

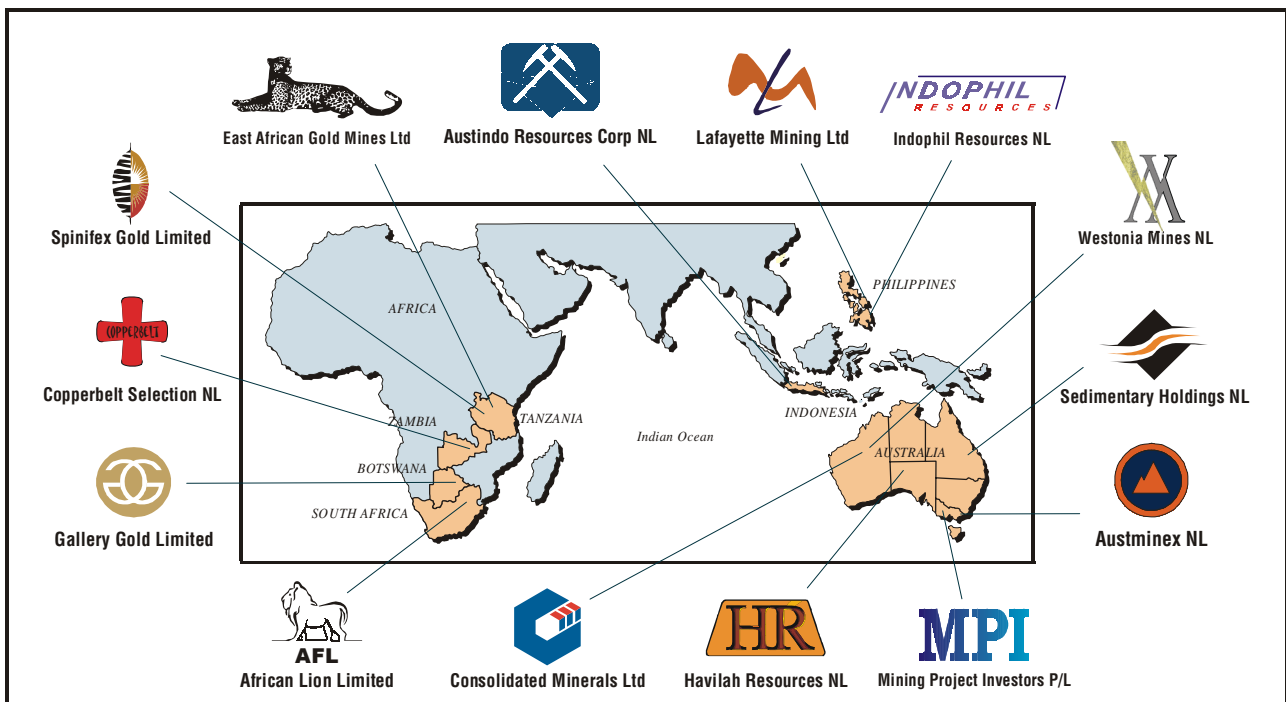


## Quarterly Report for the 3 months ended 31 January 2001

### KEY POINTS

- Gallery**      Drilling at Mupane in Botswana indicates the potential for at least one high grade open pit gold mine and nearby lower grade open pit. Botswana is a highly attractive location for mine development.
  
- Spinifex**     Three gold projects south of Lake Victoria in Tanzania have mine potential: Kitongo (new discovery), Buckreef or Nyakafuru.
  
- MPI**            Golden Gift at Stawell in Victoria now has 23 intersections and is possibly a multi million ounce gold discovery. Stawell Gold Mine had record year production of 114,600 ounces in 2000.
  
- Indophil**      Agreement has been reached with WMC to acquire one of the world's largest undeveloped copper-gold projects, Tampakan, in the Philippines. Final sale requires approval from a government department and this is currently blocked by legal action from a competitor.
  
- EAGM**        A US\$6 million rights issue was completed in January to fund an aggressive drilling program during 2001.
  
- CSM**          Negotiations are continuing with Imperial Resources on the sale of Lion's \$14.5 million parcel of shares and options.
  
