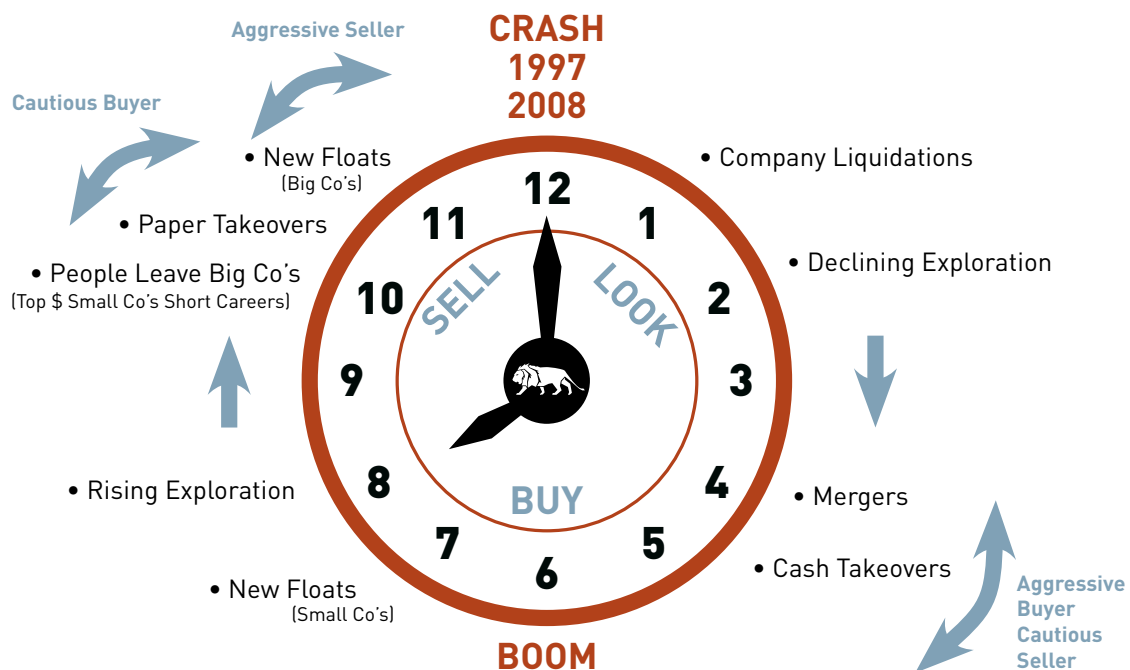


Key Points

- **One Asia Resources (re-named from Pan Asia Resources)** (ASIAN LION 22.6%)
 - One Asia Resources has changed its name from Pan Asia in anticipation of an Australian IPO planned for late 2011. In August 2011 One Asia initiated a pre-IPO raising for A\$5.25m at 75c/share.
 - Asian Lion has invested a further A\$2.5m, exercising warrants at C\$0.50/share in June 2011 and pre-IPO equity raising at A\$0.75/share in August 2011, taking its total investment in One Asia Resources to A\$5m.
 - Asian Lion holds 12.8 million shares (following Pre-IPO raising) and 5.1 million A\$0.50 options in One Asia Resources, valued at A\$10.8m based on a share price of 75c.
- The sharp downturn in global equity markets has sizeably increased Lion's inflow of pre-IPO opportunities. Our approach has been to increase activity in this area, which should produce several new investments. Lion's cash position remains strong to take advantage of dealflow in a weak and nervous market.
- We thank Chris Melloy who plans to step down from day to day executive duties. Chris remains a director and shareholder of the Lion Manager which he helped form, as well as Lion, in 1997.



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As at 31 July 2011

Market Cap: \$56m

Issued Shares: 88m

Share Price: \$0.64

Sector Outlook

The world economy has been shocked again causing 15-20% market falls. In 2008 the GFC was initiated by banks and 'toxic' housing debts. In 2011 the shock is Governments in the USA and Europe possibly defaulting on gigantic debts. Last time the solution was Quantitative Easing or printing more money and it is looking increasingly likely that the same solution will be used again; **impacting the value of those currencies and encouraging gold to move ever higher.**

Meanwhile China, India, Brazil and several other countries have continued to aggressively develop infrastructure and industrialise. **Metal and power demand should remain strong.**

We have left the clock at 8.00 o'clock but there are some days when we are wondering if it is midnight. Frankly, it might be a couple of months before we are certain. The clock runs according to liquidity in the mining sector and liquidity has remained, although reduced.

