working relationship with EganStreet for the duration of the investment.

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	<p>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:</p> <ul style="list-style-type: none"> • general investment, economic and market conditions as outlined above, which can affect the investee's performance and share price; • exploration is a speculative endeavour 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. Whether or not income will result from exploration and development programs depends on the successful establishment of mining operations. Factors including costs, integrity of mineralisation, consistency and reliability of ore grades, metallurgical recoveries, and commodity prices affect successful project development and mining operations; • 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, regulatory changes (including environmental, social, taxation and royalties) 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, political 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	<p>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.</p>

Principal Risks and Uncertainties

Risk Factor	Nature
Reliance on key personnel	<p>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.</p>
Pani Gold Project	<p>The Company is exposed to operating risks associated with holding an interest in the Pani Joint Venture including:</p> <ul style="list-style-type: none"> • Increased investment portfolio exposure to Indonesian country risk. • Concentrated exposure to the inherent risks and uncertainties of the relatively early stage Pani Gold Project operations. • Elevated exposure to the various counterparties to the contractual arrangements that create the ownership interest in the Pani Gold Project that may default on their contractual obligations or act in a manner contrary to the best interests of the Company. <p>The Company will need to contribute investment with respect to Pani Joint Venture expenditure. As the Pani Gold Project progresses towards development, it is possible that the Company will need to undertake an equity raising in order to meet its commitments to the Pani Joint Venture, which may ultimately lead to dilution for all shareholders. Further, there is no surety that the Company would be successful with raising sufficient funds in an equity raising, risking material dilution or loss of its interest in the Pani Joint Venture.</p>
Impact of COVID-19	<p>COVID-19 has caused a significant amount of uncertainty worldwide and has had a substantial impact on global financial markets. Equity markets have been very volatile as governments and central banks try to respond to deteriorating conditions and control of the virus remains uncertain. In the unstable economic environment created by COVID-19, the following risks exist for Lion and its investees, which could in turn affect Lion's financial performance:</p> <ul style="list-style-type: none"> • disruption to work practices and access to operations; • interruption to exploration and development activities; • inability to raise finance to progress projects; • decreasing share price and valuation for exploration and development companies.

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 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 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

Introduction

The Board of Directors of Lion Selection Group Limited (Lion or the Company) is committed to high standards of corporate governance. The Company recognises that it has responsibilities to its shareholders and personnel, as well as to the communities in which it invests.

As required by the ASX Listing Rules, this statement discloses the extent to which the Company follows the 3rd Edition of the ASX Corporate Governance Principles and Recommendations released in March 2014 by the ASX Corporate Governance Council (ASX Recommendations). Except where otherwise explained, the Company follows all of the ASX Recommendations.

The Board will measure its governance practices against the recommendations of the 4th Edition of the ASX Corporate Governance Principles and Recommendations commencing with the financial year ended 31 July 2021.

This Corporate Governance Statement has been approved by the Board of Directors of Lion Selection Group Limited.

PRINCIPLE 1: Lay solid foundations for management and oversight

Recommendation 1.1

A listed entity should disclose:

- (a) the respective roles and responsibilities of its board and management; and
- (b) those matters expressly reserved to the board and those delegated to management.

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.

Management

The Manager has been appointed by Lion to implement its investment strategy and manage its investments. This includes all steps of the investment selection process and the making of recommendations to the Board.

A Management Agreement has been established to formalise the relationship between the Company and the Manager. The Manager, under this agreement, undertakes to act as investment manager for Lion. The Manager is at liberty to engage specialists and consultants as appropriate to assist in the investment assessment process and provides a regular flow of information to Lion's directors. Lion's Board retains the power to make the final investment decision on the basis of this information and advice. This retention of final investment decision allows the Board to effectively review the function and proficiency of the Manager and of the investment selection processes.

Further information on performance evaluations can be found under ASX Principle 8.

Recommendation 1.2

A listed entity should:

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Lion ensures that all candidates for directorship are well known to the company. In addition, all appropriate checks and due diligence are undertaken by the Lion board prior to nominating a director for election. Information about candidates who are standing for election or re-election as a director including biographical details, qualifications, experience and other directorships is provided to shareholders to enable them to make an informed decision.

Corporate Governance Statement

Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The terms on which the directors and senior executives are appointed is set out in the written agreement between the Company or the Manager and the individual. This establishes the roles and responsibilities of each person, their duties and accountabilities.

Recommendation 1.4

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary is responsible for co-ordination of all Board business, including agendas, Board papers, minutes, communication with regulatory bodies and ASX and all statutory and other filings.

Through the Chairman, the Company Secretary is accountable directly to the Board on all matters to do with the proper functioning of the Board.

Recommendation 1.5

A listed entity should:

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- (b) disclose that policy or a summary of it; and
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
 1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
 2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.¹⁶

While the Company does not have a gender diversity policy at present, the Company promotes a culture of equal opportunity and has the principles of equality, fairness and contribution to commercial success at all levels within the Company. Lion recognises and values the blend of skills, perspectives, styles and attitudes available to the Company through a diverse workforce. Different perspectives in the investment selection process and stronger problem-solving capabilities flow from a diverse workforce.

Workplace diversity in this context includes, but is not limited to, gender, age, ethnicity and cultural background.

Workplace flexibility involves developing people management strategies that accommodate differences in background, perspectives and family responsibilities of staff.

Recommendation 1.6

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Recommendation 1.7

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

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.

Corporate Governance Statement

PRINCIPLE 2: Structure the board to add value

Recommendation 2.1

The board of a listed entity should:

- (a) have a nomination committee which:
 - 1. has at least three members, a majority of whom are independent directors; and
 - 2. is chaired by an independent director, and disclose:
 - 3. the charter of the committee;
 - 4. the members of the committee; and
 - 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

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.

Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

Recommendation 2.3

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- (c) the length of service of each director.

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.

A summary of the Lion directors' skills and experience is set out below:

Skills and Experience	No. of Lion Directors
Leadership and Governance	
Leadership	4
Corporate Governance	4
Strategy	4
Operations	
Geology & Exploration	1
Infrastructure	2
Engineering	2
Project Delivery	4
Finance & Risk	
Accounting	2
Finance	3
Acquisitions	4
Risk Management	4
Mining Investment	4

Lion's Constitution provides that the number of directors is to be determined by the Board 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 in the Company's Annual Report.

Corporate Governance Statement

Recommendation 2.4

A majority of the board of a listed entity should be independent directors.

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.

The majority of the Board of Lion are independent non-executive directors.

The executive director, Robin Widdup, is a director of the Manager, which manages Lion's portfolio. To avoid any conflict of interest and in keeping with the Corporations Act, Mr Widdup is not present during any deliberations concerning Lion's relationship with the Manager, nor does he vote in relation to such matters.

Recommendation 2.5

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

To accord with good corporate governance practices and in step with our objective of diversification of Board representatives, the roles of Chairman and Chief Executive Officer have been segregated.

Recommendation 2.6

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

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.

Nomination, Appointment and Retirement of Directors

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.

Please see comments under ASX Principle 8 with respect to the performance evaluation of the board, its committees and individual directors.

PRINCIPLE 3: Act ethically and responsibly

Recommendation 3.1

A listed entity should:

- (a) have a code of conduct for its directors, senior executives and employees; and
- (b) disclose that code or a summary of it.

The Company's code of conduct is as follows:

The highest standards of corporate governance practice and ethical conduct must be upheld by all directors and employees of both the Company and the Manager.

All directors and employees of the Company must, and the directors must ensure that the Manager and its employees, preserve the highest standards of integrity, accountability and honesty in their dealings, operating in strict adherence to statutory and ethical obligations. All such individuals are to be mindful and respectful of relevant policies and responsibilities, must avoid all conflicts of interest or, where a conflict is able to be managed, must speak with the Chairman about how the conflict should be managed (who will consult with the board of directors if necessary). Where there is uncertainty about whether a conflict exists, all directors and employees are encouraged to discuss the relevant circumstances with the Chairman. All concerns about a breach of this code are to be reported to the Chairman (who will in turn consult with the board).

Corporate Governance Statement

The Company's practices are to be stringently monitored by the Board, while the Board itself must adhere to the principles of its charter and uphold 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, which collectively form a solid ethical foundation for company practices, must be complied with at all times.

Securities Trading Policy

The Company's securities trading policy is as follows:

Introduction

As a result of the nature of the business of Lion and the Manager, directors, officers and other employees of Lion and the Manager 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.

- ▶ The Manager has a management contract with Lion, and also has management contracts with private funds African Lion and Asian Lion.
- ▶ Lion and the Manager will continue to be in the possession of information on a variety of small companies which at times may be insider information.
- ▶ The Manager maintains a parallel Securities Trading Policy which applies to all employees and directors of the Manager.
- ▶ Office space is shared by Lion and the Manager.

1. The Policy and Procedures are designed to prevent the possibility of any actual or perceived:

- conflict of interest between the Manager and Lion; and
- insider trading by the directors and employees (and related parties) of Lion. The policy extends to include investments for, or on behalf of the relevant director or employee, spouse, an associated company or trust, or any other related person, company or entity (related parties).

2. Summary of the insider trading prohibitions in the Corporations Act

Meaning of insider and inside information

For the purposes of the insider trading provisions of the Corporations Act, a person is an "insider" if the person possesses information that is not generally available but,

if the information were generally available, a reasonable person would expect it to have a material effect on the price or value of securities ("inside information") and the person knows, or ought reasonably to know that the information is inside information.

