

Quarterly Report for the 3 months ended 31 October 2010

Key Points

- LSG recommences actively investing in Australia.
- Sale of Intrepid stake.
- Investment in YTC Resources Limited.
- Lion Manager increases its holding in LSG to 19.83%.

Company Strategy

- Investing in junior resource companies at the base of the resources cycle with a long term view.
- Timed to the resources cycle, selling aggressively at top of cycle and returning cash to shareholders.

Lion Recommences Australian Investment

As announced on 27 October 2010, LSG has recommenced actively investing in Australia, engaging Lion Manager to provide investment recommendations and management services with respect to Australian investments and other opportunities as they arise. LSG will utilise Lion Manager's depth of experience and expertise in the Australian mining sector to provide expanded scope in addition to the existing investments in African and Asian Lion.

The arrangements with Lion Manager are on an agreed cost recovery basis, initially being \$160,000 + GST. LSG's expenses are not anticipated to rise as a consequence of these new arrangements, and there is no termination fee or incentive applicable to these arrangements.

Lion Manager increases its holding in LSG to 19.83%

On 1 November 2010, LSG received notification from the Lion Manager that it had acquired additional shares increasing its stake in LSG to 19.83%. This increase in holding reinforces Lion Manager's commitment to LSG and its belief in the investment process and long term strategy.

Investments

INTREPID MINES LIMITED - Sold

During October 2010, LSG completed selling its holding in Intrepid at an average price of \$1.76 per share. This sale has returned a multiple on investment of 1.8 times:

Number of shares sold	0.8m
Proceeds of sale	\$1.4m
Cost of investment	\$0.8m
Gross Profit	\$0.6m

MINDORO RESOURCES LTD (LSG 4.8%, ASIAN LION 7.9%)

During the quarter, Mindoro announced the release of the Agata Nickel Project Scoping Study. The results of the study indicate potential to establish a low operating cost nickel operation based on established acid leaching technology.

Mindoro has lodged with the Australian Securities and Investment Commission a prospectus for A\$8m capital raising and to undertake a secondary listing on the ASX. Subject to certain conditions, LSG and Asian Lion have indicated their commitment to participate in the offering.

KENTOR GOLD LIMITED (ASIAN LION 2%)

Kentor is proceeding with the full-scale development of the low cost, high grade Andash Gold-Copper Project in the Kyrgyz Republic, and announced on 15 November it had successfully raised \$65.2m (\$13.4m significantly oversubscribed placement at 15.5 cents per share, and \$51.8m rights issue) to complete its equity funding for development of the Project.

Asian Lion's is participating in this raising for \$1.6m at an average of 14 cents per share, and has undertaken to sub-underwrite part of the rights issue. In addition, LSG has taken a small part of the raising directly.

Kentor's Andash Gold-Copper Project (Kentor Gold 80% increasing to 90%) is a government-approved project, well located for open pit development, with infrastructure in place (road, water, power and workforce) and a mining and construction fleet already assembled.

SIHAYO GOLD LIMITED (LSG 2.3%; ASIAN LION 2.2%)

In September 2010, Asian Lion completed an investment in Sihayo Gold acquiring 12m shares at 15.4 cents per share for a total investment of \$1.9m. Additionally, as a co-investment with Asian Lion, LSG invested \$2m in Sihayo Gold Limited purchasing 13m shares at 15.6 cents per share.

Sihayo is an ASX listed mineral exploration company with gold exploration projects in Indonesia. With recent exploration success at its Sihayo Gold Project in Sumatra and completion of its \$10.8m capital raising, the company is focused on developing the Sihayo Gold Project to an operational stage.

YTC RESOURCES LIMITED (LSG 1.03%)

LSG has invested \$0.5m at 25 cents per share in ASX listed YTC Resources Limited (YTC) as part of the first tranche of YTC's \$10m capital raising.

YTC's recent raising will fund an expanded drilling and Definitive Feasibility Study (DFS) program at the Nymagee Copper Mine and Hera Gold Project in central New South Wales.

YTC is progressing the DFS on the Hera Deposit, and at the same time running an aggressive exploration campaign on the highly prospective tenement package surrounding the Hera Deposit. This includes the historic Nymagee Copper Mine, and the 4.5km corridor between Hera and Nymagee.

COPPERBELT MINERALS (LSG 2.1%, AFL2 4.1%, AFL3 2.9%)

Following the withdrawal in early September 2010 of Zijin from the transaction with China Africa Development Fund (CADF) and Copperbelt Minerals, CADF remained engaged with Copperbelt Minerals and entered into a new conditional agreement valued at approximately US\$24 per Copperbelt share. The transaction is subject to receipt of relevant governmental and joint venture partner approvals in the Democratic Republic of Congo.

