LION SELECTION LIMITED

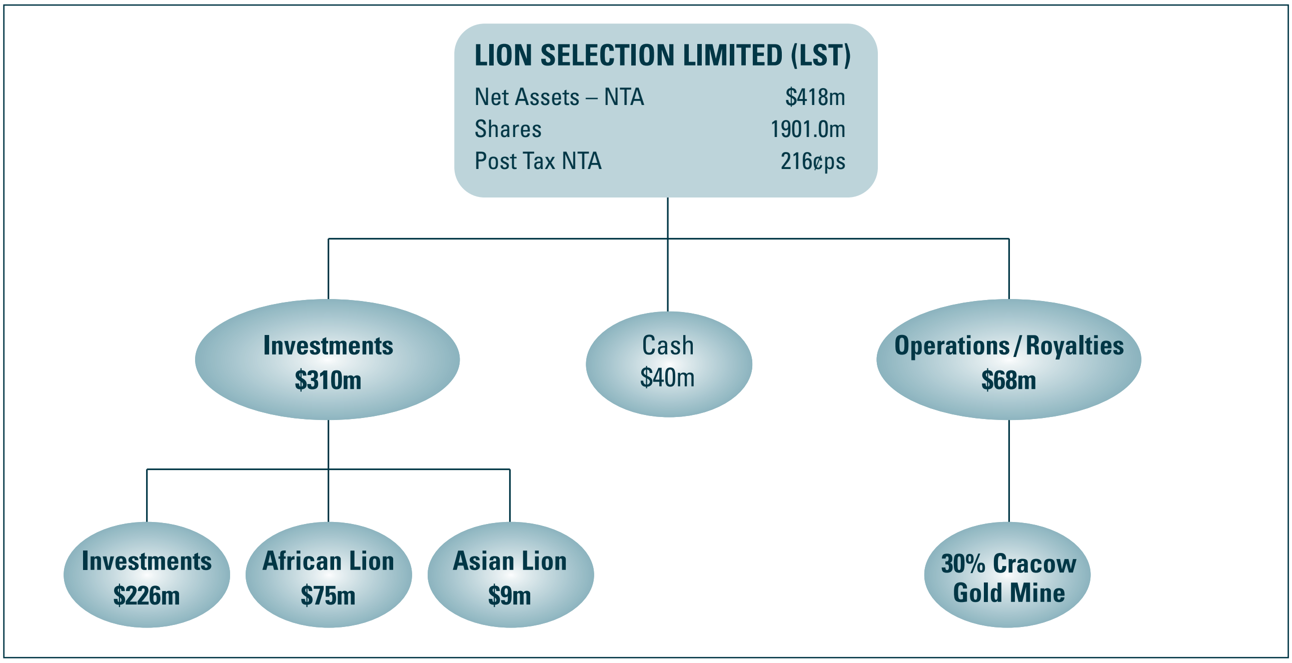
QUARTERLY REPORT FOR THE 3 MONTHS ENDED 31 JULY 2007

Market Outlook

Sharp global market downturn in August:

- Lion soundly positioned and investees mainly well funded.
- Volatility seen as opportunity.
- Optimistic on outlook.

LST Structure



Key Points

Cracow Mine

- Produced 9,017 ounces (Lion's share) at $351/oz.
- All forward sales closed out.
- New 200,000 ounce Inferred Resource at Kilkenny.

Indophil

- Tampakan – Xstrata, as manager, forecasts production 2011/12.
- Further positive drilling results underpin a potential increase in the Tampakan global resource.

Platmin

- Completes feasibility study on the Pilanesberg project.

Albidon

- Key milestone for first debt drawdown achieved.

Sphere

- A 49.9% stake in the Guelb El Aouj Iron Ore project taken up by two leading industrial companies from the gulf region for US$375m.

Management

- Key appointments made within the Lion team to streamline investment process.

Market Conditions and Lion's Strategy

A global financial storm developed in early August emerging from credit problems in high risk mortgages in the USA. Cheap debt has disappeared, cash and cashflow have once again become king and fear has replaced greed as the market driver.

