



Quarterly Report for the 3 months ended 31 July 2001

Lion is now fully invested with fourteen investments and sufficient funds remaining to support and be actively involved in its investee companies. The outlook for the investments, with few exceptions, is for growth through development of a new gold or metal project. These investments have followed exactly the 1997 prospectus plans to realise value for shareholders through two avenues: mine development and market turnaround.

While progress towards mine development is proceeding as planned, the small resource market has been severely depressed for over four years since Lion's inception. This situation has resulted in Lion's share price trading at a large discount to Net Asset Value. It is the management's view that the small resource sector is near the point of turn and the major influence for upturn is gold price, which we believe has been depressed by a strong US dollar. If gold rallies shareholders should quickly be rewarded, but if gold and small resource companies remain depressed alternative strategies will be needed.

The Board and management team remain committed to the vision that was outlined in the 1997 prospectus and that has been adhered to since. Returns to shareholders - through tax free capital gains and dividends - should occur as the investee companies move towards development of their respective projects and/or the investment cycle favours the high leverage small resources sector once again. The management team is working actively with the investee companies to ensure value is created effectively and remains confident that improved investor sentiment will return with an upturn in the economic cycle.

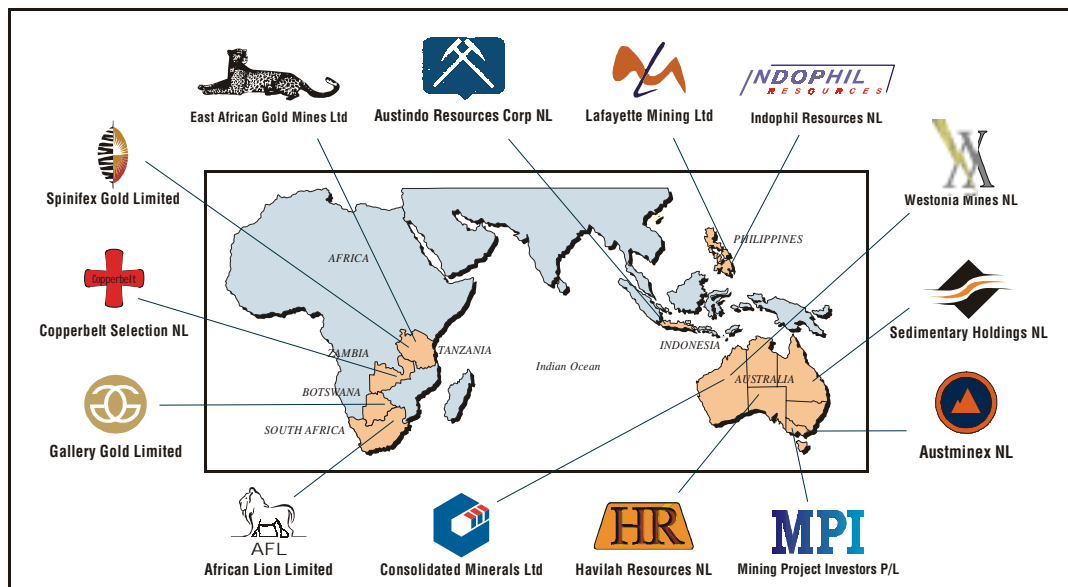
The future for Lion is promising. And while it has always been emphasised that Lion is a long term investment the Board is confident that the patience and support of all shareholders will be rewarded.

KEY POINTS

- **Consolidated Minerals** Agreement to sell part of Lion's holding
- **East African Gold Mines** Go ahead for gold mine development in Tanzania
- **Indophil Resources** Forthcoming float
- **Lafayette Mining** Environmental clearance / government approval for base metal mine in Philippines
- **Gallery Gold** Continued gold exploration success advances path towards new open pit gold mine at Mupane in Botswana
- **Sedimentary** Royal & Crown Shoot discoveries at Cracow in Queensland suggest the goldfield as having potential to host in excess of 2 million oz and a new high grade underground mine



