



**JOINT ASX ANNOUNCEMENT
LION SELECTION LIMITED (ASX: LST) and
CATALPA RESOURCES LIMITED (ASX:CAH)**

**ASX RELEASE
2 NOVEMBER 2009**

**WITHDRAWAL OF
SHAREHOLDER BRIEFING**

Lion Selection Limited (LST) and Catalpa Resources Limited (Catalpa) have withdrawn the document entitled "Lion Shareholder Briefing" which was lodged with ASX on 28 October 2009.

That document contained the slides for the shareholder briefings being conducted jointly by LST and Catalpa in a number of locations.

Those slides contained some information which was not included in the Booklet dated 9 October 2009 containing the explanatory statement sent to LST members in respect of certain proposed transactions to be voted on at shareholder meetings convened for 17 November 2009. That Booklet (but not the slides) had been given to the Australian Investments and Securities Commission and the Supreme Court of Victoria before it was dispatched to LST shareholders. In addition, the slides did not refer to the potential risks and disadvantages of the proposed transactions (which are described on page 21 and in section 7 of the Booklet).

LST has written to its shareholders in relation to the withdrawal of the Lion Shareholder Briefing document (copy attached).

The withdrawal of the Lion Shareholder Briefing document does not affect the current timetable (copy attached) in relation to the proposed transactions.

LST shareholders are encouraged to read the Booklet in its entirety before making a decision on how to vote at the LST shareholder meetings.

If LST shareholders have any questions, they can call the Lion Selection Shareholder Information Line on 1300 752 749 (within Australia) or +61 3 9415 4162 (outside Australia), Monday to Friday between 8.30am and 5.00pm (Melbourne time).

For further information please contact:

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KEY DATES/TIMETABLE

Event	Time and Date
Time and date by which you must lodge the General Meeting Proxy Form for the General Meeting if you wish to vote by proxy at the meeting	10.00 am on 15 November 2009
Time and date by which you must lodge the Scheme Meeting Proxy Form for the Scheme Meeting if you wish to vote by proxy at the meeting	10.15 am on 15 November 2009
Time and date for determining eligibility to vote at the Lion Selection General Meeting and Scheme Meeting	7.00pm on 15 November 2009
General Meeting to be held at Rendezvous Hotel Melbourne, 328 Flinders Street, Melbourne, Victoria	10.00 am on 17 November 2009
Scheme Meeting to be held at Rendezvous Hotel Melbourne, 328 Flinders Street, Melbourne, Victoria	10.15 am on 17 November 2009
Court hearing for approval of the Scheme	27 November 2009
Scheme Effective Date – the date the Scheme becomes legally effective. Lion Selection ceases trading at close of trading on ASX	30 November 2009
Demerger Record Date – date for determination of entitlements to LSG Shares under the reconstruction	7 December 2009
Cash Distribution Record Date – date for determination of entitlements to the 10 cents per share Cash Distribution	7 December 2009
Scheme Record Date - date for determination of entitlements to Scheme Consideration	7 December 2009
Demerger Effective Date - transfer of LSG Shares to Lion Selection shareholders	9 December 2009 (immediately prior to implementation of Scheme)
Payment of Cash Distribution	9 December 2009
Scheme Implementation Date - Catalpa issues Scheme Consideration	9 December 2009
Dispatch of holding statements for LSG Shares transferred under Demerger	11 December 2009
Dispatch of holding statements for Scheme Consideration and last day of deferred settlement trading in Scheme Consideration ends	11 December 2009
LSG Shares commence trading on NSX	16 December 2009
Normal settlement trading of Scheme Consideration (New Catalpa Shares)	18 December 2009

NOTE

Unless otherwise stated, all times referred to in the Booklet are Australian Eastern Standard Times (AEST). Dates are indicative only. Lion Selection reserves the right to vary the times and dates set out above and may not be able to notify Lion Selection Shareholders of these changes. All dates following the Scheme Meeting are subject to Court, ASIC and ASX approval.



2 November 2009

Dear Shareholder,

**PROPOSED TRANSACTIONS (INCLUDING MERGER WITH CATALPA RESOURCES LIMITED)
WITHDRAWAL OF LION SHAREHOLDER BRIEFING**

As announced to ASX on 2 November 2009, Lion Selection Limited (LST) and Catalpa Resources Limited (Catalpa) have withdrawn the document entitled "Lion Shareholder Briefing" which was lodged with ASX on 28 October 2009. Accordingly, shareholders should ignore the material that was presented in that document.

That document contained the slides for the shareholder briefings being conducted jointly by LST and Catalpa in a number of locations. Those slides contained some information which was not included in the Booklet dated 9 October 2009 containing the explanatory statement sent to LST shareholders in respect of certain proposed transactions to be voted on at shareholder meetings convened for 17 November 2009.

