

Quarterly Report for the 3 months ended 31 October 2011

The Sector

Despite gloomy equity markets we remain cautiously optimistic:

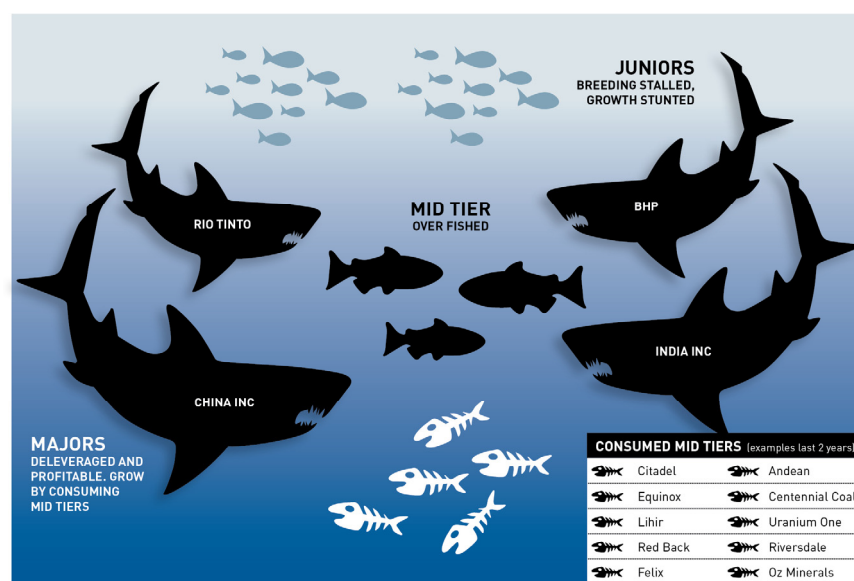
- printing money is good for gold;
- long term metals supply doesn't appear to be stepping up to meet long term demand growth from major developing countries.

The investment team for some years now has seen around 1,000 opportunities annually. This involves regular office meetings, field visits and travel to international mining finance centres. Lion Manager has a system in place to filter the best opportunities, prioritise and then conduct detailed diligence, valuation and risk assessment.

Some observations from this work are:

- Australia remains a centre of exploration excellence and the area of activity of Australian explorers has shifted from a mainly Australian focus in 1997 when Lion commenced activities to dominantly global in 2011. Australian explorers are everywhere, giving Australian investors diverse opportunities, not forgetting country risk assessment.
- International investors are concerned about the strong A\$ and fear uncertainty on minerals policy and tax in Australia.
- Australian based costs are typically 3 to 5 times more expensive per unit of activity or person than Chinese or South East Asian costs. Chinese ball mills, Filipino geologists, Chinese steel etc will displace Australian units.
- Chinese mining companies are far more likely to be in dialogue with junior miners than are traditional western mining majors who seem more focused on each other.
- The world is changing.

Resource Sector Food Chain



Investments

DORAY MINERALS LIMITED (LSG 3.3%)

Doray Minerals has continued its aggressive drilling program at its Andy Well gold project, located 45km north of Meekatharra in Western Australia. Drilling results confirmed increases to the strike length and depth extent of the Wilber Lode and a number of very high-grade gold intersections were discovered outside the current Wilber Lode resource, which remains open at depth and down plunge to the south.

In addition, regional exploration drilling commenced at Doray's 80% owned Abbotts gold project located approximately 10km west of Meekatharra. This drilling will test a number of targets along the 30km of strike of the mineralised Abernethy Shear Zone. Aircore drilling has so far returned a number of intersections of gold mineralisation.

Reconnaissance aircore drilling has been conducted at Doray's 80% owned Side Well gold project where a number of high-grade gold intersections have been recorded.

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

Copperbelt Minerals Limited (Copperbelt) successfully completed its rights issue in late October 2011, raising US\$7.1 million at US\$8/share with attaching warrants. As previously announced, Lion maintains its valuation of Copperbelt at US\$12/share, subject to further developments.

The rights issue included the participation of Solway Industries Limited, part of the Solway Group, having underwritten the rights issue under a memorandum of understanding to make a series of investments in Copperbelt subject to certain conditions:

- US\$2.5 million underwriting of the rights issue;
- US\$5.0 million placement at US\$21.50/share following confirmation that Copperbelt's joint venture agreement is in good standing;
- US\$30 million placement at US\$30/share upon decision of Copperbelt to develop the Deziwa project;
- A commitment to finance the acquisition of all or part of Gécamines share of the joint venture if offered as part of the joint venture discussions.

There have been no recent developments with respect to Copperbelt's ongoing discussions with Gécamines surrounding the joint venture agreement.

Given the on-going nature of this transaction Lion will be keeping its valuation of Copperbelt under review.

