

ASX RELEASE
16 June 2008

**SECOND SUPPLEMENTARY
TARGET'S STATEMENT**

UPDATE ON TAMPAKAN RISKS

ASX Codes

Ordinary shares: LST
Listed options: LSTO

Issued shares: 191.0m

Share price: \$1.815

Issued options: 5.8m

Option price: \$0.255
(151c April 09)

Net Tangible Assets:
(31/05/08) \$403m

Market cap: \$348m

NTA pre tax
(31/05/08): \$2.09

NTA post tax
(31/05/08): \$2.09

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Attached is Lion Selection Limited's Second Supplementary Target's Statement. The statement updates shareholders on the risks associated with Indophil's offer, including new information contained in Xstrata's Bidder's Statement.

The risks are summarised below:

Risks identified in Xstrata's bidder's statement:

- Sovereign Risk- fatal shooting at Tampakan project base camp on 27 May 2008.
- Capital Costs – expected to be substantially in excess of Indophil's pre-feasibility study cost of \$US 1.9 billion. Industry analysis quoted by Xstrata suggests that capital cost to develop the Tampakan project may be in excess of US\$3 billion.
- Funding Risk -- Indophil's share of the Tampakan development capital expenditure required is substantial and could easily be in excess of US\$1 billion
- Timing Risk – production unlikely to commenced before 2014 (previously Indophil had estimated 2012)

Other events:

- Tampakan related death threats in the Philippines

We also attach a copy of the relevant sections of Xstrata's Bidder's Statement for further detail.

Detailed information on Lion Selection Limited can be found on the company's website www.lionselection.com.au. If you have any queries, please contact Lion's investor relations team (Luke Smith or Jane Rose) on +613 9614 8008.

SECOND SUPPLEMENTARY TARGET'S STATEMENT AND NOTICE OF MEETING AND EXPLANATORY STATEMENT

This document is a Supplementary Target's Statement to Lion Selection Limited's ("Lion") Target's Statement and First Supplementary Target's Statement in relation to the offer by Indophil Resources NL ("Indophil") for the fully paid ordinary shares and options in Lion (the "Indophil Offer"). A copy of this Second Supplementary Target's Statement was lodged with ASIC on 16 June 2008.

This Second Supplementary Target's Statement is to be read together with the Target's Statement dated 23 May 2008 (**Target's Statement**) and lodged with ASIC on the same date and First Target's Statement Lodged dated 13 June 2008 and lodged with ASIC on the same date. Unless the context requires otherwise, defined terms in the Target's Statement have the same meaning in this Second Supplementary Target's Statement. This Second Supplementary Target's Statement prevails to the extent of any inconsistency with the Target's Statement.

This document is also to be read as a supplement to Lion's Notice of Meeting and Explanatory Statement dated 19 May 2008 (**Notice of Meeting**).

1. PURPOSE OF THIS DOCUMENT

The purpose of this Second Supplementary Target's Statement is to update Shareholders on the risks associated with Indophil's offer based on new information released by Xstrata Queensland Limited (**Xstrata**) in relation to the Tampakan project in its bidder's statement lodged with ASIC on the 13th of June 2008, and other information in relation to sovereign risk in the Philippines.

Risks identified in Xstrata's bidder's statement:

- Sovereign Risk- fatal shooting at Tampakan project base camp on 27 May 2008.
- Capital Costs – expected to be substantially in excess of Indophil's pre-feasibility study cost of \$US 1.9 billion. Industry analysis quoted by Xstrata suggests that capital cost to develop the Tampakan project may be in excess of US\$3 billion.
- Funding Risk -- Indophil's share of the Tampakan development capital expenditure required is substantial and could easily be in excess of US\$1 billion
- Timing Risk – production unlikely to commenced before 2014 (previously Indophil had estimated 2012)

Other events:

- Tampakan related death threats in the Philippines

2. RISKS ASSOCIATED WITH INDOPHIL'S OFFER

In Lion's Target's Statement, Lion's Directors highlighted a number of concerns in relation to the Indophil Offer and its inherent risks. There have been a number of developments since the date of Lion's Target's Statement that your Directors believe reinforce their view of the risks inherent in becoming an Indophil shareholder.

Philippines –Sovereign Risk Increasing

Your Directors continue to monitor the sovereign risk situation in the Philippines closely. Directors believe recent developments suggest that the state of affairs with respect to mining in the Philippines is deteriorating. Key events supporting this belief include:

- the fatal shooting at the Tampakan project base camp on 27 May 2008;
- death threats made against Mr Paul Dominguez, a former president and continuing director of Sagittarius Mines Inc (Sagittarius), the Philippine company that owns the Tampakan project, and shareholder in Alsons Corporation, Indophil's local partner company.

