

Lion Selection Limited (LST)

Opinion Data

| | |
|-------------------------------|------------------------|
| Recommendation | Buy |
| Risk Rating | Med/High |
| Current share price | \$1.86 |
| Price range – high/low | \$1.89 - \$1.63 |
| Market capitalisation | \$361m |

Company Background

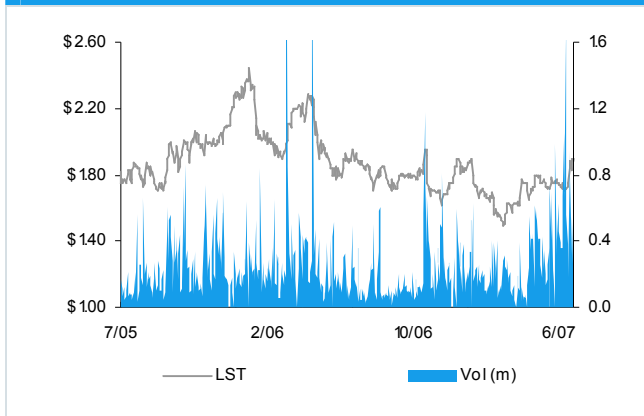
Lion Selection Limited (LST) is a resource investment company created from the merger of Lion Selection Group (LSG) and Auselect (AUS) in April 2007. The original Lion Selection Group listed on the ASX in 1997.

LST provides “patient capital” to small resource companies to progress them along the development curve and divesting them as they become producers. In addition, LST intends to develop an operations arm, which will be populated through opportunistic acquisitions, and the continued holding of investments deemed “too good to sell” as they come producers.

LST makes direct investments, but also has an interest in the African Lion and Asian Lion funds. The partners in these funds include investment banks and government development arms, and provide LST with high level insight into political and country risk, in addition to increased deal flow.

LST is targeting a portfolio of ~ 30 investments; with investment capital allocated approximately 50% in gold and 50% other metals. Approximately 50% of investments are in Australia. The primary criterion in investing in a company is the quality of the people involved.

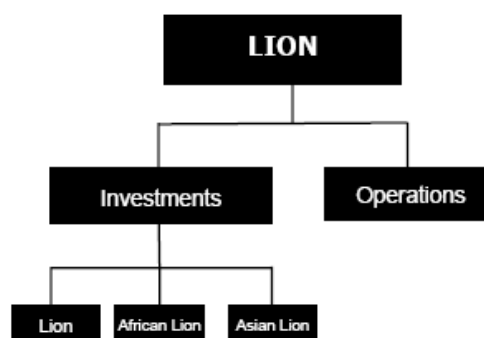
LST Share Price / Volume



Highlights

LSG and AUS merged during the quarter, forming a new entity, LST. The company has also restructured management responsibilities, streamlining investment and divestment responsibilities and allowing a renewed focus on market communication.

Due to the unwinding of the PDF structure shareholders of Lion Selection Group (LSG) received capital gains tax cost base of \$2.20/share.



LST maintains a 29.8% interest in the first African Lion fund, an 18.6% interest in African Lion II fund, and a 32.4% interest in the Asian Lion fund. As a result of the re-structure LST can now make co-investments with these funds.

LST’s 30% interest in the Cracow gold mine represents the first stage of the company’s plan to develop an operations arm, through opportunistic acquisitions and holding exceptional investments through into production.

Since the merger Asian Lion has invested in Asian Mineral Resources Ltd and LST has made a co-investment in Copperbelt Minerals with African Lion.

Outlook / Investment View

Management has necessarily been distracted by the preparation for, and completion of, the merger. Combined with the limited investment activity prior to the merger, the market had not had much positive investment news flow from the company and LST traded at a large discount to NTA of 20-25% immediately following the merger of LSG and AUS. Following a recent focus on investor communication, the discount to NTA has reduced sharply; we estimate LST is currently trading at a 16% discount to its NTA of \$2.22.

With new investment flexibility and management focus, investors stand to benefit from both the expected underlying asset growth and any further narrowing of the discount. Maintain Buy.

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DISCLOSURE

Recommendation Criteria

Investment View

Austock Securities Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

| Strong Buy | Buy | Hold | Lighten | Sell |
|------------|-----------|------------|--------------|---------|
| 25% + | 25% - 10% | 10% - (5%) | (5%) - (15%) | (15%) + |

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

Risk Rating

Austock Securities Limited has a four tier Risk Rating System consisting of: Very High, High, Medium and Low. The Risk Rating is a subjective rating based on: Management Track Record, Forecasting Risk, Industry Risk and Financial Risk including cash flow analysis.

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