

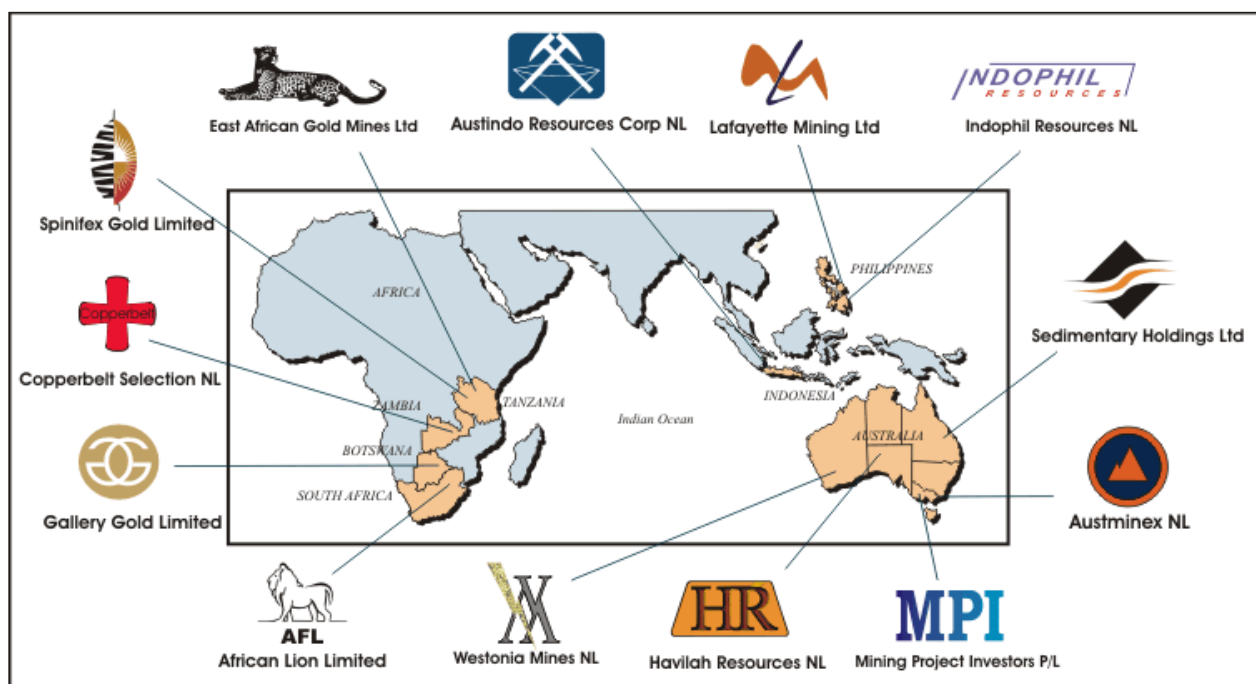


## Quarterly Report for the 3 months ended 30 April 2002

Lion has benefitted from the rising gold price and positive developments in almost all investments during the quarter.

### KEY POINTS

- **Gallery Gold**                      Planning for new 100,000 oz pa gold mine before mid 2004  
Further \$3.5 million invested by Lion at 24 cents per share in recent rights issue
- **Westonia**                            Public float planned. Potential new gold mine
- **EAGM**                                Completion of 210,000 oz pa North Mara gold mine expected in August 2002
- **Indophil & Havilah**              Successfully floated
- **Austindo**                            Prefeasibility study on 50,000 oz pa high grade underground gold mine commenced
- **MPI**                                    New gold mine at Coolgardie





## INVESTMENT SUMMARY TABLE

Investment	ASX Code	Activity	LSG Holding %	Amount Invested** \$m	Market Value or Cost of Unlisted* \$m
<b>At 30/04/02</b>					
<b>Unlisted Investments</b>					
African Lion (AFL)		Africa - mining investment	18.5	5.1	5.1
Copperbelt Selection		Africa - copper	33.0	0.3	0.3
East African Gold Mines		Tanzania - gold	11.6	10.2	10.2
Indophil Resources***		Philippines - copper/gold	42.4	7.8	9.5
Mining Project Investors (MPI)		Australia - gold	16.3	6.1	6.1
Westonia Mines		Australia - gold	39.1	1.6	1.6
<b>Listed Investments</b>					
Austindo Resources	ARX	Indonesia - gold	15.6	3.6	1.9
Austminex	ATX	Australia - base metals	16.9	5.0	3.2
Gallery Gold	GGN	Botswana - gold	43.3	6.7	14.7
Havilah Resources	HAV	Australia - gold/base metals	22.0	1.9	2.0
Lafayette Mining	LAF	Philippines - gold/base metals	24.1	6.0	2.9
Sedimentary Holdings	SED	Australia - gold	27.2	5.1	8.9
Spinifex Gold	SPX	Tanzania - gold	21.5	7.8	5.4
Other Investments				4.9	6.1
Sub total Investments				72.1	77.8
Net Cash					37.9
Total Investments					115.7
Net Asset Value (NAV) before tax (cents per share)					<b>115.6</b>
Net Asset Value (NAV) after tax (cents per share)					<b>114.4</b>