The Booklet (but not the slides) had been given to the Australian Investments and Securities Commission and the Supreme Court of Victoria before it was dispatched to shareholders. In addition, the slides did not refer to the potential risks and disadvantages of the proposed transactions. The potential risks and disadvantages of the proposed transactions identified by LST are described in section 7 of the Booklet on pages 91 to 101 (copy attached).

The withdrawal of the Lion Shareholder Briefing document does not affect the current timetable in relation to the proposed transactions (see page 8 of the Booklet for the Key Dates in the timetable). You are encouraged to carefully read the Booklet in its entirety (including the Independent Expert's Report by Grant Samuel & Associates Pty Ltd) before making a decision on how to vote at the LST shareholder meetings.

If you have any questions, please call the Lion Selection Shareholder Information Line on 1300 752 749 (within Australia) or +61 3 9415 4162 (outside Australia), Monday to Friday between 8.30am and 5.00pm (Melbourne time).

If you are in any doubt about what to do in respect of the proposed transactions, you should contact your financial adviser.

Yours faithfully,

**Ewen W J Tyler, AM
Non-Executive Chairman**

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Terms used in this extract have the same meaning as those terms have in the Booklet.

SECTION 7 – RISKS AND DISADVANTAGES OF THE TRANSACTION

7.1 INTRODUCTION

There are a number of potential risks associated with the Demerger and Scheme which may have an impact on the future performance of Catalpa or LSG. These risks will be important for Lion Selection Shareholders to understand. Similarly, shareholders will need to understand the operational and general investment risks facing shareholders in Catalpa and LSG.

The key risks have been presented within the following categories:

- **Disadvantages common to the Scheme and the Demerger**
- **Risks common to the Scheme and the Demerger**
- **Risks arising from the Scheme**
- **Risks arising from the Demerger**
- **Risks to Lion Selection Shareholders if the Scheme or the Demerger does not proceed**
- **Other risks**

The outline of risks in this section is a summary only and should not be considered exhaustive.

Additional risks not presently known to Lion Selection, or if known, not considered material, may also have an adverse impact.

In deciding whether to vote in favour of the Lion Manager Share Issue, Demerger, Cash Distribution and the Scheme, Lion Selection Shareholders should read this Booklet in its entirety and carefully consider the risks outlined in this Section and elsewhere in this Booklet.

7.2 DISADVANTAGES COMMON TO THE SCHEME AND THE DEMERGER

a) **Dispersal of Lion Selection's controlling shareholding in Catalpa**

Catalpa will acquire Lion Selection's 46.9% shareholding in Catalpa upon implementation of the Scheme. Any benefits that the Lion Selection Shareholders enjoyed as a result of that controlling shareholding position will be lost.

b) **Dilution of Lion Selection Shareholders existing interest in the Cracow Joint Venture**

Catalpa is acquiring Lion Selection's 30% joint venture interest in the Cracow Gold Mine as a result of the Scheme and as such, Lion Selection Shareholders' interest in the mine will be diluted by the addition of existing Catalpa Shareholders, the Lion Selection Shares to be issued to Lion Manager and the future conversion of outstanding Catalpa Options.

c) **Dilution of Lion Selection Shareholders as a result of the Lion Manager Share Issue**

Under the Termination Deed between Lion Manager and Lion Selection, Lion Manager is to be issued 5,923,757 Lion Selection Shares (see section 5 for further information). As a result, Lion Manager's shareholding in Lion Selection will increase from 0% to 6.7% of Lion Selection at the time of implementation of the Demerger and the Scheme, and other Lion Selection Shareholders relative percentage interests in Lion Selection will be reduced.

d) **Greater exposure to operating risks**

If the Scheme proceeds, Lion Selection Shareholders will receive shares in Catalpa, a gold mining company. Being an operating company, Catalpa's future operating performance, financial position and profitability will be subject to the types of risks inherent to mining and exploration activities to a greater degree than a company that adopts a diversified portfolio investment strategy. Lion Selection Shareholders will accept greater operating risks on their shareholding in Catalpa once the Scheme is completed.

Operating risks that are inherent to mining and exploration activities include:

- metallurgical issues that may affect gold recoveries and plant performance;
- unexpected adverse geological or geotechnical issues which can cause reduced gold production or increased production costs;
- interruptions caused by plant breakdowns, adverse weather conditions, industrial relations issues, health and safety concerns or power outages or fuel shortages;
- the failure to achieve estimated production rates and production cost estimates for a range of reasons; and
- increases in the cost of supplies, raw materials and capital and operating equipment can adversely impact operating and capital costs.

e) Transaction Costs

Total transaction costs in respect of the Scheme and Demerger to be borne by Lion Selection are estimated at approximately \$1.9 million. These costs primarily relate to advisor, legal, tax, accounting, expert fees, stamp duty, insurance and other costs. The fees also relate to the costs of listing LSG on NSX. Transaction costs of approximately \$1.9 million are expected to have been incurred or committed to by Lion Selection by the time of the Scheme Meeting.

