



## Lion Selection Group Limited

### Quarterly Report for the 3 months ended 31 January 2004

#### KEY POINTS

- **AuSelect**                      ■ Planning at an advanced stage for a float of AuSelect
- **Dividend**                     ■ 3 cent dividend payable on 25 February 2004
- **Indophil**                        ■ Potential low cost underground mine alternative at Tampakan  
                                                 ■ FTAA mining lease complications
- **MPI Mines**                    ■ Various gold and nickel exploration / expansion successes
- **Lafayette**                     ■ Banking consortium nearing credit approval
- **Allegiance**                    ■ New nickel investment in Tasmania

#### INVESTMENT SUMMARY TABLE

Investment	ASX Code	Activity	LSG Holding %	Amount Invested** \$m	Market Value or Cost of Unlisted* \$m
<b>At 30/1/04</b>					
<b>Unlisted Investments</b>					
African Lion (AFL)		Africa - mining investment	14.8	5.9	5.9
Copperbelt Selection		Africa – copper	32.5	0.3	0.2
<b>Listed Investments</b>					
Allegiance Mining	AGM	Australia - nickel	8.3	3.6	4.0
Austindo Resources	ARX	Indonesia/Aust – gold	13.4	3.9	4.3
Equinox Resources	EQR	Zambia/Aust – copper/gold	9.5	1.3	5.9
Gallery Gold	GGN	Botswana/Tanzania – gold	31.8	22.9	31.4
Havilah Resources	HAV	Australia - gold/base metals	22.0	1.9	3.4
Indophil Resources	IRN	Philippines - copper/gold	34.8	12.5	19.4
Lafayette Mining	LAF	Philippines - gold/base metals	22.3	10.0	12.9
MPI Mines	MPM	Australia – gold/nickel	16.3	9.5	28.8
Sedimentary Holdings	SED	Australia – gold	29.0	8.8	16.0
Westonia Mines	WEZ	Australia – gold	34.3	4.0	14.3
Other Investments				1.1	2.1
Total Investments				85.6	148.7
Net Cash					24.9
Total Net Assets					173.6
Net Asset Value (NAV) before tax (cents per share)					173.4
Net Asset Value (NAV) after tax (cents per share)					162.9

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

\*\* Includes amounts invested by Australian Selection Pty Limited

**Note:** the NAV is after providing \$12.23 million for the Manager's Performance Incentive and approximately \$3 million for the 3 cent per share dividend payable on 25 February 2004.

Lion Selection Group Limited

ABN 26 077 729 572

Level 4, 15 Queen Street, Melbourne Victoria 3000

Telephone: +61 3 9614 8008 Facsimile: +61 3 9614 8009 Email: lionselection@lsg.com.au

www.lionselection.com.au



## INVESTEE UPDATE

### INDOPHIL RESOURCES NL - PHILIPPINES/COPPER & GOLD (LION – 35%)

**Discovery of higher copper/low arsenic mineralisation at the Tampakan Project suggests that the deposit may be amenable to low cost underground mining, which would facilitate the early production of low arsenic ore. Indophil is currently investigating this possibility as part of the Pre-Feasibility Study (PFS).**

Results from the program of infill and resource evaluation diamond drilling continue to confirm significant tonnage of shallow high grade ore and the presence of porphyry-style higher copper/low arsenic mineralisation. Assay results released to date include the following significant intersections at a cut off grade of 0.3% copper:

Hole	From (m)	Interval (m)	Copper (%)	Gold (g/t)	Arsenic (ppm)	Zone
TMPD 102	82	395	1.11	0.53	303	Total
<i>including</i>	165	311	1.19	0.54	58	Porphyry
TMPD 106	40	191	1.23	0.37	338	Total
<i>including</i>	107	124	1.06	0.31	86	Porphyry

An additional rig to concentrate on testing exploration targets outside the main deposit but logistically close to any future processing plant is scheduled to commence in early April. Promising targets have been identified from the previous owner's drilling results.

