



**Quarterly Report  
for the 3 months ended  
31 October 1999**

**KEY POINTS**

**Spinifex - Gold projects, Tanzania**

- US\$18.5 million Ashanti deal signed after a delay.

**Consolidated Minerals - Manganese production, Australia**

- Exploration and acquisition adds 1.87mt to manganese resource.
- Further marketing successes - 5 year contract.

**MPI - Gold production, Australia**

- Exploration below South Fault for possible repetition of Stawell orebody produces new gold zone.

**Indophil - Exploration, Philippines**

- Drill program at Manat picks up 2.7km long epithermal gold zone marginal to copper porphyry system.

**Sedimentary - Gold project, Australia**

- Further high grade gold intersections at Klondyke

**Gallery - Gold exploration, Botswana**

- Lion underwriting \$1.87m issue to fund drilling of several large gold anomalies.

**EAGM - Gold development project, Tanzania**

- Decision awaited from Appeal Court following 10 November completion of submissions.

**AFL - African mining fund**

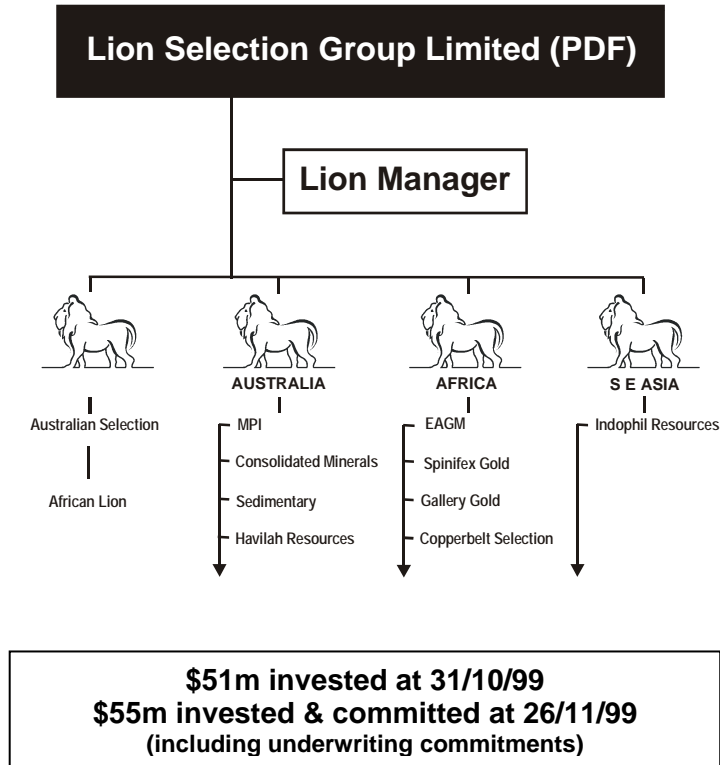
- Relocation of the African Lion team to Harare in Zimbabwe in January 2000.

**NTA**

- \$1.00 per share at 31 October 1999



## COMPANY STRUCTURE



## INVESTMENT SUMMARY TABLE

Date: 31/10/99	Amount Invested \$m	No of Shares (million)	Average Cost A\$/Share	NTA Valuation \$million
East African Gold Mines Ltd	8.6	7.8	1.10	8.6
Indophil Resources NL	4.0	20.0	0.20	4.0
Havilah Resources NL	1.4	7.0	0.20	1.4
Mining Project Investors Pty Ltd	6.1	3.0	2.00	6.1
Consolidated Minerals Ltd	7.0	35.0	0.20	7.2
Gallery Gold Ltd	2.6	18.6	0.12	2.1
Sedimentary Holdings Ltd	2.3	25.6	0.09	3.1
Spinifex Gold NL	6.6	54.6	0.12	6.5
Other Investments	12.2	N/A	N/A	12.0
Net cash	49.4			49.4
<b>TOTAL</b>	<b>100.2</b>			<b>100.4</b>

### Shareholder Information

<b>Issued shares:</b>	100.1 million
<b>Share price at quarter end:</b>	\$0.78
<b>Quarter High:</b>	\$0.91
<b>Quarter Low:</b>	\$0.65
<b>Volume traded:</b>	5.2 million shares



## INVESTMENTS

### **Spinifex Gold NL (Lion - 26%)**

Subsequent to the end of the quarter Spinifex announced that, following a short delay, the joint venture agreement with Ashanti Goldfields Company Limited has been completed. The terms were modified but were substantially similar to the original in quantum and timing:

- total cash reimbursement to Spinifex of US\$9.5 million over a three year period
- total exploration expenditure by Ashanti of US\$9.0 million over three year period.

On signing the agreement Ashanti has made an immediate payment to Spinifex of US\$1.25 million. Initial joint venture meetings have already taken place in order to resume exploration immediately at Buckreef, Rwamagaza and Kitongo.

