



Quarterly Report for the 3 months ended 31 January 1999

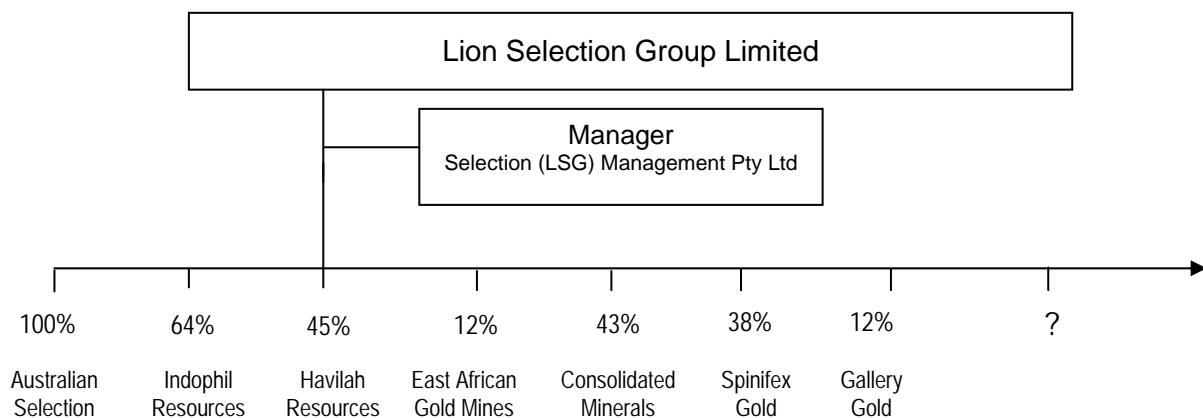
KEY POINTS

- **African Lion** was established with initial shareholders contributing US\$27 million. African Lion will be managed by Lion Selection Group.
- **Indophil** gained access to the Manat property in the Philippines in a joint venture with the Alcantara Group of Companies. Manat incorporates a large porphyry/epithermal system with gold and copper targets.
- **Spinifex** increased the resource base of East Africa Gold Corporation in Tanzania from 0.4 million ounces to 1.0 million ounces.
- The Tanzanian High Court challenge to **East African Gold Mines'** Mining Licence containing the Nyabirama deposit has been dismissed.
- Lion announced a \$1 million investment in **Gallery Gold NL**, which holds properties in the Tati and Vumba greenstone belts in Botswana.

Financial

- NTA per share was \$1.02 per share including cash of 68 cents per share at the end of the quarter. The NTA is based on cash plus unlisted investments valued at cost and listed investments valued at market price.

COMPANY STRUCTURE





INVESTMENTS

East African Gold Mines Limited (Lion - 11.8%)

East African Gold Mines (EAGM) completed a bankable feasibility study on the North Mara Gold Project in December 1998.

The Tanzanian High Court challenge to EAGM's Mining Licence containing the Nyabirama deposit was dismissed, subsequent to the end of the quarter. Costs have been awarded to EAGM. The High Court found the Mining Licence to be valid and also that the surrounding Prospecting Licence held by the challenger had expired.

Consolidated Minerals Limited (Lion - 43%)

Manganese production at Woodie Woodie is scheduled to recommence in the June quarter this year. There has been considerable interest from consumers for Woodie Woodie manganese.

A thorough analysis of prior and recent geological and geophysical data has identified over 100 potential targets, of which 15 have been prioritised for drilling.

Spinifex Gold NL (Lion - 38%)

Spinifex Gold (SPX) shareholders approved the second installment of shares and options to Lion (\$3.9 million at 12 cents per share) during the quarter, increasing Lion's interest to 38%.

SPX holds a controlling interest in East Africa Gold Corporation (EAGC), which owns a portfolio of properties in Tanzania. In December 1998, EAGC allotted shares and warrants to SPX increasing its controlling interest to 58%. The exercise of the warrants in February 1999 increased SPX's interest to 61.6%.

Encouraging drill results continued to be received from Buckreef, Nyakafuru and Kitongo throughout the quarter. SPX announced in January 1999 that EAGC's resource base had been increased from 430,000oz to 1,000,000oz. The results of the exploration program are currently being reviewed to prioritise projects and consider funding alternatives.

Mr Howard Walker was appointed to the Board of Directors as Lion's representative on 13 January 1999.

Indophil Resources NL (Lion – 63.8%)

The Heads of Agreement for an exploration joint venture with the Alcantara group of companies was signed on the Manat Mineral Production Sharing Agreement (MPSA) early in the quarter. The Agreement is for the exploration and development of the Manat MPSA. Detailed channel sampling and mapping was undertaken and the sampling has indicated the potential for a deeper porphyry system. Additional drilling targets were identified.

