



## **Quarterly Report for the 3 months ended 31 July 1999**

### **KEY POINTS**

#### **Two potentially significant discoveries reported during the July quarter**

Gallery Gold at Mupane Prospect – Botswana  
MPI at Empress North Prospect – Western Australia

- Spinifex announced details of a A\$28.5 million joint venture and farm-in agreement with Ashanti Goldfields Company Limited on two of its Tanzanian properties. The merger between Spinifex and EAGC was finalised on 27 August 1999.
- Gallery Gold announced encouraging initial drilling results from the Mupane prospect in Botswana (49 metres @ 2.0g/t gold; 65 metres @ 4.2g/t).
- A new discovery was announced by Herald Resources NL at Empress North, Coolgardie, where MPI/Pittston are earning a 60% JV interest.
- Operations at the Woodie Woodie manganese mine in WA recommenced in May. Consolidated Minerals relisted on the Australian Stock Exchange on 29 June 1999.
- Indophil commenced drilling on the Manat property in the Philippines.
- African Lion made its first investments in East African Gold Mines and Spinifex.
- The Net Tangible Asset (NTA) backing was 98 cents per share at the end of the quarter.

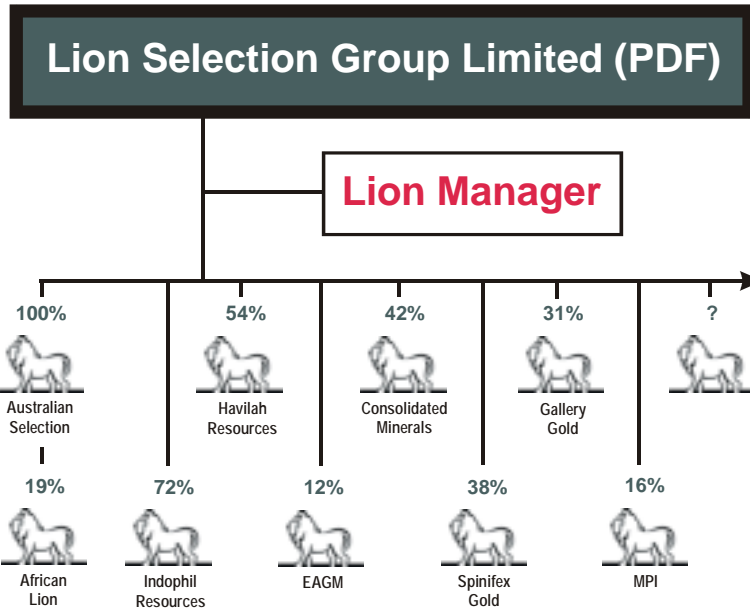
#### **Late Announcement**

Subsequent to the end of the quarter Lion announced that it had agreed to subscribe \$1.65 million in a placement in Sedimentary Holdings NL, subject to shareholder approval. When approved, Lion's interest in Sedimentary would be 18.7%.

The funds will be utilised to fund Sedimentary's contribution to an intensive \$5 million drilling program on the newly discovered Klondyke epithermal vein system at Cracow in Queensland.



## COMPANY STRUCTURE



## INVESTMENT SUMMARY TABLE

Date: 31/7/99	Amount Invested \$m	No of Shares (million)	Average Cost A\$/Share	NTA Valuation \$million
East African Gold Mines	8.6	7.8	1.10	8.6
Indophil Resources	4.0	20.0	0.20	4.0
Havilah Resources	1.2	6.0	0.20	1.2
Mining Project Investors	6.1	3.0	2.00	6.1
Consolidated Minerals	7.0	35.0	0.20	7.6
Gallery Gold	2.3	18.6	0.12	1.7
Spinifex Gold	6.6	54.6	0.12	5.9
Other Investments	12.1	N/A	N/A	11.6
Cash/Other	52.0			52.0
<b>TOTAL</b>	<b>99.9</b>			<b>98.7</b>

