

## LION TO RESTRUCTURE TO UNLOCK VALUE

- **MERGER OF LION'S GOLD INTERESTS WITH CATALPA RESOURCES**
- **LION SELECTION – FOCUSED INVESTMENT COMPANY**
- **10 CENTS PER SHARE CASH DISTRIBUTION**

Lion Selection Limited (LST) and Catalpa Resources Limited (Catalpa) have today agreed in principle and subject to due diligence, a merger with Catalpa of LST's gold assets (30% Cracow interest and 47% shareholding in Catalpa), creating a new Australian mid tier gold producer. The merger will be by way of a LST scheme of arrangement.

LST shareholders will receive 1 share in Catalpa for each LST share they own, on the basis that Catalpa undertake an 11 for 1 share consolidation prior to the merger.

At the same time LST intends to demerge its subsidiary, Lion Selection Group Limited (LSG), which holds all of the remaining LST investments. LST shareholders will receive 1 LSG share for each LST share held. LSG shares will be listed on the National Stock Exchange of Australia (NSX). In addition, in conjunction with E.L & C Baillieu Stockbroking, LSG shareholders are expected to be provided the opportunity to tender shares for sale or offer to purchase more shares in a matching facility, on a best endeavours basis.

LST shareholders will also receive a 10 cent per share cash distribution.

### PROPOSED TRANSACTIONS

1. **Demerge Investments (LSG) – LST shareholders receive 1 LSG share for each LST share.**
2. **10¢ cash distribution to LST shareholders.**
3. **Merge LST's gold interests with Catalpa – LST shareholders receive 1\* Catalpa share for each share.**

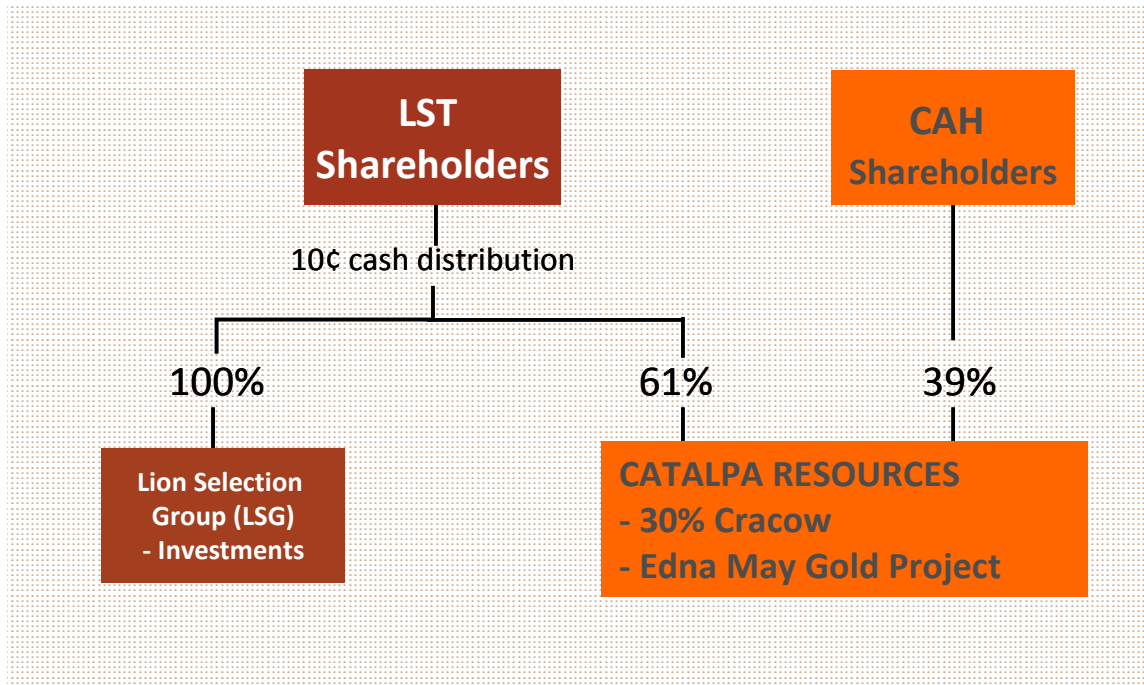
\*following 11 for 1 Catalpa share consolidation

The restructure:

- aims to realize the value of Lion's assets by unlocking the discount to NTA at which Lion's share price trades and;
- enables the market to fairly value Lion's gold investments — 30% interest in Cracow and 47% ownership of Catalpa, in a strong gold market.

