

Key Points

- Successful completion of shareholder sale facilities for smaller shareholders.
- Sale of Exco stake in August 2010 at \$0.42/share, with sales of \$11.1m compared with cost of \$6.6m. LSG's cash position after the Exco exit is \$54m.
- Offer to purchase additional stake in Asian Lion to increase LSG's investment to 63%.
- Partial reversal of Labor policy on super profits tax.
- LSG is in a position to consider new investment opportunities that will be generated by the Lion Manager in the future.

Company Strategy

- Investing in junior resource companies at base of the resource cycle with long term view, initially through the AFL3 and Asian Lion Funds managed by the Manager.
- Aim to be timed to the resources cycle, selling aggressively at top of cycle and returning cash to shareholders.

Investments

Exco Resources Limited – SOLD

During August 2010, LSG completed selling its holding in Exco at an average price of \$0.42 per share. This sale has returned a multiple on investment of 1.7 times:

Number of shares sold	26.5m
Proceeds of sale	\$11.1m
Cost of investment	\$6.6m
Gross Profit	\$4.5m

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As at 31 July 2010

Market Cap: \$47.5m
 Issued Shares: 88m
 Share Price: \$0.54

INVESTMENT UPDATE

Asian Lion

(LSG 63%)

In August 2010, LSG offered to purchase an additional stake in Asian Lion from another shareholder for US\$1.2m (a discount of \$0.5m on the underlying asset value), along with an incremental commitment of US\$3.8m.

Following completion of this purchase, LSG's interest in Asian Lion will become 63% with outstanding commitments of US\$12.1m.

Mindoro Resources Ltd

(LSG 4.7%, ASIAN LION 7.8%)

During the quarter, LSG made a follow-on investment of A\$0.4m in Mindoro Resources, a TSXV-listed company with nickel laterite and gold projects in the Philippines.

Recent infill drilling at Agata has provided greater certainty about the different types of ore being considered for the company's direct shipping operation, including high grade intersections.

Kentor Gold Limited

(ASIAN LION – 1.5%)

During the quarter, Asian Lion made an initial investment of A\$0.7m in Kentor Gold Limited, an ASX listed company with gold and copper projects in the Kyrgyz Republic.

Kentor has completed a definitive feasibility and is moving forward to develop the Andash gold-copper project with JORC resource (Measured and Indicated) of 19.2Mt @ 1.1g/t Au for 680Koz and 0.4% Cu for 77Kt Cu.

Copperbelt Minerals

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

The transaction deadline for conditional sale and purchase agreement between Copperbelt Minerals and Golden Champion (owned 60% by Zijin Mining Group and 40% by the China Africa Development Fund) in relation to its Democratic Republic of Congo (DRC) assets, has been extended from 30 July to 31 August or such later dates as agreed between the parties. The transaction is subject to the receipt of the consent of the applicable PRC government and regulatory authorities and DRC consents.

LSG has maintained its valuation of US\$26.55 per Copperbelt share assuming that the conditional sale proceeds as announced. Given the delay in the transaction, it is possible that costs associated with the project and transaction could slightly reduce the amount ultimately received by LSG, however it is not possible to quantify this amount.

Kasbah Resources Limited

(AFL2 8.8%, AFL3 7.1%)

During the quarter, African Lion 3 completed the subscription of 14.5 million shares in Kasbah at 7.5cps and 7.25m options exercisable at 25 cents.

Kasbah's Meknes Resource Definition Drilling Program continues with steady improvement in drilling performance. An updated resource estimate for the areas targeted by this drilling commenced in late June.

Gulf Resources Limited

(AFL3 17.3%)

African Lion 3 invested A\$1.1m in Gulf Resources Limited (Gulf) at 2.1c per share. Gulf is an African focused industrial mineral developer with exploration and development assets in Uganda, Kenya and Madagascar.

Gulf's primary project is the East African Vermiculite Project (EAV) in Uganda which was acquired in May 2009 from Rio Tinto. The EAV commenced production in May 2010. Vermiculite is an industrial mineral used in insulation and horticulture.

Canaco Resources Inc

(AFL3 1.2%)

Canaco has continued to report exciting drill results from Magambazi at the company's Handeni Gold Project in Tanzania, announcing new gold results of 37 metres at 12.45 g/t Au, including 23m at 19.14 g/t Au.

Further drilling will now be prioritised to test the northern extension of the high-grade core, between Magambazi and Magambazi Central.

As at 30 July 2010, Canaco's share price was CAD\$1.99 per share.

