



Quarterly Report for the 3 months ended 30 April 2004

KEY POINTS

- **Mining Sector**
 - Lion's view is that weakness in recent months is an opportunity rather than a permanent downturn
 - Lion intends to add to existing investments and is aiming for two additional investees
- **Listed Investments**
 - All ten investees advanced their projects significantly in the quarter, which was at odds with falls in share prices
- **AuSelect**
 - Successful IPO raising approximately \$50 million
 - Listed on ASX on 3 May 2004 with code AUS
- **Dividend**
 - 10 cent dividend paid on 18 May 2004
- **Cash Position**
 - Following the float of AuSelect, the payment of the 10 cent dividend and after providing for the Manager's Performance Incentive payment, Lion retains \$30 million cash for further investments
- **Exco Resources**
 - New Australian copper/gold investment

INVESTMENT SUMMARY TABLE

Investment	ASX Code	Activity	LSG Holding %	Amount Invested \$m	Market Value or Cost of Unlisted* \$m
At 30/04/04					
Unlisted Investments					
Copperbelt Selection		Africa – copper	32.5	0.3	0.2
Listed Investments					
Allegiance Mining	AGM	Australia – nickel	8.3	3.6	2.8
Austindo Resources	ARX	Indonesia/Aust – gold	11.9	3.6	3.2
Exco Resources	EXS	Australia – copper/gold	9.9	2.8	1.8
Gallery Gold	GGN	Botswana/Tanzania – gold	25.7	21.7	26.0
Havilah Resources	HAV	Australia - gold/base metals	22.0	1.9	3.3
Indophil Resources	IRN	Philippines - copper/gold	31.3	11.5	20.3
Lafayette Mining	LAF	Philippines - gold/base metals	22.3	10.0	12.3
MPI Mines	MPM	Australia – gold/nickel	13.6	9.5	25.5
Sedimentary Holdings	SED	Australia – gold	26.5	8.1	12.7
Westonia Mines	WEZ	Australia – gold	34.3	4.0	10.4
Other Investments				0.9	1.2
Total Investments				77.8	119.7
Net Cash					30.4
Total Net Assets					150.1
Net Asset Value (NAV) before tax (cents per share)					149.9
Net Asset Value (NAV) after tax (cents per share)					143.6

- For NAV purposes, the value of listed investments is at market and unlisted investments at the lower of cost or net realisable value
- Note:** the NAV is after providing approx \$10 million for the 10 cps dividend paid on 18 May 2004 and \$12.23 million for the Manager's Performance Incentive.

**MINING SECTOR COMMENTARY**

Lion's share price has pulled back from the late 2003 highs of around \$2.30 to the current price of around \$1.35. This disappointing fall is a consequence of several factors:

- **Metal prices**
Gold and base metal prices have fallen by around 10% since late 2003, but have all bounced from lows in the last month.
- **Dividends**
Lion has paid 21 cents per share of dividends over this period
- **Manager's Performance Incentive**
In December 2003 \$12.2 million (12.2 cents per share) was provided for the Manager's Performance Incentive payment
- **AuSelect IPO**
A number of shareholders sold a portion of their Lion shareholdings earlier in the year to participate in the AuSelect IPO, which put pressure on the Lion share price.
- **NTA**
Late 2003 Lion's share price was trading at a more than 30 cent premium to the pre-tax Net Tangible Asset backing (NTA) and has recently been at a 15 cent discount.

While all of the underlying investments have paralleled Lion's share price fall since late 2003 they have almost universally advanced their projects significantly. **The Manager's interpretation of metal and equity prices is that the early 2004 pull back is an opportunity rather than a permanent down turn.** Lion has \$30 million in cash, ten key investments and room for further investments to return to the 12-15 investees target area.

INVESTEE UPDATE**INDOPHIL RESOURCES NL - PHILIPPINES/COPPER & GOLD (LION – 31%)**

Indophil has continued to obtain extremely encouraging drill results from the Tampakan copper-gold project in the Philippines. Drilling has focused on defining a significant tonnage of high copper/gold and low arsenic mineralisation that could sustain a major 8-10 year initial underground mining operation. Upper parts of the drill holes completed during the quarter continue to confirm a high copper, variable arsenic resource in the high sulphidation zone. Indophil is confident that definition of a significant tonnage capable of supporting an open pit operation is also achievable in this zone.