The Merger is unanimously recommended by both the Boards of Lion and Catalpa and each director intends to vote their respective shareholdings in favour of the Merger, in the absence of a superior competing proposal.

## PROPOSED STRUCTURE



The new gold company will be focused, with experienced board and management and two assets:

- 30% joint venture interest in the Cracow Gold Mine in Queensland with a share of current production of around 30,000 oz per annum at a cash cost of A\$500–A\$530/oz; and
- The 100% owned Edna May Gold Project in Western Australia which, when commissioned in mid 2010, is planned to produce at a rate in excess of 100,000 oz per annum with an estimated life of mine cash operating cost of A\$636/oz (pre-royalty), a current mine life of around 8 years and 352,317 oz sold forward at a fixed flat price of A\$1,544/oz.

Both of these mines have significant potential to add additional resources and reserves through near mine exploration success.

LSG will own LST's other resource investments. An experienced board and management group will manage the remaining direct investments and Lion Manager will manage investments in the African Lion and Asian Lion funds.



The LST Board believes the new structure will no longer require the management services of Lion Manager and has terminated the management contract, with up to 12 months notice subject to the demerger proceeding.

## Value to be Unlocked

Based on the agreed terms, the immediate and potential value to be unlocked for LST Shareholders on completion of the demerger of LSG and the merger with Catalpa is shown in the following table:

|                                 | Market Values    |                    | NPV/NTA             | Potential                   |
|---------------------------------|------------------|--------------------|---------------------|-----------------------------|
|                                 | Now <sup>1</sup> | Post Scheme        |                     |                             |
| Cracow & Catalpa per LST share  | 62c <sup>6</sup> | 99c <sup>6</sup>   | 205c <sup>2/6</sup> | 225c to 256c <sup>3/6</sup> |
| LSG (Investments) per LST share | 28c <sup>7</sup> | 35c <sup>5/7</sup> | 57c <sup>4/7</sup>  | 57c to 200c <sup>7</sup>    |
| Cash Distribution per LST share | 5c               | 10c                | 10c                 | 10c                         |
| <b>TOTAL per LST share</b>      | <b>95c</b>       | <b>144c</b>        | <b>271c</b>         | <b>292c to 465c</b>         |

### Notes:

All values relating to share prices are valued at 23 June 2009

1. Value implied in Lion's current market capitalization at a 50% discount to Net Tangible Assets on 23 June 2009 and following Manager's Termination payment.
2. Net Present Values agreed between LST and Catalpa to determine merger terms.
3. In the LST directors opinion a gold company with two assets may trade at a modest premium to NPV.
4. NTA of LSG (investments) post demerger
5. Indicative matching price to be used as pricing for a matching facility. LST directors will set the matching price which may vary from this amount. Refer to section "Matching Facility"
6. For the derivation of the values see section "Overview of Catalpa Resources Post Merger"
7. For the derivation of the values see section "Overview of LSG"

## Overview of Catalpa Resources Post Merger

Following implementation of the merger, the new gold company will hold:

### ➤ 30% direct interest in Cracow Gold Mine in Queensland

The Cracow Gold Mine, located in the Theodore region of southern Queensland, commenced operations in November 2004 and has consistently produced around 100,000 ounces per annum for the last three years. Ore throughput capacity exceeds 400,000 tonnes per annum with ore currently being sourced from the Royal, Sovereign and Crown mineralised zones.

Lion's share of gold produced at the Cracow Gold Mine for the twelve months to 30 April 2009 was 30,121 ounces at cash operating cost of \$504/ounce. Lion is unhedged, has no debt and continues to be fully exposed to the currently high A\$ gold price for its share of Cracow gold production, providing a strong cashflow stream.



