



## Quarterly Report for the 3 months ended 30 April 2001

### KEY POINTS

Lion is expecting a period of strong growth over the next 18 months and in this regard John O'Reilly is welcomed as a new board member.

Lion has fourteen company investments. Two of these have producing mines, three have feasibility studies in progress on new mines and six more have projects near to feasibility. Eleven of the companies have active exploration programs.

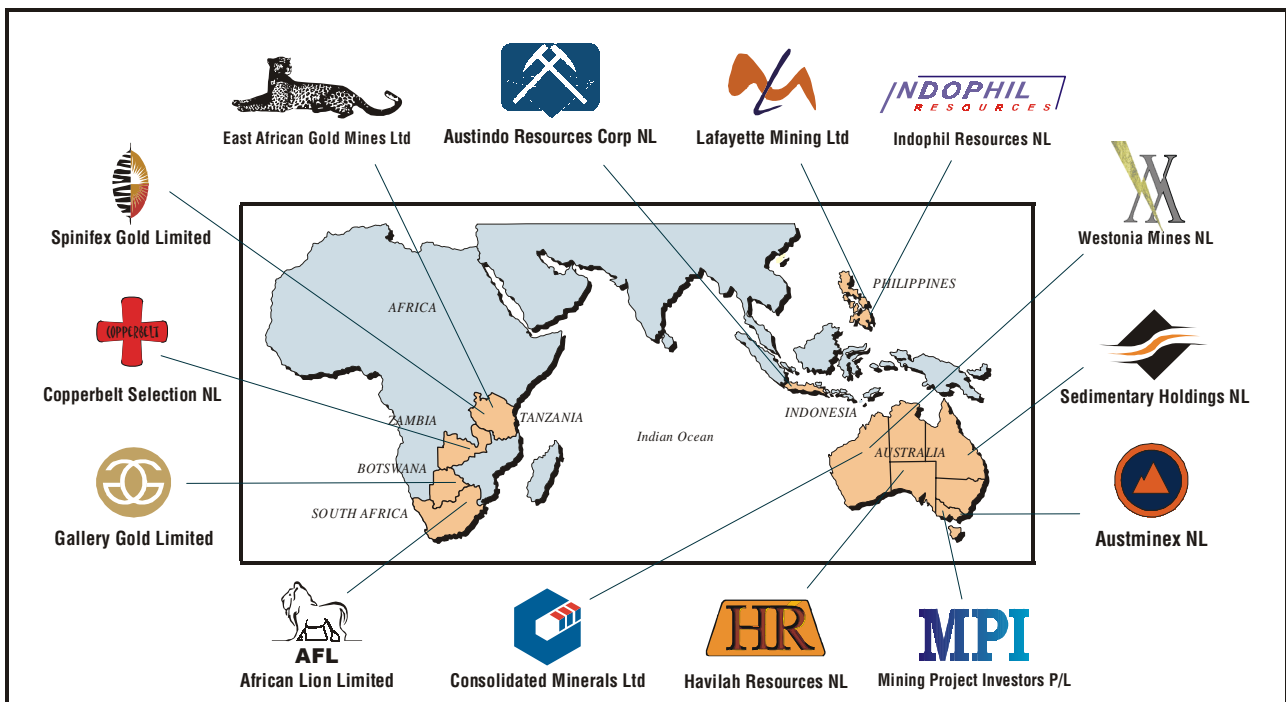
**EAGM**            Go ahead on 180,000 oz pa North Mara gold mine in Tanzania awaiting appropriate gold price and lease rates. US\$6 million exploration drill program in progress.

**Gallery**        Scoping study on potential 1million ounce gold project in Botswana underway. Lion/AFL to invest a further \$2.75 million.

**CSM**            Sale to Imperial Resources of \$14.5 million parcel of shares and options not to proceed. Other sale alternatives being investigated.

