

Lion Selection Group

LION SELECTION GROUP LIMITED

(ABN 26 077 729 572)

Information Memorandum in support of an Application for Listing on National Stock Exchange of Australia Limited (NSX)

No offer of securities is being made pursuant to this Information Memorandum

AN INVESTMENT IN THE COMPANY'S SECURITIES SHOULD BE CONSIDERED SPECULATIVE

The Information Memorandum is an important document and should be read in its entirety

This Information Memorandum is not a Prospectus or an Offer Information Statement (OIS): both of which are disclosure documents under the Corporations Act 2001. Consequently, it should be regarded as having a lower level of disclosure than a Prospectus or an OIS.

Status of document

This document is not a disclosure document required by Chapter 6D of the Corporations Act.

Forward looking statements

Certain statements in this document relate to the future, including forward looking statements relating to the financial position and strategy of LSG. These forward looking statements are generally based on stated or implied assumptions which may prove to be incorrect and involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of LSG to be materially different from future results, performance or achievements expressed or implied by such statements. Certain important factors that could cause actual results, performance or achievements to differ materially from those in the forward looking statements include, among others, values of investee companies, levels of actual production during any period, levels of demand and market prices for commodities, the ability to produce and transport mine products profitably, the impact of foreign currency exchange rates on market prices and operating costs, construction and operational problems, general economic and financial conditions and actions by

governmental authorities such as changes in taxation, environmental or other regulation.

None of LSG, any directors of LSG nor any other person gives any representation, assurance or guarantee that the events expressed or implied in any forward looking statements in this document will actually occur and you are cautioned not to place undue reliance on such forward looking statements.

Subject to any continuing obligations under law or the NSX Listing Rules, LSG and the LSG Directors, disclaim any obligation or undertaking to disseminate after the date of this document any updates or revisions to any forward looking statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based other than to comply with legal obligations or the NSX Listing Rules.

Estimates

Unless otherwise indicated, all references to estimates and derivations of the same in this document are references to estimates by LSG management. Management estimates are based on views at the date of this document, and the actual facts or outcomes may be materially different from those estimates.

Pro forma financial information

Unless otherwise specified, references in this document to the financial results or position

of LSG are to the pro forma financial results or position of LSG disclosed in the pro forma financial statements set out in section 4 which have been prepared on the basis set out in that section.

Responsibility statement

All information contained in this document has been assembled by LSG and the LSG Directors and is the responsibility of LSG.

Neither Lion Selection nor Catalpa take any responsibility for the contents of this document.

NSX

A copy of this document has been lodged with NSX. Neither NSX nor its officers take any responsibility for the contents of this document. The fact that NSX may grant official quotation of LSG Shares is not to be taken in any way as an indication of the merits of LSG.

Glossary, defined terms and interpretation

A number of terms used in this document have special meanings. These are listed in the Glossary at the back of this document.

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this document. All numbers are rounded unless otherwise indicated.

Date This Booklet is dated 9 October 2009.

CONTENT OF THIS INFORMATION MEMORANDUM

The information in this Information Memorandum has been extracted from Lion Selection Limited's Explanatory Booklet in relation to the demerger of LSG, termination of arrangements with Lion Manager, cash distribution and merger with Catalpa Resources Limited under a scheme of arrangement. A copy of Lion Selection's Explanatory Booklet can be obtained from Lion Selection's website (www.lionselection.com.au) or by contacting Lion Selection on +61 3 9614 8008.

Section	Page no.	Equivalent section and page number of Lion Selection Explanatory Booklet
1. Introduction	4	N/A
2. Profile of LSG	5	Sections 2.1.1 and 2.1.3 -2.1.5, pages 43-48, Sections 2.1.7-2.1.10, pages 51-52
3. Investments	12	Section 2.1.6, pages 48-51
4. Financial Information on LSG	15	Section 2.2, pages 52-54
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6. Risks Arising From Investment in LSG	22	Section 7.5, pages 98-101
7. Allocation of Assets and Liabilities Between Lion Selection and LSG	25	Sections 8.5 and 8.6, pages 101 and 105
8. National Stock Exchange of Australia Limited	26	Section 2.5, pages 54-55
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10. Glossary	31	Annexure K
Corporate Directory	Backpage	N/A

1. INTRODUCTION

At the date of this document LSG is a wholly owned subsidiary of Lion Selection. Lion Selection is seeking shareholder approval for the following (together referred to as the **Proposed Transactions**):

- (a) the transfer of all of the shares in LSG to shareholders of Lion Selection on a specified record date by way of a capital reduction (**Demerger**);
- (b) the issue of Lion Selection shares to Lion Manager Pty Ltd under arrangements to terminate the management agreement between Lion Selection and Lion Manager Pty Ltd (**Lion Manager Share Issue**);
- (c) a cash distribution to Lion Selection shareholders of 10c per share (**Cash Distribution**); and
- (d) a scheme of arrangement under which Catalpa will acquire all of the shares in Lion Selection in return for shares in Catalpa (**Scheme**).

Lion Selection shareholders will be asked to approve the Proposed Transactions, including the Demerger, at a general meeting scheduled for 17 November 2009.

Under the Demerger all of the shares in LSG will be transferred to shareholders of Lion Selection. Each Lion Selection shareholder will receive 1 LSG Share for each 1 Lion Selection share held (other than ineligible overseas shareholders who will receive the proceeds of the sale by a nominee of the LSG shares they would otherwise receive).

Once the Demerger is effected Lion Selection will no longer hold any shares in LSG.

The Demerger of LSG will only proceed if:

- (a) it is approved by 50% or more of the votes cast by Lion Selection Shareholders on the Demerger Resolution at the General Meeting; and
- (b) the Lion Manager Share Issue is approved by 50% or more of the votes cast by Lion Selection Shareholders on the Lion Manager Share Issue Resolution at the General Meeting;
- (c) NSX approves the admission of LSG to its official listing and the quotation of LSG Shares for trading on NSX; and
- (d) the ATO confirms that Lion Selection Shareholders will have the benefit of demerger relief in respect of the Demerger, or Lion Selection waives this condition.

The Demerger will be effected immediately before the Scheme is implemented but the Demerger is not conditional on the Scheme proceeding.

LSG is currently in discussions with the National Stock Exchange of Australia Limited (**NSX**) regarding an application for listing and it is intended that LSG shares will be quoted on NSX following implementation of the Demerger.

This information memorandum contains information in support of an application for listing on NSX.

2. PROFILE OF LSG

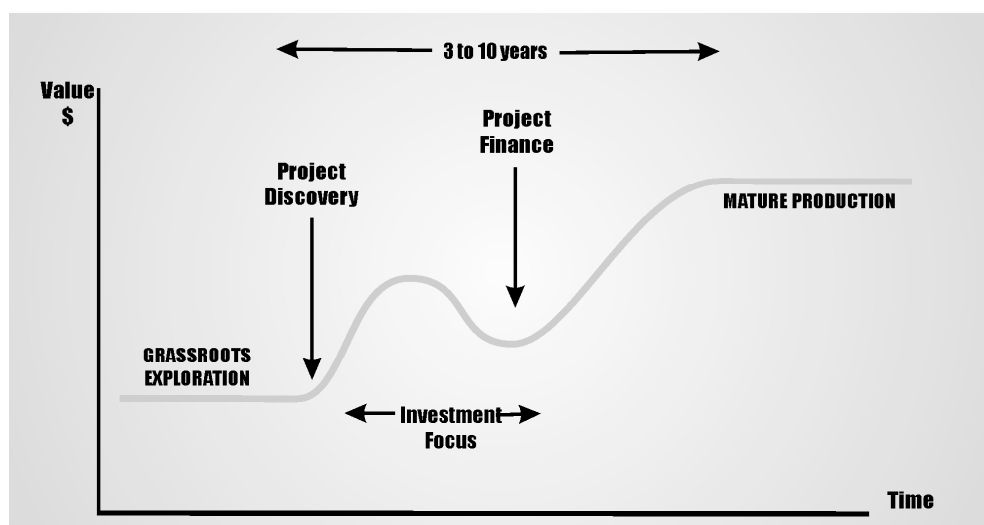
2.1 Overview/Strategy

LSG aims to be a growth oriented investment company with exposure to any new investments made through funds managed by Lion Manager at a point in time which is at a low point of the resource cycle.

LSG has a portfolio of carefully selected companies with robust management and projects that LSG expects to manage to maximise value, providing a balanced exposure to the high risk/high reward junior resource sector. LSG's investments and assets include a share of the investments held by the special purpose African Lion investment funds (African Lion, African Lion 2 and African Lion 3) and Asian Lion fund managed by Lion Manager. LSG will provide investors with prospective upside, investing in junior resource companies at a point in time which is a low point of the resource cycle. Initially new investments will be made primarily through the African Lion 3 and Asian Lion funds.

Following the Demerger the LSG board and executive will be responsible for managing LSG's direct investments. Lion Manager will continue to manage the African and Asian Lion funds under its management contracts with those entities.