### Shareholder Information

<b>Issued shares:</b>	100.1 million
<b>Share price at quarter end:</b>	\$0.67
<b>Quarter High:</b>	\$0.78
<b>Quarter Low:</b>	\$0.63
<b>Volume traded:</b>	4,602,911 shares



## INVESTMENTS

### **Spinifex Gold NL (Lion - 38%, post merger - 26%)**

**Spinifex announced an A\$28.5 million farm-in and joint venture deal with Ashanti Goldfields Company Limited on 24 June, covering the Buckreef/Rwamagaza and Kitongo projects in Tanzania.** The main points of the agreement are:

- Ashanti will reimburse Spinifex a total of \$8.5 million cash over two years.
- Ashanti will earn a 55% interest in Spinifex's equity in the projects by expending \$20 million on exploration over three years.
- Ashanti can earn a further 5% of Spinifex's equity in each project by producing a bankable feasibility study at its sole cost and is responsible for arranging any required project finance.

The agreement is due to be finalised on 30 September and is conditional on the successful completion of the merger between Spinifex and East Africa Gold Corporation (EAGC). Spinifex announced on 24 August that EAGC shareholders had voted in favour of the merger, which will result in the company becoming a wholly owned subsidiary of Spinifex.

Further encouraging results were reported from the Bingwa anomaly in the Rwamagaza area during the quarter (for example, 24 metres @ 2.47 g/t gold; 15 metres @ 4.96 g/t; 5 metres @ 13.56 g/t and 2 metres @ 24.98 g/t). Spinifex has resumed exploration at its 80% owned Nyakafuru project, with the aim of increasing the resource base and generating new targets. A program of 3,500 metres reverse circulation drilling is planned to commence soon.

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

Gold production in the June quarter at Stawell (50% owned by MPI) was 24.883 oz bringing year to date production to 46,189 oz.

Local exploration continued in the North Magdala ore zone and at Mariners. Regional exploration for Stawell-type anomalies included air core drilling at Glenorchy and soil sampling at Murtoa. Some technical success resulted at the South Fault Offset which is aimed at identifying a down thrust extension of the Stawell orebody.

MPI and Pittston are earning a shared 60% interest in the Coolgardie JV in Western Australia from Herald Resources NL by expending \$6 million on exploration prior to 20 May 2002. **Herald has recently announced a possible new discovery at depth at their Empress North prospect.** Results included 3 metres @ 11.0g/t gold; 6 metres @ 12.6g/t; 2 metres @ 75.0g/t; 13 metres @ 175.0g/t; 1 metres @ 15.1g/t (twin diamond hole 4 metres from previous intersection); 39 metres @ 8.0g/t. (For further information, refer to Herald's stock exchange announcement on 25 August 1999).



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

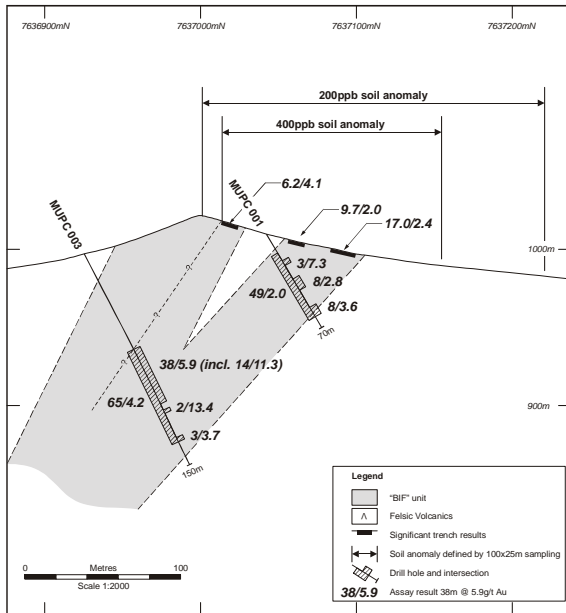
Drilling commenced at Gallery's 100% owned Mupane Prospect in Botswana in July. On 30 July encouraging initial results from two holes were announced (MUPC1: 49 metres @ 2.0g/t gold between 15-64 metres; MUPC3: 65 metres @ 4.2 g/t between 69-134 metres).