ONE ASIA RESOURCES LIMITED (ASIAN LION 23.3%)

One Asia Resources (One Asia) has renegotiated its Joint Venture agreement with Vista Gold Corporation (Vista) of USA and now has the opportunity to earn 80% of the Awak Mas Joint Venture by undertaking certain payments to Vista and completing a 5,000m exploration program outside of the Awak Mas deposit during 2011 and 2012.

One Asia has been progressing its Preliminary Feasibility Study at Awak Mas which is expected to be completed by the end of the first quarter of 2012, following which the company will initiate a Definitive Feasibility Study.

One Asia's drilling program at Awak Mas has been successful in reclassifying a portion of the Inferred resource to Indicated resource and a JORC compliant resource statement has been established. Current mineral resources at Awak Mas are 2.1 million ounces of gold as detailed below:

Category	Tonnes (M)	Grade (Au g/t)	Au oz (000)
Measured	12.2	1.39	547
Indicated	32.9	1.26	1,335
Measured & Indicated	45.1	1.30	1,882
Inferred	6.5	1.13	235
TOTAL	51.6	1.28	2,117

Awak Mas JORC resources (Tetra Tech 2011) and quoted on a 100% basis.

At One Asia's Pani Gold Project (One Asia 90%), the company has received the necessary permits to enable its drill program to commence and expects to have two drill rigs on site by the end of 2011 following up known mineralization not currently within the resource model.

The Pani Gold Project was drilled pre 1997 and a resource was announced to the Toronto Stock Exchange in 2005 by a previous owner of the project. The Pani Gold Project currently hosts 530,000 ounces of oxide gold mineralization with excellent potential to expand the resource base and previous metallurgical testing indicating first-rate recoveries.

Category	Tonnes (M)	Grade (Au g/t)	Au oz (000)
Indicated ¹	9.9	1.45	460
Inferred	1.4	1.52	70
TOTAL	11.3	1.46	530

Note: all Pani resources are non-JORC resources and quoted on a 100% basis.

¹ Indicated Resource of Pani Project verified by independent consultants under NI 43-101 and filed on the TSX in 2005.

One Asia is considering an Australian IPO and ASX listing early in the New Year.

ROXGOLD INC (AFRICAN LION 3 3.5%)

During the Quarter African Lion 3 made an initial investment of US\$2.9m in TSX-V listed Roxgold Inc as part of Roxgold's recent C\$11M private placement.

Roxgold is currently developing a number of large mineral concessions in Burkina Faso, West Africa. Drilling at its flagship Yaramoko gold project has produced some excellent results and the completion of the C\$11m raising will enable the company to advance its exploration process.

SUMMARY OF INVESTMENTS – 31 October 2011					
	Commodity	Holding	Investment \$m	Market Value A\$m	
Direct Investments					
	Copperbelt Minerals ³	DRC – Copper	2.0%	2.6	2.3
	Doray Minerals	Gold	3.8%	2.4	4.3
	Mindoro Resources	Philippines –Gold & Nickel	6.6%	2.5	2.1
	Sihayo Gold	Indonesia - Gold	1.9%	2.0	1.3
	YTC Resources	Gold/base metals	4.1%	4.0	4.9
	Other			3.1	3.7
Total Direct Investments			17.5	18.6	
African & Asian Lion					
African Lion Funds		24.0%	8.4	8.9	
•	Copperbelt Minerals ³	DRC – Copper	6.9%	2.2	1.9
•	Kasbah Resources	Morocco – Tin	12.7%	1.4	2.3
•	Other including cash				4.7
Asian Lion Fund		62.8%	19.5	16.3	
•	Asian Mineral Resources	Vietnam – Nickel/Copper	11.5%	3.0	1.0
•	Kentor Gold	Kyrgyz - Gold	2.2%	1.5	1.5
•	Manas Resources	Kyrgyz - Gold	7.7%	1.7	1.5
•	Mindoro Resources	Philippines – Nickel	8.3%	3.4	1.7
•	One Asia Resources Corp ⁴	Indonesia - Gold	23.3%	3.2	6.9
•	Sihayo Gold	Indonesia - Gold	4.3%	3.5	1.9
•	Other including cash				1.8
Total African & Asian Lion				25.2	
Committed Cash - to African Lion 3 and Asian Lion				10.6 ¹	
Net Cash				25.2	
Net Tangible Assets – before tax				79.6	
NTA per share before tax				\$0.90 ²	
NTA per share after tax				\$0.90 ²	

¹ Committed cash of US\$11.2m to AFL3 and Asian Lion. Lion holds US\$6.0 million cash as part of its hedging policy.

² The NTA from a theoretical disposal of Lion's investment portfolio at market prices based on accounting carrying value was \$0.90 per share prior to estimated tax on gains, and \$0.90 per share after estimated tax on gains from such disposal.

³ Includes Copperbelt Minerals at a value of US\$12/share.

⁴ Includes One Asia at a value of A\$0.75/share (formerly Pan Asia).