LSG will continue to seek venture capital style investments initially through the African Lion 3 and Asian Lion fund where LSG has future commitments of US\$17 million and US\$7 million respectively. These funds are managed by Lion Manager and aim to acquire and dispose of investments at the appropriate time in their development cycle. LSG will manage its cash, initially expected to be A\$12.5 million, and existing investment portfolio (valued at A\$42.1 million at 31 July 2009) to meet its commitments to fund African Lion 3 and Asian Lion. Cash calls from African Lion 3 and Asian Lion are binding on LSG and are expected to be met from the available cash held, and by the orderly and timely divestment of other investments in the LSG portfolio. These amounts are expected to be required progressively over two to four years, but the actual timing of calls by Asian Lion and African Lion 3 cannot be predicted with certainty. In the event LSG defaults on its obligations, LSG's ownership of these funds may be subject to dilution or LSG may be subject to claims from the relevant fund. LSG is expected to have on-going operating costs of A\$0.8 million per year. LSG will distribute profits from investment sales and distributions from African Lion and Asian Lion funds subject to LSG's ongoing cash requirements as set out in the distribution policy in this section.



Listing on NSX will provide a forum for buying and selling LSG Shares with some liquidity for shareholders. Further details about NSX are set out in this section 6. Shareholders in LSG should be aware that there is a risk that LSG will continue to trade on NSX at a material discount to its NTA, given its smaller size and likely reduced liquidity.

2.2 Capital Structure

Upon quotation of its shares on NSX LSG will have 88,029,353 shares on issue which will be transferred to Lion Selection Shareholders on a one-for-one basis under the Demerger. There are no options on issue.

2.3 Board, Management and Corporate Governance

The Board of Directors consists of the following members:

Ewen Tyler AM (Chairman, 81) BSc (Hons), FAusIMM, FAIM, MIMMM, CEng

Ewen Tyler completed his degree in Geology at the University of Western Australia in 1949 and was involved in exploration and mining in Africa during the 1950s. In the following decade he worked in mining finance and exploration in London and on returning to Australia in 1969 initiated the exploration which led to the discovery of the Argyle Diamond Mine.

Ewen was a founding director of Ashton Mining Limited and remained an executive director until his retirement in 1990. Ewen has been chairman of Lion Selection (and its predecessors) since inception in 1997. Ewen holds 50,000 Lion Selection Shares and following the Demerger will also hold 50,000 LSG Shares.

Craig Smyth (Managing Director, 37) BCA (Acctg), M App Fin, CA

Craig Smyth has a background in finance, graduating from the Victoria University of Wellington with a Bachelor of Commerce and Administration, and has completed his Master of Applied Finance at the University of Melbourne.

In addition to the last four years with Lion Selection and its predecessor companies, Craig's background includes Coopers Lybrand, Credit Suisse First Boston (London) and ANZ Investment Bank. Craig is a member of the Institute of Chartered Accountants of Australia.

Craig joined Lion Selection in March 2005, and was appointed Company Secretary in August 2007. Craig holds 62,377 Lion Selection Shares and following the Demerger will also hold 62,377 LSG Shares.

Howard Walker (Executive Director, 56) BSc, ARSM, MAusIMM

Howard Walker graduated as a Mining Engineer from the Royal School of Mines in London in 1975. He worked for General Mining in South Africa for five years, prior to joining Mount Isa Mines in Queensland as a mine planning engineer in the copper and lead/zinc areas. In 1983 Howard joined stockbroker J B Were & Son as precious metals analyst, specialising in the Australian gold sector. He became an associate director of the firm in 1986, and was appointed Manager of the Resources Research team in 1987.

Howard joined J B Were Corporate Services Limited as a director in 1990 and was closely involved in numerous capital raisings for resource companies such as BHP Gold, Asarco Australia, Plutonic Resources Limited, Acacia Resources Limited, Lihir Gold Limited, North Flinders Mines Limited and Homestake Gold of Australia. Howard was a director of Highlake Resources NL from 1996 to 1997.

Howard was an executive director of Lion Manager from 1997 before retiring in 2007, and is Executive Chairman of Altitude Investments, which is a shareholder in Asian Lion. Howard holds 275,352 Lion Selection Shares and following the Demerger will also hold 275,352 LSG Shares.

Jane Rose (Investor Relations Manager & Company Secretary, 45)

Jane Rose commenced work in 1983 as a legal administrative assistant. During the following 12 years, Jane held senior administrative positions with Phillips Fox and Corrs Chambers Westgarth in Melbourne and Nabarro Nathanson in London.

On returning to Australia, Jane worked as Executive Assistant to the Managing Director of Acacia Resources Limited and AngloGold Ashanti Limited where she was also responsible for the management of various corporate initiatives, including marketing and co-ordination of investor relations activities. From 2002 to 2006, Jane worked for several Lion Selection investees, including MPI Mines Ltd, Leviathan Resources and Indophil Resources. Jane worked with Lion Selection since early 2007 and in November 2008 Jane was appointed Lion Selection's Investor Relations Manager and Co-Company Secretary. Jane holds 10,000 Lion Selection Shares and following the Demerger will also hold 10,000 LSG Shares.

2.4 Corporate Governance

This section summarises the corporate governance policies which have been adopted by LSG. Full documentation may be viewed at www.lionselection.com.au, or may be obtained from the company secretary.

➤ Introduction

The Board of LSG has established corporate governance policies and procedures which the directors believe are appropriate given the expected size and activity of the company, and consistent with the ASX Corporate Governance Council's publication 'Principles of Good Corporate Governance and Best Practice Recommendations'. Note that LSG intends to continue with ASX principles, despite being listed on NSX.

Any departure from these recommendations will be because LSG's activities will relate primarily to selecting and managing investments in listed and unlisted mining and exploration companies and the small size of LSG.

LSG, including all of its directors and employees, is committed to maintaining the highest standards of corporate governance and ethical behaviour in all dealings and activities.

➤ Board Charter

The Board of directors will monitor the progress and performance of LSG on behalf of its shareholders, by whom it is elected and to whom it is accountable. The Board Charter, which is summarised below, seeks to ensure that the Board discharges its responsibilities in an effective and capable manner.

➤ Board Responsibilities

The board's primary responsibility is to satisfy the expectations and be a custodian for the interests of its shareholders. In addition, the board seeks to fulfil its broader ethical and statutory obligations, and ensure that LSG will operate in accordance with these standards. The board is also responsible for identifying areas of risk and opportunity, and responding appropriately.

The responsibility for the administration and functioning of LSG is delegated by the board to the Managing Director and Executive. By monitoring the performance of these parties, the board will ensure that LSG is appropriately administered and managed.

The board will guide the composition of strategic planning process which will adhere to the interests and expectations of LSG's shareholders, manage risks and opportunities, and monitor company progress, expenditure, significant business investments and transactions and key performance indicators.

LSG's board will make the final investment decision.

➤ Composition of the Board

It is a policy of LSG that the board comprises individuals with a range of knowledge, skills and experience which are appropriate to its objectives.

The number of directors must not be less than three. The board is comprised of a majority of executive directors due to size constraints, although the Chairman is a non-executive director.

➤ Nomination Committee

In view of the small size of LSG's board, the board in its entirety will act, effectively, as a Nominations Committee. As such, a Nomination Committee is unnecessary for LSG.

➤ Nomination, Appointment and Retirement of Directors

If a vacancy occurs or if it is considered that the board would benefit from the services and skills of an additional director, the board will select a panel of candidates with appropriate expertise and experience, and appoint the most suitable candidate. Any such appointee would be required under the constitution to retire at the next annual general meeting and would be eligible for re-election by shareholders at that meeting.

➤ **Compensation Arrangements and Remuneration Committee**

The remuneration of the directors of LSG will be reviewed by the full board.

The small size of the board and the fact that remuneration matters will be monitored by the board in its entirety makes a separate Remuneration Committee unnecessary and inappropriate.

The maximum aggregate annual remuneration which may be paid to non-executive Directors is currently A\$100,000. This cannot be increased without approval of LSG's shareholders.

The annual directors fees and remuneration for the board and key executives are set out in the following table, including the termination benefits. This remuneration does not include entitlement to incentive payments which are set out later in this section.

	Directors Fees/ Salary Package	Maximum Termination Arrangements
Chairman	\$40,000	Nil
Managing Director	\$200,000	1 Year
Executive Director	\$100,000	1 Year
Company Secretary	\$100,000	1 Year

In addition, LSG will be retaining EWJ Tyler and Associates, a firm associated with the Chairman, as consultants for A\$12,000 per annum.

➤ **D&O Insurance and Indemnity**

LSG maintains a Directors and Officers and Company Reimbursement Insurance Policy. An indemnity agreement has been entered into between LSG and each of the directors, and the company secretary.

➤ **Performance Evaluation**

The small scale of the board and the exceptional nature of the company's activities make the formal establishment of a performance evaluation strategy unnecessary. Performance evaluation is a discretionary matter for consideration by the entire board and it will meet annually to assess performance of the directors and the board as a whole.