**Following these results Gallery announced that the Mupane Prospect has the potential to be a significant gold deposit.**

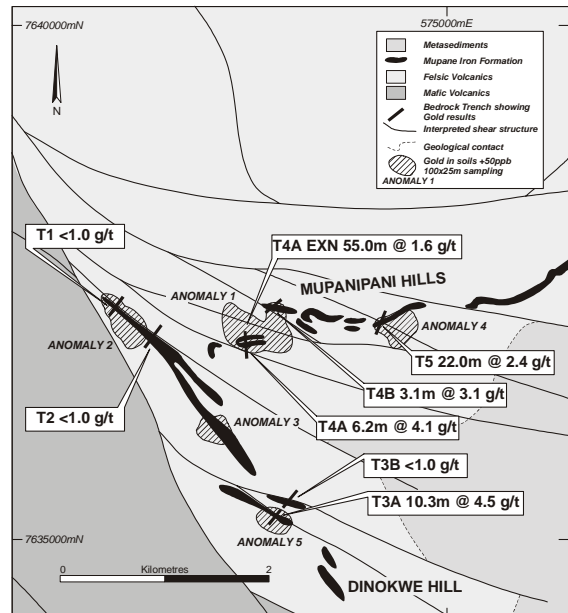
Elsewhere in the Tati greenstone belt, Gallery announced further progress at the 4.0 x 2.5 kilometre gold-in-soil anomaly named the Matopi Prospect. An initial trench result intersected 40 metres @ 0.5 g/t gold. Two other significant gold anomalies within the Tati belt were also identified. It is intended to drill the Matopi, Molomolo and New Zealand Prospects during the 1999/2000 drilling program.

Follow up drilling at Mupane will be planned once the current 21-hole program has been completed and results assessed.

**Mupane Prospect  
Soil Anomaly 1 - Cross Section  
Holes MUPC 1 and 3**



**Mupane Prospect  
Geology, Soil Anomalies  
and Trench Gold Results**





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

Lion subscribed \$2 million for convertible redeemable preference shares in May 1999 as part of an additional \$4 million capital raising by Consolidated Minerals Limited (CSM). The funds have been used to re-establish the Woodie Woodie manganese mine and provide adequate working capital. The preference shares convert at 20¢ per share, and have 1 for 1 attaching options exercisable at 20¢ per share. LSG's shareholding, if converted, would be 42% of CSM. On a fully diluted basis Lion's shareholding is 38% of CSM.

Operations at Woodie Woodie recommenced in May with the first shipment of 38,500 tonnes to Europe dispatched in late August.

The company has secured sales contracts for 225,000 tonnes of manganese lump product including a trial shipment of 30,000 tonnes to Nippon Steel, Japan's largest steelmaker, for the first quarter of 2000. Annual production is expected to be 250,000 tonnes of lump.

In early July, CSM entered into an agreement to purchase the Bells leases which are located immediately adjacent to the company's existing operations. The purchase price is A\$2.5 million payable in installments and a vendor royalty of 3.5% (to a maximum of 400,000 dry metric tonnes of product). A total resource of 872,000 tonnes has been identified in the old Bells Pit mine within the leases.

The exploration program has identified encouraging results adjacent to two existing pits, Hanna and Chutney. Further work is required to assess tonnage and grade.

Shares in CSM were reinstated to trading on the Australian Stock Exchange on 29 June 1999. The average price of shares traded to date has been 21.4¢ per share with a range of 20¢ to 30¢.

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

Indophil commenced drilling on the Manat property in the Philippines during the quarter. Broad zones of hydrothermal alteration and associated quartz-sulfide stockwork mineralisation have been encountered in several holes. Results of the drilling program are expected in the next quarter.

Further geological mapping, trenching and sampling has confirmed the Gaerlan prospect at Labo to be a significant target for future drilling.