Shareholder Sale Facilities

The Unmarketable Parcel Sale Facility and Voluntary Share Sale Facility were completed during the quarter. The two share sale facilities were designed to allow shareholders with less than 5,000 shares (with a value equal to or above \$A500) or an unmarketable parcel of shares (i.e. a parcel of shares with a value of below \$A500) to sell their shares cost effectively and simply resulting in Lion substantially reducing costs associated with servicing smaller holdings. Following completion of the share sale facilities, the number of LSG shareholders has reduced by 30%.

Substantial Shareholders

– 31 July 2010

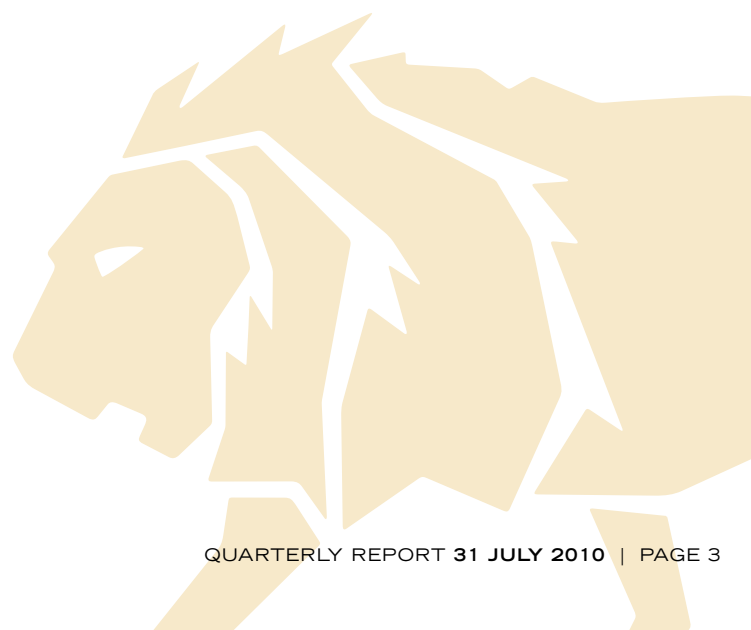
Carrousel Capital	15.76%
Select Asset Management	11.79%
Lion Manager Group	10.20%
Mark Creasy	5.06%

Havilah Resources NL

(LSG – 18.6%)

Havilah continues to progress its various advanced projects on several fronts, including the mine permitting process with the Department of Primary Industries and Resources of South Australia. Additionally:

- Havilah has completed the Kalkaroo feasibility study with its partner Glencore International which is due to decide later this year whether to finance the project in return for a 14% share plus metals offtake.
- Havilah's 45% owned uranium exploration subsidiary, Curnamona Energy Limited commenced in situ leach testing in relation to its Oban Uranium deposit.
- Havilah announced plans for a drilling program at its 100% owned iron ore project at Maldorky.



SUMMARY OF INVESTMENTS – 31 JULY 2010

	Commodity	Holding	Investment \$m	Market Value A\$m
Direct Investments				
Copperbelt Minerals ³	DRC – Copper	2.1%	2.6	5.8
Exco Resources ⁴	Copper/gold	8.1%	6.6	7.4
Havilah Resources	Gold/base metals	18.6%	4.3	5.5
Other – investments less than 2% of Net Assets			2.7	2.8
Total Direct Investments			16.2	21.6
African & Asian Lion				
African Lion Funds		24.8%	4.6	7.8
• Copperbelt Minerals ³	DRC – Copper	7.1%	2.2	4.8
• Kasbah Resources	Morocco – Tin	15.9%	0.3	0.6
• Other including cash committed				2.4
Asian Lion Fund		42.9%	6.7	4.0
• Asian Mineral Resources	Vietnam – Nickel/Copper	13.6%	2.0	1.6
• Mindoro Resources	Philippines – Nickel	8.6%	2.03	1.1
• Other including cash committed				1.3
Total African & Asian Lion				11.8
Committed Cash – to African Lion 3 and Asian Lion				26.5¹
Net Cash				16.8
Net Tangible Assets – before tax				76.6
NTA per share before tax				\$0.87²
NTA per share after tax				\$0.87²

1 Committed cash of US\$24m to AFL3 and Asian Lion. LSG holds US\$22 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 \$0.87 per share prior to estimated tax on gains, and \$0.87 per share after estimated tax on gains from such disposal.

3 Includes Copperbelt Minerals at a value of US\$26.55/share assuming that the conditional sale proceeds as announced.

4 Exco investment sold in August 2010 for \$11.1m.