



Quarterly Report for the quarter ended 30 April 1998

KEY POINTS

Financial

- NTA per share was 98.7 cents and cash backing was \$87.6 million (87.5 cents per share) at the end of the quarter.

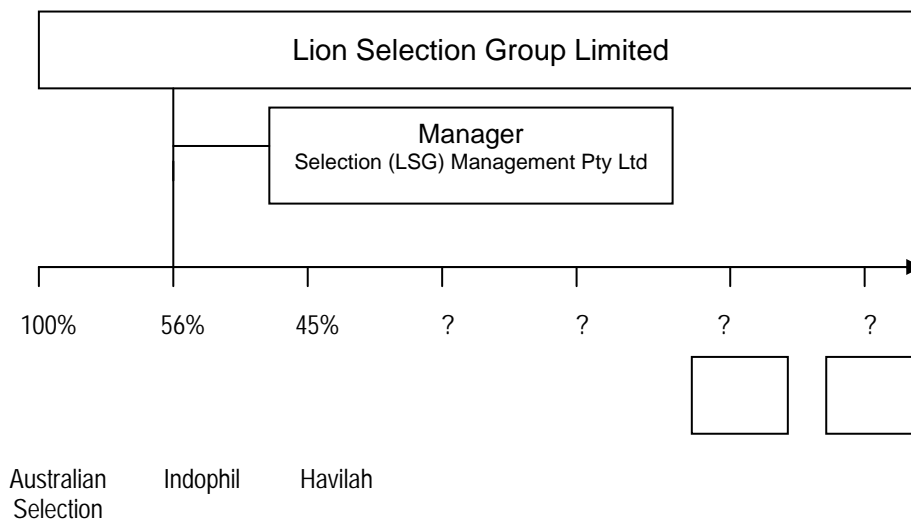
Investment Strategy

- During the April quarter a number of submissions were selected for detailed evaluation. Several potential investments are at an advanced stage.

Investments

- Indophil concentrated on clearing properties to allow title to be granted. Good progress was made, however, the new Indigenous Peoples Rights Act and the National Elections will result in some delays.
- Havilah negotiated a Joint Venture with Desertex NL over six Exploration Licences totalling 5,500 square kilometres in the Highland Rocks portion of the Tanami region.

COMPANY STRUCTURE



INVESTMENTS

Indophil Resources NL (Lion – 56.2%)

During the quarter the main focus continued to be directed at completing the necessary requirements to gain clear approved title to the mineral tenements currently under application. In addition low impact reconnaissance exploration continued on selected properties. A number of new opportunities for copper and gold were reviewed.



Clearances of properties to allow title to be granted proceeded well. There were, however, minor delays when local and provincial officials requested some meetings be deferred until after the Philippine National elections in May. Acquisition of additional permits to meet the requirements of the new Indigenous Peoples Rights Act 1997 (IPRA) has extended the time taken to process applications. To date seven properties have reached the publishing stage. One has completed all the necessary requirements and has been endorsed by the regional office of the Mines and Geoscience Bureau for final approval in Manila.

Low impact reconnaissance geology and stream sediment sampling was completed over the Labo properties, Bunawan and Alabat Island. The results from Labo are worthy of follow up once formal tenement approval is received. The samples from Bunawan have not yet been submitted for analysis. Results have been received from Alabat Island and are currently being assessed.

Havilah Resources NL (Lion – currently 44.8%)

Havilah Resources has maintained an active exploration program on its South Australian properties during the quarter, while at the same time continuing to assess opportunities for acquisition of new projects.

Significant results include:

- Confirmation of a gold-mineralised anticlinal structure on the Mount Victor property, which represents a prime drilling target.
- Mapping of several kilometres strike of gold-anomalous, quartz-veined quartzite horizons, with selected rock chip values up to 9ppm gold within the Wonna project area.
- Combination of new gravity data with existing aeromagnetic data for the large magnetic anomaly on the Parachilna project area, resulting in generation of high priority drilling targets.

