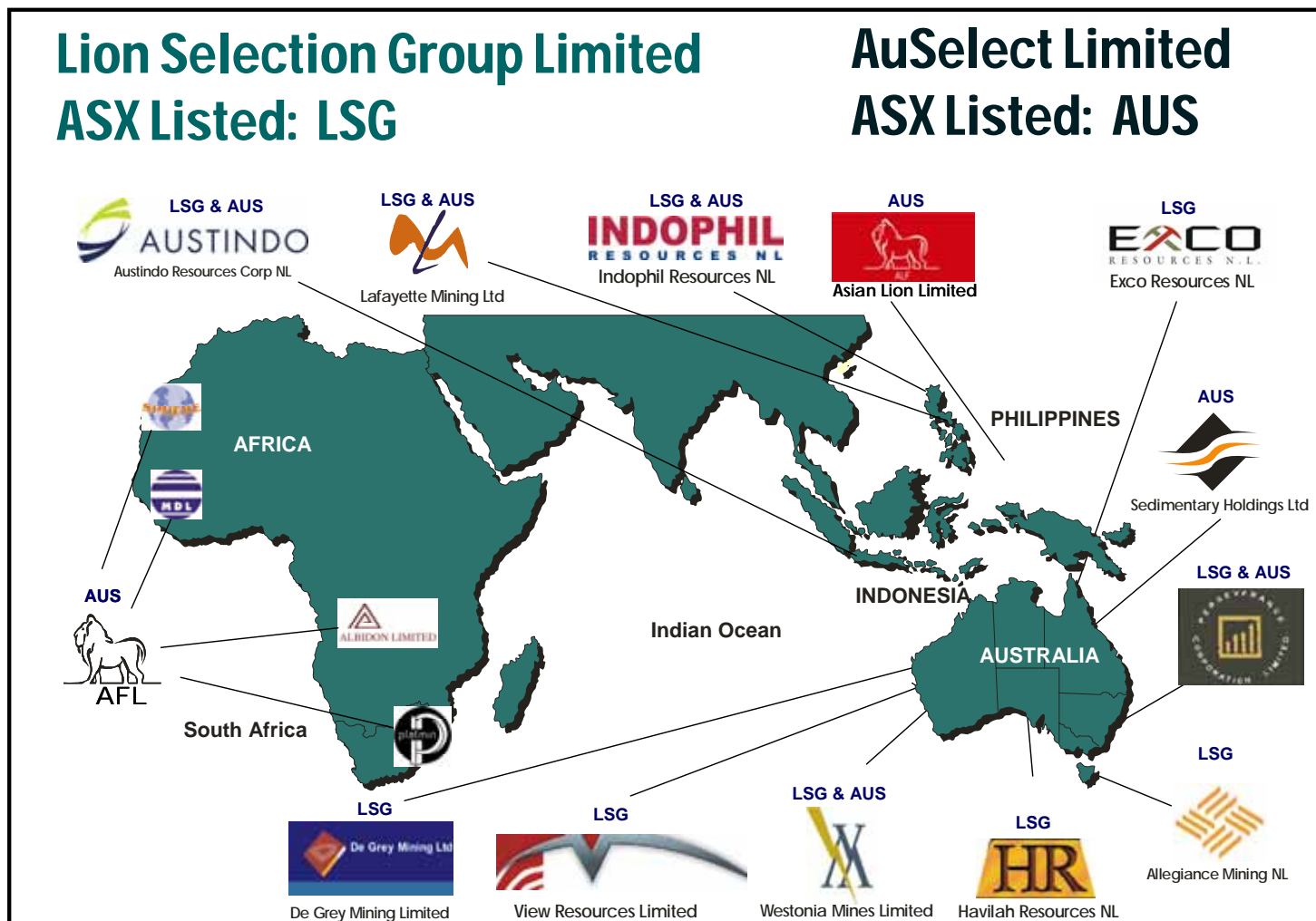


# Manager's Presentation

## 8 December 2006

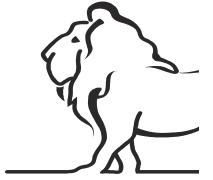




# Potential Merger Lion + AuSelect

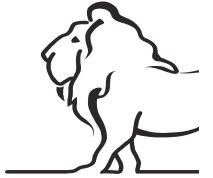
- ❑ **Investigating Joint Schemes**
- ❑ **Allows Both Shareholder Groups to vote**
- ❑ **Merger of Equals, based on NTA**