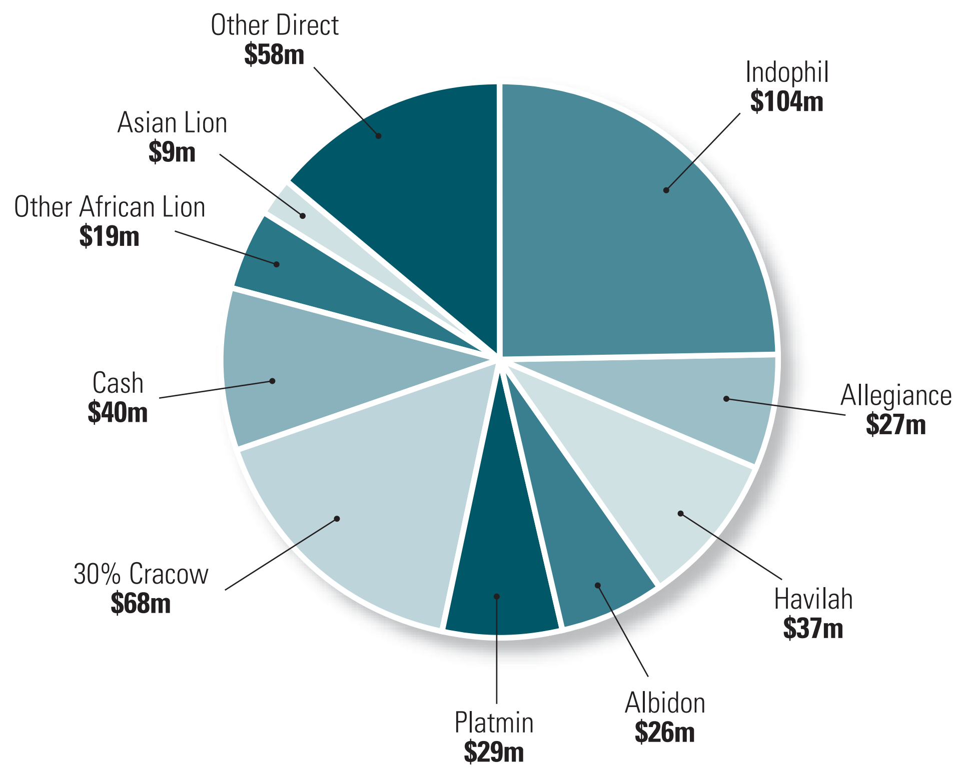
These problems initially seemed distant from Lion's business but falling equity markets have hit all listed companies including Lion and Lion investees. It appears that (hedge) fund selling to reduce debt burdens lifted liquidity in blue chip equities, but turnover has reduced in small resource companies as more conservative buyers stand back. This linkage of liquidity with share price and greed with fear is the mainspring of the Lion clock. **We do not see the downturn as a cycle ending crash, more a healthy correction.** Lion's actions in the immediate future will be to use the downturn for measured opportunity and continued portfolio restructuring.

The merger of Lion with AuSelect created a stronger Lion with six investments dominating Lion's portfolio, including the cash generating Cracow Gold Mine (see pie chart below). Lion has almost $50 million cash to fund ongoing investment. Another 20 investees form the remaining 20% of Lion and most of these are core holdings. The merger has allowed rejuvenation of the portfolio and in the strong market conditions prior to the August correction there had been some selling of non core assets.

One positive aspect of the sharp market downturn is that acquisition of new opportunities is once again possible at attractive prices. Lion is in a good position to benefit from a period of market uncertainty, but no one would welcome a prolonged period of global financial shock. We see the long term outlook for the resources sector as very positive, driven by China's growing appetite for commodities in a world short of new mining projects due to lack of exploration success.

Lion's clock remains at 10:45 – still in positive territory. After a short term shock we are optimistic for the next few years and believe that increased volatility can provide opportunity.