Encouraging soil sampling results were received from Labo (De Jesus), and a number of targets for drill testing have been identified. The Lamon Bay Exploration Permit was approved during the quarter. The stream sediment sampling program at St Bernard was completed and reconnaissance sampling results are favourable.



Havilah Resources NL (Lion – 44.8%)

Havilah's focus during the quarter was centred on the evaluation of new properties and the preparation of exploration programs and budgets for 1999. Possible new projects around Curnamona and Highland Rocks were evaluated, and new opportunities were investigated in the Gawler Region and in Indonesia.

The nine-week drilling program at Highland Rocks ceased in November due to bad weather, so the company focused on reviewing aero-magnetic data from the area to establish 1999 drill targets. Mapping and sampling continued at the Mutooroo Ridge and Wonna projects throughout the quarter and assay results for samples are awaited.

Havilah anticipates that drilling will commence at the newly acquired joint venture at Buduk in West Kalimantan, Indonesia in the next quarter.

Gallery Gold NL (Lion - 12.1%)

Lion announced a \$1 million investment in Gallery Gold NL (GGN) on 16 December 1998. The placement gives Lion approximately 8.3 million shares in GGN, each with a free attaching option exercisable at 20 cents per share and expiring on 30 June 2000. Lion has also agreed to underwrite an additional \$1 million placement of approximately 8.3 million shares on the same terms.

Lion's investment in GGN is subject to shareholder approval, and a general meeting of GGN is to be held on 29 March to allow shareholders to vote on the placement. Mr David Harley has been appointed as Non-Executive Chairman and Mr Keith McKay (former CEO of Battle Mountain (Australia) Ltd) as Managing Director, effective from 16 December 1998.

The funds raised through Lion's placement will be used by GGN to fund its exploration program in Botswana. Gallery currently has a controlling interest in the bulk of the Tati and Vumba greenstone belts. These properties cover an area of 1,756 square kilometres and include three mining leases with combined resources of 364,000 ounces of gold and an option over a mining lease containing a 201,000 ounce resource.

Gallery announced encouraging trenching results from the 100% owned Mupane Prospect during the quarter. There is high potential for a substantial tonnage of low grade, open pittable ore and drilling is expected to commence in the June quarter.

Australian Selection Pty Ltd (Lion - 100%)

Australian Selection continued to maintain a cautious approach to resource investment throughout the quarter.

Progress was made with the establishment of African Lion Limited (AFL). Lion announced the appointment of Mr Ian McAleese and Mr Terry Ward to manage the fund subsequent to the end of the quarter and AFL officially commenced operations in February 1999.

Australian Selection has agreed to invest US\$5 million in AFL, which will be drawn down over a period of time. The fund has been established to identify, assess and invest in resource projects in Africa. Other shareholders in AFL are Commonwealth Development Corporation from United Kingdom, Investec Bank of South Africa, the Commonwealth Africa Investment Fund (Comafin), Rand Merchant Bank of South Africa and PROPARCO Funds Management of France.



COMPANY CALENDAR

Shareholder Briefings

Shareholder Briefings will be held in mid-March. The dates, venues and times for each briefing are listed on the Company Calendar below and on the website. Shareholders who wish to attend one of the presentations are asked to RSVP to Judith Russell before the date of that briefing.

Date - March 1999	City	Location	Time
Thursday 18 March	Melbourne	Australian Stock Exchange - Media Centre Level 1, 530 Collins Street	5.30pm
Friday 19 March	Brisbane	Riverside Centre Auditorium Level 6, 123 Eagle Street	10.00am
Monday 22 March	Christchurch	J B Were & Son (NZ) Limited Level 1, 141 Cambridge Terrace	3.00pm
Tuesday 23 March	Wellington	J B Were & Son (NZ) Limited Level 8, BNZ Centre 1 Willis Street	9.00am
Tuesday 23 March	Auckland	J B Were & Son (NZ) Limited Level 21, Coopers and Lybrand Tower 23-29 Albert Street	5.30pm
Wednesday 24 March	Sydney	ASX Theatre Level B1, 20 Bond Street	2.30pm
Thursday 25 March*	Adelaide	Adelaide 2 Radisson Playford Adelaide Hotel 120 North Terrace	5.00pm
Friday 26 March*	Perth	Pavillion Room Sebel of Perth Hotel 37 Pier Street	2.00pm

*Mr Howard Walker will be presenting in Adelaide and Perth.

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