



Quarterly Report for the 3 months ended 31 October 2001

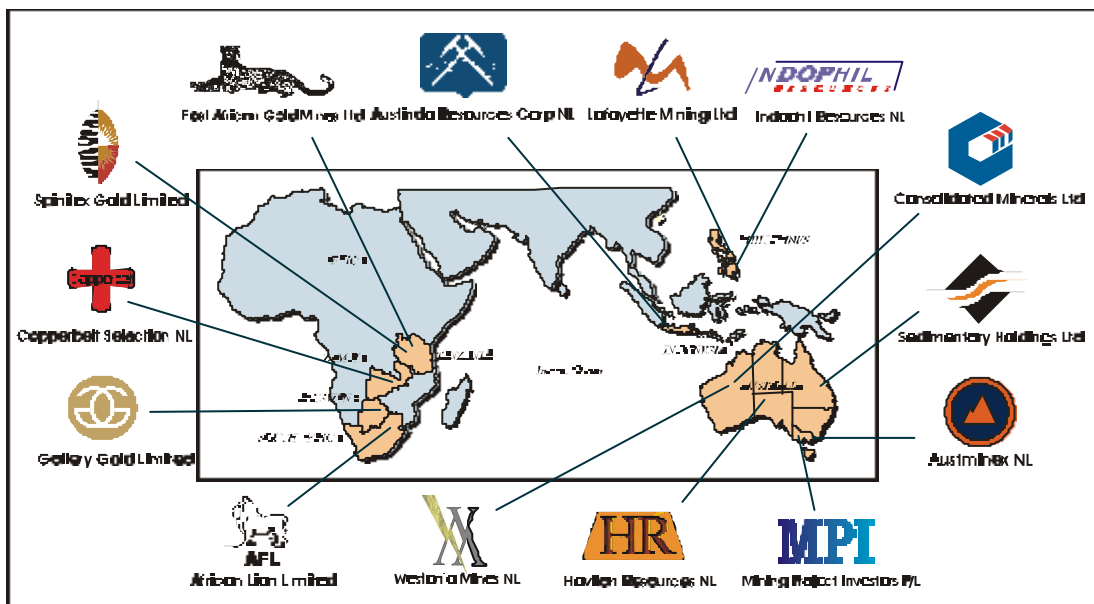
Lion completed the sale of its stake in Consolidated Minerals Limited in November. A pre-tax profit of \$13 million is expected to return around \$11 million after 15% tax under the Pooled Development Fund scheme.

Lion directors will announce how this profit will be used (dividend or share buyback or further investment) at the Annual General Meeting on 18 December.

KEY POINTS

- **Consolidated Minerals** \$8 million investment sold, returning \$13 million profit
- **Sedimentary Holdings** Cracow gold resource doubled to 0.8 million ounces
- **Lafayette Mining** Project financing and development decision for Rapu Rapu project imminent
- **EAGM** Construction of North Mara gold mine proceeding to plan
- **Westonia Mines** Scoping study results for new gold mine awaited
- **Indophil** Float delayed

INVESTMENTS





INVESTMENT SUMMARY TABLE

Investment	ASX Code	Activity	LSG Holding %	Amount Invested \$m	Market Value or Cost of Unlisted* \$m
At 31/10/01					
Unlisted Investments					
African Lion (AFL)		Africa - mining investment	18.5	5.1	5.1
Copperbelt Selection		Zambia - copper	33.0	0.3	0.3
East African Gold Mines		Tanzania - gold	11.6	10.2	10.2
Havilah Resources		Australia - gold	51.8	1.9	0.0
Indophil Resources		Philippines - copper/gold	56.2	7.7	4.2
Mining Project Investors (MPI)		Australia - gold	16.3	6.1	6.1
Westonia Mines		Australia - gold	29.9	0.6	0.6
Listed Investments					
Austindo Resources	ARX	Indonesia - gold	15.6	3.6	1.2
Austminex	ATX	Australia - base metals	16.9	5.0	3.3
Consolidated Minerals	CSM	Australia - manganese	23.3	5.7	13.8
Gallery Gold	GGN	Botswana - gold	43.3	6.7	10.0
Lafayette Mining	LAF	Philippines - polymetallic	23.2	5.5	2.7
Sedimentary Holdings	SED	Australia - gold	27.2	5.1	5.3
Spinifex Gold	SPX	Tanzania - gold	22.5	6.6	2.9
Other Investments				6.0	4.7
Sub total Investments				76.2	70.5
Net Cash					30.8
Total Investments					101.3
Net Asset Value (NAV) before tax (cents per share)					101.2
Net Asset Value (NAV) after tax (cents per share)					101.5