\* 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

\*\*\* Indophil listed on the ASX on 3 May 2002. The figures in the table relate to the market value of the securities on 10 May.

## INVESTEE UPDATE

### GALLERY GOLD LIMITED - BOTSWANA/GOLD (LION - 43%)

The prefeasibility study for the proposed mine development at the Mupane Gold Prospect was completed during the quarter with positive results. The study was based on two proposed open pits at Mupane, with additional mill feed from the nearby Signal Hill gold deposit. Two treatment plant sizes of 0.75 mtpa and 1 mtpa have been considered and average annual production is expected to be 100,000 to 120,000 ounces of gold, depending on mill size. Estimated mine life of present recoverable resources is 5.5 years for the 0.75 mtpa plant and 4.5 years for the 1 mtpa plant.

A definitive feasibility study has now commenced and is scheduled for completion in mid 2003, with the first gold pour anticipated no later than mid 2004.



Gallery's exploration program has been accelerated to identify an additional 200,000 ounces of gold resources capable of being converted to reserves so that initial mine life can be extended to seven years. Extension of the detailed soil sampling coverage into areas immediately adjacent to Mupane has already identified a new and significant gold-arsenic soil anomaly on the western margin. **Area 9 has been delineated over a length of 650 metres with a peak gold-in-soil value of 13.7 g/t. This anomaly is one of the most robust defined to date in the Mupane area and appears to be a new mineralised trend. Drill testing is underway.**

Regional exploration to identify satellite gold deposits within 30 kilometres of Mupane recommenced in February with initial trenching and drilling conducted on five new prospects. The program aims to fast track the identification of likely gold deposits of 50,000 ounces and above to provide additional feed for the proposed mill at Mupane. Analytical results are awaited.

Gallery announced on 22 May that it had exercised an option to purchase the Signal Hill mining lease from Sigmor Mines (Pty) Limited. Gallery will pay US\$473,850 by 20 June 2002 to purchase the approved lease, which hosts the Signal Hill gold deposit. The deposit, located fifteen kilometres from Mupane, contains a previously announced inferred resource of 1.68 million tonnes @ 2.2 g/t Au for 119,000 ounces.

Gallery's diamond tenements were farmed out to Gemstar Diamonds Limited on 16 April. Gemstar is a Perth-based company, planning to list on the Australian Stock Exchange (ASX) in mid-2002. The farm out agreement provides for Gemstar to earn a 60% interest in Gallery's diamond tenements by paying a non-refundable deposit of \$25,000 and expending a total of \$750,000 on exploration within three years. Gallery will also receive \$300,000 in Gemstar shares when that company lists on the ASX. Gemstar has commenced an initial field program to appraise various aeromagnetic anomalies for possible diamond bearing kimberlite intrusives.

**Subsequent to the end of the quarter Lion invested at further \$3.5 million at 24 cents per share by taking up its full entitlement to the Gallery rights issue.** The funds raised will be used to complete the Mupane feasibility study and to fund the A\$2.5 million dollar exploration program, planned to increase the current resource base. African Lion has unconditionally underwritten the issue at no cost.

#### **WESTONIA MINES NL - WESTERN AUSTRALIA/GOLD (LION – 39%)**

**Westonia has commenced due diligence work in preparation for a proposed Initial Public Offering, with the aim of listing on the Australian Stock Exchange in the third quarter of calendar 2002.** For further information refer to the ASX announcement dated 30 May 2002 regarding the proposed float.

During the quarter Lion exercised its final tranche of options in Westonia at 10 cents per share, totalling \$720,000, to fund the Bankable Feasibility Study. The study is assessing the economic viability of the optimum treatment process with the target of recommencing mining operations at the historic Westonia Gold Mine in late 2003.



