Lion Selection Group

Annual Report 2021

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Pani Gold Project, Sulawesi, Indonesia.

Field environmental surveys

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Chairman's Letter to Shareholders

The year in review has seen exceptionally strong performance in key commodities not experienced for many years, bouncing back from the COVID-19 crisis that has continued to challenge the world on many fronts.

Your directors provide you with the annual report for the year ended 31 July 2021. I am pleased to report that the condition of your company is strong.

The year in review has seen exceptionally strong performance in key commodities not experienced for many years, bouncing back from the COVID-19 crisis that has continued to challenge the world on many fronts. Ongoing low interest rates and other fiscal measures have been good to the gold price which has remained strong benefiting gold equities.

During the year Lion moved the Lion Clock to 11 o'clock on the back of an increase in mining IPO's coming to market and the emergence of M&A; a touchstone that liquidity in the sector is at very high levels. Corporate experience through several cycles cannot be under-estimated and as we approach the top of the cycle, Lion is traditionally a seller not a buyer.

Recognising the moment in the cycle and the challenges in financing the Awak Mas Project, in June 2021 Lion confirmed its support for the proposed acquisition of Nusantara by PT Indika Energy by way of Scheme of Arrangement. The sale of Lion's Nusantara holding was completed on 6 October 2021, adding $17.5M to Lion's cash position, placing it in a strong position to manage an outcome on Pani.

At Pani, delays prevented completion of the deal with J Resources to combine the two Pani tenements. In February 2021, the Pani Joint Venture (Lion 33%, Merdeka 67%) initiated arbitration action against J Resources in relation to a claim of non-compliance with the terms of the agreement to combine the tenements. Subsequent to year end in October 2021 J Resources entered a deal with a subsidiary of Provident Capital to sell PT Gorontalo Sejahtera Mining (**GSM**), the company that holds the Pani Contract of Work. To allow the Provident/GSM transaction to proceed, the Pani Joint Venture (Lion 33%, Merdeka Copper Gold 67%) suspended the arbitration action taken against J Resources on the basis that the Provident/GSM transaction is anticipated to lead to the long awaited combination of the two Pani licences.

While we have been waiting for completion of the JResources deal, low cost review work on Pani has defined a geological model that for the first time appears to logically explain the genesis of the deposit. The model explains pervasive background mineralisation, the compelling link zone drilling results, higher grade areas of the deposit, and importantly gives us confidence on the prospectivity of the deposit. With this to hand, Lion is actively seeking solutions for Pani and remains confident that a pragmatic solution can be found.

Despite the impacts of COVID-19 on the global economy and international travel, Erdene Development Corp continues to deliver in multiple areas with its Bayan Khundii Gold Project progressing toward development and ongoing significant discoveries during the year at Dark Horse and Ulaan pointing towards district scale potential.

During the year, Lion completed the closure of the African Lion Fund; a move made to simplify the structure and operation of Lion and to allow Lion to increase focus on Australia for future new investments.

Looking ahead, FY2022 is likely to be a transformative year for Lion. The Company will be firmly focused on recognising Pani's latent value, a stand-out world class gold project that Lion has steadfastly backed for ten years with investment and active management.

Lion has the ambition to set itself up for the next cycle and, as it crystallises profits from investments, aims to become a regular dividend payer.

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

Barry Sullivan
Chairman

Lion Selection Group Investment Summary


Core from drilling at Pani

AS AT 30 SEPTEMBER 2021		
	COMMODITY	MARKET VALUE A$M
Pani Joint Venture (33.3% Interest)	Gold	**63.3**
Portfolio		
Nusantara Resources	Gold	**17.3**[1]
Erdene Resources	Gold	**4.9**
Kasbah Resources	Tin	**2.0**
Celamin Holdings	Phosphate	**2.4**
Other		**1.2**
Net Cash		**6.1**
Net Tangible Assets – Pre-tax*		**A$97.2M**
NTA per share – Pre-tax*		**64.7cps**
Deferred tax liability on theoretical disposal of Lion's portfolio		(A$3.2M)
Net Tangible Assets – Post-tax*		**A$94.0M**
NTA per share – Post-tax*		**62.6cps**

Capital Structure

Shares on Issue:	**150,141,271**	
Share Price:	**44cps**	**30 September 2021**

1. $17.5M cash payment has been received.

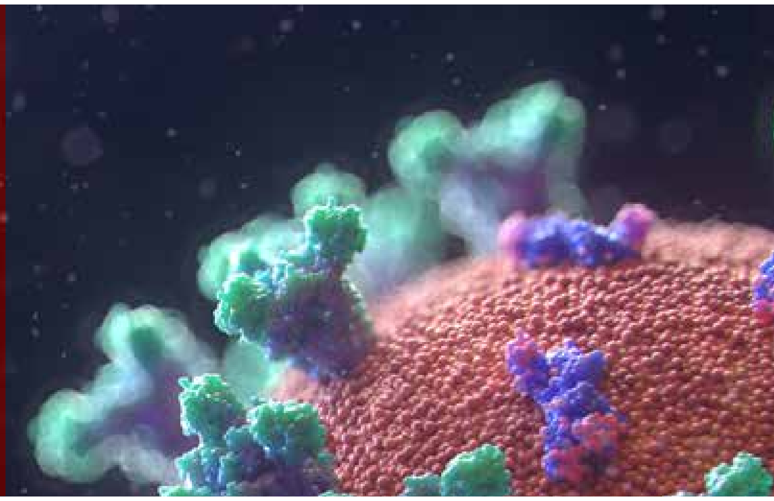
*** Contingent Consideration**

Lion's NTA excludes potential contingent consideration that may be payable if Lion sells its investment in either Celamin or Kasbah. Based on a theoretical sale of both investments at the date of the NTA, contingent consideration of $2.0m would arise (June 2021, $2.0m).

This obligation arises following Lion agreeing to purchase the shares it did not own in African Lion 3 Ltd (AFL3) to consolidate ownership (with the exception of Lion Manager Pty Ltd who opted to hold its investment). The transaction involved part cash consideration and Lion agreeing to pay contingent consideration to be paid in certain circumstances for up to 5 years. The value of the contingent consideration depends on the ultimate exit price for Celamin and/or Kasbah, how long Lion holds the investments, and how much additional investment is required.

Lion Manager's Report

The current mining boom which commenced in January 2016 has been overprinted by the COVID-19 pandemic. The global response has featured substantial economic stimulus and quantitative easing which has affected interest rates and asset prices.

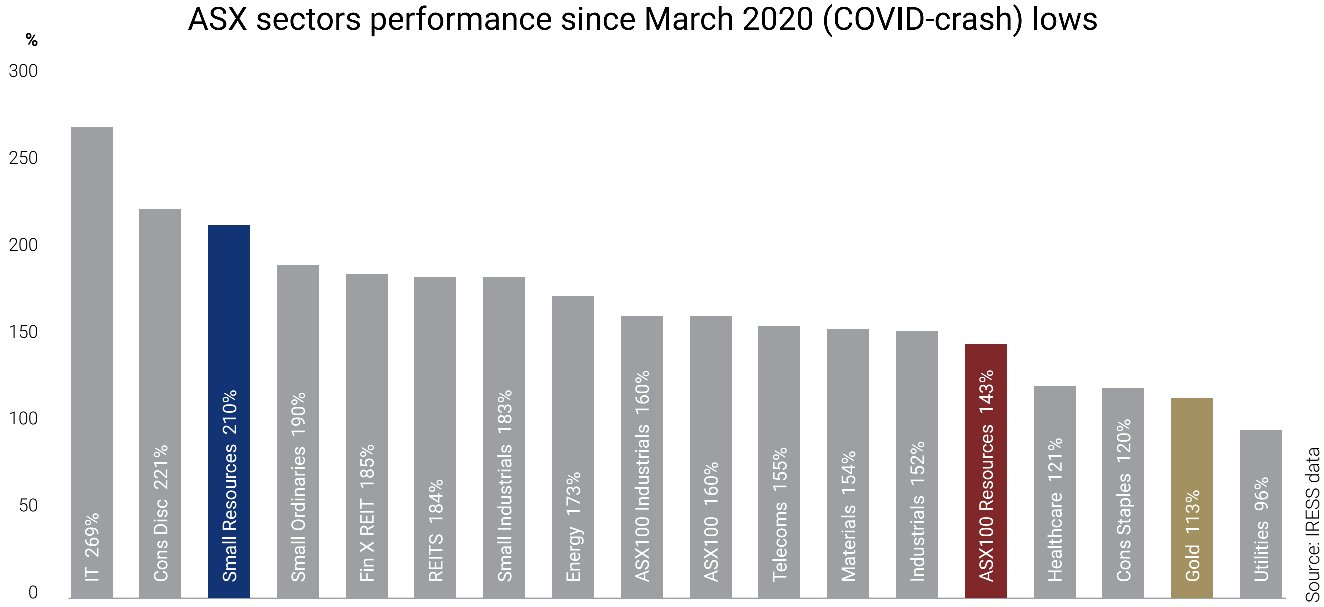


Border closures, travel restrictions and lockdowns have affected industrial activity, supply chains and demand and therefore commodity prices. A global pandemic the magnitude of COVID-19 would ordinarily be expected to cause lasting economic damage, but instead has seen equity markets surge. The recovery has jammed as much equity market performance (or more) into 18 months as there had been in the five years prior to COVID-19.

The equity market collapse that took place in March 2020 as a response to the proliferation of COVID-19 (the COVID-crash), ushered in a period of volatility. According to the CBOE market volatility index (VIX), having spiked to levels similar to the Global Financial Crisis, volatility has remained elevated well above pre-2020 levels. Whilst the VIX utilises short-dated options over the S&P500 to measure volatility, the same volatility is evident in commodities and mining equities. The COVID-crash was also a turning point in the performance of individual market sectors, the pandemic providing a boon for some sectors more than others. At the small capitalisation end of the mining sector investors chasing higher risk returns and rising commodity prices have provided liquidity, enabling explorers to access equity market funding which had been challenging for most to obtain since 2011. Whilst large capitalisation miners, especially the gold sector, have been amongst the poorest performers measured by capital returns from March 2020 to September 2021, smaller Resources led by future facing commodities, and the exploration sector broadly, are thriving.

Rebound

ASX sectors performance since March 2020 (COVID-crash) lows

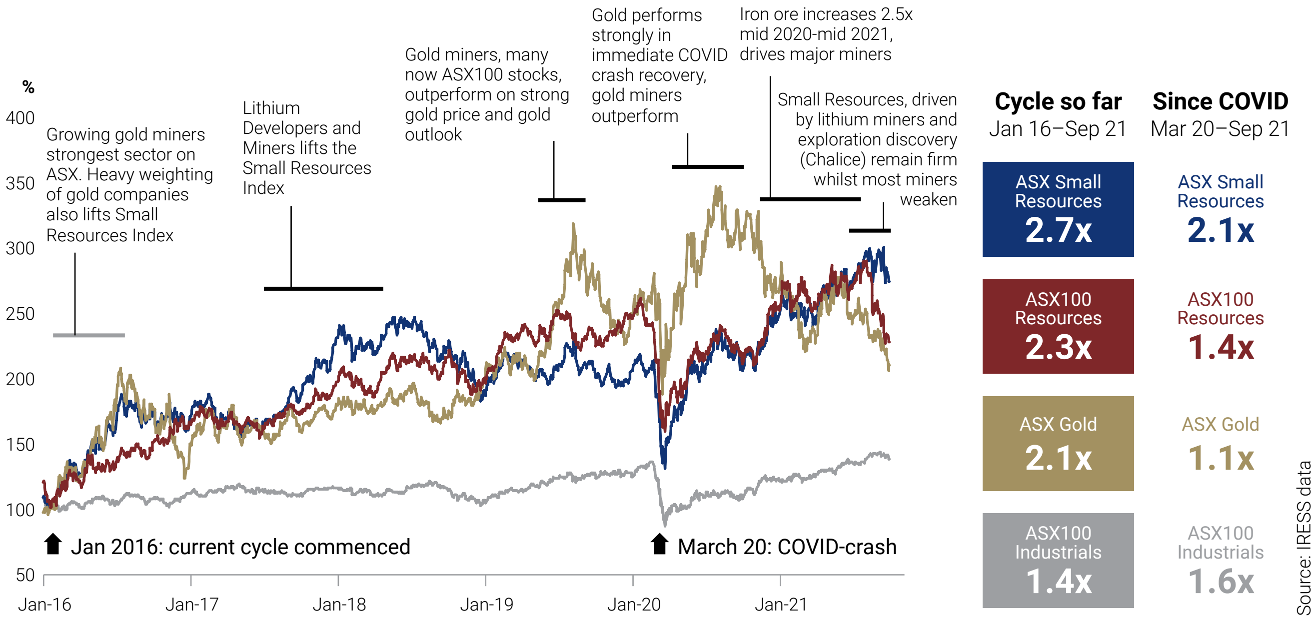


Lion Manager's Report

Cycle summary: mining equity trends

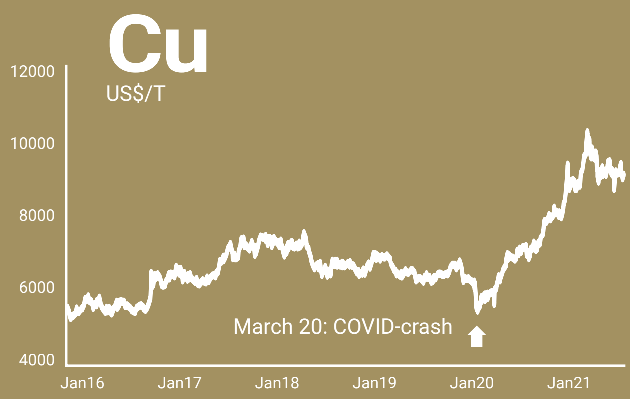
At the highest level, stocks on ASX are divided into two main baskets of companies: Resources and Industrials. Resources companies, measured by their indices, underperformed Industrials from 2011 to 2015 in a long and deep mining bust. Resources have outperformed Industrials since January 2016: Industrials have increased by around 40%, while most Resources indices have more than doubled.

The current mining boom has been unusual in two respects. Typically, a bust would end and commodity and mining equity prices would be subdued for a period as the boom began. Distinctively in 2016 gold spiked by 30% and the ASX Gold Index more than doubled in the first seven months of the boom. This is the first modern mining boom that enjoyed a commodity price boost at its very commencement. The current boom is also unique in modern history for the over-print of a global pandemic, which instead of destroying liquidity has resulted in a massive expansion of it.