Information is taken to be generally available if it:

- consists of readily observable matter; or
- has been made known in a manner that would, or would be likely to, bring it to the attention of persons who commonly invest in securities of a kind whose prices might be affected by the information and since it was so made known, a reasonable period for it to be disseminated among such persons has elapsed; or
- consists of deductions, conclusions or inferences made or drawn from such information.

A reasonable person is taken to expect information to have a material effect in the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the relevant securities.

What activities are prohibited under the Corporations Act?

The Corporations Act prohibits an insider from "trading" or "procuring" another person to trade in relevant securities and from "tipping" another person in relation to the relevant securities, whether as principal or agent.

- (a) **Trading** means to subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell any such relevant securities;
- (b) **Procuring** includes to incite, induce or encourage another person to trade in the relevant securities; and
- (c) **Tipping** means to communicate directly or indirectly inside information (or to cause the inside information to be communicated) to another person where the insider knows, or ought reasonably to know, that the other person would or would be likely to trade or procure a third person to trade in the relevant securities.

3. Supervisory Procedures

To assist in the adherence to this policy, the Lion Board will:

- ensure all directors, officers and employees of Lion are familiar with these policies and procedures;
- review on a regular basis and update as necessary, these policies and procedures;
- seek declarations of interests at each regular Board meeting; and

Corporate Governance Statement

- review the trading activity of each director and employee from time to time, including trading for or on behalf of the relevant director or employee, a family member (spouse or minors only), company or trust, or any other person, company or entity, and whether directly, or through a stockbroker or other intermediary.

Each director, officer and employee of Lion will annually provide the Company Secretary with a statement that they are aware of this policy (or update), and have adhered to it for the prior 12 month period.

4. Compliance Procedures

The compliance procedures are as follows:

- (a) Directors and employees of Lion (and their related parties) are not to invest in or otherwise trade in the securities of:
 - small and medium sized exploration and mining companies, (other than Lion);
 - any company in which Lion, or any funds managed by the Manager, may have a material business transaction or association with or where such a transaction or association is being contemplated;
 - any Investee Company of Lion, or any funds managed by the Manager.

For the purposes of this policy:

- a small and medium company is defined as one with a market capitalisation of less than A\$250 million at the time of investment;
 - material transaction or association means one which may be reasonably expected to have a material financial effect;
 - Investee Company means any company in which Lion, or any funds managed by the Manager has, or is, contemplating an interest;
 - additionally, all employees of Lion, prior to making a transaction in the resource sector, must make reasonable enquiries to ensure they are in compliance with this policy.
- (b) Directors and employees of Lion must submit to the Lion Board a list of the names of resource companies with a market capitalisation below A\$250 million (at time of purchase or have subsequently become) which were existing investments of that individual or a related party before the Compliance Procedures were enacted or in which the individual or related party held shares prior to becoming an employee of Lion.

- (c) The sale of investments which apply to 4(b) above must be approved in advance by the other Lion Directors.

- (d) In special circumstances:

- (i) following approval by the other Lion Directors, directors or employees of Lion may acquire new shares in Investee Companies (e.g. floats, rights issues and placements) but not existing shares;
- (ii) following approval by the other Lion Directors, directors or employees of Lion may acquire shares through rights issues or placements on a pro-rata basis, in small and medium sized exploration and mining companies (normally only if that individual has a pre existing interest);

and

- (iii) in the case of 4(d) above, individuals can sell following approval of the other Lion Directors.

If there is a Lion employee or director on the Board of the Investee Company each sale must follow the approval of that Board member.

- (e) (i) With respect to the purchase and sale of shares in Lion by Lion employees or directors, transactions must only be in windows (as defined below) following quarterly reports, half yearly and full yearly financial results announcements, and the Annual General Meeting provided always that the person is not in receipt of inside information. Approval for Lion employees or directors to buy or sell shares in Lion to be given by one of the Directors of Lion.

For this purpose, a window is defined as commencing the day after each relevant event or announcement, and ending 20 business days after that date.

- (ii) With respect to the purchase and sale of shares in Lion by Lion directors or employees outside the windows defined in 4(e)(i), prior approval to be given by the Lion Board.

5. Notification Requirements

All details of transactions above must be immediately submitted to the Lion Board and recorded in the register. The register is to be updated by the Lion Company Secretary.

Corporate Governance Statement

6. Securities Trading Policy – Voluntary 3 Month Rule

The following proposal is an addition to the existing Policy but is a voluntary section not requiring notification or record keeping with the Lion Company Secretary.

3 Month Rule

- All listed investments must be held for a minimum of 3 months.

Philosophy

- Lion has an investment culture not a trading culture and should look to buy and hold for a medium to long term.
- Individuals should not be active in non-Lion trading activities, during work time.

Ethical Policies

Lion's policies on indigenous communities, the environment and social governance are as follows:

Local Indigenous Communities

Lion's policy is that developments of investees are not exploitative of local and indigenous communities and must assist local communities such through symbiotic project development. Investees are to have a focus on health, education and employment of indigenous people near to investee companies' development projects.

Environment

Lion's policy is that the environmental impact of developments be in line with country/international standards and not adversely impact local communities' geology/economy.

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.

Subsequent stages of metals trade, smelting and refining may often be beyond the influence of the Company.

PRINCIPLE 4: Safeguard integrity in corporate reporting

Recommendation 4.1

The board of a listed entity should:

- (a) have an audit committee which:
 1. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
 2. is chaired by an independent director, who is not the chair of the board, and disclose:
 3. the charter of the committee;
 4. the relevant qualifications and experience of the members of the committee; and
 5. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Company's audit committee charter is as follows:

Charter of the Lion Audit Committee

Scope and Authority

The primary function of the Lion Audit Committee is to assist the Board of directors in fulfilling their responsibilities by reviewing:

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

In carrying out its responsibilities the Committee has full authority to investigate all matters that fall within the terms of reference of this charter. Accordingly, the Committee may:

- obtain independent professional advice in the satisfaction of its duties at the cost of the Company; and
- have such direct access to the resources of the Company as it may reasonably require, including the external auditors.

Corporate Governance Statement

Composition

- The Audit Committee shall comprise three non-executive directors. The Board will determine each director's independence having regard to any past and present relationships which, in the opinion of the Board, could influence the director's judgment.
- The chair of the Audit Committee will be an independent non-executive director who is not chair of the Board.
- All members of the Committee shall have a working knowledge of basic finance and accounting practices. At least one member of the Committee will have accounting or related financial management expertise, as determined by the Board.
- A quorum will comprise any two Committee members.
- The Committee may invite the external auditor and members of the management team and Board of directors to attend the meetings and to provide information as necessary.

Meetings

- The Committee shall meet not less than two times a year or more frequently as circumstances require. Audit Committee minutes will be approved by members of the Committee at the following meeting of the Committee and tabled as soon as practicable at a meeting of the Board.
- The Company's senior financial management and external auditors shall be available to attend all meetings.
- As part of its responsibility to foster open communication, the Committee should meet separately with management and the external auditors, at least annually, to discuss any matters that are best dealt with privately. The Committee should be available to meet with the external auditor if required.

Responsibilities

- The Board and the external auditors are accountable to shareholders. The Audit Committee is accountable to the Board.
- To fulfil its responsibilities the Committee shall:

Review of Charter

- Review and, if appropriate, recommend to the Board updates to this Charter at least annually.

Financial Reporting

- Review with management and the external auditors the financial statements and ASX releases in respect of each half year and full year financial result, and make recommendations to the Board in relation to such financial statements and ASX releases.
- Review with management and the external auditors the accounting policies and practices adopted by

the Company and their compliance with accounting standards, ASX listing rules and relevant legislation, and recommend to the Board any appropriate changes to the accounting policies and practices.

- Discuss with management and the external auditors management's choice of accounting principles and material judgments, including whether they are aggressive or conservative and whether they are common or minority practices and make recommendations to the Board in relation to such accounting principles and judgments as appropriate.
- Recommend to the Board that the annual financial statements reviewed by the Committee be included in the Company's annual report.

Internal Financial Controls

- Review any reports prepared by the external auditor including the effectiveness of the Company's internal financial controls.
- Assess management's programs and policies which deal with the adequacy and effectiveness of internal controls over the Company's business processes.
- Approve changes to the Company's formal accounting policies and monitor their implementation.
- Review jointly with management, the external auditors and if necessary, legal counsel, any litigation, claim or other contingency, including tax assessments, which could have a material effect on the financial position or operating results of the Company.
- Review and assess compliance monitoring programs in place within the Company, in relation to financial controls.

External Audit

- Recommend to the Board the external auditor to be proposed to shareholders.
- Review with the external auditor the planned scope of their audit and subsequently their audit findings including any internal control recommendations.
- Periodically consult with the external auditor out of the presence of management about the quality of the Company's accounting principles, material judgments and any other matters that the Committee deems appropriate.
- Review the performance of the external auditor.
- Review and recommend the fees and other compensation to be paid to the external auditors.
- Ensure that the external auditor submits a written statement outlining all of its professional relationships with the Lion Group including the provision of services that may affect their objectivity or independence. Review and discuss with the external auditors all significant relationships they have with the Company to determine their independence and its investees.

Corporate Governance Statement

Risk Management

- Assess the adequacy of the Company's insurance program.
- Review the Company's internal controls in relation to financial risk.

Other Matters

- The Committee shall also perform any other activities consistent with this Charter that the Committee or Board deems appropriate.