➤ **Local Indigenous Communities**

LSG has a policy that developments of investees are not exploitative of local and indigenous communities and to assist such through symbiotic project development. This assistance is likely to focus on health, education and employment of indigenous people near to Investee companies' development projects.

➤ **Environment**

LSG has a policy that environmental impacts of developments of Investees are in line with country and international standards and do not adversely impact local communities.

➤ **Business Risks**

The board aims to reduce investment risk through a policy of diversification of investments geographically and avoid over dependence on a single commodity, Investee or country.

➤ **Code of Conduct**

The board acknowledges the need for the highest standards of corporate governance practice and ethical conduct by all directors and employees of LSG.

The directors of LSG and all LSG employees undertake to preserve the highest standards of integrity, accountability and honesty in their dealings, operating in strict adherence to statutory and ethical obligations.

The Shareholder Communications Strategy, the Securities Trading Policy, the Continuous Disclosure Policy and the Audit Charter collectively form a solid ethical foundation for LSG's practices. These policies can be viewed at www.lionselection.com.au.

➤ **Securities Trading Policy**

As a result of the nature of the business, directors, officers and other employees of LSG will be in possession of information regarding a wide range of small and medium sized exploration and mineral production companies. From time to time some of this information may be classified as 'inside' information. They may also be aware of potential transactions between these companies and with other companies.

LSG has adopted a policy and procedure designed to prevent the possibility of any actual or perceived conflict of interest between the interests of LSG and its respective directors, officers and employees, and insider trading by any LSG Director, officer or employee.

➤ **Supervisory Procedures**

LSG has procedures to ensure all directors and employees of LSG are familiar with these policies, that they are reviewed on a regular basis and updated as necessary, and the trading activity of each director and employee is reviewed from time to time.

➤ **Compliance Procedures**

The compliance procedures are as follows:

- (a) Directors and employees of LSG (and their related parties) must not invest in or otherwise trade in the securities of:
 - Small and medium sized exploration and mining companies (other than LSG, see point (c) below).
 - Any company in which LSG may have a material business transaction or association with or where such a transaction or association is being contemplated.
 - Any company with which an LSG Investee may have a material business transaction or association or where LSG is aware that such a transaction or association is being contemplated.
- (b) The sale of existing investments must be approved in advance by the company secretary.
- (c) In special circumstances, following notification to a LSG Director, individuals may purchase new shares in Investees (eg. floats, rights issues and placements but not existing shares).

With respect to the purchase and sale of shares in LSG, individuals must transact only during limited periods or windows. (Individuals must also notify the company secretary or managing director of their intention to make such a transaction.)

➤ **Audit Committee**

In view of the small size of LSG's board, the board in its entirety will act, effectively, as an Audit Committee.

The ASX principles indicate that a separate Audit Committee should comprise only non-executive directors. The full board will review matters normally reserved for the Audit Committee, including the two executive directors, contrary to the ASX principles due to the small size of the LSG board.

The external auditor may be invited to attend relevant board meetings and to provide information as necessary.

➤ **Continuous Disclosure Policy**

LSG is committed to continuous disclosure of material information as a means of promoting transparency and investor confidence. The practices of LSG will be fully compliant with the NSX Listing Rules, including in particular those regarding continuous disclosure. It is proposed that LSG will publish its NTA on a monthly basis as part of its continuous disclosure requirements.

LSG expects Investees which are listed to adopt and adhere to the same standards of continuous disclosure.

➤ Shareholder Communications Strategy

LSG places great importance on the communication of accurate and timely information to its shareholders and market participants and recognises that efficient and continuous contact with stakeholders is an essential part of earning their trust and loyalty.

Website: www.lionselection.com.au

NSX announcements, periodic reports and presentations will be posted regularly to www.lionselection.com.au.

➤ Share Registry

LSG's register of shareholders will be maintained by Computershare Investor Services Pty Limited.

2.5 Distribution Policy

LSG (prior to its merger with AuSelect Limited in 2007) and Lion Selection (the parent company of LSG following its merger with AuSelect until the Demerger) have a history of paying significant returns by way of dividends and capital returns to its shareholders as evidenced in the table below.

Distribution made by:	Date Paid	Cents per share*
Lion Selection	November 2009 (Proposed)	10
Lion Selection	December 2008 (Buy-back)	83.7 [#]
Lion Selection	February 2008	3
LSG	February 2007	10
LSG	December 2006	27.7
LSG	February 2006	10
LSG	February 2005	10
LSG	May 2004	10
LSG	February 2004	3
LSG	October 2003	8
LSG	February 2003	3
LSG	February 2002	3
Total		181.4

* Note this table relates to distributions made by Lion Selection Group Limited from 2002 to 2007 and after 2007 to Lion Selection Limited,

[#] Buy-backs totaling \$160M have been converted to a per share figure for comparison purposes based on the number of shares on issue prior to the buy-backs commencing.

The above table is not indicative of the distributions that may be paid by LSG in the future. LSG's distribution policy will be determined by the directors having regard to the earnings, financial and taxation position and investment requirements of LSG. Consideration will be given to distribute profits from investment sales and distributions from the funds to LSG shareholders subject to LSG's on-going cash requirements.

2.6 Hedging Policy

LSG commitments to African Lion 3 and Asian Lion are denominated in USD dollars. Adverse movements in the USD/AUD exchange rate could undermine the ability of LSG to meet its obligations to African Lion 3 and Asian Lion. LSG will consider hedging its exposure to the USD commitments, and maintaining a USD bank account for the majority of funds up to the level of its USD commitments.

2.7 Intentions Regarding the Business of LSG

Other than as disclosed in this document, it is the intention of the LSG Directors, following the Demerger:

- to continue the business of LSG, including LSG managing its cash and investment portfolio to meet its existing commitments to fund African Lion 3 and Asian Lion; and
- not to make any major changes to the business LSG.

2.8 Performance Incentive payable by LSG

LSG may pay an annual performance incentive to its management to reward outperformance, with the specific arrangements to be put to members for their approval at the next annual general meeting. Broadly, these arrangements are expected to reward realised investments over and above a benchmark based on the initial NTA at the time of Demerger, and escalated at an appropriate threshold. Once approved, the performance incentive pool will be shared amongst the executive team.

3. INVESTMENTS

LSG has a portfolio of carefully selected companies with robust management and projects that it expects to manage to maximise value, providing a balanced exposure to the high risk/high reward junior resource sector. New investments by LSG will initially be focused on the African and Asian Lion funds which are managed by Lion Manager. LSG is already committed to invest a further US\$17 million and US\$7 million respectively in African Lion 3 and Asian Lion. These funds provide capital at an early stage to assist investees along the development curve and exit following considerations of value after project development, and the timing of the investment cycle.

Cash calls from African Lion 3 and Asian Lion are binding on LSG and are expected to be met by LSG from LSG's available cash and by the orderly and timely divestment of other investments in the LSG portfolio. If necessary, LSG may consider raising additional amounts by issuing further LSG shares or through borrowings to fund cash calls from African Lion 3 and Asian Lion.

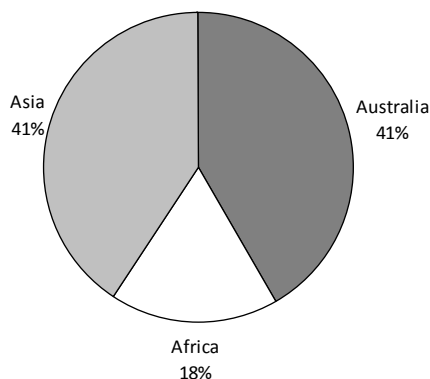
The amounts which LSG has committed to African Lion 3 and Asian Lion are expected to be called progressively over the next two to four years, but the actual timing of calls by African Lion 3 and Asian Lion cannot be predicted with certainty. Cash calls can be made by a fund only following a request from Lion Manager and to fund a further investment to be made by the relevant fund (or to pay expenses of the fund). Any such investment must be in accordance with the investment policy of the fund (which is set out in the relevant shareholders' agreement) and have the approval of the investment committee of the relevant fund (on which LSG is represented). In the event LSG defaults on its obligations to one of these funds, LSG's ownership of the relevant funds may be subject to dilution or LSG may be subject to claims for breach of contract from the relevant fund.