**Sedimentary**    New high grade gold discovery at Cracow.

### INVESTMENTS





### Company Progress during the Quarter

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

### INVESTMENT SUMMARY TABLE

Investment	Code	Activity	LSG Holding %	Amount Invested \$m	Market Value or Cost of Unlisted \$m
<b>At 30/04/01</b>					
<b>Unlisted Investments</b>					
Copperbelt Selection		Zambia - copper	33.0	0.3	0.3
East African Gold Mines	EAGM	Tanzania - gold	11.2	10.2	10.2
Havilah Resources		Australia/Indonesia - gold	64.2	1.8	0.3
Indophil Resources		Philippines - copper/gold	60.4	7.0	3.1
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	3.6	2.1
Austminex	ATX	Australia – base metals	16.9	5.0	4.4
Consolidated Minerals	CSM	Australia - manganese	31.7	8.0	20.7
Gallery Gold	GGN	Botswana - gold	44.8	5.6	8.2
Lafayette Mining	LAF	Philippines - polymetallic	23.2	5.5	2.8
Sedimentary Holdings	SED	Australia - gold	24.2	4.0	3.7
Spinifex Gold	SPX	Tanzania - gold	23.8	6.6	6.0
African Lion	AFL	Africa - mining investment	18.5	3.1	3.1
Other Investments				6.9	7.5
Total Investments				73.9	78.8
Net Cash					26.6
Totals per Share					<b>105.4</b>
Net Tangible Assets (NTA) after tax					<b>104.5</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%)**

Following recent exploration success, Gallery announced an initial resource estimate for its wholly owned Mupane Prospect in Botswana. Independent consultant Resource Service Group (RSG) reported that Mupane has a total Inferred Gold Resource of 5.84 million tonnes @ 3 g/t for 557,000 ounces. The high grade gold zone in Area 1 has a resource of 3.74 million tonnes at 3.6 g/t for 438,000 ounces, which accounts for 79% of the total. RSG indicated that there is also excellent potential for a significant increase in gold resources because of the relatively shallow nature of the drilling completed to date and the fact that known gold zones are open at depth along their full strike lengths.

Gallery believes that **Mupane is emerging as a potential +1 million ounce gold deposit** and is optimistic that it will be able to establish a viable mining operation in the not too distant future. The company is in the process of initiating a preliminary economic scoping study for a wholly owned mining operation based on a central mill at Mupane and potential millfeed from other prospects within a 15 kilometre radius. A team of consultants with experience of developing new projects in Africa has been assembled. A standard CIP/CIL plant capable of milling approximately 1 million tonnes of ore and producing 100,000 ounces of gold per annum is envisaged.

A 13 hole diamond drilling program has commenced in Area 1 at Mupane to test depth extensions to the known high grade ore shoot. Several holes will also be drilled at shallower levels within the existing resource to provide structural information and to confirm continuity of the mineralisation. The first two deeper holes have both intersected significant coarse grained arsenopyrite mineralisation that is indicative of strong gold mineralisation.

Trenching at the Molomolo Prospect has exposed several significant widths of mineralisation and produced a best intersection of 56 metres at 3.6 g/t Au, which included 8 metres @ 8.4 g/t Au. Molomolo has the potential to provide valuable supplemental mill feed ore to a central plant and although Gallery is concentrating its immediate exploration efforts on Mupane additional drilling programs are being planned for this and other prospects within the Tati greenstone belt.

The company's Tekwane nickel property covers the eastern half of the gabbroic intrusive that hosts the operating Selkirk mine. This property includes the 2.8 kilometre South Tekwane anomaly, which is planned to be drilled in June following completion of an electromagnetic survey.

Gallery has also secured diamond rights to tenements totalling 1,773 square kilometres. The company has low level aeromagnetic data covering this area and it has been reprocessed to highlight potential kimberlite targets. Seven priority targets have been defined and a total of 25 targets selected for field checking. The targets will be systematically evaluated by soil sampling and trenching.

Gallery has received preliminary approval from the Listing Committee of the Botswana Stock Exchange and is confident that the proposed dual listing will proceed in the next quarter.

### **EAST AFRICAN GOLD MINES LIMITED - TANZANIA/GOLD (LION - 11%)**

**Mine construction go ahead for EAGM's North Mara Project in Tanzania still awaits an acceptable gold price.**



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

Lion is considering other options for the divestment of its holding following advice from Imperial Resources Limited that it could not complete the proposed purchase of the majority of Lion's shareholding in Consolidated Minerals (CSM). Imperial has been unable to raise the required finance following the withdrawal of its major overseas investor.

Approval was obtained to commence mining at the Bells deposit at Woodie Woodie and CSM anticipates that mining operations will commence shortly. Production continued from the Hanna deposit and commenced at the new Lewis deposit. Lump output was double the previous corresponding March quarter when heavy rain resulted in production delays.