INVESTMENTS



INVESTMENT SUMMARY TABLE

Investment	Code	Activity	LSG Holding %	Amount Invested \$m	Market Value or Cost of Unlisted \$m
At 31/07/01					
Unlisted Investments					
Copperbelt Selection		Zambia - copper	33.0	0.3	0.3
East African Gold Mines	EAGM	Tanzania - gold	11.6	10.2	10.2
Havilah Resources		Australia/Indonesia - gold	51.8	1.9	0.4
Indophil Resources		Philippines - copper/gold	60.4	7.0	5.8
Mining Project Investors	MPI	Australia - gold	16.3	6.1	6.1
Westonia Mines		Australia - gold	25.0	0.5	0.5
Listed Investments					
Austindo Resources	ARX	Indonesia - gold	15.6	3.6	1.6
Austminex	ATX	Australia – base metals	16.9	5.0	3.7
Consolidated Minerals	CSM	Australia - manganese	33.1	8.0	25.3
Gallery Gold	GGN	Botswana - gold	43.6	5.6	8.7
Lafayette Mining	LAF	Philippines - polymetallic	23.2	5.5	3.2
Sedimentary Holdings	SED	Australia - gold	24.2	4.0	4.6
Spinifex Gold	SPX	Tanzania - gold	22.5	6.6	3.9
African Lion	AFL	Africa - mining investment	18.5	5.1	5.1
Other Investments				6.4	5.5
Total Investments				75.7	84.8
Net Cash					25.1
Totals per Share					109.8
Net Asset Value (NAV) after tax					108.6

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



INVESTEE UPDATE

CONSOLIDATED MINERALS LIMITED - WESTERN AUSTRALIA/MANGANESE (LION - 33%)

Subsequent to the end of the quarter Lion announced that it had entered into an agreement with Consolidated Minerals (CSM) to sell 9.3 million of its 37.8 million shares and all of its 22.5 million options. **Lion's total investment is more than recovered by this sale and the company will still retain 28.5 million shares, worth approximately \$15 million at CSM's recent share price of 52 cents.** Lion is actively considering alternatives to realise this remaining holding.

Under the agreement CSM will undertake a Selective Buy Back of all of Lion's CSM options (12.5 million 30 cent and 10 million 20 cent options). The buy back will be funded by a \$5 per tonne royalty structure over sales of manganese ore for approximately 3 years. The agreement also provides for CSM's directors to purchase 9.3 million CSM shares from Lion under a Share Purchase Plan. Both the Selective Buy Back and the Share Purchase Plan are subject to CSM shareholder approval at CSM's annual general meeting in October.

Following the share purchase plan Lion's uncommitted cash position will be around \$25 million, with the CSM's Selective Buy Back providing annual cash flow which is likely to cover Lion's operating and administration costs for approximately 3 years.

CSM recently announced a full year unaudited net profit of \$12.51 million on sales revenue of \$61.5 million with an unfranked 2.25 cents per share dividend payable to shareholders in September. The Selective Buy Back and Share Purchase transactions will not affect Lion's entitlement to this dividend.

Mining continued at the Hanna and Lewis deposits and redevelopment of the old Bells Pit commenced in preparation for mining. Exploration drilling during the quarter focused on 16 targets that were generated from a gravity survey completed in 2000. Significant mineralisation was intersected in five of the target areas.

Woodie Woodie Production

Wet Tonnes	June Qtr 2001	March Qtr 2000	June Qtr 2000
Manganese lump produced	82,922	86,234	50,640

Five shipments of manganese were made to Europe, China and Japan during the quarter. CSM has sales agreements in place for all annual production as well as long term supply contracts for sales into Europe and China. Annual benchmark price negotiations between Japanese steel mills and major suppliers have been settled with the announcement of a 4% increase in the manganese price.

During the quarter CSM acquired 100% of chromite producer Danelagh Resources Pty Limited for \$825,000. Danelagh owns and operates the Coobina chromite deposit in the Pilbara region of Western Australia, which has the capacity to produce up to 150,000 tonnes per annum of chromite for export markets. Chromite is used in the production of stainless steel and Coobina's output could generate additional annual sales revenue of around \$20 million for CSM.



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

Subsequent to the end of the quarter Lion announced that East African Gold Mines Ltd (EAGM) had given the go ahead for a major new gold mine in the North Mara region of Tanzania.

EAGM anticipates that the mine will operate at 2 million tonnes per annum to produce an average of 170,000 ounces per annum over a 10 year mine life. The project will be funded by a US\$50 million loan facility that has been arranged with Macquarie Bank and Standard Bank London. Operating costs are estimated at US\$200 per ounce and gold recovery will be around 90%.

