



## Quarterly Report for the 3 months ended 31 October 2000

### KEY POINTS

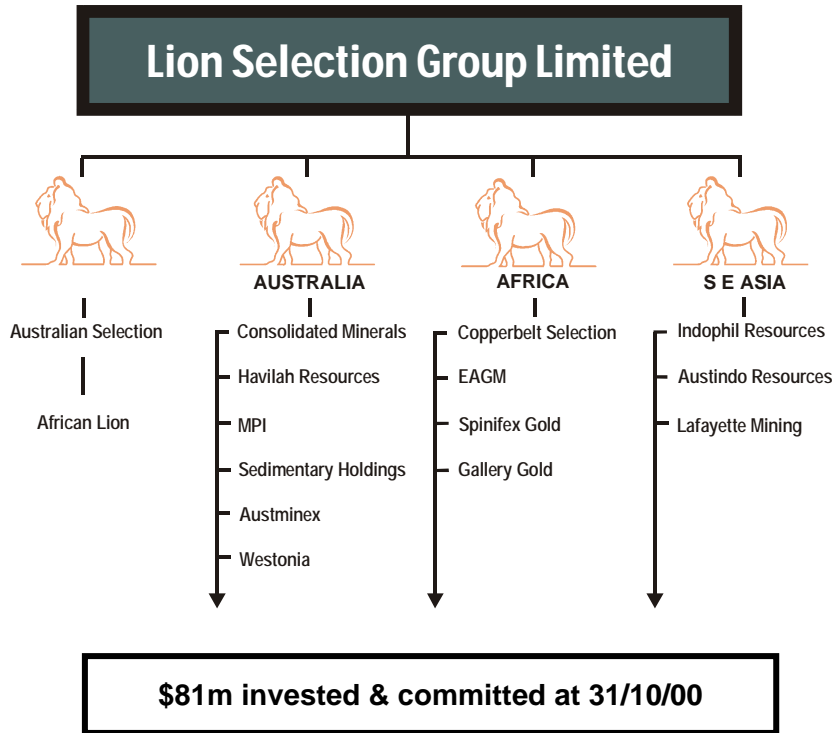
- CSM** Agreement to sell 35 million shares and 12.5 million options for \$14.5 million (\$7.5 million profit), conditional on CSM shareholder approval.
- Gallery** Drilling in progress at Area 1, Mupane in Botswana is producing wide, high grade gold intersections. Potential new open pit/underground gold mine.
- Spinifex** Resource increased at Nyakafuru in Tanzania to 0.73 million ounces (3.6 mt @ 6.3 g/t) confirms the potential for a high grade new gold mine.
- MPI** New gold discovery below Stawell Gold Mine in Victoria has been named Golden Gift and has a sectional target area of 3.5 km strike and 1 km vertically.
- Westonia** New investment during the quarter. Lion is funding a scoping study on 0.76 million ounce gold resource for new mine.
- Indophil** Potential acquisition of Tampakan copper-gold project in Philippines.

#### Company Progress during the Quarter

Potential New Mines	Exploration Success	Watch Drilling in Progress:
<b>Gold</b>		
EAGM - North Mara	MPI - Golden Gift	Gallery - Botswana
Sedimentary - Cracow	Spinifex - Nyakafuru	MPI - Victoria
Austindo - Cibaliung	Gallery - Mupane	Westonia - Western Australia
Gallery - Mupane	Austindo - Cibitung Shoot	
Spinifex - Nyakafuru or Buckreef		
Westonia - Westonia		
<b>Metals</b>		
Lafayette - Rapu Rapu	CSM - Lewis	Austminex - Victoria
Austminex - Benambra		