Woodie Woodie Production			
Wet Tonnes	March Qtr 2001	December Qtr 2000	March Qtr 2000
Manganese lump produced	86,234	106,352	43,610

Four shipments totalling 82,975 tonnes of manganese ore were delivered to overseas markets, including new customers in Italy, France and Taiwan. Annual benchmark price negotiations are currently underway and CSM will begin sales negotiations for the next financial year once the benchmark price has been established.

CSM commenced an on-market buy back of 5% of its ordinary share capital in February, and is preparing for a listing on the Alternative Investment Market of the London Stock Exchange. Also in February Lion was issued 2.8 million ordinary shares following the expiry and conversion of a \$1 million convertible note. Lion's funding was used for capital works during 2000.

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

**Sedimentary announced a significant discovery at the Cracow Joint Venture in Queensland during the quarter.** Gold mineralisation was encountered beneath substantial cover north of the highly prospective Klondyke fault zone in an area named as the Crown Structure.

Mineralisation in the Crown Structure appears to be similar to the gold mineralisation present in the Royal Shoot, located 800 metres to the south. The discovery area, which contains no previous workings, could be accessed from the proposed decline for the Royal Shoot. Preliminary drill intercepts from the area included:

Hole	From m	To m	Interval m	Grade g/t Au
CBK 009	172	178	6	5.2
	<i>incl 2.0 metres @ 10 g/t Au</i>			
CBK 012	269	277	8.35	2.3
	<i>incl 1.35 metres @ 7.4 g/t Au</i>			
CBK 021	420	439	18.9	4.3
	<i>incl 4.0 metres @ 11 g/t Au</i>			
CBK 027	438	461	22.7	15.0
	<i>incl 16.0 metres @ 21 g/t Au</i>			



Subsequent drilling produced an intersection of 18.25 metres @ 31 g/t Au from a diamond core hole:

Hole	From m	To m	Interval m	Grade g/t Au
CBK 030	489	493	4.0	9.1
	<i>incl 2.0 metres @ 17 g/t Au</i>			
	503	505	1.8	5.6
	510	528	18.25	31.0
<i>incl 3.0 metres @ 100 g/t Au</i>				

CBK 030 is located approximately 200 metres north of CBK 027, which produced an intersection of 23 metres @ 15 g/t Au. Two drill rigs are continuing work on the Crown Structure.

Drilling to test zones below the old workings at Golden Plateau produced an intersection of 2 metres @ 14 g/t Au.

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

**Austminex is continuing to improve the economics of the Benambra Project in Victoria and is targeting a project decision in the September quarter.** The company has received approval to extend the option to purchase the project until October 2002.

A drilling program to extend the known resource commenced at the Wilga deposit immediately following notification of the option extension. Preliminary results are encouraging and suggest that additions to the previously announced mineable resource will be possible. Extension drilling of the Wilga and Currawong deposits should be completed in the next quarter and Austminex anticipates that updated resource and reserve statements will be available in June 2001.

Substantial improvements have been obtained in metallurgical recoveries and concentrate grades since laboratory testing commenced in November 2000. Recent test work has indicated recoveries/concentrate grade for copper at 82%/25% and zinc at 80%/50%. The improved metallurgical results have a material positive impact on project economics through increased revenue, as well as reduced transport, handling and smelter treatment charges. Initial responses to copper and zinc concentrate specifications suggest that both products will be readily marketable. The metallurgical improvements and on going refinements to project costs are resulting in an increasingly positive outlook.

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

**Preparations for a public float of Indophil have been moving forward steadily. ABN AMRO Morgan Stockbroking is broker and underwriter to the issue.**

Exploration during the quarter was restricted to regional reconnaissance work, focusing mainly on the Manat, St Bernard, Hinotongan and Labo properties.

The Temporary Restraining Order (TRO) lodged by Lepanto Consolidated Mining to halt the sale of the Tampakan project by WMC Resources International Pty Limited to the Tampakan Group of Companies (TGC) was removed in the Makati Regional Trial Court. A further motion by Lepanto to reconsider this decision was dismissed and Lepanto has now applied to the Court of Appeals. The TRO has been reinstated. A decision on this matter is expected shortly. As previously announced Indophil have an agreement with TGC in respect of the Tampakan property.