The current members of the Audit Committee are Peter Maloney, Chris Melloy and Barry Sullivan with Peter Maloney being the chair. Details of the number of meetings of the Audit Committee held during the year and the attendees at those meetings are included in each Annual Report.

Recommendation 4.2

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Prior to approval of any financial statement for a financial period, the Chief Executive Officer of Lion (who is also responsible for the financial reports of the company) provides to the Lion Board a declaration in accordance with Section 286 of the Corporations Act which also accords with Recommendation 4.2

Recommendation 4.3

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The external auditor of Lion is duly represented at the company's Annual General Meeting and is available to answer questions from shareholders which are relevant to the audit.

PRINCIPLE 5: Make timely and balanced disclosure

Recommendation 5.1

A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- (b) disclose that policy or a summary of it.

Lion's continuous disclosure policy is as follows:

Continuous Disclosure Policy

Lion and the Manager are 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 Rule 3.1A of 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 (together, 'Management'), are 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 listed investee companies to adopt and adhere to the same standards of continuous disclosures.

Corporate Governance Statement

PRINCIPLE 6: Respect the rights of security holders

Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors

Recommendation 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

Recommendation 6.4

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

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.

The Company's shareholder communications strategy is as follows:

Shareholder Communications Strategy

Lion places great importance on the communication of accurate and timely information to its shareholders and market participants. Lion recognises that efficient and continuous contact between the Company and the interested public, and particularly with shareholders and their representatives, is an essential part of earning the trust and loyalty of shareholders, building shareholder value and allowing shareholders to make informed decisions regarding their investment in Lion. Lion encourages shareholder participation at general meetings and welcomes regular contact with its shareholders.

From time to time members of the Lion Board and Manager meet with shareholders and analysts. Presentations made to those persons are published in the Investor Relations section of the Company's website and released to the market via the ASX if they contain information that may be price sensitive and is not already publicly available.

www.lionselection.com.au

ASX announcements, quarterly reports, presentations, notices of meetings and explanatory material are posted to Lion's website regularly. Other information on the site includes details of Lion's investment portfolio, Lion's share price, information about the Company and its governance, information from the Annual General Meeting and regular updates to investors as well as links to the share registry and other sites of interest.

Share Registry

Lion's register of shareholders is maintained by Computershare Investor Services Pty Limited.

Lion shareholders with internet access can view and update their holding, change their address details or elect to receive company communications by logging on to the Computershare website and accessing the Investor Centre. Alternatively, the Registrar for Lion at Computershare can be contacted by mail, phone or fax.

PRINCIPLE 7: Recognise and manage risk

Recommendation 7.1

The board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:
 1. has at least three members, a majority of whom are independent directors; and
 2. is chaired by an independent director, and disclose:
 3. the charter of the committee;
 4. the members of the committee; and
 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

Corporate Governance Statement

Recommendation 7.2

The board or a committee of the board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- (b) disclose, in relation to each reporting period, whether such a review has taken place.

In view of the small size of Lion's Board, the Board in its entirety acts, effectively, as a committee to oversee risk and there is no need to further subdivide it.

Lion is a specialist investor in listed and unlisted mining and exploration companies and assets and its major business risk is the performance of these companies and assets. Risks associated with the exploration and mining industry include geological, technical, political, title and commodity pricing risks.

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

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

Individual investments each have their own risks which relate to the mining industry generally. Under the guidance of the Lion board, 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 meetings on Lion's investments and related risk.

The Board aims to reduce investment risk through diversifying investments geographically and avoid 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.

Recommendation 7.3

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

Lion has no internal audit function. The Lion board and Audit Committee are responsible for establishing and maintaining an internal control structure. This structure is documented and periodically reviewed with the CEO.

Recommendation 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The activities of Lion are subject to risks that can adversely impact its business and financial condition. Risks and uncertainties are described in the Company's Annual Report.

PRINCIPLE 8: Remunerate fairly and responsibly

Recommendation 8.1

The board of a listed entity should:

- (a) have a remuneration committee which:
 1. has at least three members, a majority of whom are independent directors; and
 2. is chaired by an independent director, and disclose:
 3. the charter of the committee;
 4. the members of the committee; and
 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Corporate Governance Statement

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.

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.

D&O Insurance and Indemnity

The Company maintains a Directors and Officers and Company Reimbursement Insurance Policy.

An indemnity agreement has been entered into between Lion and each of the directors of the Company and with the Chief Executive Officer and 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.

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.

Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
- (b) disclose that policy or a summary of it.

Lion does not have an equity based remuneration scheme.

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 2020.

At the date of this report Lion had 150,141,271 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 \$29.9 million (2019: \$23.7 million).

Economic and operating conditions have been extremely challenging for many businesses as the fallout from the COVID-19 outbreak impacts the world. Equity markets have been very volatile, as governments and central banks try and respond to deteriorating conditions and control of the virus remains uncertain. Despite this difficulty in business operations for Lion and its investees, Lion's portfolio has materially increased in value due

to its high weighting to gold equities, one of the few beneficiaries in these times of uncertainty and extraordinary injections of liquidity into global economies.

The result for the year reflects a mark to market gain of \$31.8 million with respect to investments, with key movements in the portfolio value outlined below:

- Lion's interest in the Pani Joint Venture had a mark to market increase of \$20.0 million to \$60.7 million at 31 July 2020. This increase reflects the sustained escalation in gold prices that has been experienced in recent months.
- A mark to market increase of \$5.0 million in the valuation of Lion's investment in Erdene Development Corporation, with the market re-rating the company following release of its Bayan Khundii Gold Project feasibility study and improvements in the gold price.
- A mark to market increase of \$3.9 million in the valuation of Lion's investment in Nusantara Resources reflecting advances with the Awak Mas Gold Project towards financing and construction, including the introduction of Indika Energy (IDX: INDY) as strategic partner at the project level.
- An increase in the value of Lion's holding in Egan Street Resources of \$2.2 million as a result of Silverlake's takeover of the company, resulting in Lion receiving \$9.5 million in cash when Lion's holding was sold in November 2019.

At 31 July 2020 the Company held investments valued at \$89.1 million (2019: \$66.3 million), and cash of \$10.8 million (2019: \$2.5 million).

Pani Joint Venture

In December 2019 Lion and Merdeka announced that its Pani Joint Venture had reached conditional agreement

with PT J Resources Asia Pasifik Tbk (J Resources) to combine the two neighboring Pani tenements into one ownership group. The resultant structure will see J Resources transfer its interests in PT Gorontalo Sejahtera Mining ('GSM'), the holder of the Pani Contract of Work tenement in exchange for a 40% ownership interest in the combined entity, including the Pani IUP tenement, diluting Lion's ownership to 20% in the larger combined entity.

The J Resources agreement remains subject to regulatory approvals and approval from J Resources' secured lenders. The parties continue to work towards deal completion prior to deal expiry in November 2020 (unless extended by the parties):

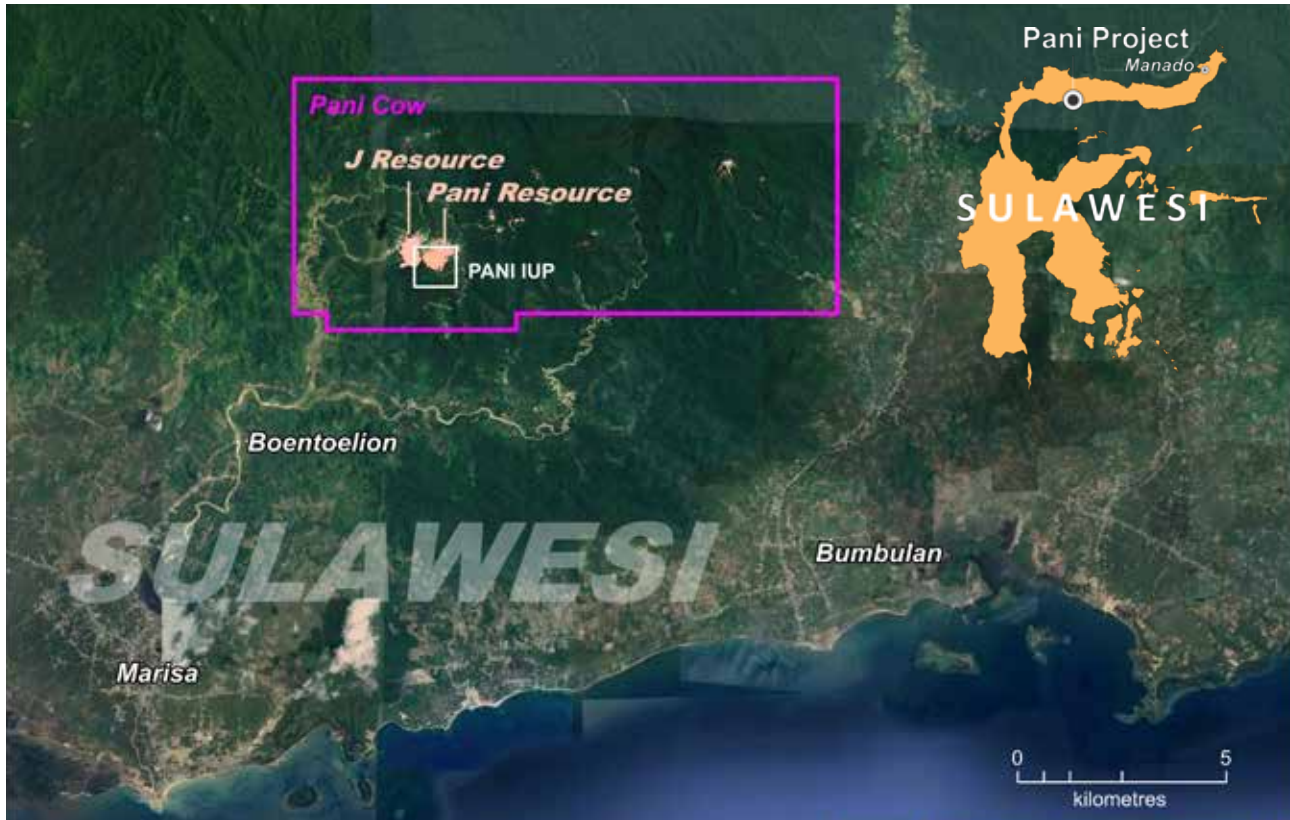
- Regulatory approvals have been delayed by the COVID-19 pandemic along with changes to Indonesian mining laws enacted in May 2020.
- The parties have engaged with J Resources' secured lenders.
- The geological teams from both parties continue to work closely to share and integrate technical data in preparation for further technical work, drilling and development studies.