Spinifex resumed drilling at Nyakafuru (80% owned) during the quarter, with the aim of increasing the resource base from 135,000 ounces to at least 200,000 ounces. Results of 27 holes from the 30 hole reverse circulation program have extended the main zone to the north and south. Following the completion of the 3,500 metre program a new 5,000 metre program has commenced to test several other anomalies. A resource upgrade is anticipated by early 2000.

### **Consolidated Minerals Limited (Lion - 42%)**

During the quarter, exploration by Consolidated Minerals (CSM) identified additional resources of approximately 1 million tonnes at two deposits, Chutney and Hanna, close to the current mining areas. Mine planning studies are now underway to bring these resources into production.

The Bell's Leases, acquired from Boral Contracting Pty Limited, have added a further 872,000 tonnes to the resource base. The acquisition has consolidated CSM's position as the only supplier of quality Pilbara manganese ore. This is the first time that all prospective ground for manganese within the Woodie Woodie area has been under the control and operation of a single company.

Mining continued at the Big Mack deposit and commenced at the Extension Cord deposit, with 74,091 tonnes of manganese lump product produced in the three months to September.

Sales of the total 1999/2000 production have been secured with export contracts to Japan, Europe, Korea and China. A ground-breaking five year contract has been negotiated with Austrian trading house DCM Decometal to supply 90,000 tonnes per year of manganese ore. The first sale and shipment of ore since the re-commencement of operations at Woodie Woodie was made during August. This shipment of 38,250 tonnes is the first delivery of Woodie Woodie ore to Europe.



### **Mining Project Investors Pty Limited - MPI (Lion - 16%)**

Gold production at Stawell in the quarter ending 30 September was 21,590 ounces, bringing year to date production to 67,779 ounces.

Further very encouraging exploration results were achieved underground at Stawell, with intersections of 16 metres at 5g/t, 19 metres at 7g/t and 3 metres at 7g/t encountered below South Fault in the search for the offset of the main Stawell orebody. The Stawell orebody has produced around 2.8 million ounces of gold; the offset is thought to be the faulted down-thrust remainder of the orebody and as such could have significant potential.

MPI and Pittston are earning a shared 60% interest in the Coolgardie joint venture in Western Australia from Herald Resources by spending \$6 million on exploration prior to 20 May 2002. On 13 October Herald announced further significant results at the Emperor North Project. Some of the better results included:

16.0 metres	@	14.3g/t Au
32.0 metres	@	9.1g/t Au
12.0 metres	@	10.9g/t Au

For further results and a description of the mineralised system, refer to the Herald announcement of 13 October and their September quarterly report.

### **Indophil Resources NL (Lion – 72%)**

Indophil completed a successful drilling program in the Philippines during the quarter, highlighted by the discovery of an extensive zone of gold and associated base metals mineralisation at the Manat project in eastern Mindanao. Indophil is earning a 50% interest in this project. The mineralised zone can be traced for 2.7 kilometres from the Magas prospect in the southeast to Katungbuan in the northwest from drilling, rock chip sampling and soil geochemistry. A drill program comprising eight diamond holes was completed at the Magas prospect with gold mineralisation noted in every hole. The mineralisation and alteration encountered to date is consistent with a high sulphidation epithermal gold system, occupying a northwest strike slip fault system, marginal to a porphyry copper system.

Significant intersections obtained were:

9.9 metres	@	7.16g/t Au
4.3 metres	@	7.43g/t Au
6.2 metres	@	10.86g/t Au
0.6 metres	@	17.61g/t Au
15.7 metres	@	5.26g/t Au

Refer to Lion's announcement of 24 November 1999 for further details of the drilling results. A drillhole location plan and sections from Manat can be viewed on Lion's website at the address: [www.lionselection.com.au](http://www.lionselection.com.au).

Exploration at the Labo project in Luzon has defined several zones of anomalous gold soil geochemistry, which will be subject to a drilling program early in the new year.

Since the end of the quarter, Lion has invested an additional \$1.0 million and has agreed to subscribe a further \$1.25 million to fund Indophil's exploration activities during calendar 2000.



### **Sedimentary Holdings NL (Lion - 18.7%)**

On 13 August 1999, Lion announced that it had agreed to subscribe \$1.65 million for 20.6 million shares in Sedimentary Holdings NL. Sedimentary has a 30% joint venture interest in the Cracow Gold Project in Queensland. Newcrest Mining has a 70% interest and is manager of the project.

During the quarter, further high grade results were achieved from infill drilling of the Klondyke epithermal vein system at Cracow, confirming the potential of the discovery. The zone of mineralisation has been defined over an 800 metre strike length, with a high grade shoot plunging to a depth of 500 metres. The system is still open in several directions.