# Key Points



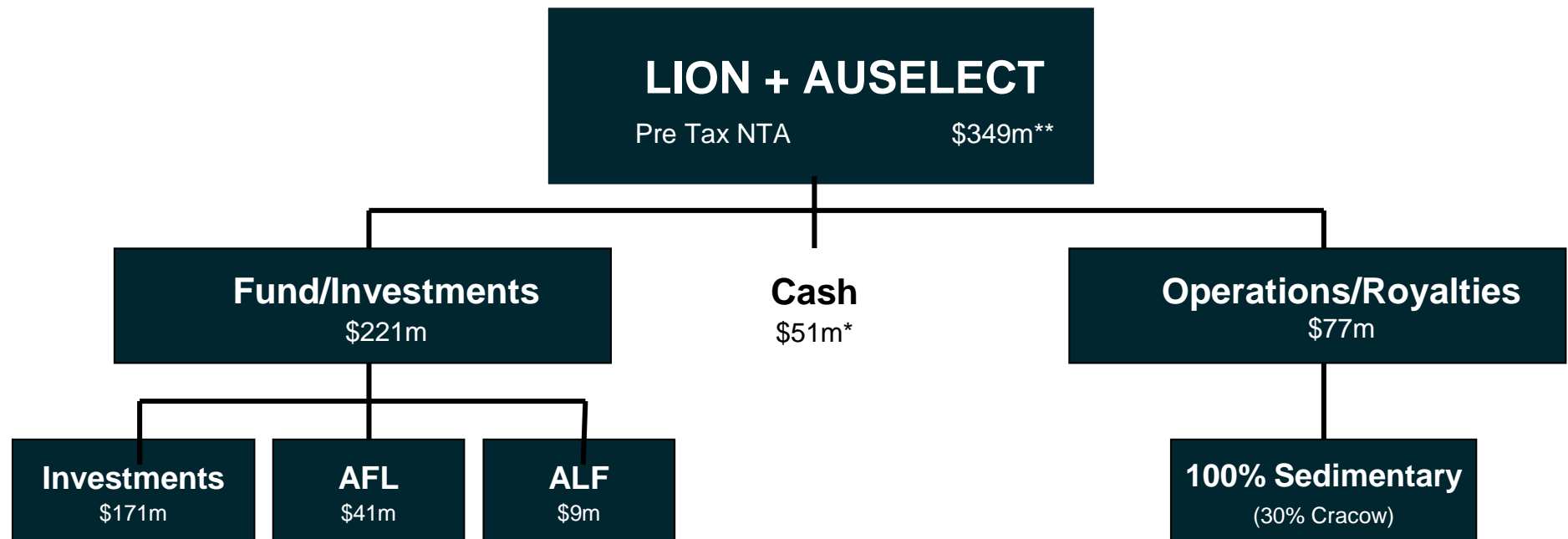
- ❑ **Larger and unshackled from PDF**
- ❑ **Single point for investment in the Lion team and potential for ASX-200 inclusion and rerating**
- ❑ **Objectives, management culture and team retained**
- ❑ **Venture Capital and Opportunistic Investment**
- ❑ **Cycle Philosophy**

# Potential Merger: Lion + AuSelect



LION	
Pre Tax NTA	\$183m*
Shares	100.1m
Pre Tax NTA	183¢ps*

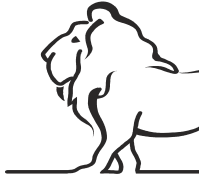
AUSELECT	
Pre Tax NTA	\$168m
Shares	113.7m
Pre Tax NTA	148¢ps



\* After \$10m Lion dividend February 2007 announced 8 December 2006

\*\* After \$10m Lion dividend February 2007 announced 8 December 2006 and excluding the value of Lion's AuSelect options

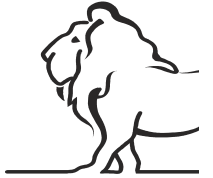
# Reasons Why



## Shareholder value improved by:

- **Simplicity**
- **Synergy**
- **Structure**
- **Size and Liquidity**
- **Cycle**

# Simplicity



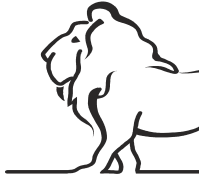
## Current

- **Poor understanding by market of 2 company structure**
- **Difficult to promote/ explain**
- **AuSelect “overshadowed” by Lion Group**

## Opportunity

- **Change to:**
  - **One Vehicle**
  - **One Focus**
  - **One Management Contract/ Incentive**
- **Same Strategies as originally conceived**

# Synergy



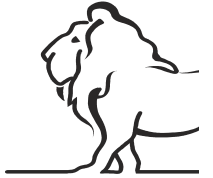
## Current

- **PDF Constraints > Benefits**
  - Tax benefits eroded
  - \$50M limit too small
  