All indices rebased to 100% at 20 Jan 2016

Lion Manager's Report



Selected commodities (gold, copper, iron ore and lithium) over the period of the current boom, Jan 2016 – Sep 2021. Source: IRESS data

Major and large capitalisation miners

The ASX100 Resources index tracks the combined performance of Australia's largest listed Resources companies including BHP and Rio Tinto. From January 2016 to early 2020 the index increased in value by 2.6x, and then gave up 40% when the market crashed in March 2020. All those losses were regained during 2020 and the index found new highs in July 2021, 2.9x above the start of the boom in January 2016 and 60% above the lows of early 2020.

Large mining equities performance has been driven by commodity prices such as iron ore, copper, oil, coal, aluminium and gold, many of which experienced moderate to steady gains from 2016 to 2020. Following the COVID-crash, some of these commodities have made spectacular performances, most notably iron ore which was barely affected by the COVID-crash and then almost trebled in price from April 2020 to record highs in May 2021. The main global iron ore producers operate at such a scale they enjoy a very low cost of production, so this price movement provided a major cash bonanza for the world's largest miners and resulted in record dividend payments by BHP and Rio Tinto in 2021. Since July 2021, iron ore has experienced a spectacular collapse to less than half its peak. Volatility of this kind did not exist in iron ore until the last two decades, and this collapse is itself a first for its sheer magnitude.

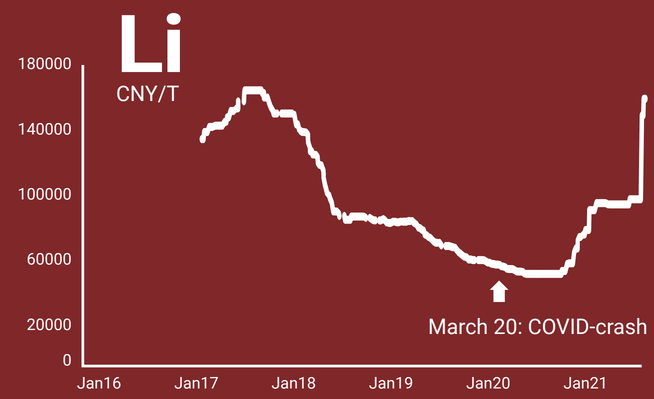
The broader equity market has softened since mid-2021, but with a corresponding weakening in the main mineral commodities in the same period, the weakness has been magnified in the large capitalisation miners. At 30 September 2021 the ASX100 Resources index is down 22% from its mid-2021 peak, in what is the most significant correction for Resources since the COVID-crash.

Small capitalisation miners

The ASX Small Resources index captures the tier of Resources companies that are reasonably large and liquid, but below the threshold for ASX100 inclusion. Since 2016, the Small Resources Index has been boosted by two main commodities: gold and lithium and outperformed the ASX100 Resources index during episodes of gold and lithium price surges. Large new mineral discoveries that have minted mid-tier sized companies albeit still at exploration/assessment stage have also contributed to index performance.

Gold increased by $300/oz through the first half of 2016, an appreciation of almost 30%. This provided for an exciting commencement to the boom and attracted investors to gold companies which were the feature of 2016 – the ASX gold index went up 2.1x between January and July 2016. Companies that had turned around expensive operations (St Barbara, Resolute) were strongly re-rated, and the companies that have since grown to become new mid-tier producers (Northern Star, Saracen, Evolution) performed well. With a heavy weighting to small and growing gold miners, the Small Resources and Gold Indices moved in lockstep, both outperforming the large cap index. Typically, strong performance of mining companies early in a mining boom is rare, and especially so for such junior companies to have outperformed the major miners. The surge in gold and gold miners in early 2016 was a jump start for the boom. This accelerated the infusion of investor interest into a whole sector of companies beneath the realms of majors, which in previous cycles has taken years to develop.

Gold surged again between October 2018 and August 2020, from a low of US$1,170/oz to an all-time high of US$2,063/oz, a rally of 75%. The interruption of the COVID-crash was short and gold prices instantly recovered. Gold equities performed strongly over the same period, although despite



the larger overall movement in gold price (compared with 2016), the ASX Gold index didn't quite match its 2016 increase, going up 2.06x. Re-ratings of gold equities reflected the increasing price of gold, but not the margin amplification of lowering costs which was a feature of some of the turn-around stories in 2016. In addition, some of the leaders in the gold sector had graduated to the ASX100 so the Small Resources Index didn't get carried along by the Gold Index as strongly as it had been in early 2016.

With the advent of battery technologies, commodities that are consumed in battery manufacture are becoming an important feature of the mining market. Prices for the key battery commodities have reacted to new supply interacting with existing and lumpy growth in new demand. Many mineral commodities will see increased demand from use in batteries, although many already have diverse usage or large existing markets so the effect on price might be hard to attribute purely to battery demand. Lithium is a commodity that requires substantial market expansion to accommodate new demand for batteries, and supply is from primary sources rather than as a by-product of other commodities. 2017 saw huge investor interest for lithium explorers and developers, some of which became miners, as the price for the commodity rose strongly. The Small Resources index outperformed the ASX100 Resources between late 2017 and mid 2018 as a result. Lithium is still such a thin market that when modest new supply arrived, but demand wasn't quite in place the price plunged, which brought on near death experiences for some new producers and opportunistic consolidation. The weakness in lithium in 2019 contributed to the Small Resources Index lagging the Gold and ASX100 Resources indices.

Since late 2020 the price of lithium has staged a spectacular recovery, increasing 4.5x to present – a massive swing for any commodity in such a short period of time. The Small Resources index, which now features a conspicuous weighting of Lithium stocks, has performed strongly even whilst gold has been weak, and has resisted the soft general market tendency and iron ore induced collapse that has afflicted the major miners. The buoyancy of the lithium market has fashioned a substantial difference in performance: since the lows of the COVID-crash to September 2021, the Small Resources Index has more than doubled (+110%), whilst the ASX100 Resources index is up only 43%. The two sit at opposite ends of a comparison of ASX sectors for this period. The ASX Gold Index (+13%), which has been the source of market best returns in some periods earlier in the boom lags all but the Utilities sector over this comparison period.

A selection of spectacular new discoveries has contributed to the performance of the Small Resources index, as much for the dimensions of new deposits which have been delineated as the capitalisations bestowed on the discoverers by investors. Discoveries of gold, platinum group elements (PGE) and lithium feature strongly in the last two years, and the companies responsible have grown from capitalisations of a few tens of millions to billion dollars plus. The size and quality of these discoveries no doubt deserves market recognition, however it is rare for many pre-production or exploration stage companies to gain inclusion in market indices so the capitalisation and liquidity of the owners of discoveries is itself a sign of the times.

Performance of a commodity such as copper tends not to be reflected by movement of the major Australian indices, as the pure play miners are either too small to influence the ASX 100 or are outnumbered in the Small Resources by other miners. Copper performance exemplifies pre- and post-COVID asymmetry: From January 2016 to mid-2018, copper increased by 60% all of which was given up by the time of the lows of March 2020. However, it has doubled since, and peaked 2.3x above its COVID ravaged lows.

Lion Manager's Report

Micro-cap and explorers

Most of the Resources companies listed on ASX are not included in any index because of the small size of the companies, yet there are hundreds of them. The proportion of non-index Resources companies has increased as the ranks of explorers have been swelled by new listings. Most of the non-index resources companies are explorers and depend on the ability to raise funds from the equity market. This large by number but small by capitalisation part of the sector has thrived over the last two years. Commodity price performance has helped, and the gold and lithium price movements through 2016 and 2017 have been important factors in attracting liquidity to the micro-cap exploration space more rapidly than in previous cycles. The overwhelming change since early 2020 has been investor money that has suddenly become available for funding exploration companies. The March 2020 COVID-crash could have destroyed liquidity and brought about a mining bust, but it didn't. Liquidity surged instead, and exploration activity is flourishing.

China

China has become integral to the mining cycle, on account of becoming the world's largest single consumer of mineral commodities during the period 2000-2008. Partly as a result of its coming of age, China has played a fairly central role in the events that have impacted global equities in recent years, which have also been significant drivers of the mining cycle. The COVID-19 virus originated in Wuhan and made headlines in early 2020, then spread beyond China and led to the COVID-crash that affected global markets in March 2020.

China is a jurisdiction that is capable of centralised influence over its purchasing of commodities. This is illustrated nowhere better than the market for iron ore, which at its highest level involves monopoly suppliers in Australia and Brazil and a monopsony demand in China. Expanding margins for iron ore producers, driven by strengthening iron ore prices, impinge margins for steel producers to the extent that the entire price rise can't be passed on to steel purchasers. China is currently experiencing an energy crisis brought about by a shortage of coal for power generation, which has led to power rationing and curtailment of industrial and construction activity. Iron ore reached all-time record prices during mid-2021 and has collapsed spectacularly since, influenced by a sharp slowing of demand in China linked to a reduced ability to maintain steel production, behind a well-organised buying approach.

Transparency around many Chinese macroeconomic factors is murky at best, making it extremely challenging to generate a reliable outlook for future Chinese demand for iron ore (or any other mineral commodity). With history as a guide, China's response to economic crises differs from most large economies owing to the centralised economy and ability to mandate control measures rapidly and with great effect. What can be stated with absolute confidence is that China can spook global equity markets and severely impact commodity markets due to the magnitude of its demand, and this has the potential to be compounded by fractious political relationships between China and many Western Nations, many of which are commodity suppliers.

The rest of this boom

The global economic emergence from a world affected by COVID-19 and China's demand outlook for commodities are the most influential factors that will determine how the remainder of the current mining boom will play out. Both are exceptionally challenging to forecast, especially given the preparedness to resort to stimulus and quantitative easing measures to combat market or economic shocks.

Lion monitors the mining cycle closely and illustrates the stage of the cycle via the Lion Clock. The current boom commenced in 2016 and the Clock moved to 6 o'clock. The Clock progressed rapidly to 9 o'clock in 2019, primarily due to the strong performances of gold and lithium which attracted investors to funding exploration for these minerals via existing company raisings or new company listings, and a commensurate increase in exploration expenditures.

The emergence of a growth-oriented mentality within the sector, manifest in mergers and acquisitions (M&A), has moved the Clock beyond 9 o'clock and in early 2021 the Clock arrived at 11 o'clock as large mining IPOs were raised. Listing of large mining companies, by way of a large IPO raising, is only possible when liquidity is exceptionally high and these conditions only exist at 11 o'clock or beyond. Whilst providing a strong indication that the boom is mature, they are not necessarily an imminent crash warning. Late cycle conditions have lasted for years in previous cycles and during that time performance of resources companies, especially those in the micro-cap sector have been sensational, and M&A deals have grown in size. These provide a template, albeit lacking any estimate of timing, for what we might expect from here.

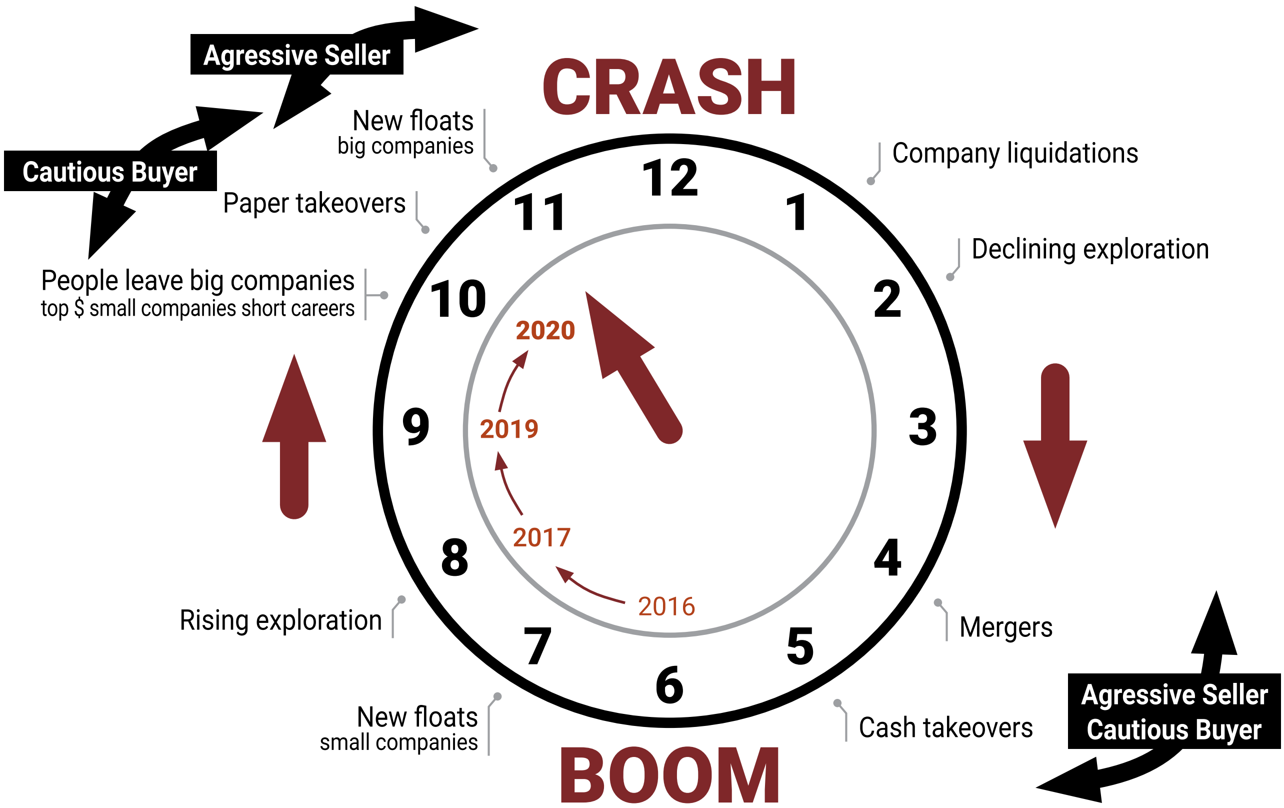
The outlook for the exploration and micro-cap resources sector is simple. Whilst funding is plentiful it will provide for a high level of exploration activity, and this increases the probability of new mineral discoveries or growth of existing deposits, which would be expected to be exceptionally positive for the equities of the owners. Some will be acquired as their size or location become strategic or can be justified as such by an acquirer.

The current cycle has already seen some large mergers and acquisitions take place. By and large, these deals have adhered to criterion of providing genuine value accretion for the buyer which has been necessary to obtain investor support. Hostile takeovers and large premia remain uncommon. Regional consolidation has been central to many of the deals that have taken place, as has material increase in scale via the consolidation, with a simple underlying premise that larger and more liquid companies can access a larger pool of investors and thus obtain a premium market valuation. Since 2018 there have been five gold mergers (including the announced but as yet incomplete merger of Agnico Eagle and Kirkland Lake) that have resulted in the mergeco entering, or achieving a higher position, in the global top ten gold companies. This cluster of large-scale deal making activity serves to strongly illustrate a desire to grow. COVID-19 is widely regarded as having prevented or postponed what might otherwise be logical M&A, and as travel restrictions are reduced, we might expect to see the door opened to deals that have been conceived but otherwise on hold. Many recent asset or company transactions appear to have featured more than one potential buyer, and where there is competition there is a growing likelihood of expanding premia.

