

ASX Codes

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

Issued shares: 191.0m
Share price: \$1.845
Issued options: 5.8m
Option price: \$0.39
(151c April 09)

Market cap: \$352m
Net Tangible Assets: \$341m

NTA (per share) pre tax
(30/04/08): \$1.78

NTA (per share) post tax
(30/04/08): \$1.78

Further Enquiries

Luke Smith
Investor Relations Manager
Email: lsmith@lsg.com.au

Contact Details

Lion Selection Limited
ABN 53 123 217 112
Level 4, 15 Queen Street
Melbourne Vic 3000

Tel: 61 3 9614 8008
Fax: 61 3 9614 8009
Email: info@lsg.com.au
www.lionselection.com.au

Lion Plan

- Sale of major investments: Indophil, Cracow and Albidon
- Cash return to shareholders
 - \$1.35 - \$1.50 / share (Possibly more later)
- What's left
 - \$0.65 - \$0.75 / share investments and cash
- New expanded Lion
 - We are working up a plan to allow shareholders to **either** take cash **OR** retain and possibly increase their investment in a new expanded Lion.

Lion is under takeover offer from Indophil Resources NL

Directors recommend that Lion shareholders take the following action:
VOTE AS FOLLOWS IN THE 23 JUNE LION SHAREHOLDER VOTE:

To vote in accordance with your **DIRECTORS' RECOMMENDATION**, complete your proxy form as follows:

STEP 1 APPOINT A PROXY TO VOTE ON YOUR BEHALF

the Chairman of the Meeting

You may also wish to complete STEP 2

STEP 2 ITEMS OF BUSINESS

	Director's Recommendation	For	Against	Abstain
Item 1	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

IT IS VITALLY IMPORTANT THAT YOU VOTE.

Please complete the form in the Notice of Meeting and send it back now.

REJECT the Indophil takeover offer.

Take no action until you have voted at the 23 June General Meeting.

Key Points

- Quarter Ending 30 April 2008

■ Indophil takeover offer for Lion: 2.5 to 2.7 Indophil shares per Lion share

Lion Directors' view:

- Indophil's risks at their Tampakan project in the Philippines have increased dramatically (sovereign, capex, funding, timing and technical).
- Indophil is seeking to diversify out of these risks by picking up Lion's cash and diversified assets.
- Indophil effectively put itself into play, resulting in Xstrata's \$1.00/share offer for Indophil.

■ 30% Cracow Gold Mine: Lion to sell for \$80 million

Why Lion is selling:

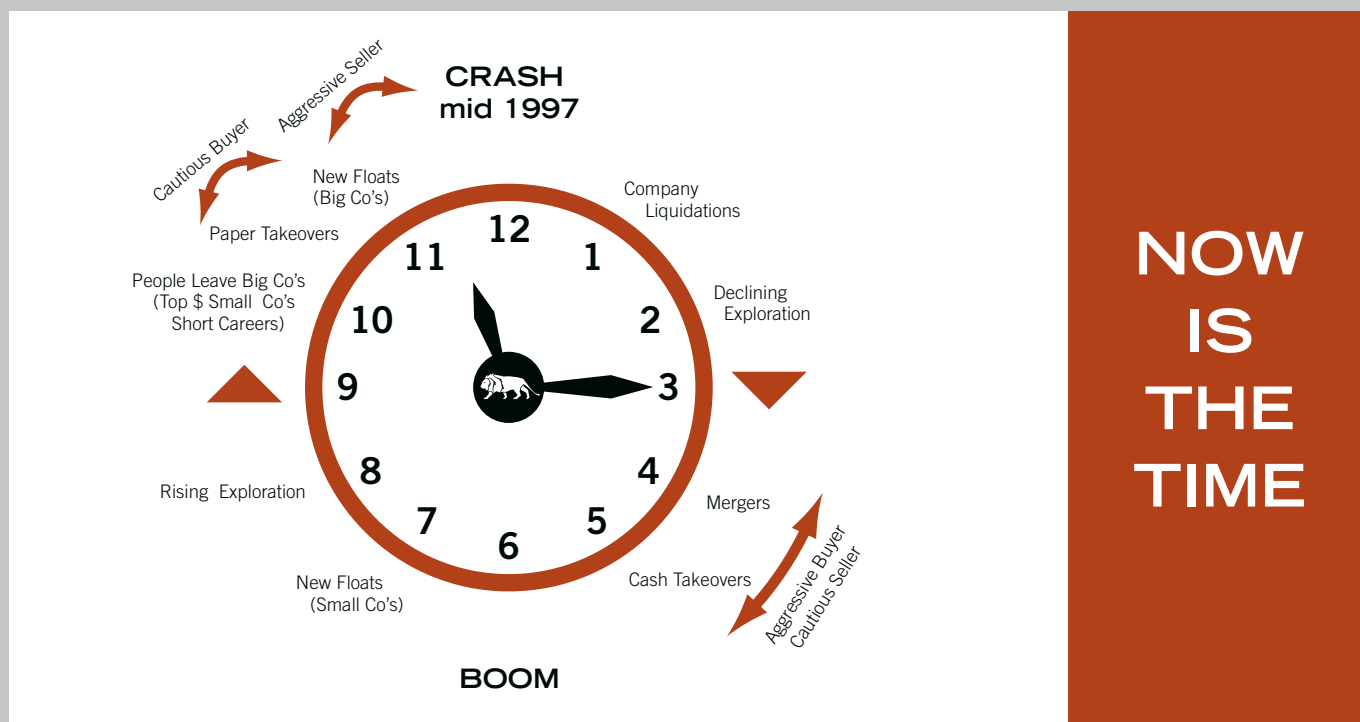
- Price \$80 million,
- our book value is \$63 million.

The Cracow Gold Mine is a good asset; it is low cost and has good exploration potential. Beadell Resources Limited (Beadell), the buyer, is a company whose people have a background operating mines, whereas Lion's team is regarded as investors. Lion is looking forward to capturing this upside going forward as a result of being a significant shareholder in Beadell Resources once all conditions are satisfied.

■ Cash return \$1.35 - \$1.50 / share proposed subject to shareholder vote on 23 June 2008

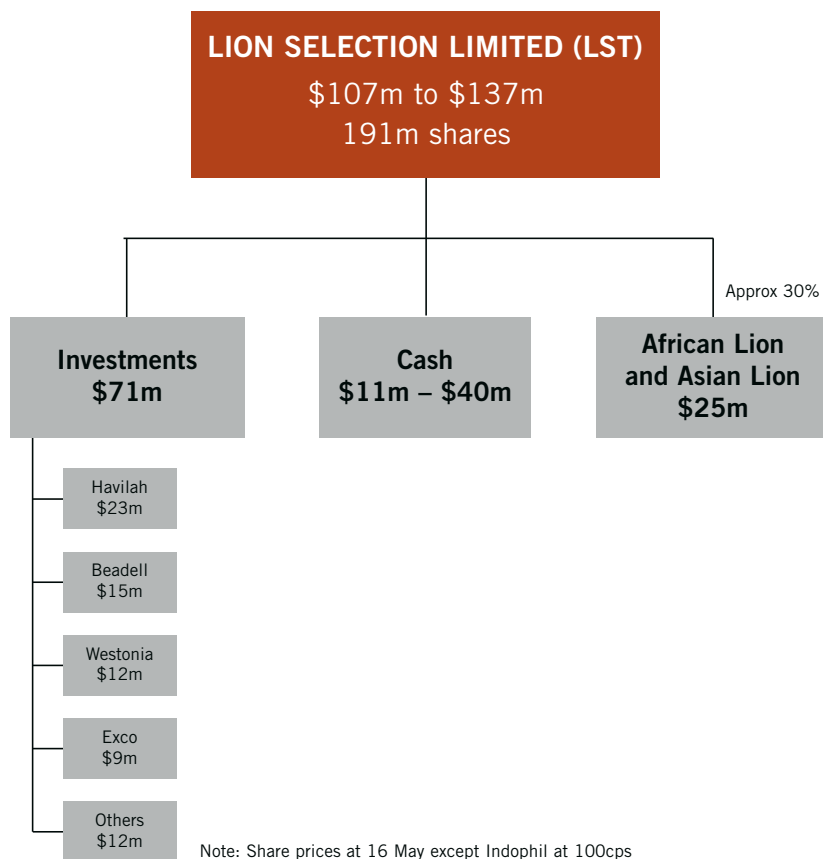
When Lion was formed in 1997, we promised that at the appropriate point in the investment cycle:

- major cash investments would be sold; and
- cash would be returned to shareholders.