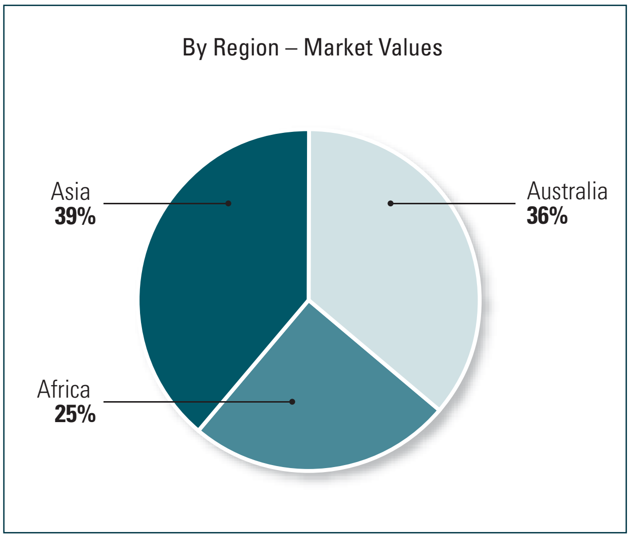
LION SELECTION LIMITED

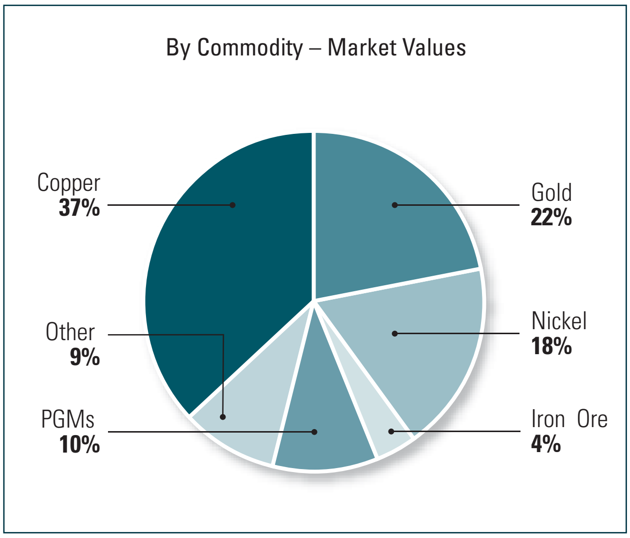


Summary

One of the key merger benefits and aims was to increase the number of investments made by Lion. During the first full quarter post merger, Lion has been actively investing in Australia, Africa and Asia.

CURRENT DISTRIBUTION OF INVESTMENTS





MANAGEMENT TEAM

Following the merger, Lion made a number of changes to the management team aimed at further streamlining the investment process and enabling Lion to source and rapidly assess new investment opportunities. The appointments include:

- Mike Brook: responsible for all new investments within the group.
- Tim Markwell: responsible for African Lion.
- Jon Dugdale: responsible for Asian Lion.
- Craig Smyth: Company Secretary and Administration.
- Luke Smith: Investor Relations
- Peter Maloney: formerly Company Secretary, and will retain the Chief Financial Officer responsibilities including the Cracow Joint Venture. Peter will now be employed by the Lion Manager and will also become a shareholder of the Lion Manager.

Howard Walker retired from full time employment with the Lion Manager at the end of July. He will continue with his responsibilities for Asian Lion until funding commitments have been completed and a suitable replacement has been appointed. In addition, Howard will be retained by Lion for special projects on an as needs basis.

The Lion Manager and directors of Lion congratulate Howard on a decade of achievement and look forward to his continued association.

Operations

Cracow Gold Mine

(LION 30%)

The Cracow Gold Mine in Queensland is a low cost, fully developed underground operation with a top quality management team. Cracow produces 100-120,000 ounces of gold annually.

PRODUCTION / COSTS

Quarterly Production Summary (Lion 30% Share)

3 months to		Jul 2006	Oct 2006	Jan 2007	Apr 2007	Jul 2007
Ore treated	(tonnes)	28,413	28,739	29,573	27,816	**29,990**
Ore grade	(g/t Au)	11.1	9.0	10.1	11.5	**10.1**
Met Recovery	(%)	94	93	94	95	**94**
Gold Produced	(oz)	9,684	7,580	8,854	9,965	**9,017**
Cash cost	(A$/oz)	335	348	301	281	**351**
Capital costs	(A$M)	1.3	2.0	1.7	1.5	**1.2**
Exploration	(A$M)	0.5	0.7	0.4	0.3	**0.2**
% Stope ore	(%)	56	45	55	56	**56**
Gold sold	(oz)	9,136	7,917	9,332	9,353	**9,945**
Gold price received	(A$/oz)	746	725	697	682	**660**

Gold production for the three months to July 2007 was 9,017 ounces taking Lion's total gold production for the year to 35,416 ounces.

Cash costs for the quarter were $351/oz resulting in the cash cost for the full year averaging $318/oz. Cracow is one of the lowest cost gold producers in Australia and provides Lion with consistent cashflow.

Exploration

Drilling during the quarter was once again focussed on Kilkenny where infill and extension drilling was completed and an Inferred Resource of 200,000 ounces of gold was announced by Newcrest in August.

Kilkenny Inferred Resource (100%)

Million Tonnes	Grade (g/t)	Ounces
0.9	7.1	200,000

The competent person qualification is provided at the end of this report.

Finance

- Debt
  - Macquarie Bank loan $11.0 million.
- Hedging
  - Lion closed out its forward gold sales contracts (63,000 ounces at $664/oz to 2009) during the quarter for a total cost of $9.7 million (spot gold equivalent $770/oz). The forward sales were replaced with equivalent put options. As a result, Lion will receive spot gold prices (currently $800+/oz) for all its sales, benefiting from any increase in the gold price while maintaining downside protection through the put options.