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

**Construction of the North Mara gold process plant is progressing seven weeks ahead of schedule and within budget, despite heavy rainfall in East Africa.** Planned production over the first five years has been increased from 180,000 ounces per annum to 210,000 ounces per annum. First gold output is expected in August 2002 with the official mine opening by President Mkapa of Tanzania scheduled for 12 September.

Regional exploration in 2001 of the 500 square kilometre licence areas identified high priority new prospects at Gokona, Dett and Komarera. Drilling is underway at Gokona, 1 kilometre north west along strike from the proposed Nyabigena open pit. Reconnaissance drilling late in 2001 intersected encouraging results (11 metres @ 12.6 g/t Au and 11 metres @ 15.1 g/t Au) beneath 10 metres of volcanic cover.

Construction of the gold process plant has been financed by a US\$50 million project loan from Macquarie Bank. A forward sales position of 0.9 million ounces at US\$309 per ounce flat forward price is in place.

## **INDOPHIL RESOURCES NL - PHILIPPINES/COPPER & GOLD (LION – 42%)**

Indophil ordinary shares and options listed on the Australian Stock Exchange on 3 May (ASX codes: IRN and IRNO) following a successful capital raising that closed fully subscribed.

The acquisition of the Tampakan project remains one of the highest priorities for Indophil and the company monitors developments on a daily basis. A ruling is currently awaited from the Office of the President following a petition for review from Lepanto in February.

**A diamond drilling program for delineation and resource definition at Manat commenced in May. Initial drilling will be at the southern end of the Magas Vein Zone to define the continuity of the mineralised structure through to surface.** At Hinotongan, preparations for a geophysical survey have commenced and initial community consultations have been completed.

Subsequent to the end of the quarter, Indophil announced the appointment of Peter Maloney as a Non Executive Director. Peter has previously held senior management and financial positions with WMC Limited, Santos Limited and FH Faulding & Co Limited.



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

Havilah listed on the Australian Stock Exchange on 21 March following a successful Initial Public Offering that closed early and oversubscribed. The company's ASX code is HAV.

Havilah's exploration program is currently focused on two Gawler Craton projects in South Australia. Native Title and Aboriginal Heritage clearances have been obtained for the Mattaweara project area and a gravity survey has been conducted. The survey has revealed a 3 kilometre x 2 kilometre gravity feature located on the southern shoulder of the Mattaweara magnetic anomaly. **Detailed modelling of this data indicates several possible target alternatives and drilling is planned for June.**

A gravity survey has also been completed at the Pernatty project and results are being analysed. At least two targets will be drilled following the Mattaweara program, subject to drill permits being arranged.

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

Austindo has updated the Scoping Study on the Cibaliung Project from December 2000 to incorporate the resource estimates announced in July 2001. In their March 2002 quarterly report Austindo announced that the revised Scoping Study indicated that recoverable material is estimated to be 904,000 tonnes @ 10.5 g/t Au and 69 g/t Ag containing 330,000 ounces of gold equivalent. The study is based on a conventional 'cut and fill' mining method feeding a 150,000 tonnes per annum conventional CIL/CIP processing plant. Results indicate that Cibaliung could be viable at a gold price of US\$300 with annual production of around 50,000 ounces for six years.

**A Preliminary Feasibility Study was commenced in mid April by Australian Mining Consultants. Austindo will decide whether to proceed to a definitive feasibility study in July following the completion of the prefeasibility study.**

Assay results from a Mobile Metal Ion (MMI) sampling program at Cibaliung have been received. MMI sampling selectively detects the mobile ions present in soils that travel upward from a mineralised source, allowing detection of mineralisation through post-mineral cover rocks. Results from the sampling program indicate new vein targets south and east of the Cibitung Shoot. Initial follow up on possible buried vein targets will involve test pitting and trenching to establish if drilling is warranted.

Detailed mapping has been completed over the Bukit Breksi prospect, located 3 kilometre south east of Cibitung. Assay results are generally low, but the alteration characteristics are similar to those at both Cikoneng and Cibitung. This target area will be followed up with MMI sampling to locate possible sub-cropping veins.



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

Production from the Stawell Gold Mine was 26,494 ounces for the first three months of the year.