- Austminex**    Plans to purchase and reopen the Benambra copper-zinc mine in Victoria have been deferred.

### INVESTMENTS





### Company Progress during the Quarter

Potential New Mines	Exploration Success	Watch Drilling in Progress:
<b>Gold</b>		
EAGM - North Mara	Spinifex - Kitongo, Buckreef/Rwamagaza	Gallery - Mupane
Spinifex - Nyakafuru, Buckreef or Kitongo	Gallery - Mupane	MPI - Stawell region
Gallery - Mupane	MPI - Golden Gift	Spinifex - Kitongo
Westonia - Westonia	Austindo - Cibitung Shoot	
Austindo - Cibaliung		
Sedimentary - Cracow		
<b>Metals</b>		
Lafayette - Rapu Rapu		Gallery - Tekwane
Austminex - Benambra		Lafayette - Rapu Rapu

### INVESTMENT SUMMARY TABLE

Investment	Code	Activity	LSG Holding %	Amount Invested \$m	Market Value or Cost of Unlisted \$m
<b>At 31/01/01</b>					
<b>Unlisted Investments</b>					
Copperbelt Selection		Zambia - copper	32.5	0.3	0.3
East African Gold Mines	EAGM	Tanzania - gold	11.6	10.2	10.2
Havilah Resources		Australia/Indonesia - gold	64.2	1.8	0.8
Indophil Resources		Philippines - copper/gold	60.4	7.0	5.8
Mining Project Investors	MPI	Australia - gold	16.3	6.1	6.1
Westonia Mines		Australia - gold	14.3	0.3	0.3
<b>Listed Investments</b>					
Austindo Resources	ARX	Indonesia - gold	15.6	4.1	3.0
Austminex	ATX	Australia - zinc/copper	16.9	5.0	3.8
Consolidated Minerals	CSM	Australia - manganese	31.7	8.0	19.1
Gallery Gold	GGN	Botswana - gold	44.8	5.6	8.5
Lafayette Mining	LAF	Philippines - polymetallic	23.2	5.5	3.3
Sedimentary Holdings	SED	Australia - gold	24.2	4.0	3.6
Spinifex Gold	SPX	Tanzania - gold	23.8	6.6	6.7
African Lion	AFL	Africa - mining investment	18.5	3.1	3.1
Other Investments				7.4	8.3
Total Investments				74.9	82.8
Net Cash					25.8
Totals per Share				97.5	<b>108.5</b>
Net Tangible Assets (NTA) after tax					<b>107.1</b>

For NTA purposes, the value of listed investments is at market and unlisted investments at the lower of cost or net realisable value



**INVESTEE UPDATE**

**GALLERY GOLD LIMITED - BOTSWANA/GOLD (LION - 45%)**

The third phase of RC percussion drilling at Gallery's Mupane Prospect in Botswana was completed in December. The drilling focussed on previously identified gold zones in Area 1 and Area 2. Deeper holes on the high grade gold shoot in Area 1 intersected significant gold intervals, including a new intersection:

Hole	From m	To m	Interval m	Grade g/t Au
<b>MUPC 94</b>	126	145	19	7.0

Drilling has confirmed that this shoot extends from surface to a vertical depth of 200 metres, with a strike length of approximately 150-200 metres. The shoot varies in width between 10-60 metres and remains open at depth. Possible extensions along strike in either direction are complicated by faulting and are yet to be closed off by drilling.

**The main zone of gold mineralisation in Area 1 is emerging as a significant high-grade deposit and displays potential for a 500,000+ ounce gold deposit as a combined open pit/underground resource.**

Drilling in Area 2 has defined a continuous zone of gold mineralisation extending over a strike length of 250-300 metres and grading 1-2 g/t gold. The zone is 20-38 metres wide and has been drilled to a vertical depth of 90 metres. It is open at depth along the full strike length and extends to surface with little evidence of any near surface leaching. Higher grade gold mineralisation averaging 2.5 g/t over widths of 5-10 metres has been identified within the low grade zone. The best intersection obtained was:

Hole	From m	To m	Interval m	Grade g/t Au
<b>MUPC 95</b>	65	98	33	2.7
incl	65	72	7	4.0
and	80	87	7	3.6
and	93	98	5	5.8

**Drilling to date indicates that the gold mineralisation in Area 2 has clear open pit potential.** Gallery has commissioned Resource Service Group to prepare preliminary resource estimates for Area 1 and Area 2.