For NAV purposes, the value of listed investments is at market and unlisted investments at the lower of cost or net realisable value
 * Includes amounts invested by Australian Selection Pty Limited

INVESTEES UPDATE

CONSOLIDATED MINERALS LIMITED - WESTERN AUSTRALIA/MANGANESE

In October CSM shareholders approved the previously announced agreement between Lion and CSM, which enabled Lion to dispose of approximately 9.3 million of its 37.8 million CSM shares and all of its CSM options.

Subsequent to the end of the quarter Lion announced that it had sold the balance of its holding in CSM (28.5 million shares) to a range of institutional and retail clients of Johnson Taylor Potter at \$0.45 per share.

The combined transactions have resulted in a pre-tax profit of almost \$13 million for Lion, representing a 160% return on its \$8 million investment.

The CSM sale is Lion's first complete disposal of an investment under the Pooled Development Fund scheme.



SEDIMENTARY HOLDINGS LIMITED - QUEENSLAND/GOLD (LION - 27%)

Sedimentary announced a new mineral resource estimate for the high grade gold mineralisation contained in the Crown Shoot at the Cracow Project on 9 November. Newcrest Mining Limited has calculated an Inferred Resource of 1.3 million tonnes at a gold grade of 9.5 g/t for 410,000 ounces. This resource supplements the previously reported 390,000 ounces of gold in the Royal Shoot and brings the total high grade resource at Cracow to 800,000 ounces of gold, contained in 2.4 million tonnes at an average grade of 10gAu/t. Sedimentary's 30% equity share of this gold resource is 240,000 ounces.

The Crown Shoot is located 700 metres north west of the Royal Shoot at a depth of 220 metres below surface. The average width of the shoot is 4.1 metres with a maximum width of 14 metres. The new resource is being included in a review of the Prefeasibility Study for the Royal Shoot that was completed in August 2000. The review will also evaluate the possible development of an underground decline to access and exploit the identified resources.

A mining lease has been granted for the area containing the Royal Shoot, incorporating the favoured location for a decline portal to access the Royal and Crown Shoots and adjacent mineralisation.

During the quarter Lion participated in a share placement by Sedimentary which raised \$2.24 million to fund the company's ongoing participation in the Cracow Joint Venture. As a result of the placement, Lion's interest increased to 27%.

LAFAYETTE MINING LIMITED - PHILIPPINES/POLYMETALLIC (LION - 23%)

Resource Service Group (RSG) completed an audit of Lafayette's Rapu Rapu project during the quarter as part of Standard Bank London Limited's due diligence for project finance. **The RSG audit concluded that development of the Rapu Rapu project is technically and economically feasible and that the level of detail of the technical work undertaken is more than sufficient for project financing requirements.**

Following completion of the RSG audit Lafayette is awaiting receipt of an updated project finance term sheet from Standard Bank London. Standard Bank has offered to extend the maturity date of the US\$3 million Bridge Finance Facility to December 2002. Lafayette and Standard Bank intend to refinance the Bridge Finance Facility as part of the larger project finance facility to be arranged for development of the project.

In September the Philippines' Board of Investments approved a range of taxation concessions for the Rapu Rapu project, including complete relief from corporate income tax for 4 years on profits arising from copper, gold and silver production and for 6 years on profits from zinc production. These tax concessions and other granted incentives represent a tangible vote of support from the Philippines' Government and the financial effect on project economics will be significant.

Exploratory drilling undertaken at the Hixbar deposit has defined zones of oxide and sulfide mineralisation. Initial metallurgical testwork on the oxide material indicates gold recoveries in excess of 95% and the material is amenable to processing through the plant planned for the Ungay deposit, 2.5 kilometres to the east. Further work to define resources has commenced.



EAST AFRICAN GOLD MINES LIMITED - TANZANIA/GOLD (LION - 12%)

Construction of a new 2 million tonne per annum gold mine is well underway at EAGM's North Mara project in Tanzania. All contracts have been let and work is on track to meet the scheduled completion date of August 2002.