Stawell Mine Production (MPI – 50%)	Mar Qtr 2002	Dec Qtr 2001	Mar Qtr 2001
Ore treated (t)	211,778	212,000	179,000
Grade (g/t)	4.6	4.9	5.1
Gold produced (ounces)	26,494	28,452	24,930
Cash operating cost (A\$/ounce)	380	354	405
Total production cost (A\$/ounce)	484	457	494
MPI gold price received (A\$/ounce)	528	535	520

Drilling at Golden Gift, below the current workings, achieved positive results, extending mineralisation some 200 metres south. The Inferred Resource estimate was increased from 205,000 ounces to 275,000 ounces at 31 March 2002.

<b>Golden Gift Mineral Resource Statement at 31 March 2002</b>				
	<b>Category</b>	<b>Tonnes '000</b>	<b>Grade g/t Au</b>	<b>Gold ounces '000</b>
Underground	Inferred	1,200,000	7.1	275

*Note: Resources do not include Reserves*

Additional work validating the resource estimate using conditional simulation methodologies was carried out and MPI plans to continue using this method of defining the variability of the estimate. Further interpretation of Golden Gift Deep and Golden Gift South is in preparation for fluid flow modelling.

MPI and Herald Resources Limited have agreed to commence gold production at the Coolgardie Gold Mine, managed and 25% owned by MPI. A resource of approximately 800,000 ounces has been defined on the joint venture tenements and an initial production schedule of approximately 200,000 ounces over 3.5 years will be sourced from 3 mines. The mines include a new underground development based on the high grade Empress deposit, the Lindsays open pit and the Greenfields open pit. Ongoing production is contemplated from the balance of the resource and from exploration. It is planned to process ore through the Three Mile treatment plant.

The joint venture partners have also agreed to process approximately 800,000 tonnes of ore per annum for Mines and Resources Australia Pty Limited, on the basis of cost plus a fixed fee per tonne treated, plus a contribution to capital and reopening costs. This agreement is for three years with a minimum of one year.

*Information on gold resources is compiled by Mr Dean Fredericksen and Mr John Rowe, full-time employees of Mining Project Investors Pty Limited. Both are Members of the Australasian Institute of Mining and Metallurgy and have sufficient experience in the style of mineralisation and type of deposit to qualify as a Competent Person as defined in the 1999 JORC Code. Both have consented to the inclusion of the information in this report and the context in which it appears.*



### **SPINFEX GOLD LIMITED - TANZANIA/GOLD (LION - 21%)**

Spinifex announced that it had entered into a joint venture to explore the Nyakafuru Project with Resolute Mining Limited during the quarter. Resolute can earn up to 66% interest in Nyakafuru by

- expending US\$3 million over 3 years, with a minimum spend of US\$1 million, for an initial 51% interest; and
- spending a further US\$2 million over 2 years for an additional 15% interest.

In addition, Resolute agreed to subscribe for 30 million Spinifex shares at 7.5 cents per share (\$2.25 million) to acquire an approximate 9% interest in the company. Resolute plans to immediately supervise a structural analysis of Nyakafuru, including controls on mineralisation and an infill soil sampling program, to follow up defined soil anomalies.

Spinifex has been granted an option to acquire the remaining 10% share capital in Sukama Mines Limited, the company which holds the Nyakafuru licence. If Spinifex exercises this option it will have 100% ownership of the Nyakafuru Project (the company currently owns 90%).

Exploration drilling at Ikina Reefs during the quarter confirmed the continuation of a parallel structure that hosts the nearby Bulyanhulu deposit. The drilling program potentially defined a mineralised structure of 1.2 kilometres.

A new exploration and development program is being planned.

### **SEDIMENTARY HOLDINGS LIMITED - QUEENSLAND/GOLD (LION - 27%)**

The upgrade of the Klondyke prefeasibility study continued throughout the quarter and the Cracow joint venture partners anticipate that work will be completed in the next few months. An integral part of the study is renewed assessment of Sedimentary's wholly owned process plant, located 1.5 kilometres from the proposed site at Cracow.

Exploration drilling to the north east of the Crown mineralisation recorded an intersection of 9.8 metres @ 3.9 g/t Au in hole CBK 76, which was drilled to investigate a northerly trending structure. Hole CBK 76 intersected the structure approximately 100 metres north of a previous hole, CBK 20 (7.4 metres @ 6.4 g/t Au), with both holes possibly penetrating part of an additional gold shoot.