The parties expect conditions precedent to be satisfied in the second half of 2020 after which the new joint venture will commence.

Once completed, the combination of the two tenements is anticipated to materially improve the valuation of Lion's investment in the Pani Joint Venture.

As reported previously, the Pani Joint Venture has been drilling a 11,000 metre drill program on the Pani IUP in the area between the Pani IUP and Pani Project where two holes drilled by Utah International in 1982, assayed 406m @ 0.5 g/t Au (GPD-04) and 154m @ 0.57 g/t Au (GPD-05). As reported in Merdeka's June 2020 quarterly

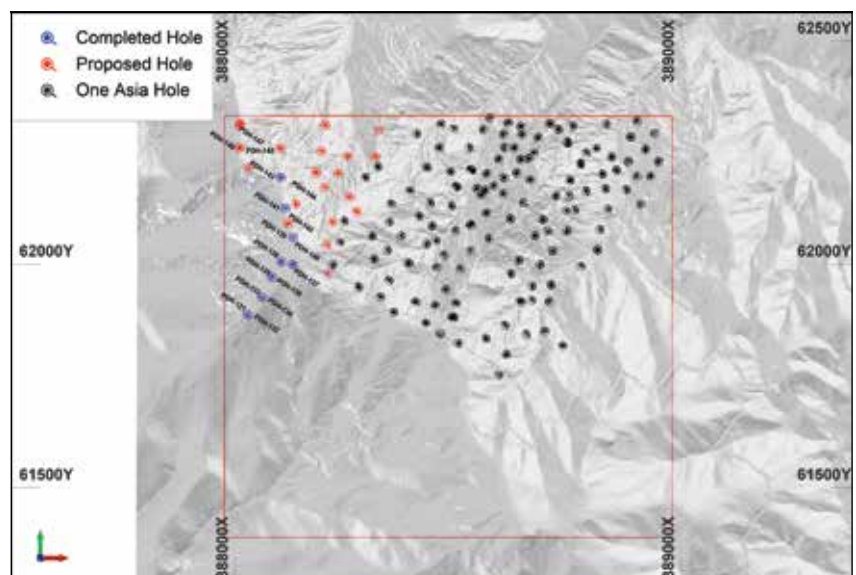
Director's Report



Pani: Unified Ground in North Sulawesi.

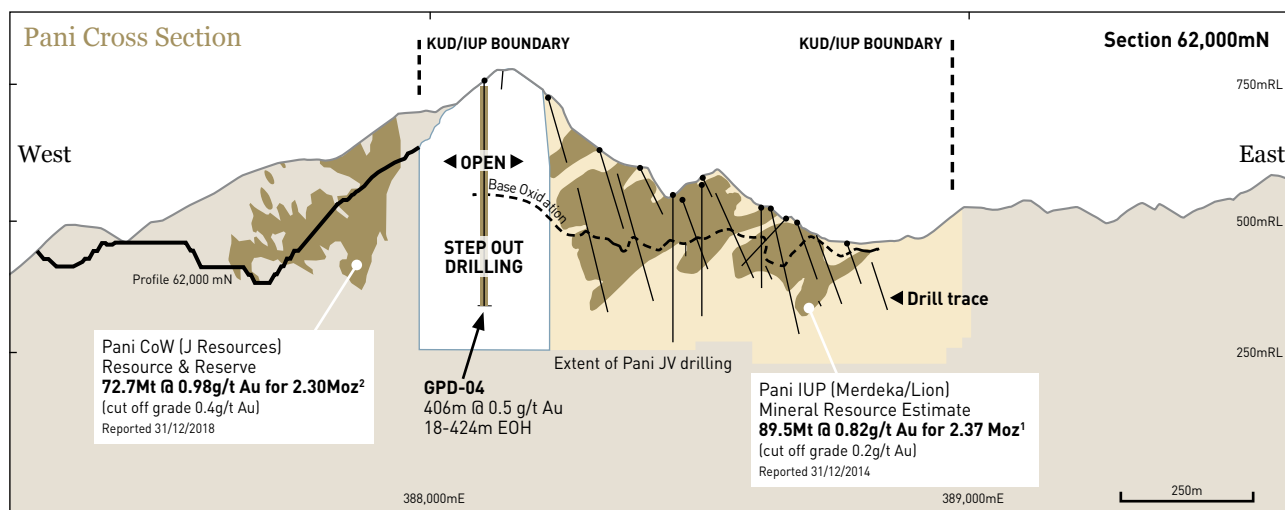
report, four further holes have been completed or were underway for a total of 1,578.6 metres. This brings total drilling in the current program to 13 holes completed or underway for a total of 3,407.6 metres.

The Pani Joint Venture will temporarily pause its on-going drilling program pending completion of the J Resources agreement. It is anticipated that assay results of holes that have been drilled will be progressed and become available after the recommencement of drilling. Preliminary assays and observations from visual geological logging are broadly consistent with mineralisation that is observed within both the Pani CoW and the Pani IUP.



Schematic showing Pani proposed and completed drill holes.

Director's Report



It is expected that unification of technical databases, geological models and integration of new diamond drilling results will ultimately culminate in a unified Resource for the 'Pani Besar' ('Greater Pani') region which can then be used as the basis of project development studies.

The Pani Joint Venture is working on an internal concept study focused on how a combined Pani Besar project might look. The purpose of the concept study is to help scope further work, understand key risks requiring further assessment, and to assess for potential fatal flaws. The study is premised on high level assumptions, including that the Pani deposit is one continuous zone of mineralisation across the two tenements.

The Internal Concept Study is being undertaken to determine the potential viability of an open pit mine with conventional milling and CIL processing. The study is a preliminary technical and economic study based on low-level technical and economic assessments that are not sufficient to support the estimation of ore reserves. Further evaluation and appropriate studies are required before any ore reserves estimate

or any assurance of an economic development of the project.

The combination of the Pani IUP and Pani COW unlocks optimal development of the Pani deposit unrestricted by tenement boundaries, including:

- Favourable topography and ore geometries: low strip ratio, open pit operation amenable to large scale bulk mining.
- Metallurgical work to date suggests high recoveries are achievable, with conventional CIL assumed for the internal concept study.
- Low processing costs anticipated, with grid power available.
- Subject to appropriate assessment, initial concepts envisage 7.5 Mtpa to 15 Mtpa processing rates.

Dividends

No dividend was declared or paid during the year (2019: 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.

Director's Report

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. 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.

In relation to the COVID-19 pandemic, the outlook remains unclear as companies face an extremely difficult operating environment. Recent fiscal and monetary support has provided favourable tailwinds for gold and gold equities, however financial markets remain volatile and, in the case of the broader market, potentially over-valued relative to historical norms as earnings come under pressure.

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 can be found in the Investor Section of our website www.lionselection.com.au.

Employees

At 31 July 2020 there was 1 full time equivalent employee of the Company (2019: 1 FTE).

1. Refer to One Asia Resources Limited news release 3 December 2014, (<https://www.lionselection.com.au/wp-content/uploads/2018/08/PANI%20JORC%20RESOURCE.pdf>).

Pani IUP (Lion 33.3%/Merdeka 66.7%) 0.2g/t cut off ¹			
Category	Tonnage (Mt)	Grade (g/t Au)	Contained Gold (Moz)
Measured	10.8	1.13	0.39
Indicated	62.4	0.81	1.63
Inferred	16.2	0.67	0.35
Total	89.5	0.82	2.37

2. 0.4 g/t cut off; refer to J Resources 31 December 2018 Annual Report (<http://www.jresources.com/investors/article/final-resources-reserves-compilation-2017-to-2018>).

Pani CoW Resource (100% J Resources) above a 0.4g/t cut off ²			
Category	Tonnage (Mt)	Grade (g/t Au)	Contained Gold (Moz)
Measured	15.5	1.03	0.51
Indicated	41.3	0.98	1.31
Inferred	15.9	0.93	0.48
Total MRE	72.7	0.98	2.30

Director's Report

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 2018 Annual General Meeting

The Company received more than 97% of 'yes' votes on its Remuneration Report for the previous financial year. The Company did not receive any specific feedback at the Company's 2019 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 following table. The benefits provided to Key Management Personnel are fixed with no at-risk components of remuneration.