Assay results included the following significant intersections at a cut off grade of 0.3% copper:

Hole	From (m)	Interval (m)	Copper (%)	Gold (g/t)	Arsenic (ppm)
TMPD 107	57.6	120.8	1.53	0.75	144
	275.3	201.7	0.79	0.24	28
TMPD 108	37.0	112.9	0.79	0.38	310
	149.9	158.5	0.90	0.38	13
TMPD 109	57.4	125.6	1.05	0.44	165
	183.0	234.0	0.79	0.41	63
TMPD 110	36.0	178.3	1.18	0.44	505
	214.3	196.9	0.63	0.36	32
TMPD 111	51.0	56.6	0.76	0.21	66
	107.6	212.4	0.54	0.13	57



Interpretation of the results indicate a wide, coherent and shallow higher grade zone underlain by a thick and coherent zone of more moderate copper, low arsenic mineralisation. All mineralisation contains recoverable gold.

Drilling results from Tampakan are being posted to Indophil's website, www.indophil.com.

Four options for future mining at Tampakan are being evaluated as part of the Prefeasibility Study:

- a block cave underground mine
- a block cave underground mine with small open pit and blending of ore treated to produce one copper flotation concentrate
- a block cave underground mine with modest sized open pit with ores treated separately and two copper concentrates blended
- a large open pit with blended feed

Consultants have been appointed to conduct a desktop study on the geotechnical aspects of mining the deposit by underground block caving and metallurgical flotation studies testing samples of the target transition zone.

Following the float of AuSelect the company is no longer classed as an associate of Lion. Lion now holds a 31.3% interest in Indophil and AuSelect holds a 3.5% interest. Both interests were previously combined under Lion at 34.8%.

GALLERY GOLD LIMITED – BOTSWANA & TANZANIA/GOLD (LION - 26%)

Construction of the Mupane Gold Mine in Botswana remains on schedule for the first gold pour in October 2004.

Gallery is now pursuing two key priorities - adding to existing reserves at Mupane to improve the project's profitability and mine life and accelerating the completion of a prefeasibility study at the Buckreef-Rwamagaza project in Tanzania. A comprehensive program of drilling, trenching, mapping and soil analysis to increase resources and reserves over the next two to four years is under way.

A 36,000 ounce reserve has been confirmed at the Golden Eagle deposit, 14 kilometres from the Mupane processing plant, following the completion of a resource drilling program in the last quarter. Gallery announced in April that the JORC compliant resource at Golden Eagle in all categories totals 971,000 tonnes @ 2.2 g/t Au for 67,800 ounces using a 1 g/t cut off grade. The company anticipates that this will be the first in a series of reserve upgrades to be announced during the year. A program of detailed trenching, mapping and sampling has commenced in the area between Kite and Golden Eagle to better define the mineralised shoot for resource drilling. Results from the first four trenches are extremely encouraging.

Drilling at the Tau deposit, one of the primary ore sources for the Mupane Gold Mine, has confirmed the continuance of the wide main shoot at depth which contains a higher grade core. The drilling intersected discrete shoots, grading up to 5 g/t, which confirm the potential for future underground mining. Results obtained during the quarter included: 35 metres @ 2.9 g/t Au from 203 metres, including 5 metres @ 4.8 g/t Au. Further evaluation is in progress to determine if the widths and grades of the high grade gold zones identified are sufficient to sustain underground development.



Metallurgical test work on high grade ore from the nearby Map Nora deposit has confirmed potential recovered grades of approximately 7.5 g/t Au for a total of 125,000 ounces if the resource/reserve estimation of Phelps Dodge, the previous owner, is used and the ore is processed through the Mupane plant.

Drilling for a feasibility study at the Buckreef-Rwamagaza project in Tanzania is evaluating five deposits. Three diamond holes drilled at Buckreef during the quarter intersected significant widths of high grade mineralisation and these are thought to be a northern extension of the Main zone. The Main zone has a shallow northerly plunge and current drilling is assessing the extent of this high grade underground resource.

New joint venture agreements covering tenements in the Buckreef-Rwamagaza area have secured tenure over a 45 kilometre strike. Gallery has calculated a JORC compliant Inferred Resource of 279,000 ounces at 2.5 g/t for one of these joint venture tenements, Busolwa, increasing the total Buckreef-Rwamagaza resource to more than one million ounces. Drilling to upgrade Busolwa to a Measured-Indicated category has commenced and Gallery will use the results to assess this resource as a satellite deposit to the main Buckreef deposit, 25 kilometres to the west.

