



## Quarterly Report for the 3 months ended 31 January 2002

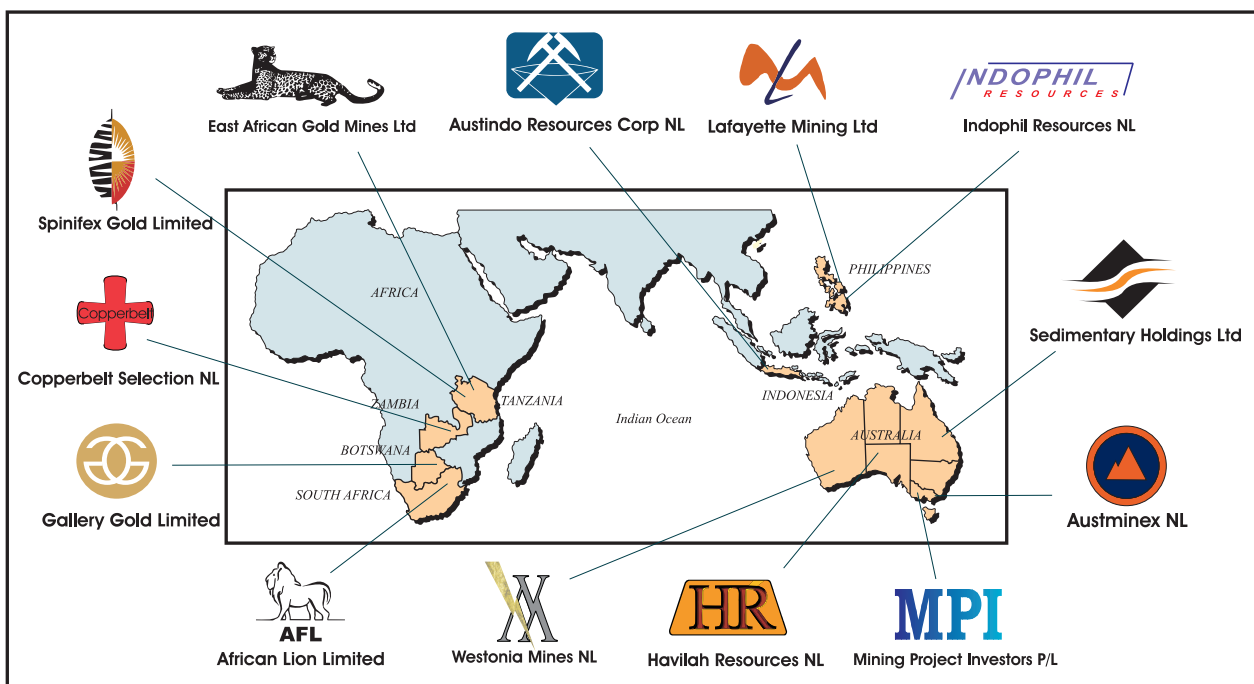
A three cent maiden dividend was paid to shareholders in February following the \$13 million pre-tax profit received from the sale of Consolidated Minerals in November 2001.

The aftermath of 11 September world stockmarket lows has seen rallies in the Australian Gold Index, the gold price and support for exploration. This could be a window of opportunity for Lion or even mark a turning point after almost five years of downturn for emerging mining companies.

### KEY POINTS

- **Gallery Gold**                                      Scoping study on new gold mine expected in March
- **Havilah Resources**                                \$5 million float underway (exploration)
- **East African Gold Mines**                        Construction of North Mara 180,000 ounce gold mine going well
- **Sedimentary**                                        Development decision on Cracow Gold Project anticipated
- **Westonia**    Bankable Feasibility Study underway on new open pit gold mine
- **Indophil**    Acquisition of Tampakan Project advanced / preparing for float