## COMPANY STRUCTURE



## INVESTMENT SUMMARY TABLE

Investment	Code	Activity	LSG Holding %	Amount Invested \$m	Market Value or Cost of Unlisted \$m
<b>At 30-10-2000</b>					
<b>Unlisted Investments</b>					
Copperbelt Selection		Zambia - copper	35.5%	0.3	0.3
East African Gold Mines	EAGM	Tanzania - gold	12.7%	10.1	10.1
Indophil Resources		Philippines - copper & gold	65.4%	7.0	7.0
Havilah Resources		Australia & Indonesia - gold	64.2%	1.8	1.8
Mining Project Investors	MPI	Australia - gold	16.3%	6.1	6.1
Westonia Mines		Australia - gold	14.3%	0.3	0.3
<b>Listed Investments</b>					
Austindo Resources	ARX	Indonesia - gold	13.9%	2.0	1.9
Austminex NL	ATX	Australia - zinc/copper	27.0%	5.0	3.9
Consolidated Minerals	CSM	Australia - manganese	31.7%	8.0	17.2
Gallery Gold	GGN	Botswana - gold	44.8%	5.6	6.2
Lafayette Mining	LAF	Phillippines - polymetallic	23.2%	5.5	3.8
Sedimentary Holdings	SED	Australia - gold	24.2%	4.0	4.1
Spinifex Gold	SPX	Tanzania - gold	23.8%	6.6	7.8
African Lion	AFL	Africa - mining investment	18.5%	3.1	3.1
Other Investments				7.0	8.1
<b>Total Investments</b>				<b>72.3</b>	<b>81.8</b>
Net Cash					25.7
<b>Totals per Share</b>				<b>97.5c</b>	<b>107.4c</b>
Net Tangible Assets (NTA) after tax					<b>105.7c</b>

For NTA purposes, the value of listed investments is at market and unlisted investments at the lower of cost or net realisable value.



## INVESTMENTS

### East African Gold Mines Limited - Tanzania/Gold (Lion - 13%)

#### North Mara Project Statistics

<i>Resources:</i>	49.7 mt @ 2.6 g/t, containing 4.1 million ounces
<i>Reserves:</i>	18.9 mt @ 3.2 g/t, containing 1.9 million ounces (at a gold price of US\$260/ounce)
<i>Open Cut Mining Projection:</i>	<ul style="list-style-type: none"> <li>▪ Production of 176,000 ounces pa</li> <li>▪ Cash operating costs of approximately US\$190 per ounce</li> <li>▪ Total operating costs of approximately US\$250 per ounce</li> <li>▪ Initial open cut mine life of 10 years</li> </ul>

#### Mine Construction

<i>Mine:</i>	Pre production stripping, surface mapping and sampling completed.
<i>Infrastructure:</i>	Roads, water pipe track and fencing completed.
<i>Gold Process Plant:</i>	Subject to gold price, will be completed by early 2002.
<i>Mine Production:</i>	Subject to gold price, due to commence during first half of 2002.

*Information that relates to Mineral Resources or Ore Reserves was compiled by Mr Douglas McLean, Manager Reserves/Mine Planning, of East African Gold Mines Limited, and a Member of the Australasian Institute of Mining and Metallurgy. Mr McLean has sufficient experience in the style of mineralisation and type of deposit to qualify as a Competent Person and has consented to the inclusion of this information in this report in the form and context in which it appears.*

### Consolidated Minerals Limited - Western Australia/Manganese (Lion - 32%)

On 20 October Lion announced that it had reached agreement to sell the major part of its investment in Consolidated Minerals Limited (CSM) to Imperial Resources Limited, a company associated with the directors and management of CSM. Under the terms of the agreement Imperial will purchase Lion's 35 million fully paid ordinary shares for \$13.125 million. Lion has also granted Imperial the right to purchase its 12.5 million 30 cent options for \$1.375 million at any time up to 30 June 2001 and the right of first refusal on its 20 cent options should Lion receive an offer for them.

The sale of the major part of Lion's investment in CSM will realise \$14.5 million, assuming that Imperial exercises its right to purchase the 30 cent options. This will translate to a pre-tax profit of approximately \$7.5 million for Lion. The sale is conditional upon the approval of CSM shareholders.

Drilling continued at the Lewis deposit (formerly Anomaly 17). The indicated resource at the deposit is 824,000 tonnes at a 35% Mn cut-off.

Production was strong in the three months to September, recovering well from the previous rain affected quarter to June. Three shipments were delivered under contracts to customers in Korea, China and Europe.

#### Woodie Woodie Production

Wet Tonnes	September Qtr 2000	June Qtr 2000	September Qtr 1999
Manganese lump produced	102,945	50,640	74,091



### Mining Project Investors Pty Limited - Victoria/Gold (Lion - 16%)

Further encouraging drill results continued to define the South Fault offset area, beneath the Stawell gold mine. The discovery has been named Golden Gift. This area down to 1250 metres has the potential to host 1 million ounces of gold. The "East Decline" in the footwall of the Magdala system has been initiated to drill the Golden Gift to measured resource status.