In addition to debt worries, confidence has been eroded worldwide by Governments alarming investors on a range of issues from the USA and European budgets, carbon tax in Australia and increased mining taxes in several countries.

The bottom line is rather surprising. Mining equity prices are weak but profits, cashflow and balance sheets are very, very strong. Who would have believed that many gold miners are talking about margins of over \$1,000 per ounce?

A likely next step resulting from financially strong majors and juniors, weak from lack of equity interest is M&A activity. Cash takeovers certainly don't indicate the end of a cycle – only time will tell.

Manager's Activities

The investment team has been very busy dealing with an increased deal flow that results from reduced investment interest by global investors into early stage miners. A large opportunity exists to make a significant number of new investments in dominantly pre-IPO opportunities at attractive prices.

Consideration is being given to Lion's healthy cash position (\$25m is available for non-African and Asian Fund investments) balance against position in the cycle (8 o'clock or midnight?). In addition, some geographic and currency questions need attention and more work. But it appears that Australian based costs are something like three times more expensive than Chinese costs for mining activity and five times more for people. In Australia, labour costs and power costs are increasing rapidly. These questions impact where people and equipment are sourced and which countries are best. Australian projects are still usually favoured but the scene is changing rapidly.

Once again, the team has travelled extensively in Asia, Africa and around Australia and a photo section is being added to the Lion website to show locations (particularly projects) visited.

Lion Model for Shareholders

Markets have fallen reducing Lion's NTA over the quarter from \$1.00 to \$0.98 (based on One Asia valued at A\$0.75/share). The NTA fall has been buffered by a healthy cash position of \$36m (including committed cash of \$11.3m) which also provides opportunity in a weak and nervous market.

Over coming months, investors can expect a range of new investments to be made covering all commodities in dominantly pre-IPO opportunities and often offshore. But these will be individually and collectively small amounts, maintaining the cash position in these volatile times, yet opening a pipeline of new opportunities.

INVESTMENTS

YTC Resources Ltd

(LSG 4.1%)

YTC's aggressive drilling program at the Nymagee Copper Project in the Cobar Basin, NSW has seen excellent results from the southern section of Nymagee intersecting record grades and widths in the southern footwall zone and the Nymagee Main Lens:

- 18m @ 6.3% Cu, 0.65g/t Au and 26g/t Ag from the Nymagee Main Lens
- 92m @ 1.5% Cu from 88m in the southern footwall zone

This result confirms the presence of substantial widths of strong copper mineralisation at open-pittable depths in the shallow part of the southern footwall zone, and adds further confidence to grade and volume of the underground lode.

In August the Company also announced results of a shallow drilling program, best of which was 10m at 6.7% Cu from 15m.

YTC is now completing a detailed drill-out of both the southern and northern shallow copper targets including approximately 7,000m of RC and diamond core drilling over a strike length of >600m. Meanwhile, the DFS for the Hera project (5km south of Nymagee) is nearing completion.

Doray Minerals Limited

(LSG 3.3%)

Doray Minerals has been making excellent progress at its Andy Well gold project (Doray 80%) located 45km north of Meekatharra in Western Australia where diamond drilling has intersected high grade gold in quartz along strike to the South of the Wilber Resource.

Doray also has early encouragement from its 80% owned Side Well gold project (near Meekatharra) generating anomalous gold intersections from first pass aircore drilling.

Copperbelt Minerals

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

Lion received correspondence from Copperbelt Minerals ('Copperbelt') advising that the proposed CAD Fund transaction expired on 31 May 2011 with the necessary DRC approvals not being forthcoming.

