

## Quarterly Report for the 3 months ended 31 July 2012

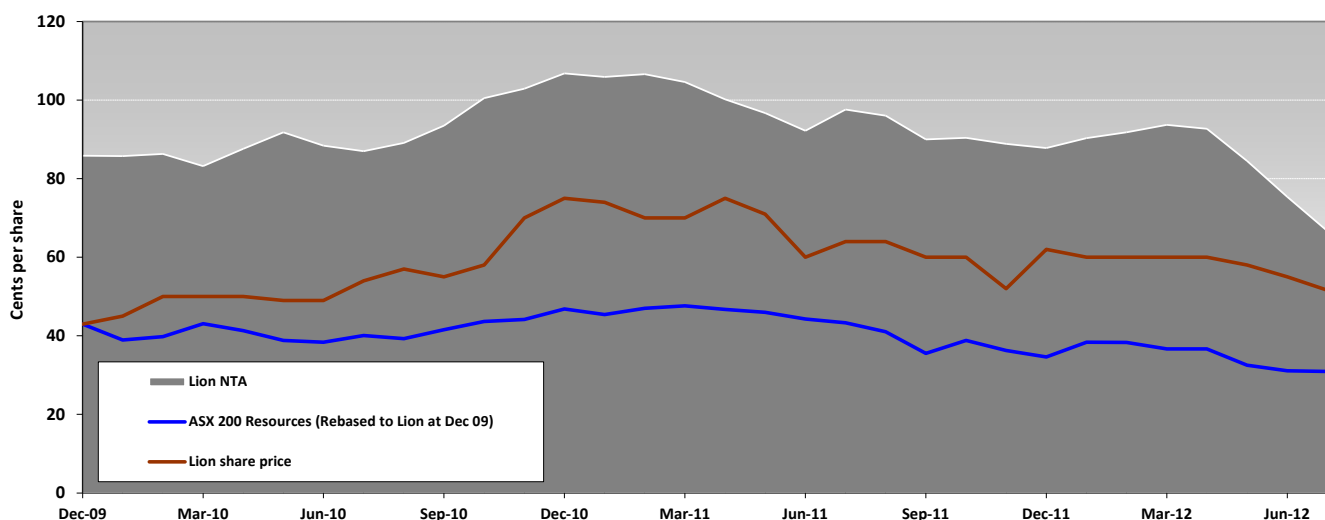
*Lion aims to provide investors with a portfolio exposure to the junior resources sector, targeting the best people and projects in a market segment that is very difficult for most investors. Challenging times have historically provided some of the best opportunities for Lion, and we continue actively investing through the current uncertainty, applying our thorough and proven methodology.*

### THE SECTOR

In addition to the ongoing macro-economic issues in China, the US and Europe, there have been three recent trends in the last quarter which are of interest to investors in the resources space:

- Several junior miners have made exciting discoveries or extensions to known discoveries which have triggered interest from investors, including some within the Lion portfolio. In some cases the market reaction has been phenomenal, although many discoveries often take time to reveal their secrets; in particular, whether economic development is possible.
- There has been an apparent upswing in the number of junior mining corporate transactions recently, with lack of access to finance being one precipitating factor. This situation is likely to increase as profitable producers utilize their cashflows to cherry pick pre-production companies and other struggling producers.
- A number of mining companies are also increasing their dividend payouts as opposed to investing in new mines and expansions reflecting both spiraling costs and the uncertain macro outlook. Paying dividends to shareholders helps ensure financial discipline within companies and can have appeal for many investors, potentially encouraging some retail investors to a return to the minerals sector.

### LION PERFORMANCE VERSUS RESOURCES INDEX



## INVESTMENT NEWS

### ONE ASIA RESOURCES LIMITED (ASIAN LION 23.7%, LION 0.3%)

During the quarter Lion agreed to partly underwrite a rights issue for its investee One Asia Resources Limited (One Asia), with the rights issue closing in August 2012. For the purposes of its NTA backing as at 31 July 2012 Lion valued One Asia at \$0.40/share being the price of the rights issue. The rights issue closed on 27 August raising approximately \$8.6 million at \$0.40/share. Lion invested \$5.0 million in the raising increasing its combined stake (Lion and Asian Lion) to around 33%.