Director's Report

KEY MANAGEMENT PERSONNEL OF THE COMPANY – REMUNERATION FOR YEAR TO 31 JULY 2020

2020		SHORT TERM BENEFITS SALARIES/ FEES	CASH BONUS	TERMINATION BENEFITS	POST- EMPLOYMENT SUPERANNUATION	TOTAL
NAME	NOTES	\$	\$	\$	\$	\$
Directors						
B J K Sullivan		47,475	-	-	4,525	52,000
P J Maloney		15,000	-	-	25,000	40,000
C Melloy		15,000	-	-	25,000	40,000
R A Widdup	[a]	-	-	-	-	-
Other Key Management Personnel						
C K Smyth	[a]	-	-	-	-	-
J M Rose		74,581	-	-	7,085	81,666
Total		152,056	-	-	61,610	213,666

2019		SHORT TERM BENEFITS SALARIES/ FEES	CASH BONUS	TERMINATION BENEFITS	POST- EMPLOYMENT SUPERANNUATION	TOTAL
NAME	NOTES	\$	\$	\$	\$	\$
Directors						
B J K Sullivan		47,475	-	-	4,525	52,000
P J Maloney		15,000	-	-	25,000	40,000
C Melloy		15,000	-	-	25,000	40,000
R A Widdup	[a]	-	-	-	-	-
Other Key Management Personnel						
C K Smyth	[a]	-	-	-	-	-
J M Rose		86,055	-	-	8,175	94,230
Total		163,530	-	-	62,700	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. Management fees of \$915,000 plus GST were paid in the current year, which increased compared to the prior year due to a 45% increase in direct investments under management. 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. These arrangements are reviewed annually and may be terminated without fee.

Director's Report

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 below. No shares or options were issued as remuneration.

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL OF THE COMPANY

NAME	BALANCE 1 AUGUST 2019	SHARES ISSUED AS REMUNERATION	NET CHANGE OTHER	CLOSING BALANCE 31 JULY 2020
Directors				
P J Maloney	2,190,389	-	-	2,190,389
C Melloy	5,718,077	-	-	5,718,077
R A Widdup	16,167,277	-	-	16,167,277
B J Sullivan	813,074	-	-	813,074
Other Key Management Personnel				
C K Smyth	1,411,137	-	-	1,411,137
J M Rose	-	-	-	-
Total	26,299,954	-	-	26,299,954

NAME	BALANCE 1 AUGUST 2018	SHARES ISSUED AS REMUNERATION	NET CHANGE OTHER	CLOSING BALANCE 31 JULY 2019
Directors				
P J Maloney	1,940,389	-	250,000	2,190,389
C P Melloy	5,561,827	-	156,250	5,718,077
R A Widdup	14,724,732	-	1,442,545	16,167,277
B J Sullivan	813,074	-	-	813,074
Other Key Management Personnel				
C K Smyth	1,286,152	-	124,985	1,411,137
J M Rose	-	-	-	-
Total	24,326,174	-	1,973,780	26,299,954

Director's Report

KEY MANAGEMENT PERSONNEL SHAREHOLDINGS – OPTIONS ON ISSUE

NAME	BALANCE 1 AUGUST 2019	OPTIONS ISSUED AS REMUNERATION	OPTIONS EXPIRED UNEXERCISED	CLOSING BALANCE 31 JULY 2020
Director				
P J Maloney	-	-	-	-
C Melloy	-	-	-	-
R A Widdup	234,572	-	(234,572)	-
B J Sullivan	-	-	-	-
Other Key Management Personnel				
C K Smyth	117,251	-	(117,251)	-
J M Rose	-	-	-	-
Total	351,823	-	(351,823)	-

NAME	BALANCE 1 AUGUST 2018	OPTIONS ISSUED AS REMUNERATION	OPTIONS EXPIRED UNEXERCISED	CLOSING BALANCE 31 JULY 2019
Director				
P J Maloney	-	-	-	-
C Melloy	-	-	-	-
R A Widdup	234,572	-	-	234,572
B J Sullivan	-	-	-	-
Other Key Management Personnel				
C K Smyth	117,251	-	-	117,251
J M Rose	-	-	-	-
Total	351,823	-	-	351,823

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 over 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 Non-Executive Chairman for EganStreet Resources, 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 has been Chairman and Non-Executive Director of a number of organisations and ASX mining 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 over 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 has served on many of Lion's investee boards as a Non-Executive Director.

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 40 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 Chairman of Celamin Holdings Ltd and a Non-Executive Director of Nusantara Resources and One Asia Resources Limited all Lion investees.

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.

Craig is a Director of PT Pani Bersama Jaya with respect to Lion's investment in the Pani Joint Venture.

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 ten 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	10	10
R A Widdup	10	10
B J K Sullivan	10	10
C P Melloy	10	10

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 \$56,486 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 50.

Non-Audit Services

No fees for non-audit services were paid/payable to the external auditors during the year ended 31 July 2020. 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.

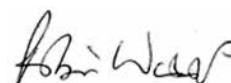
Rounding of Amounts

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 2020, 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.

A handwritten signature in black ink, appearing to read 'A Hodge'.

Anthony Hodge
Partner
PricewaterhouseCoopers

Melbourne
7 September 2020

PricewaterhouseCoopers, ABN 52 780 433 757

2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

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 52 to 73 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 2020 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 2020.
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: 7 September 2020

Financial Statements

Statement of Comprehensive Income for the Year ended 31 July 2020

	NOTES	2020 \$'000	2019 \$'000
Gain/(loss) attributable to movement in fair value	4	31,834	24,951
Interest Income		9	7
Other Income		18	10
Exchange (loss)/gain		(305)	53
Management fees		(1,071)	(802)
Employee benefits		(209)	(225)
Other expenses	4	(412)	(343)
Profit/(Loss) before income tax		29,864	23,651
Income tax (expense)/benefit	5	-	-
Net Profit/(Loss) after tax		29,864	23,651
Other Comprehensive Income		-	-
Total Comprehensive Income/(Loss) for the year		29,864	23,651
Attributable to:			
Non-controlling interest		-	-
Members		29,864	23,651
		Cents per share	Cents per share
Basic earnings/(loss) per share		19.9	15.8
Diluted earnings/(loss) per share		19.9	15.8

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 2020

	NOTES	2020 \$'000	2019 \$'000
Current Assets			
Cash and Cash Equivalents	13	10,837	2,467
Trade and Other Receivables	6	11	1,214
<i>Total Current Assets</i>		10,848	3,681
Non-Current Assets			
Financial Assets	7	89,075	66,336
Property Plant & Equipment	8	16	21
<i>Total Non-Current Assets</i>		89,091	66,357
Total Assets		99,939	70,038
Current Liabilities			
Trade and Other Payables	9	106	72
<i>Total Current Liabilities</i>		106	72
Non-Current Liabilities			
<i>Total Non-Current Liabilities</i>		-	-
Total Liabilities		106	72
Net Assets		99,833	69,966
Equity			
Contributed equity	11	126,214	126,211
Reserves	12	1,341	1,341
(Accumulated losses)	10	(27,722)	(57,586)
Total Equity		99,833	69,966

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

Financial Statements

Statement of Cash Flows for the Year ended 31 July 2020

	NOTES	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Interest received		9	7
Other income received		15	-
Payments to suppliers and employees (including GST)		(1,655)	(1,374)
<i>Net operating cash flows</i>	13(b)	(1,631)	(1,367)
Cash flows from investing activities			
Payments for investments		(6,104)	(4,185)
Payments for property, plant and equipment		-	-
Proceeds from investments		16,413	6,456
<i>Net investing cash flows</i>		10,309	2,271
Cash flows from financing activities			
Proceeds from issue of shares		3	-
Payments for cost of share issue		-	-
<i>Net financing cash flows</i>		3	-
Net increase/(decrease) in cash and cash equivalents held		8,681	904
Exchange rate variations on foreign cash		(311)	51
Cash and cash equivalents at beginning of financial period		2,467	1,512
Cash and cash equivalents at end of financial period		10,837	2,467

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 2020

	ISSUED CAPITAL \$'000	RESERVES \$'000	ACCUMULATED LOSSES \$'000	TOTAL \$'000
Balance at 31 July 2019	126,211	1,341	(57,586)	69,966
Total comprehensive income/(loss)	-	-	29,864	29,864
Transactions with owners in their capacity as owners				
Issue of new shares	3	-	-	3
Balance at 31 July 2020	126,214	1,341	(27,722)	99,833
Balance at 31 July 2018	126,211	1,341	(81,237)	46,315
Total comprehensive income/(loss)	-	-	23,651	23,651
Transactions with owners in their capacity as owners	-	-	-	-
Balance at 31 July 2019	126,211	1,341	(57,586)	69,966

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

Financial Statements

Notes to the Financial Statements for the Year ended 31 July 2020

NOTE 1. CORPORATE INFORMATION

The financial report of Lion Selection Group Limited ('Lion' or 'the Company') for the year ended 31 July 2020 was authorised for issue in accordance with a resolution of the directors on 3 September 2020. 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 certain financial assets and financial liabilities 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 Instrument 2016/191. Lion is an entity to which the class order applies.

Lion meets the qualifying criteria under AASB 10 of an 'investment entity', and entities controlled by Lion (Asian Lion Limited and Lion Selection Asia Limited) do not provide investment related services to the Company. Accordingly, the Company has applied the exemption from consolidating these entities and continues to carry these investments at fair value.