Recent political demonstrations associated with the arrest of former President Estrada were confined to three restricted areas and had little impact outside of Manila. The elections on 14 May were completed in an orderly manner although the results are still uncertain as counting continues. The position of President and half of the Senate were not included in the elections. President Arroya's government continues to work towards stimulating the economy, improving the political environment and encouraging foreign investment.



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

The review of the Rapu Rapu Mine Environmental Impact Study has been completed by the Environmental Management Bureau of the Philippines Department of the Environment and Natural Resources (DENR). **The Bureau has recommended that an Environmental Compliance Certificate be issued to enable the project to be developed. The DENR Secretary will now consider the application.**

Following the completion of the Bankable Feasibility Study last quarter, Lafayette has nominated a consortium led by Leighton Contractors as the Preferred Contractor for the construction and mining of the Rapu Rapu Mine in the Philippines. The other members of the consortium are GHD Pty Limited and Lycopodium Pty Limited.

The consortium is to submit a guaranteed Maximum Price Construction Contract to Lafayette, and Leighton has also proposed to finance 80% of the mechanicals component of the capital works. If accepted, Leighton's proposal will complement the proposed project financing offered by Standard Bank London Limited. Standard Bank is currently undertaking due diligence of the project following their indicative offer of project finance. Lafayette also intends to undertake a three month definition exercise in conjunction with the Leighton consortium to address areas which could provide additional value to the project. The nomination of the Leighton consortium is conditional upon final board approval of an agreed budget for this project definition exercise.

Letters of Intent have either been signed or agreed in draft form with smelters for the sale of both copper and zinc concentrates produced from the Rapu Rapu Mine.

Detailed mapping at the eastern end of the Ungay deposit located several zones of outcropping gossan that had not been previously tested. Trenching of these areas is underway and results will be incorporated into a new resource model. Trench TR16 returned 6 metres @ 1.73 g/t Au and 13.16 g/t Ag.

An auger drilling program adjacent to the former Hixbar open pit, approximately 3 kilometres to the west of the Ungay deposit, has identified several small oxide deposits. Two of the 25 holes drilled returned excellent results of 6m @ 7 g/t Au and 6m @ 7.3 g/t Au from surface. Six holes ended in mineralisation and drilling is being extended from those holes. An electromagnetic survey is being completed with results expected in the next quarter.

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

**Further drilling at Golden Gift has extended the strike length of the basalt dome to 1.6 kilometres and a dip length of 750 metres.** The resource potential at Stawell, including Golden Gift, is estimated by MPI to be up to 5 million ounces (potentially 4 million ounces to be added to December 2000 inventory of 1 million ounces).

Stawell Mine Production (MPI – 50%)	Qtr ending 31/03/01	2000 (year)
Ore treated (t)	179,000	798,000
Grade (g/t)	5.1	5.1
Gold produced (ounces)	24,930	114,460
Cash operating cost (A\$/ounce)	405	330
Total production cost (A\$/ounce)	494	417

Gold production from the Stawell Gold Mine was impacted by a six day scheduled shutdown to upgrade the ball mill in February. Production costs were higher during the quarter as a result of the mill upgrade and substantially increased electricity prices (38% higher than first quarter 2000).



Regional exploration drilling has been concentrated on a major structural corridor trending north west from Stawell. The outcropping portion contains the Ararat and Stawell goldfields, with +5 million ounce endowment. MPI has secured tenements over this highly prospective, unexplored corridor and has located a Magdala style basalt dome with mineralised volcanogenics over 3 kilometres of strike length at Kewell. Air core drilling on 400 metre traverses has returned wide spread gold values in the 0.5 to 5 g/t Au range, indicating the potential for a new gold discovery.

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

**Spinifex has engaged an independent consultant to prepare a two part scoping study on Buckreef, Nyakafuru and Kitongo.** Stage 1 of the study will provide a first pass estimate of the cost of various development options for each of the projects and is expected to be completed by June. Spinifex has also continued discussions with several major mining companies regarding the formation of a strategic alliance to further develop the company's Tanzanian gold projects.

Cores from 20 holes drilled at Nyakafuru (90% owned) were submitted to an Australian laboratory for metallurgical test work and preliminary results are highly encouraging. Oxide ores returned recoveries of 94% and the transition and sulphide ores had recoveries of 86% for a 75 micron grind.