### INVESTMENTS





LION SELECTION GROUP LIMITED

## INVESTMENT SUMMARY TABLE

Investment	ASX Code	Activity	LSG Holding %	Amount Invested** \$m	Market Value or Cost of Unlisted* \$m
<b>At 31/01/02</b>					
<b>Unlisted Investments</b>					
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	48.5	1.9	0.0
Indophil Resources		Philippines - copper/gold	52.5	7.7	4.2
Mining Project Investors (MPI)		Australia - gold	16.3	6.1	6.1
Westonia Mines		Australia - gold	30.5	0.9	0.9
<b>Listed Investments</b>					
Austindo Resources	ARX	Indonesia - gold	15.6	3.6	1.4
Austminex	ATX	Australia – base metals	16.9	5.0	3.4
Gallery Gold	GGN	Botswana - gold	43.3	6.7	15.2
Lafayette Mining	LAF	Philippines - polymetallic	23.2	5.5	2.9
Sedimentary Holdings	SED	Australia - gold	27.2	5.1	7.4
Spinifex Gold	SPX	Tanzania - gold	20.7	6.8	4.5
Other Investments				5.1	5.1
Sub total Investments				70.0	66.9
Net Cash					40.2
Total Investments					107.1
Net Asset Value (NAV) before tax (cents per share)					<b>107.0</b>
Net Asset Value (NAV) after tax (cents per share)					<b>106.7</b>

\* 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

NAV shown is after providing for a 3 cents per share dividend payable on 22 February 2002

## INVESTEE UPDATE

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

Gallery announced an increase in the previously reported gold resource at the Mupane Prospect during the quarter. **Total indicated and inferred resources at Areas 1 and 2 at Mupane now stand at 795,000 ounces of gold, an increase of more than 55% over the previously announced resource (March 2001).** Gallery also has an option to acquire a 119,000 ounce gold resource at the Signal Hill Prospect, 15 kilometres from Mupane, for a payment of 1,500 ounces of gold. Inclusion of Signal Hill would increase combined gold resources at the Botswana Project to 1.1 million ounces, including the previously delineated Shashe deposit.

Exploratory drilling to identify additional resources at Mupane is scheduled to commence in March, following Botswana's wet season. Gallery believes there is strong potential for the discovery of additional ore shoots in other sub-areas away from Areas 1 and 2. This work will be given priority over other regional gold exploration in the coming months.



An economic scoping study for a wholly owned mining operation, based on a central mill at Mupane with potential millfeed from other prospects within a 30 kilometre radius, is nearing completion, with results likely to be released in March. Preliminary pit optimisation results indicate that an open pit on the Area 1 ore shoot will be viable to a depth of approximately 200 metres. The economics of underground mining beneath the proposed open pit is also being investigated. A decision on the commencement of a full feasibility study for Mupane will be made once the economic scoping study is completed.

During the quarter Gallery reviewed all of its gold prospects in the Tati and Vumba greenstone belts to prioritise those prospects that could be most readily developed into satellite deposits for a central mill at Mupane. The review has identified seven prospects which are virtually drill ready and are seen to have clear potential to contain at least 50,000 ounces of gold at attractive grades. Priority prospects include Molomolo and Kakwa, where sporadic gold mineralisation over a strike length of 4 kilometres has been identified, and the Shashe Mining Licence. Planning for a first phase of drill evaluation in these areas is in progress.

Resampling of archival diamond drill core for platinum and palladium has been completed at the prospective Tekwane Prospect. The core was obtained from 22 holes drilled by Falconbridge, the previous owner, and samples assayed by Gallery. Better palladium-platinum intersections from the amalgamated data included:

Hole	From m	Interval m	Grade g/t Pd+Pt
TW-10	76	24	1.26
TW-9	110	42	0.50
TW-18	208	17	1.40
<i>including</i>	<i>208</i>	<i>10</i>	<i>1.93</i>
TW-23	358	27	0.64

An Induced Polarisation geophysical survey completed by Gallery in August 2001 revealed the presence of five robust anomalies in close proximity to the mineralisation that was intersected in the drill holes. This suggests that stronger zones of mineralisation could be found and a drill program to test the anomalies is being planned. Consideration is being given to joint venturing Tekwane with a major company.

