

# Annual Report 2006



AuSelect Limited



# Profile



AuSelect Limited (AuSelect) is an ASX listed resource investment company (ASX code: AUS) which has focused on investing in gold and base metals in Australia, Africa and South East Asia. AuSelect targets emerging mining companies around the time of project development.

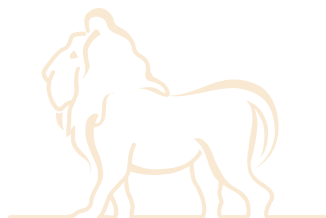
AuSelect has established a successful track record since listing in May 2004, with asset backing increasing by 57%, and share price increasing by 41%. In that time, it has founded African Lion 2 Limited, benefited from growth and distributions from African

Lion Limited, and has recently committed to Asian Lion Limited, all region specific private equity funds. In addition, several direct investments and two profitable investment exits have been made.

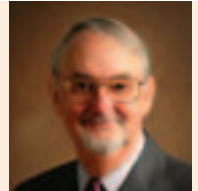
AuSelect's strategy is to make investments that are typically between \$5 million and \$15 million, but in exceptional cases, investments may be significantly larger. In July 2006, AuSelect announced the proposed acquisition of Sedimentary Holdings Ltd, the first large investment by AuSelect consistent with this strategy.

# Contents

|   |    |
|---|----|
| Profile   | 1  |
| Letter from the Chairman                                    | 3  |
| Managing Director's Report                                  | 4  |
| Investment Summary Table                                    | 6  |
| Four Year History   | 6  |
| Sedimentary Holdings Ltd                                    | 7  |
| Indophil Resources NL                                       | 10 |
| African Lion Limited and African Lion 2 Limited             | 13 |
| Platmin Limited   | 16 |
| Albidon Limited   | 18 |
| Mineral Deposits Limited                                    | 20 |
| Sphere Investments Limited                                  | 21 |
| Adamus Resources Limited                                    | 22 |
| Birim Goldfields Inc.                                       | 22 |
| Asian Lion Limited  | 23 |
| Austindo Resources Corporation NL                           | 24 |
| Lafayette Mining Limited                                    | 26 |
| Leviathan Resources Limited                                 | 28 |
| Westonia Mines Limited                                      | 30 |
| Attribution Statements                                      | 32 |
| Directors' Report   | 34 |
| Management Team   | 40 |
| Corporate Governance  | 42 |
| Auditor's Independence Declaration                          | 46 |
| Income Statement  | 47 |
| Balance Sheet   | 48 |
| Statement of Cash Flows                                     | 49 |
| Statement of Changes in Equity                              | 50 |
| Notes to the Financial Statements                           | 51 |
| Directors' Declaration                                      | 71 |
| Independent Auditor's Report to Members of AuSelect Limited | 72 |
| Shareholder Information                                     | 74 |
| AuSelect Limited Share Registry                             | 75 |
| Investor Relations  | 76 |
| Corporate Directory   | 76 |



# Letter from the Chairman



Dear Shareholder

*This is our third annual report, and I am pleased to report a very strong financial result. This is the first result to be reported using the Australian equivalents of International Financial Reporting Standards, and therefore includes the result of “mark to market” of our investment portfolio in both the Income Statement and the Balance Sheet.*

*On this basis, we reported a pre-tax profit of \$36.0 million. This increase in value of our investments reflects a strong increase in the value of Indophil Resources NL (\$11.2 million), and through our shareholdings in African Lion Limited (AFL) and African Lion 2 Limited (AFL2), our indirect holdings in Platmin Limited (\$9.6 million) and Albidon Limited (\$8.5 million). The performance of each of these companies is discussed more fully in this report, but each one reflects the success of AuSelect’s strategy of investing in advanced opportunities, either directly or through its investments in the African Lion funds.*

*Your directors believe that a better measure of our performance than “mark to market”, is our realised profit on exit of investments. On this basis, we recorded a gain of \$5.4 million made up of profits on sale of an investment in Equinox Minerals Limited (\$3.2 million) and in Gallery Gold Limited (\$3.1 million), offset by an exchange loss.*

*I am pleased to report that we completed the establishment of Asian Lion Limited (ALF) towards the end of the year. AuSelect has committed US\$7 million, and the initial fund size is US\$21.6 million. Establishment of this fund was flagged in our prospectus, but took much longer than we anticipated. However, it is now up and running, with a strong investor base, and the Manager has identified a wide range of potential investment opportunities. We are hopeful that it will emulate the success of our African Lion funds.*

*During the year, we invested \$5 million in Lafayette Mining Limited in fundraisings to strengthen the company’s financial position following suspension of activity at its Rapu Rapu project as a result of two separate discharges of process water. The Manager separately invested \$2 million in Lafayette and was instrumental in bringing about broad changes at Lafayette, including the appointment of a Philippine operating team. Lafayette has now recommenced activities at Rapu Rapu.*

*AuSelect has embarked on a program to grow and transform from a mining investment company to a mining company, with*

*three arms: fund investments (AFL/AFL2 and ALF); investments; and direct ownership of operations or royalties. Consistent with this strategy, we announced towards the end of the year an offer to acquire Sedimentary Holdings Ltd by way of a scrip takeover offer of 2 AuSelect shares for every 9 Sedimentary shares. Sedimentary’s major assets are a 30% interest in the Cracow Gold Mine in Queensland, which produced 33,000 ounces of gold for Sedimentary during the year, and a 10% shareholding in Intrepid Mines Limited, a TSX/ASX listed company with gold mining activities in Australia and South America. Since the close of the financial year, we have taken control of Sedimentary.*

*As a result of our acquisition of Sedimentary, AuSelect’s size has doubled and our shareholder base has been significantly expanded, but some shareholders will hold “unmarketable parcels” of shares. The company intends to provide a means to address this situation following the close of the Sedimentary transaction.*

*I anticipate further progress will be made during the new financial year with all three arms of the company’s strategy. Many opportunities have been identified, and all will be subject to the thorough appraisal process of the Manager. I look forward to your participation in the growth of the company.*

A handwritten signature in black ink, appearing to read 'Ewen W J Tyler', with a long horizontal stroke extending to the right.

**Ewen W J Tyler, AM**  
Chairman

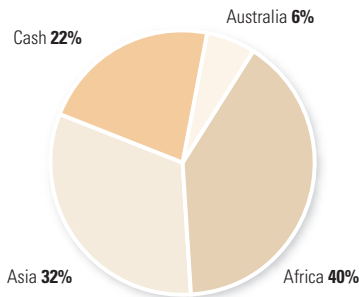
# Managing Director's Report



In the two years since formation, AuSelect has achieved its initial objectives and established a viable company structure. Highlights of 2006 were:

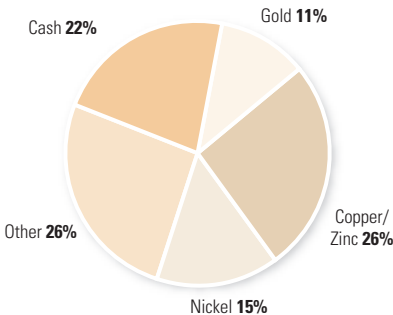
- NTA growth of 58%, to 147.5 cents;
- Commitment to Asian Lion Limited (ALF);
- Triggering of African Lion Limited's (AFL) performance incentive by year end, worth approximately US\$4.5 million to AuSelect; and
- Becoming fully invested.

## AUSELECT REGIONAL INVESTMENTS



Based on Market Values

## AUSELECT COMMODITY INVESTMENTS



Based on Market Values

## THE RESOURCE SECTOR

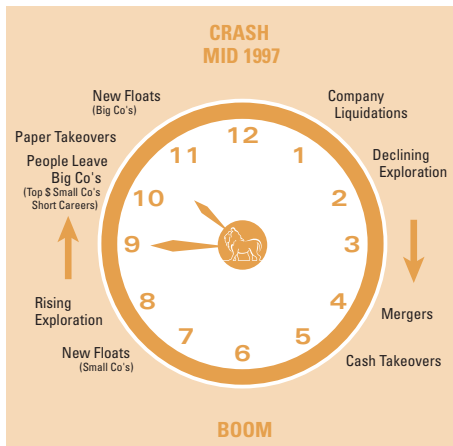
Metal prices have climbed beyond last year's record levels to set continuously new highs. A clear barrier to new project development has been rising costs and a severe global skills shortage. Worldwide exploration spending has risen strongly again and over US\$7 billion of non-ferrous metal exploration is anticipated for 2006. However, new discoveries are almost non-existent due to the heavy focus on existing deposits rather than grassroots exploration.

The factors noted above support high commodity prices as long as China remains a large importer of metals due to its strong economic growth.

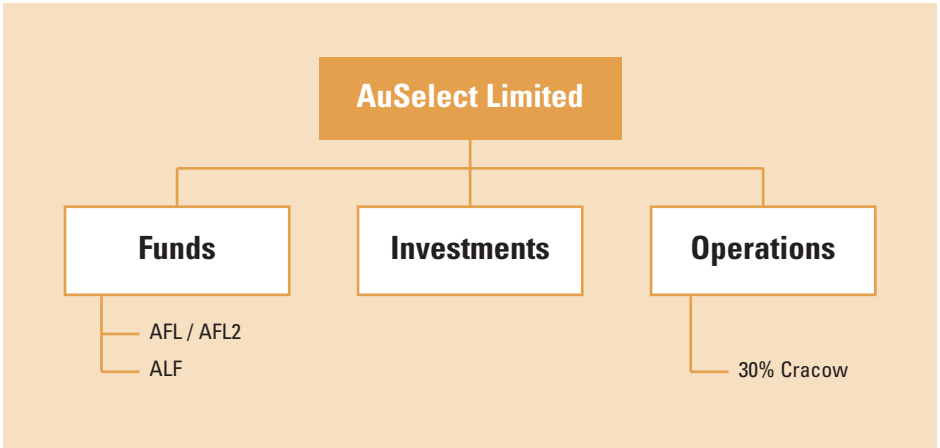
Lack of global exploration success is a two edged sword. Lack of new supply supports metal prices, but lack of exploration euphoria starves the market of excitement. Consequently, company valuations are at far lower levels than in previous cycles and lower than one would have expected in response to current commodity prices.

High and rising capital costs combined with rapidly increasing metal prices has favoured companies with existing projects and minimal hedging.

AuSelect anticipates a further two to three years of strong conditions but increasing volatility is likely to be a feature.



# Managing Director's Report



## OUTLOOK

AuSelect was formed to take opportunities that emerged from the Manager's activities with Lion Selection Group Limited (Lion), African Lion and Asian Lion. Opportunities have been identified, and in July 2006, AuSelect bid for Sedimentary Holdings Ltd (Sedimentary) which holds 30% of the 120,000 ounce per annum Cracow Gold Mine.

This should be seen as the first step in building a company with critical mass that has the potential for re-rating from increased size and liquidity. The direct access to cash flow from operations may also result in a revaluation, and re-rating of AuSelect.

**R A Widdup**

Managing Director

**"In the two years since formation, AuSelect has achieved its initial objectives and established a viable company structure..."**

# Investment Summary Table

| INVESTMENT<br>AT 31/07/2006  | ASX<br>CODE | COUNTRY/ACTIVITY                  | AUS<br>HOLDING<br>% | AMOUNT<br>INVESTED<br>\$m | MARKET<br>VALUE<br>\$m |
|--|-------------|-----------------------------------|---------------------|---------------------------|------------------------|
| <b>African Lion (AFL &amp; AFL2) – AuSelect’s indirect share of African Lion Investments</b> |             |                                   |                     |                           |                        |
| Albidon Limited  | ALB         | Africa – explorer/Zambia – nickel | 7.6                 | 2.7                       | 12.5                   |
| Mineral Deposits   | MDL         | Senegal – mineral sands/gold      | 0.7                 | 0.9                       | 3.7                    |
| Platmin Limited  | unlisted    | South Africa – PGMs               | 3.2                 | 3.0                       | 12.2                   |
| Sphere Investments   | SPH         | Mauritania – iron ore             | 2.1                 | 1.1                       | 3.3                    |
| Other including cash committed   |             |                                   |                     |                           | 2.4                    |
| <b>Total African Lion investment</b>   |             |                                   | <b>26.2</b>         | <b>9.2*</b>               | <b>34.1</b>            |
| <b>Listed Investments</b>  |             |                                   |                     |                           |                        |
| Austindo Resources   | ARX         | Indonesia – gold                  | 0.7                 | 0.5                       | 0.5                    |
| Indophil Resources   | IRN         | Philippines – copper/gold         | 8.6                 | 11.0                      | 21.5                   |
| Lafayette Mining   | LAF         | Philippines – polymetallic        | 5.1                 | 5.0                       | 4.5                    |
| Leviathan Resources  | LVR         | Australia – gold                  | 5.1                 | 3.7                       | 2.9                    |
| Sedimentary Holdings   | SED         | Australia – gold                  | 2.1                 | 0.7                       | 1.7                    |
| Westonia Mines   | WEZ         | Australia – gold                  | 0.4                 | 0.2                       | 0.2                    |
| Other  |             |                                   |                     | 0.3                       | 0.3                    |
| Total Investments  |             |                                   |                     | 30.2                      | 65.7                   |
| Asian Lion (ALF) cash committed  |             |                                   |                     |                           | 9.1                    |
| Deferred tax   |             |                                   |                     |                           | (6.6)                  |
| Net cash (after cash commitments)  |             |                                   |                     |                           | 9.6                    |
| <b>Total Net Assets after tax</b>  |             |                                   |                     |                           | <b>77.8</b>            |
| <b>Net Tangible Asset (NTA) after tax &amp; diluted for options (cents per share)</b>        |             |                                   |                     |                           | <b>147.5</b>           |

Note: For NTA purposes, all listed investments are valued at market and Platmin at IPO price. A\$/US\$ exchange rate of 0.77.

\* AuSelect investment remaining in the African Lion funds after capital returned.

## Four Year History

| ACCOUNTING BASIS   | AIFRS <sup>(1)</sup> |       | AGAAP |      |
|--|----------------------|-------|-------|------|
| POSITION JULY  | 2006                 | 2005  | 2004  | 2003 |
| Cash (\$m)   | 22.8                 | 16.5  | 31.9  | 20.6 |
| Investments at cost (\$m)                                | 27.9                 | 27.1  | 9.6   | 8.8  |
| NTA/share (\$)   | 1.47                 | 0.93  | 0.95  | n/a  |
| Share price (\$)   | 1.365                | 0.86  | 0.93  | n/a  |
| Profit (\$m)   | 28.4                 | 0.2   | 1.7   | 10.5 |
| Realised pre-tax gain on investment exits <sup>(2)</sup> | 5.4                  | (0.4) | 0.7   | 13.3 |

<sup>(1)</sup> Financial statements prepared under AIFRS, including recognising the result of mark-to-market of AuSelect’s investment portfolio in both the income statement and balance sheet.

<sup>(2)</sup> Gain or loss calculated based on realised investment proceeds less cost of investment.

# Sedimentary Holdings Ltd

AUSELECT – 2.1%



Sedimentary Holdings Ltd (Sedimentary) has a 30% joint venture interest in the Cracow Gold Mine in Queensland, with Newcrest Mining Limited acting as manager. Gold production recommenced at the Cracow Gold Mine in November 2004, after a break of 11 years.

The current mine plan for the Cracow Gold Mine is for seven years production, at over 100,000 ounces per annum, from four of nine identified mineralised zones. The generation of reserves at the other zones and additional discoveries have the potential to add significantly to future mine life.

| Cracow production (Sedimentary's share) | Total 2005/06 | Jun Qtr 2006 | Mar Qtr 2006 | Dec Qtr 2005 | Sep Qtr 2005 |
|---|---------------|--------------|--------------|--------------|--------------|
| Ore treated – tonnes (000's)            | 95            | 27           | 25           | 24           | 19           |
| Ore – grade (g/t Au)                    | 11.6          | 11.0         | 11.2         | 12.2         | 12.2         |
| Recovery (%)                            | 94            | 94           | 95           | 94           | 94           |
| Gold (000's ounces)                     | 33            | 9.1          | 8.3          | 9.1          | 6.8          |
| Cash cost (A\$/oz)                      | 289           | 338          | 259          | 255          | 307          |

In early 2006, production at Cracow surpassed nameplate capacity of 300,000 tonnes per annum, with production sourced mainly from development and stoping ore from the high-grade

|                                   |  |
|-----------------------------------|--|
| ASX code:                         | SED  |
| Market capitalisation at 31/7/06: | \$79.1 million   |
| Total investment by AuSelect:     | \$0.7 million  |
| Market value at 31/7/06:          | \$1.7 million  |
| Date of initial investment:       | April 1999   |
| Area of activity:                 | Australia – gold   |
| Website:                          | <a href="http://www.sedimentary.com.au">www.sedimentary.com.au</a> |



# Sedimentary Holdings Ltd

Royal Shoot in the western part of the goldfield, situated some 1.5 kilometres west of the treatment plant. Production commenced from the Crown Shoot in the June quarter of 2006.

Exploration continued during the year with definition drilling in the vicinity of the mine, and exploration drilling to locate additional high-grade zones. Surface drilling has continued to expand the high-grade Kilkenny zone of mineralisation, which remains open along strike and at depth, with an Inferred Resource at Kilkenny announced in early August 2006 of 360,000 ounces (SED's share 108,000 ounces).

Sedimentary holds a 10% holding in Intrepid Mines Limited (Intrepid), a Canadian and Australian listed gold and silver mining company. Intrepid formed in 2006 following the merger of Intrepid Minerals Corporation of Canada with NuStar Mining Corporation Limited, in which Sedimentary had held 16.5%. Intrepid owns the operating high-grade Paulsens Gold Mine in Western Australia.

| Paulsens Mine –<br>Western Australia | 3 months to<br>30 June 2006 | 12 months to<br>30 June 2006 |
|--------------------------------------|-----------------------------|------------------------------|
| Total ore (tonnes)                   | 78,897                      | 262,340                      |
| Grade (g/t Au)                       | 9.17                        | 9.13                         |
| Contained gold (ounces)              | 23,248                      | 77,040                       |

Sedimentary also holds an interest in other exploration projects including Miclere in Queensland, Foster, Jamieson and St Arnaud in Victoria and Weld River in Tasmania.

In July 2006, AuSelect announced its intention to acquire Sedimentary by way of a scrip takeover offer for all of the shares in Sedimentary. Under the offer, Sedimentary shareholders would receive 2 AuSelect shares for every 9 Sedimentary shares held. Following the recommendation by Sedimentary directors to shareholders to accept AuSelect's offer in early September 2006, AuSelect reported that as at 9 October, AuSelect's holding in Sedimentary was at 91.1%.



# Sedimentary Holdings Ltd

## TOTAL MINERAL RESOURCES ESTIMATE FOR THE CRACOW MINE JOINT VENTURE – 30 JUNE 2006

| CATEGORY                       | TONNES<br>(million) | GRADE<br>(g/t gold) | CONTAINED GOLD<br>(ounces) |
|--------------------------------|---------------------|---------------------|----------------------------|
| Measured                       | 0.2                 | 13                  | 80,000                     |
| Indicated                      | 1.1                 | 12                  | 410,000                    |
| Inferred                       | 2.9                 | 9.5                 | 880,000                    |
| <b>TOTAL RESOURCES</b>         | <b>4.2</b>          | <b>10</b>           | <b>1,400,000</b>           |
| <b>Sedimentary's 30% share</b> | <b>1.3</b>          | <b>10</b>           | <b>410,000</b>             |

Reserves are included in Resources.

## TOTAL ORE RESERVES FOR THE CRACOW MINE JOINT VENTURE – 30 JUNE 2006

| CATEGORY                       | TONNES<br>(million) | GRADE<br>(g/t gold) | CONTAINED GOLD<br>(ounces) |
|--------------------------------|---------------------|---------------------|----------------------------|
| Proven                         | 0.2                 | 11                  | 71,000                     |
| Probable                       | 1.0                 | 11                  | 350,000                    |
| <b>TOTAL RESERVES</b>          | <b>1.2</b>          | <b>11</b>           | <b>420,000</b>             |
| <b>Sedimentary's 30% share</b> | <b>0.37</b>         | <b>11</b>           | <b>130,000</b>             |

## KILKENNY LONG SECTION



# Indophil Resources NL

AUSELECT – 8.6%

INDOPHIL  
RESOURCES NL



Indophil Resources NL (Indophil) is an Australian publicly listed company established to acquire, explore and develop gold and copper-gold opportunities in the Philippines.

Indophil's focus is on the development of the Tampakan Copper Gold Project in the southern Philippines, of which Indophil holds a 95% beneficial operating interest. Xstrata Copper holds an option to acquire 62.5% of the Tampakan project from Indophil.

The Tampakan project is currently the subject of a \$27 million detailed Pre-Feasibility Study (PFS), focusing on geology, mining, metallurgy and infrastructure as well as environmental

management and community development requirements. On time and on budget, the PFS is scheduled for delivery by the end of September 2006. Upon completion of the PFS, Xstrata Copper is required to: exercise its option; sole fund ongoing activities to no later than December 2007; or terminate its option.

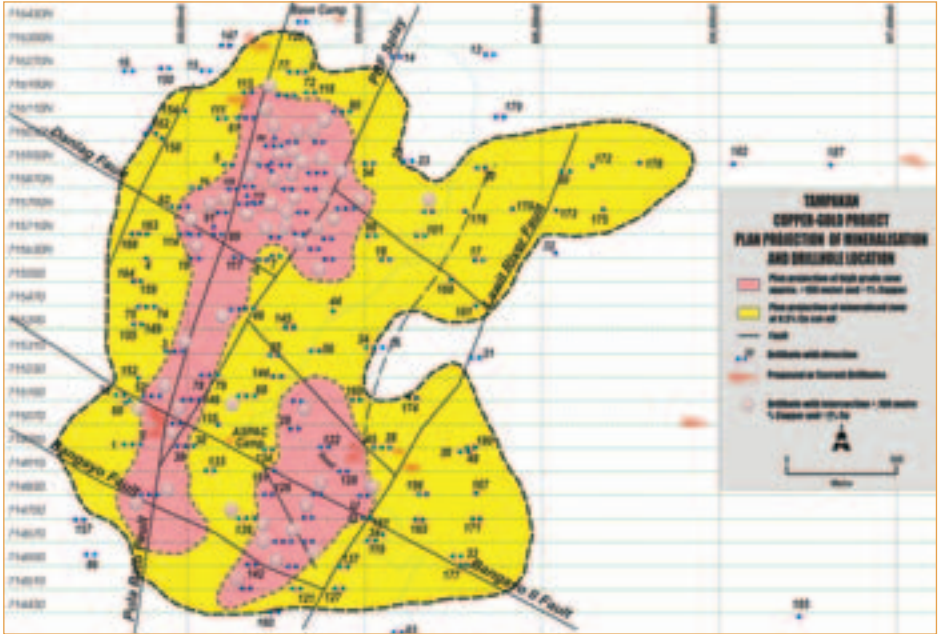
During the year, Indophil reported an updated Measured, Indicated and Inferred Resource estimate of two billion tonnes at 0.59% copper and 0.23 g/t gold at a 0.3% copper cut-off grade. As such, the Tampakan deposit represents the largest undeveloped copper-gold deposit in South East Asia. The

|                                   |  |
|-----------------------------------|--|
| ASX code:                         | IRN  |
| Market capitalisation at 31/7/06: | \$255.1 million  |
| Total investment by AuSelect:     | \$11.0 million   |
| Market value at 31/7/06:          | \$21.5 million   |
| Date of initial investment:       | November 2001  |
| Area of activity:                 | Philippines – copper & gold                            |
| Website:                          | <a href="http://www.indophil.com">www.indophil.com</a> |



# Indophil Resources NL

## TAMPAKAN PLAN PROJECTION



Resource contains 11.6 million tonnes of copper metal and 14.6 million ounces of gold. This represents a 47% lift in Resource tonnes from the previous estimate, and has added significant tonnage on the north, east and west sides of the deposit, where mineralisation remains open. Indophil believes the exploration potential within the new pit shell could add a further 2 to 5 million tonnes of copper metal and 2 to 7 million ounces of gold to the Tampakan Resource.