Exploration drilling at Gallery's Tekwane Nickel Prospect has been deferred until early in the June quarter.

**SPINFEX GOLD LIMITED - TANZANIA/GOLD (LION - 24%)**

Highly encouraging results were obtained on the Buckreef project in Tanzania during the quarter, resulting in a resource upgrade to 614,000 ounces @ 4.08 g/t Au. New discoveries resulting in 43,000 ounces gold at Tembo and 56,000 ounces gold at Bingwa on the Rwamagaza project were inferred from RC drill holes completed by Ashanti during 2000.

A new discovery was made at Kitongo in the southern part of Isegenghe Hill, where an initial program of seven RC drill holes was completed. This high grade mineralised lode is coincident with a portion of the 800m long magnetic lineament located at the dolerite-pyroclastic rock contact. A sectional resource of 110,000 ounces @ 18.51 g/t Au was inferred from the limited drilling and a follow up program will be undertaken in the next quarter.



**The global resource on Spinifex's Tanzanian projects has now increased from 1.6 million ounces gold to in excess of 2 million ounces gold.**

Project	Ounces	g/t Au	Area
Nyakafuru	730,000	6.32	
Kitongo	479,000	1.42	Main Zone Isegenghe Hill
	110,000	18.51	
Buckreef	614,000	4.08	
Rwamagaza	56,000	19.62	Bingwa Tembo
	43,000	9.90	
<b>Total</b>	<b>2,032,000</b>		

Spinifex announced in December that Ashanti Goldfields Limited had withdrawn from the joint venture over the Buckreef/Rwamagaza and Kitongo projects. Over the past twelve months Ashanti has spent approximately US\$2.3 million on the projects and paid US\$1.25 million cash to Spinifex, much of which has been utilised on exploration at Nyakafuru. Significantly, there has been no dilution in Spinifex's equity in any of these projects and the company has commenced negotiations with a number of parties regarding a new joint venture or strategic alliance.

*Information relating to ore and mineralisation was compiled by Mr Klaus Eckhof, a Director of Spinifex Gold Limited and a Member of the Australasian Institute of Mining and Metallurgy. Mr Eckhof has sufficient experience in the style of mineralisation and type of deposit to qualify as a Competent Person and has consented to the inclusion of the information in this report in the form and context in which it appears.*

#### **MINING PROJECT INVESTORS PTY LIMITED - VICTORIA/GOLD (LION - 16%)**

The Stawell Gold Mine continued to operate well, with a record full year production of 114,460 ounces.

Stawell Mine Production (MPI – 50%)	Qtr ending 31/12/00	2000 (year)
Ore treated (t)	197,000 tonnes	798,000 tonnes
Grade (g/t)	5.3 g/t	5.1 g/t
Recovery (%)	88.6%	86.9%
Gold produced (ounces)	28,755 ounces	114,460 ounces
Total production cost (A\$/ounce)	\$436/oz	\$417/oz

Exploration aimed at determining the down plunge geometry of the Magdala system and the potential size of the Golden Gift discovery continued during the quarter. At Golden Gift a total of 23 significant intersections had been achieved by the end of December.

**The results indicate the possibility of a multi million ounce gold deposit at depth at Stawell.**

To follow up these results, MPI has commenced a program of surface diamond drilling to explore for southern extensions to Golden Gift. The company is also planning a program of underground diamond drilling of at least 50 holes to confirm continuity of mineralisation and provide data for preliminary resource estimates. A new exploration decline has been commenced to provide appropriate access for this drilling.