On the new opportunities front, Havilah Resources finalised a joint venture with the private Desertex NL, over six Exploration Licences totalling 5,500 square kilometres in the Highland Rocks (Northern Territory) portion of the Tanami region. The geological setting is comparable to The Granites-Tanami Goldfield, which lies a little to the north. In particular, the Highland Rocks area has numerous unexplored magnetic and structural targets that are analogues to known gold mineralised areas in The Granites-Callie region. Havilah Resources may earn a 51% interest in the project by expenditure of \$550,000 over a 12 month period. It is planned that the majority of this expenditure will be directed towards reconnaissance drilling of selected targets over the next two quarters.

Australian Selection Pty Ltd

Australian Selection Pty Ltd, a wholly owned subsidiary of Lion Selection Group, commenced investment activities on 1 September 1997 with capital of \$20 million. During the April quarter exposure to the market was increased, mainly in the Small and Medium Enterprise (SME) Portfolio, to take advantage of the value apparent in some of the smaller companies reflected by continuing low commodity prices.

The South East Asian turmoil has impacted on the resource sector. However, the short revival in the gold price spurred the mining sector forward over the period. With the onset of the Northern Hemisphere summer slowdown and political troubles in Indonesia, the portfolio remains relatively cashed up. Australian Selection will take advantage of any further commodity weakness to increase investment exposure.



FINANCIAL POSITION

- At the end of the quarter the Net Tangible Asset backing was 98.7 cents per share.
- Cash held at quarter end was \$87.6 million (87.5 cents per share), the majority of which has been placed by the Manager in a range of bank-backed securities, in accordance with the Pooled Development Fund Act.

GENERAL

Investment Climate

The resource sector remained depressed during the April quarter. This environment continues to provide Lion Selection Group with opportunities for investment.

During the quarter the gold price improved from below US\$290/oz to over US\$310/oz, leading to a stronger gold sector. However, sentiment declined as the price fell once again to below US\$300/oz. This has re-established the favourable investment climate for Lion, when coupled with a lacklustre performance by base metal prices during the period.

Currently small resource and exploration companies have little prospect of seeking funds from the stockmarket, and so Lion becomes a rare source of venture capital in these difficult circumstances.

Investment Strategy

Lion Selection Group's investment strategy remains unchanged from that outlined in the Prospectus and reiterated in the last quarterly. Lion will concentrate on investments with high quality management and with projects that are close to development, or with exposure to advanced exploration.

During the April quarter a number of potential investments which had been selected for detailed evaluation were advanced on the priority list.

New opportunities also continued to be reviewed within the investment criteria. Top priority is being given to advanced projects to add to the two investments already in place.

Shareholder Briefings

Lion's first shareholder briefings were held in early April throughout Australia and New Zealand. The briefings provided an excellent opportunity for Robin Widdup (in Australia) and Howard Walker (in New Zealand) to update shareholders on Lion's activities.

On average, around fifty people attended each of the Australian briefings, with around half this turnout in New Zealand. These numbers meant that approximately 10% of all Lion shareholders were represented at the briefings. Many attendees took the opportunity to question Lion's Manager about the company's current investments and future plans. Despite the decline in the small companies resource sector since Lion's listing shareholder sentiment remained supportive.

The next round of shareholder briefings will be held in mid - October. The cities and dates are listed on the calendar on the last page; venues and times will be advised in the next quarterly report. Please note these dates in your diaries.



Website Development

Construction of an integrated website began in earnest during the quarter. A specialist consulting firm has been retained to develop the website in conjunction with Lion Selection Group and steady progress has been made to date.

It is anticipated that the new website will be launched in July. Shareholders with Internet access should check Lion's site around this time to view the information available on the site. Lion's website address is: www.lionselection.com.au.

Enquiries regarding Lion's website should be directed to Judith Russell,
tel: (03) 9614 8008, email: jrussell@lsg.com.au

LION SELECTION GROUP – CALENDAR

Shareholder Briefings

Thursday 15 October	Melbourne
Monday 19 October	Christchurch
Tuesday 20 October	Wellington
	Auckland
Wednesday 21 October	Brisbane
	Sydney
Thursday 22 October	Adelaide
	Perth

Annual General Meeting

Wednesday 2 December	Melbourne
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