Capital and Development Risks

Lion's Directors expressed their concerns in Lion's Target's Statement about the capital estimates in Indophil's Bidder's Statement which were based on an outdated 2006 pre-feasibility study, in light of cost escalations being experienced in the mining sector worldwide and in the Philippines. This concern has been reinforced by Xstrata's bidder's statement for Indophil, which notes that the cost estimates used in the Indophil pre-feasibility study completed in September 2006 are expected to have increased significantly in respect of both capital expenditure and operating costs, as experienced across the mining sector.

Funding Risk

Xstrata's bidder's statement notes that Indophil's share of the capital expenditure required to develop the Tampakan project is substantial and could easily be in excess of US\$1 billion.

Lion's Directors reiterate their concerns in relation to the enormous challenge facing Indophil to fund its minority share of Tampakan. As outlined in Xstrata's bidder's statement:

- Xstrata expects that debt financing will be difficult for Indophil to obtain or support.
- Xstrata believes that Indophil will need to raise equity capital in the future to fund its share of the Tampakan Project development expenditure.
- In the event of such a future capital raising, Indophil shareholders will be faced with a choice of investing further capital in Indophil or, to the extent that Indophil shareholders choose not to participate in the capital raising, diluting their relevant interest in Indophil.
- Indophil does not have the ability to offer direct security over the Tampakan Project assets.
- Indophil cannot provide any assurance with respect to the potential cash flows out of Sagittarius (the project holding company), as the distribution of dividends is subject to a decision of the board of Sagittarius, which Indophil does not control.
- Indophil, while represented on the management committee and board of Sagittarius, does not have control of the Tampakan Project.

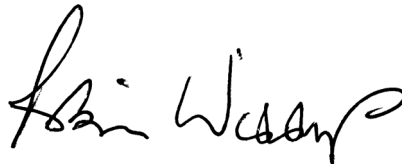
Your Directors believe the risks identified in Lion's Target's Statement have been reinforced by recent events in the Philippines along with the issues identified by Xstrata in its bidder's statement.

DATED 16 June 2008

SIGNED for and on behalf of Lion Selection Limited by Ewen W J Tyler and Robin Widdup being two directors of Lion Selection Limited who are authorised to sign by a resolution unanimously passed at a meeting of the directors of Lion Selection Limited.



Director



Director

Why You Should Accept Xstrata's Offer

Removes your exposure as an Indophil Shareholder to the risks associated with the development of the Tampakan Project

The scale and location of the Tampakan Project exposes Indophil Shareholders to a number of inherent risks set out in more detail in section 4 including:

■ Development risk

The Tampakan Project is still subject to an Extended Pre-Feasibility Study, currently due for completion by the end of the third quarter of 2008. If undertaken, the Final Feasibility Study would be expected to be completed in early 2010. Further development activities will be undertaken only if the Final Feasibility Study supports such a decision.

■ Regulatory approvals

No mining project in the Philippines, of the potential scale of the Tampakan Project, has yet been approved or developed; hence, the regulatory approvals process that would be involved in this case is largely untested.

■ Cost increases

The cost estimates used in the Indophil Pre-Feasibility Study completed in September 2006 are expected to have increased significantly in respect of both capital expenditure and operating costs, as experienced across the mining sector.

■ Long lead time

The Tampakan Project, if developed, is still several years away from production start-up. Xstrata now considers it unlikely that the project will be in production prior to 2014, and the project is susceptible to further delay.

■ Extended scope

If developed, the Tampakan Project will require infrastructure construction outside the area of the Tampakan Tenement and will therefore be subject to further government requirements and other approvals.

■ Community risk

There is a significant anti-mining lobby present in the Philippines which is agitating for the cessation of activities at the Tampakan Project.

■ Uncertainty of title

The validity of Sagittarius' title to the Tampakan Project, together with the constitutionality of the *Philippine Mining Act 1995*, is currently being challenged in a petition to the Philippine Supreme Court.

■ Legislative risk

A proposed environmental code in South Cotabato includes provisions to ban open-pit mining. In addition, bills are currently before the Senate and House of Representatives to repeal the *Philippine Mining Act 1995*.

■ Security risk

The Tampakan Project has been, and remains, a public target for various armed terrorist organisations. On 1 January 2008, the New People's Army attacked the Tampakan Project base camp. On 27 May 2008, a fatal shooting occurred at the Tampakan Project base camp.

