

ASX Codes

Ordinary shares: **LST**
Listed options: **LSTO**

Issued shares: 188.9m
Share price: \$1.505
Issued options: 5.7m
Option price: \$0.10
(151c April 09)

Market cap: \$285m
Net Tangible Assets: \$379m
(31/07/08)

NTA (per share) pre tax
(31/07/08): \$1.97

NTA (per share) post tax
(31/07/08): \$1.97

Further Enquiries

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Lion Plan – Update

The Lion Plan, approved by shareholders at the General Meeting on 23 June was:

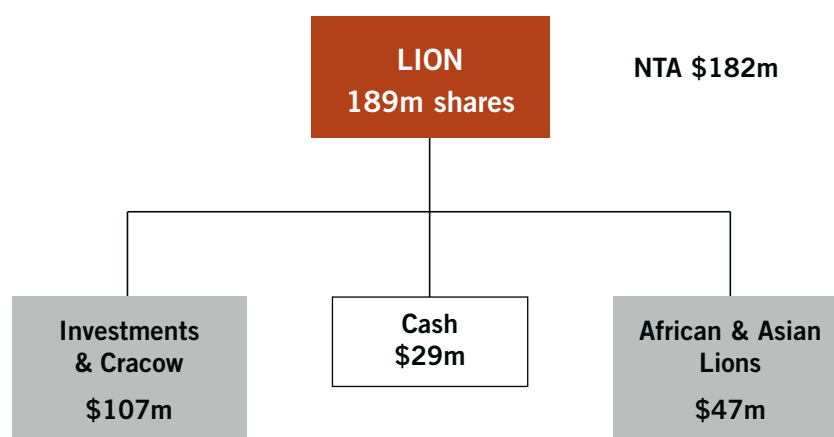
| Sale of Major Investments | \$M |
|--------------------------------------|------------|
| ■ Indophil at \$1.00 per share | 97 |
| ■ Cracow – Sale to Beadell Resources | 65 |
| ■ Albidon sale by African Lion | 37 |
| Total | 199 |
| Cash position (May) | 98 |

Since that approval, the Stanhill consortium has offered \$1.28 cash per share for Indophil, increasing potential funds to Lion to \$124 million from the sale of Indophil. The sale of Cracow and Albidon failed due to weak market conditions and both continue to be held. Cash is now \$96 million and with the potential Indophil sale results in funds expected to be available of \$220 million compared with \$297 million.

Cash Return to Shareholders

- \$1.35 - \$1.50 / share proposal May 2008.
- Initial \$1.00/share possible on sale of Indophil.
- On-market buy-back of shares commenced, \$4 million purchased up to 30 August.

What's left if Indophil sold and \$1.00/share returned?