Further drilling at the Isegenghe Hill prospect at Kitongo downgraded the Inferred Resource from 110,000 ounces gold at 18.5 g/t to 75,000 ounces gold at 14.4 g/t. Preliminary metallurgical results at Isegenghe Hill returned low recoveries of 17-21%, due to gold being locked up in arsenopyrite mineralisation.

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

**In late May the company announced that it had entered into a Heads of Agreement with Aurora Gold Limited to acquire its 85% interest in the Toka Tindung Gold Project in North Sulawesi, Indonesia.** The Heads of Agreement, which is subject to due diligence, requires Austindo to pay a 1.7% royalty to Aurora on commencement of production. At the end of March, Aurora stated on its website that Toka Tindung had an in situ mineral resource of 14 million tonnes @ 3.2 g/t Au (approximately 1.5 million ounces contained gold).

Austindo continued exploration drilling at the Cibaliung Gold Project in West Java during the quarter. Recent drilling of the Cibitung Shoot has indicated the presence of a high-grade core within the shoot, similar in thickness and tenor of gold grade to the core of the Cikoneng Shoot. Five holes have been drilled for a total of 1,393 metres and better 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 027A</b>	169	170	1.00	7.15	16
and	230	246	16.20	16.57	114
<b>AC 031</b>	170	197	27.05	9.11	64

Three holes were completed at Cikoneng for a total of 722 metres, testing for extensions of the vein system to the north and south. Results indicated that the main structure is present in all directions but with lower gold grades.

To date, 35 holes have been drilled at the Cibaliung Project for a total of 9,660 metres. Austindo has announced that an updated resource statement for Cibaliung will be produced in the next quarter. The current resource is stated by the company as an Inferred Resource of 993,000 tonnes @ 9.78 g/t Au and 57.4 g/t Ag with contained metal of 312,230 oz gold and 1.83 million oz silver.

At Melinjo and Cibeber four shallow scout diamond core holes were drilled to test the known vein systems. All holes encountered quartz veining as expected but no significant gold mineralisation was found. Additional drilling is planned towards Cikoneng to the north, where recent mapping indicates potential for higher grades.



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

The Scoping Study on the Westonia Gold Mine was completed during the quarter. The study identified the additional information required for a renewed open cut mining operation.

Based on the outcome of the study, Lion has invested a further \$250,000 in Westonia, which will increase its shareholding to 25%. This investment will fund a drilling program aimed at upgrading and increasing existing resources. The program will concentrate on an area under the historic open cut and on zones which are known to be mineralised but currently have insufficient drilling density. It is anticipated that drilling will commence in June.

Pieter Greeff was appointed to the Board of Directors in February. Pieter is a mining engineer with extensive experience in the Australian mining industry. Until recently he was responsible for the mining operations of Newcrest Mining Limited.

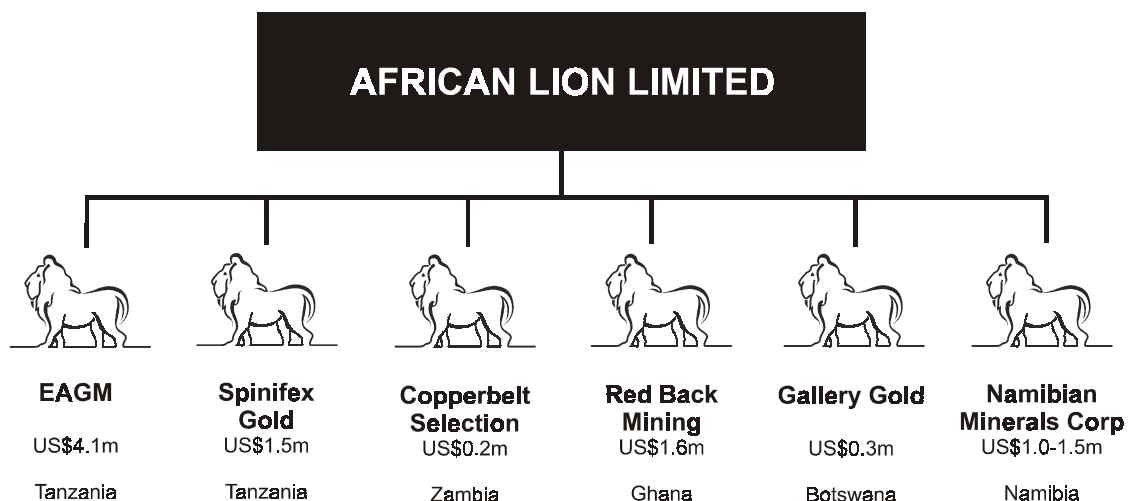
**COPPERBELT SELECTION NL - ZAMBIA/COPPER (LION – 35%)**

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

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

Havilah continued to progress its existing projects, with drilling approval granted for the Pamdana zinc project in South Australia and progress on Pani drilling approvals in Indonesia. Joint ventures were discussed on other NT and SA projects, and new exploration opportunities in Australia continued to be actively sought and evaluated.