It is Gallery's intention to develop a mining project at Buckreef-Rwamagaza in two to three years.

The increased exploration and resource assessment programs will be funded by capital raisings carried out during the quarter. Approximately \$13.7 million was raised from a placement of 54.75 million shares at 25 cents each to institutional and sophisticated clients of Euroz Securities and RBC Capital Markets and \$1.8 million was raised by issuing 7.08 million shares at 25 cents per share as part of a Share Purchase Plan.

Following the float of AuSelect the company is no longer classed as an associate of Lion. Lion now holds a 25.7% interest in Gallery and AuSelect holds a 1.9% interest. Both interests were previously combined at 31.8% under Lion.

MPI MINES LIMITED – AUSTRALIA/GOLD & NICKEL (LION - 14%)

	March Qtr 2004	Dec Qtr 2003
Black Swan Nickel Mine Production (MPI – 80%)		
Nickel shipped (t)	2,515	2,751
Total unit cost (A\$/lb Ni shipped)	5.71	4.53
Stawell Mine Production (MPI – 100%)		
Gold production (ozs)	23,820	26,278
Total production cost (A\$/oz)	642	483
Coolgardie Gold Joint Venture (MPI- 50%)		
Gold production (oz)	21,508	20,448
Total production cost (A\$/oz)	602	621



Nickel

Quarterly production from the Silver Swan Mine in Western Australia totalled 2,728 tonnes of nickel in concentrate, with 2,515 tonnes of nickel shipped. Several areas of remnant ore that had been left by the previous owners were mined to take advantage of the high nickel price. Drilling to extend the reserves and life of the existing underground operation produced best results from 2.8 metres @ 13.5% Ni and 13.5 metres @ 15.6% Ni. The program will continue in the next quarter to test for lateral extensions to the main mineralised channels.

Development of the Black Swan Disseminated (BSD) Phase 1 open pit project commenced with pre-strip, construction of the waste dump and tailings storage facility. Engineering and procurement activities are all proceeding according to schedule. The first production of concentrates from the BSD Phase 1 open pit is scheduled for July 2004 at a rate of 2,500 tonnes per annum contained nickel. Exploration to support expanded production volumes by converting existing resources to reserve continued with a resource definition program of 13 holes during the quarter and assay results are awaited. A feasibility study is in progress to consider BSD Phase 2, which would expand open pit production significantly.

Prefeasibility studies at Honeymoon Well to assess the potential development of an underground massive sulphide mine at Wedgetail continued on schedule. An infill drill program to define an Indicated Resource to support a final feasibility study later in the year is currently under way. Better results obtained include 5.3 metres @ 10.12% Ni, 9.7 metres @ 5.5% Ni, 7.7 metres @ 5.54% Ni and 6.0 metres @ 9.43% Ni. Exploration targets elsewhere at Honeymoon Well are being assessed and a program of drilling of massive sulphide targets is planned to commence at the Harrier project in the next quarter.

Gold

Production from Stawell Gold Mine (SGM) in Victoria was 23,820 ounces gold during the quarter. The 10% fall in gold production from the previous quarter resulted from extended maintenance of a ball mill reducing availability of the treatment plant, and the gradual transition of operations from Magdala to Golden Gift. **Infill drill results from Golden Gift continue to be encouraging, with best results of:**

44.1 metres	@	11.4 g/t Au
25.0 metres	@	8.1 g/t Au
34.2 metres	@	8.0 g/t Au
32.4 metres	@	10.6 g/t Au
25.2 metres	@	12.6 g/t Au
23.9 metres	@	8.7 g/t Au

MPI announced in April that it was adopting a strategy to shift SGM from the current closure mode to a sustainable level of production of 130,000 ounces gold per year. The plan is based on the transition of mining from the Magdala lodes to the Golden Gift area, where a resource of over 600,000 ounces has been defined. An additional 800,000 ounce resource exists in the Magdala system. The current mine reserves of 230,000 ounces include 90,000 ounces in Golden Gift with grades of 6.1 g/t Au, which are 30% higher than in Magdala.

