Lion Selection

QUARTERLY REPORT FOR THE 3 MONTHS ENDED 31 JANUARY 2011

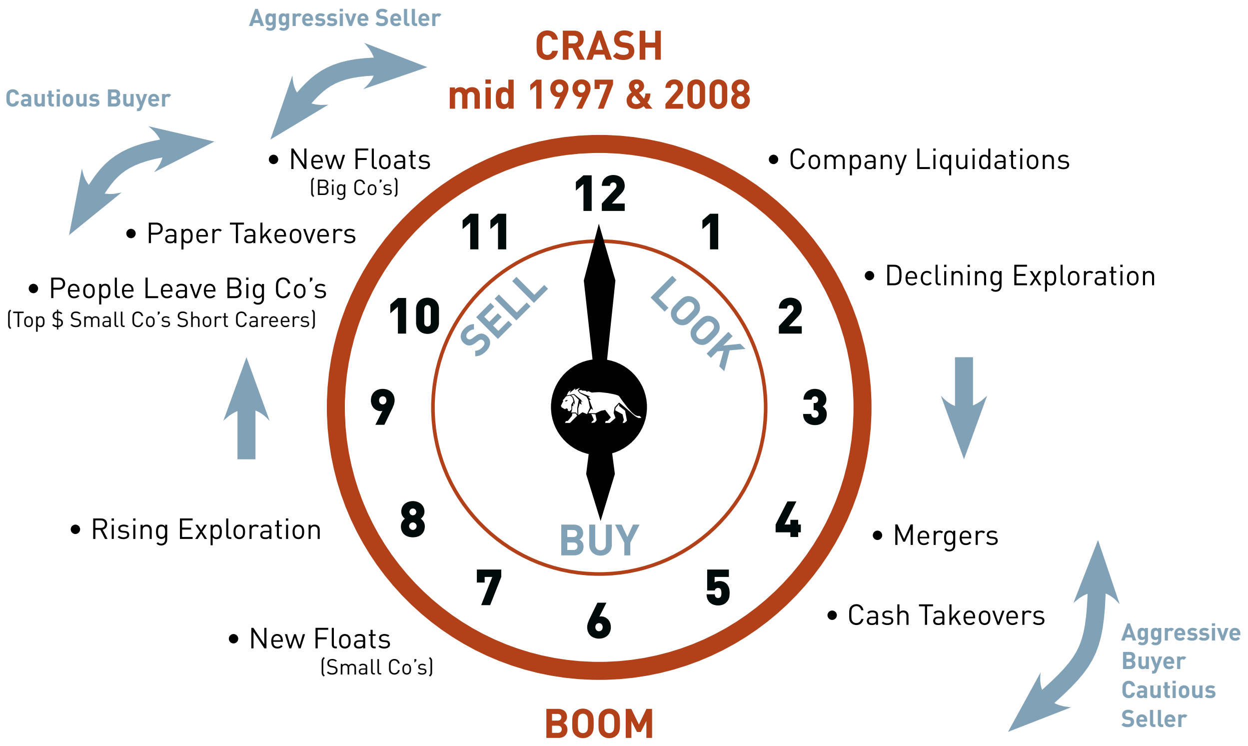
Key Points

- New investments in YTC Resources, Manas Resources, Mithril Resources; follow-on investment in Mindoro Resources.
- Sale of Havilah stake.
- Peter Maloney and Robin Widdup join LSG Board; Howard Walker steps down.

Sector Outlook & Lion's Position

Halfway through cycle:

- near record commodity prices
- share prices returned to near 2007 highs



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NSX Code: LGP
As at 31 January 2011

Market Cap:	$65m
Issued Shares:	88m
Share Price:	$0.74

Sector Outlook and Lion's Position

The last two resource cycles of 1987–1997 and 1997–2008 have been long ones of around 10 years each. The current cycle, which started early 2008, has already reached the halfway point, marked by numerous IPO's and could be of much shorter duration. History shows that 5 years should be the minimum cycle life, which would give a further two years of good times for investing, but this is not an exact science, no one knows!

Lion's restructuring in 2008/2009 returned $410m to shareholders but initially reduced cash for new investment to very low levels. Progressive sales of the 'old portfolio' have gradually replenished cash to today's very healthy levels of almost $50m following the $9.2m sale of Havilah. Copperbelt Minerals is the only remaining sale and restructuring item, but is delicately poised; sale at the proposed price of $24/share would add $8.9m cash but we have written down the value to $16/share due to the protracted sale process.