Ore Reserves for the project at 30 June 2008 were 176,479 ounces at 8.6g/t gold, compared with a Mineral Resource of 703,019 ounces at 7.77g/t. Exploration success has led to the successful delineation of the 200,000 ounce Kilkenny Resource<sup>1</sup>, which is a new ore shoot on a previously unexploited structure and was included in the Mineral Resource for the first time in 2008. Recent drilling on the Kilkenny structure has intersected further gold mineralisation to the south of the resource and Lion believes this will extend the known mineralization envelope, adding further potential for mine life extension.

Under the terms of the Joint Venture Agreement, the new gold company will hold the pre-emptive right over Newcrest Mining Limited's 70% interest in the Cracow Gold Mine.

➤ **100% interest in Edna May Gold Project in Western Australia**

The Edna May project is located mid-way between Perth and Kalgoorlie in Western Australia, and was the subject of a Feasibility Study completed in 2008. On 7 April 2009 Catalpa announced an open pit Ore Reserve of 817,000 ounces within a Mineral Resource of more than 1.5 million ounces.

Construction commenced second quarter of 2009 with first gold production targeted for June 2010. The Feasibility Study estimated a capital cost of A\$92 million. The project is intended to process 2.8Mtpa initially, ramping up to 3.2Mtpa with an estimated life of mine cash operating cost of A\$636/ounce (pre-royalty).

Edna May is funded, with project development funds having been raised during early 2009. These comprise a A\$67.5 million project finance facility with Macquarie Bank and A\$38.9 million equity funds raised. Gold production has been partially hedged with 352,317 ounces sold at a fixed flat forward price of \$A1,544/ounce.

➤ **Board and Management**

On completion of the merger the Board of Catalpa Resources will comprise:

|                         |                  |                    |
|-------------------------|------------------|--------------------|
| Chairman                | Peter Maloney    | ex LST             |
| Managing Director       | Bruce MacFadzean | ex Catalpa         |
| Non Executive Directors | Graham Freestone | ex LST             |
|                         | Barry Sullivan   | ex LST and Catalpa |
|                         | John Rowe        | ex Catalpa         |
|                         | Murray Pollock   | ex Catalpa         |

The existing management team of Catalpa will remain in place.

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<sup>1</sup> Kilkenny Resource as reported in the 2008 Lion Selection Limited Annual Report to Shareholders



## ➤ Value to be Unlocked

The LST Board believes the value of Lion's gold assets is not recognized in the LST share price and this transaction will enable the market to focus on the real value in a single company with experienced board and management.

The following table illustrates the potential rerating for an LST shareholder.

|   | Market Values    |                          | NPV <sup>3</sup> | NPV Rerated <sup>4</sup><br>1.1 - 1.25 times NPV |
|---|------------------|--------------------------|------------------|--|
|   | Now <sup>1</sup> | Post Scheme <sup>2</sup> |                  |  |
| 30% Cracow + approx \$2m cash           | \$28m            | \$30m                    | \$62m            | \$68m to \$77m                                   |
| 47% Catalpa + options                   | \$27m            | \$57m                    | \$119m           | \$130m to \$148m                                 |
| <b>TOTAL</b>                            | <b>\$54m</b>     | <b>\$87m</b>             | <b>\$181m</b>    | <b>\$198m to \$225m</b>                          |
| <b>Lion's Gold assets per LST share</b> | <b>62¢</b>       | <b>99¢</b>               | <b>205¢</b>      | <b>225¢ - 256¢</b>                               |

### Notes:

All values relating to share prices are valued at 23 June 2009

1. Value implied in Lion's current market capitalization at a 50% discount to Net Tangible Assets on 23 June 2009 and following the Manager's termination payment.
2. Value implied by Catalpa's share price of 8.8c and the merger ratio of 11 CAH shares (prior to consolidation) to 1 LST share.
3. Net Present Values agreed between LST and Catalpa to determine merger terms.
4. In LST directors' opinion the gold company with two assets may trade at a modest premium to NPV.

## Overview of Lion Selection Group

LSG will hold all of Lion's non-gold assets and cash as follows:

| Asset                        | % holding | Market Value (23/06/09)<br>\$m |
|------------------------------|-----------|--------------------------------|
| Indophil                     | 6.8%      | 12                             |
| Havilah                      | 18.6%     | 8                              |
| Exco                         | 9.3%      | 6                              |
| Others                       |           | 4                              |
| African and Asian Lion Funds |           | 9                              |
| Cash                         |           | 11                             |
|                              |           | 50                             |

or 57 cps

LSG will be listed on the National Stock Exchange. The NSX has been chosen as an alternative to the Australian Stock Exchange for the reduced cost, whilst maintaining a listing that will enable shareholders to trade the shares if they desire.