KASBAH RESOURCES LIMITED (AFL2 7.6%, AFL3 6.1%)

In August 2010 Kasbah released a resource upgrade at its Achmmach tin project in Morocco. A total Mineral Resource of 7 million tonnes at 0.8% tin (Sn) has been estimated, containing approximately 54,000 tonnes tin. This includes 2.2 million tonnes at 0.8% Sn of Indicated Mineral Resource.

Kasbah released a Scoping Study on the Achmmach Tin Deposit in October 2010. A summary of the study is as follows:

Achmmach Underground Scoping Study – October 2010		
Base Case mine life	Years	7.5
Mined grade (ROM)	%Sn	1.0
Treatment rate	tpa	800,000
Mill recovery	%	70.0
Tin output	tpa	5,620
Tin price	US\$ / tonne	23,000
Operating cost estimate	US\$ / tonne Sn in concentrate	12,684
	US\$ / tonne ore	89.1
Operating margin estimate	US\$ / tonne ore	72.0
Project capital estimate	US\$M	85.3
Project NPV	US\$M	126.0
Project IRR	%	43%

Based on these early indications of the project's economics, Kasbah has commenced a Pre-feasibility Study into the development of an underground mine at Achmmach. Commencement of a Feasibility Study is scheduled for mid 2011.

To accelerate exploration and development at Achmmach, Kasbah has conducted a \$24m capital raising at 24 cents per share. The raising was heavily over-subscribed, however AFL3's participation in the raising maintained a combined AFL2/ALF3 holding of 13.7% in Kasbah.

GULF INDUSTRIALS LIMITED **(AFL3 17.3%)**

Following the re-commissioning of the Namekara vermiculite processing plant in Uganda, Gulf has continued to ramp up commercial production and a first shipment of vermiculite has been made to European customers.

Gulf experienced some design problems with the dryer at the processing plant causing production for the September quarter (1,124 tonnes) to be lower than the 1,590 tonnes budgeted. However a new dryer installation is expected to be completed by the end of the first quarter 2011 which, in addition to further design work that has commenced for additional facilities, is anticipated to increase production to 18,000t per annum by March 2011.

The Namekara vermiculite project is one of the world's largest vermiculite resources and hosts some of the largest flake sizes making for a premium product, which will enable Gulf to tailor vermiculite quality to specifically meet customer needs.

SAMA RESOURCES LIMITED **(AFL3 4.6%)**

In September 2010, AFL3 made an initial investment of US\$1.0m in Sama Resources Limited (Sama) at C\$0.40 per share. Sama is a TSX-V listed resource company focused on exploring the Samapleu nickel/copper and platinum group elements project in Côte d'Ivoire.

Following the success of its Phase I drill program completed in July 2010, Sama commenced the second phase exploration at the Samapleu project in September 2010. It is Sama's objective to proceed with a scoping study on the viability of an open-pit mining operation at the Samapleu main deposit and the newly discovered Extension 1 zone, before the end of 2011.

SUMMARY OF INVESTMENTS – 31 October 2010				
	Commodity	Holding	Investment \$m	Market Value A\$m
Direct Investments				
Copperbelt Minerals	DRC – Copper	2.1%	2.6	4.3
Havilah Resources	Gold/base metals	18.6%	4.3	11.4
Sihayo Gold	Indonesia - Gold	2.3%	2.0	2.5
Other			3.1	3.5
Total Direct Investments			12.0	21.7
African & Asian Lion				
African Lion Funds		23.5%	6.3	10.5
• Copperbelt Minerals	DRC – Copper	7.1%	2.2	3.6
• Kasbah Resources	Morocco – Tin	13.7%	0.6	2.6
• Other				4.3
Asian Lion Fund		62.8%	9.5	10.2
• Asian Mineral Resources	Vietnam – Nickel/Copper	13.6%	3.0	3.6
• Mindoro Resources	Philippines – Nickel	7.9%	3.0	2.0
• Sihayo Gold	Indonesia - Gold	2.2%	1.1	1.5
• Other				3.1
Total African & Asian Lion				20.7
Committed Cash - to African Lion 3 and Asian Lion				25.4
Net Cash				20.8¹
Net Tangible Assets – before tax				88.6
NTA per share before tax				\$1.01²
NTA per share after tax				\$1.01²

¹ Committed cash of US\$25m to AFL3 and Asian Lion. LSG holds US\$20 million cash as part of its hedging policy.

² The NTA from a theoretical disposal of LSG's investment portfolio at market prices based on accounting carrying value was \$1.01 per share prior to estimated tax on gains, and \$1.01 per share after estimated tax on gains from such disposal.

Substantial Shareholders – 31 October 2010

Lion Manager Group	19.83%
Select Asset Management	15.41%
Mark Creasy	5.06%