Indophil Resources NL

PHILIPPINES / COPPER & GOLD
(LION – 25.8%, $104.2 million value)

During the quarter Richard Laufmann was appointed Managing Director and Chief Executive Officer of Indophil. Richard's association with the Tampakan Copper Gold Project started in 1996 when he managed the first study of the project and he has subsequently been a Non Executive Director of Indophil since 2003. On top of this experience and knowledge, his previous position as Managing Director of Ballarat Goldfields puts him in good stead to see Indophil and Tampakan through to development and beyond.

Tampakan Project (Indophil 34.1%)

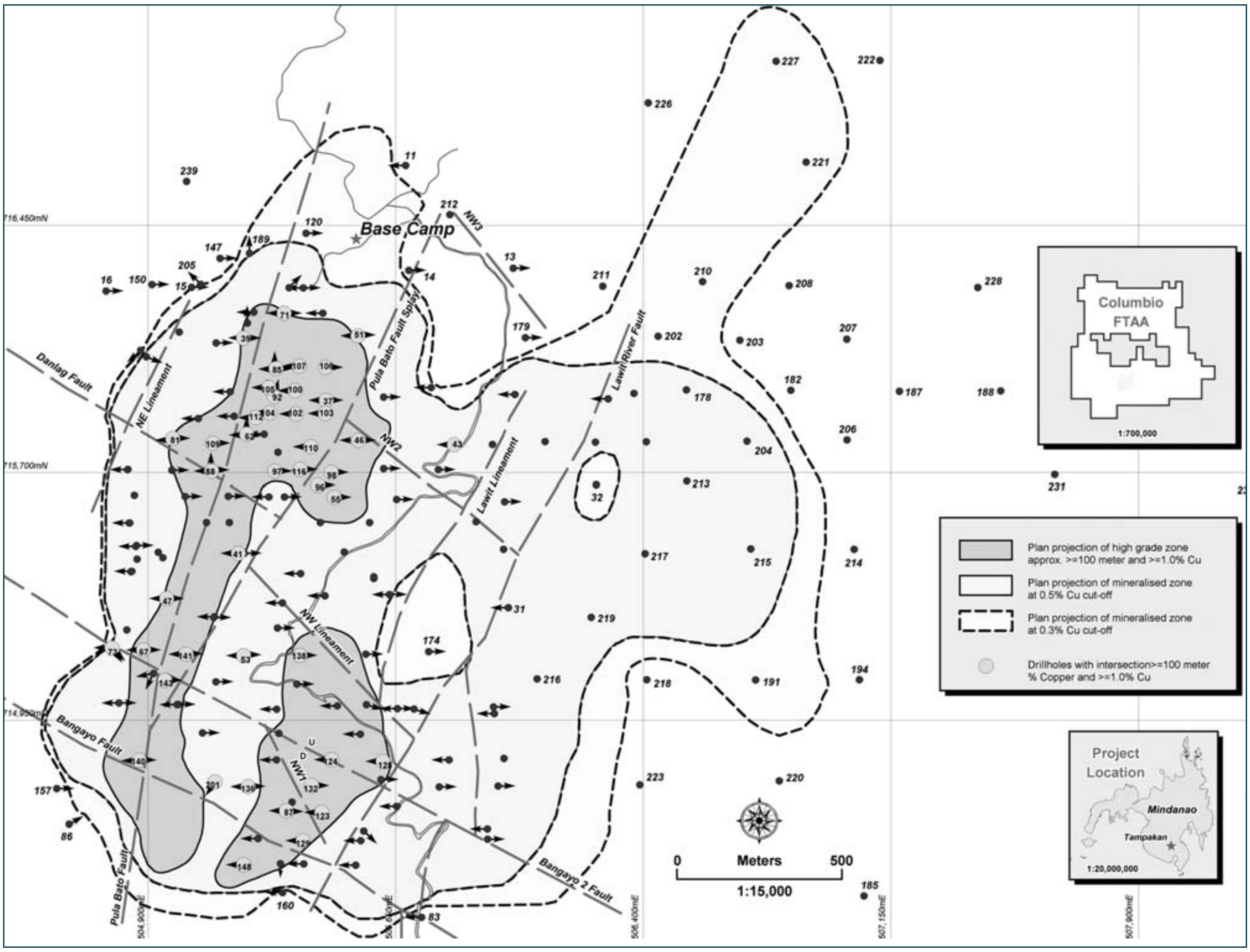
- Management – During the quarter management of the Tampakan Copper Gold Project was handed over to Xstrata Copper.
- Exploration – In addition to the north east extensions grading greater than 0.5% copper described in the April 2007 Lion Quarterly Report, drilling assays confirmed a further extension grading between 0.3%-0.5% copper. This occurs on the north eastern side of the current resource and extends around holes TMPD221 and TMPD227. See map below.
- Geotechnical drilling: A geotechnical hole assayed during the quarter – TMPD201, located in the southern part of the known deposit between the two known higher grade zones – revealed high grade mineralisation at depth.