Why You Should Accept Xstrata's Offer

Eliminates significant funding risk for you as an Indophil Shareholder

Current industry trends demonstrate that the Tampakan Project, if determined to be feasible and if developed, will require capital expenditure well in excess of the US\$1.9 billion identified by Indophil in the Indophil Pre-Feasibility Study completed in 2006.

Decisions with respect to the method of funding the development will be made by the management committee for the Tampakan Project and the board of Sagittarius (the holder of the Tampakan Project). Xstrata controls the majority of votes in both bodies and will ultimately control these decisions.

If project financing arrangements are not the preferred approach for funding the development, Indophil will be required to contribute a significant amount of capital to the project, possibly in excess of US\$1 billion, to fund its share of the feasibility studies and development costs.

Indophil's management have made the following statement:

"Equity funding may need to be sought in due course, the extent to which has not yet been determined. Indophil will, when it has the necessary information, determine the optimal funding mix of debt and equity depending on the prevailing circumstances. Indophil regards its interest in the Tampakan Project as its flagship asset. Although Indophil cannot guarantee that it will not need to reduce its interest in the Tampakan Project, Indophil intends to maintain its interest."

Source: Indophil Supplementary Bidder's Statement 12 May 2008

Given Indophil's position as a minority shareholder, its lack of direct control over the Tampakan Project and the nature of the project, Xstrata expects that debt financing will be difficult for Indophil to obtain or support. Accordingly, Xstrata believes that Indophil will need to raise equity capital in the future to fund its share of the Tampakan Project development expenditure. In the event of such a future capital raising, Indophil Shareholders will be faced with a choice of investing further capital in Indophil or, to the extent that Indophil Shareholders choose not to participate in the capital raising, diluting their relevant interest in Indophil.

4. The Tampakan Project

The Tampakan Project is located on the southern Philippine island of Mindanao, approximately 65 kilometres north of General Santos City. The Tampakan Project is situated on the boundary of three provinces – South Cotabato, Sultan Kudarat and Davao Del Sur. The Tampakan Project copper gold deposit is located in the province of South Cotabato, municipality of Tampakan.

4.1 Tampakan Project structure

The Tampakan Project is held by Sagittarius, a Philippine incorporated company, under a Financial and Technical Assistance Agreement (Columbia FTAA No. 02-95-XI) with the Philippine Government, granted by Executive Order in March 1995. The FTAA has a term not exceeding 25 years which can be extended for a further 25 years on the same terms by provision of sixty days notice.

The Indophil Group currently owns 34.2% of the issued common shares in Sagittarius and has arrangements in place to lift that stake to 37.5% under the Alsons Agreement. Xstrata owns the remaining 62.5% of the issued common shares in Sagittarius.

Sagittarius also has preference shares on issue which are held by the Tampakan Group of Companies. These shareholders are entitled to vote on certain matters relating to the Tampakan Project and are entitled to a royalty.

The board of Sagittarius comprises eleven directors, six of whom are appointed by Xstrata (including the chairman) and one of whom is appointed by Indophil.

The management committee for the Tampakan Project comprises two representatives from each of Xstrata and Indophil and one representative from Alsons. Votes on the management committee are exercised in proportion to the number of issued common shares held by that party.

An Xstrata subsidiary was appointed manager of the Tampakan Project in April 2007.

4.2 Project status

The Indophil Pre-Feasibility Study was completed in September 2006. Xstrata identified a number of issues in the Indophil Pre-Feasibility Study that required further investigation, particularly in areas of metallurgy, waste management and water management.

An Extended Pre-Feasibility Study was initiated in April 2007 that was intended to be completed in July 2008. It is Xstrata's current expectation that the Extended Pre-Feasibility Study will be completed by the end of the third quarter of 2008.

Assuming results from the Extended Pre-Feasibility Study warrant the further investment, the current objective is for a Final Feasibility Study to be completed by the end of the second quarter of 2010.

4.3 Forecast project timeline

After completion of any Final Feasibility Study, a decision may be made by the board of Sagittarius (which is controlled by Xstrata) to develop the Tampakan Project. Development of the Tampakan Project will be undertaken only if the Final Feasibility Study supports such a decision. Any decision made by Sagittarius to develop the Tampakan Project will be subject to obtaining the necessary approvals and permits required from various levels of the Philippine government, together with appropriate funding arrangements.