The transition plan will provide for accelerated mine development, upgraded mobile equipment and extension of power, water and ventilation services. Total unit cash operating costs are expected to fall from A\$454 per ounce in 2003 to an average A\$350 per ounce over the six years of the plan, indicating a financially robust project outlook. To support the transition, exploration will focus on the discovery of new reserves at Golden Gift and the mine environs including Golden Gift South and Wonga Gift.



The corridors to the north and south of Stawell have been identified as hosts to repetitions of Stawell-style mineralisation, with potential for endowments of 1-5 million ounces of gold. The Kewell and Wildwood targets have been advanced to scoping stage and MPI has budgeted \$2.4 million to further investigate these areas and confirm mineralisation at other targets along the 140 kilometre strike length of MPI's 100% owned tenements north west of Stawell.

The Coolgardie Gold Mine in Western Australia produced 21,508 ounces of gold from the Empress underground mine and the Lindsay's and Greenfields open pits. The joint venture partners have now committed to deepening the Empress mine by an additional level, which is anticipated to deliver approximately 5,000 ounces of gold. Exploration to identify additional resources to extend mine life is continuing and encouraging results have been obtained from drilling at the Perseverance and Tindals targets adjacent to Empress. Two holes drilled toward the Tindals lode intersected a mineralised Tindals-style lode in an unexpected position, 30 metres below the deepest Empress development level. A five hole follow up program is underway to scope out this new lode.

Corporate

During the quarter MPI raised \$24.4 million from a placement at \$1.50 per share and \$6.2 million at \$1.50 per share from a Share Purchase Plan. Compared with the previous quarter consolidated cash rose from \$24.7 million to \$69.1 million and debt increased from \$21.1 million to \$26.2 million. Net cash has therefore risen by approximately \$40 million since 31 December 2003.

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

Subsequent to the end of the quarter Lafayette announced that it had received US\$6 million in equity subscription from LG International (LGI) and KORES, the investment arm of the Korean Government. LGI and KORES now jointly hold 26% of Lafayette Philippines Inc (LPI), the subsidiary established by Lafayette to develop the Rapu Rapu polymetallic project in the Philippines. The companies will invest a further US\$4 million in LPI once initial hedge programs have been established for the project.

The total US\$10 million from LGI and KORES represents Lafayette's funding obligations for final construction of the Rapu Rapu Mine and will be utilised prior to first drawings from the approved bank credit facilities. Credit approvals totalling US\$35 million have been secured from the syndicate of banks of Rothschild, ANZ, ABN AMRO, Investec and Korea First Bank.

Subject to validation of the final contract price and execution of the fixed price construction contract, Lafayette anticipates that Rapu Rapu will quickly move into full construction mode, commencing Phase B construction of the main plant as soon as possible. The first gold pour from the mine is scheduled for early 2005 and concentrate production will be shipped by mid 2005. Rapu Rapu is anticipated to produce copper, gold, silver and zinc to the value of \$US300 million over the initial six year mine life. Recent exploration results indicate that there is a likelihood that the life of the mine can be extended.

Mr Peter Geddes was appointed to the Lafayette Board as a non executive director and Lion representative during the quarter.



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

Results from the initial 10,000 metre drilling program on the Portia gold deposit in the Curnamona Craton have confirmed a gold resource at the base of the Tertiary cover sequence. Future drilling will aim to expand the gold resources in the underlying bedrock by testing extensions at depth and to the north and south. Havilah is currently compiling a preliminary resource estimate for the Portia deposit.

A one for eight pro rata non-renounceable entitlements issue at 27 cents per share to raise \$1.9 million was conducted during the quarter. Lion subscribed for its entitlement, investing \$408,375.00 for approximately 1.5 million shares. The directors of Havilah expect the full amount will be raised through the placement of the shortfall shares over the next three months.

The capital raised by the issue will be used to fund additional detailed infill resource drilling at the Portia gold deposit, where Havilah is aiming to prove and develop a viable gold resource that can provide future cash flow to fund ongoing exploration. The funds will also allow Havilah to implement geophysical and drill programs on other advanced prospects, particularly those near Portia, such as North Portia and Shylock, which could offer synergies of development, as well as the recently acquired Kalkaroo project.

AUSTINDO RESOURCES CORPORATION NL – INDONESIA & AUST/GOLD (LION – 12%)

The Bankable Feasibility Study (BFS) on the Cibaliung gold project in Indonesia continues on schedule for completion in mid-2004.