Gold sales contracts have been concluded in respect of 900,000 ounces, which have been sold at a flat forward price of US\$308.60 per ounce, for delivery over a 9 year period. The facility is not subject to margin call in the event of a rise in the gold price.

The operation will initially commence by open cut at the Nyabirama deposit, which is also the location of the treatment plant and mine camp. Construction of lead items is already well advanced, with gold production targeted to begin in September 2002. Open cut mining at nearby Nyabigena will follow the development of Nyabirama. As previously announced, total combined resources are estimated at 4.1 million ounces (50 million tonnes x 2.55 g/t).

EAGM holds licences over an exploration area of some 450 square kilometres surrounding the mine properties and has delineated several prospective future targets from anomalies generated by recent regional exploration.

Lion has invested A\$10.2 million in EAGM and holds an 11.6% interest. In addition, African Lion has invested US\$4.05 million for a 5.2% interest. Lion believes that once the North Mara operation has been successfully developed the value of these investments will be significantly enhanced.

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

Preparations for Indophil's Initial Public Offering (IPO) to raise \$5 million are nearing completion. Lion shareholders will soon be receiving information from ABN AMRO Morgan Stockbroking inviting them to participate in the forthcoming float of Indophil.

Progress on the acquisition of the Tampakan copper-gold project has advanced. The Deed of Absolute Sale between the Tampakan Group of Companies and WMC Resources International Pty Limited was lodged with the Department of Environment and Natural Resources (DENR) on 25 July. Approval by the Secretary of the DENR is seen as the last stage before transfer of ownership can be enacted. The Philippine Board of Investments has already approved the transaction.

Exploration has been limited to reconnaissance studies while final preparations for the IPO have been undertaken.



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

Lafayette announced during the quarter that the Philippines Department of Environment and Natural Resources had issued an Environmental Compliance Certificate (ECC) for the Rapu Rapu project. This signifies government approval for the project to be developed.

Standard Bank is currently undertaking due diligence for Project Finance and this should be completed in the September quarter. Lafayette anticipates commencing project development once this is finalised.

An updated resource and statement was issued for the Ungay deposit at Rapu Rapu, increasing the size of the resource from 5.639 million tonnes to 7.022 million tonnes. The Ungay resource now stands at:

Ungay Resource	Tonnes	Gold - g/t	Silver - g/t	Copper %	Zinc %
Measured	6,397,000	2.7	28.9	1.3	2.2
Indicated	324,000	2.2	20.5	0.9	1.4
Inferred	301,000	1.9	20.9	0.8	1.0
Total	7,022,000	2.6	28.1	1.2	2.1

This current resource incorporates results from 16 diamond drill holes and 5 trenches that were completed after the previous resource was calculated. Almost all of the resource increase is contained within the proposed open pit shell.

Subsequent to the end of the quarter Lafayette announced a new reserve estimate based upon the updated resource and this has been incorporated into the mine plan. The Ungay reserve is now stated at:

Ungay Open Pit Ore Reserve	Tonnes	Gold - g/t	Silver - g/t	Copper %	Zinc %
Proven	5,852,000	2.5	28.1	1.2	2.1
Probable	120,000	2.1	22.7	1.0	1.9
Total	5,972,000	2.5	28.0	1.2	2.1

The Leighton Consortium is conducting Value Engineering Studies which are designed to reduce both capital and operating costs. The new reserves will be included in these studies.

A preliminary feasibility study of the western extension of the Ungay deposit is nearing completion. The study is considering the possibility of accessing ore by means of a decline from the Ungay pit. Indications are that extraction of the out-of-pit resource by underground mining is feasible and that the mine reserves will be extended from this source.

A short program of diamond drilling at the nearby Hixbar area has delineated high grade gold mineralisation at surface and encountered good intersections of massive sulphides under the old Hixbar pit.



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

Exploration drilling on the recently discovered Crown structure at the Cracow Joint Venture in Queensland has met with continued success. The results from the Crown structure add significantly to the previously announced Royal Shoot resource of 390,000 ounces @ 11 g/t Au. With the discovery of the Royal and Crown Shoots, the Cracow goldfield is now viewed as having potential to host in excess of 2 million ounces of gold.

