



ASX Release 2 February 2007

CORRECTION TO Lion and AuSelect Recommended Merger announcement

Please note the formula for the calculation of New Lion shares to be issued for each AuSelect share held as at the record date was incorrectly stated in the Lion and AuSelect announcement "Lion and AuSelect to proceed with Recommended Merger" released today.

The correct formula is:

$$\text{NLS} = \frac{\text{AuSelect pre-tax NTA per AuSelect share}}{\text{Lion pre-tax NTA per Lion share}}$$

where:

NLS = the number of New Lion shares to be issued for each AuSelect share held as at the record date; and

The pre-tax NTA for each of Lion and AuSelect (on a per share basis) will be equal to the pre-tax NTA of that party determined in accordance with the pre-tax NTA principles as set out below, divided by the number of shares of that party as at the Calculation Date.

Please find attached an amended Annexure 2 to the original announcement lodged today, showing the correct formula.

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Annexure 2

Summary of Merger Implementation Agreement

The following is a summary of the key terms and conditions of the Merger Implementation Agreement between Lion and AuSelect dated 1 February 2007 under which the parties agree to propose and implement the Lion scheme and the AuSelect scheme (together the Schemes).

Interconditionality of Schemes

Each Scheme is subject to and conditional on the other Scheme becoming Effective. Neither Scheme will come into operation unless the other Scheme comes into operation.

Conduct of Business Before Implementation Date

Each of Lion and AuSelect agrees to certain obligations requiring it to conduct its business in the ordinary course up to and including the implementation date of the Schemes. In addition, Lion agrees to not deal in any way with the AuSelect options held by Lion without the prior written consent of AuSelect.

Lion and AuSelect Schemes

(a) **Lion Scheme** - Lion agrees to propose the Lion scheme under which all of the Lion shares will be transferred to New Lion and Lion scheme participants will receive the Lion scheme consideration calculated as follows:

- 1 New Lion share for each Lion share held at the record date; and
- The number of New Lion options for each Lion share held at the record date calculated in accordance with the following formula:

$$\text{NLO} = \frac{7,697,600}{100,108,905} \times \text{NLS}$$

where:

- NLO = the number of New Lion options to be issued for each Lion share held at the record date (rounded to three decimal places);
- 7,697,600 = the number of existing AuSelect options;
- 100,108,905 = the number of existing Lion shares; and
- NLS = the number of New Lion shares to be issued under the AuSelect scheme for each AuSelect share at the record date (rounded to three decimal places).

The New Lion options will be listed on ASX and each New Lion option will be exercisable into one New Lion share at the Exercise Price by 26 April 2009. The Exercise Price for each New Lion option will be determined by the formula:



$$EP = 120 \times \frac{\text{Lion pre-tax NTA per Lion share}}{\text{AuSelect pre-tax NTA per AuSelect share}}$$

where:

EP = the Exercise Price of New Lion options expressed in cents;

120 = the Exercise Price of the AuSelect options expressed in cents; and

The pre-tax NTA for each of Lion and AuSelect (on a per share basis) will be equal to the pre-tax NTA of that party determined in accordance with the pre-tax NTA principles as set out below, divided by the number of shares of that party as at the Calculation Date.

- (b) **AuSelect Scheme** - AuSelect agrees to propose the AuSelect scheme under which all of the AuSelect shares will be transferred to New Lion and AuSelect scheme participants will receive the AuSelect scheme consideration calculated as follows:

$$NLS = \frac{\text{AuSelect pre-tax NTA per AuSelect share}}{\text{Lion pre-tax NTA per Lion share}}$$

where:

NLS = the number of New Lion shares to be issued for each AuSelect share held as at the record date; and

The pre-tax NTA for each of Lion and AuSelect (on a per share basis) will be equal to the pre-tax NTA of that party determined in accordance with the pre-tax NTA principles as set out below, divided by the number of shares of that party as at the Calculation Date.

- (c) **Pre-tax NTA Principles** – The calculation of pre-tax NTA for each of Lion and AuSelect is defined as the sum of:

- For all listed investments, the number of shares held in an Investee multiplied by the 5-day volume weighted average price of shares in the Investee over the 5 trading days immediately preceding the Calculation Date;
- For unlisted investments, valued at the lower of cost or written down value as at the Calculation Date; and
- Cash less debt and other liabilities as at the Calculation Date.

Lion's pre-tax NTA will not include the value of the AuSelect options, the amount of the Lion dividend to be paid on 23 February 2007 or the value of any incentive payment that has accrued to Lion Manager as at the Calculation Date under the Lion management agreement. Provision will be made for tax on any realised investments of Lion and AuSelect.

The Calculation Date will be the 5th business day before the date of the Lion and AuSelect scheme meetings to approve the Recommended Merger.