Operating costs have increased over the span of the boom, most rapidly in recent years and this is a natural cyclical phenomenon. In previous cycles this has been a concern for both investors and predatory acquirers, who consider taking on jurisdictional risk in order to access lower cost production in their favoured commodity. When equity prices weaken, but the market remains strongly liquid it can result in the pull-back being a buying opportunity for acquirers. Investor sentiment is already supporting growth, so we should expect M&A to be sympathetically or even enthusiastically received by the market, and opportunities in less attractive jurisdictions are beginning to look like compelling value targets. Many of the likely acquirers are well cashed up from commodity price driven cash windfalls in recent years and have demonstrated ready access to additional funding from the equity and debt markets. The stage appears to be set for M&A, which many watchers of the Clock have questioned.

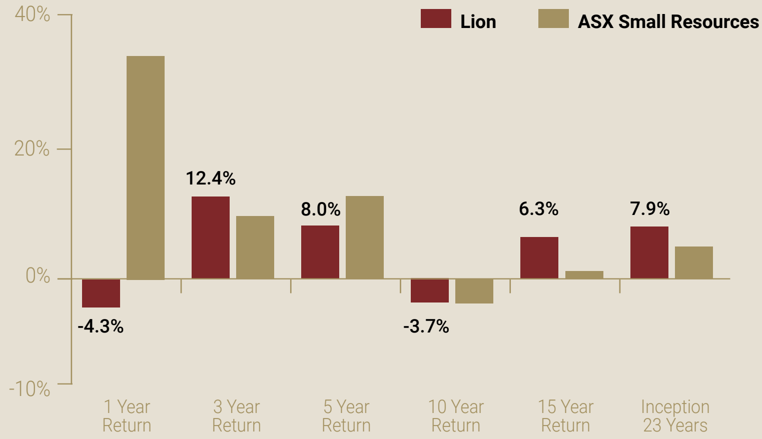
All historic mining booms have led to a mining bust – we know this will occur, just not when, and hence the importance of monitoring the cycle as it can at least provide the opportunity to develop a sense of readiness. Given the level of liquidity and volatility we now see, there is a heightened risk that a market shock would precipitate a substantial risk appetite reduction, which would kill off liquidity for explorers. All market and mining crashes are caused by the exuberance of the preceding boom, not the catalyst event that occurs at the turning point, although picking the catalyst is the critical factor from a timing perspective.

The Lion Clock, which depicts the mining cycle, is at 11 o'clock



Lion Performance

Total shareholder return for Lion Selection Group versus ASX Small Resources Accumulation Index [1-7]



As at 31 July 2021	Lion Selection	ASX Small Resources AC Index
1 Year	**-4.3%**	33.8%
3 Years	**12.4%**	9.5%
5 Years	**8.0%**	12.5%
10 Years	**-3.7%**	-3.8%
15 Years	**6.3%**	1.2%
Since Inception – 23 years	**7.9%**	4.9%

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

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

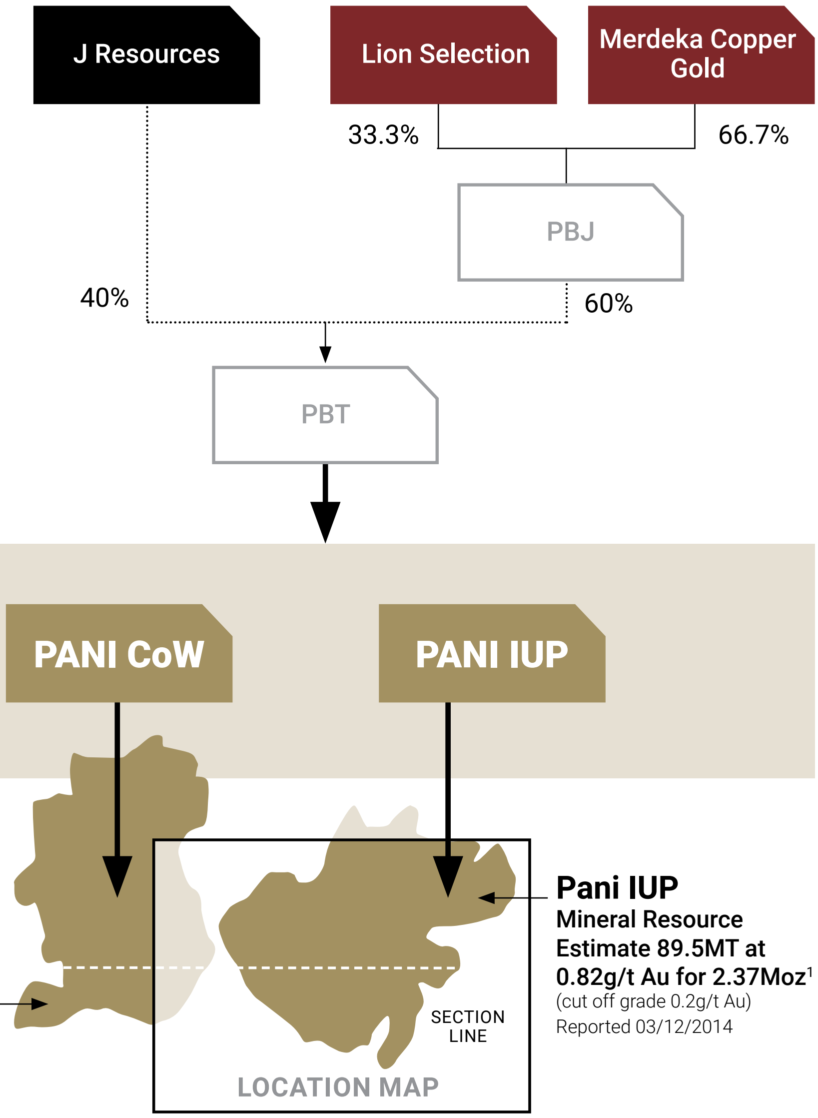
1. Investment performance figures reflect the historic performance of Lion Selection Group Limited (ASX:LSG, 1997 – 2007), Lion Selection Limited (ASX:LST, 2007-2009), Lion Selection Group Limited (NSX:LGP, 2009-2013) and Lion Selection Group Limited (ASX:LSX, 2013-present)
2. Methodology for calculating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

Drill core, Bayan Khundii Gold Project

Pani Joint Venture

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.

Pani currently consists of two Resources [2.37 Moz Au[1] (33.3% Lion/ 66.7% Merdeka) and 2.30Moz Au[2] (100% J Resources)] on two licences which historically have been separately held.
An agreement to combine the two Pani tenements into one ownership group was signed in late 2019, but remains incomplete.



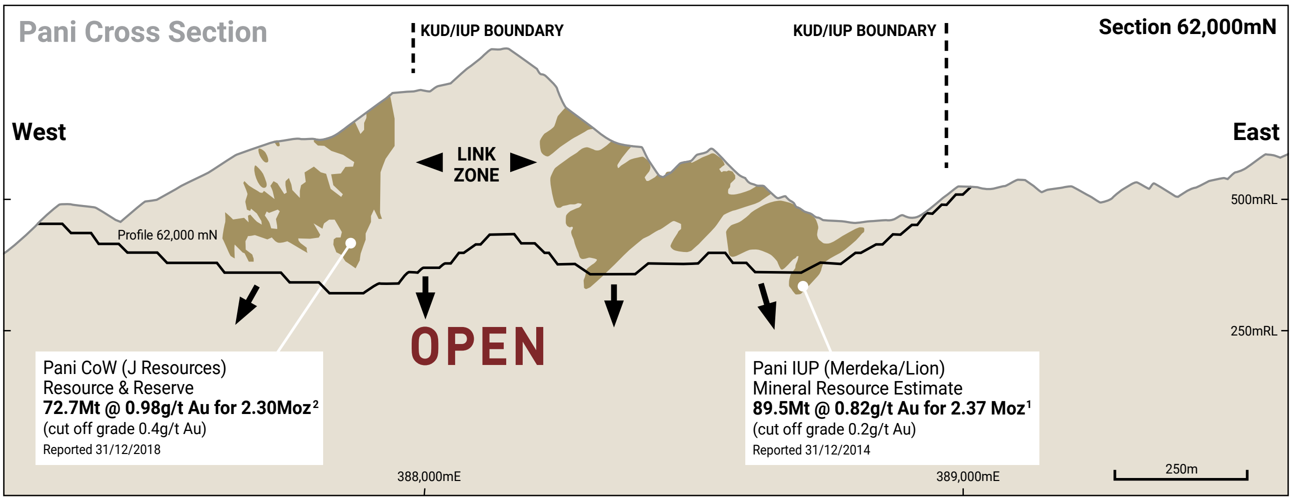
United Pani Gold Project
40% Merdeka
40% J Resources
20% Lion

subject to deal completion

J Resources' CoW
Mineral Resource Estimate 72.7MT at 0.98g/t Au for 2.30Moz[2]
(cut off grade 0.4g/t Au)
Reported 31/12/2018

Pani IUP
Mineral Resource Estimate 89.5MT at 0.82g/t Au for 2.37Moz[1]
(cut off grade 0.2g/t Au)
Reported 03/12/2014

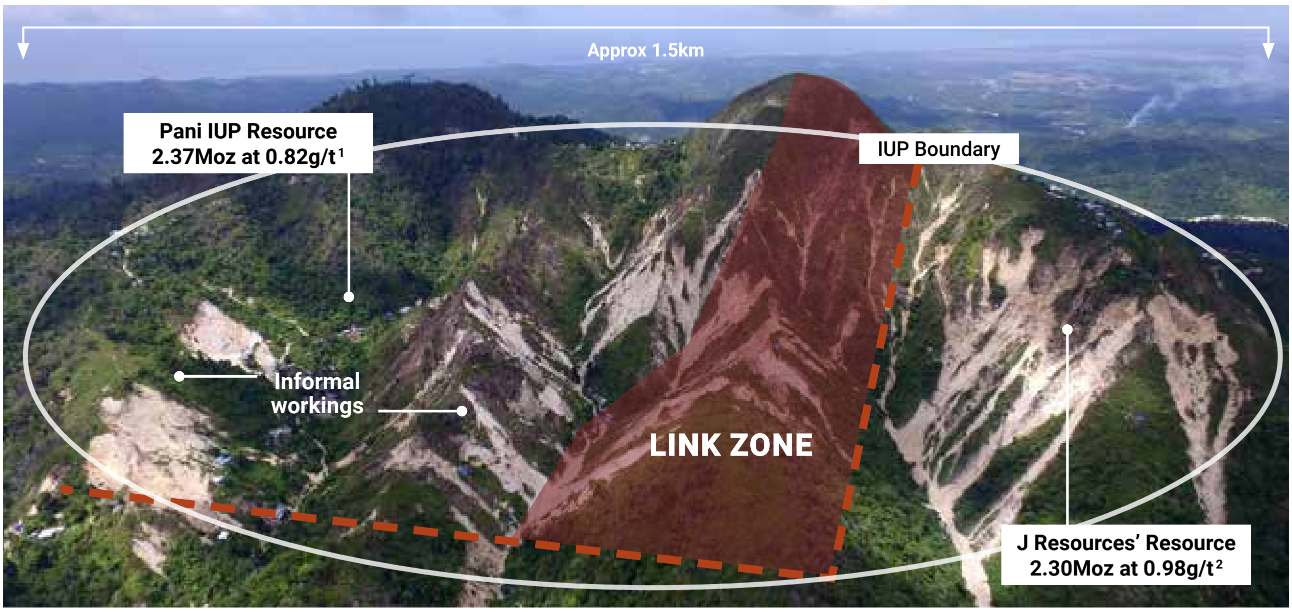
Pani ownership diagram showing the Pani Joint Venture between Merdeka and Lion, which in turn have agreed to form a joint venture with J Resources to unite tenure over the Pani Gold Project.



Pani cross section looking north

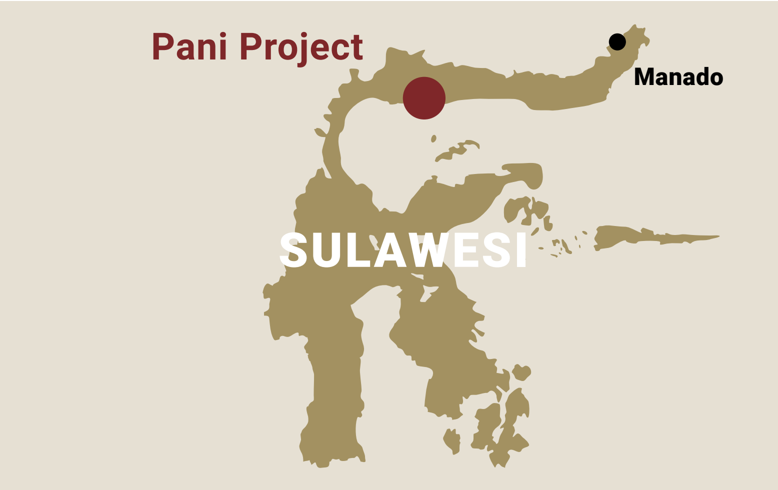
Pani Mineral Resource Estimates

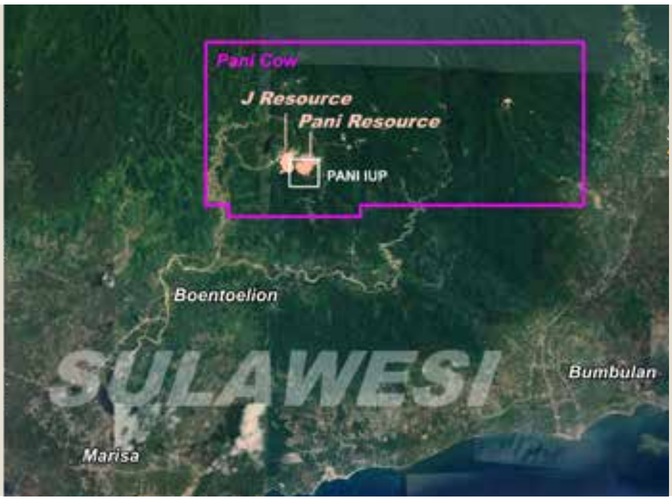
Category	Pani IUP (Lion 33.3%/Merdeka 66.7%) 0.2g/t cut off[1]			Contract of Work (J Resources 100%) 0.4g/t cut off[2]		
	Tonnage (Mt)	Grade (g/t Au)	Contained Gold (Moz)	Tonnage (Mt)	Grade (g/t Au)	Contained Gold (Moz)
Measured	10.8	1.13	0.39	15.5	1.03	0.51
Indicated	62.4	0.81	1.63	41.3	0.98	1.31
Inferred	16.2	0.67	0.35	15.9	0.93	0.48
Total	**89.5**	**0.82**	**2.37**	**72.7**	**0.98**	**2.30**