Significant intersections announced by Sedimentary during the quarter included:

Hole	From m	To m	Interval m	Grade g/t Au
CBK042	487.25	494.0	6.75	11.0
		<i>incl</i>	3.05	21.0
	511.6	522.0	10.4	12.0
		<i>incl</i>	3.0	29.0
CBK044	375.2	391.0	15.8	14.0
		<i>incl</i>	3.45	49.0
CBK045	452.0	458.2	6.2	9.1
		<i>incl</i>	1.0	21.0
CBK046	461.7	480.1	18.4	9.2
		<i>incl</i>	4.0	25.0
CBK 048	372.5	382.0	9.5	15.0
		<i>incl</i>	2.7	47.0
	392.0	398.6	6.6	6.6
		<i>incl</i>	1.0	21.0
	426.8	442.0	15.2	2.3

The Crown structure is located about 800 metres north west of the Royal Shoot and drilling has now encountered gold mineralisation on a strike length in excess of 400 metres and a vertical extent of 175 metres. The high grade mineralisation is contained in single and multiple zones of veining and remains open along strike and above and below the area currently drilled.

The main focus of exploration over the next six months will be delineation and greater definition of the mineralisation in the Crown structure.

In the nearby Back Creek North area drilling has intersected a NNW trending structure hosting mineralised quartz veining. This structure appears separate from the Crown structure and may be the northern continuation of the regional Klondyke structure. Further drilling is required to determine the full potential of this area.

Following the discovery of the Royal Shoot and Crown structure, the joint venture partners have reviewed the gold mineralisation in the Golden Plateau system. The review has generated twelve new targets requiring drill testing. Drilling in the past few years on the Golden Plateau system has shown the vein structure to persist at depths up to 300 metres below the lowest level of the historic Golden Plateau mine. In addition, new mineralisation has been intersected in structures which may represent splays or faulted veins. The joint venture partners plan to drill areas associated with the Golden Plateau line of lode in the coming months.



GALLERY GOLD LIMITED - BOTSWANA/GOLD (LION - 44%)

Diamond drilling at Gallery's 100% owned Mupane Prospect in Botswana has confirmed that the high grade gold shoot in Area 1 continues to depth. Mineralisation remains open at depth below 200 metres and along strike to the east, and exhibits clear potential for a combined open pit and underground mining operation. A lower grade gold zone at Area 2 is also potentially open pitable.

Significant intersections obtained at Area 1 during the quarter included:

Hole	From m	To m	Interval m	Grade g/t Au
MUPD 114	176	187 <i>incl</i>	10.9 6.3	6.7 10.8
MUPD 115	171	205	34.0	5.7
MUPD 118	175	212	37.0	3.2

These intersections are below the previous drill holes used in the initial resource calculation for Area 1 (438,000 ounces at an average grade of 3.6 g/t gold) and the company therefore anticipates a substantial increase in Area 1 resources.

A third tier of drilling completed at Area 2 during the quarter has extended the gold mineralisation from approximately 70 metres to 110 metres depth. While relatively low grade the Area 2 mineralisation is consistent over a 300 metre strike length and remains open at depth. An initial open pit optimisation will be completed as soon as remaining assays have been received.

Gallery has previously announced a total combined resource of 557,000 ounces of gold at Mupane. Drilling to significantly expand this resource is continuing, with five rigs currently operating on site. An economic scoping study for a wholly owned mining operation at Mupane, based on a 1 million tonne per annum central mill, has also commenced and is scheduled for completion in early December.

Exploration on two nickel-platinum prospects at Gallery's Tekwane property continued during the quarter. A promising platinum-palladium prospect has been identified at Tekwane North where trenching intersected an encouraging 18 metres @ 0.79 g/t platinum + palladium, including 3 metres @ 2.76 g/t. Detailed soil sampling to map the surface distribution of platinum-palladium mineralisation at Tekwane North is in progress.

A reappraisal of Tekwane North drilling data compiled by Falconbridge, the previous owner, has revealed significant widths of anomalous platinum-palladium associated with the taxitic gabbro hosted nickel-copper sulphide mineralisation. Twelve diamond holes that intersected this target all returned strongly anomalous platinum-palladium values over substantial widths. Better intersections were 24 metres @ 1.29 g/t and 34 metres @ 1.14 g/t platinum + palladium. Gallery will continue additional sampling of the old Falconbridge drill core.

