



## Quarterly Report for the 3 months ended 31 October 1998

### KEY POINTS

#### Financial

- NTA per share was 98.5 cents and cash backing was 72.5 cents per share at the end of the quarter.

#### Investments

- **East African Gold Mines** commenced review of contractors for the development of the North Mara project in Tanzania.
- **Consolidated Minerals** was formally released from administration on 24 August. Construction of the final stages of the new all weather Rippon Hills road commenced towards the end of the quarter.
- Drilling commenced at the Buckreef and Kitongo properties in Tanzania early in the quarter. **Spinifex** announced good results from the drilling program in October, and expects to report a significant increase to both resources by mid December.
- **Indophil** continued to receive excellent results from exploration at the Labo (De Jesus) property. Purchase of the Nabunturan Exploration Permit from WMC Resources was completed.
- **Havilah** commenced drilling on selected targets at the Highlands Rocks project in the Tanami. Assay results from the reconnaissance exploration program are expected early in the next quarter.
- **Australian Selection Pty Limited** announced a US\$5 million investment in an "African Lion" mining fund. Other major shareholders in the fund are Commonwealth Development Corporation and Investec Bank.





Spinifex currently holds a 49.5% controlling interest in East Africa Gold Corporation (EAGC), which owns a portfolio of properties in the emerging Lake Victoria greenstone belt in Tanzania. Spinifex will increase its equity to 58% as a result of funding the current drilling program. During the October quarter Spinifex announced encouraging results at the Buckreef (80% owned by EAGC) and Kitongo (100% EAGC) prospects. Nyakafuru will also be drilled in the current field program. Spinifex has indicated that it will be announcing expanded resources at both Buckreef and Kitongo by mid-December.

#### **Indophil Resources NL (Lion – currently 63.8%)**

Indophil commenced detailed exploration and fieldwork at Labo (De Jesus) during the quarter. Excellent soil sampling results indicated a number of coherent gold anomalies that will merit drilling. Low impact reconnaissance geology and stream sediment sampling was completed over the Casiguran and Peris Bay properties. The results did not indicate an economic mineralised system and the properties were relinquished. Total exploration expenditure amounted to \$259,000 for the quarter.

The purchase of the Nabunturan Exploration Permit (EP) from WMC Resources was completed in August. The project area covers 60.75 square kilometres in the Davao Del Norte province on the island of Mindanao and is considered highly prospective. A work program has been scheduled and prospect definition geochemical sampling has commenced.

Clearances of Indophil's properties to allow title to be granted proceeded well during the quarter. Area clearances for Northern Sierra Madre progressed quickly and four exploration permits have already been published. IPRA clearances are now underway. To date, Indophil's properties have one approved Mineral Production Sharing Agreement (MPSA), one approved EP and one EP that is awaiting final signature. A further eleven properties have reached the publishing stage or are in a more advanced stage of clearance.

In response to mining industry concerns, the President established a task force to resolve the problems associated with the Indigenous Peoples Rights Act (IPRA) and to remove the uncertainty surrounding the legislation. This appears to be working well and early reports indicate the outcome will be positive for the industry.

#### **Havilah Resources NL (Lion – currently 44.8%)**

Havilah commenced regional reconnaissance drilling at the Highlands Rocks project in the Northern Territory in September. The drilling program focused on previously identified priority targets and assay results are expected early in the next quarter.

First round drilling was completed at the Mount Victor property in South Australia. Assay results indicated widespread low grade uneconomic gold values occurring within the predicted structures.

Drilling at the Parachilna project encountered difficulties and a second drill hole was abandoned before hitting basement. Further drilling will be suspended while Havilah investigates the feasibility of carrying out seismic work to accurately establish the basement topography.

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

Australian Selection maintained a cautious approach in an environment of global economic uncertainty. There were some encouraging signs that several companies in the Small Resources sector were receiving improved investor support and had recovered some ground from previous low price levels.



On 15 October, Lion announced that it intended to establish and manage an "African Lion" mining investment fund through its wholly owned subsidiary, Australian Selection. The purpose of the fund is to identify, assess and invest in resource projects in Africa.

Australian Selection intends to invest US\$5 million in the fund, which will be drawn down over a period of time. Other founding shareholders are Commonwealth Development Corporation from Britain and Investec Bank of South Africa. Additional shareholders will contribute funds, with the intention of raising US\$25-35 million.

It is proposed that the fund will provide Lion with a window into African resource projects. Lion will be able to co-invest with the fund in those projects which comply with Pooled Development Fund guidelines.

## FINANCIAL POSITION

- At the end of the quarter the Net Tangible Asset backing was 98.5 cents per share. This assumes that the Group's unlisted investments are valued at cost.
- Cash held at quarter end was approximately \$73 million (72.5 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

Investor sentiment towards gold continued to remain pessimistic, contributing to the weak resource market during the quarter.

### Investment Strategy

The Manager has continued to evaluate opportunities, with a focus on those companies currently on the Priority List.

### Shareholder Briefings

Shareholder Briefings were held in New Zealand and around Australia in October. Attendance was generally lower than in the previous round of briefings but shareholder sentiment remained supportive.

Next year's Shareholder Briefings will be held in the weeks commencing 22 March and 13 September 1999. Details of the dates and locations will be provided in future quarterly reports and in the Company Calendar section on the website.

### Annual Report

Lion's first annual report was released to the Australian Stock Exchange on 28 October, and was subsequently distributed to registered shareholders.

Copies of the annual report can be obtained by contacting Judith Russell, tel: (03) 9614 8008, fax: (03) 9614 8009 or email: [jrussell@lsg.com.au](mailto:jrussell@lsg.com.au).



LION SELECTION GROUP LIMITED

## COMPANY CALENDAR

### Shareholders Briefings

18, 22 - 26 March 1999

9, 13-17 September 1999

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