



Quarterly Report for the 3 months ended 30 April 2005

KEY POINTS

- **Mining Sector**
 - *Commodity prices remain strong but a significant fall in junior miner's share prices in the last 2 months has cut Lion's NAV.*
 - *The market weakness is an opportunity for Lion with \$37 million cash.*
- **Indophil**
 - *Following a series of positive developments, the Tampakan project feasibility study has been accelerated.*
 - *A major copper-gold mine with over 50 years life is envisaged by Lion.*
- **Lafayette**
 - *Mining begins, gold production expected in June.*
- **Gallery**
 - *Gold exploration success at Buckreef-Rwamagaza is expected to lead to commencement of development of a second gold operation in 2006.*
- **Havilah**
 - *Exploration success at North Portia, in identical geological setting to Kalkaroo, confirms large regional copper potential.*

INVESTMENT SUMMARY TABLE

Investment	ASX Code	Country/Activity	LSG Holding %	Amount Invested \$m	Market Value or Cost of Unlisted* \$m
At 30/04/2005					
Unlisted Investments					
Copperbelt Selection		Africa – copper	32.5	0.3	0.2
Listed Investments					
Allegiance Mining	AGM	Australia – nickel	13.0	6.1	5.7
Austindo Resources	ARX	Indonesia/Aust – gold	12.6	4.0	3.1
De Grey Mining	DEG	Australia – gold	6.6	2.4	1.8
Exco Resources	EXS	Australia – copper/gold	9.9	2.9	1.7
Gallery Gold	GGN	Botswana/Tanzania – gold	21.9	21.7	39.0
Havilah Resources	HAV	Australia – gold/base metals	19.4	2.4	11.9
Indophil Resources	IRN	Philippines – copper/gold	25.0	11.6	24.0
Lafayette Mining	LAF	Philippines – gold/base metals	20.4	10.1	22.1
Leviathan Resources	LVR	Australia – gold	16.5	10.8	10.7
Sedimentary Holdings	SED	Australia – gold	23.7	8.1	11.0
View Resources	VRE	Australia – gold/nickel	16.1	5.5	3.9
Westonia Mines	WEZ	Australia – gold	36.6	5.0	5.5
Other investments				0.5	0.7
Total Investments				91.3	141.3
Net Cash					36.7
Total Net Assets					178.0
Net Asset Value (NAV) before tax (cents per share)					177.8
Net Asset Value (NAV) after tax (cents per share)					170.3

* 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****INDOPHIL RESOURCES NL - PHILIPPINES/COPPER & GOLD (LION – 25.0%)**

- Amendments were agreed to the Option Agreement between Indophil and Xstrata Copper which result in:
 - bringing forward Xstrata's option exercise date from 31 December 2007 to September 2006; or
 - requiring Xstrata to sole fund project expenditure between the above dates; and
 - limiting Indophil's commitment to sole fund feasibility studies to \$27 million.

These amendments facilitate the acceleration of pre-feasibility work for the development of the Tampakan copper-gold project.

- Subsequent to the end of the quarter, Indophil announced assays from four further drill holes which continue to confirm the presence of low arsenic mineralisation in the southern part of the Tampakan deposit. Best results include:

TMPD 125	276 metres	@ 0.84% Cu	0.42 g/t Au	49 ppm As	from 83 metres
including	123 metres	@ 1.16% Cu	0.43 g/t Au	97 ppm As	from 236 metres

Further positive results from differential flotation testwork that confirm the differential flotation process can generate marketable concentrates with acceptable arsenic levels were reported.

- A share placement at 40 cents per share undertaken following the amendments to the Option Agreement raised \$30 million. Lion did not participate in this issue as it's investment in Indophil is currently at company and country limits.
- The following changes to its board of directors have been made: Mr Brian Phillips was appointed as Chairman replacing Mr Bryan Davis, and Mr John O'Reilly replaced Robin Widdup. Mr Phillips, a mining engineer, was previously Managing Director of MPI Mines and is currently Chairman of Leviathan Resources. Mr O'Reilly, a metallurgical engineer, held a number of senior management positions with Rio Tinto Group, including Head of Technology and Head of Gold and Other Minerals and is a Director of Lion. Both appointments enhance the large scale mine development skills on the Indophil Board.
- Subsequent to the quarter end, Indophil announced that Mr George Widelski will join the Company as Pre-Feasibility Study Manager effective mid-June. Mr Widelski has relevant experience in roles with BHP Engineering, Fluor Daniel Australia and WMC Resources, as well as a number of other large mining companies.