Exploration work has focused on increasing the project resource base by the end of this year. Extensive data analysis and a revised exploration model of the mine project area have demonstrated excellent potential for new discoveries. Based on the revised model the area immediately adjacent to Cikoneng and Cibitung has been ranked as highly prospective for additional economic shoots. The four key targets in this area identified for immediate detailed follow up are the Rorah Kadal vein, the Central Zone between the Cikoneng and Cibitung Shoots and the Cibeber and Cikeni veins.

Rorah Kadal is located less than 700 metres from Cikoneng and Cibitung and a drilling program is currently under way. Drilling during the quarter provided the following significant intercepts:

AC-79	4.95 metres	@	18.98 g/t Au	176 g/t Ag	from	140.75 metres
	incl 4.30 metres	@	21.42 g/t Au	197 g/t Ag	from	141.40 metres
AC-80	6.10 metres	@	10.39 g/t Au	186 g/t Ag	from	190.3 metres
	and 2.45 metres	@	7.37 g/t Au	268 g/t Ag	from	208.40 metres

The results from Rorah Kadal correspond with the rationale of the new exploration model, displaying a favourable NNW-SSE structural trend and key element signatures. It is thought that cover rocks to the south may mask the true extent of the known vein.

In Victoria, Austindo's geological team has completed the development of a new predictive ore occurrence model to define prospective locations for shallow high grade gold occurrences at the Chewton and Sebastian gold projects. Interpretation of regional and detailed structural information using the model, known as the Corridor Stacked Reef Model, has produced new drill targets in different locations from those tested without success by earlier explorers. Six potential new gold systems are now ready for drill testing.



Following the float of AuSelect the company is no longer classed as an associate of Lion. Lion now holds a 11.9 interest in Austindo and AuSelect holds a 1.5% interest. Both interests were previously combined at 13.4% under Lion.

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

Decline development at Cracow Gold Mine in Queensland accelerated during the quarter and the decline face is now 760 metres from the portal and at a vertical depth adjacent to the top of the Royal Shoot. Surface facilities at the mine site, including workshop, fuel facilities, communication and pumping equipment, are being established. Metallurgical assessments and process engineering design for the treatment plant have been finalised and detailed engineering design for refurbishment and expansion has commenced. Development of the project remains on schedule for commencement of production in the December quarter of 2004.

Exploration drilling at Cracow has focused on a combination of new target zones and further testing of known areas of gold mineralisation. A significant intersection was recorded on the Sterling structure, producing:

CBK131	7.45 metres	@	9.0 g/t Au	from	639.2 metres
	incl 2.3 metres	@	25.0 g/t Au	from	639.2 metres

Within the higher grade zone an interval of 0.6 metres @ 74 g/t Au containing visible gold was recorded and appears to contain geochemical characteristics typical of the Crown Shoot mineralisation. The Sterling structure is located 300 metres west of the Empire mineralised zone and lies under approximately 100 metres of sedimentary cover rocks. From the four holes currently drilled the structure is interpreted to be sub-vertical and striking north-south.

Step out drilling at Sovereign extended gold mineralisation toward the surface and produced the following results:

CBK128	20.5 metres	@	3.6 g/t Au	from	279.5 metres
	incl 1.8 metres	@	8.3 g/t Au	from	292.2 metres
	and 0.7 metres	@	6.1 g/t Au	from	308.0 metres
CBK130	20.2 metres	@	2.1 g/t Au	from	312.0 metres

Such results indicate the potential for these structures to provide an increase in resources for the Cracow Mine.

Sedimentary has been expanding its exploration portfolio following a successful capital raising earlier in the year. The company has agreed to form joint ventures with Mt Britton Mining Pty Limited and Enterprise Mining Pty Limited to explore the high grade epithermal Mount Britton goldfield near Nebo, approximately 75 kilometres south west of Mackay in Queensland. The joint ventures consist of a 1 square kilometre granted mining lease and the surrounding area, which is currently the subject of an exploration permit application.

Sedimentary can earn a 51% interest in the Mining Lease by spending \$750,000 within three years, when Mt Britton can elect to contribute or allow Sedimentary to earn an 80% interest by fully funding the joint venture to a positive feasibility study within ten years.