The operation will initially commence by open cut at the Nyabirama deposit and gold production is targeted to begin in September 2002.

WESTONIA MINES NL - WESTERN AUSTRALIA/GOLD (LION – 30%)

Drilling to upgrade and increase existing resources at the historic Westonia Gold Mine continued during the quarter. Better results from RC drilling included:

Hole	From m	Interval m	Grade g/t Au
WRC 796	116	8	13.6
WRC 797	32	20	4.6
WRC 801	184	8	23.3
WRC 816	132	73	5.4

Subsequent to balance date, Resource Service Group completed a study into the economic viability of recommencing of mining operations at Westonia. The report is being assessed by the Westonia board.

INDOPHIL RESOURCES NL - PHILIPPINES/COPPER & GOLD (LION – 56%)

The events in New York in early September and their impact on global sharemarkets resulted in the deferral of Indophil's planned Initial Public Offering until early next year. Consequently, the company has undertaken a placement to raise interim funds of \$395,800.

Further progress on the acquisition of the Tampakan copper-gold project has been made and the transaction is currently being processed by the Department of Environment and Natural Resources (DENR). The DENR Secretary's approval is required before WMC can transfer the shares in WMC Philippines to Sagittarius Mines, Inc and allow Indophil and the consortium rights to the property.

Exploration on Indophil's properties was been limited to reconnaissance work while the company focused on preparations for the IPO and the acquisition of Tampakan.

GALLERY GOLD LIMITED - BOTSWANA/GOLD (LION - 43%)

Resource drilling was completed on the Area 1 and Area 2 mineralised zones at Gallery Gold's Mupane Prospect in Botswana during the quarter. Resource estimates are now being revised to incorporate the latest results.

The Area 1 high grade gold shoot remains open at depth over its full 300 metre strike length and further drilling is planned to define its eastern and western strike limits. The deepest hole drilled has returned an intersection of 17 metres @ 5.7 g/t gold including 10 metres @ 9.4 g/t, which indicates a possibility for underground mining beneath a potential open pit.



Delineation drilling in Area 2 has defined a continuous but lower grade zone of gold mineralisation with a strike length of 350 metres. The zone has been drilled to a vertical depth of 150 metres and remains open at depth along its full strike length. An initial resource estimate for Area 2, announced by Gallery in March 2001, indicated 76,000 ounces of gold and drilling since this time has extended the mineralised zone a further 50 metres in depth.

An economic scoping study for possible mine development is currently underway and remains on track to be completed in December 2001. A metallurgical testing program as part of the study has obtained excellent gold recoveries from both oxide and primary ore in Area 1. A positive result from the scoping study would provide for commencement of a definitive feasibility study early in 2002 and completion of a full bankable feasibility study by November 2002.

The undeveloped Signal Hill gold deposit, located 15 kilometres from Mupane, contains a potential oxide gold resource of some 143,000 ounces. Gallery has an option to purchase 100% of the Signal Hill mining licence and is presently evaluating the resource with a view to trucking ore to a central plant at Mupane.

Detailed evaluation of the Tekwane platinum-palladium prospect continued during the quarter and initial results from assaying pre-existing diamond drill cores have been encouraging. Previous drilling has demonstrated that platinum-palladium mineralisation is widespread and occurs over significant widths. Five anomalies identified by a recent Induced Polarisation geophysical survey may represent stronger zones of mineralisation. Planning for a drilling program in 2002 will be undertaken once all assays from the present drill core sampling program have been received.

Regional exploration to identify and evaluate other gold prospects continued and a preliminary assessment of diamond targets has been completed. Gallery currently holds diamond rights over 1,773 square kilometres. Consideration is being given for farm-out of the diamond tenements to an experienced diamond exploration group.

SPINFEX GOLD LIMITED - TANZANIA/GOLD (LION - 23%)

Spinifex announced in late October that it planned to raise equity capital of up to \$3.1 million via an issue of new securities. The issue will comprise 46.1 million fully paid ordinary shares with free attaching options at 6.5 cents and up to 60 million options at an issue price of 0.2 cents. Lion and African Lion will each invest \$1.04 million, subject to Spinifex shareholder approval at a general meeting in December, and stockbroker William Noall Limited will assist in raising up to \$1.04 million via a placement to its clients.

The specific use of the funds raised will be determined by the outcome of an independent technical review currently underway but Spinifex anticipates that emphasis will remain on increasing the resource base at one or all of its Tanzanian gold projects.