LAFAYETTE MINING LIMITED - PHILIPPINES/GOLD & BASE METALS (LION – 20.4%)

- The Rapu Rapu polymetallic project in the Philippines is on track for first gold production in the second quarter with the commencement of process plant commissioning taking place in late April. This will be followed by commissioning of the base metals plant in the third quarter of 2005.



LION SELECTION GROUP LIMITED

- Construction work has progressed on schedule with SAG and ball mills installed and tankage for the gold CIL circuit completed. The project's primary crusher and feeder have been installed and are now operational. The power station was delivered to site in April ahead of schedule.
- Mining commenced in the open pit, with the initial pre-strip works completed and ore grade material accessed. Ore is being stockpiled in readiness for operations.
- Additionally, an electromagnetic survey was completed over the Hixbar area. Good results will be followed up with drilling in the next quarter.
- Lafayette raised \$4 million through a placement of 20 million shares at a price of 20 cents per share to offshore institutions. Funds will primarily be used for exploration of targets in close proximity to the Rapu Rapu plant.

Rapu Rapu plant under construction



GALLERY GOLD LIMITED – BOTSWANA & TANZANIA/GOLD (LION – 21.9%)

Botswana

- Production at the Mupane gold mine in Botswana during the quarter was 24,494 ounces of gold, with Gallery on track to meet the 100,000 ounce per annum target for 2005. Feed grades and recoveries were above plan by 17% and 3% respectively. Cash costs were US\$233 per ounce for the quarter.
- Resource definition drilling completed at Tholo and Kwena has increased reserves by 17,000 ounces. Current drilling has the potential to add further reserves.
- Map Nora studies have commenced to evaluate the viability of an estimated 254,000 ounce high grade remnant underground orebody.

Tanzania

- Drilling at the Buckreef-Rwamagaza project in Tanzania has identified significant extensions at Busolwa and Buziba. Best results from 100 RC holes are tabled below:

Buziba

BPRC07	13 metres	@	37.8 g/t Au
including	2 metres	@	237 g/t Au
BPRC32	23 metres	@	4.5 g/t Au
BPRC03	32 metres	@	2.9 g/t Au
BPRC12	4 metres	@	19.0 g/t Au

Busolwa – Mawe Meru PL (Gallery earning 75%)

MWBR01	14 metres	@	34.4 g/t Au
including	2 metres	@	230 g/t Au
MWBR02	20 metres	@	4.3 g/t Au
MWBR06	36 metres	@	2.3 g/t Au
MWBR010	18 metres	@	5.8 g/t Au
MWBR012	31 metres	@	3.4 g/t Au
MWBR017	32 metres	@	2.6 g/t Au

Near surface discoveries at Busolwa and Buziba have shifted the Buckreef-Rwamagaza feasibility focus to potential open pit deposits. Gallery expects to commence development of Buckreef-Rwamagaza as its second gold operation in 2006.

- At Buckreef, drilling has identified a second high grade underground shoot with best results of 19 metres @ 5.4 g/t gold and 6 metres @ 12.1 g/t gold.
- Gallery will follow up the discovery of a nickel enriched oxidised zone identified by a short RC traverse on the Buziba tenements. Intersections include 17 metres @ 1.4% nickel and 9 metres at 1.7% nickel. Two coincident IP/geochemical anomalies have been identified at Magic Hole (2.3 kilometres strike) and Glass Reef (1.2 kilometre strike). Additional soil sampling, IP and drilling programs are still in progress.

HAVILAH RESOURCES NL - SOUTH AUSTRALIA/GOLD & BASE METALS (LION – 19.4%)

- Havilah plans to maintain a continuous drilling program during 2005 with a fully dedicated drilling rig on a long term contract to test a range of priority copper-gold-molybdenum and lead-zinc targets within its Curnamona Craton tenements in South Australia. This will include drilling to expand the Kalkaroo resource as well as testing for repetitions along the more than 400 kilometres of prospective strike of the Curnamona copper-gold horizon.
- Havilah has already carried out drilling of several promising prospects, including North Portia and Mutooroo Mine. Results include:

North Portia

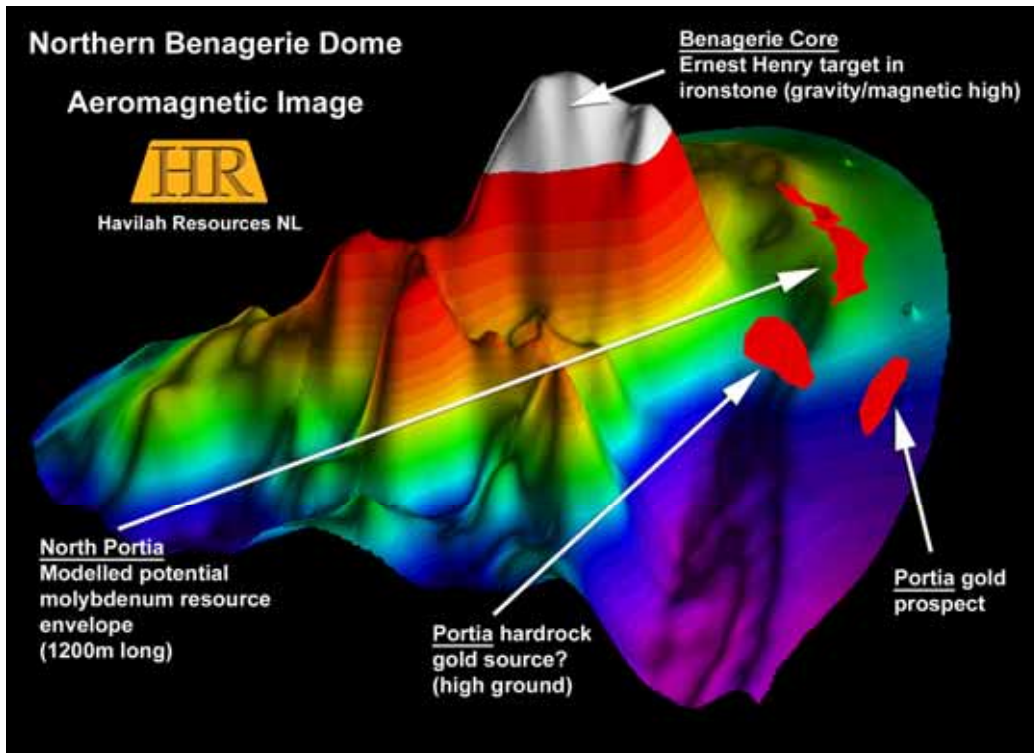
NPRC024	84 metres	@	1.0% Cu	0.8 g/t Au	from 86 metres
and	87 metres	@		157 ppm Mo	from 56 metres



Mutooroo

MTRC01	13 metres	@	2.2% Cu	0.3% Co	from 36 metres
MTRC04	10 metres	@	1.4% Cu	0.2%Co	from 44 metres

- The Curnamona Energy Limited IPO closed early raising a total of \$5.66 million at 20 cents per share, including \$1 million in oversubscriptions. Curnamona Energy holds exploration rights for uranium deposits hosted by strata of Tertiary age within Havilah Resources' Curnamona Craton tenements. Curnamona Energy will be run as an independent specialist uranium exploration and development company with Havilah currently retaining a controlling 50.6% interest.
- During the quarter, Havilah announced that it had acquired a substantial ground position south of Lake Frome in South Australia which it considered was a prospective setting for a hot dry rock geothermal energy source.



LEVIATHAN RESOURCES LIMITED – AUSTRALIA/GOLD (LION – 16.5%)