In August 2006, Indophil reported that drill testing approximately seven kilometres to the east of the Tampakan deposit encountered high sulphidation alteration and associated mineralisation, including 12 metres at 2.1% copper. All three holes completed in this program terminated in rocks exhibiting Tampakan-style alteration.

In mid 2006, Indophil agreed to enter into an option agreement over a package of tenement applications in Luzon, with previous exploration identifying good potential for porphyry copper-gold systems. Indophil is assessing several other areas that offer potential for acquisition of advanced exploration opportunities.

During the year, Indophil successfully completed a \$57.8 million equity raising, via a share placement, and share purchase plan. In September 2005, the Indophil Board and members of senior management of Xstrata Copper visited the Philippines and the Tampakan project. The group met with senior government representatives in Manila, visited base camp, met local staff and inspected drill core. The group noted the high level of Philippines Government and local community support for the project.

# Indophil Resources NL



## TAMPAKAN MINERAL RESOURCE ESTIMATE – APRIL 2006

| CATEGORY              | MINERAL RESOURCE<br>(million tonnes) | COPPER<br>(%) | GOLD<br>(g/t) | COPPER EQUIVALENT<br>(%) | COPPER<br>(million tonnes) | GOLD<br>(million ounces) |
|-----------------------|--------------------------------------|---------------|---------------|--------------------------|----------------------------|--------------------------|
| Measured              | 568                                  | 0.71          | 0.29          | 0.88                     | 4.03                       | 5.29                     |
| Indicated             | 836                                  | 0.58          | 0.22          | 0.71                     | 4.85                       | 5.91                     |
| Inferred              | 566                                  | 0.49          | 0.18          | 0.59                     | 2.77                       | 3.27                     |
| <b>TOTAL COMBINED</b> | <b>1,970</b>                         | <b>0.59</b>   | <b>0.23</b>   | <b>0.72</b>              | <b>11.62</b>               | <b>14.56</b>             |

*Above estimates are based on 0.3% Cu cut-off grade*

## TAMPAKAN EXPLORATION POTENTIAL WITHIN CONCEPTUAL OPEN PIT

(0.2% – 0.4% Cu cut-off grade)

|                       | TONNAGE RANGE<br>(billion tonnes) | COPPER<br>(%) | GOLD<br>(g/t) | COPPER<br>(million tonnes) | GOLD<br>(million ounces) |
|-----------------------|-----------------------------------|---------------|---------------|----------------------------|--------------------------|
| Exploration potential | 0.4 – 1.4                         | 0.3 – 0.5     | 0.15 – 0.20   | 2 – 5                      | 2 – 7                    |

*These tonnes do not constitute Resources and may not be realised with further drilling.*



**INDOPHIL**  
RESOURCES NL

# African Lion Limited and African Lion 2 Limited

AFL (AUSELECT – 29.8%)

AFL2 (AUSELECT – 18.6%)



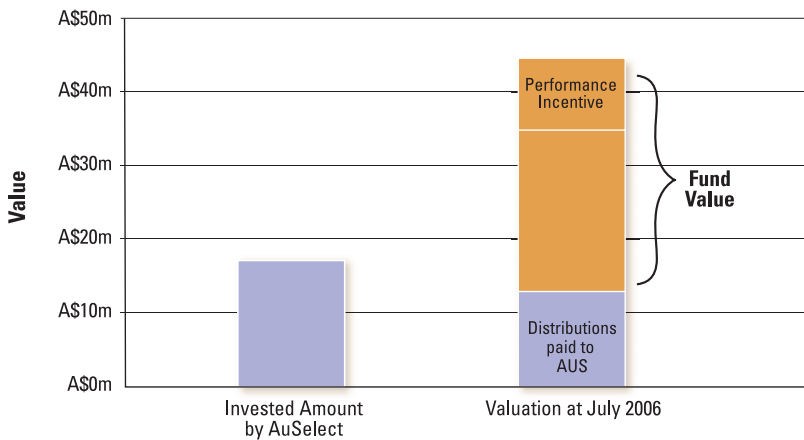
AuSelect shareholders have direct exposure to both African Lion investment portfolios and their performance.

The chart below shows the funds' performance as at 31 July 2006, and AuSelect's exposure to the AFL and AFL2 performance incentives. These options have been exercised in AFL, increasing AuSelect's ownership of AFL by 7%, but remain to be exercised

in AFL2. These effectively deliver to AuSelect, 10% of the value of AFL2 over an 8% compound hurdle rate once capital is returned following the sale of assets.

AFL and AFL2 are both focused on resource opportunities in Africa. AFL has concluded its investment phase and AFL2, created in September 2004, has commenced active investment.

## PERFORMANCE OF AFL AND AFL2 – AUSELECT'S ATTRIBUTABLE VALUE



Albion's Munali Project Area – Zambia

# African Lion Limited and African Lion 2 Limited

## AFL

During the year, AFL made a follow on investment of US\$1.6 million in Platmin Limited (Platmin), taking the total investment in Platmin to US\$6.16 million. The investment in Albidon increased to 20.7% of Albidon, as the result of the exercise of 5 million options at a US\$0.20 exercise price.

AFL exited a number of investments during the year. The most significant was the sale of Gallery Gold Limited, which was acquired by Canadian listed company, IAMGOLD Limited. This sale realised a pre-tax profit of US\$16.9 million and triggered a performance incentive which resulted in AuSelect's holding in AFL increasing by 7%. The sale of Equinox Minerals generated a pre-tax profit of US\$1.5 million.

## AFL2

African Lion 2 Limited was formed, with an initial funding of US\$18.6 million, including a commitment of US\$6 million by AuSelect. A second closing to allow CDC (UK) to invest occurred in early 2005, increasing the committed capital to US\$25.4 million. A further closing occurred in 2006, following an investment of US\$7.5 million by the Botswana Africa Mining Fund, with funds committed increasing to US\$34.6 million.

AFL2 continued to actively build its portfolio with US\$12.7 million invested during the 2005/2006 year. Follow up investments were made in Platmin Limited of US\$1.02 million, increasing total investment in Platmin to US\$3.62 million, and Sphere Investments of US\$3.54 million, increasing total investment in Sphere to US\$3.74 million. New investments were made in Adamus Resources (US\$2.38 million), Albidon Limited (US\$4.77 million), and Birim Goldfields Inc (US\$1.74 million).

AFL2 sold its holding in Gallery Gold Limited.

## AFL SUMMARY AS AT 31 JULY 2006

|                                   |                           |       |        |
|-----------------------------------|---------------------------|-------|--------|
| <b>AFL</b><br><b>AUS (29.8%*)</b> | Termination February 2009 | US\$m |        |
|                                   | Funding                   | 33.8  |        |
|                                   | Distributions Paid        | 47.3  | } 93.5 |
|                                   | Portfolio Value after Tax | 46.2  |        |

| Market Portfolio Value | US\$m              |
|------------------------|--------------------|
| Platmin                | 23.1               |
| Albidon                | 25.5               |
| Sphere                 | 4.0                |
| Others                 | 0.7                |
| Cash/tax               | (7.0) <sup>^</sup> |
| <b>Total after tax</b> | <b>46.2</b>        |

<sup>^</sup> Cash after provision for tax on profits.

\* AFL's Performance Incentive for AuSelect increased AuSelect's ownership of AFL from 22.8% to 29.8%. This is currently valued at: US\$3.2m.

## AFL2 SUMMARY AS AT 31 JULY 2006

|                                     |                            |       |  |
|-------------------------------------|----------------------------|-------|--|
| <b>AFL2</b><br><b>AUS (18.6%**)</b> | Termination February 2014  | US\$m |  |
|                                     | Funding (incl commitments) | 34.6  |  |
|                                     | Distributions Paid         | 0.0   |  |
|                                     | Portfolio Value after Tax  | 57.5  |  |

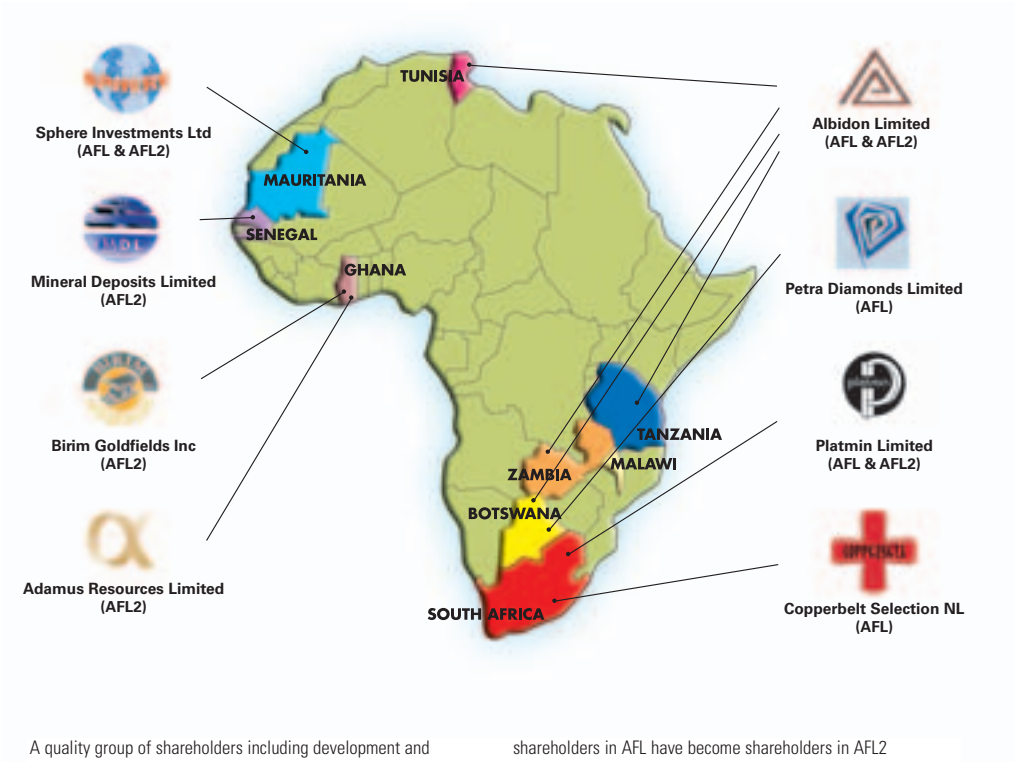
| Market Portfolio Value | US\$m             |
|------------------------|-------------------|
| Platmin                | 11.1              |
| Albidon                | 9.6               |
| Sphere                 | 6.4               |
| Mineral Deposits       | 12.5              |
| Adamus                 | 2.5               |
| Birim                  | 1.3               |
| Cash to invest         | 13.9 <sup>^</sup> |
| <b>Total after tax</b> | <b>57.5</b>       |

<sup>^</sup> Cash after provision for tax on profits.

\*\* AFL2's Performance Incentive for AuSelect could increase AuSelect's ownership of AFL2 from 18.6% to 22.6%. This is currently valued at: US\$2.4m.

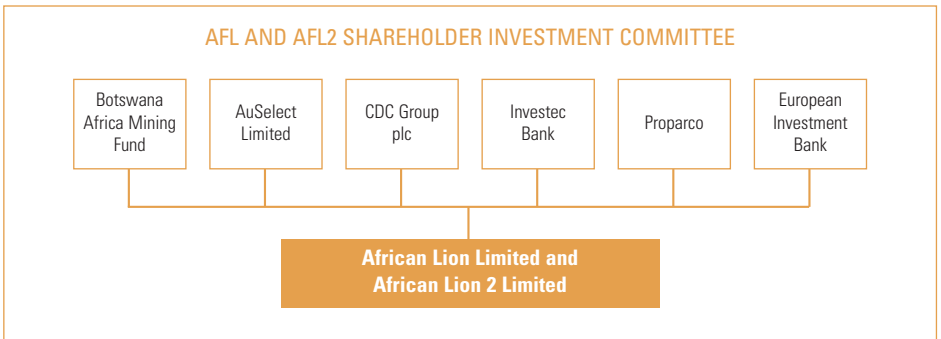
# African Lion Limited and African Lion 2 Limited

## AFRICAN LION AND AFRICAN LION 2 INVESTMENTS



A quality group of shareholders including development and commercial banks provide significant support both in identifying opportunities and understanding African issues. The majority of

shareholders in AFL have become shareholders in AFL2 demonstrating their confidence in continued success.



# Platmin Limited

AFL – 7.2% / AFL2 – 3.5%



Platmin is a Canadian mineral exploration company that is focused on the development of several Platinum Group Metals (PGM) deposits in South Africa. The company dual listed on the AIM and TSX markets in August 2006, raising US\$40 million.

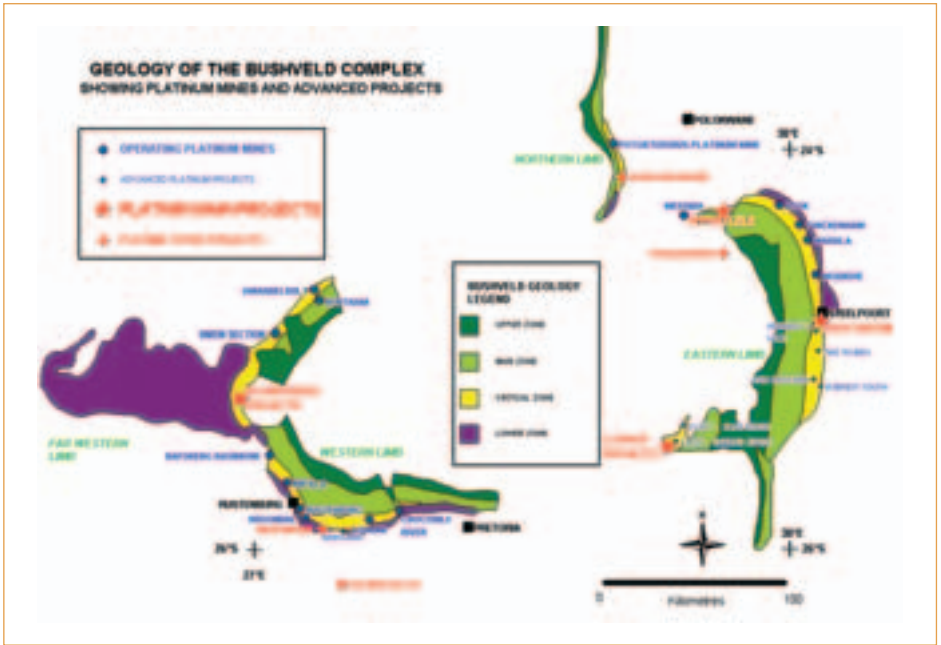
Platmin is exploring for PGMs at the following four key project areas: Pilanesberg, M'Phatlele, Grootboom and Loskop on which PGM mineral resources have been estimated. All of Platmin's projects are located in the Bushveld region of South Africa,

which is estimated to contain approximately 90% of global platinum resources and produced 80% of global platinum in 2005.

Platmin's projects have a total combined Measured, Indicated Mineral Resource estimate of 4.52 million ounces and Inferred Mineral Resource estimate of 22.97 million ounces. Platmin's attributable portion of the Measured, Indicated Mineral Resource estimate is 2.60 million ounces and its attributable portion of the Inferred Mineral Resource estimate is 14.08 million ounces.



# Platmin Limited



Platmin's goal is to become a significant producer of PGMs through the development and operation of mines on its four key projects. Management's development plan envisages delivery of a feasibility study on the Pilanesberg Project by March 2007.

The Pilanesberg project extends for approximately 20 kilometres of the western limb of the Bushveld Complex. Since acquiring the initial interest in Pilanesberg, Platmin has progressed exploration

through airborne and ground magnetic survey and soil sampling, as well as several drilling programs. A trial mining box cut has been completed on the Pilanesberg project, where there is potential for several open pit mines feeding into a central concentrator.

During the year, drilling programs progressed at the M'Phatlele, Grootboom and Loskop projects, with resource definition and feasibility work to be undertaken at these projects.



# Albidon Limited

AFL – 20.7% / AFL2 – 7.8%



Albidon Limited (Albidon) is an AIM and ASX listed Australian based resources company.

Albidon's primary focus is the Munali nickel project in Zambia. During the year, work continued on feasibility work for a new underground nickel mine.

In May 2006, Albidon confirmed a significant increase in the Resource at Munali, with 87% of the Resource now in the Indicated category. The Indicated and Inferred Resource for the Enterprise deposit is 8.0 million tonnes at 1.4% nickel and 0.9 g/t Platinum Group Metals (PGM) containing 109,000 tonnes of nickel and 222,000 ounces of PGM. Exploration work has continued at Munali to extend known Resources and also to test priority targets.

By August 2006, the Bankable Feasibility Study (BFS) for the Enterprise deposit had been completed. The BFS indicates positive economics for the project, and is based

on a 900,000 tonnes per annum underground mine producing 9,000 tonnes per annum of contained nickel. Direct cash operating costs are estimated to be US\$2.00 per pound of nickel in concentrate, before by-product credits, smelting and refining charges.

Following approval of the Company's Environmental and Social Impact Assessment in September 2006, siteworks commenced. Commissioning of the processing plant is scheduled in the first half of 2008 with concentrate deliveries commencing in mid 2008. Albidon is in discussions on off-take contracts for the Munali concentrate with a number of nickel smelting groups. A Development Agreement was signed in mid 2006 with the Zambian government. This locks in key incentives over a five-year stability period.

Albidon holds an extensive exploration portfolio in East Africa with tenements in Zambia, Botswana, Tanzania and Malawi. A number of these areas are included in an exploration co-operation agreement with BHP Billiton who can elect to progress selected project areas to a joint venture with Albidon.

Regional exploration work continued in Tanzania on Albidon's tenements, and the platinum joint venture (with Lonmin plc and Goldstream Mining). In addition, exploration drilling has been undertaken at Albidon's zinc and copper-gold tenements in Tunisia.

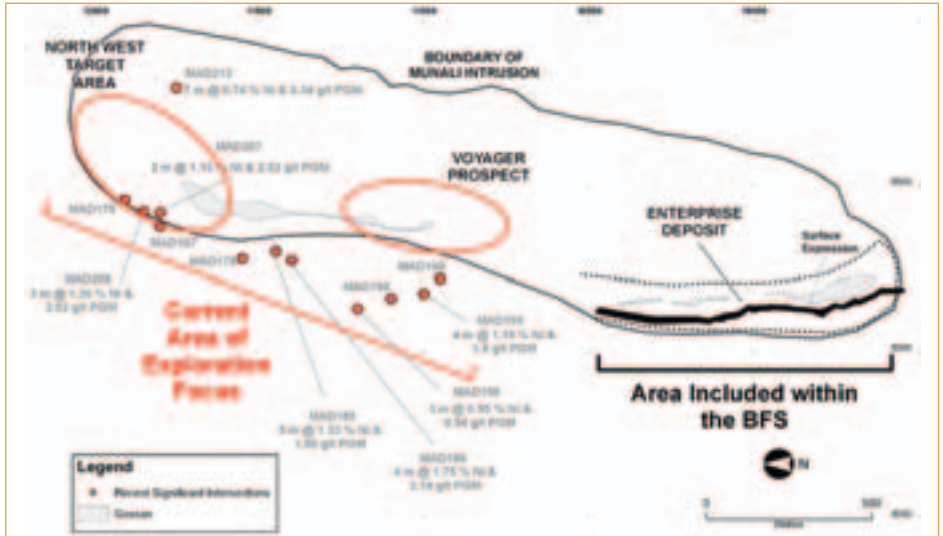
The company has an extensive tenement position in Southern Zambia prospective for uranium. These areas have been joint ventured with African Energy Resources Limited, a 100% owned subsidiary of Energy Ventures Limited. First drilling results have been very encouraging and a Resource has been established at the Njame prospect.

## ALBIDON EAST AFRICA PROJECT AREAS

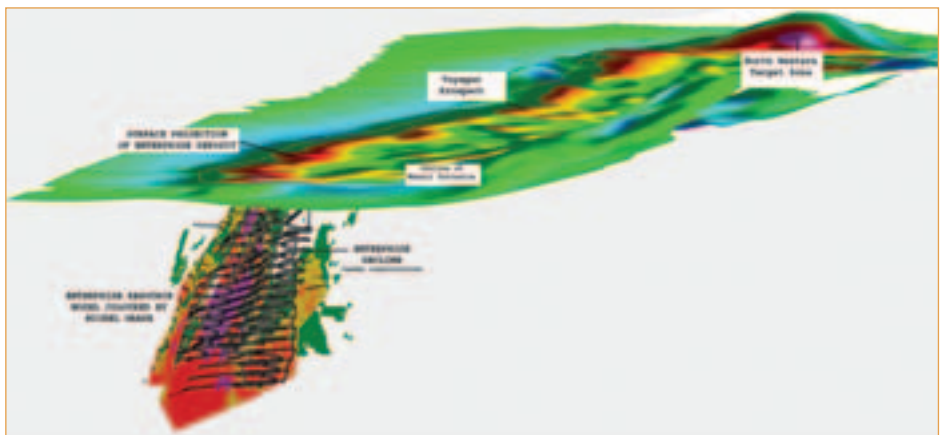


# Albidon Limited

## MUNALI NICKEL INTRUSION



## ALBIDON ENTERPRISE RESOURCE

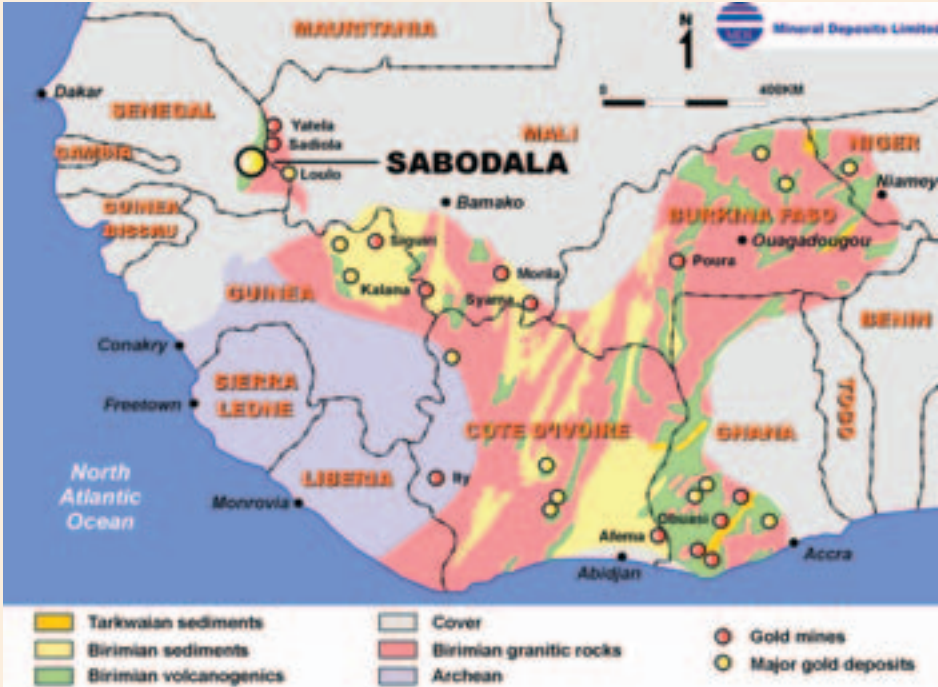


# Mineral Deposits Limited

AFL2 – 3.5%



## SABODALA GOLD PROJECT – LOCATION MAP



Mineral Deposits Limited (MDL) is a listed Australian based resources company, focusing on developing two projects in Senegal, West Africa; the Sabodala Gold Project and the Grande Côte Zircon (mineral sands) Project.

At the Sabodala Gold Project, an aggressive drilling program has been undertaken as part of continuing work on the Bankable Feasibility Study. By July 2006, an increase in the Resource to 2.2 million ounces of gold had been announced, with step out drilling extending mineralisation 320 metres further north, with the zone now totalling 860 metres in length and remaining open to the north and south.