The expected total board, management and administration costs of LSG will be less than \$1M per annum following the demerger.

➤ **Board and Management**

On completion of the merger the Board and Management of LSG will comprise:

|  |               |   |
|--|---------------|---|
| Chairman                                       | Ewen Tyler    | Currently Chairman of LST   |
| Managing Director                              | Craig Smyth   | Currently Financial Controller and Joint Company Secretary of LST |
| Executive Director                             | Howard Walker | (retired from the Lion Manager two years ago)                     |
| Company Secretary & Investor Relations Manager | Jane Rose     | Ms Rose currently holds these positions in LST                    |

➤ **Fair Value / Rerating Comments**

The following table compares the current market value of LSG’s investments with the LST directors’ opinion as to the possible value to be realized if LSG were to undertake a forced sale of those investments in the next 3 months, and also with the LST directors’ opinion as to the possible value to be realized if LSG were to sell those investments in an orderly manner over a 5 year time frame.

|                                 | NOW          | SCENARIOS            |                     |
|---------------------------------|--------------|----------------------|---------------------|
|                                 |              | 3 month forced sale  | > 5 years           |
| Indophil                        | \$12m        | } \$17m <sup>1</sup> | \$46m <sup>2</sup>  |
| Havilah                         | \$8m         |                      |                     |
| Exco                            | \$6m         |                      |                     |
| Other                           | \$4m         |                      |                     |
| African Lion and African Lion 2 | \$6m         | \$0m                 | \$30m <sup>2</sup>  |
| African Lion 3 and Asian Lion   | \$3m         | \$0m                 | \$100m <sup>3</sup> |
| Cash                            | \$11m        | \$11m                | \$0m <sup>5</sup>   |
| <b>Total</b>                    | <b>\$50m</b> | <b>\$28m</b>         | <b>\$176m</b>       |

\$31m commitment to AFL3 and ALF

|  |     |                  |     |      |
|--|-----|------------------|-----|------|
|  | NTA | 57c              |     |      |
| <b>Indicative Matching Price<sup>4</sup></b> |     | 35c <sup>4</sup> | 31c | 200c |
| Market Price                                 |     | 28c              |     |      |

All values relating to share prices are valued at 23 June 2009.

1. LST directors view on potential outcome if the investments are sold within 3 months
2. LST directors view on potential outcome if the investments are sold over a 5 year timeframe
3. LST directors view on potential outcome for African Lion 3 (AFL3) and Asian Lion funds based on past performance of AFL – 3.5x and AFL2 – 1.5x.
4. Indicative matching price to be used as pricing for a matching facility. LST Directors will set the matching price which may vary from this amount.
5. Assumes cash is included in commitment to AFL3 and ALF.

➤ **Matching Facility**

LST directors expect to arrange a matching facility in conjunction with E.L & C Baillieu Stockbroking on a best endeavours basis. LSG shareholders expect to be entitled to offer their shares in LSG for sale or alternatively to make offers to purchase more shares. E.L.&C. Baillieu will also endeavour to identify third parties who are willing to offer to purchase shares. The matching facility will have terms and conditions including price and eligibility.

Purchases and sales under the matching facility will take place at a price to be determined by directors. The determination of matching price will be made with regard to a number of sources including, but not limited to – the value of the underlying investments and share price history. Matching of shares offered for sale with offers to purchase shares will be on a best-endeavours basis. The directors of LSG retain the absolute discretion to provide the facility as well as allocation policy. Directors of LST will not be making a recommendation regarding participation in the matching facility. Timing and details of the matching facility will be provided in the scheme booklet. Note that investors in some jurisdictions may be ineligible to receive LSG shares.