We are nearing the top of the cycle and while the strong resources market could continue for some years, it could end tomorrow. The opportunity to convert major assets to cash has arrived and we plan taking it.

Lion – After Sale Of Cracow, Indophil And Albidon
 – After \$1.35 – \$1.50 / Share Cash Return



■ **TEAM**

No changes planned from current team of 16.

■ **TAX**

The most tax effective method of returning cash to shareholders is being examined. It could be either capital return, buyback, dividend or a mixture.

■ **NEW EXPANDED LION**

We are working up a plan to allow shareholders to **either** take cash **OR** retain and possibly increase their investment in a new expanded Lion.

Lion will remain listed, with the same team and Lion Manager team if a cash return is approved.

An exclusive offer to Lion shareholders will be prepared with the broad intention of giving shareholders the choice of either taking cash or retaining shares in Lion with an option to increase.

	Per Share	\$M	
Cash return	\$1.35 - \$1.50	267 – 295	} Assumes sale of Indophil, Cracow and Albidon
Choice of cash or shares	\$0.69 - \$0.76	136 – 108	
Total Value	\$2.05*	\$403m*	

* Share prices at 16 May except Indophil at 100cps. Total asset backing on 16 May was \$2.11 per share.

Allegiance Mining NL

SOLD

During the quarter Lion realized its investment in Allegiance. The initial investment in Allegiance was made in December 2003 with follow on investments made in 2004 for a total investment in Allegiance of \$6 million. Proceeds from the sale (on market sales of \$6.7 million and acceptance of Zinifex Limited's offer \$41.8 million) totaled \$48.5 million, returning a multiple on investment in excess of eight times. Lion does not expect to have to pay tax on the exit as the effective cost base was reset for tax purposes following the merger of Lion Selection Group Limited and AuSelect Limited in 2007 and due to tax losses expected to be available.

Havilah Resources NL

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

Havilah has several advanced projects in South Australia in addition to significant shareholdings in Curnamona Energy (45.4%), Geothermal Resources (63.6%) and Monax Mining (10%). Havilah has recently outlined a copper development strategy in which it is working to achieve annual copper and gold production of 55,000 tonnes and 100,000 ounces respectively, from mining operations to be developed on its three main advanced feasibility stage projects.

Resource delineation drilling for the Kalkaroo feasibility study has continued to produce wide zones of copper and gold mineralisation, including one of the thickest and highest grade copper intersections Havilah has reported to date, namely: Drillhole KKDD146: 38 metres of 2.13% copper and 0.46 g/t gold.

Metallurgical testing of both oxide and sulphide drillcore samples from Kalkaroo has confirmed high recoveries of copper and gold using standard processing technology.

Lion has recently made on-market purchases of Havilah shares totaling \$0.1 million, increasing Lion's holding to 18.6% of Havilah. Lion first invested in Havilah in 1997 and continues to see significant inherent value in Havilah and its projects. The average cost for Lion's holding is 28 cents per Havilah share (including recent purchases).

Westonia Mines Limited

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

Following the quarter end, Westonia appointed Mr Bruce McFadzean, as Managing Director and Chief Executive Officer. Mr McFadzean, 51, a mining engineer, brings over 30 years of management, mining, processing and project "start up" experience to the organisation. More recently, Mr McFadzean held the role of Operations Director with Territory Resources Limited where he was a key driver for the start up of the Frances Creek operation in the Northern Territory.

At the Westonia Gold Project, a regional auger geochemical programme continued during the quarter. The auger programme covers areas of Westonia's tenements that have not been previously sampled. The detailed aerial magnetic survey completed in 2007 indicates the potential for the extension of the greenstone belt through these areas.