In August 2006, MDL was formally invited by the Senegalese Minister of Energy and Mines to commence negotiations for the Sabodala Mining Lease.

During the year, MDL received approval from the Senegalese government for the Environmental Impact Study on the Grande

Côte Zircon Project. A drilling program is underway, with the objective of improving confidence in, and potentially expanding the existing 801 million tonnes at 2.6% heavy metals Resource estimate. The BFS is almost finalised with site construction to commence by around the end of 2007. First zircon sales are expected in mid 2008. Zircon production is expected to be approximately 100,000 tonnes per annum with the potential to expand to 160,000 tonnes per annum.

The Grand Côte Zircon Project is awaiting the grant of a Mining Concession.



# Sphere Investments Limited

AFL – 3.4% / AFL2 – 5.6%



Sphere Investments Limited (Sphere) is a West African focused exploration and resource development company, with interests in iron ore, gold and base metals, and oil and gas. The Company's flagship project is the Guelb el Aouj Iron Ore (magnetite) Project in Mauritania, West Africa. Sphere is developing the Guelb el Aouj project in a joint venture with Société Nationale Industrielle et Minière (SNIM), Mauritania's existing iron ore producer.

Sphere is earning a 50% stake in the Guelb el Aouj project by funding the first US\$11 million of a three staged Bankable Feasibility Study. Final engineering studies and costings are scheduled for completion in the second quarter of 2007. The Guelb el Aouj project will include an open cut mine, beneficiation and pelletising plants to produce high grade Direct Reduction (DR) pellets for export, utilising joint venture partner SNIM's existing iron ore railway and port infrastructure.

With SNIM's assistance, Sphere has established relationships with the two largest steel producers in the Gulf region – Saudi Iron and Steel Company (Hadeed) and the Qatar Steel Company (QASCO). Both Hadeed and QASCO are keen to support the development of the DR pellet project to provide an alternative and reliable source of DR pellets as feed for their primary steel businesses which are experiencing strong growth.

In addition to the strategic investments by Hadeed and QASCO of approximately \$22 million, Sphere also completed share placements in October 2005 and March 2006 for total fund raising proceeds of \$42.7 million (before fund raising related costs).

During the year, Sphere completed a preliminary assessment of the Bou Derga and Tinkerate magnetite deposits, located 20 kilometres south of Guelb el Aouj. Initial resource potential is estimated to be between 800-1,100 million tonnes.

| Deposits within the Joint Venture Area |  |
|--|--|
| Deposit                                | Status                                     |
| Guelb el Aouj Centre                   | 225 million tonne Inferred Resource        |
| Guelb el Aouj East                     | 450 million tonne Inferred Resource        |
| Bou Derga                              | 450 – 600 million tonne Exploration Target |
| Tinkerate                              | 350 – 500 million tonne Exploration Target |
| Guelb el Aouj West                     | TBA  |

| Deposits outside the Joint Venture Area (within EL264 & EL172) |   |
|--|---|
| Deposit  | Status  |
| Lebtheinia South (EL264)                                       | 700 – 1,000 million tonne Exploration Target* |
| Lebtheinia North (EL264)                                       | TBA   |
| el Akhdar (EL172)  | TBA   |
| el Abiod (EL172)   | TBA   |

\* Northern part only of Lebtheinia South Deposit, representing about six kilometres of its total 14 kilometres strike length.



## GUELB EL AOUJ PROJECT

# Adamus Resources Limited

AFL2 4.1%



Adamus Resources Limited (Adamus) is an Australian based resource company listed on ASX and the TSX Venture Exchange, focused on exploring and realising the economic potential of the Southern Ashanti Gold Project in Ghana, West Africa.

The Southern Ashanti project consists of a contiguous block of granted tenure covering in excess of 400 square kilometres, situated on the southern extension of the Ashanti Gold Belt which is host to over of 60 million ounces of gold. The current Resource estimate for the Southern Ashanti project is 22 million tonnes at 2.1 g/t gold for a total Resource of 1.5 million ounces. This Resource is contained in two deposits, Salman and Anwia.

In March 2006, Adamus commenced a feasibility study into the Southern Ashanti project, which is scheduled for completion in

the first quarter of 2007. Over 14,000 metres of mainly infill drilling has been completed at Salman and Anwia. Exploration drilling to find additional Resources has become an increasing focus for the Company.

In July 2006, Adamus completed the acquisition of the Anwia South project, located three kilometres south of the Anwia deposit and 10 kilometres southwest of the Salman deposit. Recent drilling at South Anwia intersected consistent, near surface high grade mineralisation, which has the potential to add significant high grade Resource ounces to the Southern Ashanti project.

Adamus is fully funded through feasibility, following a \$13 million capital raising in May 2006.

# Birim Goldfields Inc.

AFL2 5.5%



Birim Goldfields Inc (Birim) is a TSX listed Canadian based junior exploration company focused on acquiring, exploring and developing mineral resource properties in Ghana.

The Company holds a total of 17 exploration properties on the Sefwi and Bui gold belts in Ghana. It also retains a royalty based property on the prolific Ashanti gold belt.

Birim has 13 separate Prospecting Licenses, totalling 1,707 square kilometres along the Bui Belt, a relatively under explored yet highly prospective gold belt, similar to the Ashanti and Sefwi gold belts that host most of the world class deposits of Ghana. During the year, Birim commenced an aggressive work program, including ground geophysics, infill geochemistry, reverse circulation and diamond drilling programs over a number of prospective targets already defined on its Bui Belt properties.

To date, a total of 3.81 million ounces of gold has been produced on Bibiani-Sefwi Belt and an estimated 18.15 million ounces of Resources and Reserves still remain. Birim's holdings on this belt include the Bia Tano, Bando Ahenkro, Nkenkasu and Techimentia properties. All four properties are located within the vicinity of Newmont's Ahafo gold mining area and share similar geology. An extensive and detailed work program has commenced on the new licenses.

Birim has a royalty agreement via a sliding scale NSR royalty currently equal to 3.5% upon production, with Golden Star Resources Ltd on the 125 square kilometre Dunkwa property, which includes the one million ounce Mampon gold deposit. Production from Mampon is anticipated in 2007.

Birim continues to explore for additional mineral opportunities in West Africa.

# Asian Lion Limited



Asian Lion Limited (ALF), formed in July 2006, is a private equity, venture capital fund that will provide capital for development projects, feasibility studies and advanced exploration in junior mining companies active in Asia.

ALF is modelled on AuSelect’s successful investment in the existing African Lion funds.

The initial total fund size of ALF is US\$21.6 million, with AuSelect’s commitment totalling US\$7 million. Discussions are occurring with several financial institutions, other than the founding shareholders, which may result in an increase in the fund size.

### ALF Founding Shareholders:

- AuSelect**  
 A leading provider of investment and corporate banking products and services. Part of the global ABN AMRO banking group.
- ABN AMRO Australia Pty Limited**  
 A leading provider of investment and corporate banking products and services. Part of the global ABN AMRO banking group.
- Proparco (France)**  
 Member of Agence Francaise de Développement group (AFD), a leading development finance institution. Proparco is also a shareholder in African Lion and African Lion 2 Limited.

- International Finance Corporation**

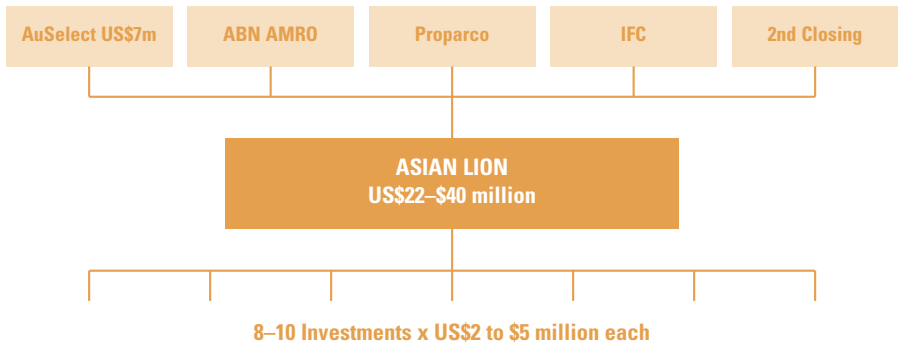
An arm of the World Bank Group, targeted at building the private sector in developing countries.

ALF’s international shareholders can collectively or individually offer a political “umbrella” and provide local knowledge of many regions in Asia. They may also have an interest in assessing further funding of projects where ALF has taken an early investment.

Work has started aggressively with over 50 opportunities identified. Around half have received an initial review. Site visits have been undertaken in Indonesia and the Philippines with several other Asian countries to be visited in the next six months. ALF expects to commence investing in early 2007, after the initial review program has been concluded.

ALF will be managed by Lion Manager Pty Limited (the Manager), which is also the Manager of AuSelect. The representatives of the Manager, who have been appointed to manage ALF, are Howard Walker and Jon Dugdale. Further details on Howard Walker and Jon Dugdale are provided on pages 40 and 41.

## ASIAN LION STRUCTURE





Tunnel boring the Cibaliung Decline

Austindo Resources Corporation NL (Austindo) is a listed Australian company focusing on developing the Cibaliung gold project, a high grade epithermal gold-silver vein system located in the Banten province, in western Java, Indonesia. The company has an 89.75% interest in the Cibaliung gold project in joint venture with its partner PT Antam Tbk.

The Cibaliung gold project comprises the steeply-dipping, high grade Cikoneng and Cibunung shoots with a known strike length of 1.5 kilometres. Key project parameters include: a mine life of six years, with an ore production of 220,000 tonnes per annum; and Mineable Reserves and Resources of 467,000 equivalent ounces of gold, at an average grade of 10.5 g/t. Annual production is forecast to be approximately 70,000 ounces gold equivalent.

Construction commenced late in 2005 and gold production is scheduled to begin in the first quarter of 2007.

In August 2006, Austindo advised that additional expenditure of approximately US\$15.2 million will be required to complete the

project. Substantial cost increases were reported in relation to the gold processing plant, project delivery and financial, legal and holding costs. Austindo will seek additional debt finance and equity funding to meet the increased costs.

Exploration during the year for similar style gold and silver deposits to Cibaliung was focused on Pekalongan in Central Java, resulting in several geochemical anomalies being identified. In addition, exploration commenced at Trenggalek, in East Java, also prospective for deposits similar to Cibaliung. Austindo, with its alliance with the Anglo American Group, will also explore for large porphyry copper-gold deposits at the new Aisajur prospect in Papua.

In November 2005, Austindo issued A\$4 million of convertible notes to augment project funding. In addition, a Project Facility Agreement was signed in December 2005, with ANZ Investment Bank for a US\$26 million project finance facility. A placement was completed in April 2006, raising A\$12 million, at 5.5 cents per share for further project funding and exploration.

|                                   |  |
|-----------------------------------|--|
| ASX code:                         | ARX  |
| Market capitalisation at 31/7/06: | \$71.6 million   |
| Total investment by AuSelect:     | \$0.5 million  |
| Market value at 31/7/06:          | \$0.5 million  |
| Date of initial investment:       | December 1998  |
| Area of activity:                 | Indonesia – gold   |
| Website:                          | <a href="http://www.austindoresources.com.au">www.austindoresources.com.au</a> |



# Austindo Resources Corporation NL

## CIBALIUNG GOLD PROJECT – RESOURCES

|                              | TONNES<br>(000s) | GOLD<br>(g/t) | SILVER<br>(g/t) | CONTAINED<br>GOLD<br>(oz) | CONTAINED<br>SILVER<br>(oz) |
|------------------------------|------------------|---------------|-----------------|---------------------------|-----------------------------|
| <b>Cibitung</b>              |                  |               |                 |                           |                             |
| Measured                     | 368              | 12.1          | 81              | 144,000                   | 964,000                     |
| Indicated                    | 383              | 9.0           | 86              | 111,000                   | 1,064,000                   |
| Inferred                     | 88               | 6.8           | 59              | 19,000                    | 166,000                     |
| <b>Total</b>                 | <b>839</b>       | <b>10.1</b>   | <b>81</b>       | <b>274,000</b>            | <b>2,194,000</b>            |
| <b>Cikoneng</b>              |                  |               |                 |                           |                             |
| Measured                     | 129              | 12.0          | 104             | 50,000                    | 432,000                     |
| Indicated                    | 263              | 9.6           | 81              | 81,000                    | 682,000                     |
| Inferred                     | 286              | 8.1           | 82              | 75,000                    | 757,000                     |
| <b>Total</b>                 | <b>678</b>       | <b>9.4</b>    | <b>86</b>       | <b>206,000</b>            | <b>1,871,000</b>            |
| Total Measured and Indicated | 1,143            | 10.5          | 85              | 386,000                   | 3,142,000                   |
| <b>TOTAL RESOURCE</b>        | <b>1,517</b>     | <b>9.8</b>    | <b>83</b>       | <b>480,000</b>            | <b>4,065,000</b>            |

## CIBALIUNG GOLD PROJECT – MINE EXTRACTION PLAN

| CATEGORY   | ORE<br>TONNAGE<br>(000s) | GOLD<br>(g/t) | SILVER<br>(g/t) | CONTAINED<br>EQUIVALENT<br>GOLD (g/t) | CONTAINED<br>GOLD<br>(oz) | CONTAINED<br>SILVER<br>(oz) | CONTAINED<br>EQUIVALENT<br>GOLD (oz) |
|--|--------------------------|---------------|-----------------|---------------------------------------|---------------------------|-----------------------------|--------------------------------------|
| Total Proven Reserve                                     | 511                      | 11.4          | 82              | 12.4                                  | 188,000                   | 1,347,000                   | 204,000                              |
| Total Probable Reserve                                   | 592                      | 8.8           | 84              | 9.9                                   | 167,000                   | 1,604,000                   | 188,000                              |
| Total Inferred Resource<br>(with mining factors applied) | 285                      | 7.5           | 67              | 8.3                                   | 68,000                    | 609,000                     | 76,000                               |
| <b>TOTAL</b>   | <b>1,388</b>             | <b>9.5</b>    | <b>80</b>       | <b>10.5</b>                           | <b>423,000</b>            | <b>3,560,000</b>            | <b>467,000</b>                       |

## AUSTINDO PROJECTS – INDONESIA



# Lafayette Mining Limited

AUSELECT – 5.1%



The Rapu Rapu Open Pit



Lafayette Mining Limited (Lafayette) is a listed Australian company that holds an interest, through its subsidiary companies and Philippine partners, in the Rapu Rapu polymetallic project on the island of Rapu Rapu in the Philippines. The current mine plan envisages an eight year mine life and annual average production of approximately 10,000 tonnes of copper in concentrate, 14,000 tonnes of zinc in concentrate, 50,000 ounces of gold and 600,000 ounces of silver.

First gold was poured at Rapu Rapu in July 2005, with the first shipment of gold from site occurring in August 2005. Base metals commissioning commenced in November 2005.

Late in 2005, the Rapu Rapu project was suspended by the Philippine Department of Environment and Natural Resources (DENR) after two incidents which resulted in relatively small discharges of low level contaminated liquid. The management and board of Lafayette were restructured early in 2006 and a new Philippine management team installed on site at Rapu Rapu. In response to the two discharges of process water, a Presidential Fact Finding Commission (FFC) was formed to examine alleged health effects of the project. The FFC report was delivered in May 2006, with no credible adverse health effects identified.

In mid 2006, base metals plant commissioning resumed at the Rapu Rapu mine. Following completion of a range of remedial measures at the project to strengthen environmental management

systems, and extensive consultation with all interested parties, the DENR issued a Temporary Lifting Order (TLO). The TLO permits the base metals plant to operate for a period, to sample and test environmental management systems.

The base metals plant commissioning process is staged with initial water testing, followed by waste rock testing and finally ore processing. In August 2006, Lafayette confirmed that it had successfully moved into the third stage of the test run, involving the processing of ore and the use of chemical reagents to produce copper, zinc, gold and silver. Lafayette expects to progressively ramp up production of copper and zinc concentrates from the processing plant and to further test the project's environmental management systems. An application for a Permanent Lifting Order will then be made to formalise and complete the environmental and regulatory rehabilitation of the project.

In late 2005, Lafayette completed an \$8 million placement, at 11 cents per share, under which AuSelect made its initial investment in Lafayette of \$2 million, at 11 cents per share. In March 2006, Lafayette announced a range of funding initiatives totalling \$42 million, to strengthen the Company's financial position following the delay in base metal production. As part of this \$42 million capital raising, a \$3 million placement was made to AuSelect, bringing AuSelect's total investment in Lafayette to \$5 million.

|                                   |  |
|-----------------------------------|--|
| ASX code:                         | LAF  |
| Market capitalisation at 31/7/06: | \$89.3 million   |
| Total investment by AuSelect:     | \$5.0 million  |
| Market value at 31/7/06:          | \$4.5 million  |
| Date of initial investment:       | December 2005  |
| Area of activity:                 | Philippines – polymetallic   |
| Website:                          | <a href="http://www.lafayettemining.com">www.lafayettemining.com</a> |



## UNGAY MINERAL RESOURCE STATEMENT – JULY 2001

| CATEGORY        | TONNES<br>(000s) | GOLD<br>(g/t) | SILVER<br>(g/t) | COPPER<br>(%) | ZINC<br>(%)    |
|-----------------|------------------|---------------|-----------------|---------------|----------------|
| Measured        | 6,397            | 2.7           | 28.9            | 1.3           | 2.2            |
| Indicated       | 324              | 2.2           | 20.5            | 0.9           | 1.4            |
| Inferred        | 301              | 1.9           | 20.9            | 0.8           | 1.0            |
| <b>TOTAL</b>    | <b>7,022</b>     | <b>2.6</b>    | <b>28.1</b>     | <b>1.2</b>    | <b>2.1</b>     |
| Contained Metal |                  | 589,245 oz    | 6,352,797 oz    | 87,105 tonnes | 144,944 tonnes |

## UNGAY OPEN PIT ORE RESERVE STATEMENT – AUGUST 2001

| CATEGORY        | TONNES<br>(000s) | GOLD<br>(g/t) | SILVER<br>(g/t) | COPPER<br>(%) | ZINC<br>(%)    |
|-----------------|------------------|---------------|-----------------|---------------|----------------|
| Proven          | 5,852            | 2.5           | 28.1            | 1.2           | 2.1            |
| Probable        | 120              | 2.1           | 22.7            | 1.0           | 1.9            |
| <b>TOTAL</b>    | <b>5,972</b>     | <b>2.5</b>    | <b>28.0</b>     | <b>1.2</b>    | <b>2.1</b>     |
| Contained Metal |                  | 481,000 oz    | 5,349,000 oz    | 71,000 tonnes | 123,000 tonnes |

*Resources are inclusive of Reserves*

The Ore Reserve is comprised of gold ore and base metal ores. The gold ore is treated in a CIL circuit and the base metal ore is treated in a flotation plant. The breakdown of the different ore types in the ore Reserve is shown below:

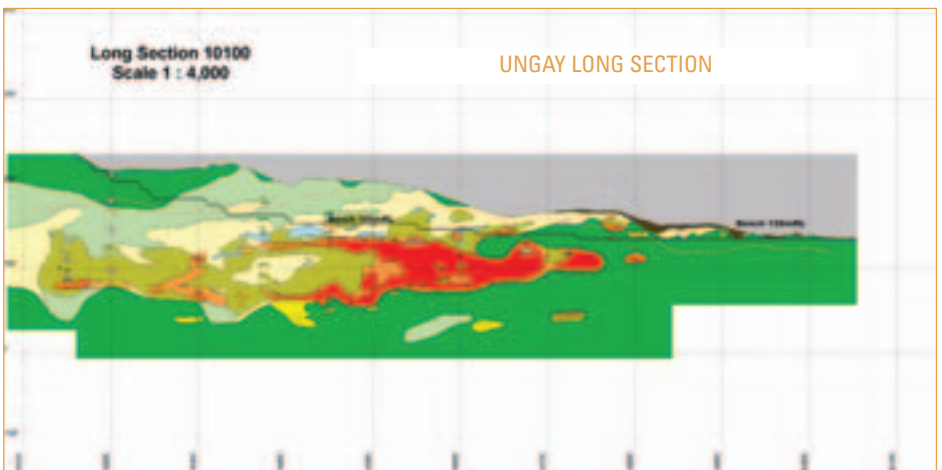
## UNGAY OPEN PIT GOLD ORE

| CATEGORY     | TONNES<br>(000s) | GOLD<br>(g/t) | SILVER<br>(g/t) |
|--------------|------------------|---------------|-----------------|
| Proven       | 826              | 1.8           | 18.5            |
| Probable     | 22               | 1.7           | 10.2            |
| <b>TOTAL</b> | <b>848</b>       | <b>1.8</b>    | <b>18.3</b>     |

## UNGAY OPEN PIT BASE METAL ORE

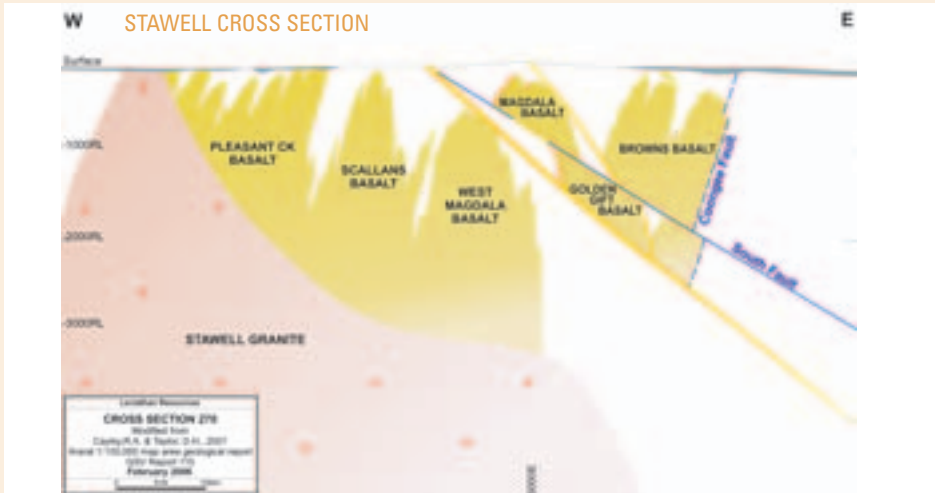
| CATEGORY     | TONNES<br>(000s) | GOLD<br>(g/t) | SILVER<br>(g/t) | COPPER<br>(%) | ZINC<br>(%) |
|--------------|------------------|---------------|-----------------|---------------|-------------|
| Proven       | 5,026            | 2.7           | 29.7            | 1.4           | 2.4         |
| Probable     | 98               | 2.2           | 25.5            | 1.2           | 2.3         |
| <b>TOTAL</b> | <b>5,124</b>     | <b>2.6</b>    | <b>29.7</b>     | <b>1.4</b>    | <b>2.4</b>  |

*The above Resources and Reserves have not been formally depleted for the approximately 130,000 tonnes of oxide gold ore mined by year end.*



# Leviathan Resources Limited

AUSELECT – 5.1%



Leviathan Resources Limited (Leviathan) is an Australian listed gold mining and exploration company, whose primary asset is the Stawell Gold Mine which has been operating continuously for over 20 years. Leviathan also holds exploration tenements running northwest and south of Stawell, known as the Stawell Corridor, and other tenements located west of Ballarat and north of Bendigo.

| Stawell Gold Mine <sup>(1)</sup> |  | Year to  | Year to  | 6 mths to |
|----------------------------------|--|----------|----------|-----------|
| Operation                        |  | Dec 2004 | Dec 2005 | Jun 2006  |
| Physical                         | Ore treated (million tonnes)                         | 0.80     | 0.72     | 0.39      |
|                                  | Ore grade (g/t Au)                                   | 4.8      | 5.4      | 4.6       |
|                                  | Recovery (%)   | 89       | 93       | 91        |
|                                  | Attributable gold produced (000's oz) <sup>(1)</sup> | 103      | 115      | 51        |
| Financial                        | Cash costs (\$/oz)                                   | 444      | 435      | 498       |
|                                  | Cash position (\$m)                                  | 37.8     | 27.7     | 18.5      |

<sup>(1)</sup> Leviathan holding 100% from 1 March 2004.