Between 1250 – 2000 metres, the Golden Gift has increasing potential given the possible improving strike length of the expanding domal mineralised structure. A deep hole to test this potential will commence in the December quarter, which will also pick up possible high grade Wonga structures en route to this structure.

Drill results to 30 September below South Fault include:

MD2424	10.0m @ 6.7g/t 1.8m @ 19.5g/t 18.5m @ 6.8g/t
MD2482	4.0m @ 3.7g/t 3.3m @ 24.2g/t 10.3m @ 5.4g/t
MD2609	Intersected fault blank - no mineralisation

Stawell Mine Production (MPI – 50%)	Qtr ending 30/9/00	1999 (year)
Ore treated (t)	202,000	798,000
Grade (g/t)	5.04	4.37
Recovery (%)	85.0	84.2
Gold produced (ounces)	30,600	94,400
Total production cost (A\$/ounce)	413	459

The Stawell gold mine continued to produce at rates significantly above budget, with annual production for 2000 now projected to exceed 110,000 ounces.

On 6 November, the Victorian State Planning Minister, John Thwaites announced that the Big Hill open pit at Stawell would not receive approval. MPI intends to investigate the reasons for this decision to seek solutions that could merit reconsideration.

### Spinifex Gold Limited - Tanzania/Gold (Lion - 24%)

Spinifex was successful in expanding the resource at Nyakafuru (90% SPX) by 45% over the March 2000 resource statement. The global resource, including Reefs 2 East, 2 West and 6, now amounts to 3.58 million tonnes at 6.32g/t (2g/t cut-off, no upper cut) containing 730,000 ounces of gold.

Deeper drill results that potentially extend the above resource estimate include 13.0m at 49.4g/t from 177–190m at Reef 6 and 2.8m at 15.3g/t from 538.2–541m at Reef 2 East.

The initial results of deep drilling at Buckreef, part of the Ashanti/SPX joint venture, confirmed continued mineralisation at depths of around 400–500 metre along a 300 metre strike length:

BMRC220	2.0m @ 18.1g/t (558–560m)
BMRC221	2.6m @ 12.1g/t (519–521m)
MBRC222	7.0m @ 6.4g/t (479–486m)

At Kitongo, RAB drilling and trenching commenced during the quarter, with numerous results pending. The RC and RIB drilling will continue into the December quarter.



### **Sedimentary Holdings NL - Queensland/Gold (Lion - 24%)**

On 16 August Lion announced that it had agreed to underwrite an equity finance package for Sedimentary to fund the company's participation in the 2000/01 exploration and development program at the Cracow joint venture. Placements of 2.75 million shares at 11 cents per share were made to both Lion and Macquarie Bank. Sedimentary shareholders were invited to participate in a 1 for 5 non-renounceable issue at 11 cents per share and this was subscribed to 47.7%. As a result of the placement and issue, Lion's interest in Sedimentary increased to 24%.

At Cracow, a prefeasibility study of gold mineralisation within the Klondyke-Roses Pride epithermal vein system was completed during the quarter. The study indicated that the Royal Shoot has the potential for future development, producing up to 60,000 ounces per annum as part of a low cost operation. Sedimentary has previously announced an Inferred Resource of 1.1 million tonnes @ 11gAu/t (390,000 ounces) at the Royal Shoot. There is potential for the development of a high grade underground mine within two years.

The current drilling program at Cracow aims to delineate further resources and, together with Royal Shoot, this would warrant the undertaking of a full feasibility study leading to project development. A budget of \$5.3 million has been approved for the 2000/01 program, which will include approximately 35,000 metres of discovery and delineation drilling. Drilling for further high grade shoots will concentrate in the Klondyke-Roses Pride zones and the White Hope-Golden Plateau-Golden Mile lines of lode.

Sedimentary announced in September that it had reached agreement with Placer Dome Australia to explore for large sediment-hosted gold deposits in the Beaufort area of western Victoria. Placer will manage the exploration program and may earn a 70% interest in the property by completing an initial program of drilling in the first 6 months and spending a further \$2.5 million over the following 3½ years. Sedimentary has been active in the region for ten years, as an alluvial gold miner and as an explorer, and has a good understanding of the characteristics in the district.