7.3 RISKS COMMON TO THE SCHEME AND THE DEMERGER

a) Taxation

Both Lion Selection and Catalpa have identified potential tax benefits and costs that arise from the Demerger and the Scheme and these are outlined in section 11. Carried forward tax losses available to Lion Selection and Catalpa may not be available to Catalpa or LSG, and there is a risk that the benefit of these losses will not be available post implementation of the Demerger and Scheme. Note that the benefit of these tax losses has not been reflected in the pro forma balance sheet for Catalpa in section 1.

b) Australian Tax Office Review

Lion Selection received notification from the ATO on 28 August 2009 that the ATO has commenced a comprehensive review of Lion Selection and its associated entities for the 2007 and 2008 income tax years. This follows finalisation by the ATO of its preliminary risk review on Lion Selection and its associated entities. The ATO has indicated that the primary purpose of the comprehensive review is to identify whether there are tax risks that may require further action, and that the review is part of the ATO's compliance assurance program and help the ATO to implement appropriate compliance strategies as well as improve the ATO's understanding of business operation and practices. The comprehensive review process generally involves a review of Lion Selection's financial accounts, tax information and business operations, a meeting with Lion Selection to discuss the focus of the ATO's review and to seek Lion Selection's views on any events or transactions that may relate to the recent performance of the business, an evaluation of the level of compliance with Lion Selection's tax obligations and a risk assessment and development of a strategy to treat any significant tax risks identified. The ATO has indicated that, at the end of the review, the ATO will discuss the outcomes with Lion Selection to advise whether the ATO is satisfied with Lion Selection's compliance or whether further compliance action is warranted.

Lion Selection is co-operating with the ATO in relation to this review. Lion Selection Directors do not expect that this review will result any additional taxation being payable by Lion Selection Limited or its associated entities. However, there is the risk that the ATO's review will identify a taxation issue with respect to Lion Selection or an associated entity which results in additional tax or a penalty being payable.

c) Title risks

Catalpa, and any of the investee companies in which LSG holds shares, may lose title to, or interests in, their tenements if the conditions to which those tenements are subject are not satisfied or if insufficient

funds are available to meet expenditure commitments. In the jurisdictions in which Catalpa and LSG's investees will operate, both the conduct of operations and the steps involved in acquiring interests involve compliance with numerous procedures and formalities. It is not always possible to comply with, or obtain waivers from, all such requirements and it is not always clear whether requirements have been properly completed, or possible or practical to obtain evidence of compliance. In some cases, failure to follow such requirements or obtain relevant evidence may call into question the validity of the actions taken. Further, it is possible that tenements in which Catalpa or LSG's investees have an interest may be subject to a native title claim. If native title rights do exist in respect of a tenement, the ability of Catalpa or LSG's investees to gain access to that tenement may be adversely affected.

d) Reliance on key personnel

A number of key management and personnel will be important to attaining the respective business goals of Catalpa and LSG. One or more of Catalpa's, LSG's or Lion Manager's respective key employees could leave their employment, and this may adversely affect the ability of Catalpa or LSG to conduct its business and, accordingly, affect the financial performance and share price of LSG or Catalpa. Further, the success of Catalpa and LSG in part depends on the ability of Catalpa, LSG and Lion Manager to attract and retain additional highly qualified management and personnel.

e) Litigation

Exposure to litigation brought by third parties such as customers, regulators, employees or business associates could negatively impact on Catalpa's or LSG's financial performance through increased cost payments for damages and damage to reputation. Neither the Lion Selection, LSG nor the Catalpa boards are currently aware of any outstanding litigation against any of their companies or associated entities. There is no certainty that litigation will not be raised against the relevant company or its subsidiaries in relation to past or future events.

f) Legislation

Changes to legislation or government policy in Australia or overseas could be detrimental to participants or investors in the resource industry and may have a negative impact on Catalpa or LSG.

g) General

The performance of Catalpa and LSG and the prices at which their shares may trade on ASX and NSX respectively may be impacted by a range of factors including movements in inflation, interest rates, exchange rates, general economic conditions and outlooks, changes in government, fiscal, monetary and regulatory policies, prices of commodities, global geo-political events and hostilities and acts of terrorism. Certain of these factors could affect the trading price of Catalpa Shares or LSG's shares, regardless of operating performance. Each company will attempt to mitigate these factors by implementing appropriate safeguards and commercial actions but these factors are largely beyond the control of the companies.

The underlying value of LSG's investments in its investees also may not be fully reflected in LSG's share price.

h) Investment

The value of Catalpa Shares or LSG Shares can be expected to fluctuate depending on various factors including general worldwide economic conditions, changes in government policies, investor perceptions, acts of terrorism, movements in interest rates and the local and international equity and bond markets and general investor sentiment in those markets, and recommendations by brokers and analysts, as well as the performance of the company, including variations in the revenues and operating costs of the company, and the cost of new equity or debt capital which the company may in the future require.