Pani view looking south showing informal workings

Pani Joint Venture

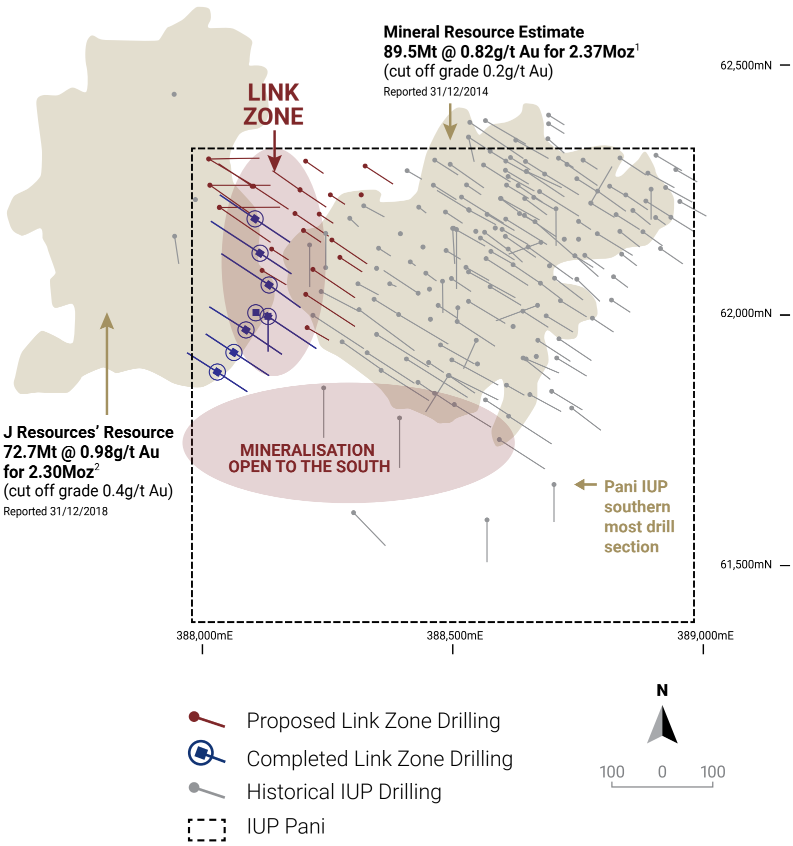




Combination of Pani Tenements

During the year, the Pani Joint Venture (Lion 33%, Merdeka Copper Gold 67%) initiated arbitration action against J Resources in relation to a claim of non-compliance with the terms of the November 2019 agreement to combine the two Pani tenements into one ownership group. This agreement remains incomplete at the date of this report. As announced on 6 October 2021, J Resources entered a Conditional Sale and Purchase Agreement with a subsidiary of Provident Capital for all the shares in PT Gorontalo Sejahtera Mining (**GSM**), the company that holds the Pani Contract of Work. To allow the Provident/GSM transaction to proceed, the Pani Joint Venture (Lion 33%, Merdeka Copper Gold 67%) suspended the arbitration action taken against J Resources.

Completion of the Provident/GSM transaction is anticipated to result in the combination of the two Pani licences which historically have been separately held, consisting of two Resources [2.37 Moz[1] (33.3% Lion/ 66.7% Merdeka) and 2.30Moz[2] (100% J Resources)].



Pani map showing the outlines of known mineralisation and Resources, collars of 2020 Link Zone drilling and the targets for future exploration at Pani.

Pani Technical Progress

Technical work has continued and is being managed by the Merdeka team. The key focus has been unification of technical databases and generation of a geological model based on data and observations taken from the separate historic Pani IUP drilling (primarily by One Asia), Pani Contract of Work (primarily by J Resources), and most recent Link Zone drilling (conducted by the Pani JV and carried out by Merdeka).

A geological model for Pani as a rhyodacitic lava dome has been developed and will form the basis for future drill targeting and mineral resource modelling that is expected to 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. A lava dome is a shallow level intrusion of lava[4], which in the case of Pani has subsequently been mineralised by gold bearing epithermal fluids. Key geological features include sheared margins of the intrusive body, especially the lower margin which may have been a key fluid conduit, as well as permeability of the lava dome from internal joints, shears and brecciation which has enabled widespread penetration of epithermal fluids producing thick zones of gold mineralisation including some areas of spectacularly high grade.

Lion's updated website includes a more up-to-date geological summary of Pani geological features and historic work based on materials that have all been previously released, including historic drilling results released by One Asia Resources which support the Mineral Resource estimate for the Pani IUP.

Drilling on the Pani IUP by One Asia Resources in the period 2012/2013 returned both broad zones of gold mineralisation and high-grade intervals[5], including examples:

- PDH-99: 62.3m at 15.5g/t Au from 43m (inc 3m at 307.9g/t Au from 72.7m)
- PDH-34: 125.7m at 2.77g/t Au from 0m (inc 36.5m at 5.9g/t Au from 31.7m)
- PDH-49: 134.8m at 2.2g/t Au from 0m (inc 14.1m at 12.6g/t Au from 96.6m)
- PDH-33: 97.2m at 2.58g/t Au from 0m (inc 27m at 5.9g/t Au from 24m)
- PDH-12: 124m at 1.5g/t Au from 0m

See Pani IUP Cross Sections on the Lion website.

Pani mineralisation spans approximately 1.5km (east-west) x 0.8km (north-south), and the lava dome model further substantiates targets for future drilling to identify the lateral extents and vertical extremities of mineralisation. The majority of targets for extensional drilling are located on the Pani IUP, including deeper drilling beneath the link zone and the area to the south of the existing Resource. Both target areas are adjacent to drilled mineralisation that has not been closed off, however the geological lava dome model now also supports these as logical and robust targets.

The drilling conducted by the Joint Venture (and managed by Merdeka) in the Link Zone indicates that the two Mineral Resource areas at Pani (2.37Moz[1] on the IUP and 2.30Moz[2] on the adjacent Contract of Work) are connected, however hole depths were limited by the capacity of the drill rig used and some holes finished in mineralisation[6]. In addition to generating appropriate drill hole spacing within the upper Link Zone, a target exists beneath to determine what the deeper part of the system comprises. The southern-most section of drilling on the Pani IUP includes broad intervals of mineralisation such as PDH-61, which returned 112.6m at 1.04g/t Au[5] and is open to the south and requires testing.

An extensive drill campaign is being planned to in-fill the link zone and test the depth and boundaries of the deposit once the J Resources deal closes.

1. Refer to One Asia Resources Limited news release 3 December 2014 (https://www.oneasiaresources.com/images/document/News_Release_Dec_3_2014.pdf)
2. Refer to J Resources 31 December 2018 Annual Report (http://www.jresources.com/investors/article/final-resources-reserves-compilation-2017-to-2018).
3. Refer to ASX announcement by Lion Selection, 4 February 2021 Pani Arbitration Initiated with J Resources: US$500-$600m Compensation Claim.
4. Yoshihiko & Akihiko 2019: https://www.frontiersin.org/articles/10.3389/feart.2019.00066/full
5. Pani geological information extracted from One Asia Resources Technical Report, released in 2014 to support the Pani MRE: https://www.oneasiaresources.com/images/document/Pani%20Mineral%20Resource%20Estimation%20Final%20by%20SRK%20122014_inc%20App%20A_F.pdf
6. Refer to ASX announcement by Lion Selection, 11 February 2021 Pani Valuation and Update.

Nusantara Resources Limited

Merged with PT Indika Energy TBK (Indika)

In June 2021 Nusantara announced a proposed acquisition of Nusantara by its joint venture partner, Indika, by way of Scheme of Arrangement for $0.35 per share cash.

On 22 September 2021, Nusantara shareholders approved the Scheme of Arrangement between the company and its shareholders and following Court approval, the Scheme was implemented on 6 October 2021. Payment of the Scheme Consideration to shareholders was made on 6 October 2021 with Lion receiving $17.5M for its 21.77% interest in Nusantara.

Brief history of Lion's investment in Nusantara Resources

In 2017, on the back of a new geological model and Mineral Resource Estimate, the Awak Mas Gold Project was demerged from One Asia Resources and listed on the ASX as Nusantara Resources Limited raising $16.2M. Lion invested $4.5M in the Nusantara IPO and together with receipt of its in-specie distribution of Nusantara shares from One Asia, took a significant position in Nusantara as it focussed on a Definitive Feasibility Study (DFS) to advance the development of Awak Mas.

Nusantara grew both the Resource and Reserve at Awak Mas and completed the DFS in 2018 following which Indonesian energy and resources company Indika invested $7M to become Nusantara's 19.9% shareholder and strategic partner. Lion continued its support of Nusantara investing a further $5M between 2018 and 2020.

In 2020, recognising the ongoing progress and underlying value of the Awak Mas Gold Project, Indika invested a further US$15M for a 25% project interest which provided interim funding for the project to commence the Front End Engineering and Design process.

The acquisition of Nusantara by Indika announced in June 2021, came at a key inflection point in the development of the Awak Mas Gold Project, removing a variety of risks associated with progressing the project from feasibility to production. With the payment of a cash consideration by Indika, the transaction allowed Nusantara shareholders to crystallise value without further investor risk inherent in gold price, project financing, construction/commissioning, production and jurisdiction.


PT PUMA JAYA UTAMA

Erdene Resources Development Corp

Lion holds approximately 5% equity interest in Erdene, alongside a strongly aligned board and management team (who collectively hold approximately 8%), The European Bank for Reconstruction and Development (EBRD: 11%) and well-known gold investor Eric Sprott (12%).

Developing a new high grade gold district in Mongolia

Erdene has spent over a decade establishing a platform from which to operate in Mongolia and exploring the Khundii district. Erdene's exploration has to date defined two Mineral Resources at Bayan Khundii and Altan Nar which contain a combined total of over 1.1Moz of gold[1], in addition to two new discoveries of gold mineralisation at Dark Horse and Ulaan. With a Bankable Feasibility Study complete, engineering, permitting and debt financing discussions well advanced, Erdene is strongly positioned to become a gold miner and to further add to its inventory of gold mineralisation.

Bayan Khundii – nearing development

Erdene finalised a Bankable Feasibility Study for Bayan Khundii, which demonstrated a high-grade, shallow open-pit mine with strong NPV and IRR, low initial capital investment and rapid payback. The project is expected to produce an average of 63,500 oz per annum[2].

During 2021, Erdene has expanded the footprint of known mineralisation of the Bayan Khundii Project, and advanced project engineering, permitting, and financing arrangements:

- Executed a mandate letter with Export Development Canada (EDC) for a senior secured debt facility of up to US$55 million, conditional upon the satisfactory completion of due diligence[3].
- Resource expansion drilling extended mineralisation in the immediate vicinity of the planned open pit, intersecting highlights such as 12m at 3.9g/t gold from 127m on the eastern flank, 22.4m at 3.9g/t gold from 206m on the western flank, and 10m at 4g/t gold from 14m from the southern end[4].
- Extensional drilling has also defined a new zone of high-grade mineralisation 200m west of the planned open pit, including hits such as 28m at 2.5g/t gold (including 14m at 4.5g/t gold), 38m at 1.8g/t gold (including 9m at 5.5g/t gold)[5].
- Orders placed for key long lead time plant items – Contract for SAG and ball mills awarded to CITIC in March 2021[6].
- Detailed Environmental Impact Assessment filed, and successfully concluded statutory community consultations[7].
- Execution of a Local Cooperation Agreement with the Bayankhongor Provincial Government, the host community for its 100%-owned Bayan Khundii Gold Project and all exploration and mining licences within the Khundii Gold District[8].

Erdene's employment readiness program,
Bayan Khundii Gold Project

Exploration – two new stunning gold discoveries

Erdene's regional discovery program has continued in parallel with project development preparations and has led to two stunning new discoveries during 2021.

High grade, shallow gold at Dark Horse

Dark Horse is located approximately 3.5km to the north of Bayan Khundii on the same mining licence, and is interpreted to be hosted by the same north-south trending, regional scale structure, and to be of similar geological character. The discovery hole containing high grade mineralisation **45m at 5.97g/t gold from 10m**[9] has been followed by additional hits of 35m at 2.67g/t gold from 4m (including 12m at 5.1g/t)[10] and 27m at 5.86g/t from 24m[11]. A zone of continuous mineralisation has been defined by drilling over a strike extent of over 350m, within which a high-grade zone covers 180m of strike.

Broad gold mineralisation at Ulaan

Ulaan is located 400m west of Bayan Khundii, on a separate exploration licence. The licence contains a very large hydrothermal alteration system consistent with a porphyry system eroded to just below the base of a lithocap, and multiple associated epithermal gold and porphyry copper (gold) targets. Maiden drilling in the southern portion of the Ulaan licence discovered broad zones of gold mineralisation including **258m at 0.98g/t gold from 92m** (including 40m at 3.77g/t gold)[12]. Follow-up drilling has returned 216.6m at 1.07g/t gold from 188m (including 53m at 3.55g/t gold) and 364.3m at 0.79g/t gold from 97m (including 91m at 1.98g/t gold)[13].

Erdene began working on the Khundii region of South-Western Mongolia in 2009, and to date has discovered four gold or gold dominated mineral deposits, from four prospects that have been campaign drilled. These demonstrate the substantial geological potential and exciting prospectivity of the project:

- Altan Naar: epithermal precious and base metals, near to ancient copper workings; discovered 2014.
- Bayan Khundii: high grade gold, discovered 2015, leading to a Resource in 2018 and Bankable Feasibility Study in 2020.
- Dark Horse: high grade gold discovered 2021.
- Ulaan: broad gold mineralisation including high grade zones discovered 2021.