Weekly drilling results are being posted to the Indophil website, [www.indophil.com](http://www.indophil.com).

The Philippine Court of Appeals has dismissed an appeal by Lepanto Consolidated Mining Company in November 2003 to reverse the decision of the President to uphold the transfer of the Financial and Technical Assistance Agreement (FTAA) for the Tampakan Project to Sagittarius Mines Inc. Indophil and its Philippine partners, Alsons and the Tampakan Group of Companies (TGC), hold their interest in the Tampakan Project through Sagittarius. A subsequent appeal by Lepanto against the Court of Appeals decision was dismissed by the Supreme Court and Lepanto has now lodged a Motion for Reconsideration.

On 30 January the Philippine Supreme Court issued a judgement declaring specific provisions of the Mining Act (Republic Act 7942) relating to FTAA's as unconstitutional and void. The Court determined that the Philippines' Constitution prohibits 100% foreign operating interest in large scale exploration, development and utilisation of mineral resources in the Philippines and that FTAA's issued under the Act were also unconstitutional and void. The Court reserved its position in relation to the Tampakan FTAA, which was granted under an interim law that preceded the Mining Act. The FTAA was issued to WMC Philippines Inc but was transferred to Sagittarius, which is a 60% Philippine owned company.

Subsequent to the end of the quarter, Indophil announced that a Motion for Reconsideration of the Supreme Court's judgement had been lodged by Sagittarius on behalf of WMC Philippines, the official respondent. The judgement of the Supreme Court will not be effective until the Motion of Reconsideration is dealt with and activities for the Tampakan PFS are continuing as normal. Should the judgement of the Supreme Court regarding the FTAA remain effective despite the transfer to Sagittarius, TGC holds preferential rights to Mineral Production Sharing Agreements (MPSAs) over the Tampakan area. The MPSAs will allow Indophil and its Philippine partners to retain their interest in the Tampakan Project.

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## MPI MINES LIMITED – AUSTRALIA/GOLD & NICKEL (LION - 16%)

	Dec Qtr 2003	Sept Qtr 2003
<b>Black Swan Nickel Mine Production (MPI – 80%)</b>		
Nickel shipped (t)	2,751	2,318
Total unit cost (A\$/lb Ni shipped)	4.53	4.93
<b>Stawell Mine Production (MPI – 50%)</b>		
Gold production (ozs)	26,278	23,099
Total production cost (A\$/oz)	483	572
<b>Coolgardie Gold Joint Venture (MPI- 25%)</b>		
Gold production (oz)	20,448	9,681
Total production cost (A\$/oz)	621	764

### *Nickel*

Nickel in concentrate production from the Silver Swan mine continued at target rates. Full year production was 11,288 tonnes, which exceeded prospectus forecasts by 16%. Development of the Lower White Swan ore body, where the introduction of underhand cut and fill mining is in progress, continued on schedule. Development ore grades from this area were 7.7% nickel, indicating the benefit of controlled narrow mining systems.

Project go ahead for the Black Swan Disseminated (BSD) Phase 1 open pit was approved in December following conclusion of a Product Sales Agreement with OM Group. More than 29,000 tonnes of contained nickel in the open pit resource was converted to reserve category, based on the Phase 1 mine plan, which aims to produce 2,500 tonnes per annum of nickel in concentrate for 7-8 years. Consequently a feasibility study to increase Phase 2 production to over 5,000 tonnes contained nickel in concentrates per annum has commenced, with completion anticipated by mid-2004.

At Honeymoon Well a feasibility study to consider the early development of the Wedgetail resource has been initiated and is targeted for completion in June 2004. Resource definition drilling on the Wedgetail massive nickel sulphide mineralisation system focused on the central 800 metres of a south plunging channel, which has a 1,500 metre known strike length. Sixteen of the 18 holes drilled through the footwall contact intersected massive nickel sulphide mineralisation and results have supported the geological model. Better intersections included:

Hole	From (m)	Interval (m)	Nickel (%)
03HWD861	197.7	3.5	4.90
03HWD867	297.2	3.6	6.82
03HWD868	283.1	3.3	7.02
03HWD869	286.7	5.15	6.60

An additional 40 infill drill holes to upgrade the resource to Indicated status are planned.