At December 2005, the Stawell Gold Mine had mineral Resources of 402,000 ounces and an ore Reserve of 431,000

ounces, giving a mineral inventory of 833,000 ounces. The resulting reduction in mineral inventory from the preceding year was due to mining depletion, the conversion of Resource to Reserve and the reassessment of some Resources in the Magdala ore body.

Exploration during the year focused in and around the Stawell mine lease and within the Stawell and Ballarat/Bendigo corridors. The near mine exploration program is aimed at extending the Stawell mine life by finding extensions and repeats of Stawell-style mineralisation found in the Magdala and Golden Gift ore bodies. Wildwood and Wal Wal are ranked among the more prospective targets to date. Despite a \$10 million exploration budget, no significant new Resources were discovered during the year.

Leviathan recorded a loss of \$10.9 million for the six months ended 30 June 2006. The two main contributing factors to this loss were lower gold production at Stawell and the funding of Leviathan's exploration program.

|                                   |                            |
|-----------------------------------|----------------------------|
| ASX code:                         | LVR                        |
| Market capitalisation at 31/7/06: | \$58.5 million             |
| Total investment by AuSelect:     | \$3.7 million              |
| Investment valued at 31/7/06:     | \$2.9 million              |
| Date of initial investment:       | December 2004              |
| Area of activity:                 | Australia – gold           |
| Website:                          | www.leviathanresources.com |

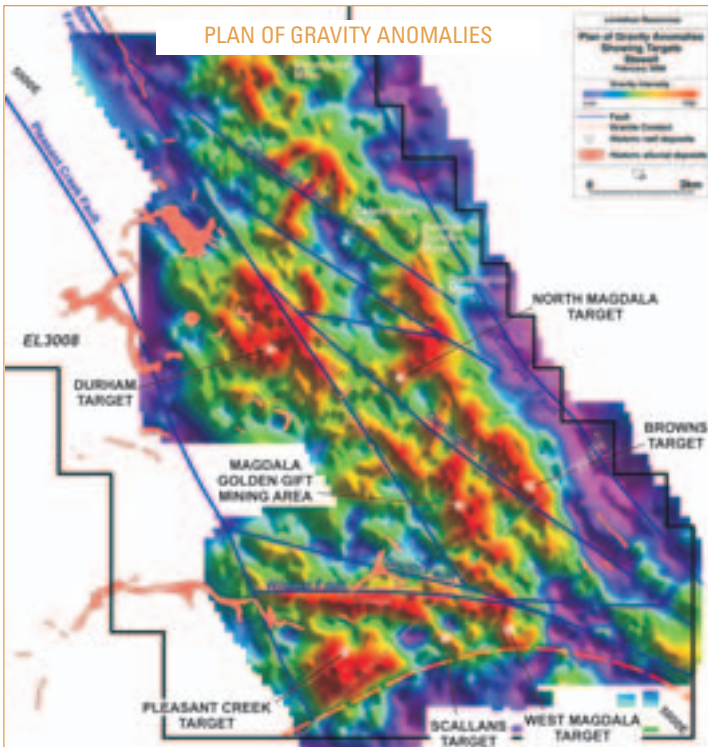


STAWELL GOLD MINE RESOURCES & RESERVES: DECEMBER 2005

| RESOURCES                   | INDICATED        |                   | INFERRED         |                   | TOTAL            |                   |                        |
|-----------------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------------|
|                             | TONNES<br>(000s) | GRADE<br>(g/t Au) | TONNES<br>(000s) | GRADE<br>(g/t Au) | TONNES<br>(000s) | GRADE<br>(g/t Au) | CONTAINED<br>GOLD (oz) |
| <i>Underground</i>          |                  |                   |                  |                   |                  |                   |                        |
| Magdala – above 1250mRL     | 364              | 5.6               | 173              | 5.0               | 537              | 5.4               | 93,000                 |
| Golden Gift – above 1360mRL | 62               | 5.8               | 154              | 8.0               | 216              | 7.3               | 51,000                 |
| Wonga – above 1000mRL       | 74               | 3.5               | 113              | 6.9               | 187              | 5.6               | 33,000                 |
| Underground subtotal        | 500              | 5.3               | 440              | 6.5               | 940              | 5.9               | 177,000                |
| Surface Resource            | 2,859            | 2.2               | 348              | 2.3               | 3,207            | 2.2               | 225,000                |
| <b>TOTAL RESOURCES</b>      | <b>3,359</b>     | <b>2.6</b>        | <b>788</b>       | <b>4.6</b>        | <b>4,147</b>     | <b>3.0</b>        | <b>402,000</b>         |

Stawell Resources are additional to Reserves.

| RESERVES                    | PROVEN           |                   | PROBABLE         |                   | TOTAL            |                   |                        |
|-----------------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------------|
|                             | TONNES<br>(000s) | GRADE<br>(g/t Au) | TONNES<br>(000s) | GRADE<br>(g/t Au) | TONNES<br>(000s) | GRADE<br>(g/t Au) | CONTAINED<br>GOLD (oz) |
| <i>Underground</i>          |                  |                   |                  |                   |                  |                   |                        |
| Magdala – above 1250mRL     | 29               | 4.3               | 437              | 4.5               | 466              | 4.5               | 67,000                 |
| Golden Gift – above 1360mRL | 535              | 5.2               | 1,227            | 6.1               | 1,762            | 5.8               | 329,000                |
| Underground subtotal        | 564              | 5.2               | 1,664            | 5.6               | 2,228            | 5.5               | 396,000                |
| Surface Reserves            |                  |                   | 803              | 1.4               | 803              | 1.4               | 35,000                 |
| <b>TOTAL RESERVES</b>       | <b>564</b>       | <b>5.2</b>        | <b>2,467</b>     | <b>4.2</b>        | <b>3,031</b>     | <b>4.4</b>        | <b>431,000</b>         |



# Westonia Mines Limited

AUSELECT – 0.4%



The Dewatered Westonia Open Pit



Westonia Mines Limited (Westonia) is a listed Australian company focused on re-developing the Westonia gold mine, located 300 kilometres east of Perth.

The Westonia Resource is based upon the substantial, broadly mineralised Edna May Gneiss, which is known to persist beyond 700 metres depth.

Late in 2005, Westonia undertook a dewatering program at the Westonia gold mine with a grade control and infill drilling program completed early in 2006. The drilling program objectives were to validate the tonnage and grade profile of the 2004 Feasibility Study, and convert Inferred mineralisation to Indicated status.

Following drilling in April 2006, Westonia remodelled the Resource and announced a new Resource estimate of 1.1 million ounces at 1.34 g/t gold, resulting in a more than 10% increase in contained metal within the "bankable" Indicated Resource category, as compared to the 2004 Bankable Feasibility Study estimate.

By July 2006, Westonia had completed a rework of the 2004 Feasibility Study, which indicated the following project parameters: 560,000 ounces at 1.2 g/t gold of contained gold in pit; 75,000-80,000 ounces annual production; approximately \$555 per ounce cash costs; and \$65 million in capital costs. Westonia is pursuing a number of initiatives to improve project economics, and is assessing financing alternatives. Project commissioning is targeted for the September quarter of 2007.

Exploration during the year focused on identifying new projects on the Westonia Greenstone Belt. Aeromagnetic surveying in March 2006 has identified six potential repeats of the Edna May Gneiss unit within eight kilometres of the Westonia mine. Drill testing will be conducted to test at least the highest priority repeat target.

In mid 2006, Westonia raised \$4 million via a placement, at 17 cents per share.

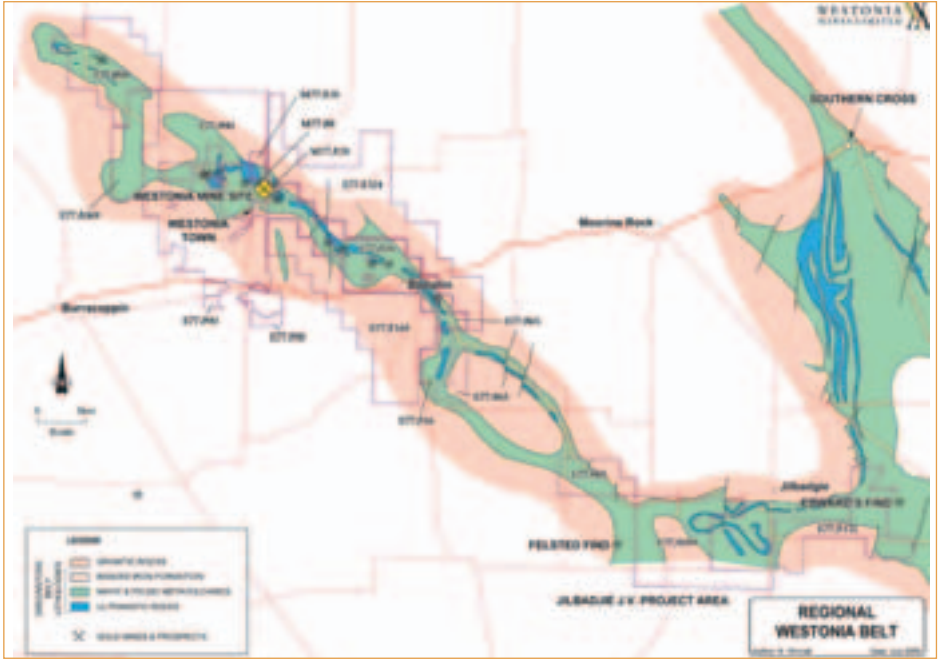
|                                   |  |
|-----------------------------------|--|
| ASX code:                         | WEZ  |
| Market capitalisation at 31/7/06: | \$44.0 million   |
| Total investment by AuSelect:     | \$0.2 million  |
| Investment valued at 31/7/06:     | \$0.2 million  |
| Date of initial investment:       | August 2004  |
| Area of activity:                 | Australia – gold   |
| Website:                          | <a href="http://www.westoniamines.com.au">www.westoniamines.com.au</a> |



Entrance to Decline

# Westonia Mines Limited

## WESTONIA LOCATION MAP



## WESTONIA PROJECT OPEN PIT RESERVES AND RESOURCES – JULY 2006

| CATEGORY                                     | TONNES<br>(million) | GRADE<br>(g/t gold) | CONTAINED GOLD<br>(oz) |
|--|---------------------|---------------------|------------------------|
| <b>Global Resources (0.7 g/t Au Cut-off)</b> |                     |                     |                        |
| Measured                                     | 12.1                | 1.36                | 529,000                |
| Indicated                                    | 9.2                 | 1.37                | 404,000                |
| Inferred                                     | 5.0                 | 1.3                 | 204,000                |
| <b>TOTAL RESOURCES</b>                       |                     |                     | <b>1,140,000</b>       |
| <b>In-pit Reserves and Resources</b>         |                     |                     |                        |
| Proven & Probable Ore Reserve                | 14.0                | 1.21                | -                      |
| Inferred Resources within the designed pit   | 0.4                 | 1.2                 | -                      |
| <b>TOTAL</b>                                 |                     |                     | <b>560,000</b>         |



# Attribution Statements

AuSelect Limited is a mining investment company and relies on the Resource and ore Reserve statements compiled by the companies in which it invests. All Mineral Resource and Reserve Statements have been previously published by the companies concerned unless otherwise stated. Please refer to the quoted publication and the company's latest annual report for additional details and attribution. Unless otherwise stated all Resource and Reserve reporting complies with the standards outlined in the JORC Code. Resources quoted in this report equal 100% of the Resource and do not represent AuSelect's equity share.

## **Adamus Resources Limited**

The Statement of Resources for the Southern Ashanti Project was reported in the ASX announcement "Adamus Increases Southern Ashanti Gold Project Resource to 22Mt at 2.1g/t for 1,500,000 oz Gold" on 6 February 2006. This announcement is available on Adamus' website, [www.adamusresources.com.au](http://www.adamusresources.com.au).

## **Albidon Limited**

The Resources Estimate for the Enterprise Deposit was reported in the ASX announcement "Large Increase in Nickel Resource at the Enterprise Deposit" on 31 May 2006. The Reserves were reported in the ASX announcement "Positive Bankable Feasibility Study for Enterprise Nickel Deposit at Munali Project, Zambia" on 17 August 2006. These announcements can be found on Albidon's website, [www.albidon.com](http://www.albidon.com).

## **Austindo Resources Corporation NL**

The Cibaliung Resources Statement was reported in the Austindo 2005 Annual Report released on 24 April 2006. The Annual Report can be found on Austindo's website, [www.austindoresources.com.au](http://www.austindoresources.com.au).

## **Indophil Resources NL**

The Tampak Mineral Resource Estimate and Exploration potential are as reported within Indophil's "Quarterly Report for the three months ending 31 March 2006", released to the ASX on 26 April 2006. Exploration potential is mineralisation contained within a conceptual open pit but not classified within JORC 2004 Guidelines. This Quarterly Report is available at Indophil's website, [www.indophil.com](http://www.indophil.com).

## **Lafayette Mining Limited**

The Mineral Resource Statement for the Ungay deposit was released in the ASX announcement "Resource Upgrade – Rapu Rapu project" on 24 July 2001. The Ore Reserve Statement for the Ungay deposit was released in the ASX announcement "Open Pit Reserve Upgrade – Rapu Rapu project" on 16 August 2001. These announcements can be found on Lafayette's website, [www.lafayettemining.com](http://www.lafayettemining.com).

## **Leviathan Resources Limited**

The Resource and Reserve Statements for the Stawell Gold Mine were reported in Leviathan's "Quarterly Report for the three months ending 31 December 2005". A copy of this report is available on Leviathan's website, [www.leviathanresources.com](http://www.leviathanresources.com).

## **Mineral Deposits Limited**

The Resources Estimate for the Sabodala Gold Project was reported in the ASX announcement "Sabodala Gold Project – Mineral Resource Estimate Lifts Sabodala above 2.2 million ounces" on 27 July 2006. This announcement can be found on Mineral Deposits' website, [www.mineraldeposits.com.au](http://www.mineraldeposits.com.au).

## **Platmin Limited**

The Platmin Resource Estimate was advised directly by Platmin Limited.

## **Sedimentary Holdings Ltd**

The Mineral Resource Estimation information reported has been based on information compiled by Mr Graham Petersen of Newcrest Mining Limited for Royal and Sovereign shoots and Mr Barry J Goss for the remainder. Reserves have been estimated by Mr Justin Woodward of Newcrest Mining Limited for the Royal Shoot and Mr B J Goss for Crown and Klondyke North. Mr G Petersen and Mr J Woodward are full time employees of Newcrest Mining Limited and are Members of the Australasian Institute of Mining and Metallurgy, Mr B J Goss is a full-time employee of Sedimentary and a Fellow of the Australasian Institute of Mining and Metallurgy. Mr G Petersen, Mr J Woodward and Mr B J Goss have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves".

## **Sphere Investments Limited**

The Summary of Magnetite Deposits Within and Outside the Joint Venture area is as reported within Sphere's "Quarterly Report for the three months ending 30 June 2006", released to the ASX on 31 July 2006. This Quarterly Report is available at Sphere's website, [www.sphereinvestments.com.au](http://www.sphereinvestments.com.au).

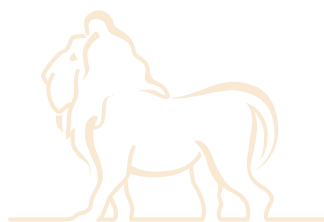
## **Westonia Mines Limited**

The Statement of Reserves and Resources for the Westonia Project was reported in the ASX announcement "Feasibility Study Results" on 21 July 2006. This announcement is available on Westonia's website, [www.westoniamines.com.au](http://www.westoniamines.com.au).

# Financial Report

## Contents

|   |    |
|---|----|
| Directors' Report   | 34 |
| Management Team   | 40 |
| Corporate Governance  | 42 |
| Auditor's Independence Declaration                                | 46 |
| Income Statement for the year ended 31 July 2006                  | 47 |
| Balance Sheet as at 31 July 2006                                  | 48 |
| Statement of Cash Flows for the year ended 31 July 2006           | 49 |
| Statement of Changes in Equity<br>for the year ended 31 July 2006 | 50 |
| Notes to the Financial Statements                                 | 51 |
| Directors' Declaration  | 71 |
| Independent Auditor's Report to Members of AuSelect Limited       | 72 |
| Shareholder Information   | 74 |
| AuSelect Limited Share Registry                                   | 75 |
| Investor Relations  | 76 |
| Corporate Directory   | 76 |



# Directors' Report

The directors of AuSelect Limited ("AuSelect" or "the Consolidated Entity") submit their report on the operations of the consolidated entity for the financial year ended 31 July 2006.

The Consolidated Entity includes AuSelect and AFL Management Limited.

## PRINCIPAL ACTIVITIES

The principal activities of the members of the Consolidated Entity during the financial year were investment in mining and exploration companies. AuSelect was listed on the ASX on 3 May 2004.

## RESULTS AND REVIEW OF OPERATIONS

This annual report is the first prepared using the new Australian equivalents to International Financial Reporting Standards ("AIFRS"), and therefore includes the result of the "mark-to-market" of AuSelect's investment portfolio in both the Income Statement and Balance Sheet. AuSelect's directors believe it is important for shareholders that its financial statements and this report explain both the effect of realisation of its investments and mark-to-market of its investments on its results for the year.

Profit before tax for the year was \$36.0 million (2005: \$0.3 million). This includes both realised profits and unrealised gains from the mark-to-market of AuSelect's investment portfolio as follows:

| Gains/(loss) attributable to movement in fair value of investments          | \$000's |
|---|---------|
| Mark to Market adjustment for period<br>– investments sold during period    | 3,312   |
| Mark to Market adjustment for period<br>– investments held at end of period | 30,543  |
| Gains/(loss) attributable to movement in fair value of investments          | 33,855  |

## Results of Investments Realised During Period

|   |         |
|---|---------|
| Sales Proceeds                              | 13,759  |
| Historical Cost of sales                    | (8,328) |
| Gross profit measured at historical cost    | 5,431   |
| Represented by:                             |         |
| Mark to Market recognised in prior periods  | 2,119   |
| Mark to Market recognised in current period | 3,312   |

Based on historic cost, the realised profit of \$5.4 million is a result of a profitable exit from AuSelect's investment in Equinox Minerals Limited (\$3.2 million) and Gallery Gold Limited (\$3.1 million), partially offset by a foreign exchange loss of \$0.9 million on the redemption of African Lion Limited redeemable preference shares.

The unrealised profit of \$30.5 million with respect to investments held at 31 July 2006 reflects strong growth in the market value of most investees due to improved metal prices and other developments. Specifically, the increase in the portfolio value includes

- An increase in the value of Indophil Resources NL of \$11.2 million reflecting the agreement with Xstrata to fast track the pre-feasibility of the Tampakan project, good drilling results and increased Resources from the on-going pre-feasibility study, and the leverage of this project to copper and gold prices.
- Other increases in fair value with respect of AuSelect's investments in African Lion Limited (AFL) and African Lion 2 Limited (AFL2) totalling \$19.1 million, primarily due to these funds' investments in Platmin Limited (AuSelect's indirect share increased \$9.4 million) and Albidon Limited (AuSelect indirect share increased \$8.5 million). The strong performance of these funds has enabled AuSelect to exercise options held in AFL increasing its ownership in AFL from 22.8% to 29.8%, and has also increased the value of options held by AuSelect in AFL2 by \$3.8 million.

Profit after tax was \$28.4 million (2005: \$0.2 million) and diluted earnings per share 48.1c (2005: 0.4c)

Due to transitional AIFRS rules, the comparative figures for July 2005 do not include any "mark-to-market" of AuSelect's portfolio. The opening balance of retained earnings as at 1 August 2005 has been adjusted to reflect the prior period cumulative effect of the adoption of such AIFRS standards.

The Consolidated Entity made new and follow on investments of \$9.1 million during the year as follows:

- African Lion Limited (purchase of stake from another shareholder) \$1.6 million
- African Lion 2 Limited (further drawdowns) \$2.4 million
- Lafayette Mining Limited \$5.0 million
- Other \$0.1 million
- During the year Asian Lion Limited was established, for which AuSelect has agreed to provide US\$7.0 million. As at 31 July 2006, no funds had yet been drawn down.

## DIVIDENDS

The Consolidated Entity did not declare or pay a dividend during the year. AFL Management Limited, a controlled entity of the Consolidated Entity, did not declare or pay a dividend during the year (2005: US\$35,000).

# Directors' Report

## COMPLIANCE WITH ENVIRONMENTAL REGULATION

AuSelect has a policy that environmental impacts of developments of investees are in line with country/international standards and do not adversely impact local communities.

During the year, one of AuSelect's investees, Lafayette Mining Limited, had the commissioning of its Rapu Rapu project suspended by the Philippines Government after two incidents in late 2005 which resulted in discharges of low level contaminated liquid. Management changes were made, including the introduction of a Philippines management team, and remedial action was undertaken and largely completed by March 2006. On 10 July 2006, a Temporary Lifting Order was issued permitting the commissioning to proceed to 'sample' and 'test' environmental management systems to demonstrate 'best practice'. At the date of this report, production from the plant was being ramped up with a view to obtaining a Permanent Lifting Order.

Other than the item above, AuSelect has not been notified of any environmental breach by any government or other agency, and is not aware of any such breach.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than outlined, there is no matter or circumstance that has arisen since 31 July 2006 that has or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity.

## SIGNIFICANT EVENTS AFTER BALANCE DATE

On 14 July 2006, AuSelect announced a 2-for-9 scrip offer for Sedimentary Holdings Ltd ("Sedimentary"), an investee in which AuSelect held 2.1% at 31 July 2006. The two major assets of Sedimentary are a 30% joint venture interest in the Cracow goldfield in south-central Queensland and a 10% shareholding in Intrepid Mines Limited.

AuSelect assumed control of Sedimentary on 7 September 2006, and on 15 September 2006 appointed Peter Maloney and Barry Sullivan to the Board of Sedimentary, with three of the existing directors stepping down including the Managing Director. As at the date of this report, AuSelect had obtained acceptances for 88% of the shares in Sedimentary, and had issued 54,317,799 shares in relation to the offer.

Other than the item above, there has not arisen, in the interval between the end of the period and the date of this report, any item, transaction or event of a material or unusual nature which

has or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future periods.

## SHARES AND SHARE OPTIONS

As at the date of this report, there were 7,697,600 unissued ordinary shares under option. Refer to note 9 of the financial statements for further details of the options outstanding.

During the year, no shares were issued as a result of options being exercised.

## LIKELY DEVELOPMENTS AND FUTURE RESULTS

The Consolidated Entity's future operating results will depend on the results of its investments.

There are a wide variety of risks associated with the mining and exploration industry including market conditions, exploration, operational and political risk, tenure of tenements, liquidity and native title issues. Because of the vagaries of the resources industry and the long term nature of most of AuSelect's investments, the directors are unable to predict future results.

## AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)

The adoption of the accounting treatment under AIFRS (Note 23) will result in the Consolidated Entity's financial statements being more transparent and consistent with actual changes in the underlying value of investments. However, because all of the variation in the valuation of investees between balance dates must go to the income statement, the reported financial results are likely to be more volatile compared to those reported under the previous accounting treatment.

## EMPLOYEES

At 31 July 2006 there was 1 full time equivalent employee of the parent entity and there was 1 full time equivalent employee of the Consolidated Entity. This compares to 1 full time equivalent employee of the parent entity and 1 full time equivalent employee of the Consolidated Entity at 31 July 2005.

## CORPORATE GOVERNANCE STATEMENT

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of AuSelect support and have adhered to the applicable principles of corporate governance. The Consolidated Entity's corporate governance statement is contained on page 42 in this annual report.