One Asia is an unlisted gold exploration company focused on the development of two gold mines in Sulawesi, Indonesia.

One Asia is near completion of a Pre-Feasibility Study for its Awak Mas project that the company expects to show 150,000 ounce per annum gold production for the first four years and the initial mine plan to produce 1.15 million ounces gold and a second stage mine plan to produce up to 1.6 million ounces of gold.

One Asia is in the process of completing a 10,000m drill program at Pani. First results were released in August, tabulated below:

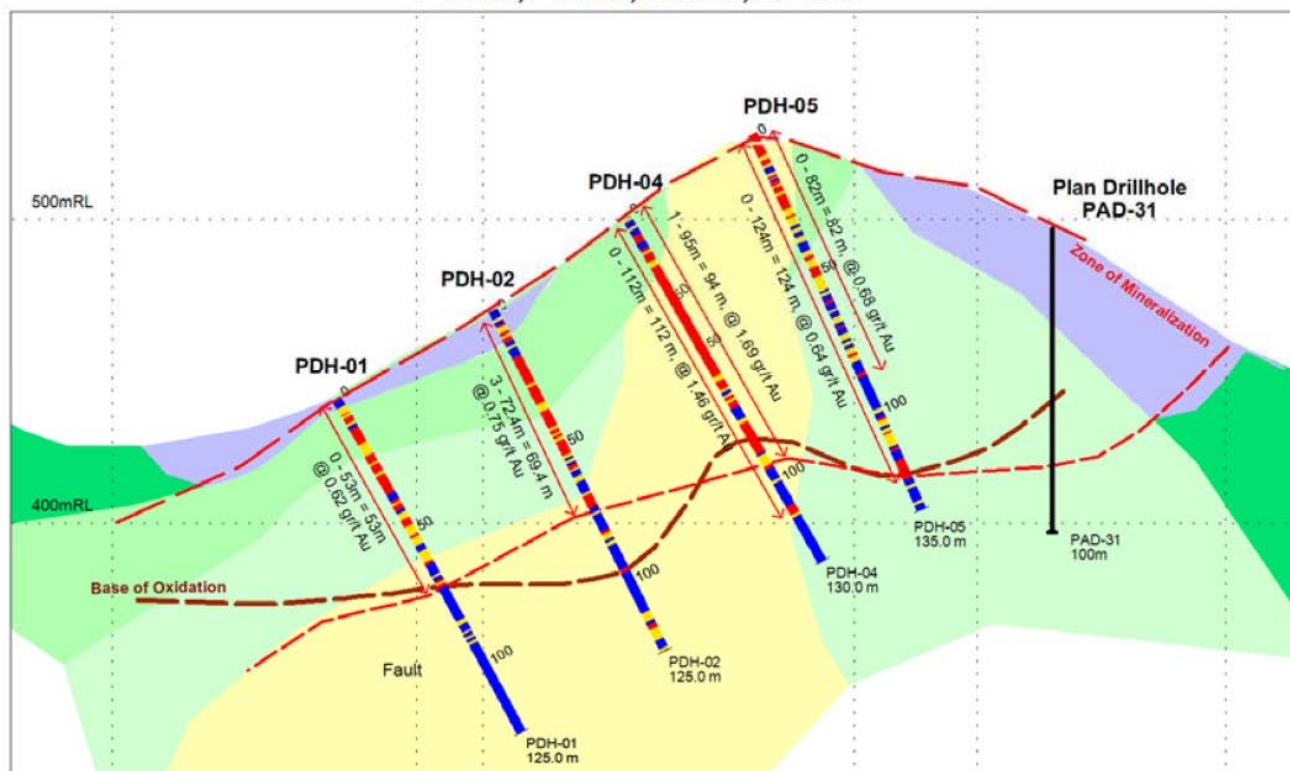
**Pani Project Summary of Significant Drill Intercepts**

Hole ID	Area	From (m)	To (m)	Interval (m)	Au (g/t)	
PDH001	Pani	0.0	53.0	53.0	0.62	
PDH002	Pani	3.0	72.4	69.4	0.75	Including 30m @ 1.1 g/t
PDH003	Pani	1.5	122.0	120.5	0.95	Including 30m @ 1.6 g/t
PDH004	Pani	0.0	112.0	112.0	1.46	Including 8m @ 7.14 g/t
PDH005	Pani	0.0	124.0	124.0	0.64	Including 11m @ 1.59 g/t

The main mineralized rhyodacite (acid volcanic) unit was intersected in hole PDH004 and returned 112.0m @ 1.46 g/t Au including a high grade breccia zone of 8.0m @ 7.14 g/t Au.

