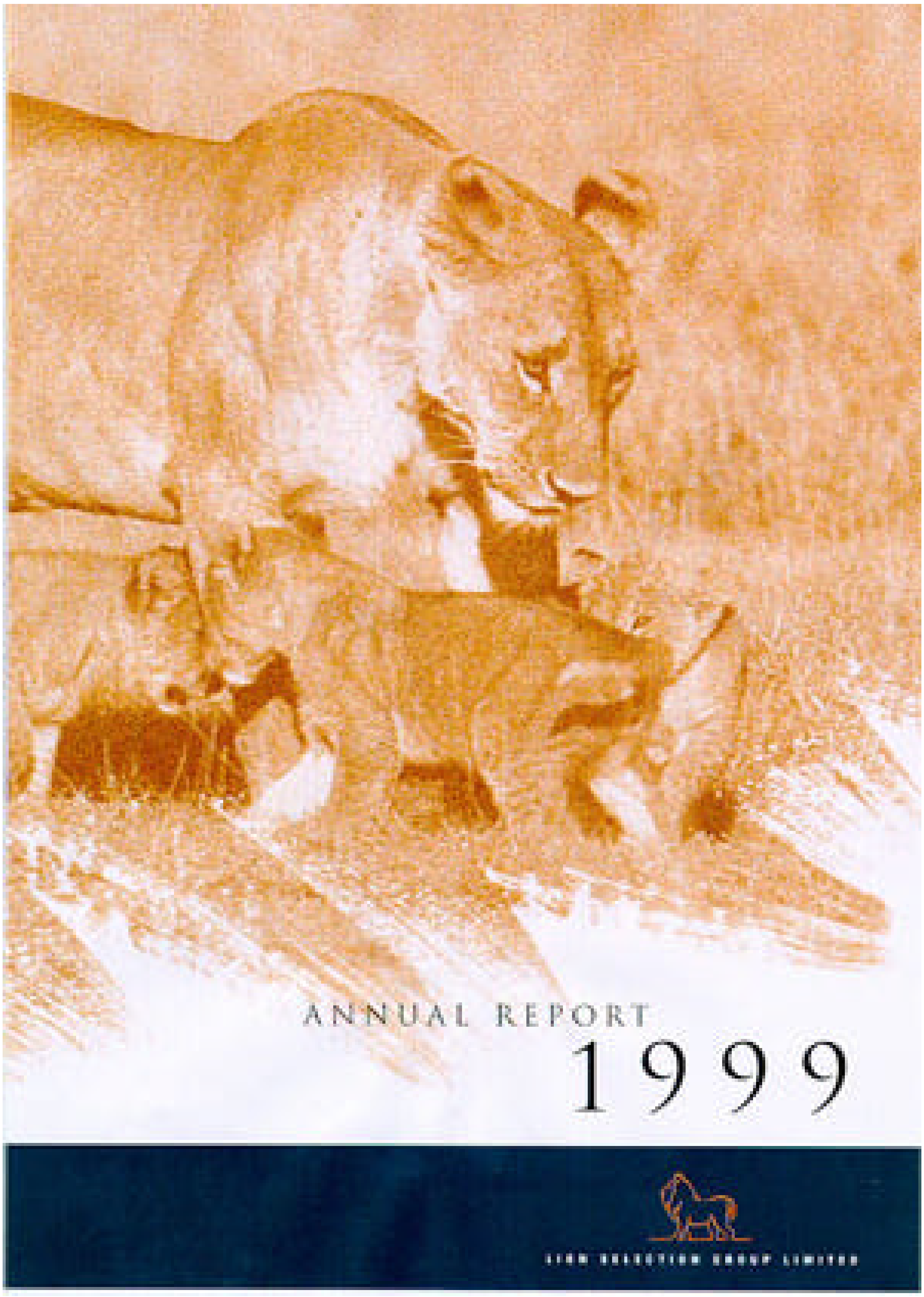
Lion Selection Group Limited
1999 Annual Report



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Lion Selection Group Limited
ACN 077 729 572

Cover photo by Robyn Stewart

Profile

Lion Selection Group Limited (Lion) is a resource investment company providing patient equity capital to small and medium sized Australian enterprises.

As a registered Pooled Development Fund (see page 18) Lion has chosen to invest in listed and unlisted resource companies with a gold and base metal focus that are active in Australia, Africa and South East Asia.

These geographic areas have been selected because Lion believes that Australian resource companies can contribute to the development of the countries of Africa and South East Asia. By providing assistance to these enterprises Lion aims to strengthen Australia's position as one of the leading resource finance centres in the world.

Letter from the Chairman

Dear Shareholder,

The second year of operation has seen further progress with the number of Lion 'cubs' as depicted in our group structure increasing from four to ten. Lion was created to provide patient equity capital, because experience shows that patience and persistence are an integral part of mining investment. Exploration and development, driven by the right people, lead to successful operations and profits for investors.

As noted in the Managing Director's report, each of our investments has made significant progress, but this is yet to reflect in share prices. Indeed, changes to accounting standards means that Lion's share of accounting losses of the associated companies has now to be brought to account. This amounted to $2.6 million in the 1998/99 year.

The nature of investment in the mining business, flowing as it does from exploration to production, is such that, whilst the underlying mineral assets may increase in value, the write-off of exploration expenses will decrease their carrying value in the books of account. This, we believe, is the case for much of Lion's investment, where the book value does not represent underlying worth.

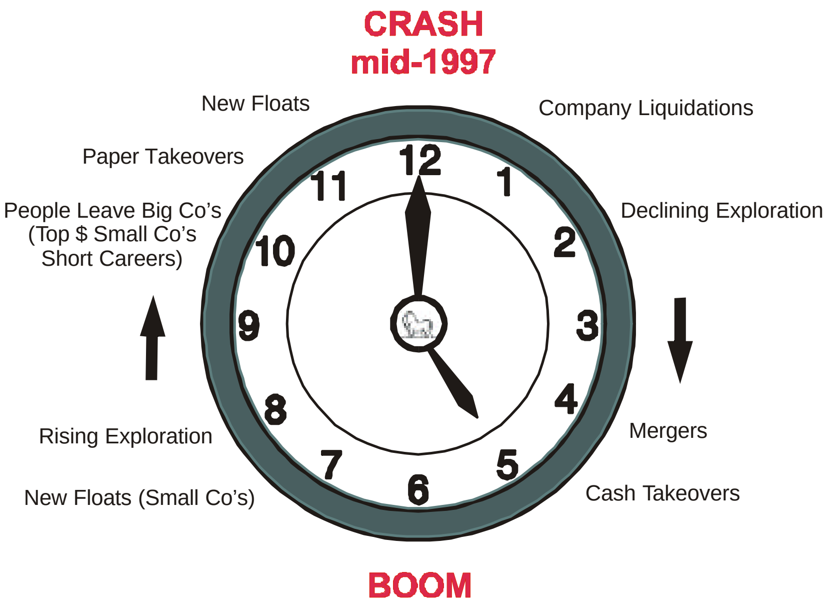
Since the crash of the resources industry in mid 1997, the market has been one of downright gloom. Shareholders are asking "when will the market turn?" As always, the 'crystal ball' is cloudy, but in 1999 there has been a significant rise in metal prices, and in the closing days of September, in the price of gold.

Much of Lion's investment is in the gold sector, because it is a judgement that gold is a trans-cultural store of value, with appeal to both the sophisticated and unsophisticated alike. Other commodities are being, and have been, investigated, and when value is perceived Lion will invest.

Those of you who have attended the various shareholder presentations are familiar with the Resources Clock, which in our opinion now stands at around 5 o'clock. When will it move to 6 o'clock? Share prices of the major base metal players have started to rise, and gold has received shock treatment, thanks to the Bank of England and the European Central Banks. This may indicate better times ahead.

The Lions are prowling, and it is through the dedication of those in the 'pride' that Lion is well positioned to capitalise on any change in market sentiment.

Ewen W J Tyler, AM
Chairman



Managing Director's Report

The difficult market conditions that confronted resource companies during the year in fact provided an opportune time for Lion to invest. Nine investments have now been made by Lion and around fifteen smaller investments plus African Lion have been made by Australian Selection. Incremental investments are expected to some companies in the portfolio and there is scope for a further three or four new investments by Lion. At this point, the investment phase in Lion's cycle will be complete.

Achievements in 1998/99

During the year Lion's investments, both new and existing, made considerable progress.

The Woodie Woodie manganese mine operated by Consolidated Minerals recommenced production. Exploration successes were achieved by Mining Project Investors at Coolgardie and the Stawell Gold Mine, by Gallery Gold in Botswana and by Indophil Resources in the Philippines.

East African Gold Mines increased its resource base in Tanzania to 3.6 million ounces of gold and Spinifex Gold more than doubled its resources to over 1.0 million ounces of gold.

African Lion, a new US$27 million African mining fund, was established and, post balance date, Lion invested in Sedimentary Holdings, which is in joint venture with Newcrest Mining in the exciting Klondyke discovery.

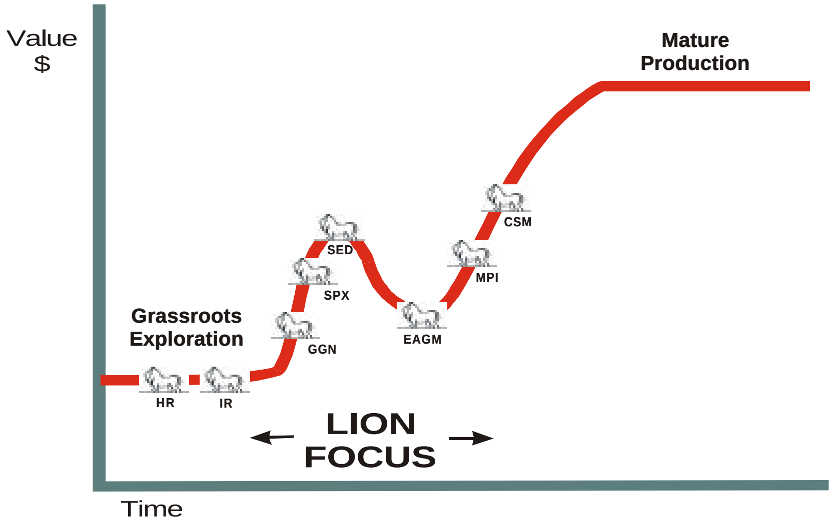
Markets and Metal Prices

The resource market is currently divided into two contrasting sectors. Major companies and base metal prices have turned strongly upward since early 1999 whereas junior companies and gold and bulk commodities remain completely depressed.

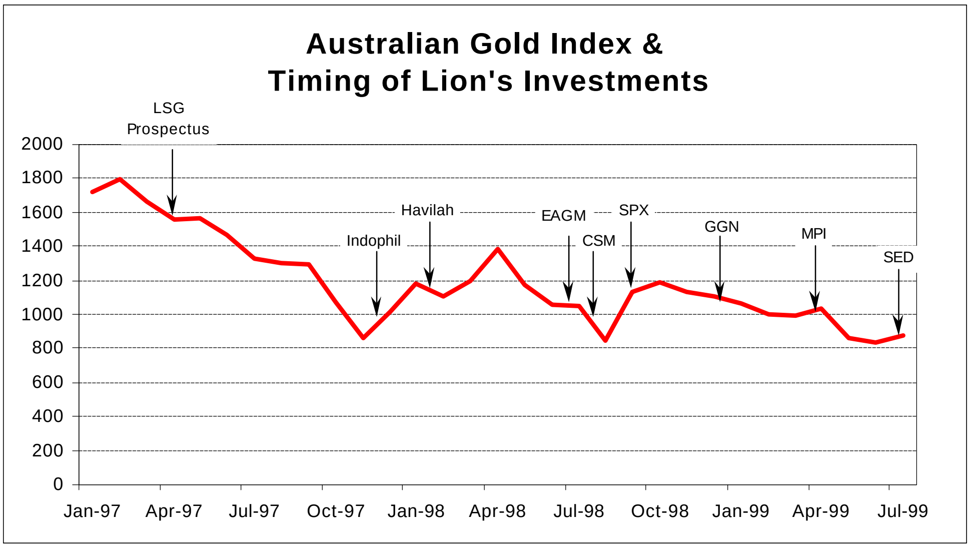
For much of the last year the share price of Lion has traded at a significant discount (up to 35%) to Net Tangible Assets (NTA). The discount to potential value is even greater with many of the investments containing unrecognised worth.