1. Refer to Erdene news releases dated 16 August 2021 and 21 October 2019
2. Refer to Erdene news release 20 Jul 2020
3. Refer to Erdene news release 5 Nov 2020
4. Refer to Erdene news release 1 Oct 2020
5. Refer to Erdene news release 17 Nov 2020
6. Refer to Erdene news release 17 May 21
7. Refer to Erdene news release 16 Aug 21
8. Refer to Erdene news release 5 Aug 2021
9. Refer to Erdene news release 1 Jan 2021
10. Refer to Erdene news release 22 Apr 21
11. Refer to Erdene news release 27 Jul 21
12. Refer to Erdene news release 11 Aug 21
13. Refer to Erdene news release 23 Sep 21

Erdene Resources Development Corp

Drillers at Erdene's Dark Horse prospect

Bayan Khundii Resource – 17 June 2021

Cut-off Grade [1]	Resource Classification	Quantity (Tonnes)	Grade (Au g/t)	Gold (oz)
0.4 Recommended	Measured	3,031,000	2.39	232,700
	Indicated	5,269,000	2.08	352,400
	Measured & Indicated	**8,301,000**	**2.19**	**585,100**
	Inferred	512,000	2.18	35,900
0.55	Measured	2,221,000	3.08	220,200
	Indicated	3,885,000	2.65	331,100
	Measured & Indicated	**6,105,000**	**2.81**	**551,400**
	Inferred	375,000	2.80	33,800
1	Measured	727,000	7.96	186,100
	Indicated	1,454,000	5.91	276,100
	Measured & Indicated	**2,181,000**	**6.59**	**462,200**
	Inferred	133,000	6.68	28,500
1.4	Measured	628,000	9.04	182,600
	Indicated	1,282,000	6.55	269,900
	Measured & Indicated	**1,910,000**	**7.37**	**452,500**
	Inferred	121,000	7.22	28,100

1. Cut-off grades have been calculated using a gold price of $1,600 /ounce, milling and G&A costs of $16.0/tonne, and mining costs of $3.0/tonne, and an assumed gold recovery of 95%.
2. Bulk density of 2.66 for mineralised domains.
3. Numbers may not add exactly due to rounding.
4. Conforms to NI 43-101, Companion Policy 43-101CP, and the CIM Definition Standards for Mineral Resources and Mineral Reserves.
5. Mineral Resources which are not mineral reserves do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate.

Naadam annual cultural festival at Amaruyant Monastery, Bayanhongor, Mongolia

Altan Nar Resource – 7 May 2018

Cut-off AuEq g/t	Resource Classification	Quantity (Mt)	Grade Au g/t	Ag g/t	Zn g/t	Pb g/t	AuEq2 g/t	Contained Metal Au Koz	Ag Koz	Zn Koz	Pb Koz	AuEq2 Koz
0.4	Indicated	5.6	1.8	13.5	0.6	0.5	2.6	323	2,412	33.2	29.9	464
	Inferred	3.7	1.6	7.5	0.7	0.6	2.3	189	901	24.5	22.8	283
0.7	**Indicated**	**5.0**	**2.0**	**14.8**	**0.6**	**0.6**	**2.8**	**318**	**2,350**	**31.6**	**29.0**	**453**
	Inferred	**3.4**	**1.7**	**7.9**	**0.7**	**0.7**	**2.5**	**186**	**866**	**23.7**	**22.3**	**277**
1.0	Indicated	4.2	2.3	16.6	0.7	0.7	3.2	306	2,212	28.6	27.4	431
	Inferred	3.2	1.8	8.2	0.7	0.7	2.7	182	837	22.8	21.5	270
1.4	Indicated	3.3	2.7	18.9	0.8	0.8	3.8	285	2,002	24.9	25.2	398
	Inferred	2.9	1.9	8.6	0.8	0.7	2.8	176	795	21.5	20.4	259

1. The Mineral Resources have been constrained by topography and a cut-off of 0.7g/t AuEq2 above a pit and 1.4g/t AuEq2 below the same pit shell.
2. The Mineral Resource Estimate Summary was compiled under the supervision of Mr. Jeremy Clark who is a full-time employee of RPM and a Member of the Australian Institute of Geoscientists. Mr. Clark has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Qualified Person as defined in the CIM Standards of Disclosure.
3. All Mineral Resource figures reported in the table above represent estimates as at 7 May 2018. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.
4. Mineral Resource grades are reported in accordance with the CIM Standards.
5. Mineral Resources reported on a dry in-situ basis.
6. No dilution or ore loss factors have been applied to the reported Resource Estimate
7. No allowances have been made for recovery losses that may occur should mining eventually result.
8. For the AN resource estimate Gold Equivalent 2 ('AuEq2') calculations assume metal prices of US $1,310 per ounce gold, US $18 per ounce silver, and US $2,400 per tonne lead and US $3,100 per tonne zinc.

Principal Risks and Uncertainties

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

Risk Factor	Nature
Investment in resource companies	Lion has investments in a range of resource companies whose exploration, development and mining activities are at varying stages. Lion's investees are subject to operating risks that are inherent to mining and exploration activities, and may influence the financial performance and share price of the investees. The value of Lion's investments in these companies, and in turn the financial performance of Lion itself, will continue to be influenced by a variety of factors including: • general investment, economic and market conditions as outlined above, which can affect the investee's performance and share price; • exploration is a speculative 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, politicial unrest, war or terrorist attacks anywhere in the world could result in a decline in economic conditions worldwide or in a particular region, which could impact adversely on the business, financial condition and financial performance of the investee; • there is a risk that investees may lose title to mining tenements if conditions attached to licences are changed or not complied with. Further, it is possible that tenements in which Lion's investees have an interest may be subject to misappropriation or legal challenge in jurisdictions without well-established legal systems. • a form of native title reflecting the rights and entitlements of indigenous inhabitants to traditional lands may exist on investee's tenements, such that exploration and/or mining restrictions may be imposed or claims for compensation forthcoming; and • the high initial funding requirements of emerging exploration and mining companies can result in delays in developing projects and a lack of liquidity, which may affect Lion's ability to invest or divest.
Market Movements	The performance of Lion and the prices at which its shares may trade on ASX can be expected to fluctuate depending on a range of factors including movements in inflation, interest rates, exchange rates, general economic conditions and outlooks, changes in government, fiscal, monetary and regulatory policies, prices of commodities, global geo-political events and hostilities and acts of terrorism. Certain of these factors could affect the trading price of Lion's shares, regardless of operating performance. Lion attempts to mitigate these factors by implementing appropriate safeguards and commercial actions but these factors are largely beyond Lion's control. The underlying value of Lion's investments in its investees also may not be fully reflected in Lion's share price.

Principal Risks and Uncertainties

Risk Factor	Nature
Reliance on key personnel	A number of key management and personnel is important to attaining the respective business goals of Lion. One or more of Lion's or Lion Manager's respective key employees could leave their employment, and this may adversely affect the ability of Lion to conduct its business and, accordingly, affect the financial performance and share price of Lion. Further, the success of Lion in part depends on the ability of Lion and Lion Manager to attract and retain additional highly qualified management and personnel.
Pani Gold Project	The Company is exposed to operating risks associated with holding an interest in the Pani Joint Venture including: • 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 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. 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.
Impact of COVID-19	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: • 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 continues to be 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 director's 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 all 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 4th Edition of the ASX Corporate Governance Principles and Recommendations released in February 2019 by the ASX Corporate Governance Council (ASX Recommendations). Except where otherwise explained, the Company follows all of the ASX Recommendations.

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 have and disclose a board charter setting out:

(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 Company has adopted a Board Charter that sets out the role and functions of the Board, the Chair and management and includes a description of those matters expressly reserved to the Board and those delegated to management. A copy of the Company's Board Charter is available on the Company's website.

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.

Recommendation 1.2

A listed entity should:

(a) undertake appropriate checks before appointing a director or senior executive or putting someone forward 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 and senior executives 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 or appointment of a senior executive.

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 and disclose a diversity policy;
(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and
(c) disclose in relation to each reporting period:
  1. the measurable objectives set for that period to achieve gender diversity;
  2. the entity's progress towards achieving those objectives; and
  3. either:
     (A) 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
     (B) 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

Recommendation 1.5 continued

If the entity was in the S&P/ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.

The Company has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives.

In accordance with all matters set out in the Diversity Policy, given the size of the Company, Lion has formed the view that it would not, at this time, be appropriate or practical to establish measurable objectives for achieving gender diversity.

The Board did not set measurable gender diversity objectives for the past financial year with respect to recommendation 1.5(c). Lion does not at this time intend to comply with this recommendation. However, this position will be reviewed annually by the Board.

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 for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that reporting period.

Recommendation 1.7

A listed entity should:

(a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and
(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

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.

PRINCIPLE 2: Structure the board to be effective and 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.

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.

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.

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.

Recommendation 2.4

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

Corporate Governance Statement

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 for periodically reviewing whether there is a need for existing directors to undertake professional development to 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.

In accordance with the Company's Board Charter:

- new Board appointees will undertake an induction program to ensure effective and active participation at the earliest opportunity;
- the Board is responsible for procuring appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to effectively perform their role as Directors.

PRINCIPLE 3: Instil a culture of acting lawfully, ethically and responsibly

Recommendation 3.1

A listed entity should have and disclose its values.

The Company is committed to conducting all of its business activities fairly, honestly, with the highest level of integrity and professionalism and in compliance with all applicable laws, rules and regulations. The Board is dedicated to the highest ethical standards and recognizes and supports the Company's commitment to compliance with these standards.

A statement of the Company's core values is available on its website.

Recommendation 3.2

A listed entity should:

(a) have and disclose a code of conduct for its directors, senior executives and employees; and
(b) ensure that the board or a committee of the board is informed of any material breaches of that code.

The Company's Code of Conduct applies to the directors, senior executives and employees of the Company and the Manager.

The Company's Code of Conduct is available on the Company's website. Any material breach of the Code of Conduct is reported to the Board.

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 the Code of Conduct are to be reported to the Chairman (who will in turn consult with the board).

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.

Corporate Governance Statement

In addition to its Code of Conduct, the Company's Shareholder Communications Policy, Securities Trading Policy and Continuous Disclosure Policy, collectively form a solid ethical foundation for company practices and must be complied with at all times.

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.

Recommendation 3.3

A listed entity should:

(a) have and disclose a whistleblower policy; and
(b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.

Disclosures of wrongdoing are of importance to the Company's risk management and corporate governance framework.

The Company encourages a culture of 'speaking up' to raise concerns about possible unlawful, unethical or socially irresponsible behaviour or other improprieties without fear of retaliation or otherwise being disadvantaged.

The Company's Whistleblower Policy is available on the Company's website. Under the Whistleblower policy, all Disclosable Matters are reported to the Board or a committee of the Board.

Recommendation 3.4

A listed entity should:

(a) have and disclose an anti-bribery and corruption policy; and
(b) ensure that the board or a committee of the board is informed of any material breaches of that policy.

(a) The Company's Anti-Bribery and Corruption Policy is available on the Company's website.
(b) Any material breaches of the Anti-Bribery and Corruption Policy are to be reported to the Board or a committee of the Board

Corporate Governance Statement

PRINCIPLE 4: Safeguard the integrity of corporate reports

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 has an Audit Committee all of whom are independent non-executive directors. The Audit Committee is chaired by an independent director who is not chair of the Board.

The Charter of the Lion Audit Committee and the relevant qualifications of the committee's members is available on the Company's website.

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 should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

The Company undertakes significant review of any information to verify its integrity prior to its release to the market. This includes separate reviews by the Company's Chief Financial Officer, Company Secretary and Directors as necessary. Where a release is to include matter of substance, the Company will seek additional input and guidance from its Auditors prior to the information being released to the market.

PRINCIPLE 5: Make timely and balanced disclosure

Recommendation 5.1

A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.

The Company's Continuous Disclosure Policy provides details of the Company's policies and procedures for compliance with its continuous disclosure obligations.

The Continuous Disclosure Policy is available on the Company's website.

Recommendation 5.2

A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

The Board reviews and considers each material market announcement and provides it approval for release prior to any information being released to the market.

Recommendation 5.3

A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.

All substantive investor or analyst presentations are released to the ASX Markets Announcements Platform ahead of any such presentations. Once released, the presentations are also published on the Company's website.

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.

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 directors and management and also the Company's governance and policies. Information from the Annual General Meetings and regular updates to investors as well as links to the share registry and other sites of interest are also available on the Company's website.

Lion's website contains a specific corporate governance landing page where information regarding the Company's policies is easily accessible by shareholders.

Recommendation 6.2

A listed entity should have an investor relations program that facilitates effective two-way communication with investors.

In addition to the management and investment services the Manager provides to Lion, the Manager 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 has adopted a Shareholder Communications Policy which outlines a range of ways information is communicated to shareholders. A copy of the Shareholder Communications Policy is available on the Company's website.

Recommendation 6.3

A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.

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.

Recommendation 6.4

A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than a show of hands.

The Company will continue to comply with Recommendation 6.4 and ensure all substantive resolutions at a meeting of security holders will be decided on a poll rather than a show of hands.

Recommendation 6.5

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

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

Lion actively encourages security holders to communicate electronically with the company and Computershare. Security holders can elect to receive electronic communications from the Company via the Computershare Investor Centre. Lion has implemented online voting for general meetings via the Computershare Investor Centre to encourage higher voting participation from its security holders.

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.

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 that the entity is operating with due regard to the risk appetite set by the board; 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, the Manager has established procedures relating to investment and divestment decisions, and management of investments with emphasis on risk assessment. The Manager reports through monthly reports and at Board 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 environmental and social 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.

Corporate Governance Statement

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.

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.

Corporate Governance Statement

PRINCIPAL 9: Additional Recommendations that only apply in certain cases

Recommendation 9.1

A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.

Not applicable.

Recommendation 9.2

A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.

Not applicable.

Recommendation 9.3

A listed entity established outside Australia, and an externally managed 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.

Not applicable.

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 2021.

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 loss after tax for the year was $5.9 million (2020: gain of $29.9 million).

Economic and operating conditions during 2020 and 2021 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 performed relatively well 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 modest mark to market loss of $0.8 million with respect to investments, with key movements in the portfolio value outlined below:

- A mark to market decrease of $2.6 million in the valuation of Lion's investment in Erdene Development Corporation, with delays in permitting and financing its Bayan Khundii Gold Project in Mongolia.
- A mark to market decrease of $1.4 million in the valuation of Lion's investment in Sihayo following delays in permitting and financing the Sihayo gold project in Indonesia and disappointing initial drill results at the company's Hutabargot project.
- Increases in the value of Lion's investments in Kasbah and Celamin totalling $2.5 million following an in specie distribution from African Lion 3 Ltd (AFL3), excluding any contingent liability applicable to each investment. During the year Lion consolidated its ownership of AFL3 and undertook an in specie distribution of AFL3's investments in Kasbah and Celamin. The AFL3 acquisition involved part cash consideration and Lion agreeing to pay contingent consideration in certain circumstances for up to 5 years (see note 15 Commitments and Contingent Liabilities).

At 31 July 2021 the Company held investments valued at $90.0 million (2020: $89.1 million), and cash of $6.9 million (2020: $10.8 million).

In June 2021 one of Lion's investee companies, Nusantara Resources Limited (Nusantara), announced it will be entering into a Scheme of Arrangement with PT Indika Energy Tbk (Indika) for the acquisition by Indika of all of the issued share capital of Nusantara that it does not already own at an offer price of $0.35 per share. Nusantara and Indika are joint venture partners in the Awak Mas Gold Project through their 75% and 25% respective interests in subsidiary PT Masmindo Dwi Area. Lion holds 49,904,775 Nusantara shares (21.77%) and has signed a Voting Intention Statement in support of the Scheme of Arrangement. The Voting Intention Statement confirms Lion intends to vote in favour of the Scheme:

- in the absence of a superior proposal; and
- subject to an independent expert concluding (and continuing to conclude) that the Scheme is in the best interests of Nusantara shareholders.