There is no guarantee of profitability, dividends, return on capital, or the price at which the Catalpa Shares will trade on ASX or LSG Shares will trade on NSX after implementation of the Demerger and Scheme. Furthermore, there is a risk that the combined market value of a Lion Selection Shareholder's New Catalpa Shares and LSG Shares after implementation of the Demerger and Scheme will be less than the market value of the shareholder's Lion Selection Shares before implementation.

7.4 RISKS ARISING FROM THE SCHEME

a) Catalpa may not achieve an improved stock market rating

Following implementation of the Scheme, there is a risk that Catalpa will not achieve an improved stock market rating relative to Lion Selection or Catalpa's respective stock market ratings prior to implementing of the Scheme.

b) Court delays

There is a risk the Court may not approve the Scheme or that the approvals are delayed.

c) Risk regarding third party consents

There is a risk that the Scheme requires the consent of one or more third parties and that such a consent cannot be obtained, or if it can be obtained, it cannot be obtained on reasonable terms and conditions. The operation of provisions requiring consent may have negative consequences for Catalpa such as the loss of major contracts or assets, increased costs or the need to renegotiate financings.

d) Unexpected Transaction costs

Lion Selection and Catalpa have assets in Queensland and Western Australia, both States which impose stamp duty on transfers of assets and rights associated with land and joint venture interests. Lion Selection and Catalpa believe that stamp duty will not arise in relation to changes in ownership in the underlying assets as a result of the Transactions. However there is a risk that the respective States may have a different view, and seek to impose stamp duty on the Transactions, adversely impacting the merged group.

e) Commodity price risk

Changes in the market price of gold, which in the past has fluctuated widely, will affect the profitability of Catalpa's operations and its financial performance. Catalpa's revenues, profitability and viability will depend on the market price of gold produced from the Cracow Gold Mine and Edna May Gold Project (once commissioned). The price of gold is set in the world market and is affected by numerous factors beyond Catalpa's control including the demand for gold, expectations with respect to the rate of inflation, interest rates, currency exchange rates, the demand for jewellery and industrial products containing gold, gold production levels, inventories, cost of substitutes, changes in global or regional investment or consumption patterns, and sales by central banks and other holders, speculators and producers of gold and other metals in response to any of the above factors, and global and regional political and economic factors.

A decline in the market price of gold below Catalpa's and Cracow's respective production costs for any sustained period would have a material adverse impact on the profit, cash flow and results of operations of Catalpa's projects and anticipated future operations. Such a decline also could have a material adverse impact on the ability of Catalpa to finance the exploration and development of its existing and future mineral projects. A decline in the market price of gold may also require Catalpa or Cracow to write down its reserves which would have a material adverse effect on the value of Catalpa's Shares. In addition, if revenue from gold sales declines, Catalpa may experience liquidity difficulties.

The expected cash operating cost is A\$500-530/oz at the Cracow Gold Mine and A\$636/oz for the Edna May Gold Project. Catalpa has entered into forward sales commitments over 352,317 ounces of gold produced from the Edna May Gold Project at a fixed flat forward price of A\$1,557.50/oz. The operating margin at Cracow is unhedged, and is therefore the most susceptible to gold price decline.

f) Exchange rate and currency risk

Gold is sold throughout the world in US Dollars. Catalpa pays for goods and services in Australian dollars. Fluctuations in the Australian dollar relative to the US dollar may affect the costs and margins at Catalpa's mining projects, which could materially affect the Company's profitability and financial performance.

g) Construction and development risk – Edna May

Construction of the Edna May Gold Project commenced in July 2009 and is proceeding as planned.. A construction schedule and budget has been devised, from which the funding requirements of Catalpa during the construction and commissioning periods have been estimated. Whilst contingencies have been allowed for, a delay in achieving gold production and cash flow, or an anticipated cost over run may have a materially adverse effect on Catalpa's financial performance and Catalpa may experience liquidity difficulties.

h) Joint ventures

Catalpa (through its subsidiaries) will be 30% owner of the Cracow Gold Mine in joint venture with Newcrest on implementation of the Scheme. Occurrence of any of the following events may have an adverse financial impact on Catalpa: disagreement with joint venture partners on how to develop and operate the Cracow Joint Venture efficiently; inability of a joint venture partner to meet its obligations under the joint venture; or litigation between joint venture partners regarding joint venture matters.

Newcrest, as manager of the Cracow Joint Venture, is able to control the timing of delivery of the Joint Venture's product to Catalpa. If delivery is interrupted, Catalpa may not be able to sell the product when expected, and will not receive cash flow from that sale when forecast. In severe cases, this may lead to Catalpa suffering liquidity difficulties.

i) Estimates of Reserves and Resources

Resources and Reserves have been prepared and stated in accordance with the JORC Code 2004, but are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realised or that Reserves could be mined or processed profitably. There are numerous uncertainties inherent in estimating Reserves and Resources, including many factors beyond Catalpa or Lion Selection's control. Such estimation is a subjective process, and the accuracy of the Reserve or Resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation.