## Gold

Production from the Stawell Gold Mine was 26,278 ounces of gold, at a substantially lower cost of production than the previous quarter due to improved head grades.

Access development into the Golden Gift resource zone continued during the quarter and the first development ore was mined and milled. Resource definition drilling has intercepted improved grades, which has resulted in an increase of approximately 90,000 ounces to the Golden Gift ore reserves. Better results include:

Drilling Area	Hole	Interval (m)	Grade (g/t Au)
GG1	MD 3809	3.2	13.8
	MD 3829	13.6	8.0
GG2	MD 3797	6.9	12.8
	MD 3826	3.8	18.8
GG5	MD 3800	16.9	12.9
	MD 3801	8.1	14.0
	MD 3804	19.1	19.4
	MD 3804w1	21.9	7.3
	MD 3804w2	10.5	8.0

Exploration drilling on the southern end of the Kewell dome in the Stawell Corridor produced encouraging results, including 6.2 metres @ 10.2 g/t Au and 4.1 metres @ 12.6 g/t Au. A follow up program will continue in this area in the current quarter.

MPI announced that it had finalised terms for the purchase of Pittston's gold businesses in December. Consideration for the acquisition is \$1.5 million cash plus a royalty of \$2 per ounce on all gold production from Stawell and the Victorian tenements in excess of the first 250,000 ounces, capped at 2.5 million ounces or 15 years. MPI will assume debt of \$2.1 million in connection with the Coolgardie Joint Venture and has acquired Pittston's hedge book of approximately 50,000 ounces gold which comprises forward sales at A\$560 per ounce. Following completion of the transaction on 29 February 2004, MPI will operate with 100% interest of the Stawell Gold Mine and the Stawell Corridor tenements and 50% of the Coolgardie Joint Venture.

## Corporate

A series of capital raising programs were initiated during the quarter to finance growth in MPI's nickel and gold businesses during 2004. A Share Purchase Plan (SPP) was announced in December, providing existing shareholders with the opportunity to purchase up to \$5,000 of new MPI shares at \$1.50 per share. A placement of 16.26 million new shares to institutional investors to raise approximately \$24 million was announced in January. Lion was unfortunately unable to subscribe for additional shares under either scheme due to PDF limits.

## LAFAYETTE MINING LIMITED - PHILIPPINES/GOLD & BASE METALS (LION - 22%)

**The consortium of banks led by N M Rothschild & Sons (Australia) has commenced a review of the technical, environmental and social aspects of the Rapu Rapu project. Documentation covering the equity participation of LG International and KORES and the metal off-take agreements for copper and zinc concentrate production was executed in December, completing another pre-requisite for bank credit approval.**



Lafayette has received encouraging results from a recently commissioned regional exploration program at the Rapu Rapu polymetallic project in the Philippines. The program is focused on generating additional reserves close to the Ungay pit, where initial development is occurring. Trenching in the Hixbar region, located approximately two kilometres from the proposed processing plant, has returned assays of:

Trench 4	4 metres @ 6.8 g/t gold <i>including 2 metres @ 11.3 g/t gold</i>
Trench 5	15 metres @ 4.5 g/t gold <i>including 3 metres @ 6.3 g/t gold</i>

The current Inferred Resource at Hixbar is 305,000 tonnes @ 2.07 g/t gold and the new results extend the prospective gold oxide zone further to the south. A follow up auger drilling program over a 3 hectare target area has commenced and further results are expected shortly.

Phase A of the detailed engineering and construction work at Rapu Rapu is nearing completion in preparation for the main plant construction, which is due to commence in the near future. The purchase of two pre-used grinding mills and spare parts in January has delivered significant cost savings and the opportunity to reduce construction time.