### **Gallery Gold Limited - Botswana/Gold (Lion - 45%)**

During the quarter, Gallery completed a placement to raise \$3 million, partially underwritten by Lion Selection Group and African Lion, to provide funds to continue its successful exploration program in Botswana. A major new drilling program commenced on 9 October. Three RC percussion rigs will drill around 50 holes (6,920 metres) on the Mupane, Molomolo, Matopi and Tekwane prospects, with the aim to complete the program before Christmas. Two rigs will be dedicated to the Mupane prospect, with initial holes concentrating on the wide, high grade mineralisation at Area 1. Gallery believes Area 1 has the potential to host up to 0.5 million ounces of open pitable gold, with further potential in surrounding areas.

During the September quarter, a series of 25 metre spaced trenches in Area 1 confirmed that gold mineralisation at surface is continuous over a 200 metre strike length. Better trench intersections include:

6 m @ 4.2g/t  
16 m @ 3.4g/t  
20 m @ 2.4g/t  
6 m @ 5.6g/t

Drill results released by Gallery in late November also confirm the potential for an open pit and underground mineable resource at Area 1. Better drill results include:

MUPC 83      49m @ 4.3g/t  
MUPC 87      58m @ 5.3g/t including 8m @ 18.7g/t  
                 13m @ 7.4g/t including 5m @ 12.6g/t

In addition to the drill program for gold, it is planned to evaluate the Tekwane project during the December quarter. This prospect covers the eastern half of a gabbroic intrusive hosting the neighbouring and operating Selkirk nickel mine. Gallery owns 100% of the Tekwane prospect containing a 2.8 kilometre long gravity anomaly, that appears to come within 200 metres of surface. Following an electromagnetic survey in November, it is planned to drill at least two holes into this anomaly.



### **Lafayette Mining Limited - Philippines/Polymetallic (Lion - 23%)**

The EIS (environmental impact study) was submitted to the DENR (Department of Environment and Natural Resources) and forms the basis for the Company's application for an Environmental Compliance Certificate (ECC) late in the quarter. The ECC is a prerequisite for the development of the project.

Work on the final bankable feasibility study is nearing completion. Pilot plant testing has been successful with predicted recoveries of payable metals being achieved on a repeatable basis with a simple flotation process. A range of concentrate grades can be readily produced to suit particular customer needs e.g. copper concentrates from 20% to 30%, and zinc concentrates between 49% and 60%. Furthermore, testwork confirmed that gold and silver can be economically extracted from oxide ore, high precious metal/low base metal sulfide ore and flotation tailings. It is now intended that a separate CIL (carbon in leach) plant will be built alongside the main flotation circuit.

A MPSA (Mineral Production Sharing Agreement) has been approved by the DENR covering the area between the Ungay Malabago deposit and the former Hixbar mine to the west. A ground electromagnetic (EM) survey is being undertaken to define drill targets for follow up in the New Year.

Better results from shallow drilling beneath the trenching results from the eastern extremity of the Ungay Malabago deposit included:

UMD060	3m @ 9.55% Zn, 0.92g/t Au, 0.69% Cu (from 43m)
UMD061	7m @ 8.45g/t Au, 16 g/t Ag (from surface)

### **Austindo Resources Corporation NL - Indonesia/Gold (Lion - 14%)**

Exploration activity at Austindo's Cibaliung property during the quarter focused on diamond drilling to define extensions to the known mineralisation of the Cibitung Shoot. Eight holes were drilled for a total of 2,388 metres. The drilling has confirmed that the mineralisation is in the form of a shoot with a strike length of approximately 120 metres from north to south, extending down-dip to 300 metres below surface. The deeper holes suggest that the width of the mineralised shoot is increasing with depth. All the holes are outside the existing resource of 312,000 ounces and better intersections include:

AC10	37.4m @ 6.2g/t Au
AC13	29.5m @ 4.0g/t Au
AC14	10.3m @ 7.2g/t Au
AC15	31.8m @ 4.2g/t Au

Austindo plans to continue drilling over the quarter to trace the mineralisation down-dip and define the southern and northern limits of the Cibitung shoot at depth. A second drill rig has been commissioned and two holes are currently in progress. Further deep drilling is planned, depending on results.