The Tampakan Project, if developed, is still several years away from production start-up. Timelines for ascertaining the feasibility of and then developing the project are subject to significant uncertainties and depend largely on the time taken to prepare and obtain approval of an environmental and social impact assessment (and other regulatory approvals) and to construct and commission the required facilities and infrastructure.

Accordingly, Xstrata now considers it unlikely that the Tampakan Project can be brought into production prior to 2014.

This estimate is susceptible to further delay if any part of the process described above takes longer than currently expected.

4. The Tampakan Project

4.4 Mineral resource

The current measured, indicated and inferred resource estimate for the Tampakan Project, published in December 2007 (and restated in February 2008)³, totals 2.2 billion tonnes at a grade of 0.6% copper and 0.2 grams per tonne gold and contains 12.8 million tonnes of copper and 15.2 million ounces of gold using a 0.3% copper cut-off grade.⁴

4.5 Cost of the project

The Indophil Pre-Feasibility Study estimated total capital costs and associated infrastructure costs of US\$1.9 billion (including a 25% contingency). The Indophil Pre-Feasibility Study also estimated cash operating costs of less than US\$70 /lb of copper.

The cost estimates used in the Indophil Pre-Feasibility Study are expected to have changed significantly with a high likelihood of substantial increases to previous estimates of capital expenditure and operating costs, consistent with inflation in the mining industry. This trend is evident from announced increases in the cost of developing other major copper-gold mining operations around the world as illustrated in the table below:

Project	Country	Status	First data	Last data	Cost escalation	
					Cumulative	Annualised
Aqua Rica	Argentina	Project at BFS	Q2 2005	Q3 2006	106%	79%
Galore Creek	Canada	Project at BFS	Q4 2005	Q4 2007	354%	113%
El Abra Extension	Chile	Project at BFS	Q2 2005	Q3 2007	125%	59%
El Morro	Chile	Project at BFS	Q1 2004	Q1 2008	178%	29%
Petaquilla	Panama	Project at BFS	Q3 2006	Q1 2008	105%	61%
Median						61%

Source: Brook Hunt & Associates Ltd

Because the Extended Pre-Feasibility Study is yet to be completed, Xstrata does not have a revised estimate of the cost of developing and operating the Tampakan Project.

Xstrata nevertheless expects the Tampakan Project to face cost pressures similar to those demonstrated in the table above, with the result that the capital costs will be well in excess of the US\$1.9 billion estimate contained in the Indophil Pre-Feasibility Study. The industry analysis presented above suggests that the capital cost to develop the Tampakan Project may exceed US\$3.0 billion.

³ The Tampakan estimate was first published in December 2007 but restated in February as part of Xstrata Copper Ore Resources and Mineral Resources statement.

⁴ see Xstrata Copper Ore Reserves and Mineral Resources Statement dated February 2008, available at http://www.xstrata.com/assets/pdf/x_reserves_resources_copper_20080303.pdf which was prepared in accordance with the 2004 Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)

4. The Tampakan Project

4.6 Production profile

The Indophil Pre-Feasibility Study estimated an annualised metal production (over a 25 year mine life) of 194,000 tonnes of contained copper and 213,000 oz of gold.

Because the Extended Pre-Feasibility Study is yet to be completed, Xstrata does not have a revised estimate of the production level that might be adopted if the Tampakan Project becomes operational.

Given the likely significant increase in capital expenditure and operating costs, Xstrata is reviewing a range of options to optimise economic returns. This includes examining several scenarios which could see an annual production profile higher than the production estimated in the Indophil Pre-Feasibility Study.

4.7 Funding obligations

The holders of the issued common shares in Sagittarius (currently Xstrata, Indophil and Alsons) are obliged to contribute to the business expenditure of Sagittarius, including project development costs, in proportion to their respective shareholdings in Sagittarius.

Consideration has not as yet been given to the method of funding that may be utilised in order to develop the Tampakan Project. If the Tampakan Project proceeds, a decision will be made by the management committee and the board of Sagittarius (which are both controlled by Xstrata) with respect to the preferred method of funding. The chosen method may involve a call on shareholders for a contribution of funds.

Where a call is not met by a shareholder, provisions exist for that shareholder's shareholding in Sagittarius to be diluted.

4.8 Project risk factors

In addition to the factors described above which affect the feasibility of the Tampakan Project, the location and nature of the Tampakan Project expose it to certain other risks:

(a) Regulatory approvals

If a Final Feasibility Study supports a decision to proceed with the project, application will be required to be made to various regulatory bodies in the Philippines. These would include the Mines and Geosciences Bureau, the Environment Management Bureau, and all applicable levels of government in areas affected by any proposed mining or associated infrastructure development.