The Philippines Supreme Court decision on Financial and Technical Assistance Agreement (FTAA) mining titles, announced at the end of January, does not appear to directly affect the development of Rapu Rapu as the project operates under a Mineral Processing Sharing Agreement (MPSA). Lafayette's local legal counsel are reviewing the ruling.

## **ALLEGIANCE MINING NL – AUSTRALIA/NICKEL (LION - 8%)**

### **NEW INVESTMENT**

Lion announced in December that it had subscribed for 22 million shares in Allegiance Mining NL at an issue price of 16.5 cents per share, for a total investment of \$3.63 million.

Allegiance is developing a new nickel project at Avebury on the west coast of Tasmania. The project contains two main nickel deposits, North Avebury and Viking, totalling approximately 4 million tonnes grading 1.5% nickel, of which 3.1 million tonnes is Indicated Category and 0.9 million tonnes is Inferred Category.

Avebury has a granted mining lease and has received permission to commence an exploration decline to access the upper high grade section of the Viking deposit. Tender documents for construction of the decline are being reviewed and preliminary development of the roadworks and the decline portal box cut commenced in January.

Recent core drilling has identified westerly strike extensions of the Viking mineralisation. Better intersections from drill holes A044 and A045 include:

<b>Hole</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Interval (m)</b>	<b>Ni (%)</b>	<b>Sulphur (%)</b>
A044	393	397	4	1.13	1.96
	487	492	5	1.17	3.10
A045	285	294	9	0.25	1.36



The results indicate potential for the discovery of additional nickel resources along strike to the west of the current Viking resource area. The host rock formation appears to deepen to the west and further drill testing will be more efficiently undertaken from the Viking Decline rather than from surface.

## **GALLERY GOLD LIMITED – BOTSWANA & TANZANIA/GOLD (LION - 32%)**

Construction of the Mupane gold mine is on track for the first scheduled gold pour in October 2004. Tenders for the mining contract are being reviewed and should be awarded in March. Mobilisation for mining is scheduled for May and earthmoving is due to commence in June 2004.

Gallery received confirmation in November 2003 that it will retain 100% ownership of Mupane following a decision by the Botswana Government not to exercise an option to acquire a 15% holding in the operating company, Mupane Gold Mining (Pty) Limited.

Exploration activities in Botswana during the quarter have focused on adding to the resources and reserves for Mupane and results from the various drilling programs are expected to improve the profitability and mine life of the project.

Drilling at the Shashe deposits, Golden Eagle and Map-Nora, is assessing the potential supply of ore from a proposed satellite mining operation. Three shoots within a complex shear system that strikes for over 700 metres were targeted at Golden Eagle. Results from holes drilled on the wider Bateleur shoot, between the base of a proposed shallow pit and 100 metres below surface, confirm the reliability of earlier data and are of sufficient width and grade to suggest that the pit could deepen below the current optimised 70 metre level.

At Map-Nora three diamond holes were drilled to intersect three main shoots in order to evaluate the resource in more detail. High grade mineralisation was intersected in all three shoots, which collectively account for 70% of the resource, and results included:

<b>Hole</b>	<b>Shoot</b>	<b>From (m)</b>	<b>Interval (m)</b>	<b>Grade (g/t Au)</b>
MAND 01	N9	145.4	0.91	28.35
	<i>including</i>	<i>145.7</i>	<i>0.57</i>	<i>44.00</i>
	N9A	150.5	0.25	15.46
	N11	154.2	0.47	15.38
MAND 02		98.0	2.02	2.12
MAND 03	N23	123.0	2.74	6.16
	<i>including</i>	<i>123.0</i>	<i>0.43</i>	<i>34.80</i>
	<i>including</i>	<i>125.4</i>	<i>0.34</i>	<i>5.30</i>

Metallurgical test work on the Map-Nora samples is being conducted in Perth to ascertain recovery levels through the Mupane plant.