- **Coinvestment Blocked**
  - Lion PDF
  - AuSelect cash constrained
  
- **Duplicate accounts, listing etc**

## Opportunity

- **Retain investment style of Lion**
  
- **Retain growth strategy of AuSelect**
  
- **Dovetailing Strategy and Portfolio**

# Structure



## Current

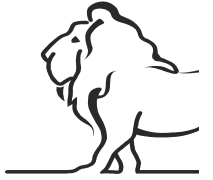
- **Twin focus**
  
- **Access to Cash**
  - **Currently 2 silos**

## Opportunity

- **One Vehicle / Unified focus**
  
- **Single pot of money**
  
- **More powerful access to cash - could use debt**



# Cycle



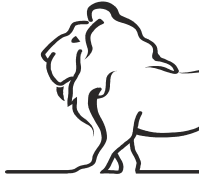
## Current

- **Nearing cycle top**
  - Safety in larger size
  - PDF less effective

## Opportunity

- **Get Bigger**
  
- **Lock in PDF gains but remove constraints**

# Size and Liquidity



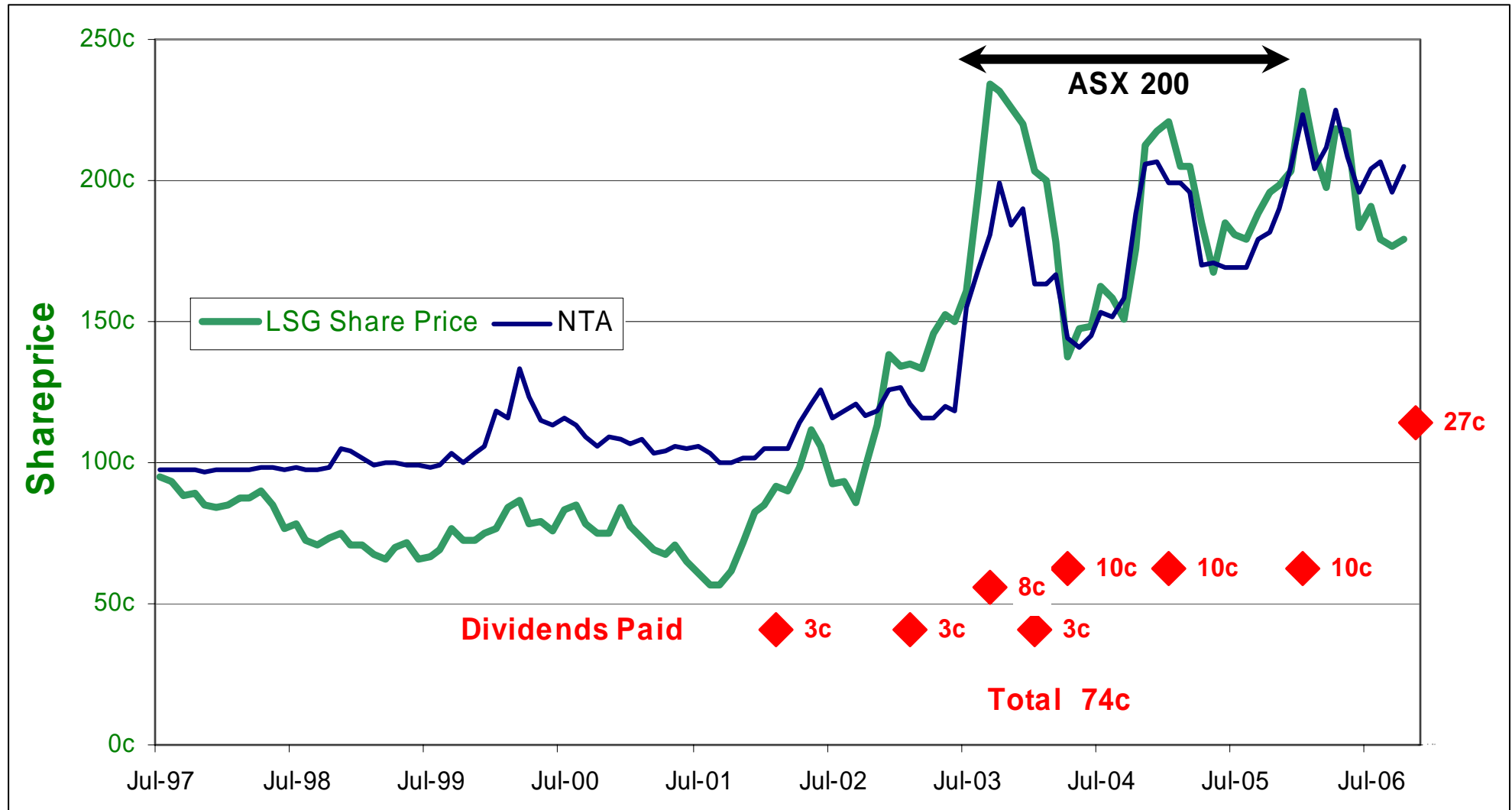
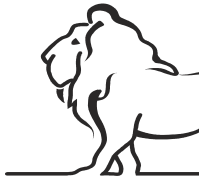
## Current

- **Discount to NTA**
  
- **Too small for**
  - **ASX 200**
  - **International investors**
  - **Therefore little/no broking research**

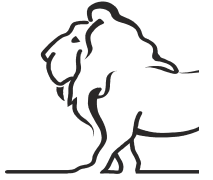
## Opportunity

- **Get bigger**

# LSG Share Price NTA & Dividends



# Investment Philosophy



## Lion

- ❑ **Venture Capital/Early stage investor**
- ❑ **Invest in People/Companies**
- ❑ **50% Australia/50% Africa/Asia**
- ❑ **50% gold/50% other metals**
- ❑ **Sell portfolio within cycle**

## AuSelect

- ❑ **Opportunities/Later stage investor**
- ❑ **Invest in People/Companies /Operations and Royalties**
- ❑ **Aim for balance in Australia/ Africa/Asia**
- ❑ **Aim for commodity balance**
- ❑ **Retain selective opportunities beyond cycle**