Strategy

Lion's strategy remains unchanged and aims for a spread and balance of gold and base metal investments in Australia, Africa and South East Asia. The investment focus is on growth situations prior to mature production and is mainly around the project feasibility stage rather than grassroots exploration.



Ideally, Lion will make twelve to fifteen investments of $5 million to $10 million each while the resource sector is depressed and then become a seller of maturing projects when the market improves. The Resources Clock referred to in the Chairman's Letter depicts Lion's view that resource cycles follow a predictable pattern. The current phase of global merger and acquisition activity in mining companies signals a point near to the base of the cycle.



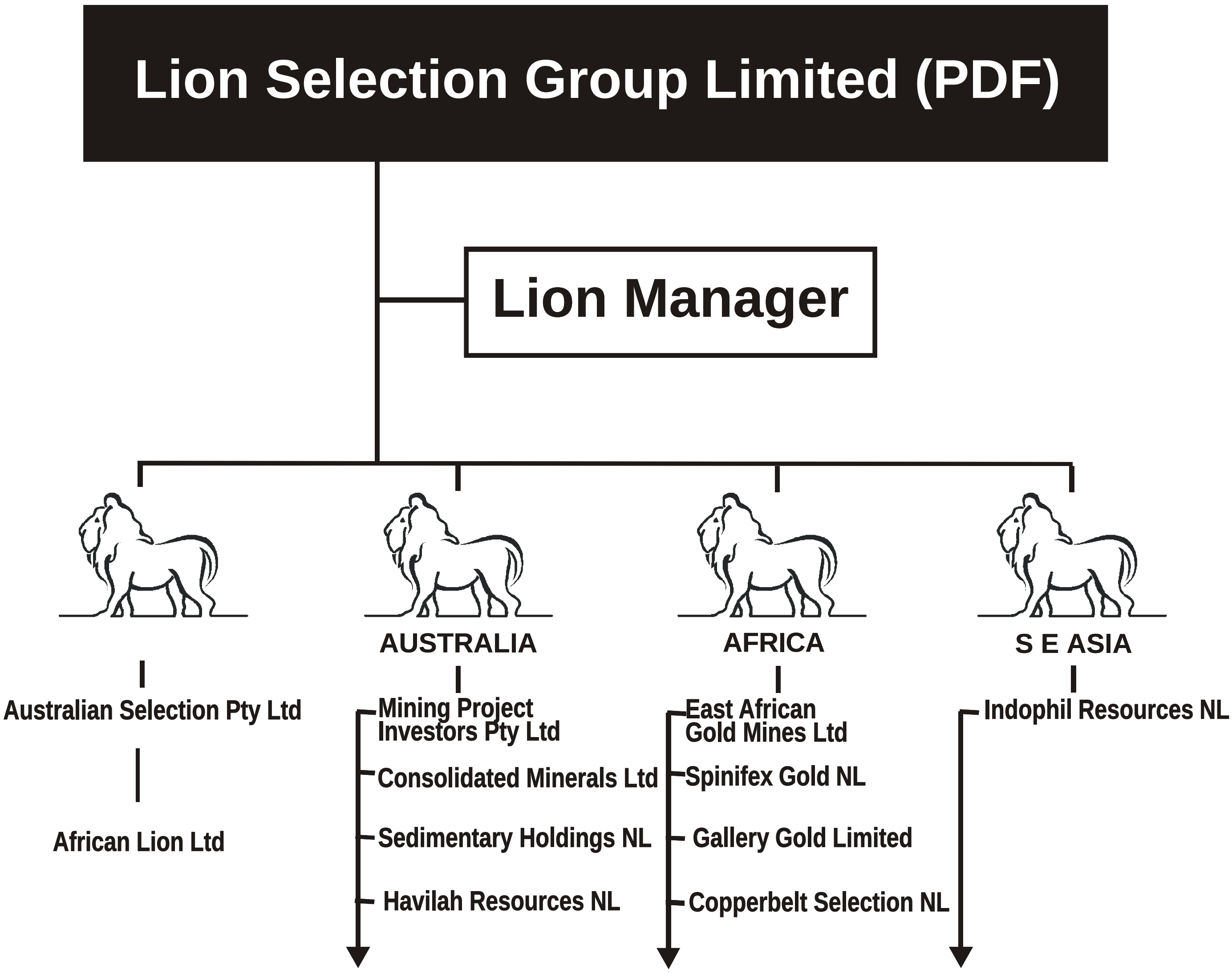
Outlook

Lion is optimistic that the investments made by Lion and Australian Selection represent exciting growth opportunities. The junior sector remains depressed; however, Lion anticipates that the value of its portfolio will improve following individual corporate success and an upturn in the market. Lion appreciates the knowledge made by the management teams of its investee companies to increase shareholder wealth.

The initial Pooled Development Fund (PDF) benefits of zero capital gains tax to shareholders and concessional corporate tax to Lion of only 15% remain in place.

The small team in Lion remains dedicated and will work hard to remove the share price discount to NTA and obtain recognition of the full value in all of Lion’s investments.

Company Structure



Mining Project Investors Pty Limited

Issued capital:	18,559,732 ordinary shares 2,208,393 executive options
Lion shareholding:	3,031,905 ordinary shares (16.3%)
Total investment by Lion:	$6.1 million
Date of Initial Investment:	April 1999
Directors:	Mr John Gerahty, Chairman Mr Ken Fletcher, Managing Director Mr John Dahlsen / Mr Michael Dan Mr Bob Ritter / Mr Graeme Brock Mr David Burt / Mr Alan Evans Mr Brian Phillips / Mr Howard Walker, Lion representative
Company Secretary:	Mr Trevor Eton
Area of Activity:	Australia / Gold

Lion announced on 28 April that it had invested $6.1 million for a 16.3% share in Mining Project Investors Pty Limited (MPI). MPI is a privately owned mineral exploration, development and operating company founded in 1992 by Ken Fletcher and members of the former Australian Consolidated Minerals management team.

The company's major operating asset is a 50% share in the Stawell Gold Mine in Victoria. Stawell is a 93,000 ounce per annum mine with current reserves and resources capable of supporting a mine life of up to ten years. MPI and its major shareholder, the Pittston Company (USA), acquired the mine from WMC Limited in December 1992, forming a 50/50 joint venture. Since acquiring the mine, MPI has reduced production costs, extended mine life and added over 1 million ounces of resources. At 30 June 1999 Proved and Probable Reserves were estimated at 472,000 ounces.

MPI holds a significant regional tenement position in the Stawell region, extending over 100 kilometres. The deposit at Stawell occurs in a major north west trending structural corridor that is approximately 15 kilometres wide. There are at least thirteen targets located in this corridor. In addition, there are a number of promising targets in close proximity to the mine. Some technical exploration success has been experienced at the South Fault Offset, which is aimed at identifying a down thrust extension of the Stawell orebody. The current exploration program has been successful in intersecting mineralisation beneath the current resource base of 900 metres to a depth of 1,000 metres below surface. The Stawell region has an endowment of 5 million ounces to date.

In Western Australia, MPI is manager of and co-venturer in the Coolgardie Joint Venture with Herald Resources NL and Pittston Mineral Ventures of Australia. MPI/Pittston can earn a shared 60% interest of the project by expending $6 million before 20 May 2002. Herald announced a possible new discovery at depth at the Empress North project in August 1999 following encouraging results from a completed drill program. MPI also undertakes exploration in Nevada (USA) through a sister company, MPI Gold USA Limited, in conjunction with the Pittston Company. To date, the program has produced several targets that will be the focus of drilling in 1999-2000.

Reserves and Resources as at 30 June 1999

		Tonnes	**Grade (g/t)**	**Ounces**
Underground	Reserves	2,972,000	4.8	461,000
	Resources	2,390,000	6.3	486,000
Surface	Reserves	150,000	2.3	11,000
	Resources	3,110,000	2.2	215,000
Total Inventory				**1,173,000**

Consolidated Minerals Limited

Issued capital:	73,005,532 ordinary shares 29,212,975 convertible preference shares 46,500,000 options
Lion shareholding:	25,000,000 ordinary shares (34.2%) 10,000,000 convertible preference shares (34.2%) 22,500,000 options (48.4%)
Total investment by Lion:	$7 million
Date of Initial Investment:	August 1998
ASX Code:	CSM
Directors:	Mr Colin Smith, Chairman Mr Michael Kiernan, Managing Director Mr David Macoboy Mr Robin Vivian Mr Ian Macpherson Mr Christopher de Guingand Mr Chris Melloy, Lion representative
Company Secretary:	Mr Frank Campagna
Area of Activity:	Western Australia / Manganese

Consolidated Minerals Limited (CSM) mines, processes and markets manganese ore from the Pilbara region of Western Australia. The ore is sourced from the Woodie Woodie mine, located approximately 400 kilometres south east of Port Hedland, and is used primarily in blending during the steel making process.

Mining operations at Woodie Woodie recommenced in May 1999 with the first shipment of 38,500 tonnes to Europe dispatched in late August. Planned annual production at the mine is 250,000 tonnes of lump ore and 50,000 tonnes of fines material. The global steel industry has shown considerable interest in the Woodie Woodie product and CSM's marketing team has been successful in establishing sales contracts to Europe, China, Japan and Korea. The high grade and low impurities in the Woodie Woodie ore has been a significant advantage in re-establishing the product in the industry.

Lion increased its initial investment in CSM during the year by subscribing an additional $2 million for convertible redeemable preference shares. The funds were part of a $4 million capital raising by CSM and have been used to provide working capital for operations at Woodie Woodie.

In early July CSM entered into an agreement to purchase the Bells leases, which are located adjacent to the Woodie Woodie operations. The purchase price is $2.5 million, payable in instalments, plus a vendor royalty of 3.5% (to a maximum of 400,000 dry metric tonnes of product). A total resource of 872,000 tonnes has been identified in the old Bells Pit mine within the leases. Exploration drilling adjacent to two existing pits, Hanna and Chutney, has produced encouraging results which will extend mine life. It is intended that an annual budget of $1.0 million will be established to continue exploration in the area.

CSM shares were reinstated to trading on the Australian Stock Exchange on 29 June 1999.

Consolidated Minerals Limited

Sedimentary Holdings NL

Issued capital:	137,150,806 ordinary shares
Lion shareholding:	25,625,000 ordinary shares (18.68%)
Total investment by Lion:	$2.25 million
Date of Initial Investment:	April 1999
ASX Code:	SED
Directors:	Mr John Forsyth, Chairman Mr Robert Devereux, Managing Director Mr John Harry Mr Martin Ackland Mr Michael O'Neill Mr Christopher Roberts
Company Secretary:	Mr Stan Zillwood
Area of Activity:	Australia / Gold

Lion announced on 13 August (post balance date) that it had agreed to subscribe $1.65 million for 20.6 million fully paid ordinary shares in Sedimentary Holdings NL (Sedimentary) at an issue price of 8 cents per share. The shares were part of a placement of 28.2 million shares by Sedimentary, which was approved at a general meeting in early September. The subscription brings the Lion group's investment in the company to $2.25 million.