Two of five planned holes were completed at the Tau deposit to test the mineralised zone at 50-100 metres below the proposed base of the Mupane open pit. Results from the program will assist Gallery to evaluate the potential for underground mining.



Hole	From (m)	Interval (m)	Grade (g/t Au)
MUPC 361	224	2	9.01
	234	4	6.67
MUPC 362	221	3	5.65
	229	2	25.92

In Tanzania, encouraging intersections were obtained from the Kangele shear zone at Nyakafuru, where Gallery is in joint venture with Resolute. Significant results included:

Hole	From (m)	Interval (m)	Grade (g/t Au)
KGAC 023	29	2	3.61
	36	12	4.18
	39	1	41.60
KGAC 029	26	3	1.53
KGAC 035	7	4	1.35

Drilling at Nyakafuru is defining a number of broad corridors of mineralisation associated with north east trending structures and more than ten mineralised prospects have been identified on the Kangele and Mkwani tenements, with others on the Nyakafuru and Mwagi Magi licences. The area will be re-targeted for further exploration once pending drill results have been appraised.

The first two holes from a four hole deep drilling program at Buckreef were reported during the quarter. Results from the shear zone exhibited intense alteration but the widths and grade were lower than expected.

Hole	From (m)	Interval (m)	Grade (g/t Au)
BMRCD 288	317	2	1.24
	399	1	2.38
	410	1	9.10
	413	1	1.60
BMRCD 290	545	3	2.22
	569	1	1.05
	583	5	4.43

On the basis of results to date, Gallery believes that it is close to defining sufficient resources have been identified to commence a detailed feasibility study. An aggressive program on the main gold prospects at Buckreef and Rwamagaza over the next twelve months is planned to focus on defining recoverable resources.



## **EQUINOX RESOURCES LIMITED - ZAMBIA/COPPER (LION – 9%)**

Following the release of the Bankable Feasibility Study (BFS) in October 2003, a Large Scale Mining Lease has been granted for the Lumwana copper-cobalt project in Zambia. The lease incorporates 1,355 square kilometres and includes the two main deposits, Malundwe and Chimiwungo, as well as numerous exploration prospects. Copper, cobalt, gold, silver and any additional materials that may be commercially extracted are covered by the lease, which is valid for 25 years and renewable for a further 25 years.

Equinox anticipates Lumwana will produce 140,000 tonnes per annum of copper at a cash cost of US 41 cents/lb, commencing in 2006 or later. The company is confident that there is strong potential for additional resource discoveries at Lumwana, both near the proposed mining area and regionally. Twenty-seven copper-cobalt targets have been identified and seven of these are considered high priority copper prospects. Three of the targets are located close to the planned open pits and indicate excellent potential for open pit copper resources. Equinox is planning a significant exploration program to focus on drill testing of the Malundwe South and Chimiwungo North prospects.

The process to restructure the Lumwana joint venture is underway and discussions to introduce a new partner are being held with a number of parties. In parallel, Equinox is progressing project financing, utilising a combination of equity and debt. The board of Equinox is in the final stages of investigating a proposed overseas listing and is considering the Toronto Stock Exchange as an appropriate market to facilitate financing.

Subsequent to the end of the quarter Equinox repaid the US\$7 million Note Facility that had been provided to complete the BFS. This was achieved by the exercise of options owned by the financiers and subsequent partial sale of the shares to cover the cost of the exercise. This has simplified the capital structure prior to any proposed listing.

## **SEDIMENTARY HOLDINGS LIMITED - QUEENSLAND/GOLD (LION - 29%)**

Development of the decline for the new Cracow gold mine commenced with the firing of the first cut in the portal on 30 December. Mine site infrastructure has been progressively established and the mine area surface earthworks were completed during December. The project remains on schedule to produce gold in the December quarter of 2004.