# Directors' Report

## ROUNDING OF AMOUNTS

The parent entity is a Consolidated Entity of the kind specified in Australian Securities and Investment Commission class order 98/0100. In accordance with that class order, amounts in the financial statements and the directors' report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

## DIRECTORS

The names and details of the directors in office during the financial year and up until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

### Ewen W J Tyler

*AM BSc (Hons) FAusIMM FAIM MIMMM CEng  
(Non Executive Chairman)*

Mr Tyler, aged 78, completed his degree in Geology at the University of Western Australia in 1949 and was involved in exploration and mining in Africa during the 1950's. In the following decade, he worked in mining finance and exploration in London, and on returning to Australia in 1969, initiated exploration which led to the discovery of the Argyle Diamond Mine.

Mr Tyler was a founding director of Ashton Mining Limited and remained an executive director until his retirement in 1990.

Mr Tyler is a member of the Audit Committee.

During the past three years Mr Tyler has held the following listed company directorships:

- Helix Resources Limited (Resigned 16 April 2004)
- North Australian Diamonds Limited
- Lion Selection Group Limited

### Robin A Widdup

*BSc (Hons) MAusIMM  
(Managing Director)*

Mr Widdup, aged 54, graduated from the University of Leeds (United Kingdom) with an Honours Degree in Geology in 1975.

From 1975 to 1978 Mr Widdup worked in the Zambian copper belt gaining experience in mine geology at major copper-cobalt deposits. He returned to the United Kingdom in 1978 to work for the National Coal Board in open-cast coal exploration activities.

In 1980 Mr Widdup joined Mount Isa Mines Limited as a project geologist in copper/silver, lead and zinc mining, progressing to become a senior geologist of Mount Isa Mines Limited.

Mr Widdup joined J B Were & Son as a base metals analyst in 1986 before his subsequent appointment as a gold and precious metals analyst. In 1990 he was appointed manager of J B Were & Son's Resource Research team. During his time at J B Were & Son, Mr Widdup established himself as one of Australia's leading resources analysts and the Resource Research team under his management was held in the same regard. Mr Widdup resigned from J B Were & Son in 1997 to establish Lion Selection Group Limited.

During the past three years Mr Widdup has held the following listed company directorships:

- Lion Selection Group Limited
- Indophil Resources NL (Resigned 1 April 2005)
- Lafayette Mining Limited (Appointed 17 January 2006)

### John F O'Reilly

*MSc DIC BSc (Eng) ARSM FIMMM  
(Non Executive Director)*

Mr O'Reilly, aged 61, was until April 2005 Head of Technology for Rio Tinto Plc and prior to that held the position of Head of Gold and Other Minerals. He is a director, and formerly Chief Executive Officer, of Lihir Gold Limited and was responsible for the construction and operation of the Lihir gold project from 1993 to 1998.

Mr O'Reilly has over 39 years experience in the mining industry and, prior to joining Rio Tinto in 1987, held senior operating positions in Oman, Iran, Botswana and Zambia.

Mr O'Reilly is a member of the Audit Committee.

During the past three years Mr O'Reilly has held the following listed company directorships:

- Lihir Gold Limited
- Lion Selection Group Limited
- Indophil Resources NL (Appointed 1 April 2005)
- Cambrian Mining PLC (Appointed May 2006)

# Directors' Report

## Graham R Freestone

*B Ec (Hons)*

*(Non Executive Director)*

Mr Freestone, aged 59, has a broad based finance, corporate and commercial background obtained over 30 years in executive roles in the natural resources industry in Australia and internationally. He has held various senior finance positions with the Shell Group, Acacia Resources and AngloGold.

Mr Freestone was deeply involved in the Shell Company's float of its mineral interests through Acacia Resources Limited. His immediate past role was Chief Financial Officer and Company Secretary of Acacia from its IPO in 1994, with responsibility for treasury, gold hedging, IT, legal, accounting, tax, company secretarial and business services. Following AngloGold's acquisition of Acacia in 2000 he was also responsible for the Company's integration into the AngloGold Company and its relocation to Perth in 2001.

Mr Freestone is Chairman of the Audit Committee.

During the past three years Mr Freestone has held the following listed company directorship:

- Lion Selection Group Limited

## OTHER KEY MANAGEMENT PERSONNEL

### Peter Maloney

*B Comm MBA*

*(Chief Financial Officer and Company Secretary)*

Mr Maloney, aged 56, has held senior positions with financial and commercial responsibility including Treasurer, Executive Vice President – Americas and Manager Commercial and Marketing – WA, with WMC Resources Limited, Chief Financial Officer with F H Faulding & Co Limited and Executive General Manager Finance with Santos Limited. He has been a director of several companies and organisations, including Chairman of Southern Health and is currently a director of Indophil Resources NL. On 15 September 2006, Mr Maloney was appointed as Chairman of the Board of Sedimentary Holdings Ltd.

## REMUNERATION REPORT

The disclosures in this remuneration report have been designated as audited.

Emoluments of Board members and other key management personnel are determined on the basis of market conditions and the level of responsibility associated with their position. The emoluments are not specifically related to Consolidated Entity performance. The remuneration policy in relation to directors is determined by the full Board. Remuneration of other key management personnel is determined by the directors of the Consolidated Entity. The remuneration policy of the Consolidated Entity with respect to directors and other key management personnel provides for Director's & Officer's (D&O) Insurance cover, but does not provide options, shares, loans or any other non-monetary benefits.

Mr Widdup is a shareholder and a director of Lion Manager Pty Ltd (the Manager). Since AuSelect was listed in 2004, it has had a Management Agreement with the Manager, under which the Manager provides AuSelect with management and investment services. Under the Management Agreement, AuSelect pays the Manager a monthly management fee of 0.083% of the total issued capital of AuSelect. The quantum of this fee has not changed since AuSelect's listing. The Manager does not receive a performance fee in relation to the Management Agreement.

Details of remuneration paid/payable to directors of the parent entity and the other key management personnel of the Consolidated Entity are as follows:

| NAME                                  | NOTES | SHORT TERM BENEFITS SALARIES/ FEES \$ | ALLOCATION OF D&O INSURANCE PREMIUM \$ | POST-EMPLOYMENT SUPER (b) \$ | TOTAL \$       |
|---------------------------------------|-------|---------------------------------------|--|------------------------------|----------------|
| <b>DIRECTORS</b>                      |       |                                       |  |                              |                |
| E W J Tyler                           |       | 30,000                                | 5,893                                  | -                            | 35,893         |
| J F O'Reilly                          |       | 26,000                                | 5,893                                  | -                            | 31,893         |
| G R Freestone                         |       | 23,852                                | 5,893                                  | 2,147                        | 31,892         |
| R A Widdup                            | (a)   | -                                     | 5,893                                  | -                            | 5,893          |
| <b>OTHER KEY MANAGEMENT PERSONNEL</b> |       |                                       |  |                              |                |
| P. J. Maloney                         |       | 33,334                                | 5,892                                  | 33,333                       | 72,559         |
| <b>TOTAL</b>                          |       | <b>113,186</b>                        | <b>29,464</b>                          | <b>35,480</b>                | <b>178,130</b> |

(a) Mr Widdup is remunerated by the Manager, Lion Manager Pty Ltd, of which he is a director and shareholder (refer to related parties Note 15).

(b) Other than the director's entitlement to receive some of their remuneration in superannuation, no other retirement plan or benefits are in place.

# Directors' Report

Mr P Maloney was the only other key management personnel of the Consolidated Entity during 2006 and 2005, based on an assessment of influence on the affairs of the company. Mr Maloney received a salary & superannuation totalling \$66,667 (2005: \$65,278) as Chief Financial Officer and Company Secretary of AuSelect together with an allocation of D&O Insurance premiums of \$5,892. No other remuneration was received, other than salary, superannuation and the allocation of D&O Insurance premiums, by the other key management personnel. Emoluments of other key management personnel are determined by the directors of AuSelect on the basis of market conditions and the level of responsibility associated with their position. The emoluments are not specifically related to AuSelect's performance. The remuneration policy of AuSelect with respect to other key management personnel does not provide options, shares, loans or any non-monetary benefits.

## DIRECTORS' MEETINGS

During the year and to the date of this report, AuSelect held fifteen directors meetings and three Audit Committee meetings. The names of the directors and members of Board committees are set out on pages 36 and 37. The attendances of the directors at meetings were:

|               | BOARD OF DIRECTORS |                        | AUDIT COMMITTEE |                        |
|---------------|--------------------|------------------------|-----------------|------------------------|
|               | ATTENDED           | MAX. POSSIBLE ATTENDED | ATTENDED        | MAX. POSSIBLE ATTENDED |
| E W J Tyler   | 13                 | 15                     | 3               | 3                      |
| R A Widdup    | 15                 | 15                     | n/a             | n/a                    |
| J F O'Reilly  | 15                 | 15                     | 3               | 3                      |
| G R Freestone | 13                 | 15                     | 3               | 3                      |

During the year AuSelect formed a special purpose Board committee in relation to the takeover bid for Sedimentary. This was required in order to overcome any conflicts which might arise at board level for all matters relating to the takeover bid and the disposal of Lion's Sedimentary shares (including the pre-bid agreement between AuSelect and Lion). The respective boards of AuSelect and Lion have delegated responsibility to a committee of each board, on the basis that no director is a member of the board committee for both companies. Robin Widdup and John O'Reilly have been appointed to the board committee of AuSelect and Ewen Tyler and Graham Freestone have been appointed to the board committee of Lion. During the year and to the date of this report, AuSelect held seven meetings of this special purpose Board committee, all of which both members attended.

## DIRECTORS' BENEFITS

Since the end of the preceding financial year, no director has received or become entitled to receive a benefit, other than benefits disclosed in this report as emoluments or the fixed salary of a full-time employee of AuSelect or a related body corporate, by reason of a contract made by AuSelect or a related body corporate with the director or with a firm of which he is a member, or with an entity in which he has a substantial financial interest, except as follows:

The Manager, of which Mr Widdup is a director and a shareholder, is paid management fees in accordance with a management agreement executed in February 2004. Senior members of the Manager's staff are Robin Widdup and Mike Brook (former geologists) and Chris Melloy and Howard Walker (former mining engineers). Mr Widdup does not receive any other remuneration from AuSelect, other than an allocation of D&O Insurance. Directors fees receivable from associates, and dividends received from AFL Management Limited are payable directly to the Manager.

## INDEMNIFICATION OF DIRECTORS AND OFFICERS

An indemnity agreement has been entered into between AuSelect and each of AuSelect's directors named earlier in this report and with the Company Secretary. Under the agreement, AuSelect has agreed to indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities to the extent permitted by law. There is no monetary limit to the extent of this indemnity.

AuSelect has paid an insurance premium of \$29,464 in respect of a contract insuring each of the directors and other key management personnel, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

# Directors' Report

AuSelect also indemnifies members of the Manager who represent AuSelect on the boards of various investees to the extent that they are not already indemnified by the investee. The indemnification has the same limitations as for the directors of AuSelect.

## DIRECTORS' SHAREHOLDING

At the date of this report the direct and indirect interests of the directors in the ordinary shares of AuSelect are detailed below. The directors hold no options in AuSelect.

| DIRECTOR      | NO. SHARES HELD OPENING BALANCE | ON MARKET PURCHASES 2006 | NO. OF SHARES HELD CLOSING BALANCE |
|---------------|---------------------------------|--------------------------|------------------------------------|
| E W J Tyler   | 12,000                          |                          | 12,000                             |
| R A Widdup    | 2,057,500*                      |                          | 2,057,500*                         |
| J F O'Reilly  | 5,000                           |                          | 5,000                              |
| G R Freestone | 20,000                          |                          | 20,000                             |

\* Shares held by Mr Widdup include a relevant interest in 2,000,000 owned by the Manager, of which Mr Widdup is a director and shareholder.

Mr Widdup also holds 670,000 ordinary shares in Indophil Resources NL and has a relevant interest in 18,200,000 ordinary shares in Lafayette Mining Limited, being investees of AuSelect. Mr O'Reilly holds 100,000 ordinary shares and 250,000 options in Indophil Resources NL. Other than those noted, the directors have no other interests in the Consolidated Entity's related body corporates.

## AUDITORS' INDEPENDENCE DECLARATION

Section 307C of the Corporation Act 2001 requires our auditors, Ernst & Young, to provide the Directors of AuSelect with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 46 and forms part of this Directors' Report for the year ended 31 July 2006.

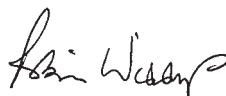
## NON-AUDIT SERVICES

Fees for non-audit services were paid/payable to the external auditors during the year ended 31 July 2006 amounted to \$51,426 with respect to the adoption of AIFRS, transaction support and taxation advice. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporation Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

This report has been made in accordance with a resolution of directors.



**E W J Tyler**  
Chairman



**R A Widdup**  
Managing Director

Melbourne  
28 September 2006

# Management Team

The role of Lion Manger Pty Ltd (the Manager) is to identify and assess investment opportunities, implement AuSelect's investment strategy and manage its portfolio. In addition, the Manager has management contracts with Lion Selection Group Limited, African Lion Limited, African Lion 2 Limited, and Asian Lion Limited. The Manager's team consists of:

## Robin Widdup

Mine Geologist. Previous experience includes RCM (Zambia), National Coal Board (UK), Mount Isa Mines and J B Were & Son.

## Chris Melloy

Mining Engineer. Previous experience includes Mount Isa Mines and J B Were & Son.

## Howard Walker

Mining Engineer. Previous experience includes General Mining (South Africa), Mount Isa Mines and J B Were & Son.

## Mike Brook

Geologist. Previous experience includes Mount Isa Mines and J B Were & Son.

## Peter Geddes

Mining Engineer. Previous experience includes Mount Isa Mines, Billiton Australia, Cerro Matoso Nickel, Acacia Resources and MineConsult.

## Jon Dugdale

Geologist. Previous experience includes WMC Resources Limited, Mining Project Investors (MPI) then Leviathan Resources.

## Luke Smith

Mining Engineer. Previous experience includes MineConsult.

## AUSELECT'S ADDITIONAL SENIOR MANAGEMENT TEAM IS:

### Peter Maloney

*Company Secretary/Chief Financial Officer*

Financial. Previous experience includes WMC Resources Limited, F H Faulding & Co Limited and Santos Limited.

### Craig Smyth

*Financial Controller*

Financial. Previous experience includes Coopers & Lybrand, Credit Suisse First Boston (London) and ANZ Investment Bank.

|                              | DIRECTORSHIP  | BENEFICIAL INTEREST IN NUMBER OF AUS SHARES |
|------------------------------|---|---|
| Robin Widdup <sup>(1)</sup>  | Lafayette Mining Limited  | 857,500                                     |
| Howard Walker <sup>(2)</sup> | -   | 400,000                                     |
| Chris Melloy <sup>(3)</sup>  | AFL Management Limited<br>Austindo Resources Corporation N.L.<br>Westonia Mines Limited | 400,000                                     |
| Mike Brook <sup>(4)</sup>    | AFL Management Limited<br>Albidon Limited   | 422,400                                     |
| Peter Geddes                 | -   | 21,500                                      |
| Jon Dugdale                  | -   | -   |
| Luke Smith                   | -   | 5,000                                       |
| Peter Maloney                | Indophil Resources N.L.   | 45,000                                      |
| Craig Smyth                  | -   | 8,600                                       |

<sup>(1)</sup> represents 800,000 indirectly as owner of 40% of the Manager, and 57,500 held directly.

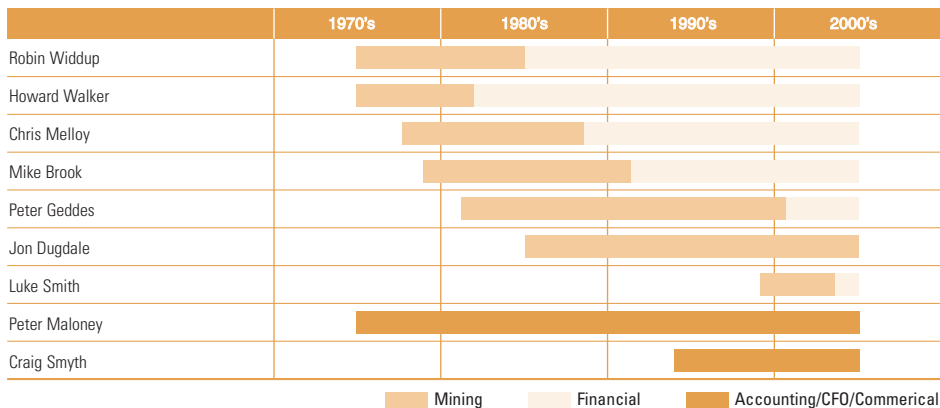
<sup>(2)</sup> represents 400,000 indirectly as owner of 20% of the Manager.

<sup>(3)</sup> represents 400,000 indirectly as owner of 20% of the Manager.

<sup>(4)</sup> represents 400,000 indirectly as owner of 20% of the Manager, and 22,400 held directly.

# Management Team

## MANAGEMENT – TECHNICAL AND FINANCIAL EXPERIENCE



# Corporate Governance

This section summarises the corporate governance policies and procedures of AuSelect. Full documentation may be viewed on AuSelect's website, [www.auselect.com.au](http://www.auselect.com.au).

The Board of Directors of AuSelect aims to achieve the highest standards of corporate governance and has established corporate governance policies and procedures consistent with the ASX Corporate Governance Council's publication "Principles of Good Corporate Governance and Best Practice Recommendations" (the Principles).

AuSelect's board composition, the small number of directors and the governance structure reflect AuSelect's specialist position as an investor in listed and unlisted mining and exploration companies and the Management Agreement with the Manager relating to the provision of management and investment services to AuSelect. As a result the Board believes that not all of the Principles are appropriate to AuSelect and any departure and the reasons for it, are outlined in this section.

In addition, AuSelect's approach reflects its view that in corporate governance "one size does not fit all" and careful consideration must be given for smaller companies and mining companies because the mineral resource/ore reserve usually has both greater value and risk than purely financial assets. This area may have been overlooked in the current ASX guidelines and consideration should be given for mining company audit committees to have geological and mining expertise in addition to the usual financial focus.

## BOARD CHARTER

The Board of Directors monitors the progress and performance of AuSelect on behalf of its shareholders, by whom it is elected and to whom it is accountable. The Board Charter, which is summarised below, seeks to ensure that the Board discharges its responsibilities in an effective and capable manner.

## Board Responsibilities

The Board's primary responsibility is to satisfy the expectations and be a custodian for the interests of its shareholders. In addition, the Board seeks to fulfill its broader ethical and statutory obligations, and ensure that AuSelect operates in accordance with these standards. The Board is also responsible for identifying areas of risk and opportunity, and responding appropriately.

The responsibility for the administration and functioning of AuSelect is delegated by the Board to the Managing Director and

the Chief Financial Officer and, through the Managing Director, to the Manager. By monitoring the performance of these parties, the Board ensures that AuSelect is appropriately administered and managed.

Through sustained contact between the Board and the Manager and by monitoring the Manager's activities, reports and performance, the Board ensures that the Manager is aware of and responsive to the risks, opportunities and priorities recognised by the Board.

The Board guides the composition of a strategic planning process which adheres to the interests and expectations of AuSelect's shareholders, and develops policies that manage risks and opportunities, and monitors company progress, expenditure, significant business investments and transactions and key performance indicators.

AuSelect's Board retains the power to make the final investment decision.

## Composition of the Board

It is a policy of AuSelect that the Board comprises individuals with a range of knowledge, skills and experience which are appropriate to its activities and objectives.

The number of directors must not be less than three. The Board is comprised of a majority of non-executive directors, and the Chairman is a non-executive director. Information on the directors is contained on page 36 – 37 of this annual report.

Directors can seek independent advice at the expense of the Company, and have access to the Company Secretary.

## Role of the Manager

The Manager has been appointed by AuSelect to implement its investment strategy and manage its investments.

A Management Agreement is in place to formalize the relationship between AuSelect and the Manager. The Manager, under this agreement, undertakes to act as investment manager for AuSelect.

## Independence

AuSelect's non-executive directors will be a majority of the Board and all are assessed to be independent and are independent of the Manager.

# Corporate Governance

The independent and objective judgement of AuSelect's Directors is of paramount importance. Each Director's independence is regularly assessed by the Board.

## Relationship with other Investment Funds

### *Lion Selection Group Limited and Investment Protocol*

The composition of the Board of Directors of Lion Selection Group (Lion) and AuSelect are identical and it is the intention of both Boards that they will remain so or at least have a majority of common directors. The Manager provides its services to both Lion and AuSelect. The Directors hope that the two companies will have many common shareholders. It is the intention of both companies to encourage its shareholders to own shares in the other.

The Directors recognise, however, that their responsibility is to the shareholders of each individual entity and the decisions made by Directors of each company will be independent.

Both Lion and AuSelect are in the business of investing in small and medium sized exploration and mining companies. In order to avoid any conflict, the Boards of both companies have adopted an Investment Protocol. The general principle is:

- Lion is a registered Pooled Development Fund (PDF) and there are restrictions under the Act on its eligible investments. Lion invests where an opportunity is PDF compliant.
- AuSelect invest where an opportunity is non-PDF compliant.

### *African Lion Limited (AFL) and African Lion 2 Limited (AFL2)*

Under the terms of the Shareholder Agreements for AFL and AFL2, all shareholders are required to refer investments contemplated under the investment policy to the fund. Shareholders have the right to co-invest with the fund in certain circumstances.

## Nomination Committee

In view of the small size of AuSelect's Board, the Board in its entirety acts, effectively, as a Nominations Committee. As such, the Board believes that a Nomination Committee is unnecessary for AuSelect.

## Nomination, Appointment and Retirement of Directors

If a vacancy occurs or if it is considered that the Board would benefit from the services and skills of an additional director, the Board selects a panel of candidates with appropriate expertise and experience, and appoints the most suitable candidate. Any such appointee would be required under the constitution to retire at the next annual general meeting and is eligible for election by shareholders at that meeting.

For directors retiring by rotation, the Board assesses that director before recommending re-election.

## Compensation Arrangements and Remuneration Committee

The remuneration of the Directors of AuSelect is reviewed by the full Board.

The Managing Director does not receive any remuneration from the Company, but is paid by the Manager.

The Board believes that the small size of the Board and the fact that remuneration matters are monitored by the Board in its entirety makes a separate Remuneration Committee unnecessary and inappropriate.

The maximum aggregate annual remuneration which may be paid to non-executive directors is currently \$250,000. This cannot be increased without approval of AuSelect's shareholders. Information on remuneration of Directors and Officers is contained on page 37 – 38 of this annual report.

## D&O Insurance and Indemnity

The Company maintains a Directors and Officers and Company Reimbursement Insurance Policy. An indemnity agreement has been entered into between AuSelect and each of the Directors.

## Performance Evaluation

The small scale of the Board and the exceptional nature of the Company's activities make the establishment of a formal performance evaluation strategy unnecessary. Performance evaluation is a discretionary matter for consideration by the entire Board and it will meet annually to assess performance of the Directors and the Board as a whole, the Manager, and management.

# Corporate Governance

## LOCAL INDIGENOUS COMMUNITIES

AuSelect has a policy that developments of Investees are not exploitative of local and indigenous communities and to assist such communities through symbiotic project development. This assistance is likely to focus on health, education and employment of indigenous people near to Investee companies' development projects.

## ENVIRONMENT

AuSelect has a policy that environmental impacts of developments of Investees are in line with country/international standards and do not adversely impact local communities.

## BUSINESS RISKS

AuSelect is a specialist investor in listed and unlisted mining and exploration companies and its major business risk is the performance of these companies.

The Board aims to reduce this investment risk through a policy of diversification of investments geographically and to avoid over dependence on a single commodity, Investee or country.

The Manager provides monthly status reports to the Board which identify potential areas of business risk arising from changes in the financial and economic circumstances of any investee or its operating environment. The Board regularly assess the Company's performance and investments in light of the risks identified by such reports.

## CODE OF CONDUCT

The Board acknowledges the need for the highest standards of corporate governance practice and ethical conduct by all Directors and employees of both AuSelect and the Manager. Under the Code of Conduct adopted by the Company, the Directors of AuSelect, all AuSelect employees, directors and employees of the Manager, undertake to preserve the highest standards of integrity, accountability and honesty in their dealings, operating in strict adherence to statutory and ethical obligations.