### **LAFAYETTE MINING LIMITED - PHILIPPINES/GOLD & BASE METALS (LION - 24%)**

Subsequent to the end of the quarter Lafayette announced that it had signed a Letter of Intent with Jiangxi Copper Company (JCCL) and China Non-Ferrous Metals (NFC) regarding the development of the Rapu Rapu polymetallic project. The Letter of Intent proposes that JCCL and NFC will jointly invest US\$5 million to acquire a 21.7% equity interest in Rapu Rapu. JCCL will also enter into an off-take agreement with Lafayette to purchase all of the copper concentrates produced and will retain an option to purchase the gold/silver dore from the mine's CIL plant on the same terms available from a third party refinery. The agreements are subject to approval by the boards of Lafayette, JCCL and NFC and the Chinese Government.

The Environmental Protection and Enhancement Program (EPEP) for the Rapu Rapu project was approved during the quarter. The EPEP is the equivalent of a mine operating program.



Additional auger drilling at the Hixbar deposit delineated shallow gold oxide mineralisation, which remains open in two directions and at depth. The mineralisation is associated with the oxidised, folded contact of mafic volcanic and massive sulphides. Detailed mapping has located several areas where this contact is found close to surface and these areas will be targeted for follow up diamond drilling.

A placement of 65 million new shares at 5 cents per share was made during the quarter to raise \$3.25 million. Lion has subscribed to \$2 million, subject to conditions, and \$1.25 million has been placed with Australian and international investors. The funds raised will be used to undertake the first stage of project development at Rapu Rapu.

On 14 May the Board of Lafayette announced that Chief Executive Officer, Ian Culbert, and Technical Director, Michael McMullen, had resigned to pursue other business opportunities. They will leave the company after a four month transitional period to hand over management to new appointees.

The Board also announced the appointment of Jim Mitchell as a Non Executive Director and technical consultant. Jim has held senior executive roles in operations and project management with RGC and North Limited, and has international experience in gold, base metals, mineral sands and iron ore projects. The Board will be announcing the appointment of a new Chief Executive Officer in the near future.

#### **COPPERBELT SELECTION NL - AFRICA/COPPER (LION – 33%)**

Copperbelt continued to monitor and assess possible investment opportunities during the quarter.

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

Austminex maintains its option to purchase the Benambra copper/zinc property in Victoria. A recent review of all exploration data for Benambra has indicated several target areas that may warrant drill testing. Most of these are electromagnetic anomalies that are within two kilometres of the existing plant site. Further work to accurately define drill targets is planned.