The transaction is anticipated to be put to Nusantara shareholders for approval in mid-to-late September 2021.

Pani Joint Venture

Lion directors advise that the fair value of Lion's interest in the Pani Joint Venture has been retained at A$62.5M at 31 July 2021. The valuation was previously increased from A$40.7M to A$60.7M at 31 July 2020, with further investment of A$1.8M during the year.

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. The determination of fair value at each measurement date takes into account developments in relation to progress of activities for Pani, commodity price movements, other comparable recent transactions along with further investment in the project.

As at 31 July 2021 Lion directors have assessed that there is no indication of a substantial change in fair value based on movements in market conditions and project milestones, noting the following:

Director's Report

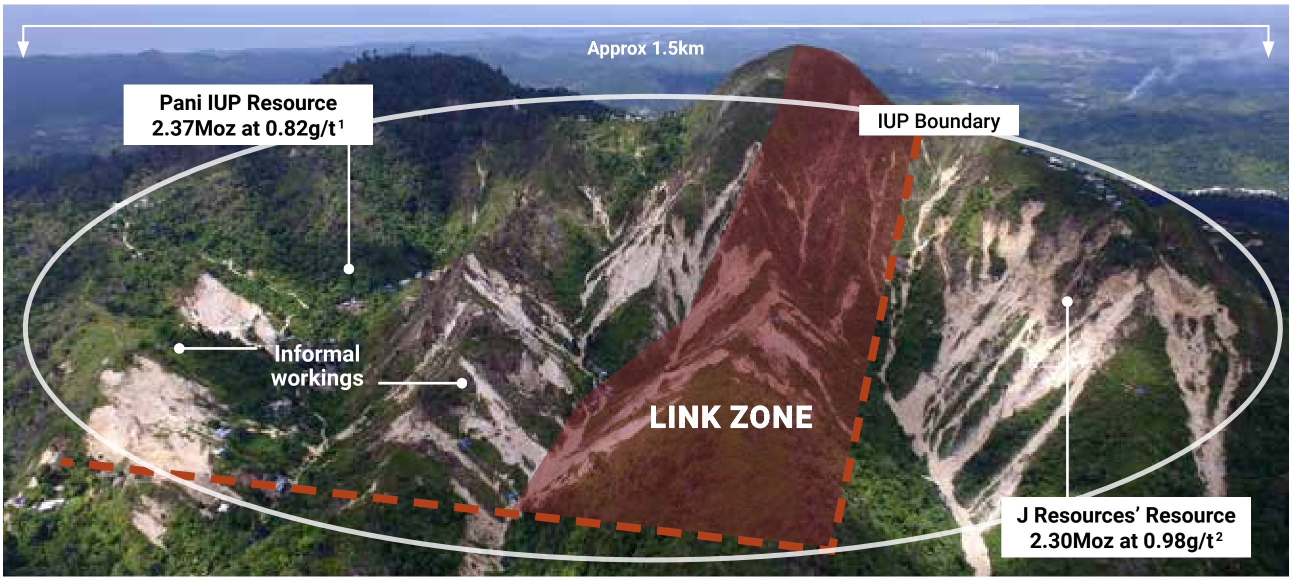


Figure 1. Pani view looking south showing informal workings

- Since July 2020, the outlook for long-term gold prices consolidated, with spot gold generally trading between US$1,700/oz and US$1,900/oz. In the same period, the US dollar has weakened from $0.71 to $0.74 relative to the Australian dollar.
- Multiples for comparable listed companies have generally increased modestly during the year.
- Drilling on the Pani IUP between the two Resources has suggested continuity and some higher-grade intercepts, improving the potential value for the combined project.
- Further material upside is expected for the Pani gold project if the J Resources transaction announced to the ASX on 9 December 2019 completes. This upside has not been considered in the fair value for the assessment made at 31 July 2021 as the deal has not yet been completed, and is now the subject of arbitration. There is an ongoing risk that the conditions precedent are not met and the deal is unable to be completed.

The current valuation for Pani is based on trading multiples for junior companies with comparable assets at similar stage of advancement. This methodology implicitly contains a discount for the various risks that exist for single asset pre-production companies. De-risking by way of detailed technical and economic assessment and funding is typically accompanied by a change in valuation multiple, as is evident in the difference in trading multiples between development and production stage gold companies.

The key de-risking objectives for Pani would include:

1. Completion of the JV deal;
2. Further drilling;
3. Feasibility studies.

Pani Drilling Update

As reported previously, the Pani Joint Venture has been drilling a 10,500 metre drill program on the Pani IUP in the area between the Pani IUP Resource and Pani Contract of Work Resource held by J Resources.

Preliminary assays have now been received for 17 holes for a total of 4,544 metres completed in August 2020. All holes have intersected, and most ended in mineralisation, but hole length was limited by the capacity of the man portable drill rigs used. This drilling has suggested the continuous presence of gold mineralisation between the two separate established resources located on the Pani IUP and surrounding Contract of Work and some higher-grade intercepts. Based on all the combined drilling between the IUP and CoW, Pani mineralisation may now span approximately 1.5km (east-west) x 0.8km (north-south).

Mineralisation in the 'link' zone (previously described as the 'gap' zone) is likely to have a consequence for strip ratio and geometry of mining shapes for the combined Pani project (although there is no guarantee that the combined project will eventuate, given that the transaction is subject to arbitration and outstanding conditions precedent). In addition, the new information from the link zone is expected to have an important bearing for the geological interpretation of Pani. Observations and preliminary results from the link zone suggest that the region is strongly mineralised including higher grade intercepts. An extensive drill campaign is being planned to in-fill the link zone and test the depth and boundaries of the deposit if the J Resources deal closes.

The Pani Joint Venture has temporarily paused its drilling program given the J Resources agreement to combine the two Pani tenements into one ownership group remains incomplete. This agreement remains subject to the ongoing arbitration and subject to regulatory approvals and approval from J Resources' secured lenders that are yet to be received. It is anticipated that final assay results of holes that have been drilled will become available after the recommencement of drilling.

If completed, the combination of the two tenements and Pani drilling results are anticipated to materially improve the valuation of Lion's investment in the Pani Joint Venture.

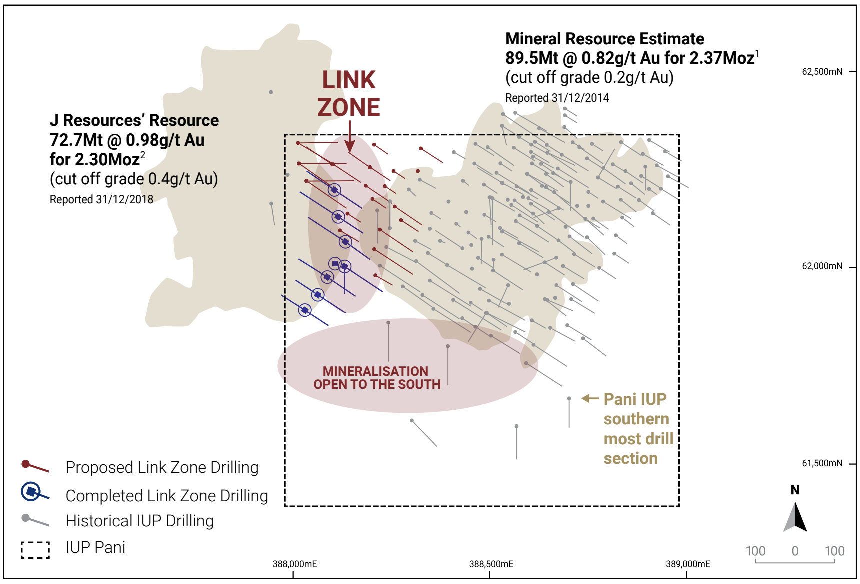


Figure 2. Pani plan view showing collars and drill traces. Note multiple holes from each collar

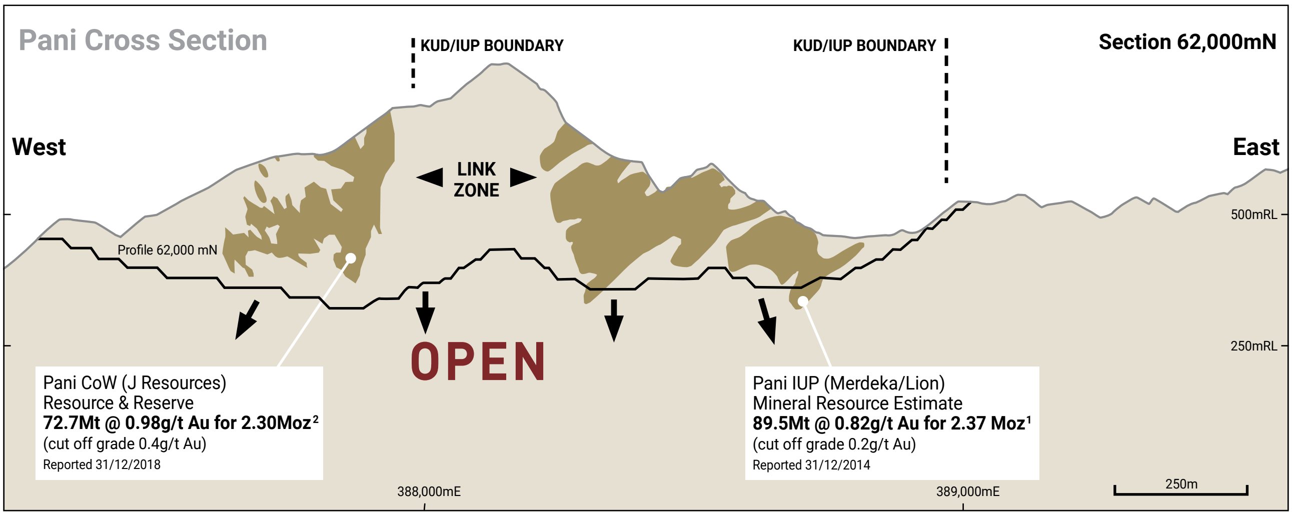


Figure 3. Pani cross section looking north

Pani Mineral Resource Estimates

	Pani IUP (Lion 33.3%/Merdeka 66.7%) 0.2g/t cut off[1]			Contract of Work (J Resources 100%) 0.4g/t cut off[2]		
Category	**Tonnage (Mt)**	**Grade (g/t Au)**	**Contained Gold (Moz)**	**Tonnage (Mt)**	**Grade (g/t Au)**	**Contained Gold (Moz)**
Measured	10.8	1.13	0.39	15.5	1.03	0.51
Indicated	62.4	0.81	1.63	41.3	0.98	1.31
Inferred	16.2	0.67	0.35	15.9	0.93	0.48
Total	**89.5**	**0.82**	**2.37**	**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. Refer to J Resources 31 December 2018 Annual Report, (http://www.jresources.com/investors/article/final-resources-reserves-compilation-2017-to-2018)

Director's Report

Arbitration

The Pani Joint Venture (Lion 33%, Merdeka Copper Gold 67%) has initiated arbitration action against J Resources in relation to a claim of non-compliance with the terms of the November 2019 J Resources agreement to combine the two Pani tenements into one ownership group. This agreement remains incomplete due to the lack of regulatory approvals and approval from J Resources' secured lenders. The Pani Joint Venture is seeking compensation in the range of US$500 – US$600 million or specific performance to complete the transaction.

The arbitration is now in progress.

Neither party has terminated the J Resources Agreement, and Lion remain hopeful that the parties involved can avoid a drawn out arbitration process and close the deal as originally intended.

Further detail of the Singapore International Arbitration Centre action is attached to Lion's announcement of 4 February 2021.

Dividends

No dividend was declared or paid during the year (2020: Nil).

Compliance with Environmental Regulations

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

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

Significant Changes in the State of Affairs

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

Significant Events after Balance Date

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

Proceedings on Behalf of the Company

No proceedings have been brought or intervened in 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 'About Lion' section of our website www.lionselection.com.au

Employees

At 31 July 2021 there was 1 full time equivalent employee of the Company (2020: 1 FTE).

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 2020 Annual General Meeting

The Company received more than 98% of 'yes' votes on its Remuneration Report for the previous financial year. The Company did not receive any specific feedback at the Company's 2020 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 2021

2021		SHORT TERM BENEFITS		TERMINATION BENEFITS	POST-EMPLOYMENT SUPERANNUATION	TOTAL
		SALARIES/ FEES	CASH BONUS			
NAME	NOTES	$	$	$	$	$
Directors						
B J K Sullivan		47,458	-	-	4,542	**52,000**
P J Maloney		14,792	-	-	25,208	**40,000**
C Melloy		14,792	-	-	25,208	**40,000**
R A Widdup	(a)	-	-	-	-	**-**
Other Key Management Personnel						
C K Smyth	(a)	-	-	-	-	**-**
J M Rose		68,789	-	-	6,563	**75,352**
Total		**145,831**	**-**	**-**	**61,521**	**207,352**

2020		SHORT TERM BENEFITS		TERMINATION BENEFITS	POST-EMPLOYMENT SUPERANNUATION	TOTAL
		SALARIES/ FEES	CASH BONUS			
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**

(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 $939,000 plus GST were paid in the current year. 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.

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 2020	SHARES ISSUED AS REMUNERATION	ON-MARKET PURCHASE OF SHARES	CLOSING BALANCE 31 JULY 2021
Directors				
P J Maloney	2,190,389	-	-	2,190,389
C Melloy	5,718,077	-	33,432	5,751,509
R A Widdup	16,167,277	-	450,000	16,617,277
B J Sullivan	813,074	-	-	813,074
Other Key Management Personnel				
C K Smyth	1,411,137		20,000	1,431,137
J M Rose	-	-	-	-
Total	**26,299,954**	**-**	**503,432**	**26,803,386**

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**

Director's Report

Options on issue

There were no options on issue during 2021.

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)**	**-**

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

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

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

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

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

Robin Widdup
BSc (Hons), MAusIMM
Director

Robin has over 39 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 21 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	21	21
R A Widdup	21	21
B J K Sullivan	21	21
C P Melloy	21	21

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 and Officers

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 $85,163 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 45.

Non-Audit Services

No fees for non-audit services were paid/payable to the external auditors during the year ended 31 July 2021. 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 2021, 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.