TMPD201	79.7 metres	@ 0.74% copper and 0.41 g/t gold	from 326.5 metres
and	239.2 metres	@ 1.19% copper and 0.43 g/t gold	from 421.6 metres

The significance of this drill hole is that it indicates higher grade mineralisation between the two known higher grade zones at Tampakan, albeit at depth. The relevant cross section appears on page 6.

- These further drilling successes indicate a potential increase in the global resources at Tampakan.

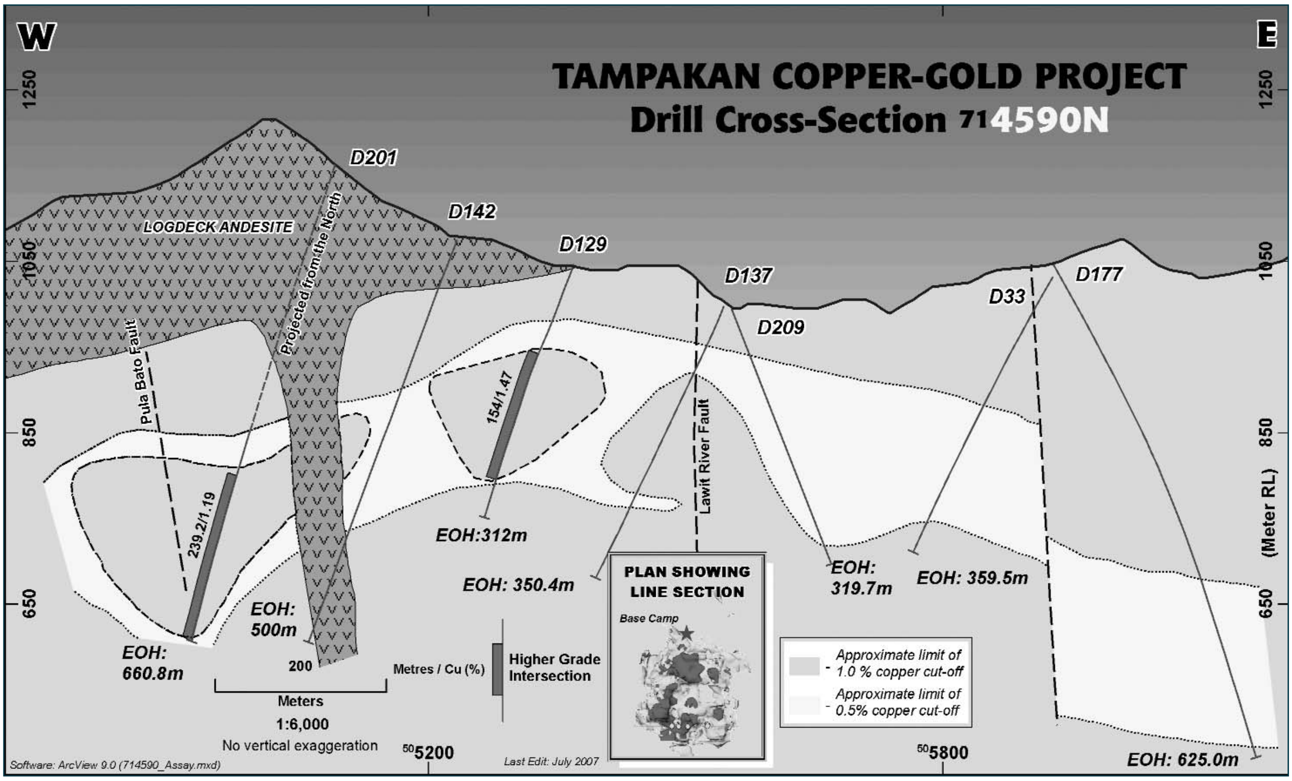
TAMPAKAN DRILL HOLE LOCATION PLAN



Business Development

Indophil is continuing its program of actively seeking new gold and copper-gold opportunities throughout the South East Asia region in order to diversify its project and country profile, looking to secure significant equity positions in advanced projects.

TAMPAKAN PROJECT CROSS SECTION



Havilah Resources NL

AUSTRALIA / COPPER GOLD URANIUM

(LION – 19.0%, $36.8 million value)

Several advanced projects in South Australia.

