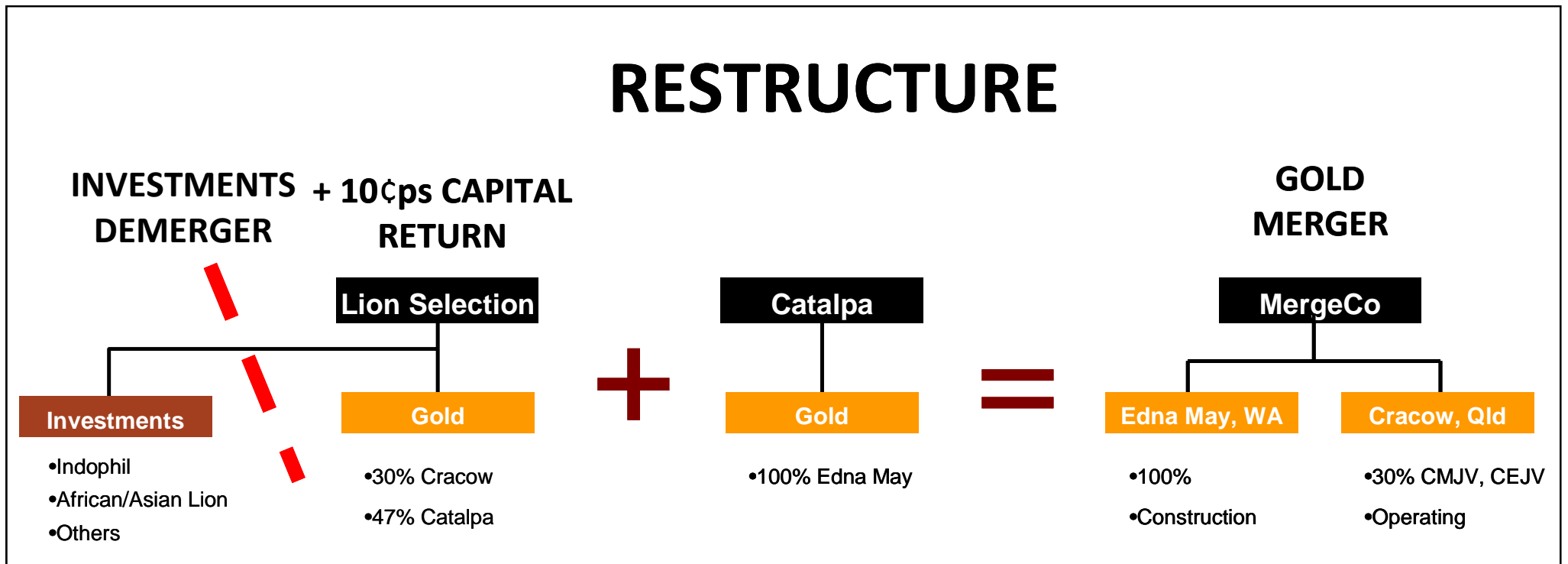




# RESTRUCTURE



## PROPOSED TRANSACTIONS

1. Demerge Investments (LSG) – LST shareholders receive 1 LSG share for 1 LST share
2. 10¢ cash distribution to LST shareholders
3. Merge LST's gold interests with Catalpa – LST shareholders receive 1\* Catalpa share for 1 LST share