# Investment Philosophy/Potential Merged Company



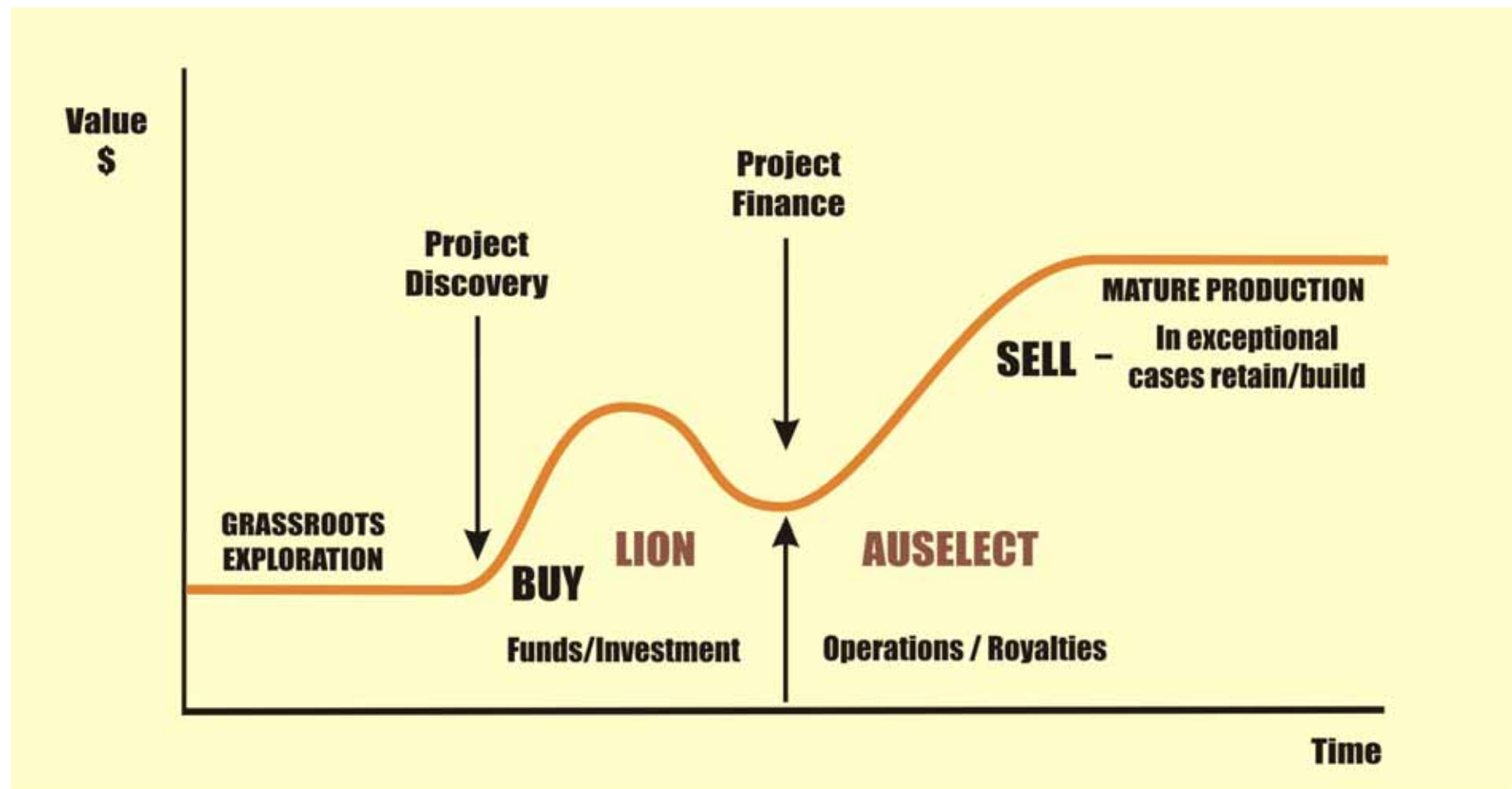
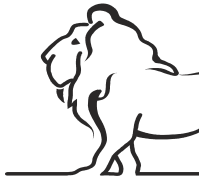
## Funds/Investment

- **Venture Capital/Early stage investor**
- **Invest in People/Companies**
- **50% Australia/50% Africa/Asia**
- **50% gold/50% other metals**
- **Sell portfolio within cycle**