## **Lion Manager Termination**

Lion Manager currently manages LST under a management contract. The Lion Board has decided that the demerger of LSG from Lion's gold assets will result in the services provided by Lion Manager no longer being required. Lion Manager will continue with the existing arrangements to manage the African and Asian Lion Funds, of which LSG is the major shareholder. The other investments held directly by LSG will be managed by its board and management. As a result, Lion Manager's contract has been terminated, subject to implementation of the demerger. However, the services of Lion Manager will be retained by LST under the termination provisions following completion of the demerger until the end of the 12 month notice period. If the merger with Catalpa has not completed by the end of that 12 month notice period, Lion Manager will continue to provide services to LST for up to a further 12 months if required by the LST Board.

The consideration due to Lion Manager, under the terms of the management contract, for termination is 12 months notice and two years annual fee plus a payment of \$500,000 for intellectual property. The annual fee is \$2.76M. Lion Manager and LST Board have agreed for Lion Manager to be paid the consideration (not including any payment in respect of the 12 month notice period) in LST shares instead of cash, reflecting the Lion Manager's view on the future of both LSG and the new gold company. No performance bonus will be paid to the Lion Manager subject to the demerger proceeding.

Consequently the Lion Manager will receive approximately 5.9m shares LST shares, the effective issue price of which is based on the 50 day VWAP to Friday, 19 June 2009. Payment of the monthly fee during the 12 month notice period (and any extended period as required by the LST board) will be paid in cash at the end of each month (and may be reduced subject to agreement with Lion Manager). These LST shares will be issued to the Lion Manager after shareholders have



approved the demerger of LSG, but before the demerger is affected, so these shares will participate in the proposed demerger and if approved by shareholders, the cash distribution and merger with Catalpa.

Robin Widdup, currently Managing Director of LST as well as being Managing Director of the Lion Manager, will not take a role in Catalpa post the merger with LST. He will remain as the Managing Director of the Lion Manager, which maintains the existing arrangements to manage the African Lion and Asian Lion funds, and will become a shareholder in both Catalpa and LSG.

## **Transaction Process**

- The demerger of LSG will be effected through a capital reduction and the merger with Catalpa will be implemented by a Scheme of Arrangement between LST and its shareholders (the Scheme). LST is seeking demerger relief in relation to the demerger of LSG from the Australian Tax Office, for the benefit of shareholders.
- LST shareholders will receive a 10 cent per share cash distribution, subject to the scheme proceeding. LST is seeking a class ruling in relation to the cash distribution to determine the tax consequences.
- LST shareholders will receive 1 share in LSG and 1 share in Catalpa for each LST share that they own. Catalpa Resources is proposing to undertake an 11 for 1 share consolidation prior to the merger. Catalpa shareholders will continue to hold their existing ordinary shares on a post consolidation basis.
- LST will seek a Court order to convene an LST shareholders meeting in September 2009 to approve the Scheme. Subject to receiving other necessary Court and other approvals, the merger is expected to be completed in early October 2009.
- LST will also convene an LST Shareholders meeting, immediately prior to the Court ordered meeting to approve the Scheme, to approve the cash distribution and the demerger of LSG.
- The demerger of LSG is not conditional on the merger of LST with Catalpa, however the merger of LST with Catalpa and the cash distribution can only take place if the demerger is approved.

## **Implementation**

LST and Catalpa have entered into a Merger Implementation Agreement under which LST and Catalpa have agreed to certain undertakings and arrangements to facilitate the implementation of the merger. Key terms of the Merger Implementation Agreement are summarised in Annexure 1 of this announcement.



Catalpa will seek shareholder approval for the share consolidation and the merger. The Catalpa shareholder meeting is expected to be held in September 2009 immediately prior to with the meeting for LST shareholders to vote on the scheme.

The Scheme is subject to regulatory, Court and LST shareholder approvals, together with other customary conditions.

Explanatory Booklets setting out details in relation to the demerger of LSG, the terms of the merger with Catalpa and the cash distribution, together with an Independent Expert's Report in relation to the scheme and the reasons for LST's Directors' recommendation is expected to be sent to all LST shareholders in August 2009. LST will seek a Court order to convene a meeting of LST shareholders in September 2009 to approve the Scheme and the merger is expected to be implemented in early October 2009.