Subsequent to the end of the quarter, Austindo announced a 1:1 renounceable rights issue, at 5.5 cents per share, to raise between \$8.5 million and \$10.9 million. The funds raised will be used to advance exploration and development of Cibaliung on the basis of encouraging drilling results, and for the possible acquisition of a new project. No specific opportunity has been identified but Austindo intends to maintain its focus on gold exploration in Indonesia.

Lion will subscribe for \$1.7m of the issue. The Austindo Group of Indonesia have committed to subscribe for \$4.6m of the issue.



### **Indophil Resources NL - Philippines/Copper & Gold (Lion – 65%)**

After completion of the drilling program and a recent Induced Polarisation geophysical survey at Manat the company has now earned a 25% interest in the project. Indophil is currently proceeding to a 50% interest.

During the quarter the company entered into an agreement with the Tampakan Group of Companies (Tampakan Companies) in respect of the Tampakan porphyry copper gold project located in southern Mindanao in the Philippines. The Tampakan Companies, which represent the local claimowner groups, have entered into an agreement with WMC Resources International Pty Ltd (WMCR) to acquire WMC Philippines Inc (WMCP), which holds 100% interest in the tenement covering the Tampakan deposit. The agreement between the Tampakan Companies and WMCR is conditional on approval from certain Philippine Government departments. These approvals have not yet been obtained. Another party has lodged an objection with the Philippine government in respect of the acquisition of WMCP by the Tampakan Companies however the Tampakan Companies believes that the agreement with WMCR is valid. Each of the agreements referred to is subject to confidentiality restrictions.

Indophil raised additional funds during the quarter to fund ongoing exploration commitments and the potential acquisition of Tampakan.

Subsequent to the end of the quarter Mr Bryan Davis was appointed as Chairman of Indophil. Bryan is a mining engineer with more than 30 years experience in the industry. He is a former executive director of Pasmenco Limited and is currently a non executive director of Newcrest Mining Limited and Coal & Allied Limited. Bryan's appointment adds strength to the Indophil board as the company progresses to a float in early 2001 and his mining experience will be invaluable as several projects advance to development over the next few years.

### **Austminex NL - Victoria/Copper & Zinc (Lion – 27%\*)**

Austminex has commenced the Mine Reopening Study to evaluate the economics of restarting mining operations at Benambra. The company has an option to purchase Benambra for \$535,000 exercisable by 28 February 2001. An experienced base metal project team of 6 people has been assembled to undertake the study.

A drilling campaign commenced on 14 October at the Wilga orebody primarily to obtain samples to confirm grade, mineralogical, and metallurgical characteristics. Of the 2 holes reported to date some assay grades and thickness were better than expected. The first hole intersected 9.6m @ 8.1% Zn, 1.4% Cu and 36g/t Ag while the second hole recorded a 38.4m mineralised section for which assays are awaited.

*\*Assumes conversion of convertible note*

### **Havilah Resources NL - Central Australia/Gold (Lion – 64%)**

Havilah continued to review new opportunities during the quarter, and is planning to brief authorities in North Sulawesi, to pave the way for a strategic drilling program.



**Westonia Mines NL - Western Australia/Gold (Lion – 14%)**

During the quarter, Lion invested \$250,000 for a 14.3% interest in Westonia Mines NL. Lion also has options to invest a further \$1.25 million, which would increase its interest to 40%.

Westonia owns the Westonia Gold Mine, located 300 kilometres east of Perth. Prior to its last closure in 1991 the mine had historic production of 630,000 ounces of gold from two earlier phases of underground mining and then an open cut operation. There is currently an in-situ Indicated Resource of 760,000 ounces (11.2 mt @ 2.1 g/t) below and surrounding the existing pit and additional gold is contained in surface stockpiles.