## Operations/Royalties

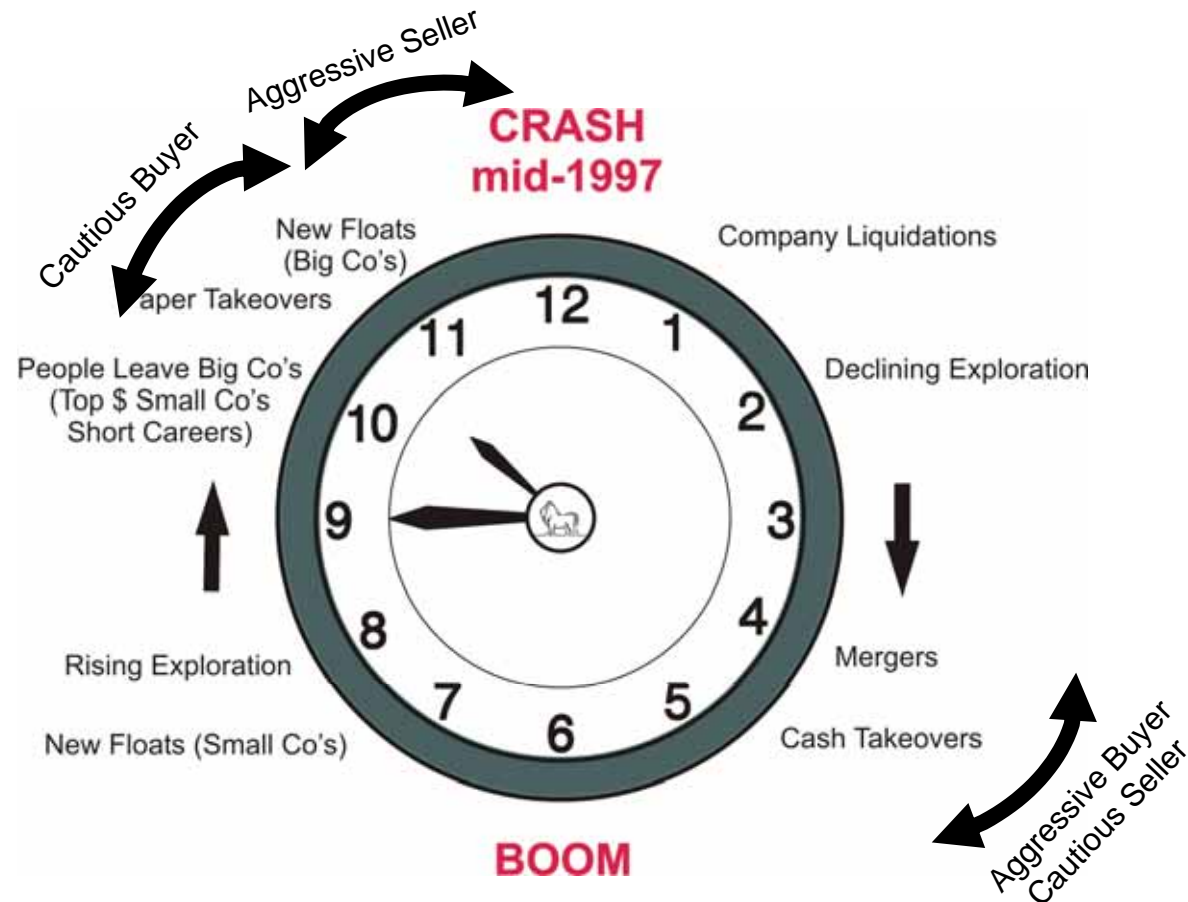
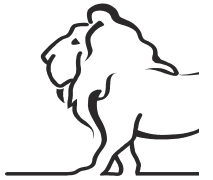
- **Opportunities/Later stage investor**
- **Invest in People/Companies /Operations and Royalties**
- **Aim for balance in Australia/ Africa/Asia**
- **Aim for commodity balance**
- **Retain selective opportunities beyond cycle**

# Resource Company/Project Value Curve



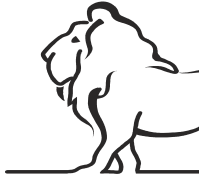
- "Lion", AFL and ALF continue venture capital investments
- But ability to retain/build on exceptional opportunities e.g. Sedimentary

# Cycle Philosophy



Preparing now for cycle top – safety in larger size and liquidity

- The really good times are near but not here yet

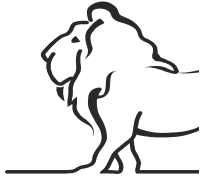


# PDF – Works well at bottom BUT not top of cycle

- **PDF constraints (Established 1992)**
  - Australian registered companies
  - Total assets < \$50M and this limit is not indexed
  - Only new shares (i.e. can't buy on-market)
  - Ability to sell/deal
  
- **Changes since 1997**
  - Lion has grown/investments matured and <\$50M constraint became an issue
  - Competition has increased
  - Offshore registered companies more common
  - Investment cycle has advanced
  
- **No new PDF's can be registered**



# PDF Tax



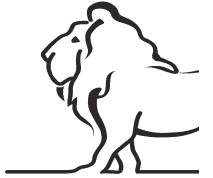
## Tax Advantages

- **CGT free shares**
- **Dividends tax free or franked**
- **15% corporate tax**

## Reduced Advantage because:

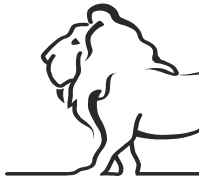
- CGT has reduced for individuals**
- Capital losses cannot be claimed**
- Lower personal tax rates**
- Superfund tax changes**
- Franking from 30% tax can be passed on to shareholders efficiently**

# Lion Tax Consideration



	Now (30 Nov)	Post Merger*
<b>Corporate Tax</b>		
■ Pre Tax NTA \$m	185	185
■ Post Tax NTA \$m	175	185
<b>Comment</b>	15% Tax = \$10m	New cost base set at \$185m* – gains locked in
<p>* Assumes tax consolidation at 30 November values</p>		
<b>Shareholders CGT</b>	Tax free gains Losses not allowable	Gains taxed losses allowable