### **INDOPHIL RESOURCES NL - PHILIPPINES/COPPER & GOLD (LION – 60%)**

The potential acquisition of the Tampakan Project advanced during the quarter. Indophil has an agreement with the Tampakan Group of Companies (TGC) who have entered into a sale agreement with WMC Resources International Pty Ltd (WMCR) to acquire WMC Philippines Inc. (WMCP). WMCP holds a 100% interest in the tenement covering the Tampakan porphyry copper-gold deposit. The agreement between TGC and WMCR is conditional on approval from certain Philippine Government departments, some of which have yet to be obtained. Each of the agreements referred to is subject to confidentiality restrictions.

Subsequent to the end of the quarter Lepanto Consolidated lodged a Temporary Restraining Order over completion of the sale leading to a writ of preliminary injunction. TGC is appealing the order and should it be lifted TGC will move to finalise the sale as quickly as possible.

Indophil undertook limited surface exploration at several of its projects and conducted an Induced Polarisation geophysical survey on the Manat property. The Manat survey highlighted several anomalies requiring follow up exploration and indicated possible extensions to currently defined mineralisation.

Philippines' President Joseph Estrada was peacefully removed from power in December and Vice President Gloria Macapagal Arroya was installed as the Acting President until the next Presidential election. This change was welcomed by the majority of citizens and should stabilise the political situation in the country. Indophil anticipates that the political changes will be beneficial to foreign investment and the mining industry in the longer term.

### **EAST AFRICAN GOLD MINES LIMITED - TANZANIA/GOLD (LION - 12%)**

EAGM completed a US\$6 million rights issue to shareholders during the quarter. The issue price of US\$1.20 (A\$2.30 at US\$:A\$ 52 cents) was exactly double that of Lion's average entry price of A\$1.15 per share for its \$10 million investment. This implies an unrealised gain on investment of at least \$10 million not contained in the NTA valuation which uses cost of investment for EAGM.

A new shareholder, Standard Bank Limited, was introduced by EAGM boosting funds raised in the rights issue. The funds will be used in an aggressive drill program over the next twelve months. Targets include extensional drilling around the Nyabirama and Nyabigena deposits and a number of exciting undrilled anomalies sited along major structures in the 500km<sup>2</sup> exploration licences surrounding the North Mara project.

The process leading to a decision to start mine construction is in its final stages.

### **CONSOLIDATED MINERALS LTD - WESTERN AUSTRALIA/MANGANESE (LION - 32%)**

CSM shareholders approved the proposed purchase of the majority of Lion's shareholding by Imperial Resources Limited at an extraordinary general meeting in December. However, Lion and Imperial are continuing negotiations on the sale following advice to Lion that Imperial's funding was not immediately available.

Net profit for the six months ending 31 December 2000 was recently announced at \$5.02 million (compared to \$2.55 million for the same period in 1999). The result equates to an earnings per share for the half of 4.4 cents and reflects increased sales, higher manganese prices and lower costs.

Shipments to markets in Europe, China and Korea were successfully completed during the quarter and CSM is finalising sales agreements with new customers in France, Italy and Taiwan. The company now has sales agreements covering all 2000/2001 production, complementing the existing 10 year contract with DCM Decometal in Europe and long term marketing arrangements with Noble Resources in China.



Production was again strong in the quarter with some stockpile build-up in anticipation of the wet season.

Woodie Woodie Production			
Wet Tonnes	December Qtr 2000	September Qtr 2000	December Qtr 1999
Manganese lump produced	106,352	102,945	63,357

### **AUSTMINEX NL - VICTORIA/COPPER & ZINC (LION – 17%)**

The Mine Reopening Study for the Benambra Project in Victoria revealed that the risk of achieving an acceptable rate of return from the existing mineable resource in the current economic climate was too high. Financial modelling suggests that the project will require additional mineral resources and ore reserves. The Austminex Board has therefore deferred a decision to proceed with the purchase and reopening of the Benambra Mine.