Sedimentary is a mining and exploration company, listed on the Australian Stock Exchange. The company has a 30% interest in the Cracow Joint Venture in Eastern Queensland with the other 70% held by Newcrest Mining Limited (Newcrest). Sedimentary wholly owns a 300,000 tonnes per annum plant at site and licences for water supply and tailings disposal. These assets are strategic for potential future development of the project.

Recent exploration by Newcrest at Cracow has discovered high grade epithermal mineralisation in the Klondyke zone, several kilometres west of the Golden Plateau mine. More than 36 holes have been drilled to date with most intersecting significant gold mineralisation over widths varying between 1 and 20 metres. A high grade shoot has been identified extending over 400 metres.

The joint venture partners have substantially increased expenditure for the current project year and are confident of extending the known mineralisation at depth and along strike. Exploration will also be undertaken in surrounding areas including the old Golden Plateau mine.

Sedimentary holds a 28.2% interest in Southern Cross Resources Inc, a company listed on the Toronto Stock Exchange. Southern Cross has successfully overseen the development of the Honeymoon uranium project in South Australia to trial production stage. Sedimentary is involved in several other gold exploration projects including Miclere and Electric Light in Queensland, Forster in Tasmania and Lonarch in Victoria. In addition, the company operates a small alluvial gold mine near Avoca in central Victoria.

Statement of Mineral Resources - June 1999

Gold Resources	Measured Tonnes	Measured Grade g/t	Measured Ounces	Inferred Tonnes	Inferred Grade g/t	Inferred Ounces
Cracow Mining Venture, Queensland	1,180,000	1.06	40,220	4,360,000	1.8	252,000

Sedimentary Holdings NL

Havilah Resources NL

Issued capital:	10,975,020 ordinary shares 29,025,026 options
Lion shareholding:	5,975,000 ordinary shares (54.4%) 14,025,023 options (48.3%)
Total investment by Lion:	$1.2 million
Date of Initial Investment:	February 1998
Directors:	Dr Bob Johnson, Chairman Dr Chris Giles, Managing Director Mr Howard Walker, Lion representative
Company Secretary:	Mr Edward Grose
Area of Activity:	Australia & Indonesia / Gold

Havilah Resources NL (Havilah) is an unlisted Australian exploration company. The company's properties in the Northern Territory are located in unexplored interpreted extensions of the prospective Tanami-Arunta Province and the Tennant Creek Block. All projects are at a preliminary first pass reconnaissance exploration stage and geological models are being progressively developed as new exploration data is generated. Havilah is the first company to apply modern exploration methods on these properties. During the year, Havilah earned a 51% interest in the Highland Rocks Joint Venture. Exploration results to date confirm that gold mineralised systems do exist within the region and warrant follow-up work.

New geophysical data coverage in South Australia has provided a strong impetus to exploration, resulting in several new gold and/or base metal discoveries in the Gawler Craton, Curnamona Province and Adelaide Geosyncline. Each of Havilah's South Australian properties have the potential for similar new discoveries.

Havilah has formed an alliance with Talager Pty Limited, the owner/operator of a modern gold processing plant at Dunolly in Central Victoria. Havilah intends to exploit the numerous small gold resources within trucking distance of the plant to generate an early cashflow, while enhancing the opportunity for a major gold discovery as geological knowledge of the area is increased. To this end, Havilah has reached agreement to acquire the Burkes Flat prospect, which 3-D modelling suggests has the potential for a small shallow gold resource.

Havilah has evaluated numerous new opportunities during the year, resulting in the acquisition of several outstanding low risk exploration projects in Indonesia. Havilah believes that these properties have the potential to evolve into the type of advanced large scale projects sought by major companies when Indonesia again returns to favour as an exploration destination. Until then, the company will maintain a watching brief in the area and minimise its exposure to risk.

Havilah Resources NL

Indophil Resources NL

Issued capital:	27,802,005 ordinary shares 4,473,000 options
Lion Shareholding:	20,000,000 ordinary shares (71.9%)
Total investment by Lion:	$4.0 million
Date of Initial Investment:	September 1997
Directors:	Mr Tony Robbins, Managing Director Mr Chris Middleton, Director of Exploration Mr Kevin Robinson, Lion representative
Company Secretary:	Mr Osie Fonseca
Area of Activity:	Philippines & India / Copper & Gold

Indophil Resources NL (Indophil) was established in 1996 by Tony Robbins and Chris Middleton to acquire, explore and develop mineral properties in the Asia Pacific region, with initial focus on the Philippines. Exploration is primarily concentrated on porphyry copper-gold and epithermal gold deposits.

During the year Indophil progressed significantly with clearances of properties to allow title to be granted. The company currently has two approved Mineral Production Sharing Agreements and three approved Exploration Permits (EP). An additional nine properties are in an advanced stage of clearance. It is company policy to restrict activities to low level exploration until titles have been granted.

Indophil has successfully concluded a joint venture agreement with a subsidiary of the Alcantara Group of Companies to explore the Manat property in Mindanao. Following the signing of the Heads of Agreement a comprehensive program of exploration was initiated to define targets on the Magas Prospect. Drilling commenced in mid-1999. Broad zones of hydrothermal alteration are evident together with epithermal quartz-sulphide stockwork and vein mineralisation. Results to date have been very encouraging and indicate strong potential for a large mineralised system.

At the Labo project, detailed soil geochemical sampling, geological mapping and trenching confirmed the Gaerlan and Pael Prospects as significant targets for future drilling. Excellent soil sampling results over large areas point to a number of coherent gold anomalies that will merit drilling in the future.

Indophil's current portfolio of projects contains some outstanding properties, which will be assessed over the next year. Several new advanced exploration projects are currently being reviewed.

Indophil Resources NL

East African Gold Mines Limited

Issued capital:	65,669,838 ordinary shares 1,844,288 options
Lion shareholding:	7,837,258 ordinary shares (11.9%)
Total investment by Lion:	$8.6 million
Date of Initial Investment:	July 1998
Directors:	Mr Geoff Stewart, Executive Chairman and Managing Director Mr Andrew Ferry Mr Robin Widdup, Lion representative
Company Secretary:	Mr Garry Bettison
Area of Activity:	Tanzania / Gold

East African Gold Mines Limited (EAGM) is an unlisted Australian company, incorporated in 1993 to discover, develop and mine gold deposits in Tanzania. EAGM was established by Mr Geoff Stewart, founder of North Flinders Mines Limited (now Normandy NFM Limited). The company holds two Mining Licences in Tanzania through its wholly owned subsidiary, Afrika Mashariki Gold Mines Limited.

Tanzania is rapidly becoming a focal point for exploration by major mining companies around the world. The country offers a relatively secure political and social environment and the Tanzanian Government recognises the importance of the mining industry's contribution to the economy. Much of the country is geologically prospective for gold and has not yet been subjected to intensive modern exploration.

EAGM's licence areas are located in the Mara Greenstone Belt, north of the developing Lake Victoria goldfield. Mining leases are held over two significant gold deposits in this area, Nyabirama and Nyabigena. Expoloration by EAGM over the past five years has delineated a significant resource and a bankable feasibility study for the project has been completed.

A legal challenge to the Mining Licence containing the Nyabirama deposit was lodged against the Tanzanian Government in early 1998, disputing the Government's right to grant the licence. The High Court hearing was held in September 1998 and the challenge was dismissed in early 1999. The High Court found EAGM's Mining Licence to be valid and also that the surrounding Prospecting Licence held by the challenger had expired.

An appeal against the High Court decision was lodged by the challenger in July and is scheduled to be heard late in 1999. The directors of EAGM believe that this appeal will also be unsuccessful.

Reserves & Resources	July 1998	July 1999
Reserve	16.8mt x 2.9g/t : 1.5m oz	19.6mt x 3.5g/t : 2.2m oz
Resource	20.1mt x 3.1g/t : 2.0m oz	41.3mt x 2.7g/t : 3.6m oz

Spinifex Gold NL

Issued capital:	208,737,724 ordinary shares 119,228,741 options and convertible notes
Lion shareholding:	54,576,000 ordinary shares (26.1%) 25,000,000 options (21%)
Total investment by Lion:	$6.6 million
Date of Initial Investment:	May 1998
ASX Code:	SPX
Directors:	Mr Reginald Gillard, Chairman Mr Ron Gajewski, Managing Director Mr Klaus Eckhof Mr Hans-Rudolf Moser Mr Howard Walker, Lion representative
Company Secretary:	Mr Susmit Shah
Area of Activity:	Tanzania / Gold

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

During the last quarter of 1998 Spinifex more than doubled the resources at its Buckreef, Kitongo and Nyakafuru projects and now has a global resource of over 1.0 million ounces of gold. The company holds the tenements through its wholly owned subsidiary, East Africa Gold Corporation.

On 24 June 1999, Spinifex announced that it had reached agreement with Ashanti Goldfields Company Limited for a $28.5 million farm in and joint venture covering the Buckreef/Rwamagaza and Kitongo projects. The agreement is due to be signed on 18 October 1999 and the principal terms are:

- Ashanti will reimburse Spinifex a total of $8.5 million cash over two years.
- Ashanti will earn a 55% interest in Spinifex's equity in the projects by expending $20 million on exploration over three years.
- Ashanti can earn a further 5% of Spinifex's equity in each project by producing a bankable feasibility study at its sole cost and is responsible for arranging any required project finance.

On 12 October 1999 Lonmin plc announced a takeover of Ashanti. At this stage, it is not known whether the takeover will have any impact on the proposed farm in agreement.

Spinifex will retain 80% ownership of the Nyakafuru project and focus its own future exploration efforts in that area. A program of 3,200 metres reverse circulation drilling is planned to commence in late September 1999 with the objective of increasing the resource base and generating new targets.

Reserves and Resources as at 30 June 1999			
	Tonnes	**Grade (g/t)**	**Ounces**
Buckreef (80% owned)	3,700,000	3.26	389,000
Kitongo (100% owned)	10,500,000	1.42	479,000
Nyakafuru (80% owned)	685,000	6.11	135,000
Total Resources			**1,003,000**

Gallery Gold Limited

Issued capital:	59,220,391 ordinary shares 27,983,332 options 300,000 $1 convertible notes* **Notes convertible into 3,000,000 ordinary shares*
Lion shareholding:	18,551,297 ordinary shares (31.3%) 18,256,297 options (65.2%) 300,000 $1 convertible notes (100%)
Total investment by Lion:	$2.6 million
Date of Initial Investment:	March 1998
ASX Code:	GGN
Directors:	Mr David Harley, Chairman Mr Keith McKay, Managing Director Mr Michael Atkins Mr Michael Curnow Mr Frank Trost Mr Howard Walker, Lion representative
Company Secretary:	Mr Desmond Kelly
Area of Activity:	Botswana / Gold

Gallery is a listed Australian exploration company, with a controlling interest in tenements totalling approximately 2,277 square kilometres in Botswana. The company is led by David Harley, previously a senior exploration manager with WMC Resources Limited, and Keith McKay, former CEO of Battle Mountain (Australia) Inc.

Gallery has conducted an active exploration program in the Tati and Vumba greenstone belts in north east Botswana since 1996. Although highly prospective for gold, copper-zinc and nickel there has been little systematic modern exploration of these areas. Geochemical sampling and trenching by Gallery during 1998 and early 1999 delineated several anomalies and these have been the focus of recent exploration.