\*following 1 for 11 Catalpa share consolidation

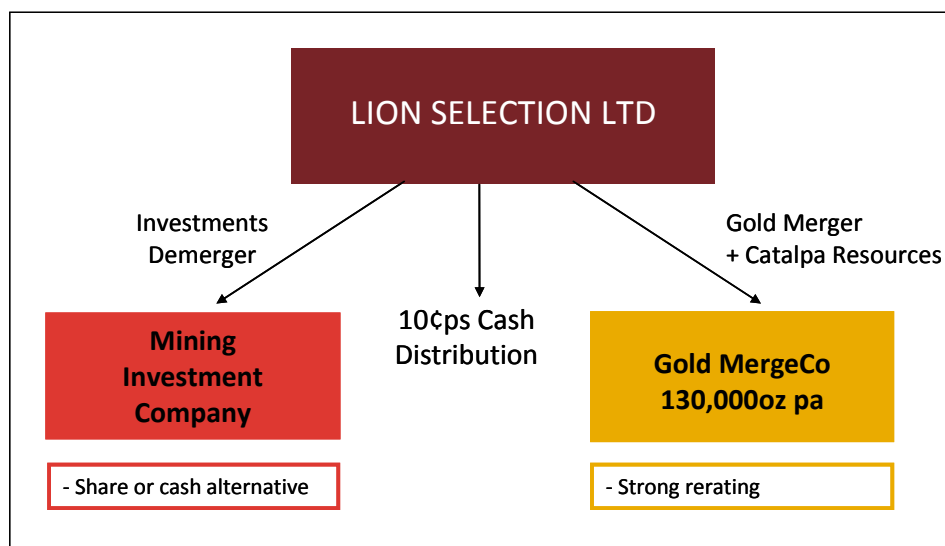
## Message from Lion Selection Limited, Managing Director

I have never been more optimistic about the long term prospects (5 to 10 year) for investment in the resource sector.

Commodity demand from China then India should underpin the growth of new mining companies for some decades, but low global exploration success since 1990 will starve supply and lift metal prices. As will the twin barriers to the rapid development of new projects worldwide: the global banking meltdown and high political risk in all but a handful of emerging (unexplored) countries.

Lions model of carefully selecting emerging mining opportunities and taking a long term view succeeded in the last cycle 1997-2007 AND is well positioned to do so again in the new cycle.

There is however one problem and that is Lions listed investment company structure. Lion has historically traded at a discount to NTA and since the December 2008 \$160 million buy-back the discount has widened despite having cash, cashflow and zero debt. **The structure must be changed to unlock value for shareholders.** In simple terms each Lion share is to be split into one gold share which directors forecast strong rerating and one investment company share which directors currently intend to arrange a facility under which investors could offer their LSG shares for sale, or offer to buy more LSG shares. The matching facility would be conducted on a best endeavours basis, and scaled back pro-rata if over subscribed. The price at which shares could be bought or sold will be determined by the Lion Board.