Significant gold in soil anomalies were reported south of the known reefs at Nyakafuru during the quarter and infill sampling is planned to define the extent of the underlying mineralisation. At Kitongo a broad east-west trending mineralised shear zone has been identified and preliminary grab samples have returned grades of 2.02 g/t Au and 1.14 g/t Au. Spinifex plans to follow up this structure with further trenching and possible drilling.



A reconnaissance mapping exercise undertaken at Spinifex's 50% owned Ikina Reefs project revealed multiple gold occurrences. A recently completed geophysical interpretation indicates that the structure which hosts the Bulyanhulu gold mine could intersect the north east quadrant of the Ikina Reefs project area.

Spinifex is continuing negotiations with a number of mining companies regarding the formation of joint ventures or a strategic alliance to further develop its projects.

MINING PROJECT INVESTORS PTY LIMITED - VICTORIA/GOLD (LION - 16%)

Gold production costs at MPI's 50% owned Stawell Gold Mine were adversely affected during the quarter by the lower gold grade milled in combination with higher power expenses. Costs are expected to be reduced in the next quarter as higher grade ore is scheduled for milling and non-recurring expenditure is reduced.

Stawell Mine Production (MPI – 50%)	Sept Qtr 2001	June Qtr 2001	2000 (year)
Ore treated (t)	209,000	212,000	798,000
Grade (g/t)	4.2	4.5	5.1
Gold produced (ounces)	24,193	25,950	114,460
Cash operating cost (A\$/ounce)	422	406	330
Total production cost (A\$/ounce)	536	507	417
MPI gold price received (A\$/ounce)	541	527	496

Resource drilling at Magdala during the quarter totalled 6,091 metres for 27 completed diamond drill holes. These holes targeted the down plunge of existing mineralisation within the Central Lode and a number of significant intercepts were produced. Infill drilling of the Golden Gift area continued to close drill spacing to 120 metres strike by 60 metres dip. Significant results included:

Hole	Interval m	Grade g/t Au
MD 2880	5.0	8.5
MD 3002	4.6	25.3
MD 3043A	7.2	6.1
	9.3	19.9

Data from the regional aircore exploration program has been compiled and is currently being analysed and modelled to rank 15 basalt dome targets for geochemical "fingerprinting". This geochemical program has involved an orientation study of the Magdala ore body on over 600 samples. The results of the study will determine a series of geochemical fingerprints for different mineralisation styles and prospective host rocks that can be applied to the regional targets.

A project development study was completed at Coolgardie in Western Australia, where MPI and Pittston are earning 60% from Herald Resources Limited. The study indicated that an initial three year project could produce between 140,000 and 213,000 ounces of gold. MPI/Pittston and Herald are reviewing the project with a view to restructuring the agreement to provide a basis for early development, contingent on a suitable gold price.



AUSTINDO RESOURCES CORPORATION NL - INDONESIA/GOLD (LION - 16%)

The first phase of drilling at Austindo's Cibaliung project was completed during the quarter with 9 holes drilled for a total of 2,180 metres. Two infill holes were drilled in the Cikoneng Shoot, returning 11.45m @ 8.98 g/t Au and 80 g/t Ag and 3.6m @ 10.92 g/t Au and 79 g/t Ag. These results are reported to a 3 g/t Au cut-off and confirm the geological continuity of the vein.

Three holes were re-drilled where unrecorded core loss had been suspected. All three holes confirmed that core recovery in critical vein intersections in the original holes had been acceptable, although unrecorded core loss in other parts of the holes was also established.

Both drill rigs have now been demobilised and surface exploration work will recommence to define new drill targets. Austindo is currently negotiating to gain access to other prospective exploration areas adjacent to Cibaliung.

The company's cash reserves at the end of September totalled \$7.6 million.

COPPERBELT SELECTION NL - ZAMBIA/COPPER (LION – 33%)

Copperbelt continued to monitor and assess copper projects in Africa during the quarter.

HAVILAH RESOURCES NL - CENTRAL AUSTRALIA/GOLD (LION – 52%)

Havilah was established to pursue grass roots exploration opportunities with the aim of discovering projects that would be worthy of development. The prime focus has been in South Australia, where recent exploration results from another company (Minotaur) have created speculative interest and possible opportunity.