The 100% owned Mupane Prospect contains a large gold in soil anomaly over a structurally complex iron formation and the area has been drill tested in recent months. On 30 July Gallery announced drill results that included 49 metres @ 2.0 g/t gold between 14-63 metres and 65 metres @ 4.0 g/t between 69 to 134 metres. Following completion of the initial 22 hole program three separate sub-areas have indicated good potential to host open pittable gold ore.

Elsewhere in the Tati greenstone belt, exploration progress was made at the Matopi Prospect. The area contains a 4.0 x 2.5 kilometre gold in soil anomaly and an initial trench result intersected 40 metres @ 0.5 g/t gold. Other significant gold anomalies have been identified and Gallery intends to drill the Matopi, Molomolo and New Zealand prospects in the next program.

Botswana Gold Project
Resources Statement as at 4 October 1999

Deposit	***Tonnes***	***Grade (g/t Au)***	***Contained Gold (ounces)***
Golden Eagle	847,600	2.6	70,500
Shashe	515,100	10.4	172,400
Monarch	713,100	5.3	121,500
Signal Hill	1,740,700	3.6	201,100
Total	**3,816,500**	**4.6**	**565,500**

Copperbelt Selection NL

Issued capital:	3,250,000 ordinary shares
Lion shareholding:	3,250,000 ordinary shares
Total investment by Lion:	$650,000
Date Invested:	October 1998
Directors:	Mr Martin Broome, Managing Director
	Mr Robin Widdup
	Mr Howard Walker
	Mr Chris Melloy
Company Secretary:	Mr Paul Taylor
Area of Activity:	Zambia / Copper

Lion has invested $650,000 in Copperbelt Selection NL (Copperbelt). Copperbelt has been established to conduct a watching brief to acquire copper and base metal projects in Zambia and certain neighbouring countries.

It is Lion's intention that a strategic investor will be offered participation in Copperbelt at a suitable time, in order to bring operating skills to projects which may be acquired.

African Lion Limited has received approval to co-invest in Copperbelt.

Australian Selection Pty Limited

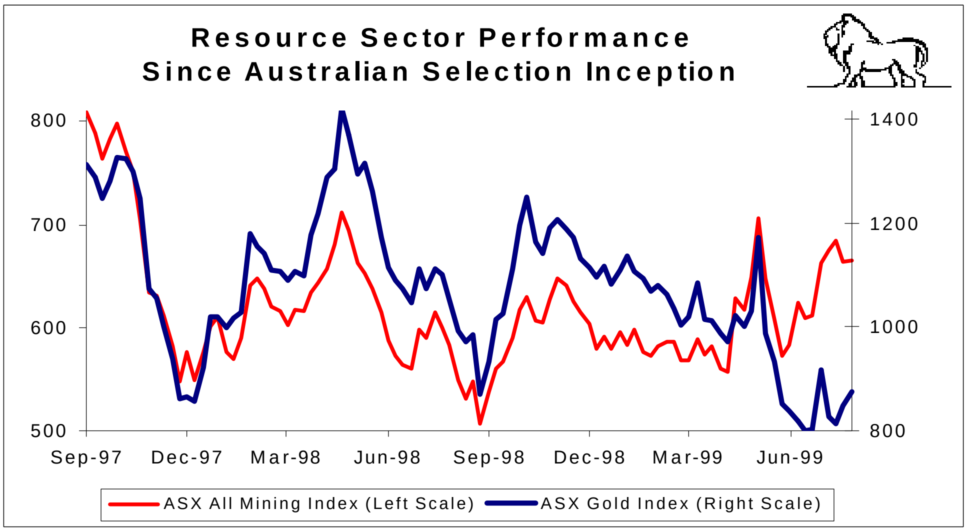
Australian Selection Pty Limited, a wholly owned subsidiary of Lion, commenced investment activities on 1 September 1997 with capital of $20 million. Portfolio investments are focused on the global resource sector, with the exception of pure coal and petroleum companies. There is a strong bias in the portfolio towards providing capital to Australian registered companies in the Small and Medium Enterprise (SME) sector.

Relative to the previous year the global resource sector provided significant contrasts in the subsectors. Strong price rises in base metal and oil prices spurred solid gains by the major resource companies such as Rio Tinto, BHP and WMC. Such strength was muted at the SME level. Gold prices fell, translating into a 30% drop in the ASX Gold Index since the inception of the fund. This decline was particularly notable in the small companies where capital raisings declined to the lowest level recorded for many years.

Throughout this period Australian Selection remained focused on the SME sector and performed well against relevant benchmarks.

The major assets of Australian Selection at balance date were:

Net cash	$ 6.3 million
Short term investments at market value	$ 2.6 million
Long term investments at cost	$10.7 million
Net Assets	**$19.6 million**

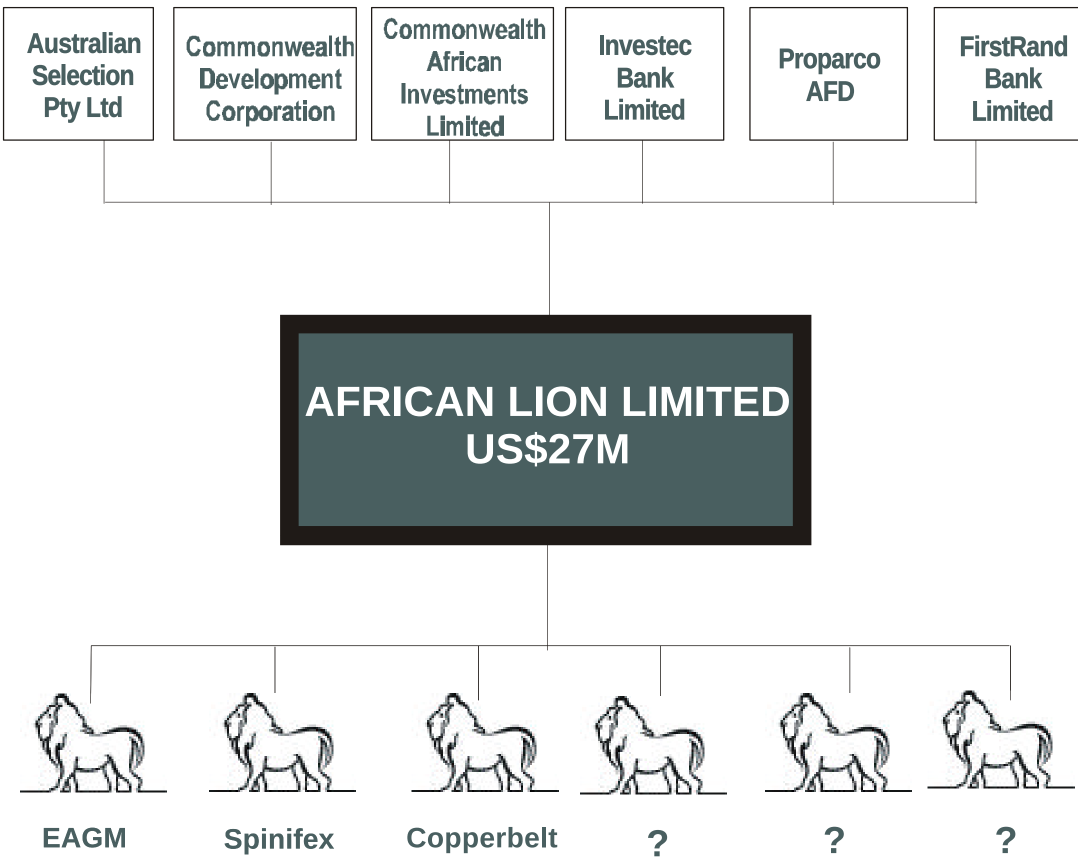


Lion announced in October 1998 that Australian Selection would invest in African Lion Limited (AFL), a mining fund established to identify, assess and invest in resource projects in Africa. The first instalment of US$1.0 million was contributed in January 1999. A number of AFL's investments will be in Australian registered companies operating in Africa. Such companies commonly utilise Australian professionals, products and technology to explore and develop operations offshore.

African Lion Limited

Issued capital:	US$5.4 million (to be increased to US$27.0 million)
Total investment by Australian Selection:	US$1.0 million (to be increased to US$5.0 million)
Date of Initial Investment:	January 1999
Shareholders:	Australian Selection Pty Limited Commonwealth Development Corporation (UK) Comafin - Commonwealth Africa Investments Limited (Zimbabwe) Proparco - Groupe Agence Francaise de Developpement (France) Investec Bank Limited (United Kingdom/South Africa) FirstRand Bank Limited (South Africa)
Management Team:	Mr Terry Ward Mr Ian McAleese
Area of Activity:	Africa / Gold & Base Metals

African Lion Limited (AFL) was established to identify, assess and invest in resource projects in Africa. The fund commenced operations in February 1999, with initial committed capital of US$27.0 million. AFL's excellent shareholder base comprises six highly regarded international institutions that can collectively and individually offer AFL a political 'umbrella' and local knowledge in many regions of Africa. AFL's shareholders are also able to co-invest in opportunities with AFL and can provide project finance.



AFL is an early stage investor in African resource projects with a primary focus on gold and base metals. The fund will target development projects and feasibility/advanced exploration situations, preferring to invest in good operational teams rather than manage projects. It is anticipated that AFL will generally invest US$2-3 million in each opportunity. AFL shareholders can co-invest if appropriate, with Lion having the right to make the second investment in PDF compliant companies. AFL can provide financial and commercial assistance, board representation and corporate advice to its investee companies.

In early 1999, Terry Ward and Ian McAleese were appointed to manage the operations of AFL.

Terry Ward has worked as a mining engineer in the Australian and international mining sectors for over thirty years. He has held a range of senior mining, planning, production, development, analytical and executive positions with companies in Australia, South Africa and Mauritania. His most recent appointment was Managing Director of Bogoso Gold Limited in Ghana.

Ian McAleese is a geologist with twenty-five years in the mining and finance industries, including fifteen years in exploration, mine geology and commodity sales. Ian has also spent ten years as a funds manager specialising in mining sector investment, most recently with Queensland Investment Corporation.

As part of its investment process AFL will discriminate on country risk. The fund intends to seek investments in countries that offer the best geology and opportunity in conjunction with the lowest political, economic and legal risk.

Since establishment, AFL has made three investments:

- East African Gold Mines Limited (US$2.5 million) - Tanzania
- Spinifex Gold NL (US$1.5 million) - Tanzania
- Copperbelt Selection NL (US$0.25 million) - Zambia

The Pooled Development Fund Act

The Pooled Development Fund Act (PDF Act) was introduced by the Federal Government in 1993 to encourage the provision of patient equity capital to small and medium sized Australian companies. Lion was registered as a Pooled Development Fund (PDF) in May 1997.

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

Concessional tax treatment is available to a registered PDF company and its shareholders:

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

Proposed amendments to the PDF Act were announced in the Federal Budget on 11 May 1999 as a result of a review conducted in 1998. The review recommended that the PDF program should be extended and some of its operating parameters enhanced. Accordingly, the proposed changes to the PDF Act would allow:

- PDF's to buy back their own shares and to return capital to their shareholders;
- complying superannuation funds to wholly own a PDF (super funds were previously limited to a 30% interest);
- PDF's to make loans to equity investees subject to a maximum of 20% of the PDF's capital base.

On 3 August 1999 a joint media release was issued by the Treasurer and the Minister of Industry, Science and Resources stating that the PDF Act would be amended to regulate the investment activities of a PDF's controlled investee companies.

As draft legislation has not yet been released it is not possible to determine whether the propose changes will impact on the operations of the Lion group.

Statement of Corporate Governance Practices

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

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

1. Board of Directors and its Composition

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

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

While the Board retains overall responsibility for all matters, it has established an Audit Committee to assist in carrying out certain of its responsibilities. Because of the small size of the Board and the stage of development of the Company, there are presently no other Board committees.