Exco Resources Limited

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

Following the end of the quarter Exco announced initial results from the Cloncurry Copper Project Pre-Feasibility Study (PFS). The results demonstrated the economic viability of the project and firmly supports plans for the stand-alone development of a 2Mtpa sulphide concentrator project at the E1 Camp. Full results of the PFS will be announced during the current quarter with Definitive / Bankable Feasibility Studies expected to commence in Q3/2008.

Exco has had further drilling success at Cloncurry where it continues to return significant intersections from the four drill rigs currently operating. Following the end of the quarter Exco announced a further significant result from an infill drill program at E1 North.

EMMD059 90m @ 1.17% Cu, 0.33g/t Au & 137ppm U308 from 140-230m (EOH)

This latest drilling result provides further evidence that the ore zone is much thicker at depth than estimated in the current resource model.

Results from recent drilling at the E1 South Deposit have led to the completion of an updated Inferred resource estimate of 15.2Mt @ 0.70% Cu and 0.18g/t Au. The E1 South Resource now contains 106,900 tonnes of copper (up 55%) and 89,400 ounces of gold (up 60%). Total resources at the E1 Camp (North, South and East) now exceed 31Mt containing 260,900 tonnes of copper and 240,700 ounces of gold.

Exco has entered into a Heads of Agreement (HOA) with Polymetals Group Pty Ltd (Polymetals) for Polymetals acquisition of a 50% interest in the White Dam Project in South Australia.

Other Direct Investments

(\$19 million value)

Austindo Resources Corporation NL

Austindo recently announced that it has entered into a binding Heads of Agreement with East Asia Minerals Corporation (EAS) for a farmout of the Cibaliung Gold Project in West Java, Indonesia. The farm-out is conditional upon entering into a definitive Acquisition and Farm-In Agreement at the end of May 2008 as well as various approvals. EAS will contribute US\$35 million directly into Cibaliung to earn a 71.8% interest in Cibaliung, and become the project manager.

Austindo has also undertaken a 50 to 1 consolidation of capital and initiated the process of changing its name to Arc Exploration Limited, to reflect its future direction as an explorer following completion of the Cibaliung farm-out. Arc Exploration Limited reflects the company's focus on Indonesia and in particular on exploration for high-grade gold-silver and bulk tonnage deposits along the highly prospective Indonesian magmatic arcs.

De Grey Mining

In April De Grey was awarded first priority to application E45/3188 in a ballot of eight applicants. The 15.5km² area covers a 1,600m strike length of a known channel iron deposit.

De Grey also announced an option-to purchase agreement under which Atlas Iron Limited may purchase the rights to iron ore at Mt Dove. De Grey received \$350,000 in Atlas shares with a further \$650,000 in cash or alternatively 325,000 Atlas shares within 12 months. De Grey also retains a 1% gross sales royalty.

Intrepid Mines

The merger between Intrepid and Emperor Mines Limited was completed in March. Paulsens Gold Mine in Western Australia had quarterly production of 20,369 ounces and site cash costs increased to \$432 per ounce.

Rex Resources

Rex has identified Iron Ore targets on its Cowell Project in South Australia.

Rex has also acquired an option over the rights to gold and silver resources at Mt Carrington in NSW.

The Indophil Paradox

Indophil made its takeover offer for Lion when their share price was 66 cents. The offer of 2.5 to 2.7 Indophil shares per Lion share will give approximately two thirds of Indophil to Lion shareholders.

- If Indophil directors are true believers in the Tampakan project, why did they do this?
- If Tampakan is so good, why will Indophil dilute its own shareholders to one third?

LION VIEW

The risks posed by Tampakan have increased dramatically:

- **Philippines sovereign risk**
 - January 2008 armed Communist rebels invade site.
 - May 2008 local community protest against mining at Tampakan.
- **Capex**
 - Very substantial increases from \$1.9 billion 2006 estimate anticipated.
- **Funding**
 - Bank debt in question following Lafayette problem for banks.
 - How much will Indophil have to fund using equity?
- **Timing & Technical**
 - Indophil vague and uncertain.

Lion Directors fear that Indophil will need a several hundred million dollar equity issue – with or without Lion.