While cash levels have been increasing, Lion has been aggressively investing in new companies throughout the second half of 2010 and this is expected to continue until at least mid 2011. In an ideal world, Lion aims for 50% investment in Australia and 50% overseas. The level of investment in Australia is currently below this portfolio target, reflecting in part the uncertainty surrounding the Mining Tax and now the proposed Carbon Tax. Numerous new opportunities for investment have been identified throughout Lion's geographic focus of Australia, Asia and Africa.

INVESTMENTS

Havilah Resources NL – Sold

Subsequent to the quarter end, LSG sold its shares in Havilah Resources NL at 60 cents per share. This sale has returned a multiple on investment of 2.1 times. LSG retains 3.8 million Havilah 'bonus options', exercisable at $0.50 per Havilah ordinary shares prior to 30 October 2013 which, based on the last traded price, has a valuation of $1.2 million.

Number of shares sold	15.3m
Proceeds of sale	$9.2m
Cost of investment	$4.3m
Gross Profit	**$4.9m**

Copperbelt Minerals

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

Copperbelt Minerals remains subject to a conditional sale and purchase agreement with China Africa Development Fund (CAD Fund) for the sale of substantially all of its assets. As previously reported, the deadline for the transaction has been extended to 31 May 2011 to allow time for the receipt of relevant governmental and joint venture partner approvals.

The directors of LSG have reduced the value of Copperbelt in its monthly NTA to US$16/share, down from US$21.50/share. This decision has been made after receiving correspondence from Copperbelt advising on further delays in receiving the necessary approvals for the transaction. LSG remains hopeful that the transaction will successfully complete and is not aware of any information that suggests that the transaction will not proceed. It is intended that this valuation will be applied for the half yearly report to 31 January 2011 subject to further developments and review of LSG's auditors.

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

YTC Resources Limited

(LSG 3.4%)

LSG made an initial investment in YTC Resources as part of the company's $10m capital raising in late 2010 and has purchased additional YTC shares on-market taking LSG's total investment to $2m at an average cost of 30cps.

In January 2011 YTC announced outstanding results were achieved during its continuing program of Resource extension drilling at its Hera Gold Project in NSW. Drilling is ongoing on the Far West Lens of the Hera Deposit to both extend the existing Resource as well as upgrade the resource classification.

At the Nymagee Copper Project, where YTC has increased its joint venture interest to 90%, preliminary metallurgy testwork on Nymagee mineralization indicates both high recovery rates and a clean, marketable concentrate can be achieved. This testwork along with promising exploration results are part of the assessment of Nymagee being combined with the Hera project as an integrated development.

Mithril Resources Limited

(LSG 3.8%)

LSG has invested $1m at 12 cps in Mithril Resources' recent $12m placement.

Mithril Resources is an Australian resources company whose aim is growth through the discovery and development of mineral deposits. The company has an extensive land holding in the Northern Territory and Western Australia with its primary focus at Huckitta in the Northern Territory. Field work in 2010 identified a number of targets with anomalies of copper, nickel, PGE, gold and tungsten.

The completion of Mithril's equity placement puts the company in a strong cash position enabling it to accelerate its exploration efforts with a solid focus on discovery in 2011.

Asian Lion Limited

(LSG 62.8%)

Asian Lion has been particularly active this quarter making new and follow on investments in the Kyrgyz Republic, Philippines and Indonesia as referred to below.

Manas Resources Ltd

(LSG 2.8%, ASIAN LION 5.6%)

LSG has invested $1m in Manas Resources' recent $12m placement. This initial investment by LSG was made alongside Asian Lion's $2m participation in the raising.

Manas Resources is an Australian-based explorer in the Kyrgyz Republic with substantial resources, high grade drill targets and a large highly-prospective land holding in the world class Tien Shan gold belt.

Funds from Manas Resources' raising will be used to accelerate the Feasibility Study and development of its small but high-grade, high-margin Shambesai Gold Project, as well as accelerating the exploration strategy throughout Manas Resources' exploration portfolio which covers 4,200km^2.

Mindoro Resources Ltd

(LSG 6.7%, ASIAN LION 7.0%)

During the quarter, Mindoro Resources listed on the ASX, raising A$8 million from its Australian prospectus and a further C$2 million by way of concurrent private placement to the International Finance Corporation (a member of the World Bank Group). As part of this raising, LSG made an additional investment in Mindoro of A$1.1m acquiring 2.5 million shares at an average price of 20cps, and exercised 4 million options at 15cps.

Mindoro will use the funds raised to advance pre-feasibility and feasibility studies for a staged and integrated nickel processing operation at its Agata Project and continue regional drilling in an effort to increase its nickel laterite resource. Mindoro also plans to advance its portfolio of gold and copper-gold projects in the Philippines.

