



Quarterly Report for the 3 months ended 30 April 1999

KEY POINTS

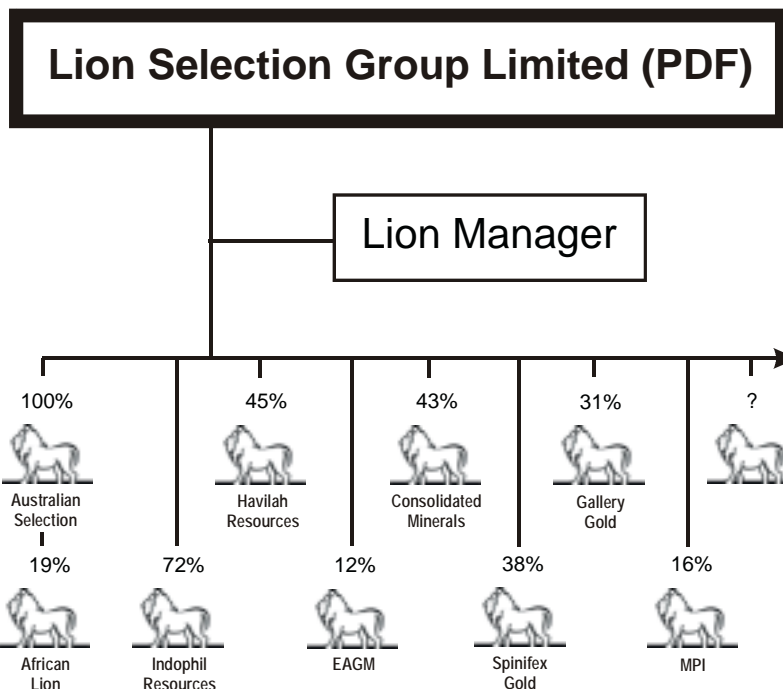
- A further \$1.25 million was invested in East African Gold Mines.
- Spinifex announced a proposed merger with its 62% owned East Africa Gold Corporation. Mineralisation at the company's Buckreef prospect in Tanzania was extended by RAB drilling.
- Drilling at Gallery Gold's Mupane Prospect in Botswana is scheduled to commence in the next quarter. Following recent placements, Lion's interest in Gallery has increased to 31.3%.
- Indophil concluded a joint venture agreement with the Alcantara Group of Companies to explore the Manat property in Mindanao in the Philippines. A sampling program on the Magas Prospect at Manat was completed and drilling is due to commence in June.
- Havilah commenced drilling at Highland Rocks in the Tanami region of the Northern Territory, focusing on gold anomalies detected in the 1998 exploration program.
- Lion announced a \$6.1 million investment in Mining Project Investors Pty Limited (MPI), which has a 50% interest in the 93,500 oz pa Stawell Gold Mine in Victoria.
- The establishment of African Lion was completed. Terry Ward and Ian McAleese were appointed to manage the operations of the fund.
- The Net Tangible Assets (NTA) were \$1.00 per share at the end of the quarter.

Proposed amendments to the Pooled Development Fund (PDF) Act were announced in the Federal Budget on 11 May 1999. The changes would allow:

- PDF's to buy back their own shares
- Superannuation funds to own a PDF (previously limited to 30% interest)
- PDF's to make loans to equity investees.



COMPANY STRUCTURE



INVESTMENT SUMMARY TABLE

Date: 30/4/99	Amount Invested \$m	No of Shares (million)	Average Cost A\$/Share	NTA Valuation \$million
Consolidated Minerals	5.0	25.0	0.20	5.0
East African Gold Mines	8.6	7.8	1.09	8.6
Indophil Resources	4.0	20.0	0.20	4.0
Havilah Resources	0.8	4.1	0.20	0.8
Mining Project Investors	6.1	3.0	2.00	6.1
Gallery Gold	2.3	18.6	0.12	2.2
Spinifex Gold	6.6	54.6	0.12	6.8
Other Investments	8.2	N/A	N/A	9.6
Cash	57.1			57.1
TOTAL	98.7			100.2

Shareholder Information

Issued shares:	100.1 million
Share price at quarter end:	\$0.73
Quarter High:	\$0.73
Quarter Low:	\$0.60
Volume traded:	2,551,085 shares



INVESTMENTS

East African Gold Mines Limited (Lion - 12%)

A further A\$1.25 million was invested in East African Gold Mines (EAGM), increasing Lion's total investment to A\$8.6 million in the company.

Subsequent to the end of the quarter, African Lion Limited (AFL) invested US\$2.5 million in EAGM. This was AFL's first investment.

Consolidated Minerals Limited (Lion - 43%)

Contracts for the supply of 70,000 tonnes of high grade lump manganese to Europe have been established and an agreement has been finalised for the marketing of 125,000 tonnes to China. In addition there has been a strong level of interest from other regions in Asia. The benchmark price for Samancor high grade lump from Groote Island to Japan was negotiated in early April at US\$1.90/dmtu, approximately 7% lower than the previous year.

Work has re-commenced on site at Woodie Woodie with ore expected to be delivered to Port Hedland in June. Subsequent to the end of the quarter Lion Selection has invested a further \$2m as part of a \$4m raising for working capital requirements for the re-commencement of operations and exploration programme.

The construction of the new all-weather road to Port Hedland is near completion despite being delayed by Cyclone Vance. Vance was the second cyclone in recent months to hit the road without damage, which bodes well for future operations.