#### **HAVILAH RESOURCES NL - CENTRAL AUSTRALIA/GOLD (LION – 48% pre float)**

**Lion announced on 21 January that Havilah Resources NL was proposing to float. Perth stockbroker D J Carmichael is underwriting the capital raising of \$5 million at 20 cents per share, and has allowed for oversubscriptions of up to \$1 million.** The offer opened on 12 February and is due to close on or before 12 March, with Havilah expecting to list on the ASX shortly after.

Lion has arranged for 7.5 million shares to be allocated to Lion's Australian shareholders, subject to a sub-underwriting agreement. The allocation is not an entitlement and should applications by Lion shareholders exceed 7.5 million shares not all will be successful. If applications by Lion shareholders are less than 7.5 million shares the balance will be allocated to Lion.

Havilah will use the funds raised from the float for continued exploration in South Australia. The company's Mattaweara & Pernatty projects are underlain by prospective Gawler Craton rocks, in similar geological settings to WMC's Olypmic Dam and the recent Prominent Hill discovery by Minotaur Resources Limited.



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

**Construction of the 2 million tonne per annum North Mara gold mine in Tanzania is progressing well and without interruption.** Gold production from the open pit mine is scheduled to start early in the second half of 2002 at a rate of 180,000 ounces per annum.

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

**Sedimentary announced during the quarter that a mineral resource estimate has been prepared for the high grade gold mineralisation contained in the Crown Shoot at the Cracow Gold Project. The inferred resource was estimated at 1.3 million tonnes at 9.5 gAu/t for 410,000 ounces and the combined resource for the Crown and Royal Shoots is now 2.4 million tonnes at 10 gAu/t for 800,000 ounces.**

Sedimentary and Newcrest have committed to the completion of the upgrading of the Klondyke Prefeasibility Study with a focus on achieving the earliest possible mine development and production of gold. It is anticipated that the joint venture partners will make a decision on decline access to assess and exploit the resource in the next quarter.

A new zone of gold mineralisation was discovered 300 metres north of the Crown Shoot, which included within a broad new zone of quartz stockwork surrounding two quartz veins. The wider vein returned a downhole intersection of 7.4 metres @ 6.4 gAu/t and further drilling of this new zone is planned.

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

Resource Service Group (RSG) completed a study into the economic viability of recommencing of mining operations at Westonia during the quarter. The report indicated potential for the economic development of the mine. As a result of the study, Lion subscribed a further \$280,000 to fund drilling and other work associated with recommendations from the RSG report. **A Bankable Feasibility Study (BFS) is now underway and a mineable reserve will be recalculated following completion of the recent drilling program by RSG.**

Westonia is aiming to add value to the project at low cost prior to the recalculation of the reserve. The company is currently assaying sections from previously drilled holes where intersections are likely to lie within the future BFS pit design. These sections have not previously been assayed as they intersect rock units which are not the main host to mineralisation. The mineralised zones are designated as waste in the current pit design. Assay results from drill hole WDD 089 have returned 10 metres downhole between 60-70 metres at a grade of 13.6 gAu/t gold (approximately 10 metres true width between 55-62 metres vertical).

#### **INDOPHIL RESOURCES NL - PHILIPPINES/COPPER & GOLD (LION – 52%)**

An option expiry at the end of the quarter was very well supported with more than 95% of the options being exercised. **Funds raised amounted to \$993,375 which has placed Indophil in a sound position to pursue an Initial Public Offering (IPO). Indophil is preparing for an IPO in the near future with ABN AMRO Morgans acting as broker and underwriter to the issue. Lion will be seeking a substantial sub-underwriting position.**



During the quarter Indophil and the Tampakan consortium advanced the acquisition of the Tampakan copper-gold project from WMC. Conditional approval for the transfer of the Columbia Financial & Technical Assistance Agreement was granted by the Secretary of the Department of Environment and Natural Resources. This was a key hurdle to be overcome in the acquisition process. A Petition of Review was subsequently filed with the Office of the President by Lepanto, a Philippines mining company which has stalled the completion of the acquisition in the short term. A court action by Lepanto is still pending but has currently been suspended.