Austminex has determined that a robust project may require an ore treatment rate of approximately 600,000 tonnes per annum over a mine life approaching 10 years. While current mineral resources are sufficient to sustain ore treatment at that level of operation for 7 years, the company believes that the Benambra tenements have sufficient mineral resource potential to meet these criteria. Austminex plans to assess this prospectivity by drill testing extensions to the Wilga deposit and following up nearby prospects where encouraging signs of new mineralisation have already been recognised. Commencement of an exploration program is subject to the deferment of tenement transfer and associated payments, and an extension to the term of the Benambra Option to purchase the project on acceptable terms and conditions.

Lion is disappointed with the outcome to date at Benambra and the resulting decrease in Austminex's share price, but is confident that the project's optimum value will be realised.

### **LAFAYETTE MINING LIMITED - PHILIPPINES/POLYMETALLIC (LION - 23%)**

The Bankable Feasibility Study was completed on Lafayette's 85% owned Rapu Rapu polymetallic project in the Philippines during the quarter. Based on a six year mine life, at a throughput of 820,000 tonnes pa the study concluded that the project will generate total net operating cash flows of US\$102 million with an NPV of US\$29 million. Further details of the study and project parameters were outlined by Lafayette in an announcement to the ASX on 27 December 2000.

Development of the project is now dependent upon the receipt of Philippines Government regulatory approval and the documentation of project finance arrangements with Standard Bank London Limited. Lafayette has lodged an Environmental Impact Study of the project with the Philippines regulators and the process of application for mine development is advancing.

The study indicated that an additional 1,091,000 tonnes of mineral resource extends from the western end of the planned open pit and an independently prepared conceptual study has indicated its underground potential. A geotechnical study and a detailed mine development plan, including capital and operating cost estimate remains to be undertaken.

The Department of Environment and Natural Resources has approved the application of a Mineral Production Sharing Agreement (MPSA) covering the Hixbar Mine and areas to the north and west of the former mine. This is the second MPSA to be approved for the project in recent months and will enable Lafayette to explore over a strike length of approximately 20 kilometres of prospective stratigraphy. Exploration to date has located at least two prospective horizons within the stratigraphy that host deposits and an exploration program is being planned.



## **AUSTINDO RESOURCES CORPORATION NL - INDONESIA/GOLD (LION - 16%)**

Drilling at Austindo's Cibaliung Project in Indonesia has continued to extend at depth the previously announced 312,000 ounce resource in the Cibitung and Cikoneng shoots. Four holes were drilled at Cibitung for a total of 1,384 metres and better results included:

<b>Hole</b>	<b>From m</b>	<b>To m</b>	<b>Interval m</b>	<b>Grade g/t Au</b>	<b>Grade g/t Ag</b>
<b>AC 018</b>	326	334	7.90	7.63	105
and	343	344	0.75	6.60	209
<b>AC 019</b>	230	236	6.25	6.94	46

Three holes were drilled at Cikoneng for a total of 975 metres and intersections included:

<b>Hole</b>	<b>From m</b>	<b>To m</b>	<b>Interval m</b>	<b>Grade g/t Au</b>	<b>Grade g/t Ag</b>
<b>AC 020</b>	292	293	1.00	3.28	144
and	333	337	3.90	21.52	201
<b>AC 021</b>	156	163	7.20	5.64	49
and	215	219	3.85	3.48	27

Scout drilling commenced at Melinjo in December and the completed hole encountered two narrow veins. Assay results are awaited. A program of exploration was also commenced at Bangkondol, approximately 4km east of Cikoneng, where mapping has indicated the presence of a diatreme breccia approximately 1kilometre in diameter. No results are yet available from sampling.

During the quarter Austindo raised \$9.5 million with a successful rights issue that introduced 545 new shareholders to the company. Lion and the company's largest shareholder, the Austindo Group of Indonesia, both subscribed for their full entitlements, with Lion's interest in Austindo increasing to 15.61%. The funds raised by the rights issue will be used primarily to further explore and develop the Cibaliung Project. Some of the funds may also be used to acquire a new project or projects to expand the company's asset base. While no specific opportunity has yet been identified Austindo intends to maintain its focus on gold exploration in Indonesia.