LSG	Number	% Held	Value
As at 31 July 2009	of Shares		AUD
Copperbelt Minerals	199,027	2.1%	2,403,708
Exco Resources	26,486,365	9.3%	6,091,864
Havilah Resources	15,275,750	18.6%	8,401,663
Indophil Resources	26,853,206	6.8%	13,292,337
Other			1,595,949
African Lion Limited		29.8%	1,914,212
African Lion 2		24.9%	5,342,801
African Lion 3		23.7%	968,229
Asian Lion		34.3%	2,121,107
Net Cash (per pro forma balance sheet at 31 July 2009)			12,530,859
Total			54,662,729
LSG - NTA/ Share			\$ 0.62

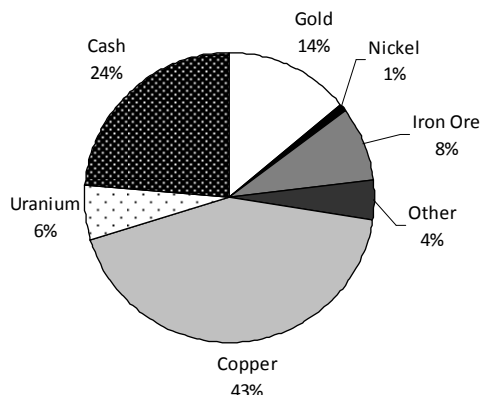
Note: The NTA represents the pre-tax net tangible assets determined in accordance with the Australian equivalents to International Financial Reporting Standards ("AIFRS") which includes the result of the "mark-to-market" of the investment portfolio. For listed investments (including the pro-rata share of listed investments held by funds), fair value is determined based on the closing bid price. Unlisted investments are valued based on either the market value of underlying investments or the last sale price if appropriate. Net cash represents cash and receivables less provision for taxation on realised investments and other liabilities. No provision or benefit is made for tax on unrealised investments or available tax losses.

All material investments of LSG, African Lion funds and Asian Lion are listed, with the exception of the unlisted investment in Copperbelt Minerals PLC. Copperbelt is carried at estimated market value of US\$10 per share representing A\$4.4 million or 8% of LSG's NTA (including indirect holdings through the African Lion funds). This valuation is consistent with the latest audited accounts of Lion Selection.

By Region - Market Values



By Commodity - Market Values



The following is a brief summary of the key investments LSG at the date of this document, including LSG's indirect interest in investments held by the African Lion and Asian Lion funds. The values in this section are measured as at 31 July 2009 based on shares held at that time. The value at the time trading in LSG Shares commences on NSX will vary, and investments may be sold or further investments made for the benefit of LSG before that time.

The information in relation to LSG's investments set out in this section has been prepared using publicly available information that has been announced to ASX and other exchanges and should not be considered comprehensive. This information concerning LSG's investments has not been independently verified by LSG. LSG does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy, currency or completeness of such information.

A brief summary of LSG's major investments is as follows:

Indophil Resources NL (Value A\$13.3 million 50 cps @ 31 July 2009)

Indophil is an Australian listed company established to acquire, explore for and develop gold and copper-gold opportunities in the Philippines. Indophil's principal focus is on the development of the Tampakan Copper-Gold Project in the southern Philippines, of which Indophil holds a 34% beneficial operating interest and is earning up to 37.5%. Xstrata Copper (Xstrata) holds 62.5% of the project whilst Alsons, the Philippine partner, holds the remaining 3.5% at present. Indophil represents 25% of LSG initial portfolio, its largest direct investment.

Havilah Resources NL (Value A\$8.4 million, 55 cps @ 31 July 2009)

Havilah is an Australian listed company holding a strategic ground position in the Curnamona Province in South Australia, where it is actively exploring for a variety of commodities, including gold, copper, molybdenum, zinc and uranium and its advanced project, Kalkaroo, is subject to a feasibility study being prepared with Glencore. In addition, Havilah holds significant equity positions in two ASX listed South Australian focused exploration companies: 48.6% of Curnamona Energy Ltd and 63.6% of Geothermal Resources Ltd. Havilah represents 15% of LSG initial portfolio.

Exco Resources NL (Value A\$6.1 million, 23 cps @ 31 July 2009)

Exco is a copper, gold and uranium exploration company with a number of projects near Cloncurry in north-western Queensland, and a gold project in South Australia at White Dam where Exco is finalizing permitting for project development. Exco has strategic tenement positions with established resources in the highly prospective Cloncurry base metal territory.

Copperbelt Minerals (Value A\$4.4 million¹, US\$10 share @ 31 July 2009)

Copperbelt Minerals is an unlisted company focused on a promising Copper-Cobalt resource in the Katanga region of Democratic Republic of the Congo. The investment in Copperbelt is held directly by LSG and indirectly through the African Lion funds.

African Lion 2 Limited (Value A\$5.3 million @ 31 July 2009)

African Lion 2 is an unlisted, fully drawn fund managed by Lion Manager. LSG has met all its capital commitments to the African Lion 2 fund, and the fund is due to close in 2014 subject to extension. Along with Copperbelt Minerals (see above), key investments include Sphere Investments (look through interest of A\$2.5 million).

Asian Lion Limited (Value A\$2.1 million @ 31 July 2009)

Asian Lion is an unlisted fund managed by Lion Manager, with outstanding funds committed by LSG of US\$7.3 million.

The aim of Asian Lion is to identify investments solely in Asia. LSG is able to co-invest and benefit from the political risk and funding advantages delivered by the large development and commercial banks which are LSG's founding co-shareholders in Asian Lion, including International Finance Corporation (IFC), PROPARGO (French Government), and ABN AMRO Australia (Royal Bank of Scotland).

African Lion 3 Limited (Value A\$1.0 million @ 31 July 2009)

African Lion 3 is an unlisted fund managed by Lion Manager, with outstanding funds committed by LSG of US\$17.0 million. The fund's only current investment is Copperbelt Minerals.

The aim of African Lion 3 is to identify investments solely in Africa. LSG is able to co-invest and benefit from the political risk and funding advantages delivered by the large development and commercial banks which are LSG's co-shareholders in African Lion 3 including European Investment Bank, PROPARGO (French Government), and CDC Group plc (British).

¹ Direct holding A\$2.4M, Indirect look through interest African Lion A\$0.05M, African Lion 2 A\$1.2M, African Lion 3 A\$0.8M

4. FINANCIAL INFORMATION ON LSG

All financial information is presented in accordance with Australian Equivalents to International Financial Reporting Standards (AIFRS). The financial information contained in this section has been presented in abbreviated form. It does not contain all the disclosures usually provided in an annual report prepared in accordance with the Corporations Act.

This section contains the following financial information, derived from audited financial statements of LSG, as at 31 July 2009 which has been adjusted for pro forma adjustments to exclude certain assets which are not to be assets of LSG at the time of the Demerger (see section 5).

The audited financial statements of Lion Selection, the parent company of LSG until implementation of the Demerger, including historical Income Statements, Statement of Cash Flows and accounting policies can be found at www.lionselection.com.au.

The pro forma financial information has been prepared for illustrative purposes only as at 31 July 2009. The actual results will differ from those presented in this document.

Pro forma income statement information in relation to LSG has not been provided. LSG Directors believe that as LSG will be a listed investment company, the income statement information is not relevant in assessing the value of LSG going forward. The valuation of a listed investment company is generally derived from its underlying investments as set out in the pro forma balance sheet (and associated NTA) and the expected ongoing future operating expenses which are contained in section 3.

Following implementation of the Demerger LSG aims to be a growth oriented investment company, and its prospects rely upon generating and realising capital gains on the investments it makes. There is no certainty that capital growth will be achieved, and an investment in LSG should be regarded as speculative.

The financial information in this section should be read in conjunction with the risks described in section 6 and other information contained in this document. Further detail on the underlying investments of LSG, including market values of the investment portfolio as at 31 July 2009 can be found above in section 3.

Forecasts

Following implementation of the Demerger LSG will be an investment company that will not generate consistent revenue streams, with most income currently derived from investment exits, movements in the value of investees, and interest income earned on surplus funds. Investment receipts and movements in value of investees are unpredictable and irregular, and to a certain extent, outside the control of LSG. For example, investment exits often arise as a result of a takeover by a third party.

The occurrence of appropriate direct investment opportunities for LSG is often unpredictable, depending on the development needs of investees and potential investees. LSG has contractual commitments to invest into the African Lion 3 and Asian Lion funds, as described in section 3. The level of investment in each of these funds individually and in total in any one year will vary dependent on the investment opportunities that arise for these funds.

Accordingly, any forecasts for LSG would be speculative and subject to significant business and technical uncertainties and contingencies which are beyond the control of LSG.