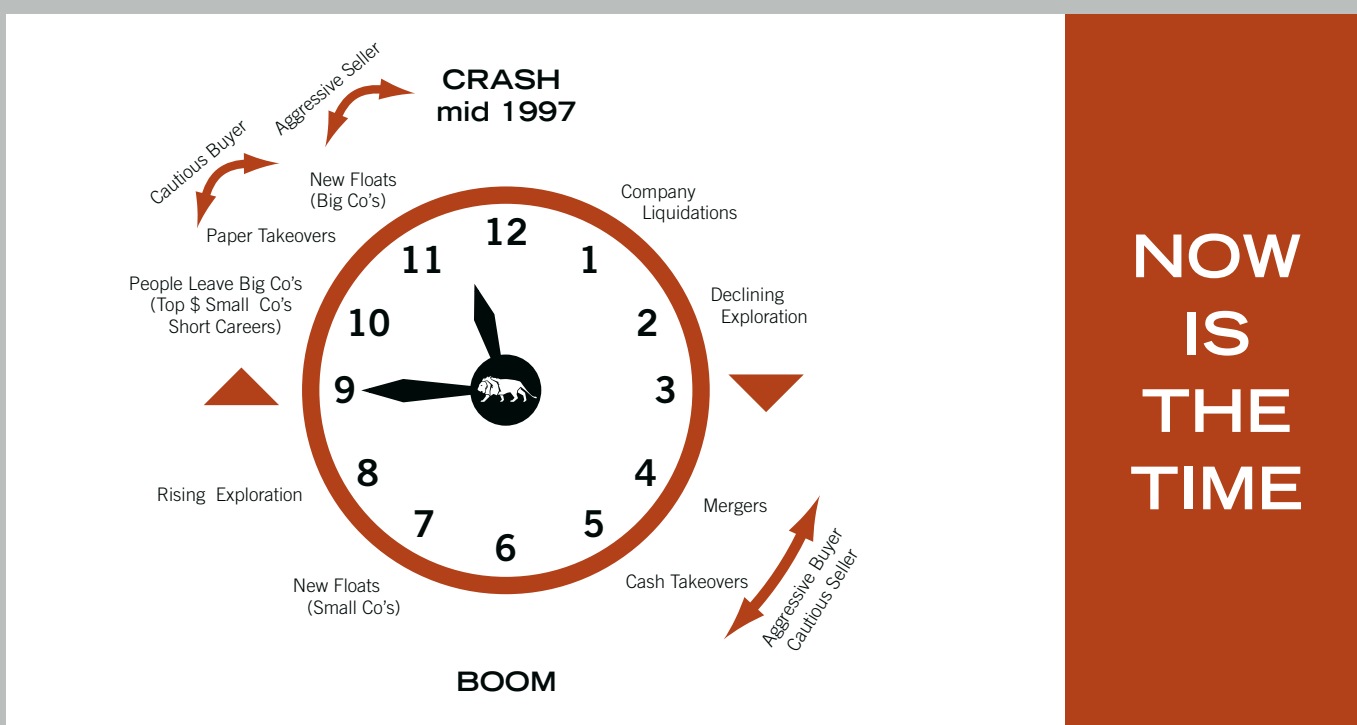


Using 31 July market values and assuming Indophil sold at \$1.28

Next step

The sale of Lion's 97 million Indophil shares is a vital step which will allow an immediate cash return to shareholders. Xstrata allowed its offer to lapse on 29 August, reducing the transaction certainty and Indophil's share price fell taking with it Lion's NTA (approximately 187 cents as at 29 August). Indophil's directors have recommended accepting the Stanhill offer which has a 90% acceptance condition that could see a considerable delay or failure unless removed.

Key Points – Quarter ending 31 July 2008



Market Conditions

The global credit crunch and property slump have led to a 20%-50% equity market tumble in 2008.

- US\$ volatility impacting all commodity prices except coal and iron ore has led to weakness in all miners.
- Increasing weakness in junior miners. **May be start of new cycle.**

The urbanization and industrialization of China is expected to continue for the next 10-20 years, driving metal consumption and a prolonged resources boom. The current downturn is expected to be short (1-2 years) and provide a good opportunity for Lion-style buying.

Indophil Resources

- Indophil withdrew its takeover offer for Lion on 7 July following the overwhelming Lion shareholder support for the Lion Plan in the 23 June shareholder vote.
- Xstrata's offer for Indophil lapsed on 29 August.
- Indophil directors recommend acceptance of Stanhill offer for Indophil at \$1.28/share (plus 2 cent share in a new exploration company).

Exco Resources

- New discovery at E1 North, within the Cloncurry Copper Project.

Cracow Gold Mine

(LION – 30%)

The Cracow Gold Mine in Queensland is a low cost, underground mine with a top quality management team. Cracow produces 100-110,000 ounces of gold annually. The July 2008 quarter was a good quarter producing significant cashflow for Lion.

Corporate Update

During the quarter Lion (30%) & Newcrest Mining Limited (70%) (Newcrest), were not able to complete the sale of Cracow to Beadell Resources Limited (Beadell). Beadell was unsuccessful in raising the equity required to purchase Cracow due to the difficult market conditions. Newcrest has an option (expiring 31 October 2008) to acquire Lion's 30% interest in Cracow for \$80 million in cash. Newcrest's public statements suggest they are unlikely to exercise the option.

Production / Costs

| QUARTERLY PRODUCTION SUMMARY (LION 30% SHARE) | | | | | | |
|---|-------------|--------------|--------------|--------------|--------------|--------------|
| 3 months to | | Jul 2007 | Oct 2007 | Jan 2008 | Apr 2008 | Jul 2008 |
| Ore Mined | (tonnes) | 30,862 | 32,076 | 32,279 | 31,154 | 36,017 |
| Ore Processed | (tonnes) | 29,990 | 30,536 | 32,628 | 30,642 | 31,250 |
| Ore grade | (g/t Au) | 10.1 | 9.2 | 7.3 | 7.7 | 10.2 |
| Met Recovery | (%) | 94 | 92 | 90 | 91 | 94 |
| Gold Produced | (oz) | 9,017 | 8,281 | 7,048 | 6,962 | 9,458 |

Quarterly production was excellent with ore mined and ore grade for the quarter significantly up on the previous quarter. This resulted in a significantly lower cash cost for the quarter.