The Shareholder Communications Strategy, the Securities Trading Policy, the Continuous Disclosure Policy and the Audit Charter collectively form a solid ethical foundation for AuSelect's practices. These policies can be viewed on AuSelect's website, [www.auselect.com.au](http://www.auselect.com.au).

## SECURITIES TRADING POLICY

As a result of the nature of AuSelect's business, directors, officers and other employees of AuSelect and the Manager will be in possession of information regarding a wide range of small and medium sized exploration and mineral production companies. From time to time some of this information may be classified as "inside" information. They may also be aware of potential transactions between these companies and with other companies.

AuSelect has adopted a policy and procedure designed to prevent the possibility of any actual or perceived conflict of interest between the interests of AuSelect and the Manager and their respective directors, officers and employees.

They are also designed to prevent any insider trading by any director, officer or employee of AuSelect or the Manager in the securities of AuSelect, investee companies and other companies where they may be in possession of insider information.

## Supervisory and Compliance Procedures

AuSelect has procedures to ensure all directors, officers and employees of AuSelect and the Manager are familiar with these policies, that they are reviewed on a regular basis and updated as necessary.

The trading activity of each director, officer and employee is reviewed from time to time. Compliance procedures are in place which restrict trading by directors, officers and employees in securities of small and medium sized exploration and mining companies, and companies where a potential conflict of interest may occur.

## CHARTER OF AUSELECT AUDIT COMMITTEE

### Scope, Authority and Responsibility

The Board and the external auditors are accountable to shareholders. The Audit Committee is accountable to the Board.

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling their responsibilities by reviewing:

- The financial information that will be provided to shareholders and the public.
- The systems of internal controls that the Board and the Manager have established.
- AuSelect's auditing, accounting and financial reporting processes.

# Corporate Governance

## Composition

The Audit Committee comprises three independent non-executive directors. All members of the Committee must have a working knowledge of basic finance and accounting practices.

The external auditor and members of the Manager and Board of Directors may be invited to attend the meetings and to provide information as necessary.

Members of the Audit Committee at the date of report are Mr G R Freestone (Chairman), Mr E W J Tyler, and Mr J F O'Reilly. Mr Freestone has extensive financial experience.

## Meetings

The Committee's charter provides that the committee will meet not less than three times a year. AuSelect's senior financial management and external auditors will be available to attend all meetings.

The details of the number of meetings and attendance at meetings is outlined on page 38 of this annual report.

## Financial Reporting

The Managing Director and the Chief Financial Officer provide the Directors with a written assurance statement regarding financial reports and risks prior to the Directors signing the Company's financial statements.

## EXTERNAL AUDITOR ATTENDANCE AT ANNUAL GENERAL MEETINGS

The external auditor attends annual general meetings and is available to answer questions from shareholders on the auditor's report and the conduct of the audit.

## CONTINUOUS DISCLOSURE POLICY

AuSelect is committed to continuous disclosure of material information as a means of promoting transparency and investor confidence. AuSelect's practices are designed to ensure AuSelect is fully compliant with the ASX Listing Rules, including in particular those regarding continuous disclosure.

AuSelect expects Investees to adopt and adhere to the same standards of continuous disclosure.

## SHAREHOLDER COMMUNICATIONS STRATEGY

AuSelect places great importance on the communication of accurate and timely information to its shareholders and market participants and recognises that efficient and continuous contact with stakeholders is an essential part of earning their trust and loyalty. Shareholders are actively encouraged to communicate with the Company.

## Investment Briefings

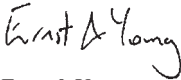
AuSelect holds regular investment briefings for shareholders, analysts and other interested parties in major centres around Australia at least half yearly.

## Website: [www.auselect.com.au](http://www.auselect.com.au)

ASX announcements, quarterly reports and presentations will be posted to AuSelect's website regularly.

## **Auditor's Independence Declaration to the Directors of AuSelect Limited**

In relation to our audit of the financial report of AuSelect Limited for the year ended 31 July 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in cursive script that reads "Ernst & Young".

Ernst & Young

A handwritten signature in cursive script that reads "Tim Wallace".

Tim Wallace  
Partner  
Melbourne  
28 September 2006

# Income Statement

## FOR THE YEAR ENDED 31 JULY 2006

|  | NOTES | CONSOLIDATED   |               | PARENT         |               |
|--|-------|----------------|---------------|----------------|---------------|
|  |       | 2006<br>\$000  | 2005<br>\$000 | 2006<br>\$000  | 2005<br>\$000 |
| Sales revenue  | 3     | -              | 1,509         | -              | 1,509         |
| Cost of sales  | 3     | -              | (1,869)       | -              | (1,869)       |
| <b>Gross profit/(loss)</b>   |       | -              | (360)         | -              | (360)         |
| Gain/(loss) attributable to movement in fair value of investments                | 3     | <b>33,855</b>  | -             | <b>33,855</b>  | -             |
| Other revenues   | 3     | <b>3,378</b>   | 2,125         | <b>3,096</b>   | 1,788         |
| Share of net profits/(losses) of associate accounted for using the equity method | 17(b) | -              | (133)         | -              | -             |
| Management fees paid   |       | <b>(558)</b>   | (624)         | <b>(485)</b>   | (534)         |
| Employee Benefits  |       | <b>(331)</b>   | (394)         | <b>(229)</b>   | (218)         |
| Other expenses   | 3     | <b>(310)</b>   | (316)         | <b>(218)</b>   | (181)         |
| <b>Profit from ordinary activities before income tax</b>                         |       | <b>36,034</b>  | 298           | <b>36,019</b>  | 495           |
| Income tax (expense)/benefit relating to ordinary activities                     | 4     | <b>(7,626)</b> | (110)         | <b>(7,625)</b> | (108)         |
| <b>Net profit after tax</b>  |       | <b>28,408</b>  | 188           | <b>28,394</b>  | 387           |
| Net (profit)/loss attributable to outside equity interests                       |       | <b>(6)</b>     | 20            | -              | -             |
| <b>Net profit/(loss) attributable to members</b>                                 |       | <b>28,402</b>  | 208           | <b>28,394</b>  | 387           |
|  |       | <b>Cents</b>   | <b>Cents</b>  |                |               |
| Basic earnings per share   | 13    | <b>55.3</b>    | 0.4           |                |               |
| Diluted earnings per share   | 13    | <b>48.1</b>    | 0.4           |                |               |

# Balance Sheet

## AS AT 31 JULY 2006

|  | NOTES | CONSOLIDATED  |               | PARENT        |               |
|--|-------|---------------|---------------|---------------|---------------|
|  |       | 2006<br>\$000 | 2005<br>\$000 | 2006<br>\$000 | 2005<br>\$000 |
| <b>Current Assets</b>                  |       |               |               |               |               |
| Cash and cash equivalents              | 11(a) | 22,775        | 16,493        | 22,656        | 16,353        |
| Receivables                            | 5     | 155           | 105           | 148           | 99            |
| Other                                  | 5     | 40            | 40            | 40            | 40            |
| <b>Total Current Assets</b>            |       | <b>22,970</b> | 16,638        | <b>22,844</b> | 16,492        |
| <b>Non Current Assets</b>              |       |               |               |               |               |
| Investment in associated entity        | 17    | -             | 3,082         | -             | 3,214         |
| Other financial assets                 | 6     | 63,315        | 23,738        | 63,331        | 23,754        |
| Plant and equipment                    | 7     | -             | -             | -             | -             |
| Deferred tax assets                    | 4     | 3,973         | 7             | 3,973         | 7             |
| <b>Total Non Current Assets</b>        |       | <b>67,288</b> | 26,827        | <b>67,304</b> | 26,975        |
| <b>Total Assets</b>                    |       | <b>90,258</b> | 43,465        | <b>90,148</b> | 43,467        |
| <b>Current Liabilities</b>             |       |               |               |               |               |
| Payables                               | 8     | 166           | 200           | 77            | 86            |
| Tax liabilities                        | 4     | 1,697         | 131           | 1,697         | 130           |
| Provisions                             |       | 9             | 3             | 9             | 3             |
| <b>Total Current Liabilities</b>       |       | <b>1,872</b>  | 334           | <b>1,783</b>  | 219           |
| <b>Non Current Liabilities</b>         |       |               |               |               |               |
| Deferred tax liabilities               | 4     | 10,582        | 24            | 10,582        | 24            |
| <b>Total Non Current Liabilities</b>   |       | <b>10,582</b> | 24            | <b>10,582</b> | 24            |
| <b>Total Liabilities</b>               |       | <b>12,454</b> | 358           | <b>12,365</b> | 243           |
| <b>Net Assets</b>                      |       | <b>77,804</b> | 43,107        | <b>77,783</b> | 43,224        |
| <b>Equity</b>                          |       |               |               |               |               |
| Contributed equity                     | 9(a)  | 41,262        | 41,136        | 41,262        | 41,136        |
| Foreign Currency Translation Reserve   | 9(b)  | (18)          | (8)           | -             | -             |
| Accumulated profits/(losses)           |       | 36,547        | 1,972         | 36,521        | 2,088         |
| Total parent entity interest in equity |       | 77,791        | 43,100        | 77,783        | 43,224        |
| Total minority interest                |       | 13            | 7             | -             | -             |
| <b>Total Equity</b>                    |       | <b>77,804</b> | 43,107        | <b>77,783</b> | 43,224        |

# Statement of Cash Flows

## FOR THE YEAR ENDED 31 JULY 2006

| NOTES   | CONSOLIDATED        |               | PARENT        |               |
|---|---------------------|---------------|---------------|---------------|
|   | 2006<br>\$000       | 2005<br>\$000 | 2006<br>\$000 | 2005<br>\$000 |
| <b>Cash flows from operating activities</b>                             |                     |               |               |               |
| Interest received   | 999                 | 1,663         | 998           | 1,662         |
| Other fees received   | 300                 | -             | -             | -             |
| Payments to suppliers and employees                                     | (1,271)             | (979)         | (950)         | (905)         |
| Dividends received  | 2,035               | 303           | 2,035         | 328           |
| Income taxes paid   | (196)               | (479)         | (195)         | (473)         |
| <b>Net operating cash flows</b>   | 11(b) <b>1,867</b>  | 508           | <b>1,888</b>  | 612           |
| <b>Cash flows from investing activities</b>                             |                     |               |               |               |
| Payments for investments  | (9,344)             | (19,411)      | (9,344)       | (19,411)      |
| Proceeds from investment sales  | 13,759              | 1,509         | 13,759        | 1,509         |
| <b>Net investing cash flows</b>   | <b>4,415</b>        | (17,902)      | <b>4,415</b>  | (17,902)      |
| <b>Cash flows from financing activities</b>                             |                     |               |               |               |
| Proceeds from initial public offering                                   | -                   | 2,000         | -             | 2,000         |
| Initial public offering (transaction costs)/transaction costs recovered | -                   | 12            | -             | 12            |
| Dividends paid  | -                   | (23)          | -             | -             |
| <b>Net financing cash flows</b>   | -                   | 1,989         | -             | 2,012         |
| <b>Net increase/(decrease) in cash held</b>                             | <b>6,282</b>        | (15,405)      | <b>6,303</b>  | (15,278)      |
| Exchange rate variations on foreign cash balances                       | -                   | (20)          | -             | -             |
| Cash at beginning of the financial period                               | 16,493              | 31,918        | 16,353        | 31,631        |
| <b>Cash at end of the financial period</b>                              | 11(a) <b>22,775</b> | 16,493        | <b>22,656</b> | 16,353        |

# Statement of Changes in Equity

## FOR THE YEAR ENDED 31 JULY 2006

| <b>CONSOLIDATED</b>  | <b>ISSUED<br/>CAPITAL<br/>\$000</b> | <b>RETAINED<br/>EARNINGS<br/>\$000</b> | <b>FOREIGN<br/>CURRENCY<br/>TRANSLATION<br/>RESERVE<br/>\$000</b> | <b>MINORITY<br/>INTERESTS<br/>\$000</b> | <b>TOTAL<br/>\$000</b> |
|--|-------------------------------------|--|---|---|------------------------|
| <b>At 1 August 2004</b>                                    | <b>41,114</b>                       | <b>1,764</b>                           | <b>-</b>  | <b>50</b>                               | <b>42,928</b>          |
| Result for the period                                      | -                                   | 208                                    | (8)   | (20)                                    | 180                    |
| Capital Raised in IPO – Transaction Costs                  | 22                                  | -                                      | -   | -                                       | 22                     |
| Dividends paid or payable                                  | -                                   | -                                      | -   | (23)                                    | (23)                   |
| <b>At 31 July 2005</b>                                     | <b>41,136</b>                       | <b>1,972</b>                           | <b>(8)</b>  | <b>7</b>                                | <b>43,107</b>          |
| <b>At 1 August 2005</b>                                    | <b>41,136</b>                       | <b>1,972</b>                           | <b>(8)</b>  | <b>7</b>                                | <b>43,107</b>          |
| Impact of change of accounting policy on adoption of AIFRS | -                                   | 6,173                                  | -   | -                                       | 6,173                  |
| Result for the period                                      | -                                   | 28,402                                 | (10)  | 6                                       | 28,398                 |
| Capital Raised in IPO – Transaction Costs                  | 126                                 | -                                      | -   | -                                       | 126                    |
| <b>At 31 July 2006</b>                                     | <b>41,262</b>                       | <b>36,547</b>                          | <b>(18)</b>   | <b>13</b>                               | <b>77,804</b>          |

| <b>PARENT</b>  | <b>ISSUED<br/>CAPITAL<br/>\$000</b> | <b>RETAINED<br/>EARNINGS<br/>\$000</b> | <b>TOTAL<br/>\$000</b> |
|--|-------------------------------------|--|------------------------|
| <b>At 1 August 2004</b>                                    | <b>41,114</b>                       | <b>1,701</b>                           | <b>42,815</b>          |
| Profit for the period                                      | -                                   | 387                                    | 387                    |
| Capital Raised in IPO – Transaction Costs                  | 22                                  | -                                      | 22                     |
| <b>At 31 July 2005</b>                                     | <b>41,136</b>                       | <b>2,088</b>                           | <b>43,224</b>          |
| <b>At 1 August 2005</b>                                    | <b>41,136</b>                       | <b>2,088</b>                           | <b>43,224</b>          |
| Impact of change of accounting policy on adoption of AIFRS | -                                   | 6,039                                  | 6,039                  |
| Profit for the period                                      | -                                   | 28,394                                 | 28,394                 |
| Capital Raised in IPO – Transaction Costs                  | 126                                 | -                                      | 126                    |
| <b>At 31 July 2006</b>                                     | <b>41,262</b>                       | <b>36,521</b>                          | <b>77,783</b>          |

# Notes to the Financial Statements

## NOTE 1. CORPORATE INFORMATION

The financial report of AuSelect Limited (AuSelect) and its subsidiary for the year ended 31 July 2006 was authorised for issue in accordance with a resolution of the directors on 28 September 2006.

AuSelect Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of AuSelect are described in the Directors' Report.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards.

The financial report has been prepared on a historical cost basis, except for financial assets that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated under the option available to AuSelect under ASIC Class Order 98/0100. AuSelect is an entity to which the class order applies.

### (b) Principles of Consolidation

The consolidated financial statements include the financial statements of the parent entity, AuSelect Limited, and its controlled entity, referred to collectively throughout these financial statements as the "Consolidated Entity".

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which AuSelect has control.

Minority interests represent the interests in AFL Management Limited, not held by the Group.

### (c) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS. The material differences between the financial statements presented under AIFRS and those presented under AGAAP for the Consolidated Entity are with respect to AASB 132 and AASB 139 which have been adopted from 1 August 2005. Comparative figures have not been restated consistent with the transitional provisions of these standards. A summary of the significant accounting policies of the Consolidated Entity under AIFRS are disclosed below.

A reconciliation of the transitional AASB 132 and AASB 139 adjustments is detailed in Note 23, comparing the AIFRS Balance Sheet as at 1 August 2005 with the AGAAP Balance Sheet as at 31 July 2005.

The table opposite sets out Australian Accounting Standards that have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ending 31 July 2006:

# Notes to the Financial Statements

| AASB AMENDMENT | AFFECTED STANDARD (S)  | NATURE OF CHANGE TO ACCOUNTING POLICY                         | APPLICATION DATE OF STANDARD* | APPLICATION DATE FOR GROUP |
|----------------|--|---|-------------------------------|----------------------------|
| 2004-3         | AASB 1 <i>First-time adoption of AIFRS</i> , AASB 101 <i>Presentation of Financial Statements</i> , AASB 124 <i>Related Party Disclosures</i>  | No change to accounting policy required. Therefore no impact. | 1 January 2006                | 1 August 2006              |
| 2005-1         | AASB 139 <i>Financial Instruments: Recognition and Measurement</i>   |   | 1 January 2006                | 1 August 2006              |
| 2005-4         | AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> , AASB 1 <i>First-time adoption of AIFRS</i> , AASB 1023 <i>General Insurance Contracts</i> and AASB 1038 <i>Life Insurance Contracts</i>  |   | 1 January 2006                | 1 August 2006              |
| 2005-5         | AASB 3 <i>Business Combinations</i>  |   | 1 January 2006                | 1 August 2006              |
| 2005-6         | AASB 1 <i>First-time adoption of AIFRS</i> and AASB 139 <i>Financial Instruments: Recognition and Measurement</i>  |   | 1 January 2006                | 1 August 2006              |
| 2005-10        | AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> , AASB 101 <i>Presentation of Financial Statements</i> , AASB 114 <i>Segment Reporting</i> , AASB 117 <i>Leases</i> , AASB 133 <i>Earnings per Share</i> , AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , AASB 1 <i>First-time adoption of AIFRS</i> , AASB 4 <i>Insurance Contracts</i> , AASB 1023 <i>General Insurance Contracts</i> and AASB 1038 <i>Life Insurance Contracts</i> |   | 1 January 2007                | 1 August 2007              |
| 2006-1         | AASB 121 <i>The Effects of Change in Foreign Currency Rates</i>  |   | 1 January 2006                | 1 August 2006              |
|                | AASB 119 <i>Employee Benefits</i>  |   | 1 January 2006                | 1 August 2006              |
|                | AASB 7 <i>Financial Instruments: Disclosures</i>   |   | 1 January 2007                | 1 August 2007              |

\*Application date is for the annual reporting periods beginning on or after the date shown in the above table.

The following amendments are not applicable to the Consolidated Entity and therefore have no impact.

| AASB AMENDMENT | AFFECTED STANDARD(S)   |
|----------------|--|
| 2005-2         | AASB 1023 <i>General Insurance Contracts</i>   |
| 2005-9         | AASB 4 <i>Insurance Contracts</i> , AASB 1023 <i>General Insurance Contracts</i> , AASB 139 <i>Financial Instruments: Recognition and Measurement</i> and AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> |
|                | UIG 4 <i>Determining whether an Arrangement contains a Lease</i>   |
|                | UIG 5 <i>Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation Funds</i>  |

## (d) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have an impact on the carrying amounts of certain assets and liabilities are:

### *Financial Assets – Unlisted Options*

The Consolidated Entity measures the value of unlisted options held in investee companies using the Black-Scholes model taking into account the terms and conditions upon which the options were granted and based on observable market data.

# Notes to the Financial Statements

## (e) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

### (i) Sale of goods

#### **Accounting policies applicable for the year ending 31 July 2006**

Revenue from sale of investments is no longer recognised as revenue in the Income Statement, as the Income Statement includes movements in fair value of investments up to the date of sale.

#### **Accounting policies applicable for the year ending 31 July 2005**

Sales revenue is recognised as the proceeds received or receivable, net of transaction costs, on the disposal of an investment. An investment is treated as being sold when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer. Original cost of investments sold represents the historical cost of the investment disposed, based on a first-in, first-out basis.

### (ii) Interest

#### **Accounting policies applicable for the year ending 31 July 2006**

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### **Accounting policies applicable for the year ending 31 July 2005**

Interest is recognised on a straight line accruals basis.

### (iii) Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

## (f) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

## (g) Trade and other receivables

The Consolidated Entity has elected to apply the option available under AASB 1 allowing adoption of AASB 132 and AASB 139 from 1 August 2005. Outlined below are the relevant accounting policies for trade and other receivables applicable for the years ending 31 July 2006 and 31 July 2005.

#### **Accounting policies applicable for the year ending 31 July 2006**

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Consolidated Entity will not be able to collect the debts. Bad debts are written off when identified.

#### **Accounting policies applicable for the year ending 31 July 2005**

Trade receivables were recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts was made when collection of the full amount was no longer probable. Bad debts were written off as incurred.

## (h) Plant and Equipment

All plant and equipment is stated at historical cost less depreciation and any accumulated impairment losses.

# Notes to the Financial Statements

Depreciation is calculated on a straight line basis to write off the cost of each asset to their estimated residual values over their estimated useful lives. The annual rates for office equipment are 25%–40%.

## (i) Derecognition of financial assets and financial liabilities

The Consolidated Entity has elected to apply the option available under AASB 1 allowing adoption of AASB 132 and AASB 139 from 1 August 2005. Outlined below are the relevant accounting policies applicable to the derecognition of financial assets and financial liabilities for the years ending 31 July 2006 and 31 July 2005.

### Accounting policies applicable for the year ending 31 July 2006

#### (i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Consolidated Entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or the Consolidated Entity has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### (ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### Accounting policies applicable for the year ending 31 July 2005

#### (i) Financial assets

A financial asset was derecognised when the contractual right to receive or exchange cash no longer existed.

#### (ii) Financial liabilities

A financial liability was derecognised when the contractual obligation to deliver or exchange cash no longer existed.

## (j) Impairment of financial assets

The Consolidated Entity has elected to apply the option available under AASB 1 allowing adoption of AASB 132 and AASB 139 from 1 August 2005. Outlined below are the relevant accounting policies applicable for the years ending 31 July 2006 and 31 July 2005.

### Accounting policies applicable for the year ending 31 July 2006

The Consolidated Entity measures financial assets at fair value through the profit and loss, assessing the fair value at each balance sheet date. Accordingly, any impairment is reflected in the fair value of the asset, and recognised in the profit and loss.

### Accounting policies applicable for the year ending 31 July 2005

The recoverable amount of investments are determined by reference to a valuation performed by the Manager as at the reporting date.

## (k) Foreign currency translation

Both the functional and presentation currency of AuSelect Limited is Australian dollars (AUD).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the financial report are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

# Notes to the Financial Statements

The functional currency of the overseas subsidiary (AFL Management Limited) is United States dollars (US\$).

As at the reporting date the assets and liabilities of this overseas subsidiary are translated into the presentation currency of AuSelect Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Income Statement.

## (l) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

## (m) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

# Notes to the Financial Statements

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## (n) Investments, Other Financial Assets and Investment in Associates

The Consolidated Entity has elected to apply the option available under AASB 1 allowing adoption of AASB 132 and AASB 139 from 1 August 2005. Outlined below are the relevant accounting policies for investments and other financial assets applicable for the years ending 31 July 2006 and 31 July 2005.

### Accounting policies applicable for the year ending 31 July 2006

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. The Consolidated Entity is a venture capital organisation, and designates its investments as being fair value through profit or loss. The scope of AASB 128 *Investments in Associates* allows this treatment for venture capital organisations even though the Consolidated Entity may have significant influence in an investee. After initial recognition, investments are measured at fair value, with gains or losses on fair value of investments being recognised in the income statement. The fair value of assets is remeasured at each reporting date. This recognition is more relevant to shareholders and consistent with internal investment evaluation.

For listed investments, fair value is determined based on the closing bid price. For unlisted options over listed equities, the valuation will be calculated using the Black-Scholes method, having regard to the volatility of the underlying equity based on observable market data and the time to expiry of the relevant options.

Unlisted funds are valued on look through basis to the underlying investments, assessing the fair value of the unlisted fund's assets which for listed investments is based on the closing bid price. For unlisted options over listed equities, the valuation will be calculated using the Black-Scholes method, having regard to the volatility of the underlying equity based on observable market data and the time to expiry of the relevant options.