LSG Pro forma Balance Sheet

Balance Sheet as at 31 July 2009

	LSG (Unaudited) 31 July 2009 (a)	Other Material Adjustments	Notes	LSG (Unaudited) Pro Forma 31 July 2009
	\$000	\$000		\$000
Current Assets				
Cash and cash equivalents	9,625	3,602	b	13,227
Trade and other Receivables	5	-		5
Intercompany Loans	(380)	380	c	-
Inventories	-	-		-
Other Current Assets	898	(898)	d	-
Total Current Assets	10,148	3,084		13,232
Non Current Assets				
Mine Development	-	-		-
Financial assets	42,135	-		42,135
Deferred tax assets	150	-		150
Total Non Current Assets	42,285	-		42,285
Total Assets	52,432	3,084		55,516
Current Liabilities				
Trade and Other Payables	699	-		699
Current tax liabilities	-	-		-
Total Current Liabilities	699	-		699
Non Current Liabilities				
Deferred tax liabilities	1	-		1
Total Non Current Liabilities	1	-		1
Total Liabilities	701	-		701
Net Assets	51,732	3,084		54,816
Equity				
Contributed equity	100,109	-		100,109
Reserves	-	-		-
Retained profits	(48,377)	3,084		(45,293)
Total Equity	51,732	3,084		54,816

Basis of preparation

LSG Pro forma Balance Sheet Notes

- a) The pro forma balance sheet is based on investment values at 31 July 2009. The pro forma balance sheet does not reflect the following items that are expected to be incurred or earned prior to the implementation of the Demerger:
- Transaction costs incurred by Lion Selection (and to be borne by LSG), that are expected to be around \$1.9 million.
 - Reimbursement of gold production costs that will be for Catalpa's beneficial ownership after 31 July 2009, that are expected to be around \$1.8 million.
 - Impact of investment cash flows, including management fees from 1 August 2009 until the Demerger.
- b) Transfer of cash balances from Lion Selection companies to LSG in accordance with the Demerger Arrangements Deed, including net after tax proceeds from sale of physical gold on hand at 31 July 2009.

- c) Repayment of remaining intercompany loans.
- d) Write off of capitalised acquisitions costs on previous merger of LSG and AuSelect.

Accounting policies

The AIFRS accounting policies adopted by LSG in the preparation of the pro forma financial information as at 31 July 2009 are the same as those set out in Lion Selection's financial report for the year ended 31 July 2008.

LSG has a 31 July financial year end.

5. ARRANGEMENTS WITH LION MANAGER

5.1 Introduction

The LSG Board and executive will be responsible for managing LSG's direct investments after the Demerger.

LSG's investment portfolio has been managed by Lion Manager under a Management Agreement between Lion Selection and Lion Manager. As part of the demerger arrangements Lion Selection, Lion Manager and LSG entered into a Termination Deed to terminate the Management Agreement with effect from 24 June 2010. Termination of the Management Agreement is conditional on implementation of the Demerger. Under the Termination Deed LSG is required to make certain payments to Lion Manager and in certain limited circumstances may be required to purchase certain assets of Lion Manager. LSG's obligations under the Termination Deed are discussed in section 5.3.

Following the Demerger Lion Manager will continue to manage the African Lion Fund and the Asian Lion Fund under its management contracts, and accordingly, the skills and expertise of Lion Manager will be key factors in the future success of LSG. Lion Manager's team, including Robin Widdup, Mike Brook and Chris Melloy, have indicated their commitment to these funds, and their intention to remain with Lion Manager for the foreseeable future.

5.2 Lion Manager Team

The Lion Manager team consists of the following people.

Robin Widdup BSc (Hons), MAusIMM - Managing Director – Lion Manager

Robin Widdup is a Lion Selection Board Member.

Mr Widdup graduated from the University of Leeds (UK) with an Honours Degree in Geology in 1975. He worked in the Zambian copper belt gaining experience in mine geology at major copper-cobalt deposits, returning to the United Kingdom in 1978 to work for the National Coal Board in open-cast coal exploration activities. In 1980, Robin joined Mount Isa Mines Limited in Queensland as a project geologist in copper/silver, lead and zinc mining, progressing to become the senior geologist.

Mr Widdup moved to stockbroker J B Were & Son as base metals analyst in 1986, before his subsequent appointments as gold analyst and manager of J B Were's Resource Research team. During his time at J B Were, Robin established himself as one of Australia's leading resource analysts, and the Resource Research team under his management was held in the same regard.

Mr Widdup resigned from J B Were & Son in early 1997 to establish Lion Selection Group Limited and was the Managing Director from that time until the merger with AuSelect Limited in April 2007. Robin has continued as the Managing Director of the merged company, Lion Selection Limited. He is an executive director of Lion Manager Pty Limited.

Chris Melloy BE(Mining) (Hons), MEngSc, MAusIMM, F Fin - Executive Director – Lion Manager

Chris Melloy completed an Honours Degree in Mining Engineering at the University of Queensland in 1976. He joined Mount Isa Mines in 1977, working underground and holding a number of engineering appointments in the mining area. During this period, Chris gained his professional qualification of Registered Mine Manager and a Masters Degree in Engineering Science.

Chris held a number of management positions in the planning and operating areas of MIM's Mining Division, culminating with responsibility for the copper mine. He joined J B Were & Son in 1987 to research the base metals sector and CRA Limited. He gained his Graduate Diploma of Applied Finance and Investment in 1990 and from 1992 was consistently ranked as a leading resource analyst in independent surveys.

Chris has been an executive director of Lion Manager since its inception in 1997 and was previously a non-executive director of a number of Lion Selection investees, including Catalpa.

Mike Brook BSc (Mining Geology) (Hons), CEng, MIMMM, MAusIMM -Chairman – African Lion Funds; Executive Director – Lion Manager

Mike Brook graduated with a Bachelor of Science in Mining Geology from the University of Wales in 1981. He joined MIM Holdings Limited in Queensland in 1983 as a mine geologist in the copper and lead-zinc-silver operations, progressing to become Chief Geologist for the copper mining operation.

Mike joined J B Were & Son in 1993 as a resource analyst specialising in emerging resource companies in the gold, base metals and mineral sands sectors. His research was recognised by the industry with an award from the Australian Gold Council for best junior company research in Australia in 2000. Mike joined Lion Manager in 2001 as Manager African Funds. Mike became an executive director of Lion Manager in August 2004 and is now Chairman of African Lion Funds.

Peter Maloney BComm, MBA (Roch) - Executive Director – Lion Manager

Mr Maloney, aged 59, has broad commercial, financial and management expertise and experience. In a long career with WMC Resources, he held the positions of Treasurer, Executive Vice President Americas, and Manager Commercial and Marketing –WA. He has also been Executive General Manager, Finance at Santos and Chief Financial Officer at FH Faulding. Mr Maloney has also been a director of several companies and organisations including Indophil Resources and Barra Resources, and was chairman of Southern Health, the largest healthcare provider in Victoria, during a period of improvement in management and financial performance. He has been Chief Financial Officer of Lion Selection (and its predecessor companies) since 2003. Mr Maloney has been an executive director of Lion Manager since August 2007.

Mr Maloney will join the Catalpa board on completion of the Scheme. Peter has indicated his intention to continue with Lion Manager, working reduced hours.

Jon Dugdale BSc (Hons), MAusIMM - President, Asian Funds

Jon Dugdale graduated as a geologist with first class honours from the University of Melbourne in 1986, before joining WMC where he spent 7 years in exploration and mine geology in Western Australia and North Queensland. Jon then joined Mining Project Investors (MPI) in 1993, spending 12 years with the group in WA and then Victoria, responsible for project generation and management initially in WA, then eastern Australia. During this period, a number of discoveries were made by the MPI exploration team, including Silver Swan nickel deposit in WA and Golden Gift in Stawell. The takeover of MPI Mines saw Jon move to Leviathan Resources as Manager Exploration, responsible for building and managing the exploration portfolio in SE Australia.

Jon joined Lion Manager in July 2006 and is focused on the development and growth of Asian Lion.

Tim Markwell BSc (Hons), F Fin- Manager, African Funds

Tim Markwell graduated with an honours degree in geology from the University of Western Australia in 1993, and worked in senior technical roles for over 12 years with BHP Billiton, Golder Associates and Minara Resources. Tim specialised in resource assessment and was involved in feasibility studies for many resource projects in Australia.

Having completed a Graduate Diploma in Applied Finance and Investment with FINSIA in 2000, Tim worked as a Resource Analyst for a Perth-based broking firm where he completed numerous research reports on Australian mining and exploration companies. Prior to joining Lion Manager, Tim was a Senior Investment Analyst for the LinQ Resources Fund where he was responsible for making investment recommendations on behalf of the fund.

Tim joined Lion Manager in February 2007 to manage the African Lion Funds.

Luke Smith BE (Mining)(Hons), MComm (Finance) - Vice President, Asian Funds

Luke Smith graduated with honours in Mining Engineering in 1999 from the University of NSW. Upon finishing his degree, he joined MineConsult as a Mining Engineer, working on numerous projects, including due diligence, feasibility studies and mining contracts within Australia and overseas. Luke completed a Master of Commerce (Finance) in 2004.

Luke joined the Lion Manager in July 2004 and was subsequently appointed Assistant Manager of the African Lion Funds. In 2007 Luke was appointed Investor Relations Manager of Lion Selection.

In November 2008 Luke was appointed Vice President of Asian Lion.

Damon Rhodes BSc (Honours), F Fin -Senior Analyst, African Funds

Damon Rhodes is a geologist who graduated from the University of Technology, Sydney, in 1998. His career started at the BHP Billiton iron ore operations in the Pilbara where he held mine geology, quality control, and near mine exploration and development roles.