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

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

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

2. Role of the Manager

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

A Management Agreement dated 30 May 1997 formalises the relationship between the Company and the Manager.

Under the Management Agreement, the Manager is obliged to act exclusively as investment manager for the Company. With the exception of the Managing Director, the directors of the Manager are independent of the Company.

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

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

3. Nomination, Appointment and Retirement of Directors

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

The performance of all directors is reviewed by the Chairman each year.

4. Directors Access to Professional Advice

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

5. Compensation Arrangements

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

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

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

6. Audit Committee

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

The main responsibilities of the Audit Committee are:

- Liaising with the external auditors, including reviewing external audit reports, management responses and ensuring action is taken promptly by management in respect of those reports.

- Monitoring compliance with the Corporations Law, ASX Listing Rules and the Pooled Development Funds Act.

- Assessing the quality of financial statements issued by the Company and reviewing any related party transactions of the Company.

- Reviewing all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels.

- Reviewing the group's accounting policies, taxation affairs and insurance cover.

The Committee is also responsible for the nomination of external auditors and for reviewing their remuneration and terms of engagement and the scope and quality of the audit. In fulfilling its responsibilities, the Committee receives regular reports from management and the external auditors. It also meets with the external auditors at least twice per year.

The Audit Committee must report to the Board in relation to the above matters at the Board meeting following any meeting of the Committee.

7. Risk Management

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

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

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

- failure of an investee company due to one or a number of the above causes;

- downturn in the stock market; and

- changes to the law – corporations/taxation/pooled development fund legislation.

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

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

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

8. Ethical Standards

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

Attribution Statements

Mining Project Investors Pty Limited
Information on gold resources accurately reflects data compiled by Mr John Rowe, a full-time employee of MPI and a corporate member of the Australasian Institute of Mining and Metallurgy. Mr Rowe has consented to the inclusion of the information in this report.

Sedimentary Holdings NL
Information on Sedimentary's resources was prepared by a Corporate Member of the Australasian Institute of Mining and Metallurgy, who has a minimum of five years experience in mineral exploration. Mr T G Summons, who is a Competent Person as defined by the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves, has consented to the inclusion of the information in Lion's 1999 annual report.

East African Gold Mines Limited
Information on gold resources and ore reserves accurately reflect data compiled by Mr Alastair Morrison, a competent person as defined in the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves. Mr Morrison is an employee of East African Gold Mines Limited and has consented to the inclusion of the reserve and resource figures contained in this report.

Spinifex Gold NL
Information on gold resources accurately reflects data compiled by Mr Klaus Eckhof, a competent person as defined in the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves. Mr Eckhof is a director of Spinifex Gold NL, a corporate member of the Australasian Institute of Mining and Metallurgy and has consented to the inclusion of the resource figures contained in this report.

Gallery Gold Limited
So far as it relates to ore and mineralisation, the Gallery data in this report is based on information compiled by Charles Byron, a full-time employee of the Company and a corporate member of the Australasian Institute of Mining and Metallurgy, who has at least five years experience in the field of activity concerned. The table accurately reflects the information compiled by Mr Byron, who has given his permission for these figures to be published.

Lion Selection Group Limited
Directors' Report

The Board of Directors of Lion Selection Group Limited ("Lion") is pleased to submit its report on the operations of the economic entity for the financial year ended 31 July 1999.

The economic entity includes Lion, Australian Selection Pty Ltd, Copperbelt Selection NL, Indophil Resources NL and Havilah Resources NL.

Comparative Figures

Lion was incorporated on 4 April 1997. The comparative figures therefore cover the period from 4 April 1997 to 31 July 1998.

Principal Activities

The principal activities of the members of the economic entity during the financial year were:

Lion Selection Group Limited

- the provision of patient equity capital to small and medium Australian incorporated resource companies in accordance with the Pooled Development Funds Act.

Australian Selection Pty Ltd (100%)

- investment in listed and unlisted resource companies.

Indophil Resources NL (72%)

- exploration for precious and base metals.

Copperbelt Selection NL (100%)

- dormant during the period.

Havilah Resources NL (54%) – became a subsidiary on 30 July 1999

- exploration for precious and base metals.

Results

The loss of the economic entity attributable to members of Lion for the financial year was $2,100,000 after income tax (1998 – loss $2,043,000). This loss was primarily due to the adoption of Accounting Standard AASB 1016 "Accounting for Investments in Associates" the effect of which was to reduce operating profit before income tax by $2,626,000.

Dividends

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

Review of Operations

During the year the parent entity made the following investments:

Consolidated Minerals Ltd	$7.0 million
Spinifex Gold NL	$6.1 million
Gallery Gold Ltd	$2.0 million
Mining Project Investors Pty Ltd	$6.1 million
Copperbelt Selection NL	$0.7 million
Indophil Resources NL	$1.3 million [1]
Havilah Resources NL	$0.4 million [1]
East African Gold Mines Ltd	$0.4 million [1]

Specific details of these investments are included elsewhere in this annual report.

[1] *Follow-on investments. Original investment made during the period ended 31 July 1998.*

Compliance with Environmental Regulation

No member of the economic entity has been notified by any Government agency of any breach of any environmental regulation.

Directors

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

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

Mr Tyler, aged 71, completed his degree in Geology at the University of Western Australia in 1949 and was involved in exploration and mining in Africa during the 1950s. In the following decade, he worked in mining finance and exploration in London, and on returning to Australia in 1969, initiated exploration which led to the discovery of the Argyle Diamond Mine.

Mr Tyler was a founding director of Ashton Mining Limited and remained an executive director until his retirement in 1990. He is chairman of Helix Resources NL and a non-executive director of Ashton Mining Limited.

Mr Tyler is the Chairman of the Audit Committee.

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

Mr Widdup, aged 47, graduated from the University of Leeds (United Kingdom) with an Honours Degree in Geology in 1975.

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

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

Malcolm W MacNaught BA MBA (Non-Executive Director)

Mr MacNaught, aged 62, was a vice president and portfolio manager for Fidelity Investments (Fidelity), the largest mutual fund company and a leading brokerage firm in the United States.

Mr MacNaught joined Fidelity in 1968 as an analyst. Between 1971 and his retirement in late 1996 he managed many Fidelity funds, including the Fidelity Fund and Fidelity Convertible Securities Fund (1971 to 1985), Fidelity Select Precious Metals and Minerals (1981 to 1996), the Fidelity Advisor Global Resources Fund (1988 to 1996) and the Fidelity Select American Gold Portfolio (1985 to 1995). At the time of his retirement, he was a leading figure worldwide in resources investment, managing funds of around US$1 billion.

J John Craig FCA Dip Bus Studies (Non-Executive Director)

Mr Craig, aged 50, was previously managing director of gold development for Rio Tinto Group Limited where his principal role was to generate new gold mining investment opportunities with particular focus in the Asia/Pacific region.

Mr Craig has over 20 years experience in arranging finance for mining companies and projects throughout the world and has also held a variety of senior positions in the Rio Tinto Group, largely in the commercial and finance area. He was formerly managing director of CRA Finance which was responsible for developing and implementing the financing strategies and policies for the CRA Group in Australia and overseas.

Mr Craig is a member of the Audit Committee.

Directors’ Shareholding

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

Director	No. of Shares
E W J Tyler	10,000
R A Widdup	346,500
J J Craig	50,000
M W MacNaught	50,000

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

Refer to page 51 for additional shareholder information.

Emoluments of Directors and Officers

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

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

Details of remuneration provided to directors and officers are as follows:

Name		Salaries/Fees $'000	Superannuation $'000	Other Remuneration $'000	Total $'000
Directors					
E W J Tyler	Note (a)	83	4	-	87
J J Craig		61	4	-	65
M W MacNaught		65	-	-	65
R A Widdup	Note (b)	-	-	-	-
Officers					
T W Robbins	Note (c)	135	9	10	154
C N Middleton	Note (c)	125	9	9	143
P R Taylor		100	25	-	125

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

(b) Mr Widdup was remunerated by the Manager, Selection (LSG) Management Pty Ltd, which received management fees from Lion.

(c) Executive Officers of Indophil Resources NL.

Directors' Meetings

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

	Board of Directors		Audit Committee	
	Attended	**Maximum possible attended**	**Attended**	**Maximum possible attended**
E W J Tyler	9	9	1	1
R A Widdup	9	9	N/A	N/A
J J Craig	9	9	1	1
M W MacNaught	8	9	N/A	N/A

At the date of this report the company had an Audit Committee of the Board which met once during the year.

Directors' Benefits

Since the end of the preceding financial period, no director has received or become entitled to receive a benefit, other than benefits disclosed in the financial statements as emoluments or the fixed salary of a full-time employee of the company or a related body corporate, by reason of a contract made by the company or a related body corporate with the director or with a firm of which he is a member, or with an entity in which he has a substantial financial interest, except as follows:

- Mr R A Widdup is a director of Selection (LSG) Management Pty Ltd (the Manager) which was paid management fees amounting to $1,502,000 during the period in the ordinary course of business on a commercial basis.

Indemnification

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

Lion has paid an insurance premium amounting to $22,000 in respect of a contract insuring each of the directors of the company named earlier in this report and each full-time executive officer, director and secretary of the economic entity, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

Year 2000 Exposure

The directors are of the view that the Year 2000 "Millennium Bug" will not significantly impact on the future results of the economic entity and that it will be more of an inconvenience rather than critical to the operations of the group and will be limited to desktop computers, telecommunications, etc.

The economic entity does not have any suppliers that are essential to its existence nor does it provide services that may be affected by Year 2000 problems.

Significant Changes in the State of Affairs

Since the end of the preceding financial period, there have been no significant changes in the state of affairs of the economic entity other than those events mentioned elsewhere in this report.

Significant Events After Balance Date

Since 31 July 1999, the following significant events have occurred:

- Lion has invested $1.65 million in Sedimentary Holdings NL.

- On 12 October 1999 Lonmin plc announced a takeover for Ashanti Goldfields Company Limited which could have implications on Ashanti's proposed farm in agreement with Spinifex Gold NL.

Except as noted above, there is no matter or circumstance that has arisen since 31 July 1999 that has or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in subsequent financial years.

Likely Developments and Future Results

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

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

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

Rounding of Amounts

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

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

....

R A Widdup
Managing Director

....