All regular purchases and sales of financial assets are recognised on the trade date i.e. the date that the Consolidated Entity commits to purchase the asset. Regular purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

### Accounting policies applicable for the year ending 31 July 2005

The Consolidated Entity's investments in its associates are accounted for using the equity method of accounting in the financial statements. Associates are entities in which the Consolidated Entity has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in an associate is carried in the balance sheet at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Consolidated Entity determines whether it is necessary to recognise any additional impairment loss with respect to the Consolidated Entity's net investment in the associate. The Income Statement reflects the Consolidated Entity's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Consolidated Entity recognises its share of any changes and discloses this in the Income Statement. Where the interest of the Consolidated Entity in the retained earnings or accumulated losses of an associate is diluted as a result of additional share capital issued to other shareholders of the associate, the resulting loss or gain is recorded in the Income Statement. Where the interest of the Consolidated Entity in the reserves of an associate is diluted as a result of additional share capital issued to other shareholders of the associate, the dilution is recorded as a reduction in the reserves of the Consolidated Entity.

Where the interest of the Consolidated Entity in the share capital of an associate is diluted, the resulting gain/loss is recorded in the Income Statement.

Detailed equity accounting information concerning the Consolidated Entity's interests in associated entities is provided in Note 17. The balances at the most recent reporting dates of the associate are used to prepare financial statements at the reporting date of AuSelect.

# Notes to the Financial Statements

Adjustments are made between the reporting dates of the associate and AuSelect's reporting date for significant transactions the associate has made.

All other non-current investments were carried at the lower of cost and recoverable amount.

## (o) Payables

The Consolidated Entity has elected to apply the option available under AASB 1 allowing adoption of AASB 132 and AASB 139 from 1 August 2005. Outlined below are the relevant accounting policies for payables applicable for the years ending 31 July 2006 and 31 July 2005.

### Accounting policies applicable for the year ending 31 July 2006

Payables are carried at amortised costs and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services.

### Accounting policies applicable for the year ending 31 July 2005

Payables are carried at costs which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity.

## (p) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Consolidated Entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

## (q) Employee leave benefits

*Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

## (r) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## (s) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

# Notes to the Financial Statements

| CONSOLIDATED |       | PARENT |       |
|--------------|-------|--------|-------|
| 2006         | 2005  | 2006   | 2005  |
| \$000        | \$000 | \$000  | \$000 |

## NOTE 3. REVENUE AND EXPENSES

### Gains/(loss) attributable to movement in fair value of investments

|   |               |   |               |   |
|---|---------------|---|---------------|---|
| Mark to Market adjustment for period – investments sold during period     | <b>3,312</b>  | - | <b>3,312</b>  | - |
| Mark to Market adjustment for period – investments held at end of period  | <b>30,543</b> | - | <b>30,543</b> | - |
| <b>Gains/(loss) attributable to movement in fair value of investments</b> | <b>33,855</b> | - | <b>33,855</b> | - |

### Results of Investments Realised During Period

|   |                |              |                |              |
|---|----------------|--------------|----------------|--------------|
| Sales Proceeds                                  | <b>13,759</b>  | 1,509        | <b>13,759</b>  | 1,509        |
| Historical Cost of sales                        | <b>(8,328)</b> | (1,869)      | <b>(8,328)</b> | (1,869)      |
| <i>Gross profit measured at historical cost</i> | <b>5,431</b>   | <i>(360)</i> | <b>5,431</b>   | <i>(360)</i> |
| Represented by:                                 |                |              |                |              |
| Mark to Market recognised in prior periods      | <b>2,119</b>   | -            | <b>2,119</b>   | -            |
| Mark to Market recognised in current period     | <b>3,312</b>   | -            | <b>3,312</b>   | -            |

### Other revenues

|  |              |       |              |       |
|--|--------------|-------|--------------|-------|
| Dividends received from African Lion Limited       | <b>2,035</b> | 303   | <b>2,035</b> | 303   |
| Other dividends                                    | -            | -     | -            | 25    |
| Interest   | <b>1,062</b> | 1,461 | <b>1,061</b> | 1,460 |
| Management fees received from African Lion Limited | <b>281</b>   | 361   | -            | -     |
|  | <b>3,378</b> | 2,125 | 3,096        | 1,788 |

### Other Expenses

|                                     |            |     |            |     |
|-------------------------------------|------------|-----|------------|-----|
| Foreign currency loss               | <b>6</b>   | 7   | -          | -   |
| Depreciation of plant and equipment | -          | 1   | -          | -   |
| Accounting & Audit costs            | <b>48</b>  | 19  | <b>44</b>  | 15  |
| Travel                              | <b>61</b>  | 44  | <b>23</b>  | 8   |
| Listing and share registry costs    | <b>86</b>  | 92  | <b>86</b>  | 92  |
| Other corporate overheads           | <b>109</b> | 153 | <b>65</b>  | 66  |
| <b>Total other expenses items</b>   | <b>310</b> | 316 | <b>218</b> | 181 |

# Notes to the Financial Statements

|   | CONSOLIDATED  |               | PARENT        |               |
|---|---------------|---------------|---------------|---------------|
|   | 2006<br>\$000 | 2005<br>\$000 | 2006<br>\$000 | 2005<br>\$000 |
| <b>NOTE 4. INCOME TAX</b>   |               |               |               |               |
| <b>Income Statement</b>   |               |               |               |               |
| <i>Current income tax</i>   |               |               |               |               |
| Current income tax charge   | 1,764         | 118           | 1,763         | 116           |
| Adjustments in respect of current income tax of previous years  | (1)           | (8)           | (1)           | (8)           |
| <i>Deferred income tax</i>  |               |               |               |               |
| Relating to origination and reversal of temporary differences   | 5,863         | -             | 5,863         | -             |
| <b>Income tax expense reported in the Income Statement</b>  | <b>7,626</b>  | <b>110</b>    | <b>7,625</b>  | <b>108</b>    |
| <b>Reconciliation of income tax expense/(benefit)</b>   |               |               |               |               |
| Operating profit/(loss) before tax  | 36,034        | 298           | 36,019        | 495           |
| Prima facie tax thereon at 30%  | 10,810        | 89            | 10,806        | 149           |
| Tax effect of permanent and other differences   |               |               |               |               |
| • Share of net results of associates  | -             | 40            | -             | -             |
| • Exempt dividends/foreign exchange loss  | (349)         | (91)          | (349)         | (99)          |
| • Foreign Tax Credits Available   | (2,723)       | -             | (2,723)       | -             |
| • Capital Gains Tax Losses not brought to account/(recognised)  | (108)         | 108           | (108)         | 108           |
| • Amounts under/(over) provided in prior years  | (1)           | (8)           | (1)           | (8)           |
| • Capital raising costs deductible  | -             | (42)          | -             | (42)          |
| • Other   | (3)           | 14            | -             | -             |
| <b>Total income tax/(benefit) attributable to operating activities</b>  | <b>7,626</b>  | <b>110</b>    | <b>7,625</b>  | <b>108</b>    |
| <b>Current tax payable</b>  | <b>1,697</b>  | <b>131</b>    | <b>1,697</b>  | <b>130</b>    |
| <b>Deferred Income Tax</b>  |               |               |               |               |
| Deferred income tax at 31 July relates to the following:  |               |               |               |               |
| <i>Deferred tax assets</i>  |               |               |               |               |
| Foreign Tax Credits   | 3,880         | -             | 3,880         | -             |
| IPO expenses  | 84            | -             | 84            | -             |
| Accrued Expenses  | 9             | 7             | 9             | 7             |
|   | <b>3,973</b>  | <b>7</b>      | <b>3,973</b>  | <b>7</b>      |
| AuSelect has no tax losses available to carry forward.  |               |               |               |               |
| <i>Deferred tax liabilities</i>   |               |               |               |               |
| Revaluations of investments to Fair Value   | 10,539        | -             | 10,539        | -             |
| Accrued Interest  | 43            | 24            | 43            | 24            |
|   | <b>10,582</b> | <b>24</b>     | <b>10,582</b> | <b>24</b>     |
| <b>Tax consolidation</b>  |               |               |               |               |
| AuSelect is the only Australian domiciled entity in the group. Accordingly, the Consolidated Entity has not formed a tax consolidation group. |               |               |               |               |

# Notes to the Financial Statements

|  | CONSOLIDATED  |               | PARENT        |               |
|--|---------------|---------------|---------------|---------------|
|  | 2006<br>\$000 | 2005<br>\$000 | 2006<br>\$000 | 2005<br>\$000 |
| <b>NOTE 5. RECEIVABLES &amp; OTHER (CURRENT)</b>         |               |               |               |               |
| Accrued interest   | 143           | 80            | 143           | 80            |
| Other debtors  | 12            | 25            | 5             | 19            |
| <b>Total receivables</b>                                 | <b>155</b>    | <b>105</b>    | <b>148</b>    | <b>99</b>     |
| Prepayments  | 40            | 40            | 40            | 40            |
| <b>Total other</b>                                       | <b>40</b>     | <b>40</b>     | <b>40</b>     | <b>40</b>     |
| <b>NOTE 6. OTHER FINANCIAL ASSETS (NON-CURRENT)</b>      |               |               |               |               |
| Listed investments (at fair value)                       | 31,578        | 19,105        | 31,578        | 19,105        |
| Provision for diminution                                 | -             | (190)         | -             | (190)         |
| Unlisted investments (at fair value)                     | 31,737        | 4,823         | 31,737        | 4,823         |
| Investment in Controlled Entity                          | -             | -             | 16            | 16            |
| <b>Total other financial assets</b>                      | <b>63,315</b> | <b>23,738</b> | <b>63,331</b> | <b>23,754</b> |
| All securities are readily saleable with no fixed terms. |               |               |               |               |
| <b>NOTE 7. PLANT AND EQUIPMENT (NON-CURRENT)</b>         |               |               |               |               |
| <b>Plant and equipment at cost</b>                       |               |               |               |               |
| Opening balance  | 22            | 22            | -             | -             |
| Disposals  | (22)          | -             | -             | -             |
| <b>Closing balance</b>                                   | <b>-</b>      | <b>22</b>     | <b>-</b>      | <b>-</b>      |
| <b>Accumulated depreciation</b>                          |               |               |               |               |
| Opening balance  | 22            | 21            | -             | -             |
| Depreciation for the period                              | -             | 1             | -             | -             |
| Disposals  | (22)          | -             | -             | -             |
| <b>Closing balance</b>                                   | <b>-</b>      | <b>22</b>     | <b>-</b>      | <b>-</b>      |
| <b>Total plant and equipment</b>                         | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      |
| <b>NOTE 8. PAYABLES</b>                                  |               |               |               |               |
| Sundry creditors and accruals*                           | 166           | 200           | 77            | 86            |
| <b>Total payables</b>                                    | <b>166</b>    | <b>200</b>    | <b>77</b>     | <b>86</b>     |

\* The majority of creditors and accruals are expected to be settled within 90 days.

# Notes to the Financial Statements

|                                   | 2006   |               | 2005   |               |
|-----------------------------------|--------|---------------|--------|---------------|
|                                   | \$000  | No. OF SHARES | \$000  | No. OF SHARES |
| <b>NOTE 9. EQUITY</b>             |        |               |        |               |
| <b>(a) Contributed Equity</b>     |        |               |        |               |
| <b>Issued and paid up capital</b> |        |               |        |               |
| Ordinary shares                   | 41,262 | 51,317,345    | 41,136 | 51,317,345    |

## Share Options

As part of the Initial Public Offering, 7,697,600 options over ordinary shares were issued to Lion Selection Group Limited for no consideration. These options have an exercise price of \$1.20 and expire on 26 April 2009, and can be exercised at any time up until expiry. These options have been included in the EPS calculations as being dilutive.

## Terms and conditions of contributed equity

Ordinary Shares have the right to receive dividends as declared and, in the event of winding up AuSelect, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote per share, either in person or by proxy, at a meeting of AuSelect.

## (b) Foreign Currency Translation Reserve

As at the reporting date the assets and liabilities of the overseas subsidiary are translated into the presentation currency of AuSelect Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to the Foreign Currency Translation Reserve.

|   | CONSOLIDATED  |               | PARENT        |               |
|---|---------------|---------------|---------------|---------------|
|   | 2006<br>\$000 | 2005<br>\$000 | 2006<br>\$000 | 2005<br>\$000 |
| <b>NOTE 10. DIVIDENDS PROPOSED &amp; PAID BY THE PARENT ENTITY</b>  |               |               |               |               |
| <b>(a) Dividends paid during the period</b>   |               |               |               |               |
| Fully franked dividends   | -             | -             | -             | -             |
| <b>(b) Franking credit balance available for future dividend payments</b>                                       |               |               |               |               |
| The amount of franking credits available for the subsequent financial year are:                                 |               |               |               |               |
| • franking account balance as at the end of the financial period at 30%   | 731           | 505           | 731           | 505           |
| • franking credits that will arise from the payment of income tax payable as at the end of the financial period | 1,697         | 161           | 1,697         | 161           |
|   | <b>2,428</b>  | 666           | <b>2,428</b>  | 666           |

The tax rate at which dividends have been franked is 30%.

Based on the above franking account balance of \$2,428,000, the parent entity has the capacity to pay fully franked dividends of \$5,665,000.

# Notes to the Financial Statements

| CONSOLIDATED |       | PARENT |       |
|--------------|-------|--------|-------|
| 2006         | 2005  | 2006   | 2005  |
| \$000        | \$000 | \$000  | \$000 |

## NOTE 11. NOTES TO THE STATEMENT OF CASH FLOWS

For the purpose of the Balance Sheet and the Statement of Cash Flows, cash includes cash on hand and in banks, term deposits, cash managed by third parties and other bank securities which can be liquidated at short notice, net of outstanding bank overdrafts if applicable.

Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related item in the Balance Sheet as follows:

### (a) Reconciliation of cash

|                         |               |               |               |               |
|-------------------------|---------------|---------------|---------------|---------------|
| Cash on hand            | 275           | 323           | 156           | 183           |
| Bank bills and deposits | 22,500        | 16,170        | 22,500        | 16,170        |
| <b>Total cash</b>       | <b>22,775</b> | <b>16,493</b> | <b>22,656</b> | <b>16,353</b> |

### (b) Reconciliation of net profit/(loss) after tax to Net Cash provided by operating activities

|                                |        |     |        |     |
|--------------------------------|--------|-----|--------|-----|
| Profit/(loss) after income tax | 28,408 | 188 | 28,394 | 387 |
|--------------------------------|--------|-----|--------|-----|

#### Adjustments for non cash income and expense items

|   |          |     |          |     |
|---|----------|-----|----------|-----|
| Depreciation and amortisation                                     | -        | 1   | -        | -   |
| Share of Associates losses – equity method                        | -        | 133 | -        | -   |
| (Profit)/loss on sale of investments                              | -        | 360 | -        | 360 |
| (Gain)/loss attributable to movement in fair value of investments | (33,855) | -   | (33,855) | -   |
| Other   | 4        | 22  | 12       | 11  |

#### Changes in assets and liabilities net of effects of purchase of controlled entities

Movement in provision for:

|  |              |            |              |            |
|--|--------------|------------|--------------|------------|
| Income tax payable                             | 1,566        | (321)      | 1,567        | (314)      |
| (Increase)/decrease in assets                  |              |            |              |            |
| Deferred income tax asset                      | (3,966)      | 8          | (3,966)      | 7          |
| Receivables/other assets                       | (50)         | 215        | (49)         | 215        |
| (Decrease)/increase in liabilities             |              |            |              |            |
| Tax Impact on Adoption of IFRS                 | (770)        | -          | (770)        | -          |
| Deferred income tax liability                  | 10,558       | (60)       | 10,558       | (60)       |
| Payables/provisions                            | (28)         | (38)       | (3)          | 6          |
| <b>Net cash flow from operating activities</b> | <b>1,867</b> | <b>508</b> | <b>1,888</b> | <b>612</b> |

# Notes to the Financial Statements

## NOTE 12. FINANCIAL INSTRUMENTS

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Consolidated Entity also monitors the market price risk arising from all financial instruments.

### (a) Interest Rate Risk Exposures

The Consolidated Entity is exposed to interest rate risk through its primary financial assets. The interest rate risk exposures together with the effective interest rate for each class of financial assets and financial liabilities at balance date are summarised as below. All assets and liabilities are current with the exception of investments in securities, the value of which will be realised at the discretion of the Consolidated Entity. No decision has been made regarding the timing of this realisation.

|                                    | FLOATING<br>INTEREST<br>RATE*<br>S000 | FIXED<br>INTEREST<br>RATE<br>S000 | NON<br>INTEREST<br>BEARING<br>S000 | TOTAL<br>S000 | AVERAGE INTEREST RATE |            |
|------------------------------------|---------------------------------------|-----------------------------------|------------------------------------|---------------|-----------------------|------------|
|                                    |                                       |                                   |                                    |               | FLOATING<br>%         | FIXED<br>% |
| <b>2006</b>                        |                                       |                                   |                                    |               |                       |            |
| <b>Financial Assets:</b>           |                                       |                                   |                                    |               |                       |            |
| Cash                               | 275                                   | -                                 | -                                  | 275           | 4.57                  | -          |
| Bank bills and deposits receivable | -                                     | 22,500**                          | -                                  | 22,500        | -                     | 5.58       |
| Other receivables                  | -                                     | -                                 | 155                                | 155           | -                     | -          |
| Other                              | -                                     | -                                 | 40                                 | 40            | -                     | -          |
| Investment in securities           | -                                     | 5,833***                          | 57,482                             | 63,315        | -                     | 8.00       |
| <b>Financial Liabilities:</b>      |                                       |                                   |                                    |               |                       |            |
| Sundry creditors                   | -                                     | -                                 | 166                                | 166           | -                     | -          |
| <b>2005</b>                        |                                       |                                   |                                    |               |                       |            |
| <b>Financial Assets:</b>           |                                       |                                   |                                    |               |                       |            |
| Cash                               | 323                                   | -                                 | -                                  | 323           | 4.16                  | -          |
| Bank bills and deposits receivable | -                                     | 16,170**                          | -                                  | 16,170        | -                     | 5.45       |
| Other receivables                  | -                                     | -                                 | 105                                | 105           | -                     | -          |
| Other                              | -                                     | -                                 | 40                                 | 40            | -                     | -          |
| Investment in securities           | -                                     | 7,583****                         | 19,237                             | 26,820        | -                     | 8.00       |
| <b>Financial Liabilities:</b>      |                                       |                                   |                                    |               |                       |            |
| Sundry creditors                   | -                                     | -                                 | 200                                | 200           | -                     | -          |

\* Floating interest rates represent the most recently determined rate applicable to the instrument at balance date.

\*\* Maturing in one year or less.

\*\*\* Expected to mature in October 2014.

\*\*\*\* Relates to redeemable preference shares for African Lion funds. AFL2: \$3,211,222 expected to mature in October 2014. AFL:\$4,371,554 was expected to mature in May 2009, but was redeemed in 2006.

### (b) Credit Risk Exposures

Credit exposure represents the extent of credit related losses that the Consolidated Entity may be subject to on amounts to be received from financial assets.

The credit risk in respect of financial assets of the Consolidated Entity (excluding investments in shares) recognised on the Balance Sheet is the carrying amount. Bank bills which have been purchased at a discount to face value are carried on the Balance Sheet at their discounted purchase price. Credit risk with respect to cash, bank bills and deposits receivable is minimised by only investing in Australia's major banks.

# Notes to the Financial Statements

## NOTE 12. FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Foreign Exchange

The Consolidated Entity is exposed to foreign currency exchange risk through the primary financial assets and liabilities of its overseas subsidiary as below. The receivables and payables are expected to be settled within 90 days.

|                          | 2006<br>US\$000 | 2005<br>US\$000 |
|--------------------------|-----------------|-----------------|
| Cash                     | 91              | 107             |
| Receivables/other assets | 5               | 5               |
| Payables                 | 69              | 87              |

### (d) Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated fair values of financial assets and financial liabilities held by the Consolidated Entity at balance date are given below. The fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties after allowing for transaction costs. For listed investments, fair value is determined based on the closing bid price. For unlisted options over listed equities, the valuation will be calculated using the Black-Scholes method, having regard to the volatility of the underlying equity based on observable market data and the time to expiry of the relevant options.

Unlisted funds are valued on look through basis to the underlying investments, assessing the fair value of the unlisted fund's assets which for listed investments is based on the closing bid price. For unlisted options over listed equities, the valuation will be calculated using the Black-Scholes method, having regard to the volatility of the underlying equity based on observable market data and the time to expiry of the relevant options.

|                                    | CONSOLIDATED       |               |                         |               |
|------------------------------------|--------------------|---------------|-------------------------|---------------|
|                                    | CARRYING<br>AMOUNT |               | AGGREGATE<br>FAIR VALUE |               |
|                                    | 2006<br>\$000      | 2005<br>\$000 | 2006<br>\$000           | 2005<br>\$000 |
| <b>Financial Assets:</b>           |                    |               |                         |               |
| Cash                               | 275                | 323           | 275                     | 323           |
| Bank bills and deposits receivable | 22,500             | 16,170        | 22,500                  | 16,170        |
| Other receivables                  | 155                | 105           | 155                     | 105           |
| Long term investments              |                    |               |                         |               |
| Other listed securities            | 31,578             | 18,915        | 31,578                  | 20,551        |
| Unlisted securities                | 31,737             | 7,905         | 31,737                  | 12,927        |
| <b>Financial Liabilities:</b>      |                    |               |                         |               |
| Other creditors                    | 166                | 200           | 166                     | 200           |

## NOTE 13. EARNINGS PER SHARE

Basic earnings per share is based on a weighted average number of shares on issue during the period of 51,317,345 shares (2005: 51,317,345 shares).

As part of the Initial Public Offering, 7,697,600 options over ordinary shares were issued to Lion Selection Group Limited. These options have been treated as being potential ordinary shares.

# Notes to the Financial Statements

|   | CONSOLIDATED  |               | PARENT        |               |
|---|---------------|---------------|---------------|---------------|
|   | 2006<br>\$    | 2005<br>\$    | 2006<br>\$    | 2005<br>\$    |
| <b>NOTE 14. REMUNERATION OF AUDITORS</b>  |               |               |               |               |
| <b>(a) Amounts received, or due and receivable, for the audit and review of the financial reports of the entity by:</b> |               |               |               |               |
| • Ernst & Young   | 33,863        | 24,413        | 33,863        | 24,413        |
| • Other auditors  | 4,013         | 5,693         | -             | -             |
| <b>Total audit and review fees</b>  | <b>37,876</b> | <b>30,106</b> | <b>33,863</b> | <b>24,413</b> |

|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| <b>(b) Amounts received, or due and receivable, for other services to the entity by:</b> |               |               |               |               |
| Ernst & Young  |               |               |               |               |
| • Adoption of AIFRS  | 1,313         | 9,429         | 1,313         | 9,429         |
| • Taxation Services  | 8,863         | 15,491        | 8,863         | 15,491        |
| • Transaction support  | 41,250        | -             | 41,250        | -             |
| Total other service fees   | 51,426        | 24,920        | 51,426        | 24,920        |
| <b>Total remuneration to auditors</b>  | <b>89,302</b> | <b>55,026</b> | <b>85,289</b> | <b>49,333</b> |

## NOTE 15. RELATED PARTY DISCLOSURES

### (a) Directors

The following persons held the position of director of AuSelect Limited during the entire period covered by these financial statements, unless otherwise stated:

#### Specified directors

|                     |                          |
|---------------------|--------------------------|
| Mr Robin Widdup     | Managing Director        |
| Mr Ewen Tyler       | Chairman (non-executive) |
| Mr John O'Reilly    | Director (non-executive) |
| Mr Graham Freestone | Director (non-executive) |

|               | No. OF SHARES HELD<br>OPENING BALANCE* | ON MARKET<br>PURCHASES 2006 | No. OF SHARES HELD<br>CLOSING BALANCE |
|---------------|--|-----------------------------|---------------------------------------|
| E W J Tyler   | 12,000                                 |                             | 12,000                                |
| R A Widdup    | 2,057,500**                            |                             | 2,057,500**                           |
| J F O'Reilly  | 5,000                                  |                             | 5,000                                 |
| G R Freestone | 20,000                                 |                             | 20,000                                |

\* Shares were acquired in 2004 as part of the float of AuSelect.