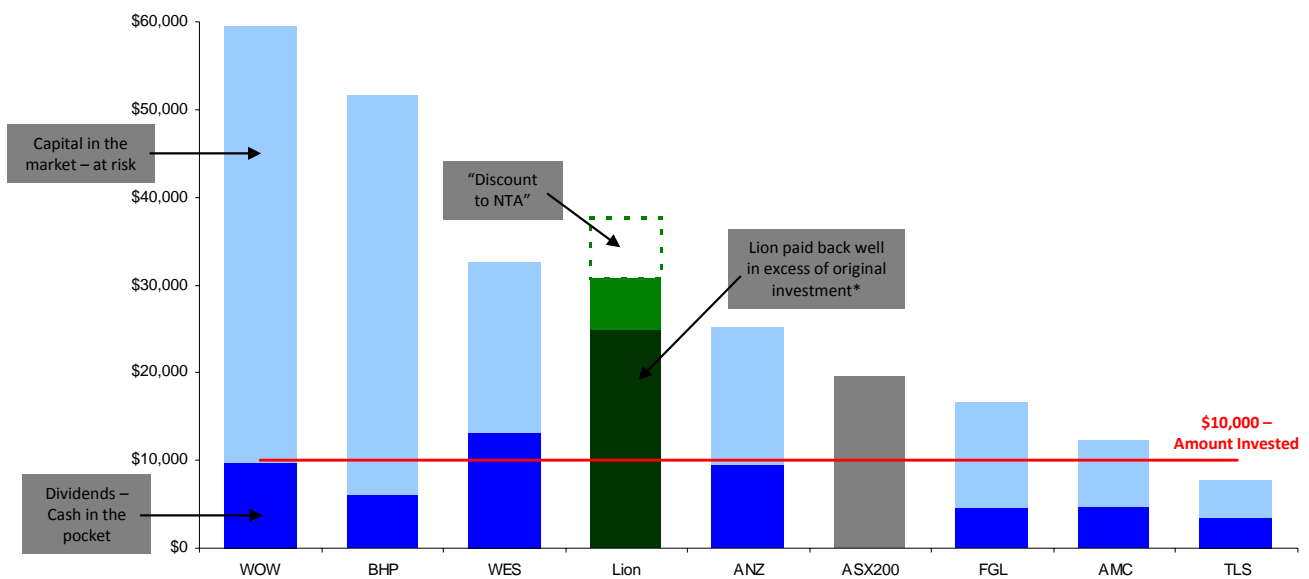


## Key Factors

### Share Price Discount

Lion has traded at a large discount to underlying value (NTA) for some years and is currently trading at around one dollar compared with two dollars value of the parts. A range of measures have been taken to remove the discount but none have succeeded: In 2008 \$160 million dollars was returned to shareholders via share buy-backs. In the 6½ years before that \$91 million dollars was paid out as dividends. An active investor relations program has been maintained, numerous multiple return investments have been realised through profitable sales, over the last decade Lion's performance has comfortably exceeded that of the ASX top 20, top 50 and top 100. None of this has removed the discount.

### 10 Year Return on \$10,000 Invested



#### Notes:

As at 17 June 2009

Source: IRESS data and Lion Selection Data

\*Dividends for Lion Selection include all dividends paid by Lion Selection Limited and Lion Selection Group since 17 June 2009, as well as capital returned via an on market buy back and off market buy back conducted in 2008.

## Market Outlook

In broad terms Lion anticipates 3 to 5 years of tough times for junior miners, preceding a strong rebound.

These are ideal conditions for Lion style investments in emerging miners in a weak market, but access to investment funds poses a challenge and contradiction for a listed investment company trading at a discount.

## Gold Assets

The gold market looks much stronger than other areas in resources and there is a shortage of top quality new gold mines. Lion **controls** two gold assets and is in a position to assemble a new multiple mine mid sized gold company. If successful this should deliver ongoing and rapid rerating from:

## Gold Rerating Potential - Resulting from Merger

	Market Values		NPV <sup>3</sup>	NPV Rerated <sup>4</sup> 1.1 - 1.25 times NPV
	Now <sup>1</sup>	Post Scheme <sup>2</sup>		
30% Cracow + \$2m cash	\$28m	\$30m	\$62m	\$68m to \$77m
47% Catalpa + options	\$27m	\$57m	\$119m	\$130m to \$148m
<b>TOTAL</b>	<b>\$54m</b>	<b>\$87m</b>	<b>\$181m</b>	<b>\$198m to \$225m</b>
<b>Lion's Gold assets per LST share</b>	<b>62¢</b>	<b>99¢</b>	<b>205¢</b>	<b>225¢ - 256¢</b>

### Notes:

All values relating to share prices are valued at 23 June 2009.

1. Value implied in Lion's current market capitalisation at a 50% discount to NTA on 23 June 2009 and following Manager's Termination payment.
2. Value implied by Catalpa's share price of 8.8c and the merger ratio of 11 CAH shares (prior to consolidation) to 1 LST share.
3. Net Present Values agreed between LST and Catalpa to determine merger terms.
4. In the LST directors opinion a gold company with 2 assets may trade at a modest premium to NPV.

## Investments

This is Lion's original business and is a return to focus on what Lion knows best.

### Lion Selection Group (Investments)

	NOW	SCENARIOS	
		3 month forced sale	> 5 years
Indophil	\$12m	\$17m <sup>1</sup>	\$46m <sup>2</sup>
Havilah	\$8m		
Exco	\$6m		
Other	\$4m		
African Lion and African Lion 2	\$6m	\$0m	\$30m <sup>2</sup>
African Lion 3 and Asian Lion	\$3m	\$0m	\$100m <sup>3</sup>
Cash (end May 09)	\$11m	\$11m	\$0m <sup>5</sup>
<b>TOTAL</b>	<b>\$50m</b>	<b>\$28m</b>	<b>\$176m</b>

\$30m Commitment to AFL3 and ALF

NTA 57¢

**Indicative Matching Price<sup>4</sup> 35¢**

Market Price 28¢

<b>31¢</b>	<b>200¢</b>
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Notes:

All values relating to share prices are valued at 23 June 2009.