J J Craig
Director

Melbourne
13 October 1999

Lion Selection Group Limited
Profit and Loss Statement for the Year Ended 31 July 1999

	Notes	Consolidated 1999 $000	Consolidated 1998 $000	Parent 1999 $000	Parent 1998 $000
Operating profit before abnormal items and income tax	2	687	898	645	2,075
Abnormal items (nil tax effect)					
Share of associates' results	26	(2,626)	-	-	-
Capital raising and listing costs		-	(2,566)	-	(2,566)
Provision for diminution in value of subsidiary		-	-	(417)	(818)
Total abnormal items		(2,626)	(2,566)	(417)	(3,384)
Operating profit/(loss) before income tax		(1,939)	(1,668)	228	(1,309)
Income tax expense attributable to operating profit/(loss)	3	(193)	(519)	(184)	(519)
Operating profit/(loss) after income tax		(2,132)	(2,187)	44	(1,828)
Outside equity interests in operating loss after income tax		32	144	-	-
Operating profit/(loss) attributable to members of Lion Selection Group Limited		(2,100)	(2,043)	44	(1,828)
Accumulated losses at the beginning of the financial year		(2,043)	-	(1,828)	-
Adjustment on adoption of new accounting standard		(70)	-	-	-
Accumulated losses at the end of the financial year		(4,213)	(2,043)	(1,784)	(1,828)
Earnings per share	30				

The accompanying notes form an integral part of this profit and loss statement

Lion Selection Group Limited
Balance Sheet as at 31 July 1999

	Notes	Consolidated 1999 $000	Consolidated 1998 $000	Parent 1999 $000	Parent 1998 $000
CURRENT ASSETS					
Cash	4	54,043	80,363	45,973	69,129
Receivables	5	876	1,050	655	927
Investments	6	2,566	7,858	-	-
Other	7	30	84	15	47
Total Current Assets		57,515	89,355	46,643	70,103
NON CURRENT ASSETS					
Investments	8	35,770	8,148	52,262	28,858
Exploration properties	9	5,003	2,231	-	-
Property, plant and equipment	10	188	217	-	-
Intangibles	11	-	12	-	-
Total Non Current Assets		40,961	10,608	52,262	28,858
Total Assets		98,476	99,963	98,905	98,961
CURRENT LIABILITIES					
Accounts payable	12	618	436	176	161
Provisions	13	294	318	247	282
Total Current Liabilities		912	754	423	443
NON CURRENT LIABILITIES					
Provisions	14	158	237	157	237
Total Non Current Liabilities		158	237	157	237
Total Liabilities		1,070	991	580	680
Net Assets		97,406	98,972	98,325	98,281
SHAREHOLDERS' EQUITY					
Shareholders' equity attributable to members of Lion Selection Group Limited					
Share capital	15	100,109	100,109	100,109	100,109
Accumulated losses		(4,213)	(2,043)	(1,784)	(1,828)
		95,896	98,066	98,325	98,281
Shareholders' equity attributable to outside equity interests					
Share capital		1,969	1,346	-	-
Accumulated losses		(459)	(440)	-	-
		1,510	906	-	-
Total Shareholders' Equity		97,406	98,972	98,325	98,281

The accompanying notes form an integral part of this balance sheet

Lion Selection Group Limited
Statement of Cash Flows for the Year Ended 31 July 1999

	Notes	Consolidated 1999 $000	Consolidated 1998 $000	Parent 1999 $000	Parent 1998 $000
Cash flows from operating activities					
Interest and bill discounts received		3,667	3,926	3,103	3,359
Other fees received		434	-	13	-
Payments to suppliers and employees		(2,681)	(2,480)	(2,147)	(2,103)
Dividends received		74	22	-	-
Income tax paid		(304)	-	(304)	-
Net operating cash flows	17(b)	1,190	1,468	665	1,256
Cash flows from investing activities					
Purchase of controlled entities	27	-	(139)	(1,035)	(22,763)
Payments for equity securities		(29,902)	(20,970)	(22,786)	(6,907)
Proceeds from the sale of equity securities		3,741	3,722	-	-
Payments for plant and equipment		(3)	(241)	-	-
Payments for exploration and evaluation		(1,363)	(1,020)	-	-
Net investing cash flows		(27,527)	(18,648)	(23,821)	(29,670)
Cash flows from financing activities					
Proceeds from issue of shares		-	100,109	-	100,109
Issue of shares to outside equity interests		15	-	-	-
Share issue costs paid		-	(2,566)	-	(2,566)
Net financing cash flows		15	97,543	-	97,543
Net increase/(decrease) in cash held		(26,322)	80,363	(23,156)	69,129
Exchange rate variance		2	-	-	-
Cash at beginning of financial period		80,363	-	69,129	-
Cash at end of financial period	17(a)	54,043	80,363	45,973	69,129

The accompanying notes form an integral part of this statement of cash flows.

Lion Selection Group Limited
Notes to the Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Principles of Consolidation

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

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

Foreign Currency Transactions

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

- transactions are converted at exchange rates approximating those in effect at the date of each transaction;

- amounts payable and receivable are translated at the average of the buy and sell rates available on the close of business at balance date; and

- the financial statements of all foreign operations are translated using the temporal method as they are considered integrated.

Exchange differences relating to monetary items are included in the profit and loss account, as exchange gains or losses, in the period when the exchange rates change, except where:

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

- the exchange difference relates to hedging part of the net investment in an integrated foreign operation, in which case the exchange difference is charged/credited to the profit and loss statement on consolidation; or

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

Mining Activities

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

Exploration, Evaluation and Development Expenditure

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

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

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

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

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

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

Restoration and Rehabilitation

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

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

Income Tax

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

Future income tax benefits and the benefit arising from estimated carry forward tax losses are only recorded where realisation of such benefit is considered to be virtually certain.

Short Term Investments

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

Recoverable Amounts of Non Current Assets

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

Associated Entities

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

Detailed entity accounting information concerning the economic entity's interests in material associated entities is provided in Note 26.

Joint Ventures

An interest in a joint venture is brought to account by including in the respective financial statement categories:

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

Other Investments

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

Leased Assets

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

Operating lease assets are not capitalised and rental payments are charged against operating profit in the period in which they are incurred.

Property, Plant and Equipment

Property, plant and equipment is depreciated over the useful economic lives as follows:

	Life	Method
Leasehold improvements	5 years	Straight line
Owned Plant and Equipment	2-5 years	Straight line

Goodwill on Acquisition

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

Cash

For the purpose of Balance Sheet classification and the Statement of Cash Flows, cash includes cash at bank, term deposits, cash managed by third parties and other bank securities which can be liquidated at short notice, net of bank overdrafts if applicable.

Financial Instruments included in assets

Bank deposits and bills of exchange are carried at cost. Interest is recognised on a straight line accruals basis. Investments in trading securities are carried at market value, whilst long term investments are carried at cost. If the directors believe a permanent diminution in value of long term investments has occurred, a provision is raised.

Financial Instruments included in liabilities

Accounts payable are recorded at cost.

Financial Instruments included in equity

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

Provision for Employee Entitlements

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

Changes in Accounting Policy

The accounting policy for the economic entity's investment in associates has changed due to application of Accounting Standard AASB 1016 "Accounting for Investments in Associates". The economic entity now applies the equity method to its investments in associates. Previously, investments in associates were accounted for using the cost method. The effect of the change in accounting policy is to decrease operating profit before income tax by $2,626,000 (tax effect: $nil), increase opening accumulated losses by $70,000, and decrease investments in associates by $2,696,000.

Comparatives

The reported comparative financial information is for the financial period from 4 April 1997 to 31 July 1998.

NOTE 2 OPERATING LOSS

The operating profit/(loss) has been determined after crediting the following revenues:

	Consolidated 1999 $000	Consolidated 1998 $000	Parent 1999 $000	Parent 1998 $000
Sales revenues				
Sales of equity securities	3,329	3,812	-	-
Management and other fees received	522	-	13	-
Other operating revenues				
Interest from unrelated parties	3,436	4,865	2,830	4,277
Dividends from unrelated parties	74	22	-	-
Total operating revenues	7,361	8,699	2,843	4,277

The operating profit/(loss) has been determined after charging the following expenses:

	Consolidated 1999 $000	Consolidated 1998 $000	Parent 1999 $000	Parent 1998 $000
Depreciation allocated	84	9	-	-
Less depreciation capitalised	63	-	-	-
Depreciation charged	21	9	-	-
Exploration and evaluation expenditure written off	436	97	-	-
Provision for employee entitlements	37	36	5	-
Management fees	1,502	1,558	1,502	1,558
Operating lease rentals	150	91	60	61
Net loss on equity securities	522	1,338	-	-
Goodwill written off	12	-	-	-

NOTE 3 INCOME TAX EXPENSE

The difference between income tax provided in the financial statements and the prima facie income tax expense/credit is reconciled as follows:

	Consolidated 1999 $000	Consolidated 1998 $000	Parent 1999 $000	Parent 1998 $000
Operating profit/(loss) before tax	(1,939)	(1,668)	228	(1,309)
Prima facie tax (credit)/expense at 36%	(698)	(601)	82	(471)
Tax effect of permanent differences:				
▪ Differential tax rates	(125)	54	(25)	144
▪ Equity accounting losses	945	-	-	-
▪ Provision for diminution in value of subsidiary	-	-	104	204
▪ Other non deductible items	10	642	-	642
▪ Non assessable income	(27)	-	-	-
▪ Other	(34)	-	-	-
Amount underprovided in prior years	23	-	23	-
Prior years' tax losses recouped	(112)	-	-	-
Future income tax benefits not brought to account	211	424	-	-
Income tax attributable to operating profit/(loss)	193	519	184	519
Future income tax benefits arising from tax losses and mining expenditure not brought to account *	1,602	1,417	-	-

* *These benefits will only be obtained if sufficient future assessable income is derived to enable the benefit to be realised, the conditions of deductibility imposed by tax legislation continue to be complied with and no changes in tax legislation adversely affect the economic entity in realising the benefit.*

	Consolidated		Parent	
	1999	1998	1999	1998
	$000	$000	$000	$000

NOTE 4 CASH

Cash at bank	10,640	13,074	7,023	8,991
Cash held by custodian	337	1,221	-	-
Bank bills and deposits	43,066	66,068	38,950	60,138
	54,043	80,363	45,973	69,129

NOTE 5 RECEIVABLES (CURRENT)

Accrued interest	701	939	645	918
Other debtors	175	111	10	9
	876	1,050	655	927

NOTE 6 INVESTMENTS (CURRENT)

Short term investments	2,566	7,858	-	-

Short term investments comprise listed securities which are valued at market. The cost of these investments was $3,669,000 (1998 cost $9,351,000).

A review of the investment portfolio during the current reporting period resulted in the reclassification of $3,346,000 of short term investments at market value into long term investments at cost.

NOTE 7 OTHER (CURRENT)

Prepayments	30	84	15	47

NOTE 8 INVESTMENTS (NON CURRENT)

Investments in subsidiaries at cost (unlisted)	-	-	25,874	22,763
Less provision for diminution	-	-	1,235	818
	-	-	24,639	21,945
Listed securities at cost	-	-	13,060	-
Listed securities – associated entities (Note 26)	11,363	-	-	-
Listed securities - other	4,625	-	-	-
Unlisted securities	19,782	8,148	14,563	6,913
Total non current investments	35,770	8,148	52,262	28,858
Market value of listed securities included above	18,234	-	12,327	-

	Consolidated 1999 $000	Consolidated 1998 $000	Parent 1999 $000	Parent 1998 $000

NOTE 9 EXPLORATION PROPERTIES

	Consolidated 1999 $000	Consolidated 1998 $000	Parent 1999 $000	Parent 1998 $000
Balance at beginning of year	2,231	-	-	-
Acquisitions and expenditure	3,208	2,328	-	-
	5,439	2,328	-	-
Costs written off	(436)	(97)	-	-
Balance at end of year	5,003	2,231	-	-

The value of exploration properties includes assessed values of properties at the time of acquisition of any controlled entity, exploration expenditures incurred and costs of properties purchased.

The ultimate recoupment of costs carried forward is dependent upon the successful development and commercial exploitation or sale of the respective areas of interest.