Exploration drilling at Cracow has continued testing known zones of gold mineralisation and new structures. The potential of the Sovereign mineralised zone was significantly enhanced during the quarter with the following results:

CBK 115	12.5m @ 10 g/t Au from 410 metres downhole <i>Including 0.55m @ 100 g/t Au</i>
CBK 121	10.1m @ 10 g/t Au from 320.8 metres downhole <i>including 4m @ 21 g/t Au</i>
CBK 125	5.0m @ 9.9 g/t Au from 341 metres downhole

The Sovereign structure remains open and is subject to further drill testing in the next quarter. Additional mineralisation has also been intersected on the Empire Structure, recording a significant result of:



CBK 113      6.2m @ 4.1 g/t Au from 529.2 metres downhole  
*including 0.8m @ 16 g/t Au  
and 0.45m @ 17 g/t Au*

**Both Sovereign and Empire have the potential to provide an increase in resources for the Cracow mine.**

Capital raising via a placement of shares and the exercise of options totalled \$6.7 million during the quarter. Lion subscribed approximately \$1.9 million in the placement and exercised some options to maintain its 29% interest. The funds raised will be applied to corporate and project growth opportunities which will allow Sedimentary to maintain its stake in regional exploration programs surrounding the new Cracow mine and to develop the company's portfolio of exploration properties.

In line with that intention, Sedimentary announced the formation of a joint venture with Range River Gold Limited subsequent to the end of the quarter. Sedimentary can earn an 80% interest in the tenements currently held by Range River near the township of Foster in eastern Victoria by spending \$700,000 within 5 years. The tenements cover 401 square kilometres and recent aeromagnetic surveys have shown a strong magnetic trend existing under younger sediments interpreted to be related to the mineral rich Mount Read volcanics of Western Tasmania. Sedimentary anticipates commencing exploration activities in the next quarter and will focus on drilling magnetic anomalies to test the interpretation and seeking fault related gold mineralisation.

**HAVILAH RESOURCES NL - SOUTH AUSTRALIA/GOLD & BASE METALS (LION – 22%)**

The first round of drilling at the Portia prospect in the Curnamona Craton of South Australia was completed in December. More than 100 aircore holes were drilled to test the base of Tertiary gold mineralisation previously discovered by an earlier Pasminco-Werrie Gold joint venture in the late 1990's. This mineralisation lies some 70 metres below surface at the contact zone between Tertiary age overburden, which consists mainly of soft clays and sand, and underlying Broken Hill age bedrock.

Samples obtained from drilling have been processed in a gravity separation plant designed by Havilah to overcome assaying irregularities caused by the coarse gold nugget effect. Processing of samples from two adjacent traverses 50 metres apart across the deposit confirm the occurrence of gold, often as coarse grained particles up to several millimetres across. Preliminary results indicate a good correlation between geology and gold distribution and include:

Hole	From (m)	To (m)	Average (gms/m3)
PTA C004	73	76	11.6
PTA C006	72	74	11.1
PTA C008	69	70	14.7
PTA C013	75	78	28.1
TH 3	79	86	57.0

The results for drill hole TH 3 are from an interval in the weathered bedrock, and may represent the primary source for the overlying base of Tertiary gold mineralisation.



Processing of drill samples will continue over the next month and a preliminary resource estimate for the Portia base of Tertiary gold mineralisation will be compiled when all results are completed. To date, the base of Tertiary gold mineralisation has been shown to extend continuously over a strike length of 500 metres and to be continuing strongly on the most northerly and southerly lines drilled.

Havilah has contracted a low level, detailed aeromagnetic survey to assist in targeting other prospects along strike from Portia. Following interpretation of the survey data, drilling to infill and extend the known gold mineralisation at Portia will recommence. Drilling will be extended to other promising nearby prospects, including Shylock and North Portia, later in the program.

## **AUSTINDO RESOURCES CORPORATION NL – INDONESIA & AUST/GOLD (LION - 13%)**

The Bankable Feasibility Study (BFS) on the Cibaliung gold project in Indonesia is progressing on schedule for completion in the first half of 2004. All key consultants have been appointed and discussions for project financing are progressing.