1. LST directors view on potential outcome if the investments are sold within 3 months.
2. LST directors view on potential outcome if the investments are sold over a 5 year timeframe.
3. LST directors view on potential outcome for African Lion 3 (AFL3) and Asian Lion funds based on past performance of AFL – 3.5X and AFL2 – 1.5X
4. Indicative Matching Price to be used as pricing for a "Matching Facility". Lion Directors will set the Matching Price which may vary from this amount.
5. Assumes cash is included in commitment to AFL3 and ALF

The asset mix offers tremendous upside from four exciting copper investments (Indophil, Havilah, Exco and Copperbelt) combined with iron ore, gold, mineral sand, tin and others, but it is not easily saleable short term and realistically needs in excess of 5 years to achieve its potential.

It is my view that it has been the investment business that has caused Lion's discount which today also covers the gold assets. Splitting Lion solves the problem for gold but not investments.

Reasons given for the discount of listed investment companies are: holding company structure, complexity and in Lions case a US\$24M commitment to African and Asian Lions.

None of this changes for the separated investment business and because of the smaller size the problem could be worse.

The plan is to offer shareholders this opportunity to retain shares in Lion investments, or to realise all or part of their investment through the facility (to be arranged).

## Lion Manager

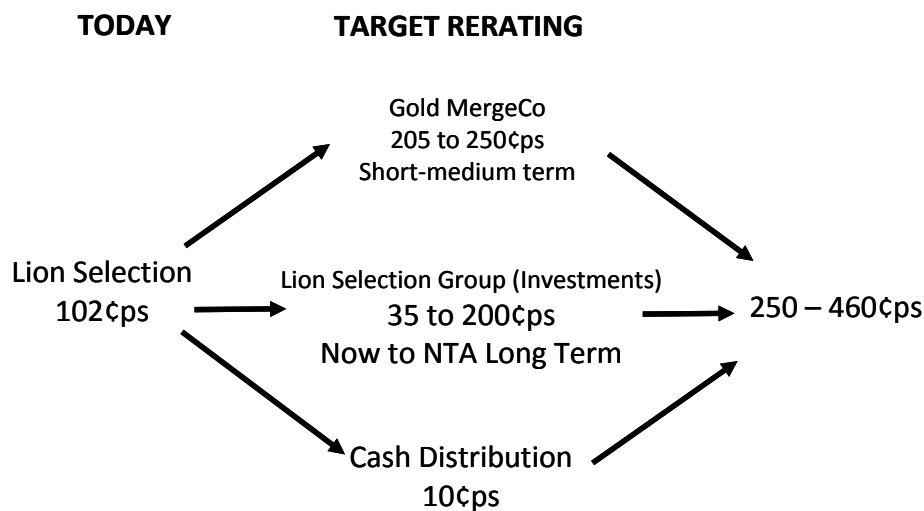
With the support of 2,000 Lion shareholders it was the Lion Manager that formed Lion Selection in 1997. The Manager has been paid a fee related to the value of underlying assets of Lion, of \$1.5M pa at formation which increased to \$2.76M pa after acquisition of Sedimentary and AuSelect.

The Manager is being terminated because it will play no part in the management of the new, merged gold company but under its contract would still receive a fee. (It was an early condition of Catalpa that the Lion Manager be terminated and investment business demerged/separate.)

The Lion Manager is paid a fee by African and Asian Lions which will be unaffected by termination. Hence the Manager remains involved in the investment business and I remain Managing Director of the Lion Manager.

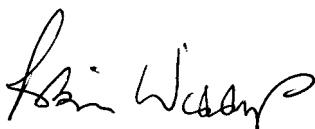
The termination payment would normally be cash but as a sign of good faith in both new companies (Gold + Investments) the Manager will take approximately 5.9m shares in order to preserve cash for each vehicle.

## Unlocking Value



### Summary

Lion directors believe that Lion will continue to trade at a discount unless action is taken. Conditions are ideal for formation of a new mid sized gold company. Splitting Lion into two companies is expected to deliver strong rerating for the gold company and an opportunity for shareholders with Lion Selection Group of long term investment or an immediate chance to offer their shares for cash / purchase more shares.



**ROBIN WIDDUP**