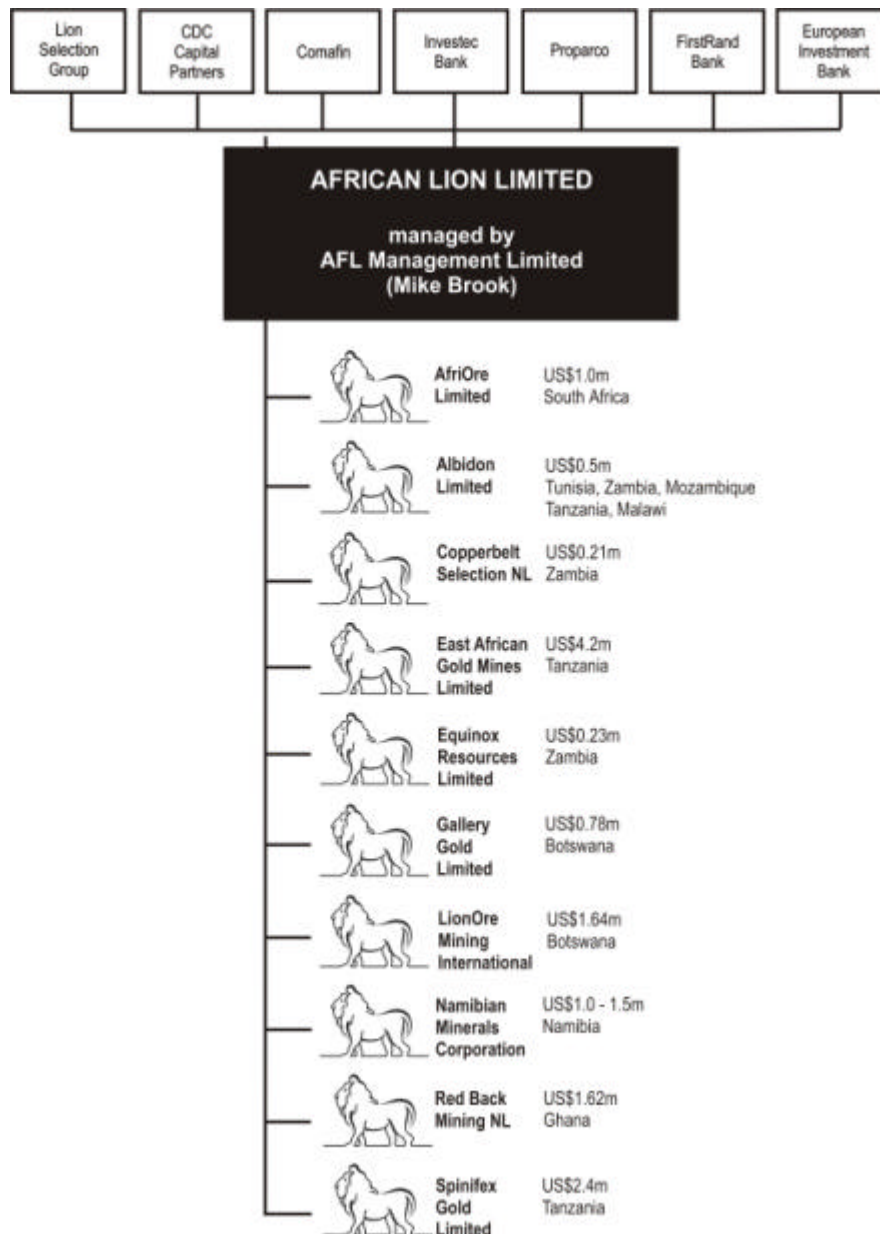
Geochemical drilling at the Mundoe prospect in New South Wales has delineated what appears to be a large mineralised system exhibiting Cobar-style characteristics. All of the available geochemical and geophysical data is being compiled and is expected to produce targets for deeper drill testing.

#### **OTHER INVESTMENTS**

<b>Investment</b>	<b>ASX Code</b>	<b>Activity</b>	<b>Lion Holding %</b>	<b>Amount invested \$m</b>	<b>Value at 30/4/02 \$m</b>
Kingsgate Consolidated NL	KCN	Gold production Thailand	2.8	1.1	4.0
Equinox Resources Limited	EQR	Copper development Zambia	11	1.2	1.4



## AFRICAN LION LTD – AFL (AUSTRALIAN SELECTION - 18%)



During the quarter African Lion agreed to unconditionally underwrite Gallery Gold's renounceable 1:4 rights issue at no cost. The rights will be issued at \$0.24 per share and Gallery will use the funds raised to complete the Mupane feasibility study and to fund the A\$2.5 million dollar exploration program, planned to increase the current resource base.

Subsequent to the end of the quarter, a new investment was made in Albidon Limited (US\$0.5 million). African Lion also agreed to participate in a capital raising by LionOre International Mining Limited (US\$1.64 million).

Albidon has an exploration portfolio of attractive base metal projects in Tunisia, Zambia, Tanzania, Malawi and Mozambique. The company aims to acquire high value resource projects that have been overlooked or neglected by major mining companies, with the intention of establishing a portfolio of projects with suitable size potential and/or value to supply the business development requirements of larger corporates.



LionOre is a gold and nickel mining company with a strong growth profile generated by acquisition, project development and exploration. The company's capital raising will fund the acquisition of Anglo American's interest in the Tati nickel operations in Botswana. Acquisition of Tati will project LionOre into the top 10 of world nickel producers.

## INVESTMENT BRIEFINGS

The half yearly Investment Briefings will be held in the week commencing 15 July. Specific dates and venues will be posted to Lion's website in the coming weeks and shareholders will receive notification by mail or email.

## SHAREHOLDER INFORMATION

Issued shares:	100.1 million	Share price at quarter end:	\$0.94
Quarter High:	\$0.95	Quarter Low:	\$0.85
Volume traded:	5.337 million shares	NAV after tax:	\$114.4

Further enquiries:

**Judith Russell, Investor Relations Manager**  
Lion Selection Group Limited  
ACN 077 729 572

Level 4, 15 Queen Street, Melbourne, Victoria 3000  
Telephone: (03) 9614 8008 Facsimile: (03) 9614 8009 Email: [lionselection@lsg.com.au](mailto:lionselection@lsg.com.au)

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