

ASX Codes

Ordinary shares: LST  
Listed options: LSTO

Issued shares: 191.0m

Share price: \$1.655

- Last traded on 14 May

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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## ASX RELEASE

19 May 2008

### MAJOR CASH RETURN PROPOSED

In its Target Statement the Lion Board intends  
to recommend shareholders

**REJECT INDOPHIL'S OFFER**

as Lion has a plan to deliver a superior outcome with potential to  
deliver over \$2 per share total value.

Lion's plan aims for a near term

**MAJOR CASH RETURN**

to Lion shareholders

Agreements reached to sell key investments in Indophil and  
Cracow at values well above the last reported NTA.

The Lion Board will call a

**SHAREHOLDER MEETING**

to approve Lion's plans.

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In the Lion Board's opinion, the plan is a superior alternative to the Indophil offer  
as it:

- produces an outcome with significantly less risk than owning Indophil shares;
- delivers an immediate attractive value, in comparison to the Indophil offer ;  
and
- involves a substantial cash element, thus giving greater certainty than the  
Indophil offer to the value that is likely to be ultimately realised for Lion  
shareholders.

The plan also seeks to ensure that the realisation of the embedded value within  
Lion's assets is to the benefit of Lion shareholders only and not shared with  
Indophil shareholders.

## Summary

Over a number of years, Lion has developed an investment company with a valuable portfolio of strategic resource assets. While Lion has considered a strategic move to becoming a mining company, recent events have reinforced your directors' view of the value that underlies Lion's portfolio and have created opportunities to unlock that value for Lion's shareholders in a short timeframe.

These recent events are:

- Indophil's unsolicited offer for Lion;
- Beadell's \$200 million offer for Newcrest's 70% interest in the Cracow Gold Mine;
- Beadell's \$80 million offer for Lion's 30% interest in the Cracow Gold Mine; and
- Xstrata PLC's (Xstrata) announcement of its intention to make a takeover offer for Indophil.

Following careful consideration of these events, and consideration of the various alternatives regarding Lion's future as either an investment company or transformation to a mining company, your directors have concluded the following plan provides a superior alternative to the Indophil offer for Lion shareholders:

- Sell key investments in Indophil and Cracow at values well above the last reported Net Tangible Assets (NTA) and reflecting their strategic value. This has the potential to deliver over \$2 per share of total value and this outcome will not be shared with Indophil shareholders if this plan is completed;
- Propose a major cash return to Lion shareholders in the near term of approximately \$267 million or \$1.35 per share; and
- Following completion of the above, Lion directors will explore all initiatives to ensure full value is recognised for the remaining Lion vehicle.

**In light of the conditions of the Indophil offer for Lion and the pre-bid agreement with Xstata, Lion will seek that the initiatives outlined below be approved by Lion shareholders at a shareholders meeting.**

## Lion's Plan

In the absence of any superior proposal emerging, Lion's plan involves four principal strategies, namely:

### (1) Proposed Sale of Lion's key investments in Indophil and Cracow

- **The proposed sale of Lion's Indophil holding** has the potential to deliver cash proceeds of \$97 million or \$0.51 per Lion share. The following key points were made in Lion's ASX release on 15 May 2008.
  - 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 leading up to the Xstrata offer.
  - Lion owns 25.4% of Indophil and has entered into a pre-bid agreement with Xstrata for 17.8% of Indophil.
  - 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 the Xstrata offer and the opportunity exists to accept any higher competing offer should such an offer emerge that is not matched by Xstrata before holding the Lion shareholder meeting.
- Lion also intends to realise value for the additional 7.7% it holds in Indophil that is not subject to the pre-bid agreement with Xstrata.

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

**Accordingly, Lion directors do not consider that Indophil's share price, which has increased in excess of the value of the Xstrata offer, can be used to imply the value of the Indophil offer for Lion. Should the Indophil offer for Lion succeed, then the Xstrata offer is expected to lapse, and Indophil's share price may fall to levels prior to the announcement of the Xstrata offer.**

For further details refer to Lion's ASX announcement on 15 May 2008.

- **The proposed sale of Cracow for \$80 million.**

The following key points were made in Lion's ASX release on 15 May 2008.

- Lion has agreed with Beadell Resources (Beadell) to sell its 30% interest in Cracow for \$80 million or \$0.42 per Lion share, a \$17 million uplift on book value.
- Consideration to be \$65 million cash and \$15 million in Beadell shares.
- Lion has also granted Newcrest an option to buy Lion's 30% interest in Cracow for \$80 cash million in the event the Beadell transaction does not complete.

For further details refer to Lion's ASX announcement on 15 May 2008.

Completion of both these transactions is subject to a number of conditions, including Lion shareholder approval (unless Indophil waives the conditions of its offer for Lion that these transactions would trigger, or the Indophil offer for Lion lapses). The Lion Board will call a shareholder meeting to seek shareholder approval.

**(2) Potential to deliver over \$2 per share of value – the majority in cash.**

The sale of these assets outlined above has the potential to generate cash in excess of \$162 million and tax is not expected to be payable at the indicated values.