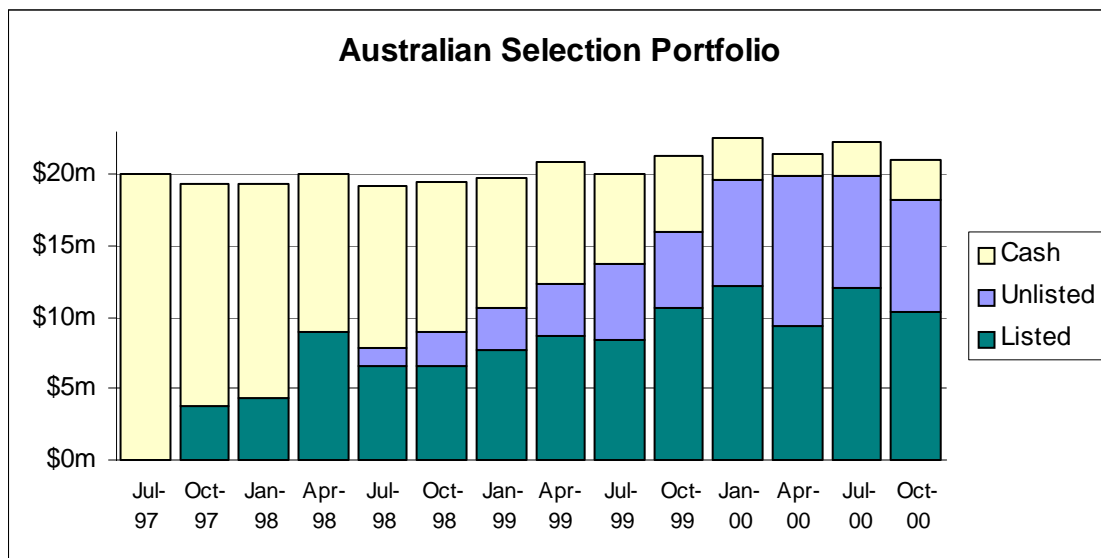
Lion's investment will fund a Scoping Study, including additional drilling, metallurgical testwork, pit optimisation and resource calculations.

The Managing Director, Andrew Drummond, has had an association with Westonia since 1982, initially in roles with Australian Consolidated Minerals NL, the former owner. Lion believes that with current mining/processing technology and cost structures, and modest capital investment, this project could provide attractive returns.

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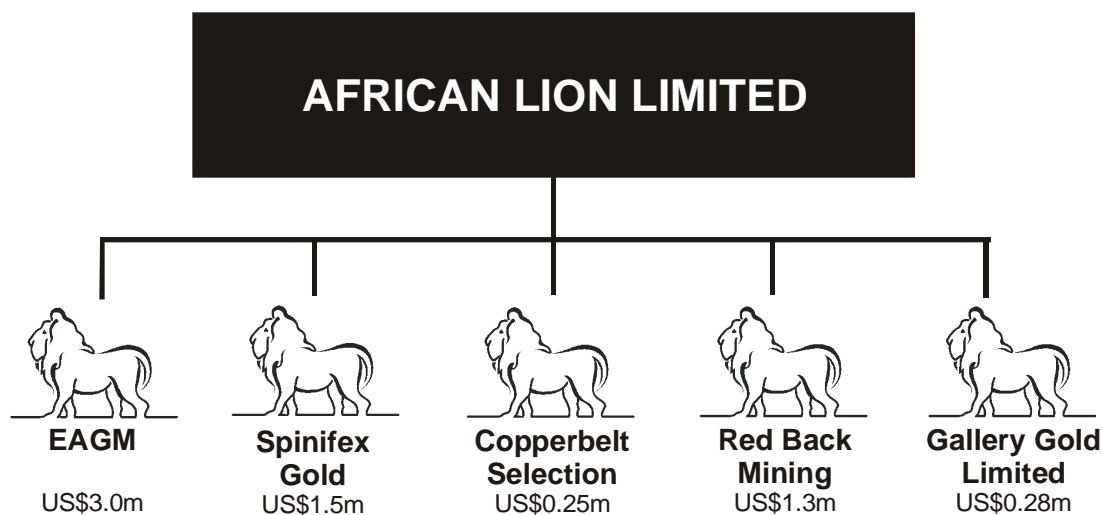
**Australian Selection Pty Ltd (Lion - 100%)**

The following chart illustrates the composition of the Australian Selection portfolio since inception. The listed investments are shown at market value, the unlisted shown at cost:





African Lion Ltd – AFL (Australian Selection - 19%)



### SHAREHOLDER INFORMATION

Issued shares:	100.1 million	Share price at quarter end:	\$0.74
Quarter High:	\$0.90	Quarter Low:	\$0.72
Volume traded:	2.6 million shares		

### COMPANY CALENDAR

#### Annual General Meeting

Lion's Annual General Meeting will be held in Melbourne on Tuesday 19 December. The meeting will commence at 10am in the ASX Theatre, 530 Collins Street.

Further enquiries:  
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