Spinifex Gold NL (Lion - 38%)

Spinifex's merger with subsidiary East Africa Gold Corporation (EAGC) was announced with proposed terms on 8 April. Spinifex presently owns 61.6% of the EAGC as a result of the exercise of warrants during the quarter.

Mineralisation at the Buckreef prospect in Tanzania was extended by Rotary Air Blast (RAB) drilling and encouraging early results were reported from a new anomaly in the Rwamagaza area.

Subsequent to the end of the quarter, African Lion Limited (AFL) has invested US\$1.5 million in Spinifex by way of an unsecured convertible note.

Gallery Gold NL (Lion - 31%)

Lion's investment in Gallery Gold and the appointment of Howard Walker to the Board were passed unanimously at Gallery's General Meeting on 29 March. Following the recent placements, Lion's interest in Gallery has increased to 31.3%.

Infill soil sampling at the Mupane Prospect in Botswana was completed at the end of April and results are expected by the end of May 1999. Drilling is scheduled to commence in late June. A major new gold in soil anomaly was discovered at the Matopi Prospect and will be the focus of more detailed investigation over the next few months.



Indophil Resources NL (Lion – 72%)

Indophil concluded a joint venture agreement with a subsidiary of the Alcantara Group of Companies to explore the Manat property in Mindanao. Following the signing of the Heads of Agreement a comprehensive program of exploration was commenced to define targets for early drilling on the Magas Prospect. The program was completed during the quarter and a series of targets have been defined to follow up the previous encouraging drilling intersection on the prospect.

Further detailed soil geochemical surveys, geological mapping and trenching continued at Labo (De Jesus). Results have been encouraging and indicate a number of coherent gold and copper anomalies that merit drilling. Geochemical sampling was completed at Nabunturan. Indophil also completed a reconnaissance stream sediment sampling program at St Bernard with significantly anomalous gold results.

Clearances of properties to allow title to be granted proceeded well with minimal delays. Indophil currently has two approved Mineral Production Sharing Agreements (MPSA), two approved Exploration Permits (EP), and one MPSA application that is very advanced. A further nine properties have reached the publishing stage or are in a more advanced stage of clearance.

Havilah Resources NL (Lion – 45%)

Exploration and drilling recommenced at Highland Rocks during the quarter. The drilling campaign will focus on gold anomalies detected during the 1998 program. Havilah continues to assess possible projects, both in Australia and also in Indonesia.

During May, Lion increased its equity in Havilah to 49.9%.

Mining Project Investors Pty Ltd (Lion - 16%)

Lion announced an investment of \$6.1 million for a 16.3% undiluted (14.6% fully diluted) share in Mining Project Investors (MPI) on 28 April. Lion's investment was part of an equity raising by MPI and the funds raised will be used to finance MPI's exploration and development programs.

MPI is a privately owned operating, exploration and development company. It was founded in 1992 by members of the former Australian Consolidated Minerals Limited management team, headed by Ken Fletcher. A US-based diversified group, The Pittston Company, is MPI's largest shareholder with a 45.0% undiluted (40.3% fully diluted) interest.

MPI's major operating asset is a 50% share in the Stawell Gold Mine in Victoria. The Stawell Gold Mine produced 93,500 ounces of gold in 1998. At 31 December 1998 Proved and Probable Reserves were estimated at 409,000 ounces. Further exploration is aimed at adding to reserves. Since MPI acquired the mine in 1992, in a joint venture with Pittston, over 1 million oz of resources have been added, production costs have been reduced and mine life has been extended. The deposit at Stawell occurs in a major north west trending structural corridor, which is 15km wide. MPI holds a significant regional tenement position in this area, extending over 100km NW-SE from the mine.

Lion has been offered representation on the Board of MPI and looks forward to participating in the further development of the company.



Australian Selection Pty Ltd (Lion - 100%)

A healthier resource sector coupled with increases in commodity prices produced an improved investment climate for Australian Selection. There was some evidence during the quarter that the stronger market sentiment was starting to flow through to second line stocks. However, investor confidence evaporated subsequent to the end of the quarter following an announcement by the Bank of England that it was selling 415 tonnes of gold.

African Lion Ltd (Australian Selection - 19%)

Progress on the formation of African Lion (AFL) continued, with the appointment of Terry Ward and Ian McAleese to manage the operations of the fund. Funds committed to AFL total US\$27.0 million, of which Australian Selection will contribute US\$5 million. The funds will be drawn down over a period of time.

During the quarter, the AFL management team established an office in Melbourne, with a view to relocating to Africa by the end of the year. The team has identified a priority list of opportunities. Two investments, EAGM (US\$2.5m) and Spinifex (US\$1.5m), have been made by AFL subsequent to the end of the quarter.

COMPANY CALENDAR

Shareholder Briefings

The next round of Shareholder Briefings will be held in Melbourne on Thursday 9 September and in other states and New Zealand in the week commencing Monday 13 September. Details of times and venues will be provided in the next quarterly report.

Annual General Meeting

The Annual General Meeting will be held in the ASX Theatre in Melbourne on Thursday 2 December 1999.

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Information on MPI's gold resources accurately reflects data compiled by John Rowe, a full time employee of MPI and a corporate member of the Australasia Institute of Mining and Metallurgy. Mr Rowe has consented to the inclusion of the information in this report.