### **Havilah Resources NL (Lion – 54%)**

Shallow reconnaissance RAB drilling continued at Highland Rocks. Some early technical success has warranted further investigation and future drilling will focus on potential Granites style targets.

Lion invested a further \$185,000 in Havilah in May, increasing its shareholding to 54%. The capital will be used by Havilah to further fund its 1999/2000 exploration program.

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

During the quarter an appeal was lodged to the Nyabirama lease dispute judgement. It is expected that the appeal will be heard later in 1999.



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

The mining sector enjoyed a strong return to favour from investors seeking exposure to base and ferrous metals in large companies. Small and medium companies continue to struggle under pressure from a falling gold price and funds for exploration remain very tight.

The Bank of England announced the sale of 415 tonnes of gold in a staggered series of tenders. Interest in the first tender was strong but market confidence was down and the gold price slipped accordingly.

Despite uncertainties in the equity market, Australian Selection has increased market exposure with emphasis on companies with advanced exploration or developing projects. Australian Selection participated in several placements during the quarter. These funds will be utilised for ongoing working capital and exploration/development.

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

African Lion (AFL) made its first investments in May. US\$2.5 million was invested in East African Gold Mines and US\$1.5 million was invested in Spinifex Gold NL.

The AFL Manager continued to assess a number of advanced opportunities throughout the quarter. Investigation into an appropriate African domicile for the company is continuing.