## **SEDIMENTARY HOLDINGS LIMITED - QUEENSLAND/GOLD (LION - 24%)**

Drilling at the Cracow Project in Queensland continued during the quarter to delineate further zones of mineralisation. Twelve holes were completed on the epithermal vein system north of the old Klondyke mine workings. The most encouraging result obtained was 9 metres @ 16 g/t gold, including 2 metres @ 63 g/t gold, from a single lode zone 900 metres north of the Royal Shoot.

Field mapping and sampling were completed at the eastern end of Golden Plateau and a drilling program to test zones below the old workings at the western end has been planned.

At the Lonarch project in Victoria, where Sedimentary is in joint venture with Placer Dome Australia, a program of shallow drilling was completed in an initial target area north of Beaufort. A total of 105 shallow open holes and RAB holes were drilled and anomalous gold mineralisation up to 0.2g/t gold was recorded.



**WESTONIA MINES NL - WESTERN AUSTRALIA/GOLD (LION – 14%)**

Ore resource modelling and preliminary analysis of the existing Westonia Mine data base was completed during the quarter in preparation for the Scoping Study. An independent consultant has produced first pass estimates of resources and Westonia is planning a program of infill drilling at depth to improve confidence in the estimates.

**COPPERBELT SELECTION NL - ZAMBIA/COPPER (LION – 35%)**

Copperbelt continued to monitor and assess copper projects in Zambia during the quarter.

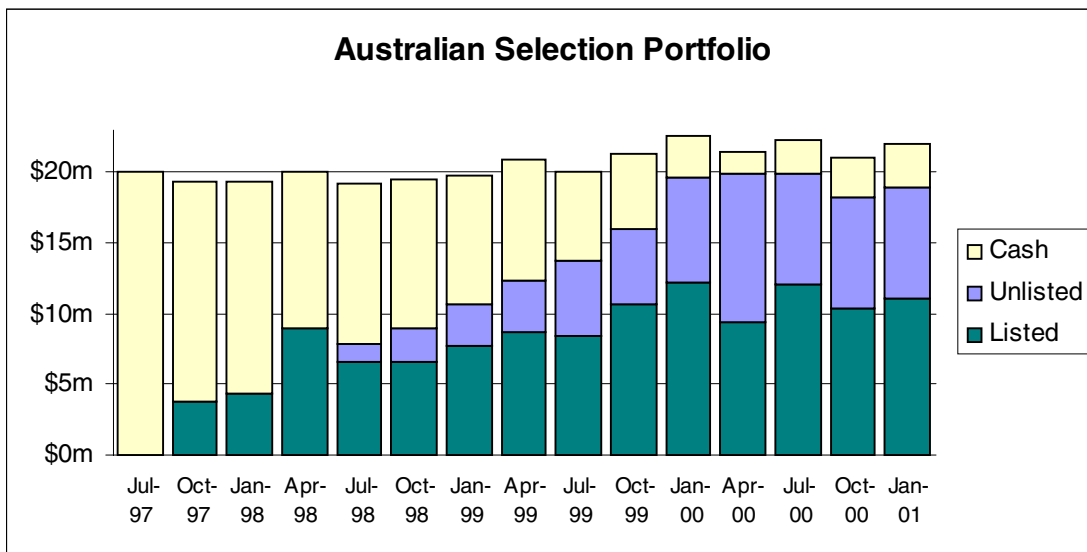
**HAVILAH RESOURCES NL - CENTRAL AUSTRALIA/GOLD (LION – 64%)**

Discussions were held with a number of interested parties regarding possible joint ventures on some of Havilah's central Australian properties. To date, no agreements have been finalised but discussions are continuing.

The proposed drilling program at Havilah's Pani property in Indonesia was delayed by administrative changes in the regional governments. The necessary drilling permits will not be available until later in the year when the new administration is fully functioning and processing applications.