(b) New accounting standards and interpretations

New Standards

A number of new or amended standards have been applied from 1 August 2019, in particular AASB 16 Leases and AASB Interpretation 23 Uncertainty over Income Tax Treatments. With respect to AASB 16 there was minimal impact to accounting as Lion has nil non-cancellable operating lease commitments. In relation to interpretations on tax treatments, given the nature of the Company's income tax matters it has not impacted existing amounts recognised in the financial statements upon adoption of the standard.

Accounting standards issued but not yet effective

There are no standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(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) 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 a recent 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).

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Notes to the Financial Statements for the Year ended 31 July 2020

(iii) 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.

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.

(d) Other Income

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

(i) Interest

Income 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

Dividend income 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 are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

The Company applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Company recognises a provision based on historical default rates, debtor analysis and the Company's monitoring of credit risk. Trade and other receivables are written off when there is no reasonable expectation of recovery.

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Notes to the Financial Statements for the Year ended 31 July 2020

(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.

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.

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Notes to the Financial Statements for the Year ended 31 July 2020

(h) **Income tax (continued)**

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**

The Company classifies its financial assets into the following categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be held at amortised cost.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

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 the Company to elect to measure that investment at fair value through profit or loss in accordance with AASB 9. 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.

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Notes to the Financial Statements for the Year ended 31 July 2020

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

Investments in controlled entities

During the period the Company held a 100% ownership interest in Asian Lion Limited and Lion Selection Asia Limited and controls these companies. Lion is an investment entity for the purposes of AASB 10 Consolidated Financial Statements, AASB 127 Separate Financial Statements, and AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities.

AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities is effective for annual periods beginning on or after 1 August 2014, exempting 'Investment entities' from consolidating controlled investees. Investment entities are entities that:

- (a) obtain funds from one or more investors for the purpose of providing those investors with investment management services;
- (b) commit to their investor(s) that their business purpose is to invest funds solely for returns from capital appreciation, investment income or both, and
- (c) measure and evaluate the performance of substantially all of their investments on a fair value basis.

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

(i) Financial assets

Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(ii) Financial liabilities

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

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

(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 removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Payables 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.

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Notes to the Financial Statements for the Year ended 31 July 2020

(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 an interest expense.

(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.

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.

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Notes to the Financial Statements for the Year ended 31 July 2020

(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, Asia and the Americas.

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:

	2020 \$'000	2019 \$'000
Financial assets		
Cash	10,837	2,467
Investments in securities	89,075	66,336
Trade and other receivables	11	1,214
	99,923	70,017
Financial liabilities		
Trade and other creditors	106	72
	106	72

(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. The Company has a US dollar denominated cash account to meet future US dollar denominated obligations, and the trade and other receivables balance is expected to be received in US dollars. To mitigate the Company's exposure to foreign exchange risk, non-AUD cash flows are closely monitored.

Based on the US dollar cash account at the end of the period, if the value of US dollar/AUD exchange rate 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 \$572,000 higher/lower as a result of foreign exchange gains/losses (2019: \$232,000 higher/lower).

(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, including exposure to changes in commodity prices arising from investments in equity securities, the Company diversifies its portfolio. Diversification by way of different commodities and

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Notes to the Financial Statements for the Year ended 31 July 2020

NOTE 3. FINANCIAL RISK MANAGEMENT (continued)

locations 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 \$8,907,000 higher/lower (2019: \$6,634,000 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. Most 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.

	FLOATING INTEREST RATE \$'000	FIXED INTEREST RATE \$'000	NON INTEREST BEARING \$'000	TOTAL \$'000	AVERAGE INTEREST RATE	
					FLOATING %	FIXED %
2020						
Financial assets						
Cash – AUD	5,113	-	-	5,113	0.2	-
Cash – USD	5,724	-	-	5,724	-	-
Bank bills and deposits receivable	-	-	11	11	-	-
Investment in securities	-	-	89,075	89,075	-	-
Financial Liabilities:						
Trade and other creditors	-	-	106	106	-	-
2019						
Financial assets						
Cash – AUD	376	-	-	376	2.0	-
Cash – USD	2,091	-	-	2,091	-	-
Bank bills and deposits receivable	-	-	1,214	1,214	-	-
Investment in securities	-	-	66,336	66,336	-	-
Financial Liabilities:						
Trade and other creditors	-	-	72	72	-	-

(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.

Based on historical default rates, debtor analysis and the Group's monitoring of credit risk, no impairment allowance is considered necessary in respect of trade receivables not past due.

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Notes to the Financial Statements for the Year ended 31 July 2020

NOTE 3. FINANCIAL RISK MANAGEMENT (continued)

(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.

(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 prices (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.

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 2020 and 31 July 2019.

	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
At 31 July 2020				
Assets				
Financial assets at fair value through profit or loss				
Investments	27,461	757	60,857	89,075
Total Assets	27,461	757	60,857	89,075
At 31 July 2019				
Assets				
Financial assets at fair value through profit or loss				
Investments	21,081	6,334	38,921	66,336
Total Assets	21,081	6,334	38,921	66,336

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.

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Notes to the Financial Statements for the Year ended 31 July 2020

NOTE 3. FINANCIAL RISK MANAGEMENT (continued)

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

- 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.

The price of a recent investment conducted in an orderly transaction between market participants generally represents fair value as of the transaction date. At subsequent measurement dates, the price of a recent investment may be an appropriate reference point for estimating fair value subject to the current facts and circumstances including changes in market conditions or changes in the performance of the investee company that would impact a market participant's perspective of fair value.

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.

The following table presents the changes in level 3 instruments for the years ended 31 July 2019 and 31 July 2020.

	2020 \$'000	2019 \$'000
Investments – Level 3		
Opening Balance	38,921	16,864
Transfers out of Level 3 (to level 1)	-	-
Transfers out of Level 3 (to level 2)	-	-
Other increases (purchases)	1,966	-
Gain/(Losses) recognised in profit or loss	19,970	22,057
Closing balance	60,857	38,921

The Level 3 balance primarily relates to Lion's investment in the Pani Joint Venture.

Pani Joint Venture

As noted above, Lion valued its 33.3% interest in the Pani Joint Venture at \$60.7 million as at 31 July 2020.

This increase reflects the sustained escalation in gold prices since November 2018, being the most recent arms-length transaction when PT Merdeka Copper Gold Tbk's (IDX: MDKA) (Merdeka) acquired its project interest in the Pani Joint Venture. This increase is most notable since mid-March 2020 with spot gold prices strengthening ~US\$500/ oz, and the share prices of many market peer companies increasing by more than 100%.

This valuation assessed the sustained increase in the gold price on the Pani Joint Venture, without considering the leverage effect from improved margins for the Pani Joint Venture. Further material upside is expected for the Pani gold project once the J Resources transaction announced on 9 December 2019 completes. This upside has not been considered in the fair value for the assessment made at 31 July as the deal has not yet been completed. Until completed, there is an ongoing risk that the conditions precedent are not met and the deal is unable to be completed. In addition to revaluation reflecting the combination of ground positions, the combined project value could improve to the extent that step out drilling on the Pani IUP between the two Resources confirms geological continuity.

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Notes to the Financial Statements for the Year ended 31 July 2020

NOTE 3. FINANCIAL RISK MANAGEMENT (continued)

Lion's accounting policy for determining the fair value of unlisted investments aims to maximise the use of observable market data where it is available and rely as little as possible on unobservable inputs. Generally an arms-length transaction represents fair value as of the transaction date, with the last such transaction being Merdeka's acquisition of its stake in the Pani Joint Venture in November 2018. In accordance with valuation guidelines, this valuation was used to calibrate valuation models based on observable inputs. These valuation models have then been assessed for changes in market conditions and project milestones. The determination of fair value at 31 July 2020 has taken into account movements in market comparables taking into account recent developments in relation to progress of activities for Pani, perspectives on long-term commodity price movements and other relevant corporate transactions. The two market-based valuation models used in assessing in line with industry practice are:

- Comparable Value method (Implied value per Resource Oz) as the primary valuation method.
- Yardstick (Rule of Thumb) method as an alternative method in order to provide a cross-check.

The valuation models used rely on a number of related data points from selected comparable companies that are subject to reasonably possible changes. For example, the comparable value method is dependent on gold prices, sentiment to gold equities and declared resources to ultimately determine an implied value per resource ounce. A reasonably possible change in the implied value per resource ounce of 10% would increase/decrease the fair value of the Pani investment by \$6.1M, with a corresponding gain or loss attributable to movement in fair value.

The table below summarises Lion's assessment of the fair value of its investment in the Pani Joint Venture.

METHODOLOGY	VALUATION METRIC	PREFERRED VALUATION
Comparable Value (Primary method)	Pani IUP Resource	2.31 Moz*
	US\$/Resource Oz	US\$56/Oz
	Pani IUP Project Value (100%)	US\$130M
	Lion's Interest Value (33.3%)	A\$60.7M
Yardstick (Secondary method)	Pani IUP Project Value (100%)	US\$133M
	Lion's Interest Value (33.3%)	A\$62.2M

* The Pani IUP Resource has been applied based on the higher cut off of 0.3g/t.¹

The Pani Joint Venture represents Lion's largest investment. 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 the Pani Joint Venture outweighs the risks if the challenges of developing a mine in Indonesia can be overcome.

The valuation methods used for the Pani joint venture are sensitive to both observable and unobservable inputs. The valuation methods are sensitive to the unobservable interrelationship between the spot gold price, outlook for long term gold prices and the movement in gold equities. In addition, consideration is required of the relative progress of activities for the Pani Joint Venture and peer group companies, particularly taking into account the recent level of movement in those comparables.