In 2004, Damon completed the Graduate Diploma in Applied Finance and Investment with FINSIA and has since been exploring for iron ore, coal and manganese across Australia, Africa and South America with BHP Billiton Minerals Exploration.

Damon joined the Lion Manager team in October 2007 to work with the African Lion Funds.

Hedley Widdup BSc (Hons) – Senior Analyst, African Funds

Hedley Widdup graduated as a geologist with first class honours from the University of Melbourne in 2000. Upon finishing his degree, Hedley joined WMC Resources as a geologist working at the Mt Keith Nickel Mine. Hedley has extensive experience as a mine geologist having worked at Olympic Dam, Mt Isa (Black Star open cut mine) and the St Ives Gold Mine where he was Senior Mine Geologist of the combined open pits. Hedley joined the Lion Manager team in July 2007 as an analyst.

5.3 Termination of Lion Manager Management Agreement with Lion Selection

LSG's investment portfolio has been managed by Lion Manager under a Management Agreement between Lion Selection and Lion Manager. As part of the demerger arrangements Lion Selection, Lion Manager and LSG entered into a Termination Deed to terminate the Management Agreement. Under the Termination Deed Lion Selection gave Lion Manager notice to terminate the Management Agreement with effect on 24 June 2010, subject to certain conditions including the satisfaction (or waiver) of the conditions of the Demerger. A summary of the relevant terms of the Management Agreement and Termination Deed are set out in the Explanatory Booklet provided to Lion Selection shareholders in respect of the Proposed Transactions. A copy of Lion Selection's Explanatory Booklet is available from Lion Selection's website (www.lionselection.com.au) or by contacting Lion Selection on +61 3 9614 8008.

Under the Termination Deed LSG has agreed:

- to meet notice period payment obligations to Lion Manager after the Scheme Effective Date (if the Scheme is implemented). During the notice period (which ends on 24 June 2010) Lion Manager is entitled to receive A\$230,000 per month (plus GST). Lion Manager has agreed to waive the obligation of LSG to pay the monthly fee of A\$230,000 per month (plus GST) for 50% of the period remaining after LSG notifies Lion Manager that LSG no longer requires any services from Lion Manager until 24 June 2010;
- to purchase the fixed assets of Lion Manager for their replacement value, as required under the Management Agreement, if before the end of the notice period (24 June 2010) LSG materially breaches its obligations to subscribe for additional shares in Asian Lion or African Lion 3 (as described in section 3). The LSG Directors estimate that the current replacement value of Lion Manager's fixed assets is \$170,000, based on the original cost of those fixed assets. The LSG Directors consider that it is not likely that LSG will be in material breach of its obligations to subscribe for shares in Asian Lion or African Lion 3 during the relevant period. The LSG Directors expect that cash calls from African Lion 3 and Asian Lion during that period (and LSG's other expenses) will be able to be met from cash held by LSG.

Lion Manager's intellectual property in relation to LSG's investments will be purchased by Lion Selection under the Termination Deed and this intellectual property will be transferred to LSG.

LSG will share office space with Lion Manager on commercial terms.

5.4 Lion Manager Arrangements with African Lion and Asian Lion Funds

Lion Manager currently provides services to the African Lion Funds and Asian Lion Fund under separate management contracts. Lion Manager will continue to provide those services and those contracts will not be

affected by the Termination Deed. Robin Widdup has indicated his commitment to these funds, and intends to remain with Lion Manager for the foreseeable future.

LSG is a minority shareholder in African Lion Fund and Asian Lion Fund, and all arrangements with Lion Manager are on an arms length basis between Lion Manager and the relevant fund. Those arrangements are contained in a management contract, the terms of which were approved by all shareholders of the funds, including Lion Selection. The other shareholders in the funds include the European Investment Bank, PROPARCO (French Government), CDC Group plc (British) and the International Finance Corporation.

The fee arrangements with respect to the African Lion Funds and Asian Lion are set out below. The LSG Directors believe that the generally accepted private equity/ venture capital industry standard is approximately a 2% management fee and 20% performance fee above a hurdle rate. Lion Selection and Lion Manager agreed that part of the performance fee for African Lion, African Lion 2 and Asian Lion would accrue to the subsidiary of Lion Selection holding shares in the relevant fund (and following the Demerger this will accrue to LSG), and not wholly to Lion Manager as is normally the case, in exchange for Lion Selection approving Lion Manager's role in these funds. Lion Manager's higher level of performance fee in African Lion 3 was instigated by the relevant funds' shareholders (other than LSG), who insisted that the performance fee go to Lion Manager to ensure Lion Manager is appropriately incentivised. However LSG retains a significant performance fee in the first 2 African Lion funds and Asian Lion.

	Lion Manager On-going Management Fee (% of Committed Capital)	Lion Manager Performance Fee (Carried interest above 8% hurdle rate)	LSG Performance Fee (Carried interest above 8% hurdle rate)
African Lion	Cost Reimbursement	1%	10%
African Lion 2	2%	10%	10%
African Lion 3	2%	20%	0%
Asian Lion	2%	10%	10%

The cash flows from the performance fee for African Lion and African Lion 2 have been \$9.7M to Lion Selection subsidiaries and \$1.0M to Lion Manager. The current portfolio of African Lion and African Lion 2, if liquidated at market, would provide a further \$2.6M to LSG and \$1.8M to Lion Manager.

6. RISKS ARISING FROM INVESTMENT IN LSG

a) Reduced liquidity of LSG Shares

There can be no assurance that an active trading market will develop for shares in LSG or that shares in LSG will trade at a particular level in the public market. Liquidity of stocks listed on NSX is generally lower than for those on ASX, and the LSG board expects that share trading on NSX may be of low volume.

b) Commitments to African Lion 3 and Asian Lion

LSG has commitments (for further calls) related to its shareholdings in African Lion 3 and Asian Lion that amount to US\$24 million (at the date of this document), a cash balance of approximately A\$12.5 million and an existing investment portfolio (valued at A\$42.1 million at 31 July 2009).

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 50% of 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 were 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 section 7. Although LSG is not aware of any liabilities at the date of this document that would trigger an indemnity payment, future events (in relation to these) may trigger such indemnities.

e) Australian Tax Office Review of Lion Selection and its associated entities

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. Under the Demerger Arrangements Deed (see further section 7) LSG has agreed to indemnify the Lion Selection Gold Companies in respect of any LSG Retained Liability which includes all tax liabilities of any Lion Selection Gold Company referable to the period before 31 July 2009 which are payable or would be payable by those companies but for the tax consolidation of the Lion Selection Gold Companies with the Catalpa tax group following implementation of the Scheme. Accordingly under the Demerger Arrangements Deed LSG is required to indemnify the Lion Selection Gold Companies for any additional tax that may be payable as a result of the ATO's review.

LSG has been informed that Lion Selection is co-operating with the ATO in relation to this review and the Lion Selection Directors do not expect that this review will result in 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.

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) Title risks

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 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 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 LSG's investees to gain access to that tenement may be adversely affected.

h) Reliance on key personnel

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

i) Litigation

Exposure to litigation brought by third parties such as customers, regulators, employees or business associates could negatively impact on LSG's financial performance through increased cost payments for damages and damage to reputation. Neither the LSG nor Lion Selection 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.

j) 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 LSG.

k) General

The performance of LSG and the prices at which its shares may trade on NSX 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 LSG's shares, regardless of operating performance. LSG will attempt to mitigate these factors by implementing appropriate safeguards and commercial actions but these factors are largely beyond LSG's control.

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

l) Investment

The value of 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 LSG Shares will trade on NSX after implementation of the Demerger.

m) Investment in resource companies

LSG has investments in a range of resource companies whose exploration, development and mining activities are at varying stages. LSG's investees are subject to operating risks that are inherent to mining and exploration activities, and may influence the financial performance and share price of the investees. 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. ALLOCATION OF ASSETS AND LIABILITIES BETWEEN LION SELECTION AND LSG

Under the arrangements for the Demerger certain assets have been transferred within the Lion Selection Group so that immediately prior to the Demerger the assets of LSG will be the contents of the investment portfolio described in section 3 and Lion Selection would retain the Lion Selection Gold Assets.

In order to give effect to this division of assets, Lion Selection, LSG and certain other subsidiaries entered into the Demerger Arrangements Deed under which certain assets have been transferred from one entity to another, and certain inter-company indebtedness has been forgiven. Under the Demerger Arrangements Deed, Lion Selection and LSG, and certain other parties, agreed the allocation of the liabilities of Lion Selection (and its subsidiaries) between LSG and Lion Selection (and its other subsidiaries).