# Dividend



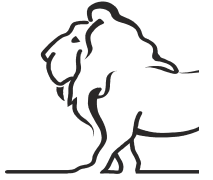
## History

Year	Lion ¢ps	AuSelect
2002	3	
2003	3	
2004	21	
2005	10	
2006	10	
2006	27	
2007	<u>10</u> (February)	-
	84	0

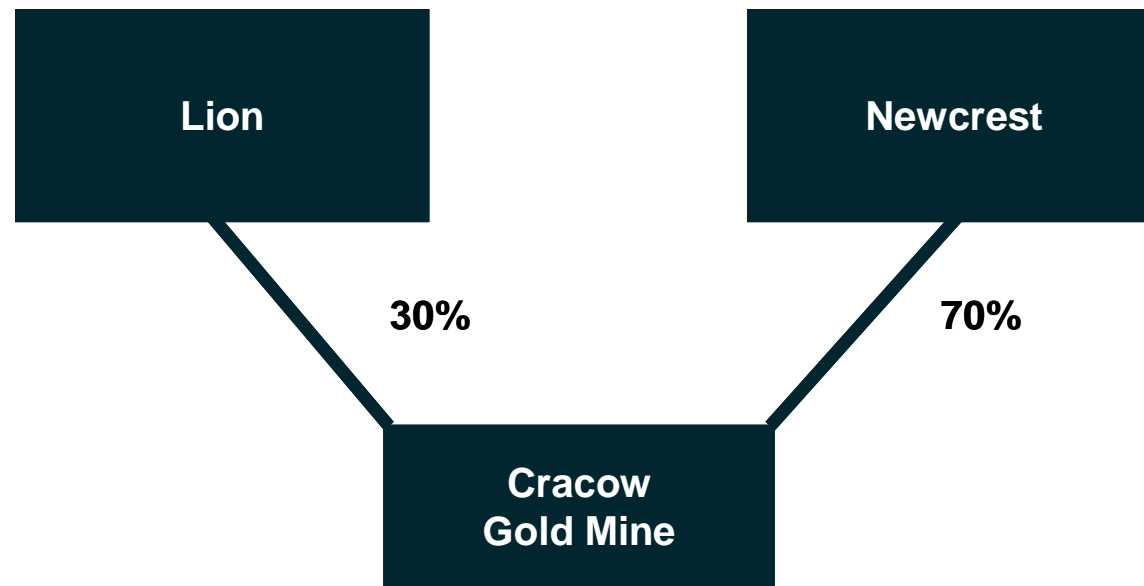
## Combined Strategy

- Distribute profit on the sale of investments
- Cashflow from operations initially likely to be reinvested rather than pay dividend

# Management of Operations



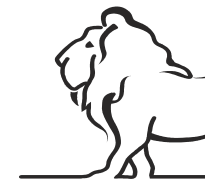
- **Step One Complete**



Access Cashflow but no control

- **Step Two – depends on opportunity**

# Management – by Lion Manager



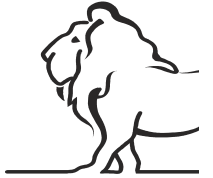
## Management Fee Proposal

	Originally	After Sedimentary Transaction	Manager's Proposal
Lion 1.5% x \$100M =	\$1.5mpa	\$1.5mpa	\$2.7mpa plus 1% of new capital*
AuSelect 1.0% x \$50M =	<u>\$0.5mpa</u>	<u>\$1.2mpa</u>	
	\$2.0mpa	\$2.7mpa	

Performance incentive and fee structure will accompany final proposal to be negotiated with the Board