Copperbelt has advised that going forward it is focused on developing its Deziwa project. In order to finance on-going development, Copperbelt remains

in discussions with CAD Fund and other potential partners. One investor has committed an investment of US\$35m into Copperbelt at a premium to the CAD fund offer of around US\$24/share equivalent, subject to certain conditions related to Joint Venture Agreement discussions with the project partner, Gécamines.

Lion maintains its valuation of Copperbelt at US\$16/share (or approximately A\$0.05/Lion share) reflecting:

- The need for Copperbelt to raise funds to develop the Deziwa project;
- Currently unresolved issues in the DRC, in particular the negotiations with Gécamines;
- Improved valuations for other DRC copper projects reflected in the willingness of an investor to commit funds at more than US\$24/share (subject to conditions).

Given the dynamic nature of the circumstances surrounding Copperbelt, Lion will be keeping its valuation under review.

Mindoro Resources Ltd

(LSG 6.6%, ASIAN LION 8.5%)

Mindoro Resources has completed testing for thermal upgrading of laterite for its Agata Nickel Project in northern Mindanao. On the basis of these encouraging test results, Mindoro has commenced a scoping study and economic assessment of Stage 1 iron-nickel production. In addition, the Agata Nickel Project Stage 2 pre-feasibility study is progressing and is due for completion in October 2011.

At Mindoro's Pan de Azucar project in the Central Philippines, the company has received positive drilling results with a further thick gold-copper intercept providing metallurgical samples for testing.

Asian Lion Limited

(LSG 62.8%)

With its further investment of A\$2.5m in One Asia Resources Corp, the Asian Lion Fund has now completed its active investment stage and will continue to manage its existing portfolio.

African Lion 3 Limited

(LSG 23%)

AFL3 continues to identify and assess quality resource projects.

Substantial Shareholders

– 31 July 2011

Lion Manager Group	19.83%
Select Asset Management	16.49%
Mark Creasy	5.06%

SUMMARY OF INVESTMENTS – 31 JULY 2011

	Commodity	Holding	Investment \$m	Market Value A\$m
Direct Investments				
	Copperbelt Minerals ³	DRC – Copper	2.0%	2.6
	Doray Minerals	Gold	3.3%	2.0
	Manas Resources	Kyrgyz – Gold	2.8%	1.0
	Mithril Resources	Copper / Gold / Nickel	3.8%	1.0
	Mindoro Resources	Philippines – Gold & Nickel	6.6%	2.5
	Sihayo Gold	Indonesia – Gold	1.9%	2.0
	YTC Resources	Gold / Base Metals	4.1%	4.0
	Other – investments less than 2% of Net Assets			2.2
	Total Direct Investments		17.3	21.0
African & Asian Lion				
	African Lion Funds		23.3%	7.3
	• Copperbelt Minerals ³	DRC – Copper	6.9%	2.2
	• Kasbah Resources	Morocco – Tin	12.7%	1.4
	• Other including cash			4.7
	Asian Lion Fund		62.8%	19.5
	• Asian Mineral Resources	Vietnam – Nickel / Copper	11.5%	3.0
	• Erdene Resources	Mongolia – Coal / Base Metals	3.6%	0.6
	• Kentor Gold	Kyrgyz – Gold	2.2%	1.5
	• Manas Resources	Kyrgyz – Gold	7.7%	1.7
	• Mindoro Resources	Philippines – Nickel	8.5%	3.7
	• One Asia Resources Corp ⁴	Indonesia – Gold	23.9%	2.6
	• Sihayo Gold	Indonesia – Gold	4.3%	3.5
	• Other including cash			1.5
	Total African & Asian Lion			28.6
	Committed Cash – to African Lion 3 and Asian Lion			11.3¹
	Net Cash			25.1
	Net Tangible Assets – before tax			86.0
	NTA per share before tax			\$0.98
	NTA per share after tax			\$0.98

1 Committed cash of US\$12.4m to AFL3 and Asian Lion. LSG holds US\$7.2 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 \$0.98 per share prior to estimated tax on gains, and \$0.98 per share after estimated tax on gains from such disposal.

3 Includes Copperbelt Minerals at a value of US\$16/share.

4 Includes One Asia at a value of A\$0.75/share (formerly Pan Asia). See note above.