Projects

- Kalkaroo Copper Project
  - Havilah signed a Heads of Agreement with Glencore International (Glencore), to fund a $14 million feasibility study on Kalkaroo. Glencore subsequently may acquire a 14% participating interest in the mining joint venture and the right to metals offtake by funding the mine development. The feasibility study is to commence immediately.
  - This is a significant outcome for Havilah and the Kalkaroo Copper Project by underpinning the inherent value in the project.
- Mutooroo Copper Cobalt Project
  - Good widths and grades continued to be generated by feasibility drilling.
- Portia Gold Project
  - The first of three diamond drill holes sunk beneath the proposed trial pit returned an intersection of 56 metres at 4 g/t gold in drillhole PTDD206.
  - This very promising result further supports the commencement of the trial pit.
- Curnamona Energy Limited (Havilah 48.2%)
  - Further significant uranium mineralisation confirmed through drilling at the Oban uranium project.
- Geothermal Resources Limited (Havilah 63.6%)
  - Completed four fully cored diamond drillholes to 500 metres depth at its Frome Project for the purpose of obtaining bottom of hole temperature measurements.

Allegiance Mining NL

AUSTRALIA / NICKEL

(LION – 5.7%, $26.8 million value)

The Avebury Nickel Project construction continues with commencement of production now due in the first quarter 2008.

Avebury Project

- Construction slightly delayed, now scheduled for production first quarter 2008:
  - Primary ball mill currently being installed and due for completion at the end of August.
  - Mine: underground nickel mine fully operational since December 2006 with 10,000 tonnes ore stockpiled ahead of schedule.
  - All key senior operations management staff have been recruited.
- Tasks remaining:

– Mill design and engineering	88% complete;
– Mill procurement	98% complete;
– Mill construction	47% complete.

Avebury Exploration

- Underground drilling recommenced in May. Resource definition drilling east of the Avebury Reserve has commenced from newly completed underground level development.
- Surface drilling – in-fill drilling of East Avebury-Saxon has extended the strike length of the mineralised zones.
- North Avebury Extended is being drilled out.
- Drilling to both the west and especially to the east of the known resource is encountering additional shallow nickel mineralisation, typical of Avebury type resources.

Finance

- Cash balance 23 July 2007, $45 million following finalisation of placement from Jinchuan Nickel Group of China.
- Allegiance has received confirmation from its banks, Société Générale and ANZ of underwriting approval for the US$45+ million project finance facilities to fund the project.

View Resources Limited

AUSTRALIA / GOLD

(LION – 9.0%, $11.8 million value)

The 120,000 ounces per annum Bronzewing Gold Project was commissioned during the quarter and is currently ramping up to full (2.3 million tonnes per annum) production by September. The Carnilya Hill Nickel Project has commenced recommissioning with first ore scheduled before the end of the year.

Bronzewing – Gold (100% View)

- Ramping up to full production.
- Exploration:
  - A revised resource estimate is underway for the Corboys deposit.
  - A regional structural review was completed by specialist geological consultants SRK. This study has identified a number of exciting prospects around existing resources, and greenfield targets.
  - Encouraging results were received from the Dragon area adjacent to the Venus deposit.
  - Significant drilling results from Mt Joel included:

22 metres	@ 6.7 g/t gold	from 53 metres
12 metres	@ 11.1 g/t gold	from 43 metres

Carnilya Hill – Nickel (30% View)

- View announced in June that the joint venture partners will recommence mining, starting July 2007.
- The following new Reserve was announced during the quarter.

483,500 tonnes	@ 2.9% nickel	:	14,000 tonnes of contained nickel

  View's share of metal in concentrate (30%) will be 3,804 tonnes. At current nickel prices the mine is forecast to produce a significant profit margin and therefore realising an additional cash flow stream for View in 2008.

- During the quarter View also announced further drill results which open up the possibility for a major resource increase. Hole CMD026 intersected massive sulphides, with the result tabled below.

CMD026	3.11 metres	@ 3.66% nickel	from 699 metres
including	0.36 metres	@ 17.55% nickel	from 699 metres

  This result is 230 metres down plunge and to the west of the current resource giving the project significant potential upside beyond the initial three year mine life.

Finance/Corporate

- View raised $30 million at 40 cents per share in early July. Lion participated in the raising, investing $2 million. The raising underpins further exploration at Bronzewing, development and working capital for both Bronzewing and Carnilya Hill, and debt reduction.

Westonia Mines Limited

AUSTRALIA / GOLD

(LION – 44.4%, $11.8 million value)

Westonia Project

- Relocation of the Big Bell plant to Westonia was completed on time and on budget during the quarter, ready for assembly, subject to project go ahead.
- Exploration on near mine and regional targets to recommence.

Financing

- Westonia undertook a $3.1 million rights issue. Shareholders were offered one new share and a free attaching option for every eight shares held. The issue price of the shares was eight cents and the option exercise price is ten cents. Lion took up its full entitlement investing $1.4 million.