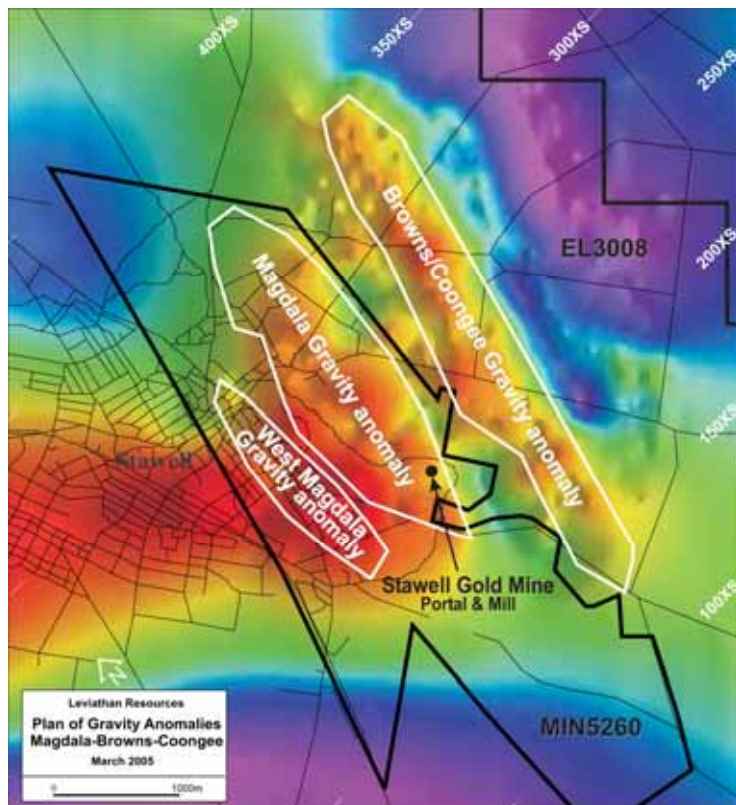
- At the Stawell Gold mine, ore mined was 9% below the previous quarter. Current operating conditions will improve during the June quarter, following the commissioning of a ventilation upgrade, the final delivery of a new loader and haul truck completing a mining fleet upgrade, and after improved development access permits the preparation of more operating stopes. **Leviathan stated the company remains on track to meet its 2005 prospectus forecasts, which include production of 125,000 ounces of gold.**



LION SELECTION GROUP LIMITED

Stawell Gold Mine (LVR – 100%)	March Qtr 2005	Dec Qtr 2004	Sept Qtr 2004	Jun Qtr 2004
Quarterly production				
Ore Treated (million tonnes)	0.17	0.19	0.20	0.16
Ore Grade (g/t)	5.0	6.0	5.1	4.7
Recovery (%)	92	93	87	86
Gold production (000's oz)	25.5	35.3	27.8	23.0
Cash cost (A\$/oz)	393	357	447	512

- Mine lease exploration continues to generate positive results. Leviathan expects to increase its reserve base to 450,000 ounces by December 2005. Recent drilling in the Golden Gift orebody has indicated a wider stockwork zone in the GG1 block than previously estimated (55.5 metres at 5.6 g/t; 21.4 metres at 3.8 g/t); a new zone, GG9, has been discovered to the north (16.7 metres at 14 g/t); and drilling in the GG5 block shows this zone is open to the north and at depth. The level of exploration activity is anticipated to increase significantly in the June quarter with six drill rigs and crews mobilised on surface drilling. A further five rigs and crews are operating underground.
- Golden Gift South drilling has not yet intersected economic mineralisation but the program will continue to assess sections further to the south.
- Processing of gravity data and compilation of previous drill results have highlighted the Brown's/Coongee Dome which is only 2 kilometres east of the Magdala Dome. Aircore and RC/diamond drilling will test this dome for gold mineralisation during the June quarter.



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- At Wildwood, drilling to test underground mineralised extensions has recommenced. Drill results will be used to reassess the feasibility of an open pit operation leading to a potential small high grade resource. Also, a drill program has commenced to test other targets in the Stawell Corridor and in the recently acquired Ballarat/Bendigo Corridor.

AUSTINDO RESOURCES CORPORATION NL – INDONESIA & AUST/GOLD (LION – 12.6%)

- Credit approval has been received for the ANZ Bank to provide a US\$26 million debt facility for the Cibaliung gold project in Indonesia. Additional equity funds are planned to be raised enabling the commencement of construction in the first half of 2005 with first gold production in mid 2006.
- The regulatory approval process continued according to schedule during the quarter and key permits are expected to be granted in the second quarter 2005.
- Alexander Resources Limited (Alexander) was listed on the Australian Stock Exchange (ASX Code: AXD) during the quarter. Alexander is independently managed and funded with Austindo holding a 44.6% interest.
- Subsequent to the end of the quarter, Austindo made two announcements relating to the Company's growth strategy:
 - Austindo entered into a strategic alliance with Anglo American Group to explore for large copper gold porphyry deposits in the provinces of Papua and West Irian Jaya in Indonesia.
 - A new exploration tenement in Central Java, Pekalongan, has been granted in which Austindo will have a significant joint venture interest. Exploration will start in the near future and it is expected that targets could be drill tested in the second half of 2005.
- In May, Austindo also announced the appointment of Mr Mike Diemar as an advisor to the Board. Mr Diemar, formerly Managing Director of Kingsgate Consolidated Limited, will advise the Board on a range of matters including issues relating to the acquisition and development of new projects.