The Alcantara Group of the Philippines has joined the Tampakan Consortium which is a strong endorsement of the companies involved and the quality of the project.

Limited exploration was undertaken on the company's projects elsewhere in the Philippines.

### **SPINIFEX GOLD LIMITED - TANZANIA/GOLD (LION - 21%)**

**Subsequent to the end of the quarter, Spinifex announced that it had reached agreement with Resolute Mining Limited with respect to a joint venture on Spinifex's Nyakafuru Project and a placement of 30 million Spinifex shares to Resolute.**

Resolute can earn an initial 51% interest in the Nyakafuru Project by expending US\$3 million over 3 years with a minimum spend of US\$1 million and an additional 15% interest by spending a further US\$2 million over 2 years. Resolute has also agreed to subscribe for 30 million Spinifex shares at 7.5 cents per share, which will give the company an interest of approximately 10%.

On 31 January Spinifex announced that it had entered into an agreement to earn a 65% interest in the highly prospective Kangele property in the Lake Victoria goldfields region. Kangele is located approximately 10 kilometres east of Nyakafuru and Spinifex believes that the property could deliver the supplementary ore required to fast track development of Nyakafuru. The Kangele joint venture will form part of the Nyakafuru project to be joint ventured with Resolute.

Spinifex has previously announced identified total resources at Nyakafuru of 3.6 million tonnes grading 6.29 g/t for 730,000 ounces of gold. The Nyakafuru mineralisation remains open along strike and at depth. With the acquisition of the Kangele property potential combined resources could be in excess of 1 million ounces. Following a detailed structural review on both properties the joint venture partners intend to complete infill and extensional drilling to define additional ounces with the aim of developing a stand alone project in this area.

On 1 February Spinifex commenced drilling at Ikina Reefs, which could host the western extension of the world class Bulyanhulu mine (18 million ounce resource).

During the quarter, Spinifex raised \$1.14 million in new equity capital through a placement to clients of Tolhurst Noall Limited. An additional \$2.08 million will be invested by Lion and African Lion, subject to Spinifex shareholder approval at a meeting in March.



## CONSOLIDATED MINERALS LIMITED - WESTERN AUSTRALIA / MANGANESE

Lion sold the remainder of its holding in Consolidated Minerals in November 2001 to a range of institutional and retail clients of Johnson Taylor Potter.

**This is Lion's first complete disposal of an investment under the Pooled Development Fund scheme and has resulted in a pre-tax profit of almost \$13 million on the \$8 million investment.**

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

**Lafayette announced during the quarter that it plans to raise \$3.25 million in new equity by issuing 65 million shares at 5 cents per share. Lion intends to subscribe \$2 million and the remaining \$1.25 million will be placed with clients of ABN AMRO Morgans, Bell Potter Securities, Loeb Aron & Company, Investa AG and other investors.** The placement to Lion will be in three tranches and is subject to approval by Lafayette shareholders, who will also be asked to ratify the placement to the other parties at a meeting on 14 March. On completion of the final tranche, Lion will have a 33.86% interest in Lafayette. The funds raised by the placement will be used to undertake the first stage of mine development at the Rapu Rapu Project.

Recent exploration at Rapu Rapu has focused on delineating the near surface gold oxide mineralisation east of the Hixbar pit. Lafayette announced a near surface gold oxide inferred resource of 305,000 tonnes @ 2.07 gAu/t at a 0.5 g/t cutoff grade. A scoping study conducted by Minesure Pty Limited indicated that approximately 250,000 tonnes grading 2.2 gAu/t would be recoverable at a cash cost of around US\$110 per ounce based on development of the Ungay deposit.