Anthony Hodge
Partner
PricewaterhouseCoopers

Melbourne
6 September 2021

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

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 47 to 69 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 2021 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 2021.
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: 6 September 2021

Financial Statements

Statement of Comprehensive Income for the Year ended 31 July 2021

	NOTES	2021 $'000	2020 $'000
Gain/(loss) attributable to movement in fair value	4	**(786)**	31,834
Interest Income		**22**	9
Other Income		**9**	18
Exchange (loss)/gain		**(182)**	(305)
Management fees		**(1,096)**	(1,071)
Employee benefits		**(210)**	(209)
Other expenses	4	**(464)**	(412)
Profit/(Loss) before income tax		**(2,707)**	29,864
Income tax (expense)/benefit	5	**(3,158)**	-
Net Profit/(Loss) after tax		**(5,865)**	29,864
Other Comprehensive Income		**-**	-
Total Comprehensive Income/(Loss) for the year		**(5,865)**	29,864
Attributable to:			
Non-controlling interest		**-**	-
Members		**(5,865)**	29,864
		Cents per share	**Cents per share**
Basic earnings/(loss) per share		**(3.9)**	19.9
Diluted earnings/(loss) per share		**(3.9)**	19.9

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 2021

	NOTES	2021 $'000	2020 $'000
Current Assets			
Cash and Cash Equivalents	13	**6,938**	10,837
Trade Receivables and Other Assets	6	**274**	11
Financial Assets – Current	7	**16,968**	-
Total Current Assets		**24,180**	10,848
Non-Current Assets			
Financial Assets	7	**73,037**	89,075
Property Plant & Equipment	8	**13**	16
Total Non-Current Assets		**73,050**	89,091
Total Assets		**97,230**	99,939
Current Liabilities			
Trade and Other Payables	9	**104**	106
Total Current Liabilities		**104**	106
Non-Current Liabilities			
Deferred Tax Liabilities	5 (c)	**3,158**	-
Total Non-Current Liabilities		**3,158**	-
Total Liabilities		**3,262**	106
Net Assets		**93,968**	99,833
Equity			
Contributed Equity	11	**126,214**	126,214
Reserves	12	**1,341**	1,341
(Accumulated losses)	10	**(33,587)**	(27,722)
Total Equity		**93,968**	99,833

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 2021

	NOTES	2021 $'000	2020 $'000
Cash flows from operating activities			
Interest received		**22**	9
Other income received		**9**	15
Payments to suppliers and employees (including GST)		**(1,800)**	(1,655)
Net operating cash flows	13(b)	**(1,769)**	(1,631)
Cash flows from investing activities			
Payments for investments		**(2,338)**	(6,104)
Proceeds from investments		**390**	16,413
Net investing cash flows		**(1,948)**	10,309
Cash flows from financing activities			
Proceeds from issue of shares		**-**	3
Net financing cash flows		**-**	3
Net increase/(decrease) in cash and cash equivalents held		**(3,717)**	8,681
Exchange rate variations on foreign cash		**(182)**	(311)
Cash and cash equivalents at beginning of financial year		**10,837**	2,467
Cash and cash equivalents at end of financial year		**6,938**	10,837

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 2021

	ISSUED CAPITAL $'000	RESERVES $'000	ACCUMULATED LOSSES $'000	TOTAL $'000
Balance at 31 July 2020	**126,214**	**1,341**	**(27,722)**	**99,833**
Total comprehensive income/(loss)	**-**	**-**	**(5,865)**	**(5,865)**
Transactions with owners in their capacity as owners	-	-	-	**-**
Balance at 31 July 2021	**126,214**	**1,341**	**(33,587)**	**93,968**
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**

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 2021

NOTE 1. CORPORATE INFORMATION

The financial report of Lion Selection Group Limited ('Lion' or 'the Company') for the year ended 31 July 2021 was authorised for issue in accordance with a resolution of the directors on 6 September 2021. 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, African Lion 3 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

There are no new standards that are 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.

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).

(ii) 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.

(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

Transations and Balances (continued)

value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(h) Income tax

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

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

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

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

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

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

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

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

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

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

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

Tax Consolidated Group

During the year, the Company and its wholly-owned entities have implemented the tax consolidation legislation. The head entity, Lion Selection Group Limited, and the wholly-owned entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from wholly-owned entities in the tax consolidated group.

(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 Statement of Cash Flows 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.

Investments in controlled entities

During the period the Company held a 100% ownership interest in Asian Lion Limited and Lion Selection Asia Limited, a 99% ownership interest in African Lion 3 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:

Notes to the Financial Statements for the Year ended 31 July 2021

Investments in controlled entities (continued)

(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 derecognised 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.

(o) Provisions and Contingencies

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.

(o) Provisions and Contingencies (continued)

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.

A contingent liability is disclosed when the Company has a:

(i) possible obligation arising from past events where it has yet to be confirmed whether the entity has a present obligation that could lead to an outflow of resources embodying economic benefits; or

(ii) present obligation that does not meet the recognition criteria of a provision (because either it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made).

(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.

(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.

(t) Restatement of prior year comparatives

In 2021, the Company restated its 2020 disclosure of the loan receivable balance held with Lion Selection Asia Limited. The loan receivable balance was incorrectly disclosed in Note 17 as A$13,652,000, but should have been disclosed as A$19,256,363. The loan receivable balance was correctly stated in the Statement of Financial Position.

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:

	2021 $'000	2020 $'000
Financial assets		
Cash	**6,938**	10,837
Investments in securities	**90,005**	89,075
Trade receivables and other assets	**14**	11
	96,957	99,923
Financial liabilities		
Trade and other creditors	**104**	106
	104	106

(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 $393,400 higher/lower as a result of foreign exchange gains/losses (2020: $572,000 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 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 $9,000,500 higher/lower (2020: $8,907,000 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.

2021	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE $'000	NON INTEREST BEARING $'000	TOTAL $'000	AVERAGE INTEREST RATE	
					FLOATING %	FIXED %
Financial assets						
Cash – AUD	3,004	-	-	3,004	0.5	-
Cash – USD	3,934	-	-	3,934	-	-
Bank bills and share sales receivable	-	-	246	246	-	-
Investment in securities	-	-	90,005	90,005	-	-
Financial Liabilities:						
Trade and other creditors	-	-	104	104	-	-
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	-	-

(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.

(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.

NOTE 3. FINANCIAL RISK MANAGEMENT (continued)

(d) Fair value measurements

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

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

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

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

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

The fair value of financial instruments traded in active markets (such as publicly traded securities) is based on quoted market prices at the reporting date.

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 2021 and 31 July 2020.

	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
At 31 July 2021				
Assets				
Financial assets at fair value through profit or loss	25,064	2,339	62,602	**90,005**
Total Assets	**25,064**	**2,339**	**62,602**	**90,005**
At 31 July 2020				
Assets				
Financial assets at fair value through profit or loss	27,461	757	60,857	**89,075**
Total Assets	**27,461**	**757**	**60,857**	**89,075**

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

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

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

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

- 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.

Notes to the Financial Statements for the Year ended 31 July 2021

NOTE 3. FINANCIAL RISK MANAGEMENT (continued)

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 2020 and 31 July 2021.

Investments – Level 3	**2021 $'000**	**2020 $'000**
Opening Balance	**60,857**	38,921
Transfers out of Level 3 (to level 1)	**-**	-
Transfers out of Level 3 (to level 2)	**-**	-
Other increases (purchases)	**1,784**	1,966
Gain/(Losses) recognised in profit or loss	**(39)**	19,970
Closing balance	**62,602**	**60,857**

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 $62.5 million as at 31 July 2021. The valuation was previously increased to A$60.7M at 31 July 2020, with further investment of A$1.8M during the half-year.

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 are assessed for changes in market conditions and project milestones at each measurement date. 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 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.

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.

The Pani Joint Venture fair value at 31 July 2020 was increased to A$60.7M taking into account movements in market comparables, recent developments in relation to progress of activities for Pani, perspectives on long-term commodity price movements and other relevant corporate transactions. Most notably this increase reflected the sustained escalation in gold prices between November 2018 and July 2020 with the share prices of many market peer companies increasing by more than 100% in this period.

Notes to the Financial Statements for the Year ended 31 July 2021

NOTE 3. FINANCIAL RISK MANAGEMENT (continued)

As at 31 July 2021 Lion directors have assessed that there is no indication of a substantial change in fair value based on movements in market conditions and project milestones, noting the following:

- Since July 2020, the outlook for long-term gold prices consolidated, with spot gold generally trading between US$1,700/oz and US$1,900/oz. In the same period, the US dollar has weakened from $0.71 to $0.74 relative to the Australian dollar.
- Multiples for comparable listed companies have generally increased modestly during the year.
- Drilling on the Pani IUP between the two separate established resources located on the Pani IUP and surrounding Contract of Work has suggested continuity and some higher-grade intercepts, improving the potential value for the combined project.
- Further material upside is expected for the Pani gold project if the J Resources transaction announced to the ASX on 9 December 2019 completes. This upside has not been considered in the fair value for the assessment made at 31 July 2021 as the deal has not yet been completed, and is now the subject of arbitration. There is an ongoing risk that the conditions precedent are not met and the deal is unable to be completed.

If completed, the combination of the two tenements and Pani drilling results are anticipated to materially improve the valuation of Lion's investment in the Pani Joint Venture (although there is no guarantee that the combined project will eventuate, given that the transaction is subject to arbitration and outstanding conditions precedent).

A reasonably possible change in the implied value per resource ounce of 10% would increase/decrease the fair value of the Pani investment by $6.3M, with a corresponding gain or loss attributable to movement in fair value.

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.

NOTE 4. INCOME AND EXPENSES

	2021 $'000	2020 $'000
Gain/(loss) attributable to movement in fair value of investments		
Mark to Market adjustment for year – investments realised during year	**244**	2,284
Mark to Market adjustment for year – investments held at end of year	**(1,030)**	29,550
Gain/(loss) attributable to movement in fair value of investments as recorded in the Statement of Comprehensive Income	**(786)**	31,834

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.

	2021 $'000	2020 $'000
Results of investments realised during year		
Proceeds from sale of shares	**451**	9,598
Historical Cost of investment sales	**(731)**	(6,497)
Gross profit/(loss) measured at historical cost on investments realised	**(280)**	3,101
Represented by:		
Mark to Market recognised in prior periods (including on acquisition)	**(524)**	817
Mark to Market recognised in current year	**244**	2,284
	(280)	3,101

Notes to the Financial Statements for the Year ended 31 July 2021

NOTE 4. INCOME AND EXPENSES (continued)

	2021 $'000	2020 $'000
The total comprehensive profit/(loss) is after charging the following other expenses		
Investor Relations	**99**	69
D & O Insurance	**57**	57
Legal Expenses	**28**	29
Depreciation	**3**	5
Corporate overheads	**277**	252
Total other expenses	**464**	412

NOTE 5. INCOME TAX EXPENSE

(a) Statement of Comprehensive Income

	2021 $'000	2020 $'000
Current income tax	**-**	-
Deferred income tax	**3,158**	-
Income tax expense/(benefit) reported in the Statement of Comprehensive Income	**3,158**	-
Reconciliation of income tax expense		
Profit/(loss) from ordinary activities before income tax	**(2,707)**	29,864
Prima facie tax thereon at 30%	**(812)**	8,959
Tax effect of permanent and temporary differences:		
Accounting mark to market movement in the fair value of investments	**236**	(9,550)
Realised gain/(loss) on sale of investments	**(84)**	930
Other non-deductible or non-assessable amounts	**(13)**	(116)
Previously unrecognised tax losses now recouped to reduce current tax expense	**-**	(930)
Add back tax benefit not recognised for accounting purposes	**673**	707
Assessable income brought to revenue account	**9,877**	-
Tax losses utilised – revenue account	**(6,719)**	-
Total income tax (benefit)/expense	**3,158**	**-**

(b) Deferred Tax Expense and Liability – Change in Accounting Estimate

As set out in Note 2 (c)(ii), Lion assesses the underlying income tax treatment of its transactions about the Company's income tax liabilities. Lion has recently undertaken a review of its income tax affairs in light of evolving trends in the treatment of tax matters for investment companies. Following the tax review, Lion has concluded it should treat its direct investments on revenue account for tax purposes as opposed to capital account, as Lion has done since it first listed. This represents a change in accounting estimate in the current year.

Lion has a deferred tax liability largely related to the Company's investment portfolio where the accounting value exceeds the tax cost base. This liability is calculated based on the difference between the fair value of direct investments and their historical cost base.

Lion has tax losses that are available to offset assessable income to the extent allowable, and accordingly the deferred tax liability on unrealised investments has been partially offset by the deferred tax asset associated with these losses. Lion has filed amended tax returns on this basis, including the re-ascertainment of carried forward revenue

NOTE 5. INCOME TAX EXPENSE (continued)

losses to include historical losses on investments on revenue account. In addition, Lion has elected to enter into tax consolidation with its 100% owned investment in Lion Selection Asia Limited with effect from 1 August 2018. By entering tax consolidation Lion is able to ensure that transactions between these group companies are effectively neutral for income tax purposes and that group tax losses are available to offset group assessable income. In addition to normal rules around tax losses, Lion's carried forward losses that pre-date tax consolidation can only be partially utilised to offset group income.

A deferred tax expense has been recognised to the extent that the net deferred tax liability has increased.

An actual liability to pay tax will only arise as investments are realised and, as with many tax matters, there is a degree of uncertainty about how the tax authorities will ultimately assess Lion's position. Lion has an ambition to provide a steady dividend stream of crystallised profits on sale of investments to shareholders. Assuming that Australian tax is payable, Lion intends to frank dividends to the extent possible.

(c) Deferred Tax Liabilities

	2021 $'000	2020 $'000
The balance compromises temporary differences attributable to:		
Unrealised investments – revenue account	**9,738**	-
Unrealised foreign exchange gain	**139**	-
	9,877	-
Set-off of deferred tax assets pursuant to set-off provisions		
Tax losses available – revenue account	**(6,719)**	-
Net Deferred Tax Liabilities	**3,158**	-

(d) 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.

		2021	2020
Unrecognised temporary differences at 31 July relate to the following:			
Tax losses available – revenue account		**61,283**	14,122
Tax losses available – capital account		**-**	67,516
Temporary Difference – unrealised investments (capital account)	Note (i)	**26,567**	(7,005)
Accrued Expenses/Other temporary differences		**100**	137
Unrecognised tax losses and temporary differences at 31 July		**87,950**	74,770
Potential Tax Benefit @ 30%		**26,385**	22,431

Note (i) Temporary difference – unrealised investments arose from the difference between the fair value and taxable value of investments. A deferred tax liability was not recognised as at 31 July 2020 as this liability was assessed to be able to be set off against income tax losses in the same entity and same jurisdiction. Refer to Note 5 (b).

In the current period, this temporary difference has not been brought to account, as it was determined that the recognition conditions set out in Note 2(h) had not been met.