As part of the BFS a program of infill diamond drilling to upgrade resource classifications at the Cikoneng and Cibitung shoots was completed in December. The program was designed to improve structural definition of the two shoots by closing up drill spacing in the central and peripheral segments. Significant results include:

<b>Hole</b>	<b>Interval (m)</b>	<b>Gold (g/t)</b>	<b>Silver (g/t)</b>	<b>True Thickness (m)</b>
<b>Cikoneng</b>				
AC-57M	16.90	12.1	110	7.9
AC-58M	5.95	12.1	116	4.1
AC-62	19.00	11.4	112	8.3
<b>Cibitung</b>				
AC-60M	24.0	20.3	132	9.8
AC-63M	24.51	31.5	141	11.5
AC-66	28.10	12.8	127	14.1
AC-70	25.6	12.5	207	15.4
AC-72	37.5	9.9	59	11.6

Exploration to identify targets for follow up drilling to test for new shoots has continued within the immediate Cibaliung project area. Reconnaissance drilling of new targets is expected to commence in early 2004.

Austindo's joint venture partner, International Antam Resources Limited, has sold its interest in Cibaliung to its major shareholder, PT Antam Tbk, the Indonesian Government's mining company. Austindo's interest in the project has increased to 80.4% due to the sole funding of the joint venture exploration.

Data review and compilation work at the Mount Alexander and Sebastian/Raywood project areas in Victoria has been completed and targets for drill testing have been identified.



## WESTONIA MINES LIMITED - WESTERN AUSTRALIA/GOLD (LION – 36%)

New independent estimates have increased the resource base at the Westonia gold project to more than 1 million ounces following successful completion of the 43 hole “Big Pit Initiative” drilling program in December 2003.

Westonia announced in January 2004 that resources to a depth of 300 metres, and at a 0.7 g/t cut off, are:

	<b>Tonnes M</b>	<b>Grade g/t</b>	<b>Ounces '000</b>
Indicated Resources	18.9	1.33	810
Inferred Resources	5.4	1.34	230
Total	24.3	1.33	1040
% increase (decrease) on 2003 estimates	20	(5)	14

The new estimates are being used to determine an optimised pit design and contained reserves.

Westonia is confident that the drilling results will allow a larger reserve base to be estimated from a deeper pit than previously designed. Part of the Inferred resources are immediately below the flooded open pit and cannot be drill tested prior to the resumption of mining. Westonia’s database above and below this zone suggests that ore production should exceed the Indicated Resources which will be used for the Bankable Feasibility Study.

The solid increase in the resource base estimate has indicated potential for an increase in project mine life at the planned 2.5 million tonnes per annum milling rate.

A Share Purchase Plan (SPP) implemented in November raised approximately \$2 million to replenish Westonia’s working capital following the purchase of the Big Bell mill. The SPP was underwritten to \$2 million by Euroz Securities Limited.



## AFRICAN LION LTD – AFL (AUSELECT - 15%)

AFL Investment	Country / Activity	AFL Holding %	Amount Invested US\$m	Market Value or Cost of Unlisted US\$m
<b>At 30/01/04</b>				
<b>Unlisted Investments</b>				
Albidon	Africa – nickel/PGMs	42.1	2.0	2.0
Copperbelt Selection	Africa - copper	32.5	0.2	0.2
Kalahari Diamonds	Botswana - diamonds	2.6	0.5	0.5
Platmin	South Africa – PGMs	7.0	2.0	2.0
<b>Listed Investments</b>				
Afriore	Africa – anthracite/gold	3.9	0.3	0.6
Equinox Resources	Zambia – copper	4.0	0.4	2.1
Gallery Gold	Botswana/Tanzania - gold	17.2	7.0	13.0
LionOre Mining International	Botswana – nickel	0.0	0.1	0.1
Resolute Mining	Tanzania - gold	3.1	2.0	5.7
Total Investments			14.6	26.2
Net Cash				10.5
<b>Total Net Assets after tax</b>			<b>22.8*</b>	<b>35.5**</b>
Total Funding and Returns			33.7	52.0