The Hixbar resource is open at depth and to the north, east and west. Further exploration is planned to expand this resource and to upgrade it to Measured or Indicated status. Several similar targets to the Hixbar oxide resource have been identified within the immediate area of the Ungay site and these will be followed up.

Following the successful completion of a technical audit, Lafayette has commenced discussions with Standard Bank London Limited regarding a project finance facility for the construction of the Ungay open pit mine.

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

**Mine production at Stawell Gold Mine increased during the December quarter and mill throughput achieved 212,000 tonnes @ 4.88 gAu/t, contributing to the record 812,000 tonnes of ore treated during calendar 2001.**

Stawell Mine Production (MPI – 50%)	Dec Qtr 2001	Sept Qtr 2001	2001 (year)
Ore treated (t)	212,000	209,000	812,000
Grade (g/t)	4.9	4.2	4.7
Gold produced (ounces)	28,452	24,193	103,525
Cash operating cost (A\$/ounce)	354	422	395
Total production cost (A\$/ounce)	457	536	499
MPI gold price received (A\$/ounce)	535	541	530



Mineral Inventory Estimates were updated at 31 December 2001, including a preliminary Inferred Resource of 205,000 ounces for part of the Golden Gift discovery.

<b>Stawell Gold Mine</b>				
<b>Mineral Resource Statement as at 31 December 2001</b>				
	<b>Category</b>	<b>Tonnes '000</b>	<b>Grade Au g/t</b>	<b>Gold 000 oz</b>
Underground	Indicated	658	5.6	118
	Inferred	2,670	6.7	578
Surface	Indicated	3,220	2.2	222
<b>Total</b>		<b>6,548</b>	<b>4.4</b>	<b>918</b>
<b>Ore Reserves Statement as at 31 December 2001</b>				
Underground	Proved	906	5.4	159
	Probable	1,602	4.9	251
Surface	Proved	0	0	0
<b>Total</b>		<b>2,508</b>	<b>5.1</b>	<b>410</b>
<b>Total Mineral Inventory</b>				<b>1,328</b>

*Note: Resources do not include Reserves*

MPI commenced an aircore drilling program in late February to collect additional samples from four confirmed regional targets: Wildwood, Kewell, Wallup and Cannum. The initial program will involve approximately 5,000 metres of drilling and samples collected will enhance geochemical "fingerprinting" and allow ranking of targets for diamond drilling.

At Coolgardie MPI/Pittston and Herald Resources Limited have revised the terms of the exploration agreement to facilitate mining and production of gold. MPI/Pittston are earning 50% of the project by expenditure of \$5 million. The earn-in is expected to be completed by March 2002 and the joint venture partners are working towards a development decision by that time.

*Information on gold resources is compiled by Mr Dean Fredericksen & Mr John Rowe, both full-time employees of Mining Project Investors Pyt Limited. Both are Members of the Australasian Institute of Mining and Metallurgy and have sufficient experience in the style of mineralisation and type of deposit to qualify as a Competent Person, as defined in the 1999 JORC Code. Both have consented to the inclusion of the information in this report in the form and context in which it appears.*

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

Following completion of the first phase of drilling at the Cibaliung Gold Project in Indonesia Austindo has redirected efforts towards defining new drill targets in the tenement area. Detailed mapping has been completed over South Cibeber and several veins have been identified. The dimension and structural orientations of the veins suggest that they are probably extensions and splays of the Cibeber Vein.

During the quarter, evaluation of a number of high-grade epithermal gold projects on the island of Java was undertaken. Negotiations are in progress to secure a suitable addition to Austindo's portfolio and the company will continue project generation work during the course of the year.