Reserve or Resource estimates may require revision as a result of events that occur after the estimate is made. These include: fluctuation in gold prices; results of drilling; metallurgical testing and production; changes to mine design or schedules; and unplanned or unforeseen accidents or disruptions. The volume and grade of Reserves mined and processed and recovery rates may not be the same as the estimate that has been made.

Any material reductions in estimates of Reserves and Resources, or of Catalpa's ability to extract these Reserves, could have a material adverse effect on Catalpa's financial performance.

j) Exploration risk

The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. It is impossible to ensure that the exploration or development programs planned by Catalpa or any of its present or future joint venture partners will result in a profitable commercial extraction of mineralisation. The commercial viability of a mineral deposit depends on a number of factors. These include: the size and grade of the deposit and proximity to infrastructure; metal prices; government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted and may vary from now until any point in time. The result of these factors may be that Catalpa does not receive an adequate return on invested capital.

k) Environmental laws

Mining, processing and exploration activities are hazardous to the environment, and unforeseen liabilities such as accidental spills or damage may be costly to remedy.

Both of the projects that Catalpa will own post the Scheme are subject to environmental regulation in either Western Australia or Queensland. Environmental legislation is evolving in a manner that will require: stricter standards and enforcement; increased fines and penalties for non compliance; more stringent environmental assessments of proposed projects; and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing future environmental regulation will not materially adversely affect Catalpa's business, financial condition and results of operations.

The Cracow Joint Venture Agreements will require Catalpa to be:

- 100% responsible for remediation resulting from activities occurring prior to 1996 on areas of land within the Cracow Exploration Joint Venture's 'designated area' that are not in Cracow Joint Venture's 'mining area'; and
- responsible in proportion to its interest in the Cracow Joint Venture (currently 30%) for remediation in the Cracow Joint Venture's mining area; and
- responsible in proportion to its interest in the Cracow Joint Venture (currently 30%) for any liabilities incurred post 1996 in the Cracow Exploration Joint Venture designated area.

Environmental hazards may exist on properties in which Catalpa holds an interest that are not known to Catalpa at present and that have been caused by previous or existing owners or operators of the properties.

l) Government regulations

The mining, construction and exploration activities of Catalpa are governed by various laws covering areas including taxation, mineral exploration and prospecting, project development, production, industrial relations and occupational health and safety and toxic substances. Catalpa believes that its activities are carried out in accordance with all of the applicable laws and regulations, however no assurance can be given that new laws and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail the production from or development of Catalpa's properties or have a materially detrimental financial effect on Catalpa's business.

Failure to comply with the applicable laws, regulations and permitting requirements may result in enforcement actions, which may result in cessation or curtailment of operations and may include corrective measures requiring capital expenditures, the installation of additional equipment, or remedial actions. Catalpa may be required to compensate a party or parties suffering loss or damage that occurred as a result of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to or a more stringent implementation of current laws, regulations and permits under which the activities of Catalpa are governed, could have a material adverse impact on Catalpa and cause an increase in expenditures, reduction in levels of production, or abandonment or delays in development of new projects.

m) Financing risks

i) Macquarie Bank debt facility

Catalpa's wholly owned subsidiary, Edna May Operations, has an A\$68.51 million project finance facility with Macquarie Bank, none of which is currently drawn (refer to section 4). Once the drawdown of funds has commenced, Edna May Operations will be obliged to make regular repayments. The facility is secured by fixed and floating charges granted by Edna May Operations, Westonia Mines Minerals Pty Ltd and Catalpa together with mining mortgages granted over the project tenements by Edna May Operations. Failure to meet a repayment or debt covenant may trigger default, which could lead to Macquarie Bank enforcing its securities through the appointment of receivers.

The merger of Lion Selection with Catalpa will result in a change in control of Catalpa which triggers a review event under the Macquarie Bank facility. Macquarie Bank has agreed in principle to waive the review event subject to and conditional upon certain minor amendments being made to the syndicated facility agreement (which do not materially change the terms of the facility). It is not intended that the amendments to the syndicated facility agreement will be finalised until after the merger is implemented.

ii) Gold hedge position

Edna May Operations has a forward sales facility under which it has an obligation to deliver 352,317 ounces of gold for which it will receive A\$1,557.50 per ounce. The Catalpa management forecasts currently demonstrate Catalpa's ability to deliver into these forward sales contacts.

Any delays in project construction or any production related problems that arise may result in production being deferred or being less than the anticipated production levels and may impact on the ability of Catalpa to meet its obligation to deliver into these forward sales. If such an event were to eventuate, Catalpa may need to pay any negative difference between the spot price of gold and the forward price for all ounces not delivered.