Under the Demerger Arrangements Deed, upon implementation of the Demerger LSG will retain all liabilities of Lion Selection and any of its Related Bodies Corporate, other than the Lion Selection Retained Liabilities (described below). Essentially, LSG (and its subsidiaries) are to have only the following liabilities at the time of the Demerger (**LSG Retained Liabilities**):

- all tax liabilities of any Lion Selection Gold Company referable to the period before 31 July 2009 which are payable or would be payable by those companies but for the tax consolidation of the Lion Selection Gold Companies with the Catalpa tax group following implementation of the Scheme;
- liabilities arising from or in relation to the employment of any person by Lion Selection or any of its Related Bodies Corporate before implementation of the Scheme;
- liabilities of Lion Selection arising from or in relation to termination of the Lion Management Agreement (other than the issue of not more than 5,923,757 Lion Selection Shares to Lion Manager under the Termination Deed);
- tax payable as a result of the transfer of assets referred to above;
- deferred tax liabilities associated with the business of LSG or its subsidiaries;
- liabilities of any of the Lion Selection Gold Companies arising pursuant to the operation of section 721-15 of the ITAA97 to pay a group liability that would not otherwise be payable by the Lion Selection Gold Companies had the provisions in Part 3-90 of the ITAA97 not applied;
- trade creditors of LSG; and
- any other costs incurred by Lion Selection or its related bodies corporate in respect of the Scheme or the Demerger.

Under the Demerger Arrangements Deed Lion Selection and the other Lion Selection Gold Companies are to have only the following liabilities at the time of the Demerger (**Lion Selection Retained Liabilities**):

- only the liabilities of Lion Selection and any of its related bodies corporate that directly arise from or relate to the Cracow Joint Venture Agreements;
- deferred tax liabilities in respect of the Lion Selection Gold Companies and their businesses;
- any inter-company liabilities owed between the Lion Selection Gold Companies;
- any other liability (including any tax liability) relating to a Lion Selection Gold Asset to the extent that it relates to anything which occurs after 31 July 2009.

In order to give effect to this allocation of liabilities the Demerger Arrangements Deed provides that:

- Lion Selection agrees to indemnify LSG (and LSG's subsidiaries) in respect of any Lion Selection Retained Liability; and
- LSG agrees to indemnify the Lion Selection Gold Companies in respect of any LSG Retained Liability.

8. NATIONAL STOCK EXCHANGE OF AUSTRALIA LIMITED

8.1 Listing of LSG on NSX

It is a condition of the Demerger from Lion Selection that NSX approve the admission of LSG to the official list of NSX, and grant permission for official quotation on NSX of the LSG.

8.2 NSX

NSX was the second stock exchange approved under the former Corporations Law in Australia (February 2000) and has an Australian market licence under the Corporations Act. NSX is a fully operational and fully regulated stock exchange. NSX publishes information about itself and the market on its website www.nsx.com.au.

NSX is a full main board exchange. NSX concentrates on listing small to medium enterprises and has Listing and Business Rules approved by ASIC. All entities listed on NSX must comply with these Listing Rules.

NSX creates a market for a wide range of interests including alternative investments and traditional equity securities based on corporate listings. The investments listed on NSX cover various areas of the economy that require a market platform.

8.3 Brokers dealing on NSX

Only brokers registered as a Participant Broker of NSX can execute trades on NSX.

Profiles of each NSX Participant Broker are available on the NSX website under the 'For Brokers' tab. The NSX Participant Broker network offers access to, and promotion of, stocks on NSX.

8.4 Availability of CHESS reports about holdings

Presently all securities traded on NSX are registered in CHESS and standard CHESS reports are available for security holders.

8.5 Obtaining share prices for NSX quoted securities

Share prices are available from a variety of sources. Participating Brokers can obtain full market information from the NETS screens, plus IRESS and AAPOR carry end of day information as part of their news services. For investors, the NSX website carries price updates every 20 minutes as well as daily and monthly price histories on each quoted security. The Australian Financial Review publishes daily trading information and month to date summaries each Monday in the Market Wrap section.

8.6 The role of nominated advisers

Companies intending to list on NSX are required to have a nominated adviser and a sponsoring broker. It is contemplated that, with a nominated adviser for each entity, investors will be offered better protection because nominated advisers are required to make sure that companies meet the ongoing requirements for listing and the requirements of the Act. Ewen Tyler and Howard Walker are LSG's nominated advisers and E.L. & C. Baillieu is LSG's sponsoring broker.

9. ADDITIONAL INFORMATION

9.1 Incorporation of LSG

LSG is taken to be registered in Victoria on April 1997 as a public company limited by shares.

LSG has its principal registered office at Level 4, 15 Queen Street, Melbourne, Victoria 3000.

9.2 Company tax status

Following implementation of the Demerger, LSG will be taxed as a public company in Australia and the statutory accounts of LSG will be made up to 31 July annually.

9.3 Auditor of LSG

PricewaterhouseCoopers is the auditor of LSG. PricewaterhouseCoopers registered address at Freshwater Place, Level 19, 2 Southbank Boulevard, Southbank, Victoria 3006 .

9.4 Creditors of LSG

LSG has paid and is paying all its creditors within normal terms of trade. It is solvent and is trading in an ordinary commercial manner.

9.5 Legal proceedings relating to LSG

The LSG Directors are not aware of any litigation within the last five years of a material nature pending or threatened which may significantly affect the business of LSG.

9.6 LSG capital

LSG has not raised any capital for the 3 months before the date of issue of this document and will not need to raise any capital for 3 months after the date of issue of this document.

Other than any capital which may be necessary for any future acquisitions, LSG has enough working capital to carry out its stated objectives.

9.7 CHESS and issuer sponsorship

LSG will apply to be admitted to participate in CHESS. On admission to CHESS, LSG will operate an electronic issuer sponsored sub register and an electronic CHESS sub register. The two sub registers combined will comprise the register of members that LSG is required to maintain pursuant to the provisions of the Corporations Act.

9.8 LSG's constitution

(a) Rights and liabilities attaching to LSG Shares

The rights and liabilities attaching to the LSG Shares are set out in LSG's constitution, and, in certain circumstances, are regulated by the Corporations Act, the NSX Listing Rules and general law.

The following is a summary of the principal rights, privileges and restrictions which are attached to LSG Shares. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of LSG's members.

(i) Meetings of LSG Shareholders

Each LSG Shareholder is entitled to receive notice of, attend, and vote at, general meetings of LSG and to receive all notices, accounts and other documents required to be sent to LSG Shareholders under the LSG constitution, the Corporations Act and the NSX Listing Rules.

(ii) Vote of LSG Shareholders at a general meeting

Subject to the LSG constitution and any restriction affecting any class of shares, every LSG Shareholder present in person or represented by an attorney, corporate representative or proxy is entitled to one vote on a show of hands and on a poll. If a member has appointed two proxies, and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of those votes.

A person who holds a LSG Share which is not fully paid, is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total price of the share.

Where there are two or more joint holders of a LSG Share and more than one of them is present at a general meeting, in person or by proxy, representative or attorney, and tender a vote in respect of the share, LSG will count only the vote cast by the most senior joint holder, being the member whose name appears first in LSG's register of members.

(iii) **Dividends**

Subject to LSG's constitution and the Corporation Act, the LSG directors may from time to time determine to pay interim or final dividends to LSG Shareholders out of the profits of LSG and fix the amount, time for payment and method of payment of any such dividend. Subject to the terms of the shares, LSG may pay a dividend on one class of shares to the exclusion of another class.

Each share of a class on which the LSG board resolves to pay a dividend carries the right to participate in the dividend in the same proportion that the amount for the time being paid on the share (excluding an amount paid in advance of calls) bears to the total price of the share.

(iv) **Transfer of LSG Shares**

LSG Shares may be transferred by a written transfer in compliance with the LSG constitution, a proper SCH regulated transfer effected in accordance with the Corporations Act and the ASTC Settlement Rules or by any other electronic system established or recognized by the Corporations Act, the NSX Listing Rules or the ASTC Settlement Rules.

The LSG directors may only refuse to register a transfer of LSG Shares if the registration of the transfer would result in a contravention of or failure to observe the provisions of any applicable law, the NSX Listing Rules or the ASTC Settlement Rules. If the LSG board refuses to register a transfer, LSG must give the lodging party notice of the refusal and the reasons for it within 5 Business Days after the date on which the transfer was delivered to LSG. LSG must not register a transfer of LSG Shares if the Corporations Act, NSX Listing Rules or the ASTC Settlement Rules forbid registration.

(v) **Issue of further LSG Shares**

Subject to the Corporations Act, the NSX Listing Rules, and ASTC Settlement Rules and the LSG constitution and without affecting any special rights conferred on the holders of any shares, any shares, options or other securities may be issued or otherwise disposed of as the LSG directors may determine and on any terms the LSG directors consider appropriate.

(vi) **Winding up**

Subject to the terms of the shares, if LSG is wound up, LSG Shareholders will be entitled to participate in any surplus assets of LSG in proportion to the capital paid up on their shares.

(vii) **Unmarketable parcels**

In certain circumstances, LSG may give written notice to LSG Shareholders holding unmarketable parcels of LSG Shares that it proposes to sell the LSG Shares. The notice must set a period of at least six weeks within which the LSG Shareholder can notify LSG that they wish to retain the LSG Shares. If the LSG Shareholder does not do that, LSG may sell their LSG Shares and distribute the proceeds of sale to the LSG Shareholder.

