

Quarterly Report for the 3 months ended 31 January 2012

The Sector – What's the Outlook for 2012?

2011 was a tough year for world financial markets. Many of the factors that created the uncertainty remain unresolved, but there are signs that the frozen supplies of cash are slowly thawing in the resources sector at least. Three key macro themes have the potential to impact resource sector equilibrium in the coming months:

1. releasing the brakes on the Chinese economy;
2. recovery in the US;
3. clarification on the European problem.

Resource stocks appear generally undervalued based on current metal prices and medium term expectations for metal prices could be materially under-called if part of the trifecta above is resolved, with no apparent metals supply response on the cards. Notably companies releasing positive results have often gone unrecognised. Financing and delivery on development remain material barriers for juniors, perhaps rightly so in these tougher times.

We believe the sector is in long term up-trend due to China and believe the next move will be upwards.

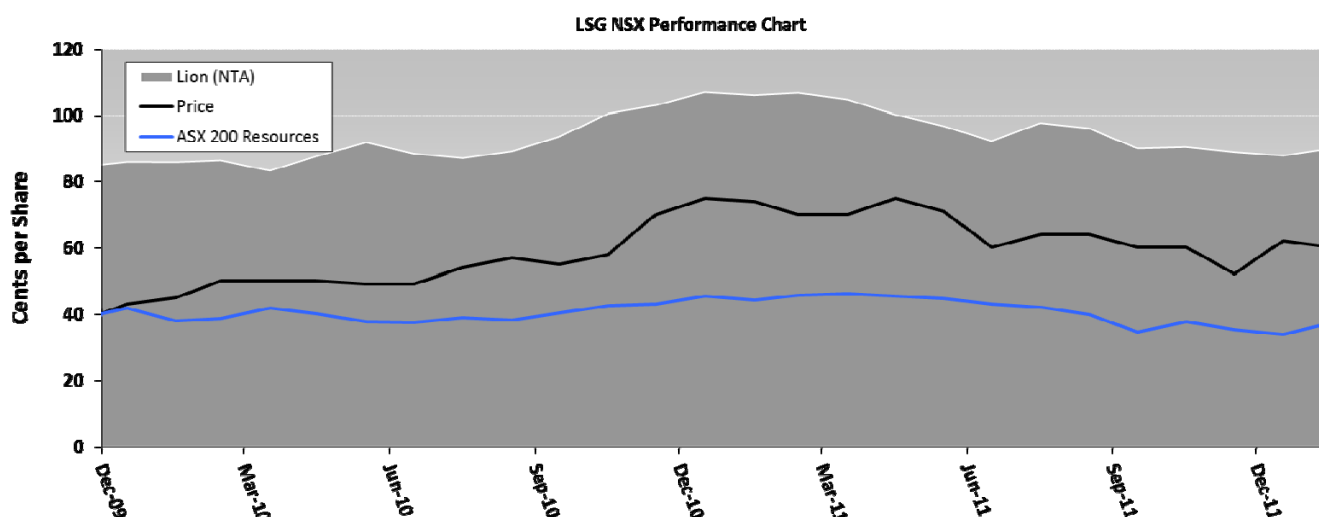
Lion in the Investment Portfolio

Lion aims to provide investors with a portfolio exposure to the junior resources sector, a notoriously high risk/high reward part of the market overlooked by many investors. Investing in this sector requires picking the best people then a thorough diligence on the prospects, including valuation, risk assessment and whether the management team is capable of dealing with the risks. In addition, investments in this sector require active monitoring and management.

In short, it is very difficult for most investors to independently assess this sector of the market, and Lion aims to provide this exposure as a component of a balanced portfolio. Additionally, Lion has access to unlisted opportunities that other investors don't have visibility of.

Performance versus Small Resources Index

Since listing on the NSX in December 2009, Lion's share price has increased 50% with the underlying NTA improving 6%. As a relevant comparison, the Small Resources Index has decreased 11% in the same timeframe. Lion's investment business has operated continuously since 1997 (as Lion Selection Limited and Lion Selection Group Limited) returning almost 4 times its original investment to shareholders.



Investments

DORAY MINERALS LIMITED (LSG 3.8%)

Doray Minerals in December 2011 released a 90% increase in its Resource to the Wilber deposit at Andy Well located 45km north of Meekatharra in Western Australia. The updated Resource has increased to approximately 330,000 ounces at 14.8g/t and to a depth of 480m below surface. The Company is currently completing an extensive drilling campaign along with a number of other development-related activities designed to bring the project into production as quickly as possible. The drilling aims to increase the size of the Wilber Lode resource as well as testing for additional mineralisation across a number of other nearby targets.