| QUARTERLY COST SUMMARY (LION 30% SHARE) | | | | | | |
|---|----------|----------|----------|----------|----------|----------|
| 3 months to | | Jul 2007 | Oct 2007 | Jan 2008 | Apr 2008 | Jul 2008 |
| Gold Sold | (oz) | 9,945 | 8,013 | 6,865 | 6,157 | 10,261 |
| Gold Price Received | (A\$/oz) | 660 | 819 | 943 | 1,020 | 949 |
| Cash Operating Cost | (A\$/oz) | 328 | 402 | 502 | 569 | 377 |
| Royalties | (A\$/oz) | 23 | 23 | 25 | 28 | 26 |
| Total Cash cost | (A\$/oz) | 351 | 425 | 527 | 597 | 403 |
| Capital costs | (A\$M) | 1.2 | 0.8 | 0.4 | 0.5 | 1.4 |
| Exploration | (A\$M) | 0.2 | 0.4 | 0.5 | 0.8 | 0.4 |

Exploration – New Gold Shoot Discovered at Kilkenny

Further drilling south of the Kilkenny Resource has resulted in the discovery of a new zone of high grade gold mineralisation. Drill hole CBK226 intersected high grade mineralisation of 42.1m (19.8m True Width) @ 6.0g/t gold including 12.4m (5.8m True Width) @ 12.0g/t gold. This result is located along the Kilkenny footwall structure approximately 250m south of the 200,000 ounce Inferred Resource. A further drill hole (approximately 70 metres above CBK226), CBK240, intersected 7.9m (5.6m True Width) @ 5.7 g/t gold. With further drilling this new shoot has potential to substantially increase the Kilkenny resource.

Indophil Resources NL

PHILIPPINES / COPPER GOLD
(LION – 24.7%)

Indophil is currently under takeover offer from Stanhill Resources Pty Ltd. Stanhill is the bid company for the investor group which includes Crosby Capital, Alsons Group and Mr Richard Laufmann the Managing Director of Indophil. The bid is \$1.28 cash for each Indophil share. In addition, upon the offer becoming unconditional, shareholders who accept the offer will receive 1 share in New Exploration (a company with the remaining Indophil exploration assets) for each Indophil Share. Indophil's independent directors have unanimously recommended the Stanhill Offer in the absence of a superior proposal.

- On 29 August 2008, the competing Xstrata offer for Indophil lapsed.
- The Independent Expert Report assessed the control value of Indophil Shares to be in the range of \$1.41 to \$1.56 per Indophil Share.

Tampakan Project (Indophil 34.2%)

A number of key parameters on the Tampakan project have been updated during the quarter with the following table presented in Indophil Target's Statement.

| PARAMETER | 2006 PFS | INDOPHIL ESTIMATE (subject to qualifications above and in Target's Statement) |
|---|---|---|
| Annual processing rate (design capacity) | ■ 30Mtpa | ■ 44Mtpa increasing to 66Mtpa in Year 5 |
| Total development capital expenditure (including associated infrastructure and working capital) | ■ US\$1.9 billion for 30Mtpa | ■ US\$3.9 billion for 44Mtpa ■ A further US\$1.0 billion by Year 5 to move to 66Mtpa, if elected funded by free cash flow. Includes off-balance sheet items and a 25% contingency (expressed in current dollars) |
| Annual payable production | ■ 194Kt copper ■ 213Koz gold ■ Over 25 years | ■ Copper 220-460Kt, averaging ~300Kt over 25 years ■ Gold 220-540Koz, averaging ~320Koz over 25 years |
| Annual cash operating costs | ■ US\$6.85 per tonne at 30Mtpa. Average over a 25 year mine life | ■ For the 44Mtpa moving to 66Mtpa scenario, US\$7.34 per tonne (in current dollars) average over 25 years |

Source: Pages 36-38 of Indophil's Target's Statement, 21 July 2008

Havilah Resources NL

AUSTRALIA / COPPER GOLD URANIUM
(LION – 18.6%, \$20 million value)

KALKAROO FEASIBILITY STUDY (Havilah 100%, copper-gold-molybdenum)

Havilah has now completed almost 200 drillholes as part of the Kalkaroo feasibility study drilling and continued to report wide economic grade drill intersections during the quarter. Drilling results to date have shown that:

- Economic gold and copper grades continue to at least 200 metres down dip on most drill sections, which is the nominal base of the planned open pit.
- Many Main Zone drillholes contain intervals of elevated molybdenum mineralisation (eg 16m of 1236 ppm Mo in KKDD200).
- Kalkaroo West continues to produce wide copper and gold intersections in most drillholes, in highly broken rocks along a major fault zone. In general, gold values are typically in the 0.7 – 2 g/t range, or roughly 2-4 times higher than in the Main Zone.