An indicative timetable for completion of the transaction is set out below.

|  |                          |
|--|--------------------------|
| Confirmation of satisfaction of the due diligence condition by both LST and Catalpa  | 8 July 2009              |
| 1 <sup>st</sup> court hearing  | Late July 2009           |
| Scheme booklet dispatched  | Mid August 2009          |
| Catalpa shareholders meeting to consider share consolidation and the proposed merger | Early-Mid September 2009 |
| LST shareholders meeting to consider the Scheme                                      | Early-Mid September 2009 |
| 2 <sup>nd</sup> court hearing  | Mid September 2009       |
| Expected day of completion   | Early October 2009       |

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## Annexure 1

### Summary of Merger Implementation Agreement

Lion Selection and Catalpa have entered into a Merger Implementation Agreement (**MIA**) dated 24 June 2009 setting out the terms and conditions of, and each party's obligations in connection with, the implementation of the Scheme. An outline of the key terms of the MIA is set out below. Relevant defined terms not set out in this announcement are set out at the end of this summary.

#### 1. Conditions Precedent

The Scheme will not become effective unless certain conditions are satisfied or waived including:

- (a) an independent expert's report concludes that the Scheme is in the best interest of Lion Selection Shareholders;
- (b) the requisite majority of Lion Selection shareholders approve the resolutions to approve the Scheme, the proposed cash distribution and the demerger;
- (c) the requisite majority of Catalpa shareholders approve resolutions to approve both Catalpa's participation in the Scheme and the proposed consolidation of Catalpa's shares on an 11 to 1 ratio;
- (d) no temporary restraining order, injunction or other court order preventing the proposed transactions is in effect;
- (e) the Court makes orders approving the Scheme;
- (f) all necessary third party consents are granted or obtained;
- (g) agreements relating to the proposed demerger have been entered into by the relevant Lion Selection group companies in a form approved by Catalpa (such approval not to be unreasonably withheld or delayed). These documents will (among other things) establish the respective liabilities of each of the demerged and remaining companies in accordance with the liability regime set out in the MIA;
- (h) written confirmation from the Australian Tax Office that Lion Selection shareholders will have the benefit of demerger relief upon the transfer of all of the shares in LSG to Lion Selection shareholders as a result of the demerger;
- (i) National Stock Exchange of Australia (**NSX**) approves the admission of LSG to the official list of NSX.
- (j) prior to implementation:
  - (i) the aggregate liabilities of the Lion Selection Gold Companies are nil (other than certain liabilities specified in the MIA); and



- (ii) the Lion Selection Gold Companies hold \$1,500,000 (plus interest from 31 July 2009).
- (k) the Catalpa Share Consolidation is effected;
- (l) there are no Material Transactions (as defined in the MIA) by Catalpa or a Lion Selection Gold Company, without the prior consent of the other party;
- (m) no event occurs which has a Material Adverse Effect (as defined in the MIA) in respect of either Lion Selection or Catalpa;
- (n) no Prescribed Event (as defined in the MIA) occurs in relation to Lion Selection or Catalpa;
- (o) representations and warranties given by Catalpa and Lion Selection remain true and correct at the relevant date;
- (p) certain management agreements relating Lion Selection are terminated;
- (q) Both Catalpa and Lion Selection satisfactorily completing their due diligence investigations by 8 July 2009.
- (r) Lion Selection continuing to hold its shares and options in Catalpa
- (s) Catalpa entering into satisfactory loan and other facilities with Macquarie Bank by 8 July 2009.

## **2. Termination**

Either party may terminate the MIA if:

- (a) a condition to the MIA solely or jointly for its benefit cannot be satisfied or has not been satisfied by the time required for it to be satisfied;
- (b) there is a material breach of the MIA by the other party which is not remedied within 5 business days (or such shorter period ending on the Second Court Date) of the other party receiving notice of the breach in accordance with the MIA;
- (c) after 31 October (or such later date as agreed), if the Effective Date has not occurred by that date.

Either party may also terminate the MIA if:

- (a) any director of the other party adversely changes or withdraws his recommendation in relation to the transaction; or
- (b) the other party acts in a manner which is inconsistent with obtaining the requisite shareholder approvals.