NOTE 6. TRADE RECEIVABLES AND OTHER ASSETS

	2021	2020
Share sales receivable	**232**	-
Prepayments	**28**	-
Sundry Debtors	**14**	11
Total current receivables and other assets, net	**274**	11

Notes to the Financial Statements for the Year ended 31 July 2021

NOTE 7. FINANCIAL ASSETS

	2021 $'000	2020 $'000
Listed investments (at fair value) – Current	**16,968**	-
Listed investments (at fair value) – Non-Current	**8,096**	27,461
Unlisted investments (at fair value) – Non-Current	**64,941**	61,614
Total financial assets	**90,005**	89,075

Listed shares are readily saleable with no fixed terms.

Lion holds 49,904,775 Nusantara shares that are classified as current, with the expectation that these shares will be sold prior to 31 July 2022. Lion has signed a Voting Intention Statement in support of a Scheme of Arrangement whereby Indika is seeking to acquire all the shares in Nusantara.The transaction is anticipated to be put to Nusantara shareholders for approval in mid-to-late September 2021. Refer to Note 18 for further information.

NOTE 8. OTHER ASSETS (FIXED)

	2021	2020
Plant, Property and Equipment – Cost	**46**	79
Accumulated Depreciation	**(33)**	(63)
Total other assets	**13**	**16**

NOTE 9. PAYABLES (CURRENT)

	2021	2020
Sundry creditors and accruals	**104**	106
Total current payables	**104**	**106**

NOTE 10. ACCUMULATED LOSSES

	2021	2020
Movements in accumulated losses were as follows:		
(Accumulated losses) at the beginning of the financial year	**(27,722)**	(57,586)
Net profit/(loss) for period	**(5,865)**	29,864
(Accumulated losses) at the end of the financial year	**(33,587)**	(27,722)

NOTE 11. CONTRIBUTED EQUITY

	2021	2020
Issued and paid up capital (fully paid)		
Opening Balance	**126,214**	126,211
Shares Issued – Exercise of options	**-**	3
Issued and paid up capital (fully paid)	**126,214**	126,214

Share Capital	2021 SHARES	2020 SHARES
Issued and paid up capital (fully paid)		
Opening Balance	**150,141,271**	150,134,879
Shares Issued	**-**	6,392
Issued and paid up capital (fully paid)	**150,141,271**	150,141,271

Notes to the Financial Statements for the Year ended 31 July 2021

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	2021 $'000	2020 $'000
Opening Balance	**1,341**	1,341
Option Reserve	**1,341**	1,341

Options	2021 OPTIONS	2020 OPTIONS
Opening Balance	**-**	15,720,958
Options exercised	**-**	(6,392)
Options expired unexercised	**-**	(15,714,566)
Options on Issue	**-**	-

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:

	2021 $'000	2020 $'000
Cash on hand and at bank	**6,938**	10,837

(b) Reconciliation of Net Profit/(Loss) after Income Tax to Net Cash Provided by Operating Activities		
Net profit/(loss) after income tax	**(5,865)**	29,864
Adjustments for non cash income and expense items:		
Movement in fair value of investments (increase)/decrease in assets	**786**	(31,834)
Other non-cash (income)/expense	**185**	304
Movement in deferred income tax expense	**3,158**	-
Decrease/(Increase) in assets:		
Other receivables	**(31)**	2
(Decrease)/increase in liabilities:		
Payables	**(2)**	33
Net cash flow from operating activities	**(1,769)**	(1,631)

Notes to the Financial Statements for the Year ended 31 July 2021

NOTE 13. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(c) Non-Cash Transactions

In March 2021, Lion agreed to purchase the shares it did not own in African Lion 3 Ltd (AFL3) to consolidate ownership (with the exception of Lion Manager Pty Ltd who opted to hold its investment). The transaction involved the payment of $392,000 in cash consideration to the other AFL3 Shareholders, with all AFL3 assets to be distributed in specie to Lion and Lion Manager and for the AFL3 fund to be closed. Lion also agreed for contingent consideration to be paid in certain circumstances for up to 5 years. Refer to Note 15 Commitments and Contingent Liabilities for further details.

NOTE 14. EARNINGS PER SHARE

	2021 $'000	2020 $'000
(a) Earnings/(Loss) used in calculating earnings per share – basic and diluted	**(5,865)**	29,864
	2021 NUMBER	**2020 NUMBER**
(b) Weighted average number of ordinary shares for basic earnings per share	**150,141,271**	150,136,922

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 (2020: Nil).

NOTE 15. COMMITMENTS AND CONTINGENT LIABILITIES

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 10% 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.

Contingent Liabilities

Lion has a potential liability for contingent consideration that may be payable if Lion sells its investment in either Celamin or Kasbah. This obligation arises following Lion agreeing to purchase the shares it did not own in African Lion 3 Ltd (AFL3) to consolidate ownership (with the exception of Lion Manager Pty Ltd who opted to hold its investment). The transaction involved part cash consideration and Lion agreeing to pay contingent consideration to be paid in certain circumstances for up to 5 years. The value of the contingent consideration depends on the ultimate exit price for Celamin and/or Kasbah, how long Lion holds the investments, and how much additional investment is required. The decision to sell the investments in Celamin and Kasbah is entirely at Lion's discretion.

Based on a theoretical sale at the carrying value for both investments at 31 July 2021, contingent consideration of $1,990,000 would arise.

NOTE 16. REMUNERATION OF AUDITORS

	2021 $	2020 $
(a) Audit Services		
Audit and review of financial reports	**135,048**	149,429
Total remuneration for audit services	**135,048**	149,429

(b) Non-audit Services

No fees for non-audit services were paid/payable to the external auditors during the year ended 31 July 2021 (2020: Nil).

Notes to the Financial Statements for the Year ended 31 July 2021

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)

(b) Subsidiaries and Associates

Lion meets the qualifying criteria under AASB 10 of an 'investment entity', and entities controlled by Lion (Asian Lion Limited, African Lion 3 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 in USD to Lion Selection Asia Limited of US$1,334,507 (A$1,788,364) (2020: US$1,336,940 (A$1,966,000)), with a loan balance of US$15,265,733 (A$21,097,419) (2020: US$13,931,226 (A$19,256,363*)). The amount payable by Lion Selection Asia Limited was interest free and payable at call.

*Comparative figures have been restated. Refer to Note 2(t) for more information.

African Lion 3 Limited (99% ownership interest)

In March 2021, Lion agreed to purchase the shares it did not own in African Lion 3 Ltd (AFL3) to consolidate ownership (with the exception of Lion Manager Pty Ltd who opted to hold its investment). The transaction involved the payment of $392,000 in cash consideration to the other AFL3 Shareholders, with all AFL3 investments distributed in specie to Lion and Lion Manager on a pro rata basis. Lion also agreed for contingent consideration to be paid in certain circumstances for up to 5 years. Refer to Note 15 Commitments and Contingent Liabilities for further details.

(c) Key Management Personnel Remuneration

	2021 $	2020 $
Short term employee benefits	**145,831**	152,056
Post-employment benefits	**61,521**	61,610
	207,352	213,666

(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 $939,000 plus GST were paid in the current year. 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.

Notes to the Financial Statements for the Year ended 31 July 2021

NOTE 18. MATERIAL INVESTMENTS

The Company had direct ownership of the following material investments at year end:	CARRYING AMOUNT		ENTITY OWNERSHIP	
	2021 $'000	2020 $'000	2021 %	2020 %
African Lion 3	**-**	622	**99**	24
Asian Lion	**-**	20	**100**	100
Celamin Holdings NL	**1,949**	-	**15**	-
Erdene Resource Development	**5,350**	7,802	**5**	6
Kasbah Resources	**2,013**	-	**4**	-
Lion Selection Asia	**28**	29	**100**	100
Nusantara Resources	**16,967**	16,718	**22**	24
Pani Joint Venture	**62,485**	60,700	**33**	33

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

In June 2021 one of Lion's investee companies, Nusantara Resources Limited (Nusantara), announced it will be entering into a Scheme of Arrangement with PT Indika Energy Tbk (Indika) for the acquisition by Indika of all of the issued share capital of Nusantara that it does not already own at an offer price of $0.35 per share. Nusantara and Indika are joint venture partners in the Awak Mas Gold Project through their 75% and 25% respective interests in subsidiary PT Masmindo Dwi Area. Lion holds 49,904,775 Nusantara shares (21.77%) and has signed a Voting Intention Statement in support of the Scheme of Arrangement. The Voting Intention Statement confirms Lion intends to vote in favour of the Scheme:

- in the absence of a superior proposal; and
- subject to an independent expert concluding (and continuing to conclude) that the Scheme is in the best interests of Nusantara shareholders.

The transaction is anticipated to be put to Nusantara shareholders for approval in mid-to-late September 2021.

Notes to the Financial Statements for the Year ended 31 July 2021

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.

2021	AUSTRALIA $'000	AFRICA $'000	ASIA $'000	AMERICAS $'000	CORPORATE $'000	TOTAL $'000
Mark to Market adjustment	199	2,501	(3,486)	-	-	(786)
Segment Income	**199**	**2,501**	**(3,486)**	**-**	**31**	**(755)**
Segment Expense	-	-	-	-	(1,952)	(1,952)
Segment Result Before Tax	**199**	**2,501**	**(3,486)**	**-**	**(1,921)**	**(2,707)**
Segment Assets	-	4,004	86,001	-	7,225	97,230
Segment Liabilities	-	-	-	-	3,262	3,262
Other Segment Information						
Assets Acquired during the period	-	392	1,946	-	-	2,338
Cash Flow Information						
Net Cash flow from operating activities	-	-	-	-	(1,769)	(1,769)
Net Cash flow from investing activities	199	(235)	(1,912)	-	-	(1,948)
Net Cash flow from financing activities	-	-	-	-	-	-

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

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 2021 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 2021
- 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 and other explanatory information
- 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 & 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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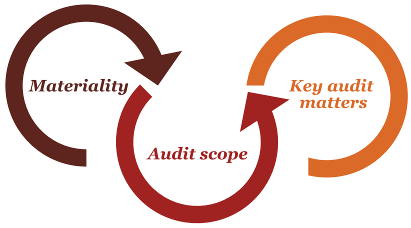

Materiality

- For the purpose of our audit we used overall materiality of $939,600, 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*
Carrying value of investments *Refer to note 3(d)* The total carrying value of investments comprises 3 levels in line with AASB 13 *Fair Value Measurement*: • Level 1 - AU$25.064 million • Level 2 - AU$2.339 million • Level 3 - AU$62.602 million Total - AU$90.005 million 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 2021 could have on the net assets. The Level 3 investment in the Pani project is described in the following key audit matter.	We obtained the Company's investment schedule as at 31 July 2021 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 2021. 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: • 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*
Fair value measurement of the interest in the Pani project *Refer to note 3(d)* At 31 July 2021, the Company recognised a fair value of its investment in the Pani project of AU$62.5 million. Certain valuation techniques were utilised to determine the fair value of the Company's investment in the Pani project at 31 July 2021, including: • 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. This was considered to be a key audit matter given: • 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.	We performed the following procedures, amongst others, on the fair value of the investment in the Pani project: • Considered the Company's summary of developments and milestones through the year to 31 July 2021 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 data 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 data including economic factors such as the price of gold and gold equities 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 its fair value, including potential impacts from a reasonably possible change.

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 2021, 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 Directors' 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 39 to 42 of the directors' report for the year ended 31 July 2021.

In our opinion, the remuneration report of Lion Selection Group Limited for the year ended 31 July 2021 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
6 September 2021

Shareholder Information

Top 20 holders of ordinary fully paid shares – 30 September 2021

RANK	NAME	NO. OF SHARES	% OF UNITS
1	Rojana Hero Pty Ltd	7,483,653	4.98
2	Mr Robin Anthony Widdup + Mrs Janet Widdup <Widdup Super Fund A/C>	7,319,369	4.87
3	Retzos Executive Pty Ltd <Retzos Executive S/Fund A/C>	6,050,000	4.03
4	Inconsultare Pty Ltd <Morrison Family S/F A/C>	6,000,000	4.00
5	HSBC Custody Nominees (Australia) Limited	5,619,078	3.74
6	BNP Paribas Noms Pty Ltd <Drp>	5,375,037	3.58
7	Mr Mark Gareth Creasy	4,448,976	2.96
8	Invia Custodian Pty Limited <MD & JL Brook Super Fund A/C>	3,791,841	2.53
9	Mrs Pamela Julian Sargood	3,328,218	2.22
10	CPAC Melloy Super Pty Ltd <Melloy Super Fund A/C>	3,082,259	2.05
11	Mr Dominic Paul Mccormick	2,725,324	1.82
12	J P Morgan Nominees Australia Pty Limited	2,122,921	1.41
13	Pasias Holdings Pty Ltd	1,900,000	1.27
14	Melcor Investments Pty Ltd	1,411,020	0.94
15	Mr Richard Thomas Hayward Daly + Mrs Sarah Kay Daly <The Daly Family S/F Rth A/C>	1,350,000	0.90
16	WAL Assets Pty Ltd <The L A Wilson Property A/C>	1,207,802	0.80
17	Invia Custodian Pty Limited <Majoli Pty Ltd A/C>	1,195,651	0.80
18	Branjee Farm Pty Ltd	1,181,642	0.79
19	Mrs Sarah McIntyre + Mrs Anna Barry <The Sarah McIntyre S/F A/C>	1,175,000	0.78
20	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <Drp A/C>	1,166,910	0.78
Total Top 20 holders of ORDINARY FULLY PAID SHARES		**67,934,701**	**45.25**
Total Remaining Holders Balance		**82,206,570**	**54.75**

Distribution of Shareholdings as at 30 September 2021

SIZE OF HOLDING (ORDINARY FULLY PAID SHARES)	NO. OF SHAREHOLDERS
1 – 1,000	365
1,001 – 5,000	882
5,001 –10,000	245
10,001 – 100,000	531
100,001 Over	203
Total Shareholders	**2,226**
Number of ordinary shareholders with less than a marketable parcel	445

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 2021

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

NAME	No. OF ORDINARY SHARES
Robin Anthony Widdup	16,717,277
Chris Retzos	9,147,942

Lion Directors and Lion Manager Holdings

As at 30 September 2021, 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	5,800,000
Barry Sullivan	813,074
Robin Widdup	16,717,277
Craig Smyth	1,505,137
Tim Markwell	948,702
Hedley Widdup	1,102,353
Total	**29,076,932**

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-au.computershare.com/Investor/**

STEP 2 Select 'Single Holding'.

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

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

STEP 5 Type in the characters shown and click the 'Agree and Continue' button to accept the Terms and Conditons.

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

STEP 1 Go to **www-au.computershare.com/Investor/**

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

Directors

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

Share Registry

Computershare Investor Services Pty Limited

Yarra Falls, 452 Johnston Street, Abbotsford Vic 3067
Postal Address – GPO Box 2975 Melbourne Vic 3001

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

Chief Executive Officer
Craig Smyth

Company Secretary
Jane Rose

Auditors
PricewaterhouseCoopers

B
A
C
D

Lion Selection Group Limited
ABN 26 077 729 572

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