Since early 1998 Lion has invested approximately \$1.9 million in Havilah, which has been written down to almost zero.

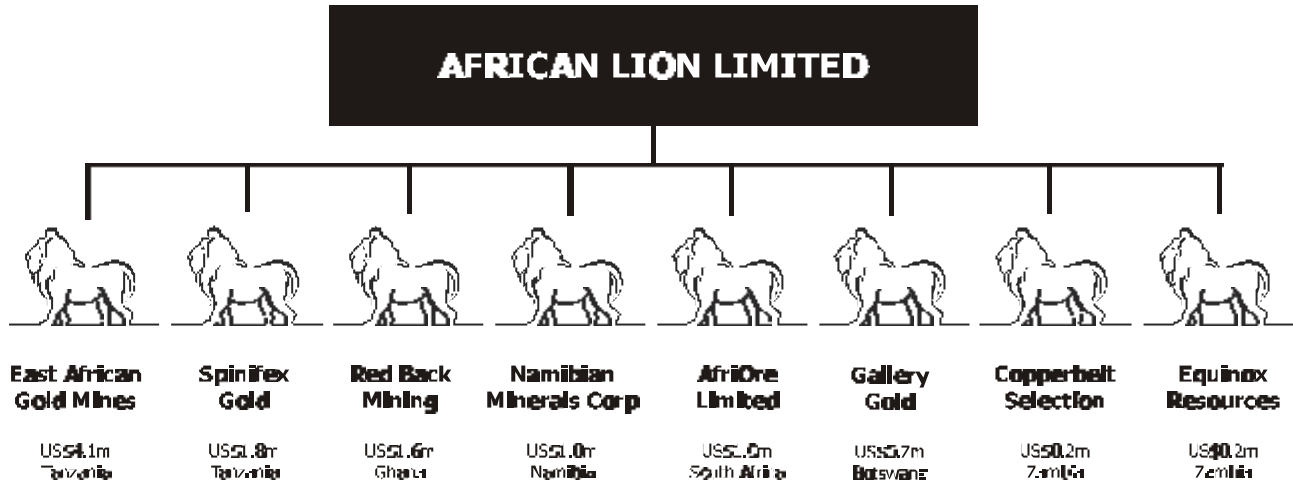
AUSTMINEX NL - VICTORIA/COPPER & ZINC (LION – 17%)

Austminex announced at its AGM on 25 October that it was suspending further pre-development activity at the Benambra base metal project as a result of the ongoing decline in base metal prices. Both copper and zinc prices are currently close to fourteen year lows and the Austminex Board believes the outlook for the year ahead has become increasingly uncertain as world economic growth slows and demand falls. Although Austminex has achieved an increase in resources and all technical targets for the Mine Re-opening Study have been met or surpassed the Board has decided to conserve cash reserves and reduce expenses until economic conditions improve. The Benambra project remains ready for development and the company has retained its option to purchase the mining tenements, processing plant and associated infrastructure.

Austminex is actively pursuing other opportunities with an ability to provide operating cash flows in the near term. The company's NSW properties have been reviewed and joint venture partners will be sought. Exploration will continue on the Boorowa and Mundoe properties where recent work has generated targets that warrant follow-up exploration.



AFRICAN LION LTD – AFL (AUSTRALIAN SELECTION - 19%)



African Lion announced in October that the Board of the European Investment Bank (EIB) had approved an investment of up to EUR 8 million (US\$7.4 million) in African Lion. EIB is the development bank of the European Union and is owned by the EU member states.

AUSTRALIAN SELECTION PTY LIMITED (LION - 100%)

Due to changes in the Pooled Development Fund Act relating to the activities of "controlled interposed entities" Australian Selection is being wound down. Shares in companies held by Australian Selection in which Lion also has an investment will, subject to various approvals, be transferred to Lion via a capital reduction.

SHAREHOLDER INFORMATION

Issued shares:	100.1 million	Share price at quarter end:	\$0.59
Quarter High:	\$0.68	Quarter Low:	\$0.53
Volume traded:	9.466 million shares	NAV after tax:	\$1.01

ANNUAL GENERAL MEETING

The Annual General Meeting of Lion Selection Group Limited will be held in Melbourne on Tuesday 18 December. The meeting will be held in the Theatre at the Australian Stock Exchange, 530 Collins Street, commencing at 10.00am.

Further enquiries:

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