

ASX RELEASE
15 May 2008

ASX Codes

Ordinary shares: LST
Listed options: LSTO

Issued shares: 191.0m

Share price: \$1.655

Issued options: 5.8m

Option price: \$0.325
(151c April 09)

Market cap: \$318m

Net Tangible Assets: \$341m

NTA (per share) pre tax
(30/04/08): \$1.78

NTA (per share) post tax
(30/04/08): \$1.78

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Proposed Sale of Indophil Holding
Potential Cash Proceeds of \$97 million

Key Points

- Xstrata has announced a cash takeover Offer to acquire all of the issued capital of Indophil for \$1.00 per share, a premium of 30% to Indophil's 30 day VWAP.
- Lion owns 25.4% of Indophil and has entered into a pre-bid agreement with Xstrata for 17.8% of its holding.
- If the Offer proceeds on the proposed terms, Lion will realise cash of \$97 million or \$0.51 per Lion share. There will be a 12¢ increase to Lion's last reported NTA to \$1.90 per share. In combination with a successful sale of Cracow, Lion's NTA would be \$1.98 per share.
- Lion benefits from any increase in Xstrata's Offer and the opportunity exists to accept any higher competing offer under certain circumstances.
- Lion expects to announce the proposed use of funds from the sale of Cracow and Indophil in the near future.

Xstrata Plc ("Xstrata") has announced today a cash takeover Offer to acquire all of the issued capital of Indophil Resources NL ("Indophil") at \$1.00 per share. Xstrata's Offer is subject to a number of conditions, one of which is the Indophil takeover of Lion Selection Limited ("Lion") not being completed.

Lion believes the consideration offered by Xstrata for Indophil is attractive and represents a 30% premium to the 30 day Volume Weighted Average Price ("VWAP") of Indophil of 77¢ per share and a 4.3 times multiple on the average cost of Lion's investment in Indophil of 23¢ per share.

Lion has entered into a pre-bid acceptance agreement with Xstrata in relation to part of its shareholding in Indophil, representing 17.8% of Indophil issued share capital. Lion owns a further 7.7% of Indophil which is not covered by this agreement, and in absence of a better alternative intends to also accept into this Offer.

Lion's most recently released net tangible assets (NTA) (as at 30 April 2008) was \$1.78 per share. If Xstrata's Offer price is used to value Lion's investment in Indophil, the NTA would be \$1.90 per share. Assuming successful completion of the sale of Lion's 30% interest in Cracow as announced today, the NTA increases to \$1.98 per share of which \$1.36 or \$260 million is in cash.

Pre-Bid Agreement

Under the terms of the pre-bid acceptance agreement with Xstrata, Lion, which currently holds 25.4% of Indophil, has agreed to accept an off-market takeover bid (the "Offer") made by Xstrata for Indophil in respect of 67.7 million shares comprising 17.8% of Indophil's issued share capital.

This acceptance is subject to a number of conditions, including:

- the fulfillment or waiver by Xstrata of the conditions of the Offer for Indophil; and
- Foreign Investment Review Board approval; and
- whichever of the following events that occurs first:
 - shareholder approval by Lion shareholders; or
 - Indophil waiving the condition of its takeover bid for Lion to the extent necessary to allow Lion to sell its Indophil shares; or
 - Indophil's takeover bid for Lion lapsing or being withdrawn.

Should a higher competing offer be announced prior to the date of shareholder approval, Lion may receive the benefit of the competing offer. Lion will also receive the benefit of any increase in the Xstrata Offer if Lion accepts the Xstrata Offer.

Lion also intends to realise value for the 29.2 million shares it holds in Indophil, that are not subject to the Pre-Bid Agreement with Xstrata, in the most optimal way following shareholder approval. This may include one or a combination of accepting Xstrata's Offer, any superior offer that emerges, an increase in Xstrata's Offer, or selling the shares on market.

Indophil Offer for Lion

It is very important that Lion shareholders note Xstrata has stated that a condition of its Offer for Indophil will be that Indophil's bid for Lion does not succeed.

Accordingly, should Indophil's share price increase to reflect the value of the Xstrata Offer, Lion directors do not consider that this price can be used to imply the value of the Indophil offer for Lion. Should the Indophil offer for Lion succeed, then the Xstrata Offer will lapse and Indophil's share price may fall to levels prior to the announcement of the Xstrata Offer.

The Lion Board restates its previous advice that shareholders take no action and not make any decision in relation to the Indophil offer for Lion until the Target's Statement is sent to Lion shareholders.

Gryphon Partners is acting as financial adviser to Lion.

Detailed information on Lion Selection Limited can be found on the company's website www.lionselection.com.au.