

Quarterly Report for the 3 months ended 31 October 2012

THE SECTOR

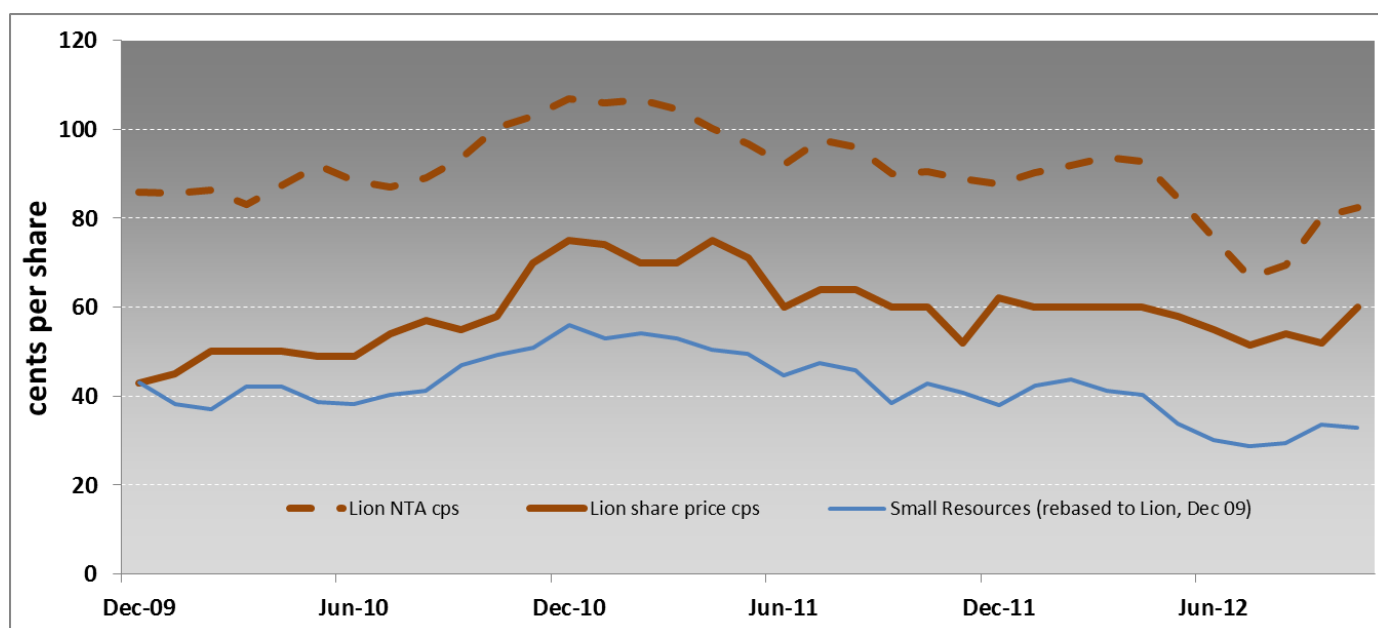
Much of the focus of global macro economic commentary during the quarter was preoccupied with the US election, and what the result would mean for international relations (especially with China) and also the looming fiscal cliff, which could threaten the stability of the US economy. Much more quietly, China was making final preparations for a leadership transition – arguably as important as the US election but conducted with far less fanfare. Much of this resulted in a holding pattern for resource stocks.

In the meantime, there are a number of resource sector themes that have been prominent:

Exploration success continues to be rewarded by the market but only in a small number of cases. This theme was highlighted last quarter with a small number of companies continuing to outperform during the quarter. These discoveries remain early stage and are yet to determine a Resource let alone economic assessment. This highlights that the market is still buying risk, and this is encouraging for the procurement and deployment of exploration funding.

The quarter has also featured the finalisation of financing for several development projects. Feedback in most cases is that the environment for funding remains challenging but – most importantly – funding is being achieved. Correspondingly, the deal flow experienced by Lion has featured a proportionately greater number of advanced projects.

LION PERFORMANCE VERSUS SMALL RESOURCES INDEX



INVESTMENT NEWS

ONE ASIA RESOURCES LIMITED

One Asia is an unlisted gold exploration company focused on the development of two gold mines in Sulawesi, Indonesia. In October 2012 Lion received correspondence confirming that One Asia's ongoing 10,000m drill program at its Pani project intersected 164m @ 1.38 g/t Au in a hole west of the main deposit and outside of the historic resource completed at Pani. A material extension of the known mineralisation.