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Mindoro Resources Ltd continued

Following excellent results from nickel and cobalt metallurgical testing conducted in December 2010, Mindoro commenced a large-diameter drillcore sampling program to produce material for a second stage of hydro-metalllurgical testing on the Agata nickel laterite resource. It is expected that this testing program will commence in late February, the results of which will form the basis of a pre-feasibility study into a staged and integrated on-site nickel processing project. Any additional resource defined during the regional drilling program will be added to the pre-feasibility study development plan.

Kentor Gold Limited

(LSG 0.3%, ASIAN LION 4.1%)

During the quarter, Kentor Gold successfully completed its $65.2m capital raising. These funds, together with US$50m debt facility are sufficient for Kentor to complete the Andash Gold-Copper Project in the Kyrgyz Republic, embark on an extensive exploration drilling program at Andash and the nearby Aktash deposit, and leave sufficient funds for additional acquisitions by Kentor in the future.

The bankable feasibility study ranked the Andash Gold-Copper Project one of the lowest cost gold mining projects in the world. The gold cash cost is estimated to be US$29/oz after copper credits and including treatment, transport and refining charges and royalties. This calculation assumes a copper price of US$2.75/lb. At current copper prices, the by-product credit increases and the forecast gold cash cost reduces even further.

Kentor is awaiting final permitting from the local council to move towards full scale construction works which are due to start in March 2011 in order to meet target of commissioning the plant in March 2012. Site works have temporarily ceased while the government undertakes an open and transparent review of environmental concerns raised by some of the local community. Kentor does not anticipate this will impact the project development schedule.

Parliamentary elections were successfully conducted in the Kyrgyz Republic and in December 2010 a coalition government was formed. The coalition government is headed by Prime Minister Almazbek Atambayev, an experienced senior politician who has gained a reputation for his support of business.

Pan Asia Resources Corporation

(ASIAN LION 22.6%)

In December 2010 Asian Lion invested C$2.5m in unlisted Pan Asia Resources Corporation, an early stage gold opportunity earning interests in two projects in Sulawesi, Indonesia —

- 60% of the Awak Mas gold project; and
- 90% of the Pani Gold Project.

The company has reported that the Awak Mas Project has Measured and Indicated Resource of 1.9 million ounces of gold at 1.4 g/t with an additional 0.2 million ounces of Inferred Resource.

Pan Asia Resources is earning 60% of the project from American-based Vista Gold Corporation, by spending US$3 million over 30 months (commencing January 2010) and completing a Definitive Feasibility Study.

It has been reported by a previous owner that Pani has a Resource of 460,000 oz at 1.5g /t and Pan Asia has acquired an option to earn a 90% interest by completing a feasibility study.

Pan Asia Resources has an experienced management team with excellent local knowledge to rapidly advance its current projects and maintain an active Asia regional exploration program to add additional gold resources and project pipeline.

Pan Asia Resources is planning an IPO in mid 2011.

African Lion 3 Limited

(LSG 24%)

In addition to the investments referred to below, during the quarter African Lion 3 has been actively investing in Ghana, Tunisia and Madagascar and continues to identify and assess quality resource projects.

Kasbah Resources Limited

(AFL2 5%, AFL3 7.8%)

During the quarter AFL3 completed its investment in Kasbah's share placement which was announced on 18 October 2010 (total capital raising of $24m at 24 cps).

Kasbah's drilling program conducted during the quarter has targeted surface geochemical anomalies supported by high grade tin outcrop across the Achmmach Tin Project.

The first shallow target drilled was the large Northern Zone surface geochemical anomaly, testing the open pit potential to 100m vertical depth below outcropping high grade tin mineralization.