Other Direct Investments

($34.7 million value)

Other direct investments include Exco, De Grey, Intrepid Mines, Lafayette Mining and Perseverance. Investment highlights during the quarter include the following:

Exco Resources Limited

Exco commenced a new strategy to accelerate exploration for copper gold uranium in its huge 4,700 km^2 land holding in north west Queensland. A $12.3 million raising was completed in July 2007 at 30 cents per share with a 4 for 5 option issue. The options have a 35 cent exercise price and expire June 2008. Lion participated in the placement investing $1.3 million.

Austindo Resources Corporation NL

Austindo is currently looking to raise new equity to fund the development of the Cibaliung Gold Project in West Java through to first production which is now proposed for early 2008. Drill and blast development of the decline has significantly advanced during the quarter. First ore is expected to be accessed prior to the end of the year subject to funding. At Trenggalek in East Java, Austindo announced some highly encouraging early stage results. Grab sampling returned high grade gold and silver results of up to 28.6 g/t gold and 1,000 g/t silver.

Lafayette Mining Limited

The Rapu Rapu project, central Philippines, is moving to full production. Production of metal at Rapu Rapu increased by 31% during the June quarter with 1,721 equivalent tonnes of copper being produced. In addition, extension drilling to the current pit is showing potential for an increase in resources.

African Lion

(LION 29.8% of AFL, LION 18.6% of AFL2, $74.6 million combined value)

The value of the African Funds to Lion increased by 25% over the quarter to $74.6 million, of which Sphere Investments, Albidon and Platmin account for $67.0 million. The performance of the African Funds continues to be an outstanding contributor to the Lion portfolio.

KEY AFRICAN LION INVESTMENTS

Albidon Limited (AFRICAN LION 21.8%)

ZAMBIA / NICKEL AND URANIUM

(LION indirect interest 5.7%, $26.4 million value)

Munali Nickel Project (100% Albidon)

- The Munali nickel project is under construction, with decline development continuing and commencement of bulk earth works for the concentrator. First production remains on target for mid 2008 at a rate of 8,500 tonnes per annum nickel in concentrate from a 900,000 tonnes per annum underground mine.
- Albidon has satisfied all material conditions precedent required for initial drawdown of the senior debt finance facility of up to US$60 million. This is a major milestone for Albidon.
- Albidon has forward sold through a hedging program 9,020 tonnes of nickel over the period between June 2009 and December 2013. The amount hedged represents less than 15% of the payable nickel from forecast production at Munali. The average realised nickel price, net to Albidon, for the hedged production is US$23,606 per tonne (US$10.71/lb). This hedging is a significant positive for Albidon.
- Further drilling at the Enterprise deposit and Voyager prospect continue to give intersections of significant grades and widths of nickel mineralisation.

Chirundu Project – Uranium (100% Albidon diluting to 30%)

- Albidon, through its joint venture partner African Energy, continues to receive encouraging results from drilling at the Gwabe prospect of up to 993 ppm uranium.

Platmin Limited (AFRICAN LION 10.3%)

SOUTH AFRICA / PGM

(LION indirect interest 2.7%, $30.2 million value)

- Platmin completed the feasibility study on the Pilanesberg Platinum Group Metals (PGM) project, located on the Bushveld complex in South Africa. Following the positive result of the study, Platmin's board has given approval for development of the project.
- Pilanesberg is expected to deliver PGM ore from several open pit mines feeding to a central concentrator producing 250,000 ounces of PGM's per annum when in full production with a mine life currently of 16 years.
- At the M'Platlele project a feasibility study is anticipated by the end of 2007. During the quarter drill results confirmed reef continuity and grade down to 1,000 metres. A significant upgrade to the current Inferred Resource of 12.6 million ounces of PGM's is anticipated later this year.

Sphere Investments (AFRICAN LION 8.9%)

MAURITANIA / IRON ORE

(LION indirect interest 2.0%, $10.3 million value)

- Sphere is progressing the Bankable Feasibility Study on the Guelb el Aouj iron ore project in Mauritania, whilst also following up with resource drilling on the Lebthenia iron ore project also in Mauritania.
- In late July Sphere announced the entry terms for both Saudi Arabia Basic Industries (SABIC) and Qatar Steel (QSC) into Guelb el Aouj with a combined 49.9% interest. The two companies will contribute the first US$500 million of equity into the project which includes US$250 million on behalf of Sphere and SNIM (the current joint venture partners) and an additional US$125 million will be paid to the Sphere-SNIM joint venture company. The transaction is subject to board approvals from all parties. Finalising the agreement is a very positive step for Sphere and the development of the project. As a result, Sphere will have a 25% interest in the project and be effectively free carried through the equity component of the capital cost of US$1.5 billion.