Conditions of the Schemes

Implementation of each of the Schemes is subject to the satisfaction (or waiver) of the following conditions:

- (a) the independent expert's report obtained by Lion and AuSelect concluding that the Schemes are in the best interest of Lion shareholders and AuSelect shareholders respectively;



- (b) no Lion committee or AuSelect committee directors altering their recommendation in relation to the Schemes;
- (c) Lion shareholder approval of the Lion scheme being obtained at the Lion scheme meeting and AuSelect shareholder approval of the AuSelect scheme being obtained at the AuSelect scheme meeting;
- (d) the Court making orders under section 411(4)(b) of the Corporations Act approving the Schemes;
- (e) the Schemes becoming effective by 30 June 2007;
- (f) all relevant regulatory approvals (including any approvals required from the PDF Registration Board) being obtained by, and not being withdrawn before, 8.00am on the second Court hearing date;
- (g) no legal restraint or prohibition preventing implementation of the Schemes being in effect at 8.00am on the second Court hearing date;
- (h) no material adverse change occurring in relation to Lion or AuSelect before 8.00am on the second Court hearing date;
- (i) certain prescribed events (including changes to capital structure, major acquisitions, disposals and transactions, insolvency events, changes to constitution, declaration of dividends and other matters) not occurring in relation to Lion or AuSelect before 8.00am on the second Court hearing date;
- (j) the representations and warranties of Lion and AuSelect under the Merger Implementation Agreement being true and correct in all material respects as at 8.00am on the second Court hearing date;
- (k) the Merger Implementation Agreement not being terminated before 8.00am on the second Court hearing date; and
- (l) ASX approving the admission of New Lion to the official list and the New Lion shares and New Lion options to be issued in accordance with the Schemes being approved for official quotation by ASX (which approval may be conditional on the Schemes becoming effective and such other conditions customarily imposed by ASX).

Representations and Warranties

Mutual representations and warranties are given in relation to various matters including enforceability of the obligations of the parties to give effect to and implement the Schemes, authorisation, capacity, no breach of any legal or continuous disclosure obligations and the accuracy of information exchanged between the parties.

Exclusivity

- (a) **No other existing discussions** – each party represents and warrants that it is not currently in negotiations or discussions in respect of any competing proposal with a third party.



- (b) During the period from the date of the Merger Implementation Agreement until the termination of the Merger Implementation Agreement or until the Schemes become effective (whichever is earlier), each party must:
- (i) **No-shop** - ensure that neither it nor any of its representatives take any actions with a view to obtaining any expression of interest or proposal from any person in relation to a competing proposal;
 - (ii) **No-talk** - ensure that neither it nor any of its representatives negotiates or enters into any negotiations or discussions with any person regarding a competing proposal; and
 - (iii) **Notification** – immediately inform the other party if it is approached by a third party in relation to a competing proposal.
- (c) **Fiduciary duties exception** - Despite the restrictions in (b)(ii) above, either party shall be entitled to respond to a bona fide proposal where failing to respond would constitute a breach of directors' fiduciary or statutory obligations, provided that it has received written advice from external legal advisers to that effect.

Termination Rights

Either party may terminate the Merger Implementation Agreement if:

- the other party is in material breach of any term of the Merger Implementation Agreement; and
- the party wishing to terminate has given the other party written notice setting out the details of the breach and stating its intentions to terminate the Merger Implementation Agreement and the breach continues for at least 5 business days after notice has been given by the party not in breach.

The parties also have rights to terminate the agreement in certain circumstances if a condition of either of the Schemes is not satisfied or waived.

The Merger Implementation Agreement will automatically terminate if:

- Lion or AuSelect shareholder approval is not obtained at the scheme meetings;
- the Court refuses to grant an order convening either of the scheme meetings or approving either of the Schemes (and no appeal is made); or
- either of the Schemes does not become effective on or before 30 June 2007.

Break Fee

- (a) Each of Lion and AuSelect agrees to pay the other party the sum of \$1.4 million (the Break Fee) for reimbursement of costs (including opportunity costs) if:
- a director on the committee established by the board of that party makes a statement to the effect that he does not support the Recommended Merger or withdraws or alters his recommendation of the Recommended Merger (other than in limited circumstances where that party is entitled to terminate the Merger Implementation Agreement or because the Independent Expert has concluded that the Recommended Merger is not in the best interest of that party's shareholders);



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- a director on the committee established by the board of that party publicly recommends, promotes or endorses a competing proposal prior to the termination of the Merger Implementation Agreement;
 - a competing proposal in relation to that party is announced prior to the termination of the Merger Implementation Agreement and (regardless of whether the agreement is terminated after the competing proposal is announced) the third party subsequently acquires control of that party or acquires all or a substantial part of the assets or business of that party and its subsidiaries; or
 - the other party terminates the Merger Implementation Agreement as a result of a material breach of the agreement by that party.

(b) The Break Fee is not payable if the Schemes become Effective.

Cost Sharing

If the Recommended Merger does not proceed, and the Break Fee is not payable, the costs of the merger will be shared on the basis of 53% Lion and 47% AuSelect.