Further, if the gold price rises above A\$1,557.50 per ounce, the price at which future production from the Edna May Gold Project has been committed under Catalpa's forward sales facility, Catalpa will have an opportunity loss, and a liability in the event of a shortfall in production. However, if the gold price falls below A\$1,557.50 per ounce, Catalpa's revenues from the Edna May Gold Project will be protected to the extent of such committed production.

In addition, Catalpa could be exposed to loss if Macquarie Bank were to default on its obligations (for example, in the event that Macquarie Bank was insolvent) under the forward sales facility and the relevant spot gold price at the time was lower than the contracted forward rate.

n) Cancellation of Lion Selection's Catalpa Shares

As a consequence of the Scheme, Catalpa will (indirectly) acquire Lion Selection's 46.9% shareholding and its option holding in Catalpa. Under the Corporations Act, Catalpa will be required to cease holding Lion Selection's Catalpa Shares within 12 months of the implementation of the Scheme. Catalpa will cancel Lion Selection's Catalpa Options and it is Catalpa's current intention to cancel Lion Selection's Catalpa Shares within 12 months of the implementation of the Scheme, subject to Catalpa Shareholder approval. If Catalpa Shareholders do not approve the cancellation of Lion Selection's Catalpa Shares, Catalpa is required to otherwise cease to hold the Catalpa Shares and may be required to sell down the Catalpa Shares. If this was to occur, Lion Selection Shareholders' New Catalpa Shares will be diluted to a lesser percentage of the outstanding Catalpa Shares than would otherwise be the case and the aggregate shareholding of Lion Selection Shareholders in Catalpa will be less than 61%.

o) Dividends

Catalpa has not paid a dividend in the past. The distribution policy of Catalpa will be determined by the Catalpa Directors having regard to the earnings, financial and taxation position, and capital investment requirements of the company at the time. There is a risk that financial performance of Catalpa will not be sufficient to pay a dividend in the future.

p) Scrip-for-scrip rollover relief is not available

If the Scheme is successful, scrip-for-scrip rollover relief should be available for Lion Selection Shareholders on the basis that Catalpa will have acquired at least 80% of the voting shares in Lion Selection. Lion Selection will not apply for a Class Ruling on the basis that scrip for scrip rollover is available to Lion Selection Shareholders. There is a risk that the Commissioner of Taxation will hold the view that scrip for scrip rollover relief is not available. The consequences of rollover relief not being available for Lion Selection Shareholders are set out in section 11.

q) Capital cost estimates

Capital and operating cost estimates have been made in respect of Catalpa's Edna May Gold Project and Lion Selection's 30% joint venture interest in the Cracow Gold Mine. These estimates are made on the basis of interpretation of geological data, feasibility studies, prior operating experience, anticipated future conditions as well as other factors, and as such may not prove accurate. The eventual accuracy of the cost estimates could be affected by events including: unanticipated differences in grade and tonnage between ore mined and processed and the estimated Reserves and Resources; incorrect engineering assumptions; delays in construction or development schedules; unanticipated costs; accuracy of anticipated cost of capital items; labour negotiations; and changes in government regulation relating to royalties, duties, taxes or other levies.

r) Risks associated with future growth initiatives

Catalpa may continue to assess acquisitions that complement its existing business as part of its growth strategy. If Catalpa makes an acquisition it will be exposed to the risks commonly associated with acquisitions of companies or businesses. These risks include the difficulty of integrating the operations and personnel of the acquired business, the potential disruption to the business of Catalpa and risks arising from the contracts and legal processes associated with the acquisition. Furthermore, the value of any business that Catalpa acquires or invests in may be less than the purchase price paid by Catalpa. The consideration payable in respect of any such acquisition may consist wholly or partly of Catalpa Shares issued to the vendors or to third parties to the acquisition, in which case the relative percentage holdings of existing shareholders (which may include Lion Selection Shareholders following implementation of the Scheme) will be diluted.

Catalpa may seek to raise additional capital in order to fund acquisitions, or for other purposes, by new issues of Catalpa Shares, which may dilute the relative percentage holdings of shareholders at the time of such issues, or through the raising of debt. There can be no assurance that any such equity or debt funding, if required, will be available to Catalpa on favourable terms or at all. If adequate funds are not available on acceptable terms, Catalpa may not be able to take advantage of certain growth or strategic opportunities or otherwise respond to competitive pressures.

Catalpa operates in a competitive market which includes major gold companies. Many of these companies have greater financial strength and resources available to them than Catalpa and, as a result, may be in a better position than Catalpa to compete for future business opportunities.

s) Insurance

Catalpa's business is subject to a number of risks and hazards that may result in damage to mineral properties or production facilities, personal loss, injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Whilst Catalpa maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with a mining operation. Catalpa may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability.

Insurance against risks such as environmental pollution or other damage as a result of exploration and production is not generally available to companies in the mining industry on acceptable terms. Catalpa may become subject to liability for pollution or other damage that may not be insured against or that the company may elect not to insure against because of premium costs or other reasons. Catalpa may be caused to incur significant costs that could have a material adverse affect upon its financial performance.