Other

African Lion made a seed investment in Ampella Mining of US$0.5 million. Ampella is focussed on gold and zinc projects in Burkina Faso, West Africa. Ampella listed on the ASX in mid August. This is African Lion's first investment into Burkina Faso and increases the exposure to zinc and gold.

Further information on African Lion can be found on its website www.afl.co.za.

Asian Lion

(LION – 32.4%, $9.1 million value)

Following on from making it first two investments during the first quarter of 2007, Asian Lion has made an investment in the Toronto listed (TSX-V) Asian Mineral Resources Limited. The investment of US$2 million will be used for the Ban Phuc Nickel Project in northern Vietnam where there are plans to develop a nickel sulphide resource.

Further information on Asian Lion can be found on its website www.asianlion.net.

Shareholder Photography Competition – 2007 Annual Report

Shareholders are invited to submit photographs of lions for the cover of the 2007 Annual Report. Images can be submitted as high quality photographic prints or computer files (Photoshop TIF file 300dpi or Illustrator EPS file). Photos must be taken by the shareholder and will be returned at the close of the competition – 28 September 2007.

The winning entry will be selected by the Lion team and the photographer will receive a framed copy of the report cover and acknowledgment in the Annual Report.

Send entries to (with return contact details and details of where photo was taken):

Jane Rose
Lion Selection Limited
Level 4, 15 Queen Street, Melbourne VIC 3000
Ph 9614 8008 Fax 9614 8009
Email: jrose@lsg.com.au

Any resource estimates and drilling intersections provided within this quarterly report were sourced from relevant investee company quarterly reports and announcements.

With regard to the Kilkenny Resource:

Information in this report that relates to Mineral Resources at Cracow is based on information compiled by Mr James A. Francis who is a Member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Newcrest Mining Ltd. Mr Francis has sufficient experience which is relevant to this style of mineralisation and the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (The JORC Code). Mr Francis consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Shareholder Information

	SHARES	OPTIONS
Securities on Issue:	191.0 million	5.8 million
Price at quarter end:	$1.81	$0.67
Quarter High:	$1.90	$0.84
Quarter Low:	$1.64	$0.51
Volume traded:	26.7 million	1.0 million

Further Enquiries

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

LION SELECTION LIMITED

ABN 53 123 217 112
Level 4, 15 Queen Street
Melbourne Victoria 3000
Telephone: +61 3 9614 8008
Facsimile: +61 3 9614 8009
Email: info@lionselection.com.au
www.lionselection.com.au

LION SELECTION LIMITED

LION SELECTION INVESTMENT SUMMARY

INVESTMENT AT 31/07/2007	ASX CODE	COUNTRY/COMMODITY	LION SELECTION HOLDING %	AMOUNT INVESTED $m	MARKET VALUE $m
DIRECT INVESTMENTS					
Allegiance Mining	AGM	Australia – nickel	5.7	5.2	26.8
Havilah Resources	HAV	Australia – gold/base metals	19.0	4.2	36.8
Indophil Resources	IRN	Philippines – copper/gold	25.8	22.6	104.2
View Resources	VRE	Australia – gold/nickel	9.0	8.7	11.8
Westonia Mines	WEZ	Australia – gold	44.4	14.6	11.8
Other (Investments < 2% of Net Assets and includes Austindo, DeGrey, Exco, Lafayette and Perseverence)				60.0	34.6
TOTAL DIRECT INVESTMENTS				**115.2**	**226.1**
AFRICAN & ASIAN LION					
African Lion Funds			27.3	**9.0***	**74.6**
Albidon	ALB	Zambia – Ni	5.7	3.3	26.4
Platmin – TSX	PPN	South African – PGMs	2.7	3.5	29.0
Sphere Investments – ASX	SPH	Mauritania – iron ore	2.0	1.1	10.3
Other including cash committed					8.6
Asian Lion Fund (ALF)			32.4	**8.4**	**9.1**
Total invested (including cash)				2.5	3.2
Cash committed				5.9	5.9
TOTAL AFRICAN & ASIAN LION				**17.4**	**83.7**
OPERATIONS – 30% Cracow (including project debt)					**67.9**
NET CASH					**40.3**
TOTAL NET ASSETS					**418.0**
Net Tangible Asset (NTA) before tax & diluted for options (cents per share)					**216.8c**
Net Tangible Asset (NTA) after tax & diluted for options (cents per share)					**215.6c**

For NTA purposes, all listed investments at market price.

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

Ordinary shares on issue 190.979m

Options on issue 5.842m