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Notes to the Financial Statements for the Year ended 31 July 2020

NOTE 4. INCOME AND EXPENSES

Gain/(loss) attributable to movement in fair value of investments

Mark to Market adjustment for year – investments realised during year

Mark to Market adjustment for year – investments held at end of year

Gain/(loss) attributable to movement in fair value of investments as recorded in the Statement of Comprehensive Income

2020 \$'000	2019 \$'000
2,284	(161)
29,550	25,112
31,834	24,951

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

Historical Cost of investment sales

Gross profit/(loss) measured at historical cost on investments realised

Represented by:

Mark to Market recognised in prior periods (including on acquisition)

Mark to Market recognised in current year

9,598	137
(6,497)	(510)
3,101	(373)
817	(212)
2,284	(161)
3,101	(373)

The total comprehensive profit/(loss) is after charging the following other expenses

Investor Relations

D & O Insurance

Legal Expenses

Depreciation

Corporate overheads

Total other expenses

69	72
57	52
29	25
5	5
252	189
412	343

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Notes to the Financial Statements for the Year ended 31 July 2020

NOTE 5. INCOME TAX EXPENSE

(a) Statement of Comprehensive Income

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

Prima facie tax thereon at 30%

Tax effect of permanent and temporary differences:

Accounting mark to market movement in the fair value of investments

Realised gain/(loss) on sale of investments

Other non-deductible or non-assessable amounts

Previously unrecognised tax losses now recouped to reduce current tax expense

Tax benefit not recognised for accounting purposes

Total current income tax (benefit)/expense

2020 \$'000	2019 \$'000
-	-
-	-
-	-
29,864	23,651
8,959	7,095
(9,550)	(7,485)
930	(112)
(116)	(19)
(930)	-
707	521
-	-

(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.

Unrecognised temporary differences at 31 July relate to the following:

Tax losses available – revenue account

Tax losses available – capital account

Temporary Difference – unrealised investments

Note (i)

Accrued Expenses/Other temporary differences

Unrecognised tax losses and temporary differences at 31 July

Potential Tax Benefit @ 30%

14,122	12,476
67,516	70,617
(7,005)	29,411
137	71
74,770	112,575
22,431	33,772

Note (i) – Temporary difference – unrealised investments arises from the difference between the fair value and taxable value of the investment. A deferred tax liability has not been recognised in the Statement of Financial Position as this liability can be set off against income tax losses in the same entity and same jurisdiction.

NOTE 6. RECEIVABLES (CURRENT)

Share sales receivable

Distributions receivable

Sundry Debtors

Total current receivables, net

-	30
-	1,176
11	8
11	1,214

Financial Statements

Notes to the Financial Statements for the Year ended 31 July 2020

NOTE 7. FINANCIAL ASSETS

Listed investments (at fair value)

Unlisted investments (at fair value)

Total non-current financial assets

Listed shares are readily saleable with no fixed terms.

2020 \$'000	2019 \$'000
27,461	21,081
61,614	45,255
89,075	66,336

NOTE 8. OTHER ASSETS (FIXED)

Plant, Property and Equipment – Cost

Accumulated Depreciation

Total other assets

79	79
(63)	(58)
16	21

NOTE 9. PAYABLES (CURRENT)

Sundry creditors and accruals

Total current payables

106	72
106	72

NOTE 10. RETAINED PROFITS

Movements in retained earnings were as follows:

(Accumulated losses) at the beginning of the financial year

Net profit/(loss) for period

(Accumulated losses) at the end of the financial year

(57,586)	(81,237)
29,864	23,651
(27,722)	(57,586)

NOTE 11. CONTRIBUTED EQUITY

Issued and paid up capital (fully paid)

Opening Balance

Shares Issued – Exercise of options

Expenses of Issue of new shares

Issued and paid up capital (fully paid)

126,211	126,211
3	-
-	-
126,214	126,211

Share Capital

Issued and paid up capital (fully paid)

Opening Balance

Shares Issued

Buyback and cancellation of treasury shares

Issued and paid up capital (fully paid)

2020 SHARES	2019 SHARES
150,134,879	150,134,879
6,392	-
-	-
150,141,271	150,134,879

Financial Statements

Notes to the Financial Statements for the Year ended 31 July 2020

NOTE 11. CONTRIBUTED EQUITY (continued)

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. OPTION RESERVE

	2020 \$'000	2019 \$'000
Opening Balance	1,341	1,341
Option Reserve	1,341	1,341

Options

	2020 OPTIONS	2019 OPTIONS
Opening Balance	15,720,958	15,720,958
Options exercised	(6,392)	-
Options expired unexercised	(15,714,566)	-
Options on Issue	-	15,720,958

NOTE 13. 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:

	2020 \$'000	2019 \$'000
Cash on hand and at bank	10,837	2,467

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

Net profit/(loss) after income tax	29,864	23,651
<i>Adjustments for non cash income and expense items:</i>		
Movement in fair value of investments (increase)/decrease in assets	(31,834)	(24,951)
Other non-cash (income)/expense	304	(53)
Decrease/(Increase) in assets:		
Other receivables	2	-
(Decrease)/increase in liabilities:		
Payables	33	(14)
Net cash flow from operating activities	(1,631)	(1,367)

Financial Statements

Notes to the Financial Statements for the Year ended 31 July 2020

NOTE 14. EARNINGS PER SHARE

	2020 \$'000	2019 \$'000
(a) Earnings/(Loss) used in calculating earnings per share – basic and diluted	29,864	23,651
	2020 NUMBER	2019 NUMBER
(b) Weighted average number of ordinary shares for basic earnings per share	150,136,922	150,134,879

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 (2019: nil).

NOTE 15. COMMITMENTS

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.

NOTE 16. REMUNERATION OF AUDITORS

	2020 \$	2019 \$
(a) Audit Services		
Audit and review of financial reports	149,429	104,400
Total remuneration for audit services	149,429	104,400

(b) Non-audit Services

No fees for non-audit services were paid/payable to the external auditors during the year ended 31 July 2020 (2019: Nil).

NOTE 17. RELATED PARTY DISCLOSURES

(a) Directors and Key Management Personnel

The directors and key management personnel 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)
Craig Smyth	(Chief Executive Officer)
Jane Rose	(Company Secretary)

Financial Statements

Notes to the Financial Statements for the Year ended 31 July 2020

NOTE 17. RELATED PARTY DISCLOSURES (continued)

(b) Subsidiaries and Associates

Lion meets the qualifying criteria under AASB 10 of an 'investment entity', and entities controlled by Lion (Asian Lion Limited and Lion Selection Asia Limited) do not provide investment related services to the Company. Accordingly, the Company has applied the exemption from consolidating these entities and continues to carry these investments at fair value. Similarly, the scope of AASB 128 Investments in Associates allows the Company to elect to measure that investment at fair value through profit or loss in accordance with AASB 9.

Transactions with controlled entities and associates:

Lion Selection Asia Limited (100% ownership interest)

During the year the Company advanced funds to Lion Selection Asia Limited of \$1,966,000 (2019: \$3,925,000), with a loan balance of \$13,652,000 (2019: \$11,686,000). The amount payable was interest free and payable at call.

Pani Joint Venture (33% ownership interest)

During 2019 regulatory approval was received by the Pani Joint Venture allowing for foreign investors to hold equity directly, and Lion's 33.3% economic interest in the Pani Joint Venture was converted into a direct equity ownership interest, with the shares in the Pani Joint Venture held by Lion Selection Asia Limited. As part of this restructuring process, during 2019 the Company was repaid loan facilities for \$4,324,000.

(c) Key Management Personnel Remuneration

Short term employee benefits

Post-employment benefits

2020 \$	2019 \$
152,056	163,530
61,610	62,700
213,666	226,230

(d) 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. 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. Management fees of \$915,000 plus GST were paid in the current year, which increased compared to the prior year due to a 45% increase in direct investments under management. 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. These arrangements are reviewed annually and may be terminated without fee.

NOTE 18. MATERIAL INVESTMENTS

The Company had direct ownership of the following material investments at year end:

	CARRYING AMOUNT		ENTITY OWNERSHIP	
	2020 \$'000	2019 \$'000	2020 %	2019 %
African Lion 3	622	6,281	24	24
Asian Lion	20	55	100	100
Egan Street Resources	-	7,292	-	16
Erdene Resource Development	7,802	2,358	6	6
Lion Selection Asia	29	42	100	100
Nusantara Resources	16,718	9,514	24	32
Pani Joint Venture	60,700	38,723	33	33

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

Financial Statements

Notes to the Financial Statements for the Year ended 31 July 2020

NOTE 19. 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, Asia and the Americas. Information with respect to Geographical Segments is set out below.