### **LATE ANNOUNCEMENT - Sedimentary Holdings NL**

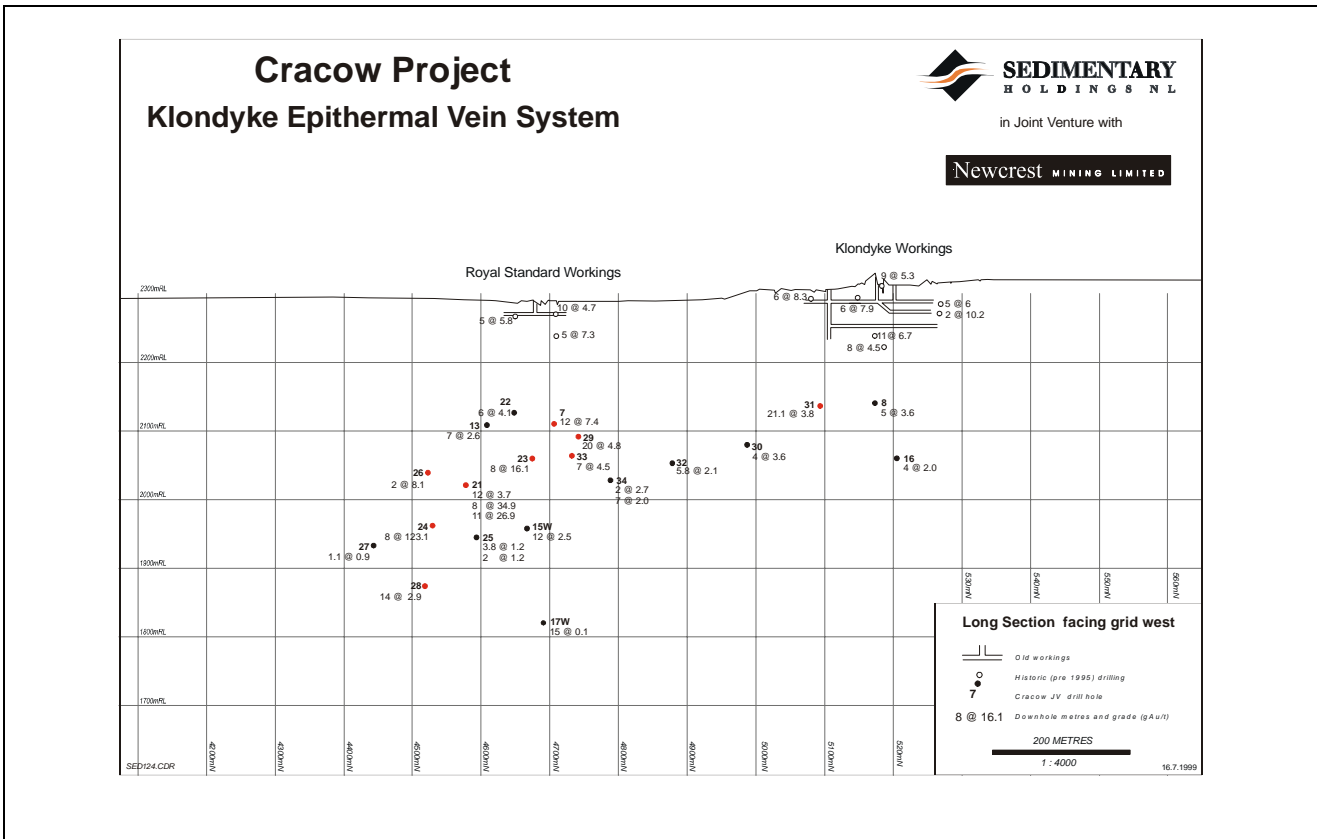
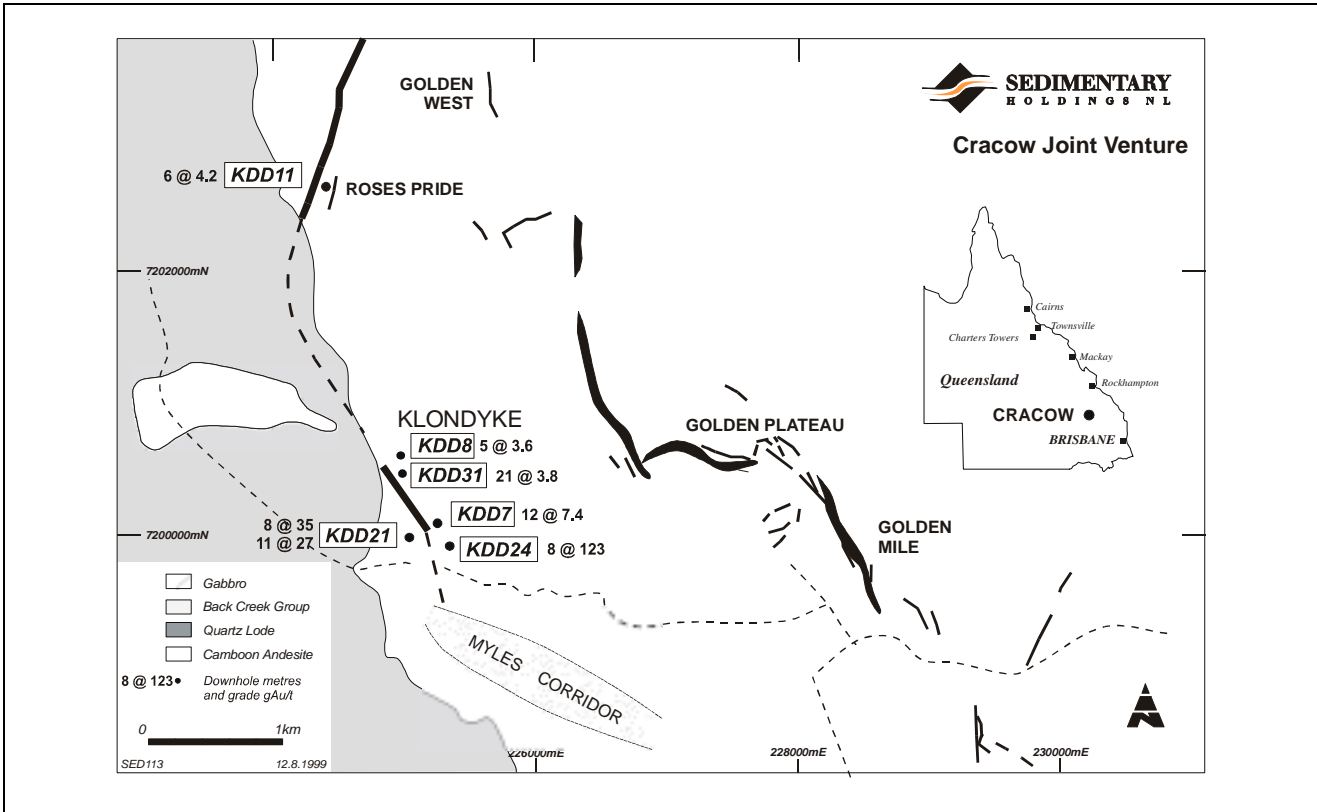
Lion announced on 13 August that it had agreed to subscribe \$1.65 million in a placement in Sedimentary Holdings NL, subject to shareholder approval on 8 September. This will increase the Lion Group's holding to 18.7%.