During the quarter Gallery raised \$3.47 million as part of a \$5 million placement authorised by shareholders at a General Meeting on 29 June. The company successfully listed on the Botswana Stock Exchange on 25 June 2001.



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

Ore treated at MPI's 50% owned Stawell Gold Mine increased with a record throughput for the quarter. Although more than 10,000 ounces of gold were produced in the month of June overall production during the quarter was impacted by low grade dilution in several areas. Production costs for the quarter continued to be adversely affected by increases in the prices of power, fuel, cyanide and imported equipment parts, due in part to the weak Australian dollar. Several "one-off" factors also contributed to higher costs and MPI expects that costs will be lower by the December quarter.

Stawell Mine Production (MPI – 50%)	June Qtr 2001	March Qtr 2001	2000 (year)
Ore treated (t)	212,000	179,000	798,000
Grade (g/t)	4.5	5.1	5.1
Gold produced (ounces)	25,950	24,930	114,460
Cash operating cost (A\$/ounce)	406	405	330
Total production cost (A\$/ounce)	507	494	417
MPI gold price delivered	527	520	496

Infill drilling of the Golden Gift area commenced during the quarter and 4 holes were completed from 2,567 metres of drilling. The drilling is planned to infill a nominal spacing of 120 metres along strike by 60 metres along dip. Better results received were MD 2879A returning 34.6 metres @ 4.7 g/t, MD 2880AW1 with 9.4 metres @ 4.6 g/t and 11.75 metres @ 7.1 g/t, including 4.4 metres @ 15.3 g/t in a strong quartz sulphide lode. Assay results are awaited on a further two holes.

Regionally, a further two magnetic anomalies interpreted as possible "Stawell type" basalt domes were identified. This brings the total number of targets for new goldfields under shallow sediment cover to fifteen. The drilling program has been designed to

- confirm the presence of basalt and favourable volcanogenic rocks
- detect evidence of a gold mineralising event
- collect data on the size of the dome and the volume of favourable host rock.

Work over the next two quarters will include detailed scientific analysis of samples, ranking of the prospectivity of each target and planning of the 2002 field program.

SPINIFEX GOLD LIMITED - TANZANIA/GOLD (LION - 23%)

The Scoping Study on Spinifex's Buckreef, Nyakafuru and Kitongo gold projects in Tanzania was completed during the quarter. Interpretation of the study undertaken by Lycopodium Pty Limited suggests that current open pit resources have to be increased to reduce operating costs to attractive economic levels. Throughput rates of 500,000 tonnes per annum for sulphide ore and 800,000 tonnes per annum for oxide ore are required for economies of scale. On that basis, and by realising a marginally higher gold price of US\$280 per ounce, all three projects appear to be economically viable, subject to further studies.

An independent technical review was undertaken by Resource Service Group Pty Limited on Spinifex's projects. The review concluded that infill drilling should be undertaken at Kitongo, along the entire strike length of the Buckreef deposit and on all of the known gold mineralisation along the Rwamagaza Shear. Spinifex intends to commence three dimensional geological modelling to formulate effective infill drilling programs for each of these projects during the fourth quarter.

Spinifex is continuing discussions with a number of major mining companies regarding the formation of a strategic alliance and or joint venture for the further development of its gold projects.



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

During the quarter Austindo announced an encouraging 39% increase in contained ounces and a 7% increase in grade at the Cibaliung Gold Project in Indonesia. At a 3 g/t Au cut-off, the inferred and indicated resource is now estimated as:

Resource Category	Tonnes	Gold g/t	Silver g/t	Gold oz	Silver m oz
Indicated	476,000	10.34	60.6	158,000	0.93
Inferred	823,000	10.47	60.8	277,000	1.61
Total	1,299,000	10.42	60.7	435,000	2.54

Drilling at Cibaliung during the quarter confirmed a high grade core in both the Cibitung and Cikoneng shoots. Key intersections obtained included:

Hole	From m	To m	Interval m	Grade g/t Au	Grade g/t Ag
Cibitung AC 030	160.60	180.85	20.25	9.73	39.0
Cikoneng AC 036	60.75	66.90	6.15	11.28	83.0
Cikoneng AC 021A	163.04	175.63	12.59	12.28	66.0

Hole AC 021A has yet to be included in the resource calculations.