ALLEGIANCE MINING NL – AUSTRALIA/NICKEL (LION – 13.0%)

- The decline and cross cut at the Avebury Nickel project in Tasmania were completed.
- Underground drilling (using 3 rigs) at the Viking decline continued with 36 holes completed totalling 7611 metres to the end of March.
- Allegiance will commence an updated resource estimate following the completion of drilling in May. Exploration drilling both from surface and from the decline has further extended the strike length of mineralisation by 370 metres to 900 metres while remaining open to both the east and west.



- Better drill results include:

Avebury

A081	31 metres	@	1.5% Ni
A066	26 metres	@	1.5% Ni
A075	11 metres	@	1.7% Ni
A055	13 metres	@	2.4% Ni

North Avebury

A067	12 metres	@	4.3% Ni
A088	10 metres	@	1.8% Ni
A091	48 metres	@	1.7% Ni

- A bulk sample was extracted from the cross cut and is currently subject to metallurgical test work.
- Upgrading of the access road was progressed as planned during the summer months.
- Subsequent to the end of the quarter, Allegiance announced the appointment of Mr Ian Levy as Chief Executive Officer. Mr Levy is a mining geologist and mineral economist with over 25 years industry experience, including roles with WMC, Pancontinental Mining, and Gympie Gold and is currently a director of Gloucester Coal and D'Aguilar Gold.

DE GREY MINING LIMITED – AUSTRALIA/GOLD (LION – 6.6%)

- During the quarter, De Grey reported promising drill results from the Turner River province, south of Port Hedland in Western Australia.
 - Strike length at the Mt Berghaus prospect, located 10 kilometres from the Wingina Well discovery, is now 5.5 kilometres and open at depth and along strike. High grade results during the quarter include:

BGRC039	3 metres	@	25.7 g/t Au	from	57 metres
BGRC56	7 metres	@	6.0 g/t Au	from	60 metres
MBAC167	7 metres	@	6.9 g/t Au	from	7 metres
BGRC040	5 metres	@	10.3 g/t Au	from	58 metres
 - A total of 649 metres from 8 RC holes were completed at the Amanda prospect (formerly named Turner), with a high grade intersection of:

TRC023	8 metres	@	17.1 g/t Au	from	41 metres
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 - A new intersection at the Edkins prospect, on the same structure as Wingina Well and Amanda was announced during the quarter, of 10 metres at 2.78 g/t gold.

Drilling is being planned for a large number of targets within the Turner River province.



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

- De Grey reported anomalous drilling results from its first drilling program at the Beyondie Base and Precious Metals project located about 160 kilometres south of Newman in Western Australia.
- Phase two of the exploration joint venture between Impala Platinum and De Grey continued with favourable results. Drilling at Joshua East produced an intersection of 14 metres at 1.3 PGE (Pt+Pd+Au) from 58 metres. PGE anomalism now extends over a strike length of 5.5 kilometres.

SEDIMENTARY HOLDINGS LIMITED – AUSTRALIA/GOLD (LION – 23.7%)

- Production at the Cracow Gold mine in Queensland is ramping up to name plate capacity following the first gold pour in November 2004. March quarterly production was 4,122 ounces with cash costs of \$417 per ounce. Decline development continued for both the Royal and Crown shoots, advancing to 300 metres and 200 metres below surface respectively.
- Subsequent to the end of the quarter, Sedimentary announced that for the four year period commencing July 2005, the current estimate is for operating cash costs of \$270 per ounce and total production costs of \$420 per ounce. A new life of mine plan estimates a mine head grade averaging 11.5 g/t gold. A flat forward gold sales program of 122,800 ounces is in place at a price of \$664 per ounce compared with a current spot of around \$550 per ounce.
- Stopping has commenced in the upper sections of the Royal Shoot, with eight levels now developed.
- Drilling focused on further definition of the Sovereign structure, with the following results reported:

Sovereign

CBK150	26 metres	@	5.7 g/t Au	from 416 metres
CBK151	32 metres	@	4.4 g/t Au	from 382 metres
CBK153	31 metres	@	6.5 g/t Au	from 368 metres
CBK156	3 metres	@	28 g/t Au	From 329 metres
CBK156W	11 metres	@	3.5 g/t Au	From 328 metres

With the Sovereign structure located 250 metres north of the Crown shoot and at similar depth, these results enhance the potential for this gold mineralisation to be included in future mine development plans.