### 3. Exclusivity (no shop and no talk obligations)

The MIA provides that until the Scheme is implemented or the MIA is terminated:

- (a) each party must ensure that neither it nor any of its associates:
  - (i) participates in any negotiations or discussions or provides any information to any person with respect to any inquiry, expression of interest, offer or proposal by any person in relation to a Competing Proposal;
  - (ii) accepts or enters into, or offers to accept or enter into, any agreement, arrangement or understanding regarding a Competing Proposal;
  - (iii) discloses any non-public information about the business or affairs of that party to a third party with a view to obtaining, or which may reasonably be expected to lead to receipt of, a Competing Proposal, other than as required by law; or
  - (iv) communicates any intention to do any of the above things, in respect of or in response to any expression of interest, offer or proposal by any person in relation to any Competing Proposal;
- (b) each party must ensure that neither it nor any of its associates actively solicits, facilitates, encourages or initiates steps with the objective of receiving an offer, proposal or expression of interest by any person in relation to any Competing Proposal; and
- (c) each party must notify the other party promptly if it becomes aware of any negotiations or discussions, approach or attempt to initiate any negotiations or discussions or intention to make such an approach or attempt to initiate any negotiations or discussions, in respect of any Competing Proposal.

Nothing in (a) or (c) above prevents a party from taking or failing to take action where to not do so would, in the reasonable opinion of that party's board of directors, be likely to involve a breach of directors' duties.

The MIA provides that, if a party (**Target**) receives a Competing Proposal, its directors must not change or withdraw their recommendation without giving the other party 5 business days notice of the proposed change or withdrawal of the recommendation and providing the other party the material terms of the Competing Proposal. The Target may request that the person making the Competing Proposal (**Bidder**) consent to the provision of their name to the other party, but they are not obliged to provide that name without the Bidder's consent.

The other party will have the right to offer to amend the terms of the Scheme or propose an alternative proposal (**Counterproposal**) to provide an at least equivalent outcome for the shareholders of the Target within 5 Business Days of receiving notice of the proposed change or withdrawal. If Target's board determines that the Counterproposal would provide an outcome at least equivalent for the shareholders to the Competing Proposal and the other terms and conditions of the Counterproposal taken as a whole are not less favourable than those in the



Competing Proposal, the parties must use their best endeavours to agree and put into effect those amendments to the MIA which are reasonably necessary to reflect the Counterproposal.

#### **4. Break Fees**

Under the MIA the parties acknowledge that if the Scheme is subsequently not implemented both parties will incur significant costs. In these circumstances the parties have agreed the following:

- (a) Lion Selection undertakes to pay \$1,000,000 to Catalpa if:
  - (i) a Competing Proposal in relation to Lion Selection is announced or made before the earlier of the termination of the MIA and the Second Court Date and, within 12 months after the date of the MIA, the person announcing or making the Competing Proposal:
    - (A) acquires (whether directly or indirectly) or becomes the holder or owner of all or substantially all of the shares in Lion Selection or the business of Lion Selection (other than LSG or its business);
    - (B) acquires from Lion Selection rights which may convert into, or interests in, 10% or more of Lion Selection's fully diluted share capital; or
    - (C) acquires control (as determined in accordance with section 50AA of the Corporations Act) of Lion Selection; or
    - (D) otherwise acquires or merges with Lion Selection; or
  - (ii) the MIA is terminated by Catalpa because of a material breach of the MIA by Lion Selection; or
  - (iii) any director of Lion Selection before termination of the MIA does not recommend the Scheme, the Cash Distribution or the Demerger or withdraws or adversely modifies an earlier recommendation or approves or recommends or makes an announcement in support of a Competing Proposal other than where Lion Selection's due diligence condition has not been satisfied or waived; or
  - (iv) Lion Selection disposes of any of its shares or options in Catalpa.
- (b) Catalpa undertakes to pay \$1,000,000 to Lion Selection if:
  - (i) a Competing Proposal in relation to Catalpa is announced or made before the earlier of the termination of the MIA and the Second Court Date and, within 12 months after the date if the MIA, the person announcing or making the Competing Proposal:
    - (A) acquires (whether directly or indirectly) or becomes the holder or owner of all or substantially all of the shares in Catalpa or the business of Catalpa;
    - (B) acquires from Catalpa rights which may convert into, or interests in, 10% or more of Catalpa's fully diluted share capital; or