No mining project in the Philippines, of the potential scale of the Tampakan Project, has yet been approved or developed; hence, the regulatory approvals process that would be involved in this case is largely untested.

(b) Extended scope

If developed, the Tampakan Project will require substantial off-site infrastructure construction which will include some, or all of, a power station and power transmission line, a port facility, road networks and pipelines. The construction of infrastructure outside the area of the Tampakan Tenement will be subject to further government requirements and other approvals.

(c) Community risk

Although Sagittarius is undertaking an extensive and focussed program of community and social initiatives (including health and educational improvements), there is a significant anti-mining lobby present in the Philippines which is agitating for the cessation of Sagittarius' activity at the Tampakan Project. There is also, however, strong support for the Tampakan Project in particular sections of the community.

4. The Tampakan Project

(d) Uncertainty of title

The validity of Sagittarius' title to the Tampakan Project, together with the constitutionality of the *Philippine Mining Act 1995*, is currently being challenged by petition to the Philippine Supreme Court (filed in March 2008) by several members of the Philippine House of Representatives and representatives of active anti-mining non-government organisations.

(e) Legislative risk

The Tampakan Project may be affected by changes to the legislative framework such as:

- a proposed South Cotabato environment code, currently under consideration by the Provincial Government (the Sangguniang Panlalawigan) of the Province of South Cotabato (where the Tampakan Project is located), to ban the conduct of open-pit mining methods.
- a bill, introduced to the Philippine Senate of 30 June 2007, to repeal the *Philippine Mining Act 1995*.
- a bill, introduced to the Philippines House of Representatives on 6 August 2007, to repeal the Philippine Mining Act 2005.

The future of the Tampakan Project may also be affected by any change in government or political leadership in the Philippines.

(f) Security risk

The Tampakan Project is located on the Philippine island of Mindanao. It has been, and remains, a public target for various armed terrorist organisations.

On 1 January 2008, an attack was carried out on the Tampakan Project base camp by the New People's Army, the military wing of the Communist Party of the Philippines. Sagittarius is working with government and community organisations in the Philippines to ensure the security of the operations but the New People's Army, and other organisations, remain opposed to foreign mining operations in Mindanao.

On 27 May 2008 a fatal shooting occurred at the Tampakan Project base camp.

4.9 Indophil risk factors

In addition to the risks attached to the Tampakan Project itself, Xstrata considers that Indophil Shareholders may be exposed to additional risk if Indophil maintains its minority shareholding in Sagittarius.

(a) Development decision

Any decision to develop the Tampakan Project, as indicated above, will have to be made by the management committee and the board of Sagittarius at the appropriate time. Indophil, as a minority shareholder in Sagittarius, would be expected to have input into such a decision but will have no ultimate control over the making of that decision, which rests with Xstrata.

4. The Tampakan Project

(b) Available financing options

As noted above, any decision made with respect to the method of funding of the development of the Tampakan Project will be made by the management committee and board of Sagittarius. Xstrata currently holds the majority of votes on both bodies and will select the preferred funding method for the Tampakan Project.

If project financing arrangements are not the preferred approach for Sagittarius, Indophil will be required to make significant capital contributions to Sagittarius in order to fund Indophil's share of the Tampakan Project.

Indophil's share of the capital expenditure required to develop the Tampakan Project will be substantial and could easily be in excess of US\$1 billion.

Although Xstrata is not privy to Indophil's potential financing plans, Xstrata expects that it would be difficult for Indophil to finance its required contribution through debt funding mechanisms given:

- the size of the contribution that is likely to be required;
- that Indophil does not have the ability to offer direct security over the Tampakan Project assets;
- that Indophil cannot provide any assurance with respect to the potential cash flows out of Sagittarius, as the distribution of dividends is subject to a decision of the board of Sagittarius, which Indophil does not control; and
- that Indophil, while represented on the management committee and board of Sagittarius, does not have control of the Tampakan Project.

(c) Dilution or divestment

If project finance is not pursued by Sagittarius and sufficient debt funding is not available to Indophil for its required contribution to the development of the Tampakan Project, Xstrata expects that Indophil will need to:

- dilute its shareholding in Sagittarius in accordance with the current arrangements in place for the Tampakan Project;
- raise significant amounts of additional equity capital to meet its funding obligations, potentially diluting its existing shareholder base; or
- divest all or part of its shareholding in Sagittarius.