Note: For Net Asset purposes, the value of listed investments is at market & unlisted investments at cost, net realisable value or last sale

\* Funds advanced for investment less redemptions. After capital return of US\$11 million

\*\* After return of US\$16.5 million. Total return of AFL to date is 54%

Note: AuSelect's **A\$5.9 million** investment, valued on the basis of the AFL portfolio at market value or cost of unlisted (as shown above), is **A\$8.2 million**

A new investment in Sphere Investments Limited was approved during the quarter. Sphere and its partners are undertaking a staged Bankable Feasibility Study (BFS) to develop a new iron ore mine, beneficiation plant and pelletising plant in Mauritania. Subject to shareholder approval, Sphere will raise \$1,176,250 via a placement of 7.8 million shares at 15 cents per share. AFL will subscribe for 4.3 million shares at a total cost of \$645,000 and the remaining shares will be placed with Sphere directors, management and associates of the company. The capital raised will be applied to funding the first stage of the BFS, which is due to commence in March 2004. The initial phase of the BFS will include a 2,200 metre drilling program to complement results from previous exploration drilling in the early 1990's.

Albidon Limited has progressed with its intention to dual list on the Australian Stock Exchange and London Alternative Investment Market (AIM). A prospectus for an Initial Public Offering was released in late February.

Subsequent to the end of the quarter, AFL sold its remaining interest in LionOre Mining to realise approximately US\$140,000.

### MANAGER'S PERFORMANCE INCENTIVE

Under the terms of the management contract a performance incentive payment will be made to Selection (LSG) Management Pty Limited (the Manager) after 31 July 2004 as the average of the market capitalisation over a 60 day trading period has remained above a rising benchmark. The benchmark is compounded each year at a rate relating to the Australian ten year bond rate (which is used as a proxy for the risk free rate of return). The amount of the performance incentive payment is 20% of the difference between the market value of the company and the benchmark.

Lion Selection Group Limited

ABN 26 077 729 572

Level 4, 15 Queen Street, Melbourne Victoria 3000

Telephone: +61 3 9614 8008 Facsimile: +61 3 9614 8009 Email: lionselection@lsg.com.au

[www.lionselection.com.au](http://www.lionselection.com.au)



At the close of trade on 30 January 2004 incentive, which was set on 15 December 2003, was calculated as follows:

A. Benchmark Amount <sup>1</sup>	\$170.8 million
B. Market Capitalisation <sup>1</sup>	\$231.9 million (ie 60 day share price average 231.7 cents)
C. Manager's Performance Incentive <sup>2</sup>	\$12.2 million

The \$12.2 million payment has been provided for in Lion's Net Asset Value calculation.

1. 60 Day Moving Average
2. 20% of B – A

## AUSELECT LIMITED

Good progress has been made on the float of Lion's wholly owned subsidiary, AuSelect Limited (formerly known as Australian Selection Pty Limited). The float will include a priority offer to Lion's shareholders as well as an offer to the public. Under the float, Lion will offer its ordinary shares in AuSelect for sale and AuSelect will offer new ordinary shares for subscription. A prospectus for these offers will be made available when the shares are offered.

Investors wanting to apply for shares in AuSelect under the float will need to complete the application that will accompany the prospectus. A copy of the prospectus and an application form will be sent to all Lion shareholders with a registered address in Australia or New Zealand once the prospectus is available.

## SHAREHOLDER INFORMATION

Issued shares:	100.1 million	Share price at quarter end:	\$2.07
Quarter High:	\$2.45	Quarter Low:	\$2.00
Volume traded:	13.5 million	NAV after tax:	\$1.63

Further enquiries:

**Judith Russell**  
Investor Relations Manager  
Lion Selection Group Limited  
Email: lionselection@lsg.com.au