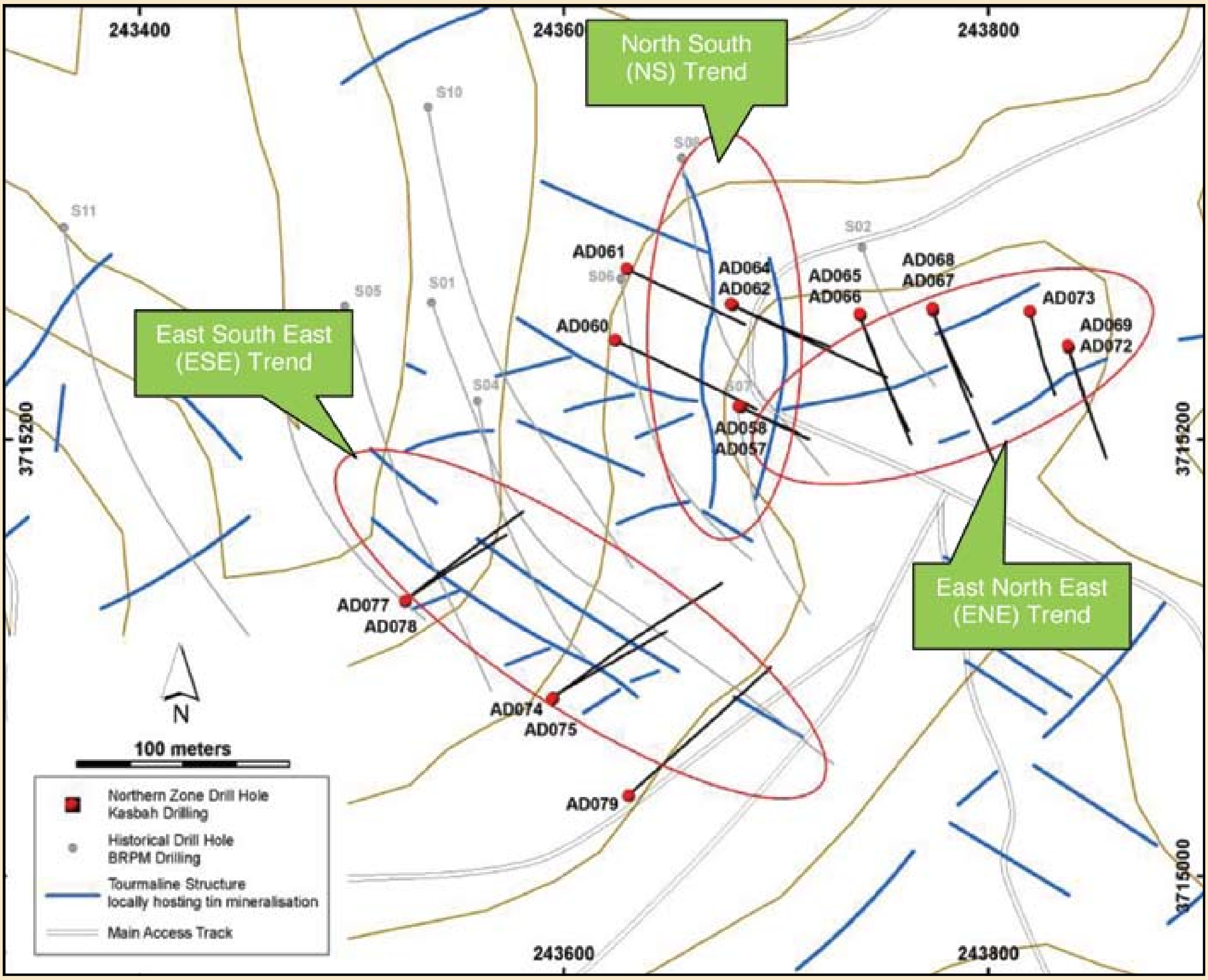
Drilling has also been planned for the Western Zone and Eastern Zone geochemical anomalies, again for open pit potential.

Best down hole intercepts from the Northern Zone include:

AD062	14m @ 0.79% Sn from 47m	(incl. 10m @ 1.08% Sn from 47m)
AD066	5 m @ 1.08% Sn from 31m	
	7 m @ 0.41% Sn from 41m	(incl. 2m @ 1.10% Sn from 41m)
AD067	12m @ 1.06% Sn from 43m	(incl. 3m @ 3.80% Sn from 46m)
AD069	19m @ 0.80% Sn from 4m	(incl. 9m @ 1.05% Sn from 4m)
AD072	21m @ 0.99% Sn from 7m	(incl. 8m @ 2.06% Sn from 20m)

As part of its plans to accelerate drilling at Achmmach, Kasbah has awarded a first stage 20,000m contract to North Scandinavian Drilling (NSD). NSD initially mobilised 2 diamond drill rigs to Morocco in December 2010 and commenced drilling at Achmmach in early January 2011. A third diamond rig is currently being mobilised and is expected to be operational in February.

Northern Zone, Achmmach



Gulf Industrials Limited

(AFL3 18.62%)

During the quarter, Jonah Capital BVI Limited subscribed for 60m shares at 2cps in Gulf Industrials to further the development of Gulf's African focused industrial minerals strategy. The investment was approved by Gulf shareholders and Sir Sam Jonah was appointed to the board of Gulf as Non-Executive Chairman. Sir Sam is internationally recognized as one of Africa's leading businessmen whose significant experience in the strategic development and financing of mining projects in Africa and his extensive network of business and political contacts will be invaluable assistance to Gulf.