The Mount Britton goldfield contains a high grade epithermal gold vein system that displays similarities to Cracow. Drilling is planned to commence in June and will focus on down dip extensions of the mineralised vein systems, targeting high grade shoots similar to the Cracow and Vera Nancy deposits

Following the float of AuSelect the company is no longer classed as an associate of Lion. Lion now holds a 26.5% interest in Sedimentary and AuSelect holds a 2.4% interest. Both interests were previously combined under Lion at 29.0%.

WESTONIA MINES LIMITED - WESTERN AUSTRALIA/GOLD (LION – 34%)

The Bankable Feasibility Study (BFS) into the resumption of gold mining and processing at the Westonia Gold Project in Western Australia has been completed on the following base case parameters:

- Ore reserve of 12.8 million tonnes @ 1.3 g/t Au (mining diluted)
- Recovered gold of 520,000 ounces (including 40,000 ounces from 2.4 million tonnes of oxide stockpiles)
- Hard rock throughput of 2.2 million tonnes per annum
- Waste to Ore ratio of 2.2:1
- Mine life of 6.3 years
- Average gold production of approximately 90,000 ounces per year
- Cash cost of \$420 per ounce
- Maximum pit depth of 205 metres

The first gold pour is anticipated in mid 2005.

Capital costs are expected be approximately \$34.5 million and current plans for pre-production mining and for working capital total \$9 million. Westonia has commenced negotiations for project financing via a mix of debt and equity.

For financing purposes Westonia has designed an interim pit based only on Indicated Resources. Flooding of the previous operator's open pit has precluded drill access to the zone immediately below that pit, resulting in the estimation of resources at the Inferred category in much of that interval. The base case pit contains a further 1.1 million tonnes @ 1.3 g/t Au in the Inferred category. Full conversion of these resources to ore during the mining operation would recover a further 45,000 ounces of gold, decrease waste to ore ratio to 1.9:1, lower cash costs by about \$15 per ounce and increase mine life by 6 months.

The key to mine life at Westonia will be the resumption of underground mining of the large mineralised system, which is continuous to at least 700 metres depth. Results from the Big Pit Initiative drilling during 2003 identified numerous strong gold intersections outside the current pit designs. Westonia is looking to establish an underground resource that could be accessed using the existing decline, which is currently at a depth of 264 metres.



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

Stage 1 of Allegiance's development strategy at the Avebury Nickel Project in Tasmania is to develop the Viking Decline and complete associated technical studies by end 2004. Construction of the decline to access the upper high grade section of the Viking deposit commenced in March and the access road to the decline portal area has been developed. Construction of necessary infrastructure at both the portal and amenities areas has also commenced. The current schedule provides for the Stage 2 engineering design studies and a bankable feasibility study being completed by early 2005. Planning for mining and the construction of a purpose built ore processing facility is underway, with a view to commencing operations in late 2005.

Regional exploration programs have been accelerated in order to identify additional nickel resources for Avebury. High grade nickel sulphide intersections with values up to 9.2% nickel have been obtained at shallow depths at Melba Flats. The shallow close spaced drill holes are designed to follow up high grade intersections recorded by previous explorers at the Genets prospect. Five holes have been completed at Genets and significant intersections include:

MF 28	1.8 metres	@	0.58% Ni	0.49% Cu	0.02% Co	from	33.8 metres
MF 29	1.6 metres	@	1.50% Ni	2.00% Cu	0.04% Co	from	24.5 metres
	incl 0.3 metres	@	5.85% Ni	9.15% Cu	0.17% Co	from	25.3 metres
MF 32	4.0 metres	@	1.98% Ni	1.46% Cu	0.04% Co	from	37.8 metres
	incl 0.7 metres	@	9.20% Ni	4.55% Cu	0.17% Co	from	41.5 metres

In early March Allegiance reported a technically encouraging initial nickel result from the Burbank nickel prospect, 4 kilometres west of Avebury, of 24 metres @0.77% Ni. Follow up drilling is planned for next summer.

Barry Sullivan, ex MIM Executive General Manager, was appointed as Lion's representative and a non executive director to the board of Allegiance on 8 March. Barry will add significant experience to Allegiance during the development phase of Avebury.

EXCO RESOURCES NL - AUSTRALIA/COPPER & GOLD (LION – 10%)

New Investment

Lion invested \$2.75 million for a 9.9% shareholding in Exco Resources NL during the quarter. Exco has a portfolio of advanced copper and gold exploration properties around Australia, including 100% of the Cloncurry Copper Project in Queensland and up to 60% of the White Dam gold deposit in South Australia.