A cross section of holes drilled and results received from drill section 'C' is shown below. Subject to appropriate evaluation, the company's current view on Pani Ridge is that the complete ridge will be mined from the higher grade core of the central mineralized rhyodacite (shown yellow in cross section below) to the lower grade margin areas. The development of Pani Ridge as a mine is expected to be at very low strip ratio.

**CROSS SECTION LINE C  
PDH-01, PDH-02, PDH-04, PDH-05**



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

In August 2012 Lion received correspondence confirming that its investee Copperbelt Minerals (Copperbelt) has signed a conditional Settlement Agreement with its joint venture partner Gécamines to exit the joint venture for deferred compensation.

The Settlement Agreement is subject to a number of conditions which need to be met before it can be closed, including Copperbelt shareholder approval. We understand that the terms of the Settlement Agreement are broadly as previously anticipated with closure of the Agreement expected in 3-6 months. Further details will be provided once the Settlement Agreement is closed. Based on the information received to date it is likely that Lion will support the Settlement Agreement.

As at 31 July 2012 Lion had a valuation of US\$3.50/share for NTA purposes based on the most recent rights issue in July 2012. Given the ongoing nature of this transaction, Lion will be keeping its valuation of Copperbelt under review.

**CENTAURUS METALS LIMITED (LSG 3.0%)**

Lion has committed to invest \$2 million in Centaurus Metals Limited ("Centaurus"), an ASX listed company, with its principle operations in Brazil. The company is completing a definitive feasibility study to develop the Jambreiro iron ore project in one of Brazil's steel producing areas. The friable nature of the near surface itabirite ore makes it amenable to a low cost operation producing a high quality

product that will target Brazil's burgeoning domestic iron ore industry in the lead up to the next Olympic Games and World Cup Soccer tournament.

### AURICUP RESOURCES LIMITED (LSG 19.7% )

Lion has taken a cornerstone position of around \$1.5 million in Auricup Resources Limited (Auricup), an unlisted Australian company with advanced exploration for gold in Western Australia and early stage exploration in the prospective Sierra Madre region of Mexico. Auricup's Rothsay project in WA is a small, high grade gold project with the potential for extension to the known Resources.

## SUMMARY OF INVESTMENTS

	Commodity	Market Value A\$M	% Portfolio
Australia			
YTC Resources	Gold/Base Metals	1.9	
Doray Minerals	Gold	3.4	
Auricup Resources	Gold	1.9	
Rum Jungle Resources	Phosphate	1.8	
Other Australia		0.4	16%
Africa			
Copperbelt Minerals <sup>2</sup>	Copper	1.2	
Kasbah Resources	Tin	2.8	
Toro Gold	Gold	1.9	
Other Africa		3.3	
Cash dedicated to Africa <sup>1</sup>		6.0	26%
Asia			
One Asia Resources <sup>3</sup>	Gold	4.1	
Sihayo Gold	Gold	5.2	
Mindoro Resources	Gold & Nickel	1.3	
Other Asia		4.8	26%
South America			
Centaurus Metals	Iron Ore	1.6	3%
Uncommitted Net Cash		17.0	29%
Net Tangible Assets		\$58.5m	66c/ share

<sup>1</sup> Committed cash of US\$6.0m to AFL3. Lion holds US\$2.5 million cash as part of its hedging policy.

<sup>2</sup> Copperbelt Minerals at a value of US\$3.50/share, being the pricing of the most recent rights issue.

<sup>3</sup> One Asia at a value of A\$0.40/share following the recent rights issue announced on 31 July 2012.

Note: The above table includes investments held directly by Lion and the value to Lion of investments which are held by African and Asian Lion Funds