INDOPHIL – XSTRATA: Takeover offers mutually exclusive*

Indophil has bid for Lion and Xstrata has bid for Indophil.

THE TWO SCENARIOS

- **Recommended route:**

Xstrata takeover of Indophil successful:

 - Lion gets \$1.00 / share or more
 - \$97 million cash or more for its Indophil holding which is equivalent to 50 cents per Lion share or more returned to Lion shareholders.
- **Not recommended route:**

Indophil takeover of Lion successful:

 - Lion disappears. No cash return for Lion shareholders.
 - Lion shareholders get Indophil shares.
 - There is a real risk that Indophil shares retreat to pre-Xstrata takeover levels and weaken further with threat of major equity issue to fund Tampakan.

* Based on the conditions of the offers.

Lion Selection Investment Summary Table at 30 April 2008⁺

AT 30/04/2008	ASX CODE	COUNTRY/COMMODITY	LION SELECTION HOLDING %	INVESTMENT \$m	MARKET VALUE \$m
DIRECT INVESTMENTS					
Exco Resources	EXS	Australia - copper/gold	10.4%	5.4	7.4
Havilah Resources	HAV	Australia - gold/base metals	18.6%	4.3	19.6
Indophil Resources	IRN	Philippines - copper/gold	25.4%	22.6	73.2
Westonia Mines	WEZ	Australia - gold	44.4%	14.6	7.1
Other	Investments less than 2% of Net Assets & includes ARX, DEG, & IAU			30.6	11.6
TOTAL DIRECT INVESTMENTS				72.1	118.9
AFRICAN & ASIAN LION					
African Lion Funds			27.5%	8.3*	49.9
Albidon	ALB	Zambia - Ni	5.3%	3.3	37.1
Sphere Investments	SPH	Mauritania - iron ore	1.8%	1.4	7.1
Other investments					5.7
Asian Lion Fund			32.1%	12.3	10.9
Total invested (including cash)				5.0	3.7
Cash committed				7.2	7.2
TOTAL AFRICAN & ASIAN LION				20.6	60.7
OPERATIONS - 30% Cracow (including project debt)					58.1**
NET CASH					103.0
NET TANGIBLE ASSET (NTA)					340.6
NTA per share before tax & diluted for options (cents per share)					177.5c
NTA per share after tax & diluted for options (cents per share)					177.5c

For NTA purposes, all listed investments at market price.

Ordinary shares on issue 191.027m

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

151¢ April 09 Options on issue 5.794m

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

⁺ At 16 May the Asset Backing per share before tax and diluted for options was \$211.3 cents per share. This included 30% of Cracow at \$80m.

Shareholder Information

	SHARES	OPTIONS
Securities on Issue:	191.0 million	5.8 million
Price at quarter end:	\$1.515	\$0.305
Quarter High:	\$1.575	\$0.45
Quarter Low:	\$1.21	\$0.02
Volume traded:	15.6 million	0.2 million

Further Enquiries

Luke Smith / Jane Rose
 Lion Selection Limited
 Email: info@lionselection.com.au



Corporate Summary

Indophil's conditions prevent Lion from conducting its normal business as an investment company and currently prevent Lion selling Cracow and Indophil or returning cash to shareholders.

Lion shareholders will have recently received the following documents:

■ **Bidder's Statement from Indophil**

This is the official document in Australia through which takeover offers are made.

■ **Target's Statement from Lion**

Companies under takeover offer must produce this document within 15 days of the Bidder's Statement being mailed to shareholders.

■ **Notice of 23 June 2008 meeting from Lion**

For Lion shareholders to vote on the sale of Indophil and Cracow and a cash return.

— To overcome Indophil blocking this with its takeover offer.

Directors recommend that you need to do only one thing – VOTE on 23 June 2008.

This is why we have called a shareholder meeting on 23 June 2008.

If you vote yes for the sale of Cracow, Indophil and return of cash the Indophil offer will be substantially breached and will almost certainly go away.

LION UPSIDE POTENTIAL

Lion will receive any higher price if Xstrata increases its offer for Indophil.

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

* 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