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



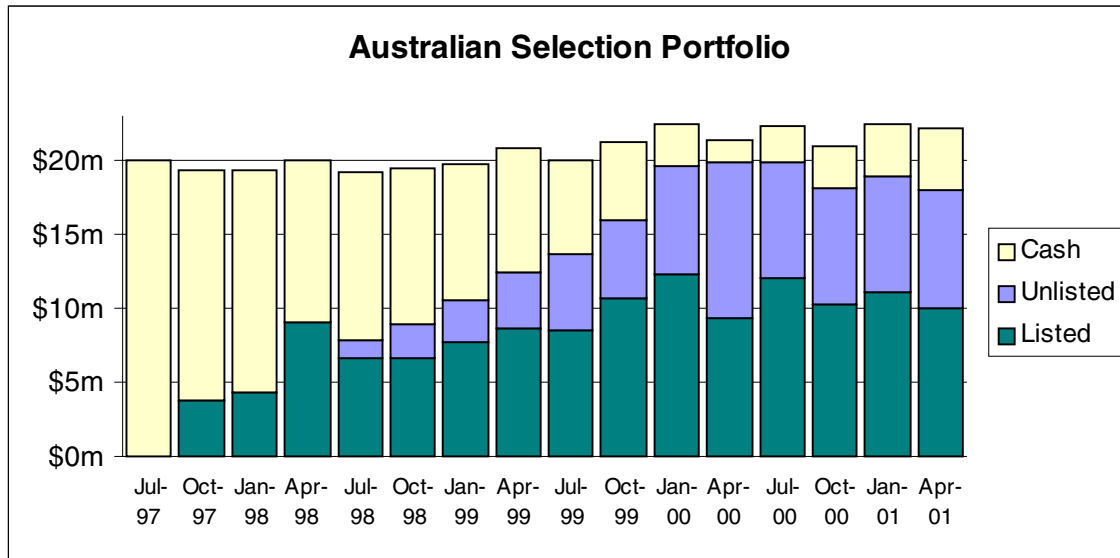
African Lion made a US\$1 million investment in the Namibian Minerals Corporation (NAMCO) during the quarter. NAMCO is a marine diamond miner and explorer. The company produced 221,000 carats in the year ended 31 December 2000, producing a profit of US\$1 million on revenue of US\$41.8 million. NAMCO employs innovative mining technology and has experienced substantial operational challenges. This will impact on 2001 operational performance and profitability. The provisional liquidation of the company earlier this year resulted in the opportunity for new shareholders, including African Lion and the Leviev Group, to participate in the rebuilding of NAMCO.

AFL's Johannesburg office was officially opened in May.



## 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:



## COMPANY CALENDAR

### THE MONEY SHOW EXHIBITION, SYDNEY, 20-22 JULY 2001

Members of the Lion team will be hosting a display booth at The 2001 Money Show Exhibition in Sydney to promote the company to new investors. Lion invites all shareholders to visit the booth for a brief update on the company if they are planning to attend the show.

The 2001 Money Show Exhibition will be held at the Sydney Showground, Homebush Bay on Friday 20 to Sunday 22 July. The exhibition will be open from 10am to 6pm and entry costs \$12. Visitors to the exhibition will be able to attend free investment seminars and Mr Paul Clitheroe of Channel 9's "The Money Show" will be delivering 2 keynote speeches each day.

## SHAREHOLDER INFORMATION

<b>Issued shares:</b>	100.1 million	<b>Share price at quarter end:</b>	\$0.65
<b>Quarter High:</b>	\$0.76	<b>Quarter Low:</b>	\$0.65
<b>Volume traded:</b>	1.5 million shares	<b>NTA after tax:</b>	\$1.04

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