Significant infill drilling results included:

5.0 metres	@	50.0g/t Au
4.5 metres	@	19.0g/t Au
27.0 metres	@	12.0g/t Au
19.0 metres	@	12.3g/t Au
9.0 metres	@	7.9g/t Au
31.0 metres	@	11.9g/t Au
3.0 metres	@	13.0g/t Au
18.0 metres	@	5.5g/t Au

Results from step out drilling up to 300 metres to the north included:

2.6 metres	@	6.2g/t Au
14.0 metres	@	5.5g/t Au
14.0 metres	@	3.9g/t Au
6.0 metres	@	5.5g/t Au

Three drill rigs are currently operating.

A regional program comprising ground-based geophysical surveys, mapping and sampling has also been undertaken. In combination with a previous helimag survey and historical mapping programs an array of new targets requiring detailed follow up has been defined.

### **Gallery Gold NL (Lion - 31%)**

On 27 October Lion announced that it had agreed to unconditionally underwrite a 1 for 3 renounceable rights issue to be undertaken by Gallery Gold. Gallery plans to issue 18,706,797 shares at 10 cents per share to raise \$1.87 million.

Lion's 100% owned subsidiary, Australian Selection Pty Limited, will also partially underwrite an offer to Gallery's shareholders to purchase 3,100,000 treasury shares that were passed in at an auction of forfeited partly paid shares held by Gallery in March 1999. This could raise an additional \$310,000 for Gallery.

The funds raised by Gallery will be used for ongoing exploration at the Botswana Gold Project. A first pass drilling program on the Mupane Prospect returned significant gold intersections on three of five soil anomalies tested and indicated their potential to host open pit mineable ore. Follow up drilling to outline the size of the mineralised zones is currently being planned.



Reconnaissance soil sampling in the southern half of the Tati greenstone belt has defined several large gold anomalies. Infill soil sampling has been completed at the Matopi and Molomolo Prospects and other significant gold-in-soil anomalies at New Zealand, Signal Hill and Lesegolame are yet to be assessed. It is planned that several of these anomalies will be drilled during 2000.

Gallery has announced that several unsolicited approaches by major companies are being assessed which could lead to a joint venture on the Mupane Prospect if suitable terms can be negotiated.

#### **Havilah Resources NL (Lion – 58%)**

Havilah earned 51% of the Highlands Rocks project following the completion of the 1999 reconnaissance program. Assay results to date have indicated several new low order gold anomalies.

Several new opportunities are being assessed in Victoria and Indonesia. Lion invested \$200,000 during the quarter to further fund Havilah's current exploration program, which increased Lion's interest in Havilah to 58%.

#### **East African Gold Mines Limited - EAGM (Lion - 12%)**

Over the last five years EAGM has defined a significant gold resource on two gold deposits in the Lake Victoria Goldfield of North Tanzania. A mining licence over one of these deposits, Nyabirama, was subject to a legal challenge that was dismissed by the Tanzanian high court early in 1999. An appeal against this decision was lodged by the challenger in July 1999 and was completed by written submission on 10 November 1999. A ruling by the Appeal Judges is now awaited.

#### **Australian Selection Pty Ltd (Lion - 100%)**

Australian Selection increased in net asset value by \$800,000 to \$20.8 million over the quarter. The fund continued to increase exposure to the smaller end of the mining market, reflecting the improvement in market sentiment towards the resource sector in general.

During the quarter the gold price reacted favourably to the announcement by a group of European central banks that they would restrict future gold sales. The improved price has emphasised the leverage that can be gained in the gold equity sector with many major companies enjoying strong price appreciation.

The mining sector tracked sideways for the quarter, reflecting a stabilisation in commodity prices and the nervousness of global equity and bond markets. Interest rates have moved up in most G7 countries and commodity prices often increase in such times.



### **African Lion Ltd (Australian Selection - 19%)**

During the quarter African Lion (AFL) agreed to invest US\$0.25 million in Copperbelt Selection NL, a company established by Lion to conduct a watching brief to acquire base metal projects in Zambia.

AFL will relocate to Harare in Zimbabwe in January 2000.

## **COMPANY CALENDAR**

### **Annual General Meeting**

The Annual General Meeting will be held in Melbourne on Thursday 2 December 1999. The meeting will commence at 3pm in the Australian Stock Exchange Media Centre, Level 1, 530 Collins Street.

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*So far as it relates to ore and mineralisation, the Consolidated Minerals Limited report is based on information compiled by Mr Robin Vivian who is a member of the Australian Institute of Geoscientists and who has had more than five years relevant experience in the field of activity being reported on. This report accurately reflects the information compiled by Mr Vivian. Mr Vivian has consented to the inclusion of this information in the form and context in which it appears in this report.*