7.5 RISKS ARISING FROM THE DEMERGER

a) Reduced liquidity of LSG Shares

There is not yet a public market for LSG Shares on NSX. Accordingly, there can be no assurance that an active trading market will develop for shares in LSG after the Demerger is implemented or that shares in LSG will trade at a particular level in the public market following implementation of the Demerger. Liquidity of stocks listed on NSX is generally lower than for those on ASX, and the Lion Selection board expects that following the implementation of the Demerger, share trading on NSX may be of low volume.

b) Commitments to African Lion 3 and Asian Lion

LSG will have commitments (for further calls) related to its shareholdings in African Lion 3 and Asian Lion that amount to US\$24 million upon implementation of the Demerger, a cash balance of approximately A\$12.5 million and an existing investment portfolio (current value of A\$42.1 million).

Annual operating costs of LSG are expected to be A\$0.8 million and monthly residual payments to Lion Manager in relation to its notice period of A\$230,000 (plus GST) for the period following the Scheme Effective Date until the termination of the Management Agreement takes effect on 24 June 2010. Cash calls are binding on LSG and are expected to be met from the available cash held and by orderly and timely divestment of other investments in the LSG portfolio. This amount is expected to be required progressively over two to four years, but the actual timing of calls to Asian Lion and African Lion 3 cannot be predicted with certainty. There is a risk that LSG will not be able to sell investments in time to meet its commitments or that the value of its investments will decline such that the proceeds of sale of investments is inadequate to meet its commitment. In this event LSG will be in default under the terms of the African Lion 3 and/or Asian Lion shareholder agreements. LSG's ownership of these funds may be subject to dilution or LSG may be subject to claims from the relevant fund. There is a risk that LSG may need to raise capital by issuing further shares, diluting existing shareholders, or become insolvent and there is a further risk that this capital may not be able to be raised. Further, the need to meet these cash calls may result in an inability for LSG to make further new investments, and reduce the available growth options of LSG.

c) Growth

LSG will continue to seek to grow both organically and through new investment opportunities. There are always risks that the benefits, synergies or efficiencies expected from such investments or growth may take longer than expected to be achieved or may not be achieved at all. Growth also brings substantial demands on management. The LSG board will apply its experience to the evaluation and financing of new opportunities to determine whether the expected risks and rewards of these opportunities meets LSG's requirements and its strategies for diversification of risk and for capital and income growth. The operating results of LSG will largely depend on the ability of the LSG's board to make sound investment decisions.

d) Liabilities carried over from Lion Selection Limited

At the time of implementation of the Scheme, Lion Selection's only assets and liabilities will be the Lion Selection Gold Assets and the Lion Selection Retained Liabilities. All of the other assets and liabilities of Lion Selection and its subsidiaries will be transferred to or assumed by LSG prior to the Demerger taking place. As a condition of the Demerger and Scheme, LSG has provided indemnities to the Lion Selection Gold Companies in relation to those liabilities. These indemnities are described in the Merger Implementation Agreement in Annexure B in this Booklet. Although LSG is not aware of any liabilities at the date of this Booklet that would trigger an indemnity payment, future events (in relation to these) may trigger such indemnities.

e) Demerger relief

Lion Selection has sought the Commissioner of Taxation's confirmation that Lion Selection Shareholders will be able to choose demerger relief in relation to the Demerger (refer to section 11). The Commissioner of Taxation has not yet provided confirmation, and there exists a risk that the benefit of demerger relief will not be available to LSG Shareholders.

f) LSG may not achieve an improved stock market rating

Following implementation of the Demerger, there is a risk that LSG will not achieve an improved stock market rating relative to Lion Selection's stock market rating prior to implementation of the Demerger. Associated with the risk of reduced liquidity and the smaller size of LSG, there is a risk that LSG will trade at a material discount to its NTA. In addition if, following implementation of the Demerger, LSG is trading at a discount to its Post-Tax NTA, there is a risk that LSG could become the subject of an unsolicited and opportunistic takeover offer.

g) Matching Facility

Lion Selection proposes to arrange for E.L. & C. Baillieu to make available a Matching Facility on behalf of Lion Selection. It is intended that any such facility would be conducted immediately after implementation of the Demerger and before trading in LSG Shares commences on NSX.

If a Matching Facility is made available, LSG Shareholders would have the ability to participate in the Matching Facility under which LSG Shareholders may sell their LSG Shares to other LSG Shareholders or interested buyers. The proposed facility would also include a 'top-up' option for LSG Shareholders who want to buy more LSG Shares. LSG Shareholders would not be obliged to participate in any Matching Facility if they do not wish to do so.

The proposed Matching Facility would provide LSG Shareholders the opportunity to tender LSG Shares for sale or offer to purchase more LSG Shares. The proposed Matching Facility would be conducted on a best endeavours basis. There is no guarantee that LSG Shareholders would be able to sell any of the shares tendered for sale or to buy any shares offered to be purchased under the proposed Matching Facility.