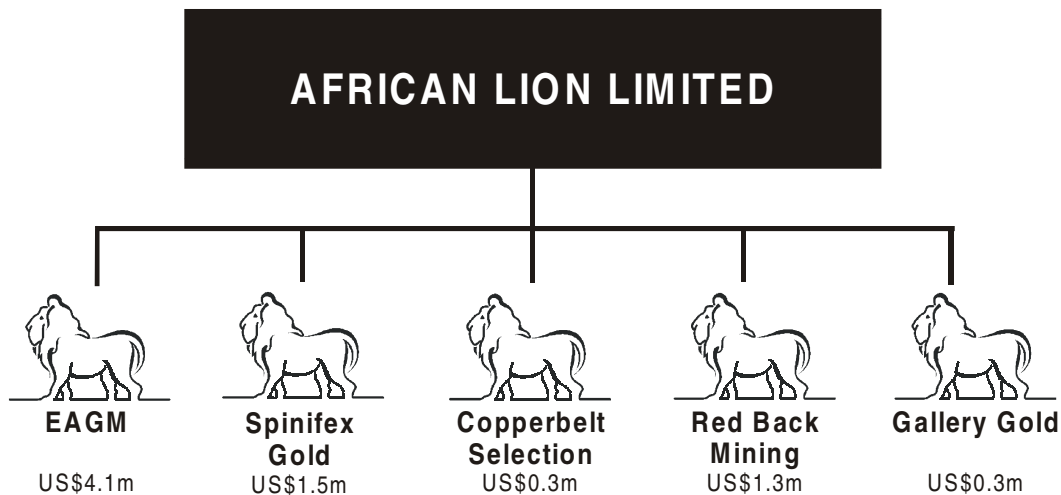
**AUSTRALIAN SELECTION PTY LIMITED (LION - 100%)**

The following chart illustrates the composition of the Australian Selection portfolio since inception. The listed investments are shown at market value, the unlisted shown at cost:





**AFRICAN LION LTD – AFL (AUSTRALIAN SELECTION - 19%)**



African Lion invested a further US\$0.6 million in East African Gold Mines during the quarter, increasing its total investment to US\$4.05 million (5.4%). The funds were subscribed as part of EAGM's rights issue to existing shareholders.

Mike Brook will join the AFL team on 19 March 2001.

**SHAREHOLDER INFORMATION**

<b>Issued shares:</b>	100.1 million	<b>Share price at quarter end:</b>	\$0.79
<b>Quarter High:</b>	\$0.89	<b>Quarter Low:</b>	\$0.73
<b>Volume traded:</b>	3.2 million shares		

Further enquiries:

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**www.lionselection.com.au**



**COMPANY CALENDAR**

**INVESTMENT BRIEFINGS**

Dates and venues for Lion's half yearly Investment Briefings are:

DATE	CITY	VENUE	TIME	PRESENTER
Wednesday 4 April	<b>Melbourne</b>	ASX Theatrette 530 Collins Street	5.30 pm	Robin Widdup
Thursday 5 April	<b>Adelaide</b>	Adelaide Room 2 Radisson Playford Adelaide 120 North Terrace	5.30 pm	Howard Walker
	<b>Brisbane</b>	Raffles 1 Stamford Plaza Brisbane (formerly Heritage Hotel) cnr Edward & Margaret Streets	5.30 pm	Chris Melloy
	<b>Perth</b>	The Boardroom Novotel Langley Perth 221 Adelaide Terrace	5.30 pm	Robin Widdup
Monday 9 April	<b>Sydney</b>	AAP Centre Theatrette Ground Floor cnr George & Jamison Streets	5.30pm	Kevin Robinson
	<b>Auckland</b>	J B Were & Son (NZ) Limited Level 21 Coopers & Lybrand Tower 23-29 Albert Street	12 noon	Howard Walker
	<b>Wellington</b>	J B Were & Son (NZ) Limited Level 8, BNZ Centre 1 Willis Street	5.30 pm	Howard Walker
Tuesday 10 April	<b>Christchurch</b>	J B Were & Son (NZ) Limited Level 1 141 Cambridge Terrace	5.00 pm	Howard Walker

Presentations will run for approximately 45 minutes, followed by question time. If you wish to attend one of the briefings, please complete the RSVP form below and return to Judith Russell. All interested parties are welcome to attend.



**RSVP**

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I wish to attend the following briefing:

**City:** ..... **Date:** .....

**Name:** .....

**Tel:** ..... **Fax:** .....