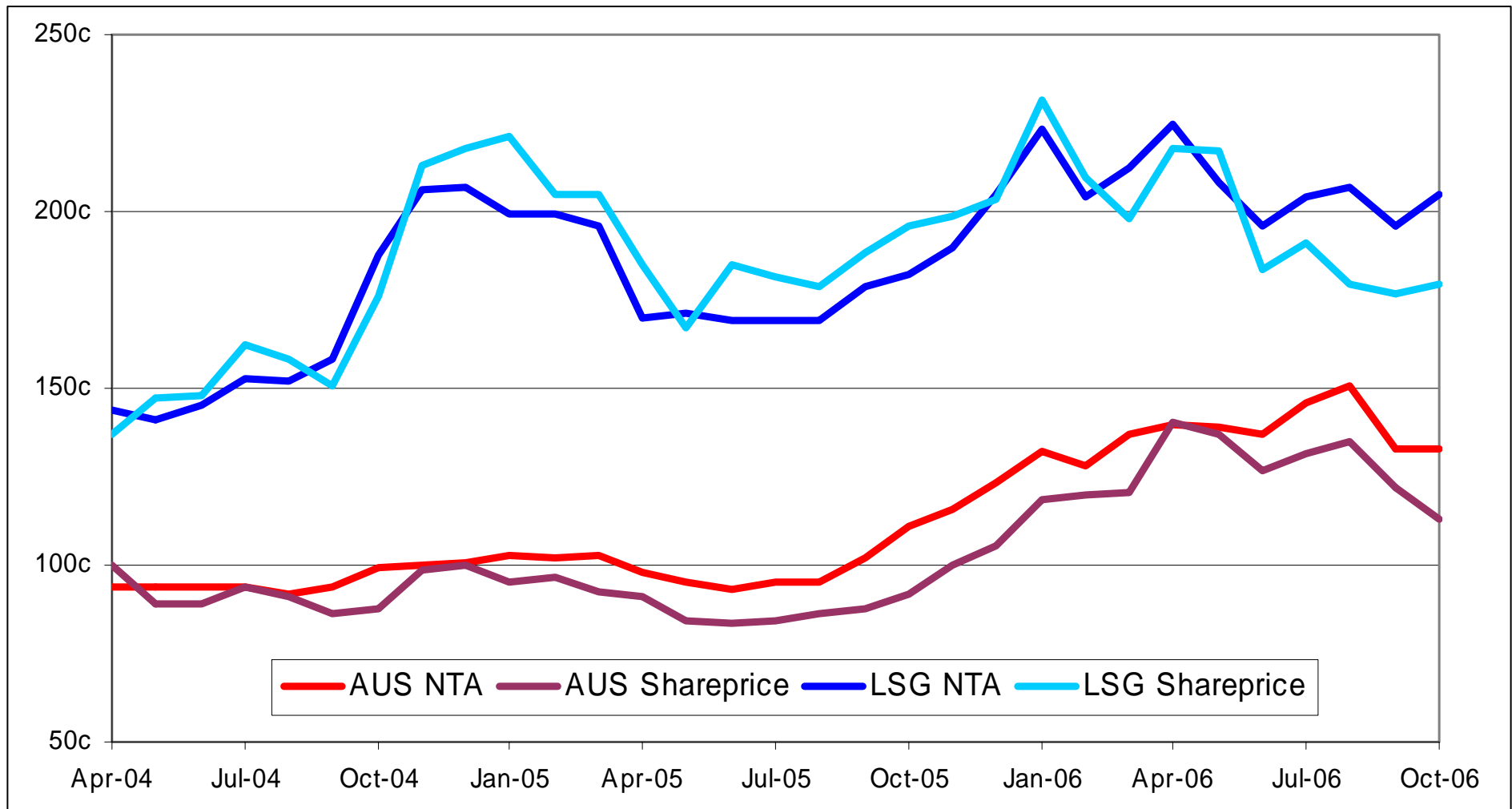
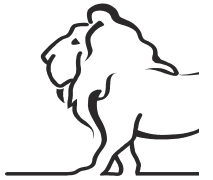
\* Subject to reconsideration each time operations added which expand capital by over 20%

# Shareholder Analysis

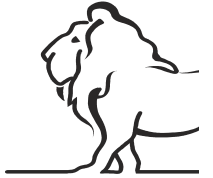


	<b>Lion</b>	<b>AuSelect</b>
<b>Private Investors</b>	<b>64%</b> <b>(6100)</b>	<b>52%</b> <b>(3250)</b>
<b>Australian Institutions</b>	<b>23%</b>	<b>39%</b>
<b>Overseas Institutions</b>	<b>13%</b>	<b>9%</b>

# LSG & AuSelect Share Prices & NTA



# Timing



2006	2007	
Dec	Target Announcement Jan	Target Shareholder Meetings Mar

**DEPENDENT ON FINAL  
NEGOTIATION OF TERMS  
AND APPROVAL OF  
BOARDS**



# 30% Cracow

- **Sedimentary Takeover – 100% Success**
- **Quarterly Production (30% Cracow)**

	<b>Dec Qtr 2005</b>	<b>Mar Qtr 2006</b>	<b>June Qtr 2006</b>	<b>Sept Qtr 2006</b>
<b>Ore treated – tonnes (000's)</b>	<b>24</b>	<b>25</b>	<b>27</b>	<b>29</b>
<b>Ore – grade (g/t Au)</b>	<b>12.2</b>	<b>11.2</b>	<b>11.0</b>	<b>8.8</b>
<b>Recovery (%)</b>	<b>94</b>	<b>95</b>	<b>94</b>	<b>93</b>
<b>Gold (000's ounces)</b>	<b>9.1</b>	<b>8.3</b>	<b>9.1</b>	<b>7.4</b>
<b>Cash cost (A\$/oz)</b>	<b>255</b>	<b>259</b>	<b>338</b>	<b>369</b>
<b>Australian Weighted Average Cash Cost*</b>	<b>395</b>	<b>450</b>	<b>465</b>	<b>485</b>

\* Derived from Surbiton Associates – non Cu/Au



**Indophil**

**Lion 17.3% AuSelect 8.6%**

- **PFS Completed: 30mtpa project**
  - **2 billion tonne resource (11.6mt copper 14.6moz Gold)**
  - **210,000tpa copper <US\$0.70/lb**
  - **Capex US\$1.4 billion + US\$0.5 billion infrastructure**
- **Xstrata 62.5% option**
  - **Sole funding (December 2007)**