Exco is using the funds invested by Lion to commence development feasibility studies on the Cloncurry Project, which incorporates the E1 North, Great Australia and Monakoff copper deposits. The study is investigating all aspects of mining, processing and marketing of copper-gold ores from the deposits as either joint or separate operations.

Parameters for project development include:

- open pit mining and conventional flotation processing of at least 60,000 tonnes of ore per annum
- average head grade of approximately 2% copper and 0.4 grams/tonne gold



- annual production of 11,000 tonnes copper in 36,000 tonnes of concentrate
- initial project life of greater than five years.

This base case scenario is designed to achieve a scale of production suitable for producing a marketable volume and quality of concentrate for export, while allowing the fastest possible development timetable and minimal capital requirements. Further optimisations will be investigated once the project is in production, including the potential for higher processing throughputs and reduced mining grade cut offs. Production is anticipated to commence in the second quarter of 2005.

Exco is earning up to 60% of the Drew Hill Project in the prospective Curnamona Craton in South Australia, which incorporates the White Dam gold deposit. Twenty six RC holes for 1,524 metres were drilled during the quarter and all holes intersected mineralisation. Better results included:

WDRC236	10 metres	@	4.97 g/t Au	from	4 metres
WDRC238	6 metres	@	3.48 g/t Au	from	8 metres
WDRC245	10 metres	@	2.07 g/t Au	from	44 metres
WDRC247	6 metres	@	3.34 g/t Au	from	68 metres
WDRC250	8 metres	@	2.52 g/t Au	from	14 metres
WDRC250	10 metres	@	3.43 g/t Au	from	58 metres
WDRC255	4 metres	@	5.95 g/t Au	from	28 metres
WDRC260	10 metres	@	2.47 g/t Au	from	30 metres

Drilling has confirmed the continuity, thickness and grade of the gold mineralisation at White Dam and the nearby Vertigo prospect. The majority of the holes were drilled outside the limits of the resource and may add significantly to previous resource estimates. The resource model is being revised to include these results and the new model will form the basis of a revised resource estimate and mine plan.

AUSELECT LIMITED

AuSelect Limited listed on the Australian Stock Exchange on Monday 3 May 2004 with the ASX code **AUS** following a successful IPO that raised approximately \$50 million. The company has 51.3 million shares on issue and of these Lion shareholders subscribed for 42.7 million shares. The Lion Manager subscribed for 2 million shares at \$1.00 per shares, which will be paid in August 2004.

AuSelect has granted free options to Lion to subscribe for 7,697,600 million AuSelect shares (15%). The options will be exercisable at \$1.20 per share at any time before April 2009.

The successful closure of the float allowed AuSelect to pay \$19.2 million to Lion for the existing investment portfolio, which includes Lion's full ownership of African Lion and Equinox plus smaller interests in Austindo, Gallery, Indophil and Sedimentary. This has led to minor adjustments in Lion's shareholdings in these companies, as a result of AuSelect and African Lion no longer being deemed associates of Lion. These changes have been reflected in the Investment Summary Table.

AuSelect will apply the remaining funds to the immediate establishment of Asian Lion and the second African Lion fund, as well as other opportunities as outlined in the prospectus.



L I O N S E L E C T I O N G R O U P L I M I T E D

DIVIDEND

Following the successful close of the AuSelect float, the directors of Lion declared a 10 cent per share dividend, payable on 18 May 2004 to shareholders registered at close of business on 5 May. The dividend is 92% franked. This brings the total amount of dividends paid since October 2003 to 21 cents per share.

Australian residents are reminded that, due to Lion's Pooled Development Fund status, the dividend payment can be treated as tax exempt or included as part of assessable income in order to utilise the 30% franking credit.

THE MANAGER

Peter Geddes joined the Lion Manager in May with responsibility for new investments. Peter is a mining engineer with 22 years experience and a varied background in Australia and overseas, working for MIM, Shell, Acacia and more recently as a consultant.

SHAREHOLDER INFORMATION

Issued shares:	100.1 million	Share price at quarter end:	\$1.57
Quarter High:	\$2.18	Quarter Low:	\$1.55
Volume traded:	13.0 million	NAV after tax:	\$1.44

Further enquiries:

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