2020	AUSTRALIA \$'000	AFRICA \$'000	ASIA \$'000	AMERICAS \$'000	CORPORATE \$'000	TOTAL \$'000
Mark to Market adjustment	2,247	90	29,844	(347)	-	31,834
Segment Income	2,247	90	29,844	(347)	27	31,861
Segment Expense	-	-	-	-	(1,997)	(1,997)
Segment Result Before Tax	2,247	90	29,844	(347)	(1,970)	29,864
Segment Assets	-	1,250	87,617	179	10,893	99,939
Segment Liabilities	-	-	-	-	106	106
Other Segment Information						
Assets Acquired during the period	-	115	5,989	-	-	6,104
Cash Flow Information						
Net Cash flow from operating activities	-	-	-	-	(1,631)	(1,631)
Net Cash flow from investing activities	9,539	6,659	(5,889)	-	-	10,309
Net Cash flow from financing activities	-	-	-	-	3	3

2019	AUSTRALIA \$'000	AFRICA \$'000	ASIA \$'000	AMERICAS \$'000	CORPORATE \$'000	TOTAL \$'000
Mark to Market adjustment	2,592	381	22,028	(50)	-	24,951
Segment Income	2,592	381	22,028	(50)	17	24,968
Segment Expense	-	-	-	-	(1,317)	(1,317)
Segment Result Before Tax	2,592	381	22,028	(50)	(1,300)	23,651
Segment Assets	7,568	6,335	51,907	526	3,702	70,038
Segment Liabilities	-	-	-	-	72	72
Other Segment Information						
Assets Acquired during the period	15	54	1,605	-	-	1,674
Cash Flow Information						
Net Cash flow from operating activities	-	-	-	-	(1,367)	(1,367)
Net Cash flow from investing activities	(15)	2,077	209	-	-	2,271

NOTE 20. EVENTS OCCURRING 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 audit of the financial report

Our opinion

In our opinion:

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

- (a) giving a true and fair view of the Company's financial position as at 31 July 2020 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 31 July 2020
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

The principal activities of the Company involve investing in mining and exploration companies through a number of listed and unlisted investments.

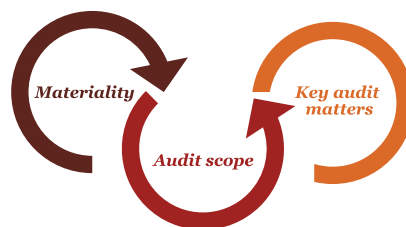
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Company, its accounting processes and controls and the industry in which it operates.

PricewaterhouseCoopers, ABN 52 780 433 757

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Materiality

- For the purpose of our audit we used overall materiality of AU\$998,000, which represents approximately 1% of the Company's net assets.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose net assets, because, in our view the performance of the Company is measured against the net value of investments held and it is a commonly accepted benchmark within the investment industry.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit scope

- Our audit focused on where the Company made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Company's finance function and corporate office is based in Melbourne, where we predominantly performed our audit procedures.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit Committee.

Key audit matter	How our audit addressed the key audit matter
<p>Carrying value of investments Refer to note 3(d)</p> <p>The total carrying value of investments comprises 3 levels in line with AASB 13 <i>Fair Value Measurement</i>:</p> <ul style="list-style-type: none"> • Level 1 - AU\$27.461 million • Level 2 - AU\$0.757 million • Level 3 - AU\$60.857 million <p>Total - AU\$89.075 million</p> <p>The fair value applied by the Company to listed and unlisted investments was a key audit matter due to the significant impact any movement in the fair value as at 31 July 2020 could have on the net assets.</p> <p>The Level 3 investment in the Pani project is described in the following key audit matter.</p>	<p>We obtained the Company's investment schedule as at 31 July 2020 which includes a listing of each investment held and details the number of shares and options held and value per share or option. We compared the investment schedule to the amounts recorded in the financial statements by the Company as at 31 July 2020.</p> <p>We assessed whether the listed and unlisted investment valuation techniques used by the Company are in accordance with Australian Accounting Standards. We performed the following procedures, amongst others, on the fair value of the investments:</p> <ul style="list-style-type: none"> • For a selection of listed and unlisted equity investments, we compared the number of shares held against evidence such as holding statements or confirmations from investees. • For a sample of Level 1 listed investments we utilised an auditor's expert to compare the Company's fair value to market quoted prices. • For a sample of Level 2 unlisted investments we obtained and assessed observable market data, if available, such as the most recent transacted price made on an arm's length basis. Where that information was unavailable, we considered other available financial information.

Key audit matter	How our audit addressed the key audit matter
<p>Fair value measurement of the interest in the Pani project Refer to note 3(d)</p> <p>At 31 July 2020, the Company recognised a fair value of its investment in the Pani project of AU\$60.7 million, including an unrealised pre-tax mark to market increase of AU\$20.0 million this year.</p> <p>Certain valuation techniques were utilised to determine the fair value of the Company's investment in the Pani project at 31 July 2020, including:</p> <ul style="list-style-type: none"> the comparable value method – this primary method involved an assessment of market comparable companies to consider relative movements in the implied value per resource ounce during the year; and the yardstick method – a secondary valuation method to provide a cross check of the primary technique. <p>This was considered to be a key audit matter given:</p> <ul style="list-style-type: none"> the significance of the Pani project's value as a proportion of the total investments of the Company. the judgement involved in estimating the fair value of the investment given it is classified as Level 3 with unobservable inputs. 	<p>We performed the following procedures, amongst others, on the fair value of the investment in the Pani project:</p> <ul style="list-style-type: none"> Considered management's summary of developments and milestones through the year to 31 July 2020 relating to the Pani project and potential impacts to the fair value of the investment. Utilised an auditor's valuation expert to assess the valuation, including the appropriateness of the valuation methodology applied by the Company and consideration of the reasonableness of the selected comparable company data. Tested selected inputs and mathematical accuracy of the calculation prepared by the Company in determining the fair value of the investment in the Pani project. Considered external economic factors such as the increase in gold equities and gold prices during the year to consider potential impacts to the fair value of the investment in the Pani project. Inquired of the Company's management and directors as to whether they had identified further matters that would materially impact the fair value of the investment in the Pani project. Evaluated whether, in view of the requirements of Australian Accounting Standards, the financial report provided adequate disclosure about the investment in the Pani project and this year's fair value increase.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 July 2020, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Director's Report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 44 to 47 of the directors' report for the year ended 31 July 2020.

In our opinion, the remuneration report of Lion Selection Group Limited for the year ended 31 July 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.



PricewaterhouseCoopers



Anthony Hodge
Partner

Melbourne
7 September 2020

Shareholder Information

Top 20 holders of ordinary fully paid shares – 30 September 2020

RANK	NAME	NO. OF SHARES	% OF UNITS
1	National Nominees Limited	13,307,713	8.86
2	Rojana Hero Pty Ltd	7,483,653	4.98
3	Mr Robin Anthony Widdup + Mrs Janet Widdup <Widdup Super Fund A/C>	7,219,369	4.81
4	J P Morgan Nominees Australia Pty Limited	6,600,191	4.40
5	Inconsultare Pty Ltd <Morrison Family S/F A/C>	5,200,000	3.46
6	Mr Mark Gareth Creasy	4,448,976	2.96
7	Retzos Executive Pty Ltd <Retzos Executive S/Fund A/C>	4,445,000	2.96
8	HSBC Custody Nominees (Australia) Limited	3,936,371	2.62
9	Brigstow Pty Ltd <Md & JI Brook Super Fund A/C>	3,791,841	2.53
10	CPAC Melloy Super Pty Ltd <Melloy Super Fund A/C>	3,082,259	2.05
11	Mrs Pamela Julian Sargood	2,750,000	1.83
12	Mr Dominic Paul McCormick	2,425,324	1.62
13	Pasias Holdings Pty Ltd	1,700,000	1.13
14	Melcor Investments Pty Ltd	1,411,020	0.94
15	Bond Street Custodians Limited <BBBFS - D69416 A/C>	1,393,073	0.93
16	WAL Assets Pty Ltd <The L A Wilson Property A/C>	1,207,802	0.80
17	Majoli Pty Ltd	1,195,651	0.80
18	Branjee Farm Pty Ltd	1,181,642	0.79
19	Avanteos Investments Limited <Clearview S/P A/C>	1,126,910	0.75
20	Mr John Joseph Ryan	1,122,212	0.75
Total Top 20 holders of ORDINARY FULLY PAID SHARES		75,029,007	49.97
Total Remaining Holders Balance		75,112,264	50.03

Distribution of Shareholdings as at 30 September 2020

SIZE OF HOLDING (ORDINARY FULLY PAID SHARES)	NO. OF SHAREHOLDERS
1 – 1,000	369
1,001 – 5,000	901
5,001 – 10,000	269
10,001 – 100,000	534
100,001 Over	182
Total Shareholders	2,255
Number of ordinary shareholders with less than a marketable parcel	316

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 2020

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

NAME	NO. OF ORDINARY SHARES
Robin Anthony Widdup	16,167,277
Cooper Investors Pty Ltd	11,462,262

Lion Directors and Lion Manager Holdings

As at 30 September 2020, 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	2,190,389
Chris Melloy	5,718,077
Barry Sullivan	813,074
Robin Widdup	16,167,277
Craig Smyth	1,411,137
Tim Markwell	948,702
Hedley Widdup	1,102,353
Total	28,351,009

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.au**
- STEP 2** Select address location.
- STEP 3** Select 'Single Holding'.
- STEP 4** Enter your Securityholder Reference Number (SRN) or Holder Identification Number (HIN), postcode or country if outside Australia.
- STEP 5** Enter **LSX** or **Lion Selection Group Limited**.
- STEP 6** Type in the characters shown and click the 'Agree and Continue' button to accept the Terms and Conditions.

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

- STEP 1** Go to **www.investorcentre.com.au**
- STEP 2** Click on 'Login' and enter your **User ID** and **follow the prompts** to login, or for new users click on the 'Register Now' 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@lsq.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



Bayan Khundii, Mongolia



Lion Selection Group Limited ABN 26 077 729 572

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