NOTE 10 PROPERTY PLANT AND EQUIPMENT

Plant and equipment at cost	325	261	-	-
Less accumulated depreciation	137	44	-	-
	188	217	-	-

NOTE 11 INTANGIBLES

Goodwill	-	12	-	-

NOTE 12 ACCOUNTS PAYABLE

Sundry creditors and accruals	457	310	50	35
Payable to director related entities	161	126	126	126
	618	436	176	161

NOTE 13 PROVISIONS (CURRENT)

Income tax	249	282	242	282
Employee entitlements	45	36	5	-
	294	318	247	282

NOTE 14 PROVISIONS (NON CURRENT)

Deferred income tax	158	237	157	237

NOTE 15 SHARE CAPITAL

Paid up capital:				
100,108,905 fully paid ordinary shares	100,109	100,109	100,109	100,109

NOTE 16 FRANKING CREDITS

Franking account balance at 36 cents in the dollar available at 31 July 1999	986	523		

NOTE 17 NOTES TO THE STATEMENT OF CASH FLOWS

(a) For the purpose of Balance Sheet classification and the Statement of Cash Flows, cash includes cash at bank, term deposits, cash managed by third parties and other bank securities which can be liquidated at short notice, net of 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 Balance Sheet as follows:

	Consolidated		Parent	
	1999 $000	**1998 $000**	**1999 $000**	**1998 $000**
Cash at bank	10,640	13,074	7,023	8,991
Cash held by custodian	337	1,221	-	-
Bank bills and deposits	43,066	66,068	38,950	60,138
	54,043	80,363	45,973	69,129

(b) Reconciliation of Net Cash Provided by Operating Activities to Operating Profit After Income Tax:

	Consolidated 1999	Consolidated 1998	Parent 1999	Parent 1998
Operating profit/(loss) after income tax	(2,132)	(2,187)	44	(1,828)
Adjustments for non-cash income and expense items:				
Movement in provision for:				
Income tax payable	(33)	282	(40)	282
Deferred income tax	(79)	237	(80)	237
Diminution in value of subsidiary	-	-	417	818
Depreciation and amortisation	33	9	-	-
Capital raising costs	-	2,566	-	2,566
Trading securities valuation adjustment	141	1,338	-	-
Exploration expenditure written off	436	-	-	-
Equity accounted losses	2,625	-	-	-
Other	(12)	7	-	-
Changes in assets and liabilities net of effects from purchase of controlled entities:				
(Increase)/decrease in assets				
Receivables	174	(936)	272	(927)
Prepayments	54	(47)	32	(47)
(Decrease)/increase in liabilities				
Accounts payable	(26)	163	15	155
Employee entitlements	9	36	5	-
Net cash from operating activities	1,190	1,468	665	1,256

NOTE 18 COMMITMENTS

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

	Consolidated 1999	Consolidated 1998	Parent 1999	Parent 1998
Not later than one year	93	157	58	115
Later than one year but not later than two years	3	153	-	135
Later than two years but not later than five years	-	80	-	80
Later than five years	-	-	-	-
	96	390	58	330

		Consolidated		Parent	
		1999	1998	1999	1998
		$000	$000	$000	$000
(b)	Management fee payable:				
	Not later than one year	1,502	1,502	1,502	1,502
	Later than one year but not later than two years	1,502	1,502	1,502	1,502
	Later than two years but not later than five years	1,502	3,004	1,502	3,004
	Later than five years	-	-	-	-
		4,506	6,008	4,506	6,008

(c) Exploration expenditure commitments

In order to retain its interests in various exploration permits, the economic entity is committed to either contribute its share of costs as they are incurred or dilute its interest in those tenements. The nature of the group's operations in the exploration and evaluation of areas of interest does not enable a forecast of the nature or amount of such expenditure.

NOTE 19 CONTINGENT LIABILITIES

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

The bonus payable is 20% of this excess. A bonus would only have been payable to the Manager if Lion's daily weighted average share price had exceeded $1.23 for the month of July 1999.

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

NOTE 20 FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The economic entity is exposed to interest rate risk in respect to its primary financial assets. The interest rate risk exposures together with the effective interest rate for each class of financial assets and financial liabilities at balance date are summarised as follows:

	Floating Interest Rate * $000	Fixed Interest Rate $000	Non-Interest Bearing $000	Total $000	Average Interest Rate Floating %	Average Interest Rate Fixed %
1999						
Financial Assets:						
Cash	10,640	-	-	10,640	3.91	-
Bank bills and deposits	-	43,066	-	43,066	-	5.02
Cash held by custodian	337	-	-	337	4.60	-
Receivables	-	-	876	876	-	-
Investments	-	1,610	36,726	38,336	-	10.00
Financial Liabilities:						
Accounts payable	-	-	618	618	-	-
1998						
Financial Assets:						
Cash	13,074	-	-	13,074	4.78	-
Bank bills and deposits	-	66,068	-	66,068	-	5.15
Cash held by custodian	1,215	-	6	1,221	4.84	-
Receivables	-	-	1,050	1,050	-	-
Investments	-	-	16,006	16,006	-	-
Financial Liabilities:						
Accounts payable	-	-	436	436	-	-

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

(b) Credit Risk

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

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

(c) Foreign Exchange

The economic entity is exposed to foreign currency exchange risk through the primary financial assets and liabilities of its offshore investments.

(d) Net Fair Value

The carrying amounts and estimated net fair values of financial assets and financial liabilities held by the economic entity at balance date are given below. The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties after allowing for transaction costs:

	Carrying Amount		**Aggregate Net Fair Value**	
	1999 $000	**1998 $000**	**1999 $000**	**1998 $000**
Financial Assets:				
Cash	10,640	13,074	10,640	13,074
Bank bills and deposits	43,066	66,068	43,066	66,068
Cash held by custodian	337	1,221	337	1,221
Receivables	876	1,050	876	1,050
Short term investments	2,566	7,858	2,566	7,858
Long term investments				
Associated entities	11,363	-	12,965	-
Other listed securities	4,625	-	5,269	-
Unlisted securities	19,782	8,148	23,231	8,148
Financial Liabilities:				
Accounts Payable	618	436	618	436

(e) At year end the economic entity held three series of convertible notes totalling $1,610,000. Each series carries a 10% coupon. The notes have varying maturity dates and convert into ordinary shares at various conversion rates.

NOTE 21 SUPERANNUATION COMMITMENTS

No member of the economic entity has its own superannuation plan. The only commitment to superannuation is with respect to statutory commitments. At balance date, members of the economic entity were contributing to various approved superannuation funds at the choice of employees at a minimum rate of 7% of salaries paid.

Employees are able to make additional contributions to their chosen superannuation funds by way of salary sacrifice up to the age based deductible limits for taxation purposes.

NOTE 22 DIRECTORS' INCOME

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

Income band	No. of Directors	
	1999	**1998**
$0 - $9,999	1	-
$20,000 - $29,999	-	1
$60,000 - $69,999	2	-
$70,000 - $79,999	-	2
$80,000 - $89,999	1	-
$100,000 - $109,999	-	1

The aggregate income paid to the directors referred to above during the financial year amounted to $217,000 (1998 - $282,000). The aggregate income paid to all directors of each entity in the economic entity by the entities of which they are directors or by any related party amounted to $558,000 (1998 - $369,000).

NOTE 23 EXECUTIVES' INCOME

The number of executive officers whose total income for the year exceeded $100,000 and whose income falls within the following bands, were:

	Consolidated		Parent	
Income band	**1999**	**1998**	**1999**	**1998**
$120,000 - $129,999	1	-	1	-
$130,000 - $139,999	-	1	-	1
$140,000 - $149,999	1	-	-	-
$150,000 - $159,999	1	-	-	-

The aggregate income of the executives referred to above amounted to $422,000 (1998 - $138,000).

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

NOTE 24 REMUNERATION OF AUDITORS

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

	Consolidated		Parent	
	1999	**1998**	**1999**	**1998**
	$000	**$000**	**$000**	**$000**
▪ audit or review of the financial statements	49	34	28	19
▪ other services	24	9	20	8

NOTE 25 RELATED PARTY DISCLOSURE

(a) **Directors**

The following persons held the position of director of Lion Selection Group Limited during the year ended 31 July 1999:

E W J Tyler
R A Widdup
M W MacNaught
J J Craig

(b) **Directors' Shareholdings**

	1999	1998
Aggregate number of shares in the parent entity acquired during the year:	46,500	410,000
Aggregate number of shares in the parent entity held at the end of the year:	456,500	410,000

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

(c) **Other Director Transactions**

During the year, in the ordinary course of business, the parent entity paid management fees on commercial terms totalling $1,502,000 to Selection (LSG) Management Pty Ltd of which Mr RA Widdup is a director. It also reimbursed expenses totalling $10,000 (1998 - $11,000) and received reimbursement of expenses amounting to $111,000 (1998 - $105,000) from Selection (LSG) Management Pty Ltd.

(d) **Ultimate Controlling Entity**

The ultimate controlling entity is Lion Selection Group Limited. The ownership interests in controlled entities are set out in Note 27.

(e) **Associated Entities**

During the year, Consolidated Minerals Limited paid directors fees to Lion amounting to $13,333.

NOTE 26 ASSOCIATED ENTITIES

During the year, Consolidated Minerals Ltd, Gallery Gold Ltd and Spinifex Gold NL became associates of the economic entity.

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

(a) Details of interests in associated entities

Name and principal activity	Reporting Date	Ownership interest (%)		Carrying amount	
		1999	1998	1999 $000	1998 $000
Havilah Resources NL * Exploration	31 July	54	45	-	810
Consolidated Minerals Limited Mining	30 June	34	-	3,814	-
Gallery Gold Limited Exploration	30 June	31	5	2,123	250
Spinifex Gold NL Exploration	30 June	38	5	5,426	549
				11,363	1,609

**On 30 July 1999 Havilah Resources NL became a controlled entity of the Lion Group and ceased to be an associate for equity accounting purposes.*

		1999 $000
(b)	**Shares of associates' results**	
	Operating losses before tax	2,626
	Income tax expense	-
		2,626
(c)	**Aggregate carrying amount of investment in associates**	
	Balance at beginning of year	1,609
	Movements during the year	
	Investments acquired	13,490
	Share of net result	(2,626)
	Adjustment on adoption of new accounting standard	(70)
	Adjustment for associate now a controlled entity	(1,040)
	Balance at end of year	11,363
(d)	**Financial summary of associates**	
	Total assets	33,260
	Total liabilities	11,134
	Net loss *	6,049

* *Excludes an extraordinary gain of $20.089 million relating to the reconstruction and recapitalisation of Consolidated Minerals.*

(e) Expenditure commitments

The economic entity's share of its associates' expenditure commitments is as follows:

Mineral tenements	617
Operating leases	206
Finance leases	44
	867

Spinifex Gold NL has commitments of $9,000 per quarter (Lion's share - $3,000) to certain claim holders whilst it continues to explore the claim holders' tenements in Tanzania. A final payment of $888,000 (Lion's share - $338,000) will be payable provided that certain conditions are met.

Other exploration commitments of associates are not readily quantifiable due to the nature of the industry. If commitments are not met certain tenements may be diluted or relinquished.

(f) Contingent liabilities

The economic entity's share of its associates' reported quantifiable contingent liabilities is as follows:

Mine rehabilitation	5

(g) Dissimilar Accounting Policy

Consolidated Minerals Limited recorded an extraordinary gain of $20.089 million on the forgiveness of debts pursuant to a Deed of Company Arrangement. However, this gain has not been included for equity accounting purposes as the directors believe that such inclusion would distort the consolidated financial statements.

(h) Subsequent Events

Since the end of the year the following subsequent events relating to associated entities have occurred:

(i) a controlled entity of Consolidated Minerals Limited has entered into an agreement to purchase mining tenements adjacent to its existing manganese mining operations. The purchase consideration is $2,500,000 payable in instalments by 31 March 2000 and a royalty of 3.5% of revenue on the first 400,000 tonnes of manganese production from the tenements.

(ii) as a result of the merger with East African Gold Corporation (EAGC), Spinifex Gold NL has issued a total of 65,054,544 fully paid ordinary shares and 31,364,907 options to subscribe for ordinary shares at an issue price of 20 cents each. In addition, Spinifex has assumed the obligation of a convertible note issued by EAGC which, if converted, would result in the issue of a further 15,499,449 Spinifex shares.