# African Lion

<b>AFL</b>		<b>Termination February 2009</b>		<b>US\$m</b>
AUS (29.8%*)		Funding		33.8
		Distributions Paid		47.3
		Portfolio Value after tax		58.4
				105.7
<b>Market Portfolio Value US\$m</b>				
—	Platmin		31.8	
—	Albidon		29.5	
—	Sphere		4.4	
—	Others		1.0	
—	Cash / tax		(8.4)^	
		<b>Total after tax</b>	<b>58.4</b>	

<b>AFL 2</b>		<b>Termination November 2014</b>		<b>US\$m</b>
AUS (18.6%**)		Funding (incl commitments)		34.6
		Distributions Paid		0.0
		Portfolio Value after tax		66.3
				66.3
<b>Market Portfolio Value US\$m</b>				
—	Platmin		15.3	
—	Albidon		14.8	
—	Sphere		7.2	
—	Mineral Deposits		13.7	
—	Adamus		2.3	
—	Birim		1.5	
—	Cash to invest		10.9^	
		<b>Total after tax</b>	<b>66.3</b>	

^ Cash after provision for tax on profits

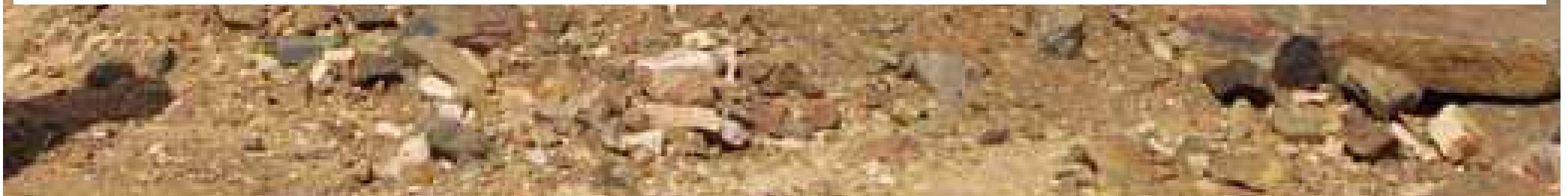
\*AFL's Performance Incentive for AuSelect increased AuSelect's ownership of AFL from 22.8% to 29.8%

\*\*AFL2's Performance Incentive for AuSelect could increase AuSelect's ownership of AFL from 18.6% to 22.6%.

Current at: 30/11/2006

This is currently valued at: US\$4.1m

This is currently valued at: US\$3.2m



# Investment Summary



At 30/11/2006	ASX Code	Country/Activity	LSG + AUS Holding %	Investment \$m	Market Value \$m
<b>INVESTMENTS</b>					
	Allegiance Mining	AGM Australia - nickel	6.8%	6.1	19.2
	Austindo Resources	ARX Indonesia - gold	19.1%	11.4	6.5
	De Grey Mining	DEG Australia - gold	6.7%	3.4	1.9
	Exco Resources	EXS Australia - copper/gold	10.7%	4.1	5.0
	Havilah Resources	HAV Australia - gold/base metals	19.0%	2.4	14.6
	Indophil Resources	IRN Philippines - copper & gold	25.8%	22.6	73.2
	Lafayette Mining	LAF Philippines - polymetalic	18.6%	15.2	16.3
	Leviathan Resources	LVR Australia - gold	5.1%	3.7	2.5
	Perseverance Corporation	PSV Australia - gold	4.0%	10.8	8.9
	View Resources	VRE Australia - gold/nickel	9.5%	6.7	5.8
	Westonia Mines	WEZ Australia - gold	44.3%	10.4	16.8
	Other			0.6	0.5
<b>TOTAL INVESTMENTS</b>				<b>97.4</b>	<b>171.1</b>
<b>FUNDS</b>					
	<b>African Lion Fund (AFL)</b>		26.5%	<b>9.1</b>	<b>41.0</b>
	incl Albidon	ALB Africa - explorer / Zambia - Ni	6.0%	3.3	15.5
	Mineral Deposits	MDL Senegal - mineral sands/gold	0.7%	0.9	4.0
	Platmin	PPN-TSX SA - PGMs	2.7%	3.5	16.5
	Sphere Investments	SPH Mauritania - iron ore	2.1%	1.1	3.8
	Other including cash committed				1.1
	<b>Asian Lion Fund (ALF)</b>		32.4%	<b>8.9</b>	<b>8.9</b>
	Total invested (cash)			0.9	0.9
	Cash committed			8.0	8.0
<b>TOTAL FUNDS</b>				<b>18.0</b>	<b>49.9</b>
<b>OPERATIONS</b>					
	<b>Sedimentary</b>				
	30% Cracow + Exploration			72.8	72.8
	Intrepid		10.0%	14.6	13.3
	Net Debt			(9.3)	(9.3)
<b>TOTAL OPERATIONS</b>				<b>78.1</b>	<b>76.8</b>
<b>NET CASH</b>					<b>51.2</b>
<b>TOTAL NET ASSETS</b>					<b>349.0</b>

Total Investments and Net Assets exclude value of Lion's AuSelect options

*Best Wishes  
for 2007*



— BHP — SPTGLD — COPP — IRN