In addition to the funds generated by the Indophil and Cracow sales, Lion will generate additional proceeds from the sale by the African Lion funds of their investment in Albidon Limited (Albidon). Lion owns 27.5% of the African Lion funds which in turn own a 20.5% stake in Albidon, a company listed on ASX and AIM. Based on Albidon's closing share price of \$3.94 per share as at 16 May, Lion's indirect share of this investment is worth approximately \$37 million.

The following table sets out the potential for cash realisation.

Potential Cash Realisation		
Indophil	\$97m	Assuming Lion receives \$1.00 per share for its entire Indophil holding. Lion may realise above \$1.00 per share for its entire stake.
Cracow	\$65m	Cash component of consideration.
Albidon	\$37m	Assuming African Lion funds sell their Albidon holding at current market price. Lion expects that any mechanism for divestment of this interest would be designed to maximise sale proceeds
<b>Total</b> <sup>(1)(2)</sup>	<b>\$199m</b>	

This would produce:

Pro-forma Lion Portfolio Before Cash Return to Shareholders		
Current Direct Investments	\$56m	NTA as at 16 May 2008
African/Asian Lion	\$25m	NTA as at 16 May 2008 excluding Albidon
Beadell Shares	\$15m	Share component of Cracow sale.
Cash	\$298m	Current cash of \$98.4m and cash generation from asset sales (\$199.4m) following repayment of remaining Cracow debt of \$4.6m.
<b>TOTAL</b>	<b>\$394m</b>	
<b>TOTAL per Lion Share</b>	<b>\$2.05</b>	Fully diluted for options

Note: (1) Lion does not expect to pay tax on the disposal of Cracow and Indophil at these prices. In addition, tax is not expected to be payable on the receipt of dividends from any sale by African Lion of its interest in Albidon.

(2) Prior to all transaction costs.

The outcome presented in the table above could be improved by:

- Lion's investment in Indophil being realised for more than \$1.00 per share.
- African Lion funds maximising value in any sale of their Albidon holding.

The analysis below provides an indication of the impact various outcomes would have on the "Total value per Lion Share" presented in the table above.

Indophil Share Price	\$1.10	\$1.25	\$1.50
Albidon Share Price	\$4.50	\$5.00	\$5.50
<b>Total Value per Lion Share*</b>	<b>\$2.12</b>	<b>\$2.20</b>	<b>\$2.31</b>

\* Pre-tax. Whilst Lion does not expect to pay tax on the sale of its Indophil shareholding at \$1.00 per share, tax may be payable at prices above this level

### (3) Major Cash Return

Lion intends to return a significant portion of this cash to shareholders by one or a combination of dividend, return of capital or share buy-back. The ultimate method will be determined following a review of the alternatives from a legal and tax perspective. Using the assumptions made above for asset sales, and assuming the retention of \$40 million, a cash return of approximately \$267 million or \$1.35 per share could be made. This assumes all 5.8 million options are exercised raising \$9 million. The actual amount returned may vary depending on:

- The actual prices achieved by the asset sales;
- The actual cash balance (if any) retained;

- The costs associated with achieving the plan;
- The tax associated with achieving the plan (no tax is expected on the disposal of Cracow and Indophil at the prices assumed); and
- The number of Lion options exercised prior to a cash return.

#### **(4) Lion Following Completion of the Cash Return**

After implementation of the above proposed transactions, Lion will remain a mining investment company with a portfolio of early stage mining and exploration company investments, consisting of;

<b>Pro-forma Lion Portfolio following proposed Cash Return to Shareholders</b>	
Direct Investments	\$71m <sup>1</sup>
African Lion Funds	\$14m <sup>1</sup>
Asian Lion	\$11m <sup>1</sup>
Cash	\$40m <sup>2</sup>
<b>Total</b>	<b>\$136m</b>
Shares (Diluted)	196.8
NTA per share	\$0.69

Note: (1) Investment values based on market prices at 16 May 2008  
 (2) Assumes \$40 million is retained. This amount may vary.

The Lion directors are cognisant that investment vehicles typically trade at discounts to their NTA and the above plan may not immediately unlock the full value inherent in the remaining portfolio. Lion directors however have a history of growing NTA and consistently paying dividends from profits on sale of investments. Lion Directors will explore all initiatives to ensure full value is recognised for the remaining Lion vehicle.

In addition, Lion will review its structure to determine how it might reduce its fixed costs in light of the fact it will be a smaller company with a reduced cash position post implementation. In this regard, Lion has approached Lion Manager, who has indicated a willingness to negotiate with Lion a reduced management fee on normal commercial terms in light of the reduced size of Lion.

Lion's plan has largely been developed by the Lion Manager and approved by the Lion Board. **Under the management contract between Lion and Lion Manager, the amount payable to Lion Manager will likely be less under the Lion plan than under the Indophil proposal.**

### **Lion Shareholder Meeting**

The effect of some aspects of Lion's plan is that some of the conditions of Indophil's offer would not be fulfilled. Accordingly, Lion will call a general meeting of its shareholders to vote on all aspects of the plan.

Detail on the Lion Plan, its benefits and risks and the Indophil offer and why Lion shareholders should reject it, will be provided in both the notice of meeting to be sent to Lion shareholders within the next 10 days, and the Lion Target Statement which will be sent to shareholders later this month.

Detailed information on Lion Selection Limited can be found on the company's website [www.lionselection.com.au](http://www.lionselection.com.au).