Concurrently, African Lion 3 made a further investment of $0.5m (at 2cps) in Gulf Industrials to retain its position, and Mike Brook of African Lion 3 has been appointed to the board of Gulf as a non-executive director.

Gulf's Namekara vermiculite mine continues to increase production however, as noted in the previous quarter, production is lower than budgeted mainly due to the dryer on site failing to function to design specifications. A review of the dryer design has resulted in the decision to purchase and install a new dryer unit which is due for completion by the end of June 2011. Gulf anticipates production of circa 2,000 tonnes of vermiculite in the next quarter.

Gulf has commenced further design work for additional production facilities to be added to the mine and process plant in order to increase the output of the production plant to a 30,000tpa installed capacity of saleable product.

Corporate

LSG Board Restructure and Managing Director Position

- During the quarter, Howard Walker resigned as executive director. Mr Walker was influential in the company's successful listing and leaves the company in a strong financial position to take advantage of the current resources cycle. The Board of LSG thanks Mr Walker for his valuable contribution during a critical stage of the company's development.
- Concurrently with Mr Walker's retirement as executive director, Peter Maloney was appointed as a non-executive director of LSG. Mr Maloney brings to the LSG Board a wealth of commercial, financial and management experience. In a long career with WMC Resources, he held the positions of Treasurer, Executive Vice President Americas and Manager Commercial & Marketing – WA. He has also been Executive General Manager Finance at Santos and CFO at F H Faulding. Mr Maloney has been a non-executive director of several companies and organizations and is currently the Non-Executive Chairman of Catalpa Resources Limited.
- Additionally, Robin Widdup was appointed a director of LSG. Robin remains as Managing Director of Lion Manager Pty Ltd which provides management services to LSG and to the African and Asian Lion Funds.
- As announced 5 January 2010, following a review of LSG and Lion Manager's personnel requirements, LSG agreed to the transfer of Craig Smyth to Lion Manager to assist Lion Manager in delivering on the expanded scope of services Lion Manager provides to LSG. Accordingly, Mr Smyth is no longer employed directly by LSG, however he remains as Managing Director of LSG.

Substantial Shareholders

31 January 2011

Lion Manager Group	19.83%
Select Asset Management	15.41%
Mark Creasy	5.06%

Lion Selection

SUMMARY OF INVESTMENTS – 31 JANUARY 2011

	Commodity	Holding	Investment $m	Market Value A$m
Direct Investments				
Copperbelt Minerals[3]	DRC – Copper	2.0%	2.6	3.2
Havilah Resources[4]	Gold/base metals	18.6%	4.3	11.2
Mindoro Resources	Philippines – Gold & Nickel	6.7%	2.3	3.7
Sihayo Gold	Indonesia – Gold	2.2%	2.0	3.0
YTC Resources	Gold/base metals	3.4%	2.0	3.0
Other – investments less than 2% of Net Assets			2.0	2.8
Total Direct Investments			**15.2**	**26.9**
African & Asian Lion				
African Lion Funds		**22.8%**	**5.5**	**9.9**
• Copperbelt Minerals[3]	*DRC – Copper*	*7.1%*	*2.2*	*2.6*
• Kasbah Resources	*Morocco – Tin*	*12.8%*	*0.6*	*3.5*
• Other including cash				*3.8*
Asian Lion Fund		**62.8%**	**14.6**	**16.7**
• Asian Mineral Resources	*Vietnam – Nickel / Copper*	*13.6%*	*3.0*	*2.5*
• Erdene Resources	*Mongolia – Coal/Base Metals*	*3.7%*	*0.6*	*3.0*
• Kentor Gold	*Kyrgyz – Gold*	*4.1%*	*1.5*	*2.1*
• Mindoro Resources	*Philippines – Nickel*	*7.0%*	*3.3*	*2.7*
• Pan Asia Resources Corp	*Indonesia – Gold*	*22.6%*	*1.6*	*1.6*
• Sihayo Gold	*Indonesia – Gold*	*2.0%*	*1.1*	*1.7*
• Other including cash				*3.1*
Total African & Asian Lion				**26.6**
Committed Cash – to African Lion 3 and Asian Lion				**19.3**[1]
Net Cash				**20.1**
Net Tangible Assets – before tax				**92.9**
NTA per share before tax				**$1.06**[2]
NTA per share after tax				**$1.06**[2]

1 Committed cash of US$19m to AFL3 and Asian Lion. LSG holds US$14 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 $1.06 per share prior to estimated tax on gains, and $1.06 per share after estimated tax on gains from such disposal.

3 Includes Copperbelt Minerals at a value of US$16/share due to delays in corporate transaction. See previous note.

4 Havilah shares subsequently sold on 4 February 2011.