As at 31 July Havilah had available funds of approximately \$16.5 million. Of this amount roughly \$6.1 million is joint venturer's funds to be allocated to the Kalkaroo project.

Westonia Mines Limited

AUSTRALIA / GOLD
(LION – 44.4%, \$7 million value)

Subsequent to the end of the quarter, Westonia shareholders approved a company name change to Catalpa Resources Limited.

Following the appointment of Bruce McFadzean as Managing Director of Westonia in the previous quarter, the board has been further strengthened with appointments of Mr Barry Sullivan and Mr Nigel Johnson. The new board now has the skills and experience to oversee the redevelopment of the Westonia Gold Project.

An update to the 2006 Feasibility Study of the Westonia Gold Project has been initiated and is scheduled for completion in the September quarter 2008.

A preliminary assessment of construction and refurbishment costs of the Big Bell Process Plant has indicated a 10% increase in construction costs to \$48M since the last assessment in early 2007, predominantly due to cost increases in steel, concrete and labour. This cost increase is in line with expectations in the current project construction and engineering market.

Westonia has initiated the first phase of assessment of funding and financing options for the capital required to construct the plant and infrastructure and move the project towards production, enabling Westonia to pursue preferred options while the Feasibility Study is being completed.

Exco Resources Limited

AUSTRALIA / COPPER GOLD URANIUM
(LION – 10.4%, \$7 million value)

New Zone Discovered

Drilling on the eastern limb of the E1 North deposit has confirmed the presence of a major new zone of mineralisation. Ore grade intersections have so far been returned in 5 holes over a strike length of at least 160m. Visual interpretations suggest the presence of significant mineralisation in a further 4 holes. All these intersections occur outside the current E1 North resource model and include:

78m @ 1.27% Cu & 0.43g/t Au from 156-234m in EMMD087

74m @ 1.68% Cu & 0.47g/t Au from 34-108m in EMMD113, and

18m @ 2.38% Cu & 0.13 g/t Au from 68-86m in EMMD127

The current E1 North resource contains a total of 7.9Mt @ 1.11% Cu and 0.34 g/t Au of which 4.2Mt @ 1.22% Cu and 0.35g/t Au is in the Indicated category. The current metal inventory comprises 88,000 tonnes of copper and 85,800 ounces of gold.

During the quarter Exco completed the Pre-Feasibility Study on the Cloncurry Copper Project with results successfully demonstrating both the technical and commercial credentials of a 2Mtpa project. A robust base case project valuation of \$126M (NPV) has significant potential upside.

Following completion of the Pre-feasibility Study, Exco has appointed GRD Minproc as study manager for the Definitive Feasibility Study (DFS). GRD Minproc has commenced engineering designs, cost estimates and sensitivity analyses as the basis for detailed engineering and project financing. Anticipated completion date of the DFS is the first quarter of 2009.

On 30 May 2008, Lion exercised 3,411,200 options over Exco shares investing a further \$1.2 million in Exco. Lion now holds 26.5 million shares (10.4%) of Exco.

African Funds Investments

(\$36 million value)

Following on from the successful African Lion and African Lion 2 funds, African Lion 3 Limited (AFL3) has been established. AFL3 has an increased committed capital of US\$79.2 million with Lion committing US\$18.75m (A\$22m) for a 23.7% interest in AFL3.

The European Investment Bank (the development bank of the European Union) and Rand Merchant Bank (Johannesburg based bank) joined CDC (a UK Government-owned development fund), Proparco (French Government development bank) and BIFM (a Botswana-based insurance fund), along with Lion to become shareholders of AFL3. This group of shareholders provides AFL3 with a significant level of experience and knowledge of the African continent.

AFL3 has commenced investing with US\$5 million invested in Copperbelt Minerals Limited.

Albidon Limited

ZAMBIA / NICKEL URANIUM (AFRICAN LION – 20.5%)
(LION indirect interest 5.5%, \$28 million value)

- The first nickel-copper-cobalt-PGM concentrate has been produced at the Munali Nickel Project (“Munali”). The focus at Munali is now to complete commissioning of the concentrator and to increase production to full capacity in early 2009.
- Albidon has approved an expansion of the Munali concentrator from 0.9m tpa to 1.2m tpa, resulting in an increase to approximately 10,000 nickel tpa.
- Nickel-copper-cobalt-PGM concentrate is currently being stockpiled for “mine gate” sale to the Jinchuan Group.
- At the Sunnyside prospect in Botswana drill assays confirmed the presence of thick zones of Ni-Cu sulphide mineralisation, the highlights being assays from drillhole ALB004 which yielded the following intercepts within a larger mineralised zone of 55 metres starting at 21.4m from surface:

| | |
|--------------------------|------------------------------------|
| ALB004: 8.64m @ 1.21% Ni | 0.30% Cu within an intersection of |
| 18.64m @ 0.75% Ni | 0.55% Cu |