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

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

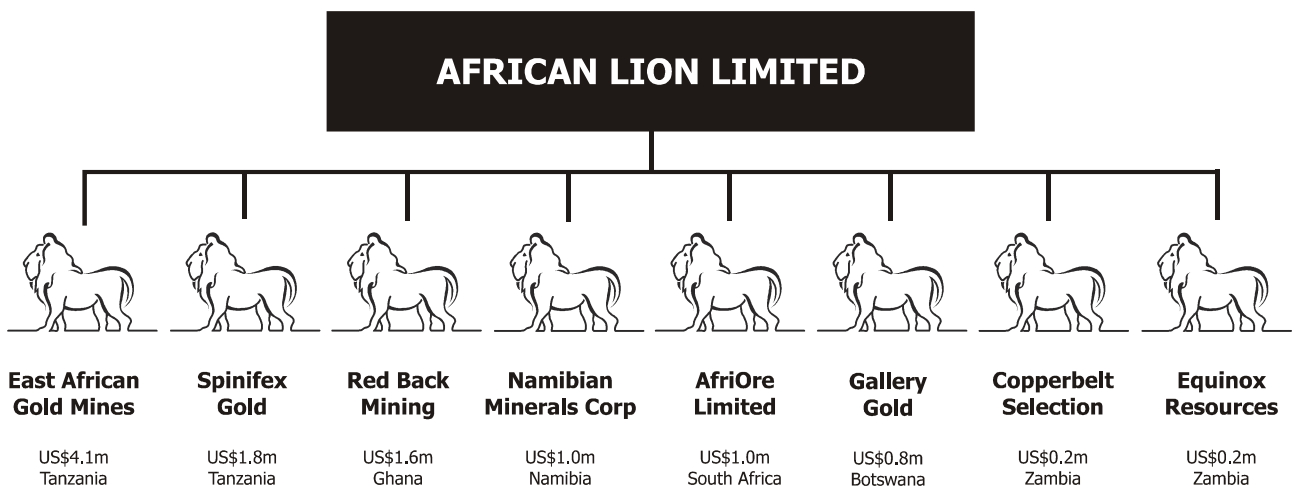
**AUSTMINEX NL - VICTORIA/COPPER & ZINC (LION – 17%)**

Austminex is maintaining its option to purchase the Benambra base metal project in Victoria.

Mr Mike Eager, a former non executive director, has assumed the responsibilities of Executive Chairman following the resignation of the former Chairman, John Robinson, and Managing Director, Kevin Tomlinson. Cash on hand at 31 December 2001 was \$5.1 million, which includes the \$2.5 million redeemable convertible note with Lion.

The company continued exploration at Mundoe in NSW during the quarter. A drilling program of 74 holes to collect geochemical samples has identified base metal anomalies over a distance of 500 metres and further drilling will be undertaken to follow up these results.

**AFRICAN LION LTD – AFL (AUSTRALIAN SELECTION - 18%)**



Equinox Resources has commenced a Bankable Feasibility Study on the Lumwana copper deposit in Zambia. All major contracts have been awarded and on site activities, including phase 1 drilling and the environmental base line study, are well underway.

Red Back Mining has been advised by the Ministry of Mines in Ghana to commence the Environmental Impact Statement for the Chirano Gold Project. Obtaining an environmental permit is a precursor to the grant of a Mining Lease and the Ministry has indicated that it will fast track the application.





## SHAREHOLDER INFORMATION

<b>Issued shares:</b>	100.1 million	<b>Share price at quarter end:</b>	\$0.81
<b>Quarter High:</b>	\$0.87	<b>Quarter Low:</b>	\$0.57
<b>Volume traded:</b>	9.43 million shares	<b>NAV after tax:</b>	\$1.07

## INVESTMENT BRIEFINGS

The next Investment Briefings will be held around Australia later in the year. Dates and venues will be posted to Lion's website and shareholders will receive notification by mail or email.

Further enquiries:

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