- (C) acquires control (as determined in accordance with section 50AA of the Corporations Act) of Catalpa; or
  - (D) otherwise acquires or merges with Catalpa; or
- (ii) the MIA is terminated by Lion Selection because of a material breach of the MIA by Catalpa; or;
  - (iii) any director of Catalpa before termination of the MIA does not recommend the Scheme or the Catalpa Share Consolidation or withdraws or adversely modifies an earlier recommendation or approves or recommends or makes an announcement in support of a Competing Proposal, other than where Catalpa's due diligence condition or the Macquarie Bank facility condition have not been satisfied or waived.
- (c) If, after the payment of a break fee under the MIA, the Scheme becomes effective any party who has received payment of a break fee must repay it to the other party. The amount of the break fee may be reduced in certain circumstances set out in the MIA.

## **5. Obligations of Lion Selection**

Lion Selection must take all necessary steps to propose and implement the Cash Distribution, the Demerger and the Scheme as expeditiously as practicable, using all reasonable endeavours to do so in accordance with the indicative timetable set out in the MIA, including commissioning the Independent Expert's Report and preparing and dispatching notices of meeting and an explanatory memorandum in respect of the proposed transactions.

From the date of the MIA up to the Implementation Date Lion Selection must conduct, and must procure that each Lion Selection Gold Company conducts, its business in the ordinary course.

## **6. Obligations of Catalpa**

Catalpa must take all necessary steps to effect the Catalpa Share Consolidation and to assist Lion Selection to propose and implement the Cash Distribution, the Demerger and the Scheme as expeditiously as practicable, using all reasonable endeavours to do so in accordance with the indicative timetable set out in the MIA, including convening a meeting of Catalpa Shareholders to approve Catalpa's participation in the Scheme and the Catalpa Share Consolidation and preparing and dispatching the relevant notice of meeting and explanatory memorandum.

Catalpa must enter into a Deed Poll containing an undertaking to provide the Catalpa shares to Lion shareholders if the Scheme is approved.

From the date of the MIA up to and including the Implementation Date Catalpa must conduct, and must procure that each of its subsidiaries conducts, its business in the ordinary course.

## 7. Definitions

**Competing Proposal** means:

- (a) where the proposal is made in relation to Lion Selection or any of its assets or related bodies corporate, any proposal or offer that would, if completed substantially in accordance with its terms, result in:
  - (i) any person or persons who are associates (other than Catalpa and its related bodies corporate) acquiring, whether directly or indirectly:
    - (A) a relevant interest or other economic interest in more than 10% of the shares of Lion Selection;
    - (B) from Lion Selection, rights which may convert into, or relevant interests or other economic interests in 10% or more of Lion Selection's fully diluted share capital; or
    - (C) an interest (whether legal, beneficial or economic) in any or all of the Lion Selection Gold Assets or their production; or
  - (ii) the Scheme being rendered unable to be implemented,
- (b) where the subject of the proposal is Catalpa, or any of its assets or related bodies corporate, any proposal or offer that would, if completed substantially in accordance with its terms, result in:
  - (i) any person or persons who are associates (other than Lion Selection and its related bodies corporate) acquiring whether directly or indirectly:
    - (A) a relevant interest or other economic interest in more than 10% of the shares of Catalpa (other than a relevant interest arising from the acquisition of a relevant interest in Lion Selection Shares);
    - (B) from Catalpa, rights which may convert into, or relevant interests or other economic interests in, 10% or more of Catalpa's fully diluted share capital; or
    - (C) an interest (whether legal, beneficial or economic) in any or all of Catalpa's Edna May Project; or
  - (ii) the Scheme being rendered unable to be implemented.

**Lion Selection Gold Companies** means the companies which are being merged with Catalpa under the Scheme, being Lion Selection, AuSelect Limited ABN 53 077 885 208, Lion Mining Limited ABN 92 000 697 183, Sedgold Pty Ltd ABN 37 010 077 988 and Fernyside Pty Ltd ABN 17 001 245 530.

**LSG** means Lion Selection Group Limited, the company which is to be demerged from Lion Selection as part of the demerger.