\*\* Shares held by Mr Widdup include a relevant interest in 2,000,000 shares owned by the Manager, of which Mr Widdup is a director and shareholder.

Mr Widdup also holds 670,000 ordinary shares in Indophil Resources NL and has a relevant interest of 18,200,000 ordinary shares in Lafayette Mining Limited, being investees of AuSelect. Mr O'Reilly holds 100,000 ordinary shares and 250,000 options in Indophil Resources NL. Other than those noted, the directors have no other interests in the Consolidated Entity's related body corporates.

# Notes to the Financial Statements

## NOTE 15. RELATED PARTY DISCLOSURES (CONTINUED)

### (c) Director Entity and Other Related Party Transactions

| RECIPIENT            | PAYER                  | NATURE OF PAYMENT                                  | AMOUNT        |               |
|----------------------|------------------------|--|---------------|---------------|
|                      |                        |  | 2006<br>\$000 | 2005<br>\$000 |
| Lion Manager Pty Ltd | AuSelect Limited       | Management fees paid                               | 558           | 534           |
|                      | AFL Management Ltd     | Reimbursement of costs and administrative services | 71            | 320           |
|                      | African Lion 2 Limited | Management fees paid                               | 546           | 410           |
| AFL Management Ltd   | African Lion Limited   | Management fees paid                               | 280           | 361           |

The above transactions are based on normal market terms and conditions.

Outstanding balances as at 31 July 2006 were as follows:

- AuSelect to Lion Manager Pty Ltd \$45,000 (2005: \$47,000)
- AFL Management Ltd to Lion Manager Pty Ltd \$19,000 (2005: \$26,000)
- Prepayment by African Lion 2 Limited to Lion Manager Pty Ltd \$95,000 (2005: \$87,000)
- Prepayment by African Lion Limited to AFL Management Ltd \$68,000 (2005: \$49,000)

As part of the Initial Public Offering of AuSelect in 2004, 7,697,600 options over ordinary shares were issued to Lion Selection Group Limited for no consideration. These options have an exercise price of \$1.20 and expire on 26 April 2009, and can be exercised at any time up until expiry.

During the year, R Widdup, P Maloney and J O'Reilly were directors of the following entities in which AuSelect has an investment.

| Entity                   | Director   |
|--------------------------|--|
| African Lion Limited     | R Widdup   |
| African Lion 2 Limited   | R Widdup   |
| Lafayette Mining Limited | R Widdup (Appointed 17 January 2006)   |
| Indophil Resources NL    | R Widdup (Resigned 1 April 2005), P Maloney, J O'Reilly (Appointed 1 April 2005) |
| Sedimentary Holdings Ltd | P Maloney (Appointed 15 September 2006)  |

### (d) Ultimate Parent Consolidated Entity

The ultimate parent of the Consolidated Entity is AuSelect Limited.

## NOTE 16. INTERESTS IN CONTROLLED ENTITIES

The consolidated financial statements at each balance date include the following controlled entity. The financial years of the consolidated entity are the same as that of the parent entity:

| NAME OF CONTROLLED ENTITY | COUNTRY OF INCORPORATION | % OF SHARES HELD |      |
|---------------------------|--------------------------|------------------|------|
|                           |                          | 2006             | 2005 |
| AFL Management Limited*   | Mauritius                | 53               | 53   |

|  | 2006<br>\$000 | 2005<br>\$000 |
|--|---------------|---------------|
|--|---------------|---------------|

The following is a reconciliation of outside equity interests in controlled entities:

|                                    |          |          |
|------------------------------------|----------|----------|
| Opening balance                    | 4        | 50       |
| Add share of profit/(loss) in year | 2        | (23)     |
| Less dividends paid during year    | -        | (23)     |
| <b>Closing balance</b>             | <b>6</b> | <b>4</b> |

\* Audited by De Chazal Du Mée & Co.

# Notes to the Financial Statements

## NOTE 17. INTERESTS IN ASSOCIATES

The company listed below was an associate of the Consolidated Entity at 31 July 2005. The Consolidated Entity ceased accounting for these investments using the Equity Method from 1 August 2005. The operations of this company are more fully described in the operations section of this annual report.

### (a) Details of interests in associated entities are as follows

| NAME AND PRINCIPAL ACTIVITY                                     | BALANCING DATE | OWNERSHIP | CARRYING |
|---|----------------|-----------|----------|
|   |                | INTEREST  | AMOUNT   |
|   |                | 2005      | 2005     |
|   |                | %         | \$000    |
| African Lion 2 Limited  | 31 December    | 23.7      | 3,082    |
| <b>Principal Activity:</b> African based mining investment fund |                |           |          |
|   |                | 2006      | 2005     |
|   |                | \$000     | \$000    |

### (b) Share of associates' profits/(losses)

|  |   |       |
|--|---|-------|
| Profits/(losses) from ordinary activities before income tax  | - | (133) |
| Income tax expense   | - | -     |
| <b>Share of net profits/(losses) of associates after tax</b> | - | (133) |

### (c) Retained profits/(accumulated losses) of the parent entity attributable to associates

|   |       |       |
|---|-------|-------|
| Balance at the beginning of financial year      | (133) | -     |
| Share of associates net profits/(losses)        | -     | (133) |
| Impact due to the adoption of AIFRS             | 133   | -     |
| <b>Balance at the end of the financial year</b> | -     | (133) |

### (d) Aggregate carrying amount of investment in associates

|  |         |       |
|--|---------|-------|
| Balance at the beginning of financial year | 3,082   | -     |
| Movements during the year                  |         |       |
| New associates and incremental investments | -       | 3,215 |
| Equity accounted result                    | -       | (133) |
| Impact due to the adoption of AIFRS        | (3,082) | -     |
| <b>Balance at end of financial year</b>    | -       | 3,082 |

### (e) Financial summary of associates

|                          |   |        |
|--------------------------|---|--------|
| Total assets             | - | 12,855 |
| Total liabilities        | - | 3      |
| <b>Net profit/(loss)</b> | - | (560)  |

# Notes to the Financial Statements

## NOTE 18. MATERIAL INVESTMENTS

The Consolidated Entity had the following material non-current investments at year end:

|                                   | CARRYING AMOUNT |               | AUSELECT OWNERSHIP |           |
|-----------------------------------|-----------------|---------------|--------------------|-----------|
|                                   | 2006<br>\$000   | 2005<br>\$000 | 2006<br>%          | 2005<br>% |
| African Lion Limited              | 17,840          | 4,823         | 29.8               | 18.7      |
| African Lion 2 Limited            | 13,898          | 3,082*        | 18.6               | 23.7*     |
| Austindo Resources Corporation NL | 457             | 332           | 0.7                | 0.8       |
| Equinox Minerals Limited          | -               | 916           | -                  | 3.4       |
| Gallery Gold Limited              | -               | 2,180         | -                  | 2.1       |
| Indophil Resources NL             | 21,524          | 11,012        | 8.6                | 10.7      |
| Lafayette Mining Limited          | 4,548           | -             | 5.1                | -         |
| Leviathan Resources Limited       | 2,919           | 3,604         | 5.1                | 5.0       |
| Sedimentary Holdings Ltd          | 1,650           | 712           | 2.1                | 2.1       |

Each of the above companies is involved in the mining and exploration industry.

\* The Consolidated Entity ceased accounting for its investment in African Lion 2 Limited using the Equity Method from 1 August 2005.

## NOTE 19. SEGMENT INFORMATION

### (a) Primary Segment

The Consolidated Entity invests in mining and exploration companies. This is a single segment.

### (b) Secondary Segment – Geographic Segment

The Consolidated Entity's investments are in companies whose principal projects are located in Australia, South East Asia or Africa.

|                     | SEGMENT INCOME |               | SEGMENT ASSETS |               | ASSETS ACQUIRED |               |
|---------------------|----------------|---------------|----------------|---------------|-----------------|---------------|
|                     | 2006<br>\$000  | 2005<br>\$000 | 2006<br>\$000  | 2005<br>\$000 | 2006<br>\$000   | 2005<br>\$000 |
| Australia           | 3,513          | 1,763         | 31,865         | 20,974        | 372             | 3,762         |
| Africa              | 22,867         | 1,738         | 31,864         | 11,147        | 3,996           | 5,579         |
| South East Asia     | 10,853         | -             | 26,529         | 11,344        | 5,003           | 10,069        |
| <b>Consolidated</b> | <b>37,233</b>  | <b>3,501</b>  | <b>90,258</b>  | <b>43,465</b> | <b>9,371</b>    | <b>19,410</b> |

Segment accounting policies are the same as the Consolidated Entity's policy described in Note 2.

# Notes to the Financial Statements

## NOTE 20. COMMITMENTS & CONTINGENT LIABILITIES

AuSelect and the Manager have entered into a Management Agreement dated 26 February 2004, under which AuSelect appointed the Manager as investment manager to manage AuSelect's investment portfolio. In certain circumstances, AuSelect will be obliged to pay the Manager a termination fee equal to 12 months or 24 months of the monthly management fee if the Management Agreement is terminated.

AuSelect entered into an agreement in September 2004 to commit US\$6,000,000 in African Lion 2 Limited (AFL2). AFL2 is a follow-on investment fund from the companies existing investment in African Lion Limited (AFL). AuSelect's payment with respect to draw downs for AFL2 to 31 July 2006 totalled US\$4,185,000, leaving the Consolidated Entity's remaining commitment at US\$1,815,000 (A\$2,370,000).

Additionally, on the 30 June 2006, AuSelect entered into an agreement to commit US\$7,000,000 in Asian Lion Limited. Asian Lion is an investment fund focussing on investing in resource companies in Asia. AuSelect has made no draw downs for Asian Lion to 31 July 2006, leaving the Consolidated Entity's commitment at US\$7,000,000 (A\$9,141,000).

## NOTE 21. SUPERANNUATION COMMITMENTS

No member of the consolidated entity has its own superannuation plan. The only commitment to superannuation is with respect to statutory commitments. At balance date, members of the consolidated entity were contributing to various approved superannuation funds at the choice of employees at a minimum rate of 9% of salaries paid.

Employees are able to make additional contributions to their chosen superannuation funds by way of salary sacrifice up to the age based deductible limits for taxation purposes.

## NOTE 22. SUBSEQUENT EVENTS

On 14 July 2006, AuSelect announced a 2-for-9 scrip offer for Sedimentary Holdings Ltd ("Sedimentary"), an investee in which AuSelect held 2.1% at 31 July 2006. The two major assets of Sedimentary are a 30% joint venture interest in the Cracow goldfield in south-central Queensland and a 10% shareholding in Intrepid Mines Limited. AuSelect assumed control of Sedimentary on 7 September 2006, and on 15 September 2006 appointed Peter Maloney and Barry Sullivan to the Board of Sedimentary, with three of the existing directors stepping down including the Managing Director. As at the date of this report, AuSelect had obtained acceptances for 88% of the shares in Sedimentary, and had issued 54,317,799 shares in relation to the offer.

Other than the item above, there has not arisen, in the interval between the end of the period and the date of this report, any item, transaction or event of a material or unusual nature which has or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future periods.

## NOTE 23. IMPACT ALLOWING ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)

There are no material differences between the financial statements presented under AIFRS and those presented under AGAAP, except as noted above with respect to AASB 132 and AASB 139 which do not require restatement of comparatives. Consequently no AIFRS to AGAAP reconciliations have been prepared for Equity or Profit and Loss at 1 August 2004 or 31 July 2005 as would otherwise be required. These standard's transitional impacts from 31 July 2005 to 1 August 2005 are analysed below.

The Controlling Entity has made its election in relation to the transitional exemptions allowed by AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* as follows:

### *Business combinations*

AASB 3 *Business Combinations* was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the date of transition to AIFRS).

### *Designation of previously recognised financial instruments*

Financial instruments were designated as financial assets or liabilities at fair value through profit or loss at the date of transition to AASB 132 and AASB 139 – 1 August 2005.

*Exemption from the requirement to restate comparative information for AASB 132 and AASB 139*

# Notes to the Financial Statements

The Company has elected to adopt this exemption and has not applied AASB 132 *Financial Instruments: Presentation and Disclosure* and AASB 139 *Financial Instruments: Recognition and Measurement* to its comparative information.

The effect of changes in the accounting policies for financial instruments on the Balance Sheet as at 1 August 2005 is shown below. There was no impact on the Income Statement or Statement of Cash Flows as a result of this transition.

|  | 31 JULY<br>2005<br>\$000 | EFFECT OF<br>ADOPTION<br>\$000 | 1 AUGUST<br>2005<br>\$000 |
|--|--------------------------|--------------------------------|---------------------------|
| <b>Current Assets</b>                            |                          |                                |                           |
| Cash assets                                      | 16,493                   | -                              | 16,493                    |
| Receivables                                      | 105                      | -                              | 105                       |
| Other  | 40                       | -                              | 40                        |
| <b>Total Current Assets</b>                      | <b>16,638</b>            | <b>-</b>                       | <b>16,638</b>             |
| <b>Non-Current Assets</b>                        |                          |                                |                           |
| Investment accounted for using the equity method | 3,082                    | (3,082) (i)                    | -                         |
| Investments                                      | 23,738                   | 10,110 (ii)                    | 33,848                    |
| Plant and equipment                              | -                        | -                              | -                         |
| Deferred tax assets                              | 7                        | -                              | 7                         |
| <b>Total Non-Current Assets</b>                  | <b>26,827</b>            | <b>7,028</b>                   | <b>33,855</b>             |
| <b>Total Assets</b>                              | <b>43,465</b>            | <b>7,028</b>                   | <b>50,493</b>             |
| <b>Current Liabilities</b>                       |                          |                                |                           |
| Payables   | 200                      | -                              | 200                       |
| Tax liabilities                                  | 131                      | -                              | 131                       |
| Provisions                                       | 3                        | -                              | 3                         |
| <b>Total Current Liabilities</b>                 | <b>334</b>               | <b>-</b>                       | <b>334</b>                |
| <b>Non-Current Liabilities</b>                   |                          |                                |                           |
| Deferred tax liabilities                         | 24                       | 855 (iii)                      | 879                       |
| <b>Total Non Current Liabilities</b>             | <b>24</b>                | <b>855</b>                     | <b>879</b>                |
| <b>Total Liabilities</b>                         | <b>358</b>               | <b>855</b>                     | <b>1,213</b>              |
| <b>Net Assets</b>                                | <b>43,107</b>            | <b>6,173</b>                   | <b>49,280</b>             |
| <b>Equity</b>                                    |                          |                                |                           |
| <b>Parent entity interest</b>                    |                          |                                |                           |
| Contributed equity                               | 41,136                   | -                              | 41,136                    |
| Foreign Currency Translation Reserve             | (8)                      | -                              | (8)                       |
| Retained profits                                 | 1,972                    | 6,173                          | 8,145                     |
| <b>Total parent entity interest in equity</b>    | <b>43,100</b>            | <b>6,173</b>                   | <b>49,273</b>             |
| <b>Total outside equity interests</b>            | <b>7</b>                 | <b>-</b>                       | <b>7</b>                  |
| <b>Total Equity</b>                              | <b>43,107</b>            | <b>6,173</b>                   | <b>49,280</b>             |

(i) Elimination of investment accounted for using the equity method

(ii) Fair value of investments as at 1 August 2005

(iii) Deferred tax liability on unrealised profit associated with fair value of investments

# Directors' Declaration

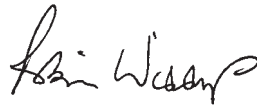
In accordance with a resolution of the directors of AuSelect Limited, we state that

1. in the opinion of the directors:
  - (a) The financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
    - i. giving a true and fair view of the Consolidated Entity's and consolidated entity's financial position as at 31 July 2006 and of their performance for the year ended on that date.
    - ii. complying with Accounting Standards and Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 31 July 2006.

On behalf of the board



**E W J Tyler**  
Chairman



**R A Widdup**  
Managing Director

Melbourne  
28 September 2006

## Independent audit report to members of AuSelect Limited

### Scope

#### *The financial report, remuneration disclosures and directors' responsibility*

The financial report comprises the balance sheet, income statement, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for AuSelect Limited (the company) and the consolidated entity, for the year ended 31 July 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 37 to 38 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

#### *Audit approach*

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the remuneration disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

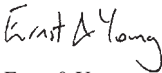
### **Independence**

We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included in the Directors' Report. The Auditors' Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this audit report was signed. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

### **Audit opinion**

In our opinion:

1. the financial report of AuSelect Limited is in accordance with:
  - (a) the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the financial position of AuSelect Limited and the consolidated entity at 31 July 2006 and of their performance for the year ended on that date; and
    - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
  - (b) other mandatory financial reporting requirements in Australia.
2. the remuneration disclosures that are contained on pages 37 to 38 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.



Ernst & Young



Tim Wallace  
Partner  
Melbourne  
28 September 2006

# Shareholder Information

## TWENTY LARGEST SHAREHOLDERS AS AT 2 OCTOBER 2006

| NAME  | No. OF SHARES     | %            |
|---|-------------------|--------------|
| Lion Selection Group Limited                                | 14,842,479        | 13.98        |
| Citicorp Nominees Pty Limited                               | 6,606,304         | 6.22         |
| Westpac Custodian Nominees Limited                          | 6,025,228         | 5.68         |
| Cogent Nominees Pty Limited                                 | 5,881,237         | 5.54         |
| Citicorp Nominees Pty Limited <CFS W/Sale GBL Res Fund A/C> | 4,761,557         | 4.49         |
| HSBC Custody Nominees (Australia) Limited – GSI ECISA       | 4,348,159         | 4.10         |
| National Nominees Limited                                   | 3,915,482         | 3.69         |
| Mr Mark Gareth Creasy                                       | 3,910,000         | 3.68         |
| JP Morgan Nominees Australia Limited                        | 2,977,571         | 2.81         |
| UBS Nominees Pty Ltd  | 2,874,719         | 2.71         |
| Jarden Custodians Limited                                   | 2,608,498         | 2.46         |
| Mirrabooka Investments Limited                              | 2,075,000         | 1.96         |
| Lion Manager Pty Ltd  | 2,000,000         | 1.88         |
| Jarden Custodians Limited                                   | 1,780,392         | 1.68         |
| The Australian National University – Investment Section     | 1,230,000         | 1.16         |
| Citicorp Nominees Pty Limited <CFSIL Cwllth Boff Super A/C> | 893,204           | 0.84         |
| Mr Alister John Forsyth                                     | 863,756           | 0.81         |
| Invia Custodian Pty Limited <Best Superannuation P/L A/C>   | 847,515           | 0.80         |
| HSBC Custody Nominees (Australia) Limited – GSI EDA         | 704,687           | 0.66         |
| Agra Nominees Ltd   | 666,667           | 0.63         |
| <b>Total</b>  | <b>69,812,455</b> | <b>65.78</b> |

## DISTRIBUTION OF SHAREHOLDINGS AS AT 2 OCTOBER 2006

| SIZE OF HOLDING  | No. OF SHAREHOLDERS |
|--|---------------------|
| 1 to 1,000   | 335                 |
| 1,001 to 5,000   | 1,327               |
| 5,001 to 10,000  | 604                 |
| 10,001 to 100,000  | 727                 |
| 100,001 and over   | 54                  |
| <b>Total shareholders</b>  | <b>3,047</b>        |
| Number of ordinary shareholders with less than a marketable parcel | 36                  |

## VOTING RIGHTS

All ordinary shares issued by AuSelect Limited carry one vote per share without restriction.

## SUBSTANTIAL SHAREHOLDERS AS AT 2 OCTOBER 2006

| NAME  | No. OF ORDINARY SHARES |
|---|------------------------|
| Lion Selection Group Limited                          | 14,842,479             |
| Commonwealth Bank of Australia                        | 12,060,282             |
| UBS Nominees Pty Ltd and its related bodies corporate | 7,110,328              |
| Mr Dominic Paul McCormick                             | 7,057,855*             |

The above information is extracted from notices received by the company.

\* This number represents a combined total of Dominic McCormick's individual holding, and the holding under Select Asset Management Limited of 6,832,855.

You can gain access to your Securityholding information in a number of ways. The details are managed via our registrar, Computershare Investor Services, and can be accessed as outlined below.

### INVESTOR PHONE

InvestorPhone provides telephone access 24 hours a day, 7 days a week.

- Step 1** Call 1300 850 505.
- Step 2** Enter the first six letters of the company – AUSELE (287353) and then the hash key#.
- Step 3** Follow the prompts to gain secure, immediate access to your holding details, registration details and payment information.

### INTERNET ACCOUNT ACCESS

Securityholders have been requesting the opportunity to have access to their details via the Internet.

View Securityholding (Read only access)

- Step 1** Go to [www.computershare.com/au/investors](http://www.computershare.com/au/investors).
- Step 2** Select 'Access a single holding' under the Non Member Access heading.
- Step 3** Enter AUS or AuSelect Limited.
- Step 4** Enter Securityholder Reference Number (SRN) or Holder Identification Number (HIN), postcode or country if outside Australia and submit.

### INVESTOR CENTRE (ONLINE PORTFOLIO UPDATING CAPABILITY)

- Step 1** Go to [www.computershare.com/au/investors](http://www.computershare.com/au/investors).
- Step 2** Enter User ID and Password/PIN and login or click on the 'Register Now' link to become a member.
- Step 3** Follow the prompts to register. For security purposes, Computershare will generate a PIN and mail it to your registered address.

### COMPUTERSHARE INVESTOR SERVICES PTY LIMITED

Enquiries Within Australia – 1300 850 505  
Enquiries Outside Australia – 61 3 9415 4000  
Investor Enquiries Facsimile Number – 61 3 9473 2500

Yarra Falls, 452 Johnston Street, Abbotsford Vic 3067  
Postal Address – GPO Box 2975 Melbourne VIC 3001  
Website – [www.computershare.com](http://www.computershare.com)  
Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)

# Investor Relations

## INVESTMENT BRIEFINGS

AuSelect holds regular Investment Briefings for shareholders and other interested parties in major centres around Australia. Details of the briefings are released to the Australian Stock Exchange, distributed to shareholders and posted to the Company Calendar section of the website.

### [www.auselect.com.au](http://www.auselect.com.au)

ASX announcements, quarterly reports and presentations are posted to AuSelect's website regularly. Other information on the website includes current investments, AuSelect's year-end share price, dividends paid, details of Investment Briefings and the Annual General Meeting as well as links to investee company websites, the share registry and other sites of interest.

Any queries regarding AuSelect's investor relations activities can be directed to:

Brooke Robertson  
Investor Relations Manager  
Tel: 61 3 9614 8008  
Fax: 61 3 9614 8009  
Email: [aus@auselect.com.au](mailto:aus@auselect.com.au)

# Corporate Directory

## REGISTERED AND PRINCIPAL OFFICE

Level 4  
15 Queen Street  
Melbourne VIC 3000

Tel: 61 3 9614 8008  
Fax: 61 3 9614 8009  
Email: [aus@auselect.com.au](mailto:aus@auselect.com.au)  
Website: [www.auselect.com.au](http://www.auselect.com.au)

## DIRECTORS

Ewen W J Tyler AM, Non Executive Chairman  
Robin A Widdup, Managing Director  
John F O'Reilly, Non Executive Director  
Graham R Freestone, Non Executive Director

## COMPANY SECRETARY

Peter J Maloney

## AUDITORS

Ernst & Young

## SHARE REGISTRY

Computershare Investor Services Pty Limited  
Yarra Falls  
452 Johnston Street  
Abbotsford Vic 3067  
Postal Address – GPO Box 2975 Melbourne VIC 3001

Enquiries Within Australia – 1300 850 505  
Enquiries Outside Australia – 61 3 9415 4000  
Investor Enquiries Facsimile Number – 61 3 9473 2500  
Website – [www.computershare.com](http://www.computershare.com)  
Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)



AuSelect Limited