In addition, regional aircore exploration drilling commenced at Doray's 80% owned Abbotts gold project located approximately 10km west of Meekatharra continues to deliver positive results, including 47m @ 2.67 g/t, 8m @ 5.49 g/t and 4m @ 6.11 g/t.

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

Copperbelt Minerals Limited (Copperbelt) continues to seek resolution of its joint venture agreement with its partner Gécamines. Provided this can be achieved, a cornerstone investor intends to make a series of investments in Copperbelt, initially at US\$21.50/share following confirmation that Copperbelt's joint venture agreement is in good standing with further investment at US\$30/share upon decision of Copperbelt to develop the Deziwa project.

As previously announced, Lion maintains its valuation of Copperbelt at US\$12/share, subject to further developments. Given the on-going nature of this transaction Lion will be keeping its valuation of Copperbelt under review.

TORO GOLD (AFL3 7.0%)

Toro Gold Limited is an AFL3 unlisted investment that has a new gold discovery at its Mako project in Senegal. Drilling at Mako commenced in July 2011 with the company announcing first results in October 2011. Toro has quickly moved to a resource of 1.1M ounces @ 2.2g/t (Canadian Institute of Mining, Metallurgy and Petroleum compliant). The company is currently raising further funds for continued drilling and mining studies. Drill results have been generally consistent with broad intercepts from near surface, with better results including:

- 64m@ 2.5 g/t Au from 13m
- 23m @ 3.6 g/t Au from 5m
- 38m @ 4.5 g/t Au from 21m
- 19m @ 2.6 g/t Au from 6m

ONE ASIA RESOURCES LIMITED (ASIAN LION 23.3%)

One Asia Resources (One Asia) is in the process of earning 80% of the Awak Mas Joint Venture by undertaking a feasibility study and Environmental Impact Statement on the Awak Mas deposit. One Asia has been progressing its Preliminary Feasibility Study at Awak Mas which is expected to be completed by the end of the second quarter of 2012, following which the company will initiate a Definitive Feasibility Study.

One Asia has been able to incorporate further drilling and re-interpretation of certain areas of Awak Mas and subject to validation by the company's independent consultants, expects to be able to release a marginally larger gold Resource at a higher grade.

During October and November 2011 One Asia undertook a 900m exploration drill program at the Salu Bulu prospect 2.5km east of Awak Mas. This prospect was last drilled in 1999 and no further work has been undertaken since that time. A number of positive results from initial exploration drilling at Salu Bulu were received including:

39m @ 1.85 g/t Au

24m @ 1.86 g/t Au

17m @ 2.80 g/t Au

Drilling recommenced in mid February 2012, with a 4,000m drill program planned.

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 three drill rigs on site shortly after engaging with community consultation.

One Asia is considering an Australian IPO and ASX listing in second quarter 2012.

SUMMARY OF INVESTMENTS – 31 January 2012					
	Commodity	Holding	Investment \$m	Market Value A\$m	
Direct Investments					
	Copperbelt Minerals ³	DRC – Copper	2.0%	2.6	2.2
	Doray Minerals	Gold	3.8%	2.4	4.1
	Mindoro Resources	Philippines –Gold & Nickel	6.9%	2.8	2.0
	Sihayo Gold	Indonesia - Gold	1.9%	2.0	1.4
	YTC Resources	Gold/base metals	4.1%	4.0	4.4
	Other			4.0	3.4
Total Direct Investments			17.8	17.5	
African & Asian Lion					
African Lion Funds		23.9%	9.4	10.4	
•	Copperbelt Minerals ³	DRC – Copper	6.9%	2.1	1.8
•	Kasbah Resources	Morocco – Tin	14.1%	1.6	2.9
•	Rox Gold	Burkina Faso - Gold	3.5%	0.3	1.1
•	Other including cash				4.6
Asian Lion Fund		62.8%	19.5	17.1	
•	Erdene Resources	Mongolia – Gold.Coal	4.7%	0.9	1.1
•	Kentor Gold	Kyrgyz/Australia - Gold	2.2%	1.5	1.8
•	Manas Resources	Kyrgyz - Gold	5.9%	1.7	1.2
•	Mindoro Resources	Philippines – Nickel	7.4%	3.3	1.3
•	One Asia Resources Corp ⁴	Indonesia - Gold	23.3%	3.6	8.0
•	Sihayo Gold	Indonesia - Gold	4.3%	3.5	2.1
•	Other including cash				1.6
Total African & Asian Lion				27.5	
Committed Cash - to African Lion 3				8.8 ¹	
Net Cash				25.1	
Net Tangible Assets – before tax				78.9	
NTA per share before tax				\$0.90 ²	
NTA per share after tax				\$0.90 ²	

¹ Committed cash of US\$9.4m to AFL3. Lion holds US\$4.2 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\$0.80/share following the most recent placement in December 2011.