



ASX Announcement 14 July 2006

Proposed Acquisition of Sedimentary by AuSelect

Key Points

- **AuSelect has announced today a takeover offer to acquire Sedimentary for the equivalent of 30¢, a premium of 42% to the last closing price¹.**
- **Lion has entered into a Pre Bid Acceptance Agreement with AuSelect over the majority of its shareholding in Sedimentary but retains the right to accept higher offers.**
- **If the Offer proceeds on the proposed terms, Lion may realise a pre tax profit of approximately \$11.8 million.**
- **Lion intends to distribute the AuSelect shares it may receive as an in specie dividend with a value equivalent to 20¢ per Lion share².**

Lion Selection Group Limited ("Lion") has today entered into a Pre-Bid Acceptance Agreement with AuSelect Limited ("AuSelect") in relation to the majority of its shareholding in Sedimentary Holdings Limited ("Sedimentary"). Under the terms of the agreement, Lion, which currently holds 23.7% of Sedimentary, has agreed to accept an off-market takeover bid (the "Offer") to be made by AuSelect for Sedimentary in respect of 50,200,000 shares comprising 17.8% of Sedimentary's issued share capital.

This acceptance is subject to a number of conditions, including:

- No higher third party offer being received by Sedimentary, which is not subsequently matched by AuSelect within 10 business days of it having been announced;
- The fulfillment or cancellation of the conditions of the Offer; and

¹ Based on a value of \$1.34 per AuSelect share and \$0.21 per Sedimentary share, being the closing share prices on 13 July 2006.

² Based on the proposed Offer terms, a value of \$1.34 for an AuSelect share (being the closing price on 13 July 2006), Lion's holding of 66.8 million Sedimentary shares and Lion's issued share capital of 100.1 million shares. The actual value will be determined at the AuSelect share price at the time the dividend is paid.



- Any approvals required under the Pooled Development Funds Act 1992 (Cth).

Lion believes the consideration offered by AuSelect for Sedimentary is attractive because it represents fair value and is a significant premium to the cost base of its investment, the current Sedimentary share price and its trading range over recent months.

Based on AuSelect's closing price and its Offer announced today of 2 AuSelect shares for every 9 Sedimentary shares, Lion's investment in Sedimentary is valued at \$19.9 million¹. The Offer represents a 42% premium to the last trade closing price of Sedimentary of 21¢ per share and a 147% premium to the average cost of Lion's investment in Sedimentary of 12.1¢ per share.

If the Offer is successful, Lion will receive 14.8 million AuSelect shares. This represents between 17.9% and 13.0% of the enlarged AuSelect assuming AuSelect obtains between 50% and 100% of Sedimentary. It is the intention of Lion to distribute these AuSelect shares to its shareholders by way of an in specie dividend as soon as practicable. This dividend will have a value equivalent to 20¢ for Lion share (see note 2 on page 1). The level of franking, if any, will be advised in due course.

Lion shareholders receiving AuSelect shares by way of the in specie dividend will own shares in a mining company with:

- A 30% interest in the successful Cracow Gold Mine²;
- Exposure to growth and future deal flow;
- A diversified asset portfolio;
- The potential for re-rating from increased size and liquidity;
- An experienced management team with a strong track record.

This transaction and the subsequent distribution of AuSelect shares is consistent with Lion's focus on:

- Early stage investments;
- Realising value on mature investments; and

¹ Based on the proposed Offer terms and a value of \$1.34 for an AuSelect share (being the closing price on 13 July 2006).

² This assumes AuSelect achieves 100% ownership of Sedimentary – if AuSelect only achieves the minimum acceptance condition AuSelect's interest in Cracow Gold Mine would be described as an effective 15% indirect interest.



- Distributing profits as dividends.

AuSelect have advised that if the Offer is successful it will implement a mechanism to address the requirements of new shareholders with unmarketable parcels of shares. This will include Lion shareholders holding AuSelect shares as a result of the in specie dividend.

Prior to entering into discussions on this transaction, Lion and AuSelect established corporate governance arrangements to eliminate any potential conflicts of interest. As part of the arrangements, both companies appointed Board committees with no common members to deal with all matters relating to this transaction.

Please refer to www.auselect.com.au for further details on the Offer.

Lion will inform its shareholders of any material developments in relation to this transaction as they occur.

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