- The off market offer for NuStar Mining closed on 25 February with Sedimentary holding an 18.1% interest in the company.

VIEW RESOURCES – AUSTRALIA/GOLD-NICKEL (LION – 16.1%)

- In February, View announced that the Bronzewing open cut mine development had been deferred due to adverse contract mining prices. View is confident of the long term growth prospects and is investigating options to modify the project scale and strategy to produce low cost gold despite current industry cost conditions. These possibilities include a pre-feasibility study on an underground project at Cockburn.



- Subsequent to the end of the quarter, View announced an underground resource of 418,000 ounces (2.6 million tonnes at 5.0 g/t gold) at Cockburn. Based on the identified resource and that all key infrastructure is in place, View is targeting to establish an underground mine at Cockburn, producing 70 – 80,000 ounces of gold per annum over a minimum of 5 years.
- Record nickel production from the Kambalda operations in Western Australia was achieved, with 18,113 tonnes at 2.5% nickel for 458 tonnes of contained nickel compared to 266 tonnes in the December quarter.
- Subsequent to the end of the quarter, significant high grade drilling intersections were reported immediately to the east of the Zone 29 mine. These included:

VRE168	4 metres	@	3.0% Ni	from 148 metres
VRE171	2 metres	@	6.7% Ni	from 100 metres
VRE169	3 metres	@	2.3% Ni	from 126 metres
VRE176	3 metres	@	2.5% Ni	from 101 metres

- An initial program of reconnaissance drilling on near surface gold targets within the Bronzewing tenement holdings was completed. Significant results included:

Mandoline Well

VRERA0046	7 metres	@	7.4 g/t Au	from 81 metres
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Sundowner South

VRERA0196	5 metres	@	2.2 g/t Au	from 36 metres
VRERA0197	8 metres	@	5.3 g/t Au	from 48 metres

- Lion announced during the quarter, a further \$3 million investment in View for 10 million shares at 30 cents each with 5 million free attaching 50 cent options exercisable on or before 31 March 2009.

EXCO RESOURCES NL - AUSTRALIA/COPPER & GOLD (LION 9.9%)

- The Cloncurry copper project in Queensland in the Mt Isa region has progressed further with first pass resource and metallurgical studies completed. Subsequent to the end of the quarter, an initial resource estimate was announced for the E1 South deposit. The mineralisation is open at depth and along strike to the north-west, toward E1 East and E1 North. This takes Exco's total resources in the Cloncurry area to 239,100 tonnes of contained copper within five deposits in the area.
- Drilling 15 kilometres west of Cloncurry, at Marimo North, intersected good widths and grades of oxide and supergene copper in the three holes drilled to date, with the best result of 18 metres at 1.3% copper.
- At the White Dam gold project in South Australia (Exco 60%, Polymetals 40%), subsequent to the end of the quarter, the joint venture partners announced the commencement of a full feasibility study.



WESTONIA MINES LIMITED - WESTERN AUSTRALIA/GOLD (LION – 36.6%)

- Westonia announced that due to significant adverse movements in contract mining and construction costs, the Westonia project has become marginal in its current form.
- A Strategic Review was conducted by Mr David Hatch in January/February 2005 and it concluded that the currently modelled resource may significantly understate the contained metal and further drilling is required.
- A new initiative comprising a dewatering program to enable intensive grade control and resource drilling directly below the existing pit floor is planned. This initiative aims to upgrade the overall robustness of the project and lead to the subsequent development of the Westonia Gold mine.
- In order to implement the new initiative, Westonia announced that Mr David Hatch has joined the company as Managing Director following the resignation of Mr Andrew Drummond. Mr Drummond will consult to Westonia.
- To fund this initiative, Westonia is undertaking a fully underwritten renounceable 11 for 10 rights issue at 6 cents per share to raise approximately \$6.6 million after the costs of the issue. Lion has committed up to \$3.5 million in support of the issue.

SHAREHOLDER INFORMATION

<i>Issued shares:</i>	<i>100.1 million</i>	<i>Share price at quarter end:</i>	<i>\$1.72</i>
<i>Quarter High:</i>	<i>\$2.18</i>	<i>Quarter Low:</i>	<i>\$1.72</i>
<i>Volume traded:</i>	<i>15.8 million</i>	<i>NAV after tax:</i>	<i>\$1.70</i>

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Any resource estimates provided within this quarterly report were sourced from relevant investee company quarterly reports and announcements.