One Asia is also 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 with the initial mine plan to produce 1.15 million ounces of gold and a second stage mine plan to produce up to 1.6 million ounces of gold.

Lion has adopted a valuation for One Asia Resources Limited (One Asia) of 75c/share for the Net Tangible Asset (NTA) backing which capitalizes One Asia at around \$70 million. The Board notes that the Pani project remains at an early stage with limited understanding to date about the viability of the project. Subject to appropriate evaluation, the development of Pani Ridge as a mine is expected to be at very low strip ratio and potentially heap leach.

COPPERBELT MINERALS

In August 2012 Lion received correspondence confirming that Copperbelt had 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. We understand that the terms of the Settlement Agreement are broadly as previously anticipated with closure of the Agreement expected prior to March 2013. Further details will be provided once the Settlement Agreement is closed

Lion has adopted a valuation for Copperbelt Minerals Limited (Copperbelt) of US\$7.50/share for the NTA backing. Based on the current valuation, Copperbelt's value for Lion's NTA is \$2.6 million or approximately 3 cps. Assuming the Settlement Agreement closes as documented, the value would be around \$5.3 million or 6 cps before accounting for tax (if any).

DORAY MINERALS

Lion committed to invest \$2.5m in Doray Minerals Limited ("Doray"), an ASX listed company with its principal operations near Meekatharra in Western Australia. Lion is already a shareholder, and maintained its interest through this investment. Doray is now fully funded to construct its Andy Well gold project with first production expected in the September quarter of 2013.

Lion's Strategic Plan – Progress Report

Key Element	Progress
Re-list on the ASX	Target end February 2013
Issue Bonus Options – 1 for 6 at 80cps	<ul style="list-style-type: none"> • Prospectus lodged 28 November 2012 • Anticipate NSX trading 14 December 2012
Dividend Policy Change	Done: seek to pay a sustainable, regular dividend.
Lion Manager Arrangements	<ul style="list-style-type: none"> • Lion Manager appointed exclusive Manager and will continue to provide services to the African and Asian Lion Funds. • Lion Manager to also provide investor relations services for Lion Selection Group. • Monthly fee - 0.125% per month (representing 1.5% per year) of invested capital at month start. • Performance fee – 15% of the highest amount by which the 3 month average of the market capitalization of Lion Selection Group direct investments exceed a 3 month average benchmark. • Lion has ability to require Lion Manager to take up to 40% of any performance fee by way of escrowed shares. • To be voted on by shareholders at Lion AGM 5 December 2012. <p>Further details of the proposed Management Agreement are contained in Lion's Notice of Annual General Meeting.</p>
Lion Board Change	<p>Done.</p> <p>Chairman – Peter Maloney</p> <p>Executive Director – Robin Widdup</p> <p>Non-Executive Director – Barry Sullivan</p> <p>Non-Executive Director – Chris Melloy, new appointment 25 October 2012</p> <p>CEO – Craig Smyth</p>

SUMMARY OF INVESTMENTS

	Commodity	Market Value A\$M	% Portfolio
Australia			
YTC Resources	Gold/Base Metals	2.5	
Doray Minerals	Gold	6.5	
Auricup Resources	Gold	1.9	
Rum Jungle Resources	Phosphate	2.5	
Other Australia		0.4	19%
Africa			
Copperbelt Minerals ²	Copper	2.6	
Kasbah Resources	Tin	2.3	
Toro Gold	Gold	2.1	
Other Africa		3.9	
Cash dedicated to Africa ¹		5.6	23%
Asia			
One Asia Resources ³	Gold	17.8	
Sihayo Gold	Gold	4.8	
Manas Resources	Gold	2.4	
Other Asia		4.2	40%
South America			
Centaurus Metals	Iron Ore	1.5	2%
Uncommitted Net Cash		10.0	16%
Net Tangible Assets		\$71.2m	81c/ share

¹ Committed cash of US\$5.4m to AFL3. Lion holds US\$1.4 million cash as part of its hedging policy.

² Copperbelt Minerals at a value of US\$7.50/share.

³ One Asia at a value of A\$0.75/share.

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