It is possible that reported gold grades and widths of mineralisation may have been underestimated due to loss of mineralised material in the core. Five holes have been re-drilled to date and generally confirm that the actual intersection widths and grades may be higher than recorded by earlier drilling. Further work is continuing to assess the economics of the project.

Scout drilling has focused on the area between the Cikoneng and Cibitung shoots. Intersections to date have returned no significant results but indicate that dilational conditions may occur to the south of Cibitung and gold mineralisation may repeat. A further scout hole is planned.

Austindo announced on 21 May that it had entered into a Heads of Agreement with Aurora Gold Limited for the acquisition of the Toka Tindung Project in North Sulawesi. Subsequent to the end of the quarter Austindo announced that following a due diligence process it had decided not to proceed due to perceived risks associated with various non-technical issues. The company will continue to assess other opportunities for acquisition.

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

Resource drilling at Austminex's Benambra copper and zinc project in north eastern Victoria was completed in July. The company subsequently announced that measured and indicated resource tonnages at the project had been increased by 45% from December 2000 estimates. The current resource is:

Total Resources	Tonnes m	Cu %	Zn %	Ag g/t	Au g/t
Currawong	9.0	2.0	4.2	39.0	1.2
Wilga	3.3	3.4	6.1	36.0	0.5

Austminex believes that these resources will generate sufficient ore reserves to sustain a 10 year mine life at a throughput rate of around 600,000 tonnes per annum. An ore reserve estimate for Benambra, incorporating mining, metallurgical and economic parameters, is now being prepared by the company.



During the quarter Austminex continued to investigate power generation alternatives for Benambra, determining that grid power will incur the lowest energy cost. The company is currently in discussions with state and federal government authorities to request their combined financial support for bringing grid power to the site. This will have a material impact on operating costs and project economics, as well as a considerable beneficial impact on this region of Victoria.

Austminex remains on target to complete and sign off on all technical matters relating to the Mine Reopening Study during the next quarter. The company is also actively working towards finalising the remaining core tasks, including offtake arrangements, grid power, environmental bonding and project funding, to enable a development decision to be made.

WESTONIA MINES NL - WESTERN AUSTRALIA/GOLD (LION – 25%)

Drilling to upgrade and increase existing resources at the Westonia Gold Mine continued during the quarter. The program has concentrated on an area under the historic open cut and on zones which are known to be mineralised. Results from drilling to date are awaited.

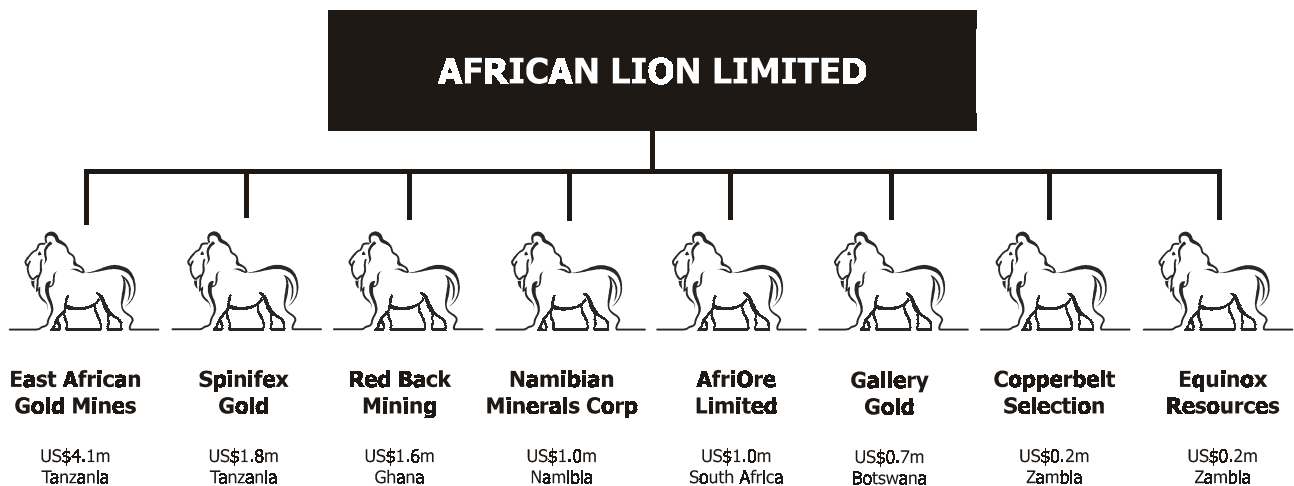
COPPERBELT SELECTION NL - ZAMBIA/COPPER (LION – 33%)