The LSG Directors and the Lion Selection Directors do not intend to make any recommendation in relation to participation in the Matching Facility. A Matching Facility would not be the only avenue for buying or selling LSG Shares.

While a Matching Facility would be conducted on a best endeavours basis, Lion Selection Directors make no guarantee that a Matching Facility will be made available, or if made available, will proceed, or that LSG Shares offered for sale under a Matching Facility will be able to be sold, or that offers to buy more LSG Shares will be able to be filled. There is a risk that Lion Selection Shareholders wishing to sell the LSG Shares they receive into a Matching Facility will be unable to do so (either in part or in full) and conversely there is a risk that individuals or entities offering to purchase LSG Shares through a Matching Facility will be unable to do so (either in part or in full).

There is a risk that the matching price under a Matching Facility (if made available) will not reflect the future price of LSG Shares on NSX.

h) Investment in resource companies

LSG will have investments in a range of resource companies whose exploration, development and mining activities are at varying stages. LSG's investees will be subject to operating risks that are inherent to mining and exploration activities, and may influence the financial performance and share price of the investees. These kinds of risks were described in some detail in section 7.4. The value of LSG's investments in these companies, and in turn the financial performance of LSG itself, will continue to be influenced by a variety of factors, including:

- general investment, economic and market conditions as outlined above, which can affect the investee's performance and share price;
- exploration is a speculative endeavour which may not result in investee's finding economic deposits capable of being successfully exploited;
- mining operations may be affected by a variety of factors which may or may not be within the control of the investee;
- depending on the location of its exploration and/or mining activities, an investee may be subject to political and other uncertainties, including risk of civil rebellion, expropriation, nationalisation, and renegotiation or nullification of existing contracts, mining licences and permits or other agreements;
- reliance on the performance of key management of LSG, investees and Lion Manager;
- investees may enter into hedging transactions to fix the commodity price for a portion of production and there is a risk that the investee may not be able to deliver into these hedges if, for example, there is a production shortage at their mining operations, which could adversely affect the investees operating performance if the commodity price moves unfavourably;
- investees that borrow money are potentially exposed to adverse interest rate movements that may affect their cost of borrowing, which in turn would impact on their earnings and increase the financial risk inherent in their businesses;
- war or terrorist attacks anywhere in the world could result in a decline in economic conditions worldwide or in a particular region, which could impact adversely on the business, financial condition and financial performance of the investee;
- there is a risk that investees may lose title to mining tenements if conditions attached to licences are changed or not complied with;

- a form of native title reflecting the rights and entitlements of indigenous inhabitants to traditional lands may exist on investee's tenements, such that exploration and/or mining restrictions may be imposed or claims for compensation forthcoming; and
- the high initial funding requirements of emerging exploration and mining companies can result in a lack of liquidity, which may affect LSG's ability to invest or divest.

7.6 RISKS TO LION SELECTION SHAREHOLDERS IF THE SCHEME OR THE DEMERGER DOES NOT PROCEED

a) Break Fee

In certain circumstances, if the scheme does not proceed, Lion Selection may be required to pay a break fee of A\$1 million to Catalpa in accordance with the Merger Implementation Agreement (see Annexure B). In such a circumstance, the costs of Lion Selection would increase and Lion Selection's financial performance would be materially negatively affected.

b) Lion Selection share price may fall

The restructure of Lion Selection including the Demerger and Scheme was announced on 24 June 2009. The closing price of Lion Selection on 23 June 2009 (the trading day immediately prior to the announcement) was 102 cents per share and the closing price on 24 June 2009 (after the announcement) was 136 cents per share, an appreciation of 33%. In the event that the Scheme is not implemented, the Lion Selection board believes that Lion Selection Shares may trade at a discount to the Scheme Consideration and to Lion Selection net tangible asset backing, as they did prior to 23 June 2009.

c) Reduced size of Lion Selection

If the Demerger proceeds and the Scheme does not, Lion Selection will have decreased net assets having transferred the non-gold assets to LSG. Lion Selection Directors believe that Lion Selection Shares may trade at a discount to the Lion Selection Share price, net tangible asset backing and estimated Scheme Consideration if the Scheme does not take place after the Demerger

7.7 OTHER RISKS

a) ATO issues contrary Tax Ruling on Cash Distribution

Lion Selection has applied for a Class Ruling from the ATO dealing with certain taxation matters on the proposed treatment of the cash distribution as being a capital return, including that certain anti-avoidance rules directed at the provision of capital benefits in substitution for dividends will have no application to this proposed capital return. Although it is not anticipated to be the case, when the final Class Ruling is issued by the ATO, it is possible that it may express a view contrary to that set out in the draft ATO Class Ruling and in this Booklet, and there is a risk of an adverse tax outcome for Lion Selection Shareholders.