(viii) **Share buy-back**

LSG may buy LSG Shares in itself on terms and at times determined by the LSG Directors, to the extent and in the manner permitted by the Corporations Act and NSX Listing Rules.

(ix) **Variation of class rights**

Subject to the Corporations Act, LSG may vary or cancel rights attached to LSG Shares by a special resolution of LSG passed at a meeting of LSG Shareholders holding shares in that class or with the written consent of LSG Shareholders who are entitled to at least 75% of the votes that may be cast in respect of the shares in that class.

(x) **Dividend plans**

The LSG board may implement a dividend re-investment plan, under which any member may elect that dividends the member is entitled to be retained by LSG and applied for re-investment in payment for fully paid LSG Shares issued under the plan.

(b) Number of LSG Directors

The constitution of LSG provides that the LSG directors may determine the number of directors of LSG, subject to the number of directors of LSG not being less than three.

(c) Powers of the LSG's board

Except as otherwise required by the Corporation Act, any other applicable law, the NSX Listing Rules or LSG's constitution, the LSG board has the power to manage the business of LSG and may exercise every right, power or capacity of LSG to the exclusion of LSG in general meeting of the members (except for the right to sell or dispose of the main undertaking of LSG).

9.9 Directors' remuneration

- (a) The non-executive directors will be paid for their services as directors the remuneration, not exceeding in aggregate A\$100,000. Future maximum sums will be fixed by LSG Shareholders at future general meetings.

Remuneration payable by LSG to non-executive directors is not to be by commission on, or percentage of, profits or operating revenue.

- (b) The remuneration of the executive directors is to be fixed by the board and may consist of salary, bonuses or any other elements, but must not be a commission on, or percentage of, profits or other operating revenue.

9.10 Officers' indemnities

LSG, to the extent permitted by law, indemnifies every officer of LSG (and may indemnify any auditor of LSG) against any liability incurred by the person, in the relevant capacity, to another person unless the liability arises out of conduct involving lack of good faith.

LSG may also make a payment in relation to legal costs incurred by these persons in defending an action for a liability, or resisting or responding to actions taken by a government agency or a liquidator.

9.11 Interests in the promotion of LSG

For the purposes of this section, an interested person is:

- a director or proposed director of LSG;
- a person named in this document as performing a function in a professional, advisory or other capacity in connection with preparing or distributing this document;
- a promoter of LSG; or
- a broker or underwriter to the issue of LSG Shares.

Except as disclosed in this document, no interested person holds or held at any time during the 2 years before the date of this document any interest in:

- (a) forming or promoting LSG;
- (b) property acquired or proposed to be acquired by LSG in connection with:
- forming or promoting LSG; or
 - the offer of LSG Shares; or
- (c) the offer of LSG Shares.

Except as disclosed in this document, no one has paid or agreed to pay fees or give or agreed to give any benefit to:

- (a) a director or proposed director of LSG to induce that person to become or qualify as a director of LSG; or

- (b) any interested person for services provided by that person in connection with:
- forming or promoting LSG; or
 - the offer of LSG Shares under the Demerger.

Directors of LSG are not required under LSG's constitution to hold any shares in LSG.

9.12 Consent to be named

The following parties have given and have not, before the time of registration of this document by ASIC, withdrawn their written consent to be named in this document in the form and context in which they are named:

- a) Blake Dawson as legal adviser to LSG;
- b) PricewaterhouseCoopers as LSG's auditor;
- c) Computershare Investor Services Pty Ltd as the share registry of LSG; and;
- d) E.L. & C. Baillieu as LSG's sponsoring broker.

9.13 Consent to the inclusion of statements

The following parties have given and have not, before the date of this document withdrawn their written consent to the inclusion of the following information in this document in the form and context in which it is included and to all reference in this document to that information in the form and context in which they appear:

- a) Lion Manager, to the inclusion in this document of the statements attributed to it; and
- b) Computershare Investor Services Pty Ltd has given and, as at the date hereof, has not withdrawn, its written consent to be named as Share Registrar in the form and context in which it is named.
Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this document other than being named as Share Registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this document.

9.14 Further information

Further information on LSG can be found on the companies' web-site: <http://www.lionselection.com.au>.

9.15 Documents available for inspection

The following documents are available for inspection during normal business hours at the registered office of LSG:

- a) this document;
- b) LSG constitution; and
- c) Lion Selection's Explanatory Booklet in respect of the Proposed Transactions.

10. GLOSSARY

African Lion Funds means each of African Lion 3 Limited, African Lion 2 Limited and African Lion Limited, each a company incorporated in Mauritius

African Lion 3 means African Lion 3 Limited a company incorporated in Mauritius.

Asian Lion means Asian Lion Limited a company incorporated in Mauritius.

ASIC means the Australian Securities and Investments Commission.

ASTC means ASX Settlement and Transfer Corporation Limited ABN 49 008 504 532.

ASTC Settlement Rules means the operating rules of ASTC as amended from time to time.

ASX means the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691), as the context requires.

ASX Listing Rules means the listing rules of ASX.

ATO means the Australian Taxation Office.

AuSelect means AuSelect Limited ABN 53 077 885 208.

Business Day means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Melbourne.

Cash Distribution means the payment of an amount determined by Lion Selection up to a maximum of 10 cents per Lion Selection Share to Lion Selection Shareholders by way of a capital reduction, conditional on the approval of the Scheme Resolution, the Lion Manager Share Issue Resolution and the Demerger Resolution by the requisite majority of Lion Selection Shareholders.

CHESS means the clearing house electronic sub-register system for the electronic transfer of securities operated by ASTC.

Corporations Act means the *Corporations Act 2001* (Cth).

Demerger means the transfer of all of the shares in LSG to Lion Selection Shareholders by way of capital reduction.

Demerger Arrangements Deed means the Demerger Arrangements Deed, dated 8 October 2009, and the Debt Forgiveness Deed dated 31 July 2009 entered into by Lion Selection, LSG and certain other subsidiaries to give effect to the division of assets and liabilities between LSG and Lion Selection and its other subsidiaries for the purposes of the Demerger, under which, among other things, certain assets have been transferred from one entity to another and certain inter-company indebtedness has been forgiven.

Demerger Effective Date means the date on which all LSG Shares will be transferred to Lion Selection Shareholders.

E.L. & C. Baillieu means E.L. & C. Baillieu Stockbroking Ltd ABN 74 006 519 393 AFSL No. 245421.

Explanatory Booklet means the booklet which has been dispatched to Lion Selection Shareholders and which contains:

- a) the explanatory statement regarding the Demerger, Lion Manager Share Issue and the Cash Distribution and a notice of the General Meeting and;
- b) the information memorandum in respect of the Scheme to be approved by the Court and the relevant notice of meeting.

Funds means each of African Lion 3, Asian Lion, African Lion Limited and African Lion 2 Limited, each a company incorporated in Mauritius.

GST means the same as in *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Lion Manager means Lion Manager Pty Limited ABN 76 078 018 934.

Lion Manager Share Issue means the issue of up to 5,923,757 Lion Selection Shares to Lion Manager in satisfaction of the Termination Fee under the Termination Deed.

Lion Selection means Lion Selection Limited ABN 53 123 217 112.

LSG means Lion Selection Group Limited ABN 26 077 729 572.

LSG Directors means the directors of LSG.

LSG Share means a fully paid ordinary share in LSG.

LSG Shareholder means each person entered in the register of members of LSG as a holder of LSG Shares.

NSX means the National Stock Exchange of Australia Limited ABN 11 000 902 063 or the market conducted by it as the context requires.

NSX Listing Rules means the listing rules of NSX.

NTA means pre-tax net tangible assets determined in accordance with the Australian equivalents to International Financial Reporting Standards ("AIFRS") which includes the result of the "mark-to-market" of the investment portfolio.

For listed investments (including the pro-rata share of listed investments held by funds), fair value is determined based on the closing bid price. Unlisted investments are valued based on either the market value of underlying investments or the last sale price if appropriate. Net cash represents cash and receivables less provision for taxation on realised investments and other liabilities. No provision or benefit is made for tax on unrealised investments or available tax losses.

Proposed Transactions means the Lion Manager Share Issue, the Demerger, the Cash Distribution and the Scheme

Related Bodies Corporate has the meaning given to it in the Corporations Act.

Register means the register of members of LSG maintained under section 169 of the Corporations Act.

CORPORATE DIRECTORY

Lion Selection Group Limited

Level 4, 15 Queen Street
Melbourne, Victoria 3000
Telephone +61 3 9614 8008
Fax +61 3 9614 8009
www.lionselection.com.au

LSG Share Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford, Victoria 3067

Auditors for LSG

PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
Southbank, Victoria 3006

Legal advisors to LSG

Blake Dawson
Level 26, 181 William Street
Melbourne, Victoria 3000