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

HAVILAH RESOURCES NL - CENTRAL AUSTRALIA/GOLD (LION – 52%)

Lion invested an additional \$100,000 in Havilah during the quarter. The funds will be used to assess potential new projects and to maintain Havilah's existing Australian tenements in good stead.

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



African Lion made further investments in Spinifex (US\$0.3 million), Gallery (US\$0.5 million) and a new investment in AfriOre Limited (US\$1 million) during the quarter. In early August a new investment Equinox Resources Limited (US\$0.18 million) was finalised.

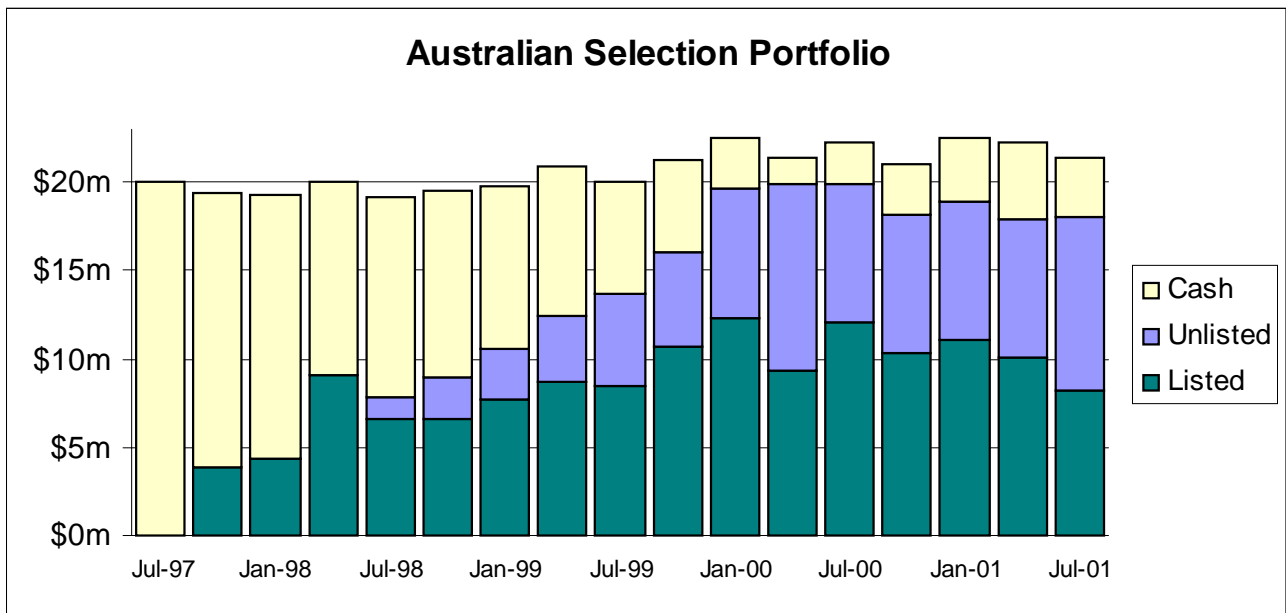
AfriOre is a listed Canadian company and niche anthracite producer. Production is sourced from the company's Springlake mine in South Africa and additional production may come from the Somkele project, which is at feasibility stage. AfriOre is also looking to invest in gold opportunities in Africa.

Equinox is currently evaluating the major Lumwana copper deposit in Zambia.



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:



SHAREHOLDER INFORMATION

Issued shares:	100.1 million	Share price at quarter end:	\$0.63
Quarter High:	\$0.82	Quarter Low:	\$0.60
Volume traded:	4.427 million shares	NAV after tax:	\$1.09

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