The effect of this transaction is that the Lion group's interest in Spinifex has reduced to 26.1% on an undiluted basis. On a fully diluted basis, the Lion group's interest in Spinifex would be 24.3%.

NOTE 27 CONTROLLED ENTITIES

The consolidated financial statements at 31 July 1999 include the following controlled entities. Each controlled entity has the same balance date as the parent entity:

Name of controlled entity	**Notes**	**Place of incorporation**	**% of shares held**	
			1999	**1998**
Controlled entities of Lion Selection Group Limited				
Australian Selection Pty Ltd		Australia	100	100
Indophil Resources NL		Australia	72	64
Copperbelt Selection NL		Australia	100	-
Havilah Resources NL	(b)	Australia	54	45
Controlled entity of Australian Selection Pty Ltd				
AFL Management Ltd	(a)	Mauritius	53	-
Controlled entities of Indophil Resources NL				
Indophil Resources (Philippines) Inc	(a)(c)	Philippines	100	100
Osprey Mineral Exploration Corp	(a)(d)	Philippines	100	100
Pulong Ilog Mineral Exploration Corp	(a)(d)	Philippines	100	100
San Leonardo Mineral Exploration Corp	(a)(d)	Philippines	100	100
San Eduardo Mineral Exploration Corp	(a)(d)	Philippines	100	100
San Christo Mineral Exploration Corp	(a)(d)	Philippines	100	100
Indophil Resources Exploration Services (India) Pte Ltd	(a)(f)	India	100	100
Southern Philippines Exploration Pty Ltd	(f)	Australia	100	-
Southern Exploration Corporation	(a)(g)	Philippines	100	-
Luzon Resources Pty Ltd	(f)	Australia	100	-
Omega Mineral Exploration Corp	(a)(e)	Philippines	80	80
Visayan Resources Pty Ltd	(f)	Australia	100	-
Xenia Mineral Exploration Corp	(a)(e)	Philippines	80	80

(a) These companies have been audited by affiliates of the parent entity auditor.

(b) This company is audited by a firm other than the parent entity auditors or their affiliates.

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

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

(e) Omega is 80% owned by Luzon Resources.
Xenia is 80% owned by Visayan Resources.

(f) 100% owned by Indophil Resources NL.

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

(h) Assets and liabilities of controlled entities acquired by the Lion group by major class are:

	Consolidated	
	1999 $000	1998 $000
Cash	859	21,879
Plant and equipment	30	-
Exploration properties/mining rights	1,827	1,398
Receivables	-	92
Other	-	6
Accounts payable	(85)	(303)
	2,631	23,072

Outflow of cash on acquisition of controlled entities:

	1999 $000	1998 $000
Cash consideration		
Current year	1,059	22,013
Prior year	826	-
	1,885	22,013
Cash balance acquired	859	21,879
Net cash consideration	1,026	134

(i) Material acquisitions of controlled entities

Name of controlled entity and date of acquisition	Beneficial Interest	Consideration $000	Fair value of net tangible assets acquired $000
Year ended 31 July 1999			
Copperbelt Selection NL acquired 15 October 1998	100%	650	650
AFL Management Limited acquired 26 April 1999	53%	16	31
Havilah Resources NL acquired 30 July 1999	54%	1,211	1,965
Period ended 31 July 1998			
Australian Selection Pty Ltd acquired 25 May 1997	100%	20,000	20,000
Indophil Resources NL acquired 12 November 1997	61%	2,750	3,072

NOTE 28 MATERIAL INVESTMENTS

Other than investments in controlled entities and investments in associated entities, the economic entity has an 11.9% interest in East African Gold Mines Limited and a 16.3% interest in Mining Project Investors Pty Ltd. The carrying amounts of these investments in the financial statements at 31 July 1999 are $8,551,000 and $6,067,000 respectively. Details of these investments are shown elsewhere in this report.

NOTE 29 INTEREST IN JOINT VENTURES

The economic entity has interests in unincorporated joint ventures (JV) as follows:

Name of Joint Venture	Activity	Interest held/ to be earned
Indophil Group		
Manat JV	Mineral exploration	25% [1]
Buda JV	Mineral exploration	50%
Northern Sierra Madre JV	Mineral exploration	80%
Havilah Resources		
Sandstone JV	Mineral exploration	9%
Desertex Highlands Rocks JV	Mineral exploration	51% [2]

Exploration expenditure of $1,335,500 incurred on the above joint ventures is included as a non current asset under the heading Exploration Properties.

[1] *Requires expenditure of US$1.0 million to earn 25%.*
[2] *Requires expenditure of A$550,000 to earn 51%.*

NOTE 30 EARNINGS PER SHARE

Basic earnings per share, based on a weighted average number of shares on issue during the period of 100,108,905 shares (1998 – 77,309,776 shares), was -2.1 cents per share (1998, -2.7 cents per share). The 1998 comparative basic earnings per share has been adjusted to the amount that would have been determined had the change in accounting policy occurring in the current financial year been applied in 1998.

Diluted earnings per share is not materially different to basic earnings per share as there are no potential dilutive ordinary shares on issue at the reporting date.

As detailed in Note 1, the economic entity changed its accounting policy from 1 July 1998 to incorporate equity accounting for investments in associated entities. The effect of this change for the year ended 31 July 1999 has been to reduce basic earnings per share by 2.6 cents per share as compared with the amounts of earnings per share that would have been determined using the previous accounting policy.

NOTE 31 SUBSEQUENT EVENTS

Since 31 July 1999, the following subsequent events have occurred:

- Lion has invested $1.65 million in Sedimentary Holdings NL.
- On 12 October 1999 Lonmin plc announced a takeover for Ashanti Goldfields Company Limited which could have implications on Ashanti's proposed farm in agreement with Spinifex Gold NL.

NOTE 32 SEGMENT INFORMATION

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

	Segment Revenue		Segment Result		Segment Assets	
	1999 $000	1998 $000	1999 $000	1998 $000	1999 $000	1998 $000
Industry segment						
Investment	4,471	4,401	627	(2,295)	46,921	26,298
Exploration	45	21	(3,291)	(373)	6,218	3,562
Unallocated	2,845 *	4,277 *	532	3,047	45,337 **	70,103 **
	7,361	8,699	(2,132)	379	98,476	99,963
Capital raising costs	-	-	-	(2,566)	-	-
Consolidated	7,361	8,699	(2,132)	(2,187)	98,476	99,963
Geographical segment						
Australia	7,361	8,699	(1,466)	(1,814)	76,340	90,037
Africa	-	-	-	-	17,436	7,316
South East Asia	-	-	(666)	(373)	4,700	2,610
Consolidated	7,361	8,699	(2,132)	(2,187)	98,476	99,963

* *Predominantly interest earned on funds awaiting investment.*
** *Predominantly cash held by parent entity not yet invested.*

The African geographical segment includes Tanzania. The South East Asian geographical segment includes the Philippines.

The exploration industry segment in the current year includes the adoption of Accounting Standard AASB 1016 “Accounting for Investments in Associates”. This represents a change from the prior year. The effect of this change is to increase the exploration segment loss by $2,626,000.

Lion Selection Group Limited
Declaration of the Directors

The directors of Lion Selection Group Limited hereby declare that:

(a) The financial statements and associated notes comply with the accounting standards and Urgent Issues Group Consensus Views.

(b) The financial statements and notes give a true and fair view of the financial position as at 31 July 1999 and performance of the company and economic entity for the year then ended.

(c) In the directors' opinion:

(i) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(ii) the financial statements and the notes are in accordance with the Corporations Law, including sections 296 and 297.

This declaration has been made in Melbourne on 13 October 1999 in accordance with a resolution of the directors.

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

Independent Audit Report

To the Members of Lion Selection Group Limited:

Scope

We have audited the financial report of Lion Selection Group Limited for the financial year ended 31 July 1999, as set out on pages 29 to 49. The financial report includes the consolidated financial statements of the consolidated entity comprising Lion Selection Group Limited and the entities it controlled at year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

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

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

Audit Opinion

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

(a) the Corporations Law, including:

- (i) giving a true and fair view of the company and the consolidated entity's financial position as at 31 July, 1999, and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards and the Corporations Regulations; and

(b) other mandatory professional reporting requirements.

Arthur Andersen
Chartered Accountants

Tim Wallace
Partner

13 October 1999
Melbourne, Victoria

Shareholder Information

Distribution of Shareholdings as at 22 September 1999

Size of holding	Number of shareholders
1 to 1,000	33
1,001 to 5,000	1,190
5,001 to 10,000	689
10,001 to 100,000	666
100,001 and over	46
Total shareholders	**2,624**
Number of ordinary shareholders with less than a marketable parcel	13

Directors', Officers' and Manager's Shareholding

The total number of shares held by directors, officers and staff of the Company and the Manager was 1,156,000 shares.

Voting Rights

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

Twenty Largest Shareholders as at 22 September 1999

Name	No of shares	%
National Nominees Limited	13,982,300	13.97
Queensland Investment Corporation	5,155,271	5.15
Invia Custodian Pty Limited <250 A/C>	5,000,000	4.99
NRMA Investments Pty Limited	5,000,000	4.99
Norwich Union Life Australia	3,932,700	3.93
Westpac Custodian Nominees Limited	3,485,500	3.48
Orica Securities Pty Limited	3,000,000	3.00
GIO Personal Investment Services Limited	2,524,500	2.52
Invia Custodian Pty Limited <500 A/C>	2,500,000	2.50
Invia Custodian Pty Limited <600 A/C>	2,500,000	2.50
Suncorp General Insurance Limited	2,425,900	2.42
Invia Custodian Pty Limited <Jasper A/C>	2,221,136	2.22
GIO General Limited	2,000,000	2.00
Citicorp Nominees Pty Limited	1,951,350	1.95
Mark Gareth Creasy	1,500,000	1.50
Susan Elizabeth Murphy	1,347,754	1.35
Colonial Portfolio Services Limited	1,185,230	1.18
Viking Holdings Limited	1,000,000	1.00
Chase Manhattan Nominees Limited	979,542	0.98
Raymond John Murphy	871,660	0.87
Total	**62,562,843**	**62.50**

Substantial Shareholders as at 22 September 1999

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

Name	Number of ordinary shares
Unisuper Ltd	7,350,000
Portfolio Partners Limited	5,125,200

Investor Relations

Shareholder Briefings

Lion holds shareholder briefings twice a year in major centres in Australia and New Zealand to update shareholders on the company's activities. All shareholders are invited to attend the briefings, which are held in March/April and September/October. Details of the briefings are distributed with Lion's quarterly reports and can also be found in the Company Calendar section of the website.

Company Communications

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

Share Registry

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

The Registrar - Lion Selection Group Limited
Computershare Registry Services Pty Limited
Level 12, 565 Bourke Street
Melbourne Vic 3000
Tel: (03) 9611 5711 Int: +61 3 9611 5711 Fax: (03) 9611 5710

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

Website

Since its launch in August 1998 the average number of visitors to the Lion website has doubled to approximately 1,000 per week.

The website has been expanded significantly in recent months and now contains information on Lion's directors and management team, investee companies and copies of ASX announcements, quarterly and annual reports. Links are provided to the sites of investee companies (where available) and other relevant sites. The site is updated regularly and recent news is highlighted on the home page.

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

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

Judith Russell, Investor Relations Manager
Tel: (03) 9614 8008 Int: +61 3 9614 8008 Fax: (03) 9614 8009
Email: jrussell@lsg.com.au

Corporate Directory

Registered and Principal Office

Level 4
15 Queen Street
Melbourne VIC 3000

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

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

Share Registry

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

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

Directors

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

Company Secretary

Paul R Taylor