The funds will be utilised to fund Sedimentary's contribution to an intensive \$5 million drilling program on the newly discovered Klondyke epithermal vein system at Cracow in Queensland. Recent results within the Klondyke shoot include 31 metres @ 12g/t gold; 7 metres @ 4.5g/t; 2 metres @ 4.8 g/t; 8 metres @123.1g/t; 8 metres @ 16.1g/t.

Sedimentary is a 30% joint venture partner with Newcrest Mining Limited at Cracow. The 1999/2000 exploration program includes 20,000 metres of diamond core and reverse circulation drilling with up to four rigs. The drilling will include infilling the Klondyke shoot, step-out drilling to test for extensions to mineralisation and a regional program centred on the Golden Plateau and Klondyke epithermal systems. The placement will be sufficient, if necessary, to fund a conceptual study for a potential new mine development.

The Cracow goldfield has produced over 850,000 ounces of gold since its development in 1932. The Cracow operation was closed in 1993 with Sedimentary keeping the 300,000 tonnes per annum plant on care and maintenance.

Sedimentary is involved in several exploration projects including Cracow, Miclere and Electric Light in Queensland, Foster in Tasmania and Lonarch in Victoria. In addition, the company operates a small alluvial gold mine near Avoca in central Victoria.





## COMPANY CALENDAR

### Shareholder Briefings

Presentations for the next round of Shareholder Briefings will be made by:

- Robin Widdup - Melbourne, Adelaide and Perth
- Chris Melloy - Sydney and Brisbane
- Howard Walker - Christchurch, Wellington and Auckland

All shareholders are invited to attend the briefings and are asked to RSVP on the enclosed form for catering purposes.

<b>Date</b>	<b>Location</b>	<b>Venue</b>	<b>Time</b>
Thursday 9 September	<b>Melbourne</b>	Australian Stock Exchange - Theatrette 530 Collins Street	5.30pm
Monday 13 September	<b>Adelaide</b>	Radisson Playford Adelaide - "Adelaide 3" Room 120 North Terrace	5.30pm
Tuesday 14 September	<b>Perth</b>	Novotel Langley Perth - "The Boardroom" Level 1, 221 Adelaide Terrace	5.30pm
Wednesday 15 September	<b>Sydney</b>	University & Schools Club - "Presidents Room" 60 Phillip Street <i>**Club requests jacket &amp; tie to be worn</i>	5.30pm
Thursday 16 September	<b>Brisbane</b>	Riverside Centre - Auditorium Level 6, 123 Eagle Street	2.30pm
Monday 20 September	<b>Christchurch</b>	J B Were & Son (NZ) Limited Level 1 141 Cambridge Terrace	2.30pm
Tuesday 21 September	<b>Wellington</b>	J B Were & Son (NZ) Limited Level 8, BNZ Centre 1 Willis Street	10.00am
Tuesday 21 September	<b>Auckland</b>	J B Were & Son (NZ) Limited Level 21, Coopers & Lybrand Tower 23-29 Albert Street	5.30pm

### Annual General Meeting

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

Further enquiries:

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*So far as it relates to ore and mineralisation, the Consolidated Minerals Ltd 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.*