Sphere Investments Limited

MAURITANIA / IRON ORE (AFRICAN LION – 8.0%)
(LION indirect interest 1.8%, \$7 million value)

- Qatar Steel notified Sphere and its 50% project partner SNIM, that it was unable to execute formal agreements to acquire an interest in the Guelb el Aouj iron ore project in Mauritania on terms and conditions acceptable to Sphere and SNIM.
- Sphere and SNIM have been approached by several industry participants wishing to invest in the Guelb el Aouj Project. As a result, a formal process has commenced to introduce a new partner capable of assisting with the development of the world-class iron ore project.
- Sphere has set an exploration target of 2.0-2.3 billion tonnes of in-situ magnetite-BIF mineralisation at the Lebtheinia Centre Deposit, one of four deposits in two licences, situated near the iron ore railway and port in Mauritania.
- Sphere’s extensive 2008 drilling program at Lebtheinia has made substantial progress during the quarter, with the planned 50,000m now more than 70% complete and an expected completion date by the end of Q3, 2008.



Any resource estimates and drilling intersections provided within this quarterly report were sourced from relevant investee company quarterly reports and announcements.

On-market buy-back

On 21 July 2008, Lion commenced an on-market buy-back program which allows Lion to buy up to 10% of its issued capital (shares) over a 12 month period. Lion has currently committed up to \$10 million to the on-market buy-back and will only make purchases under the buy-back when the discount to NTA is approximately greater than 10%.

The buying back of Lion shares at a discount to NTA has a positive effect on Lion shares by increasing the overall NTA.

Shareholder Information

| | SHARES | OPTIONS |
|-----------------------|---------------|-------------|
| Securities on Issue: | 190.9 million | 5.8 million |
| Price at quarter end: | \$1.545 | \$0.125 |
| Quarter High: | \$1.95 | \$0.45 |
| Quarter Low: | \$1.40 | \$0.125 |
| Volume traded: | 37.8 million | 0.5 million |

Further Enquiries

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Lion Selection Investment Summary Table at 31 July 2008

| AT 31/07/2008 | ASX CODE | COUNTRY/COMMODITY | AFL/AFL2 HOLDINGS | LION SELECTION HOLDING % | INVESTMENT \$m | MARKET VALUE \$m |
|--|---|------------------------------|-------------------|--------------------------|----------------|------------------|
| DIRECT INVESTMENTS | | | | | | |
| Exco Resources | EXS | Australia - copper/gold | | 10.4% | 6.6 | 7.5 |
| Havilah Resources | HAV | Australia - gold/base metals | | 18.6% | 4.3 | 17.9 |
| Indophil Resources | IRN | Philippines - copper/gold | | 24.7% | 22.6 | 128.9 |
| Westonia Mines | WEZ | Australia - gold | | 44.4% | 14.6 | 7.8 |
| Other | Investments less than 2% of Net Assets | | | | 31.7 | 11.6 |
| TOTAL DIRECT INVESTMENTS | | | | | 79.8 | 173.8 |
| AFRICAN & ASIAN LION | | | | | | |
| African Lion Funds | | | | 27.2% | 9.8* | 36.3 |
| Albidon | ALB | Zambia – Ni | 20.5% | 5.3% | 3.3 | 23.3 |
| Sphere Investments | SPH | Mauritania – iron ore | 8.0% | 1.8% | 1.4 | 6.1 |
| Other investments (including cash) | | | | | | 6.9 |
| Asian Lion Fund | | | | 32.1% | 12.2 | 10.3 |
| Total invested (including cash) | | | | | 5.0 | 3.1 |
| Cash committed | | | | | 7.2 | 7.2 |
| TOTAL AFRICAN & ASIAN LION | | | | | 22.0 | 46.6 |
| OPERATIONS – 30% Cracow | | | | | | 61.9** |
| NET CASH | | | | | | 96.4 |
| NET TANGIBLE ASSET (NTA) | | | | | | 378.6 |
| NTA per share before tax & diluted for options (cents per share) | | | | | | 197.1c |
| NTA per share after tax & diluted for options (cents per share) | | | | | | 197.1c |

For NTA purposes, all listed investments at market price.

* Lion investment remaining in the African Lion Funds after capital returned

** NTA Value for 30% of Cracow based on accounting carrying value.