



## AuSelect Limited

### Quarterly Report for the 3 months ended 30 April 2004

#### KEY POINTS

- AuSelect**
  - Listed 3 May 2004, ASX code: **AUS**
  - Float raised approximately \$50 million, leaving around \$30 million for new investments after payment to Lion for existing assets
  - Cost of establishment & formation: \$0.85 million, significantly below the prospectus estimate of around \$1.35 million
- African Lion**
  - Formation of the second fund is at an advanced stage
- Mining sector**
  - AuSelect's view is that metal price and equity weakness in recent months is an opportunity rather than permanent downturn
  - AuSelect intends to commence actively investing in the next few weeks

#### INVESTMENT SUMMARY TABLE

Investment	ASX Code	Activity	AUS Holding %	Amount Invested \$m	Market Value \$m
<b>At 30/04/04</b>					
<b>Unlisted Investments</b>					
African Lion (AFL)		Africa - mining investment	14.8	5.7	6.6
AFL Options			53.8	0.0	1.8
<b>Listed Investments</b>					
Austindo Resources	ARX	Indonesia/Aust – gold	1.5	0.3	0.4
Equinox Resources	EQR	Zambia/Aust – copper/gold	7.1	1.3	5.0
Gallery Gold	GGN	Botswana/Tanzania – gold	1.9	1.2	1.9
Indophil Resources	IRN	Philippines - copper/gold	3.5	1.0	2.2
Sedimentary Holdings	SED	Australia – gold	2.4	0.7	1.1
Total Investments				10.1	19.1
Net Cash					32.0
Total Net Assets					51.1
Net Asset Value (NAV) before tax (cents per share)					99.6
Net Asset Value (NAV) after tax (cents per share)					94.4

Note: For NAV purposes, African Lion's portfolio values listed investments at market and unlisted investments at cost.

#### SHAREHOLDER INFORMATION

Issued shares:	51.3 million	Listing date:	3 May 2004
No of shareholders:	1,768	ASX code:	AUS
NAV after tax:	\$0.94	Share price range since listing:	\$0.84 – \$0.97



## MINING SECTOR COMMENTARY

Gold and metal prices have fallen by around 10% since late 2003, but have all bounced from lows in the last month. Mining equity prices have fallen by larger amounts over the same period and sometimes by up to 50%. In many cases positive project news has been ignored in the falling market.

The main factors responsible for the 2004 metal price and sector weakness appear to be:

- US dollar strength
- China economic growth speculation

The Manger's interpretation of these factors is that the recent strength of the US dollar could be a bear market rally and that China continues increase its consumption of metals. In short, the Manager believes that the early 2004 pull back is an opportunity for AuSelect rather than a permanent down turn. History will tell us if we have been lucky but AuSelect's intention is to actively invest the funds recently raised.

## INVESTEES UPDATE

### AFRICAN LION LTD – AFL (AUS - 15%)

AFL Investment	Country / Activity	AFL Holding %	Amount Invested US\$m	Market Value or Cost of Unlisted US\$m
<b>At 30/04/04</b>				
<b>Unlisted Investments</b>				
Copperbelt Selection	Africa - copper	32.5	0.2	0.2
Kalahari Diamonds	Botswana - diamonds	2.6	0.5	0.5
Platmin	South Africa – PGMs	7.0	2.0	2.0
<b>Listed Investments</b>				
Albidon	Africa – nickel/PGMs	22.8	2.0	5.8
Equinox Resources	Zambia – copper	4.0	0.8	2.0
Gallery Gold	Botswana/Tanzania - gold	15.0	7.1	10.9
Resolute Mining	Tanzania - gold	3.1	2.0	4.7
Sphere Investments	Mauritania – iron ore	13.4	0.5	0.8
Other Investments			0.4	0.4
Total Investments			15.4	27.3
Net Cash				7.7
<b>Total Net Assets after tax</b>			<b>21.5*</b>	<b>34.4**</b>
Returns to Shareholders			12.2	18.5
Total Funding and Returns			33.7	52.9

Note: For Net Asset purposes, the value of listed investments is at market & unlisted investments at cost, net realisable value or last sale

\* Funds advanced for investment less redemptions. After capital return of US\$12.2 million

\*\* After return of US\$18.5 million. Total return of AFL to date is 57%

Note: AuSelect's **A\$5.7 million** investment (after redemptions), valued on the basis of the AFL portfolio as shown above is **A\$8.4 million** including the value of the AFL Options at A\$/US\$ exchange rate of 0.72



African Lion was established in 1999 to invest in gold, base metal, industrial minerals and coal opportunities in Africa. Since that time, more than US\$16 million, representing approximately 49% of AFL's original funding has been returned to the seven international shareholders, including AuSelect.

During the quarter AFL divested the remainder of its holdings in AfriOre, to realise approximately US\$0.4 million, and received Sphere shareholder approval for the US\$0.5 million investment in that company. Drilling is under way at the Guelb el Aouj iron ore project in Mauritania where Sphere is earning a 50% interest.

Albidon Limited dual listed on the Alternative Investment Market in London and the Australian Stock Exchange in late March, following a successful IPO that raised \$15 million. The funds will be applied to evaluating the commercial viability of the Munali nickel deposit in Zambia, where drilling has commenced, and assessing the potential of the company's other projects in Botswana, Tanzania, Malawi and Tunisia. Seven priority nickel targets have been identified at the Mpemba nickel project in southern Malawi. Two of the targets are located between 2-3 kilometres from an extensive zone of nickel geochemical anomalies previously identified. Follow up exploration has commenced.

A new greenfields platinum discovery at the Luwumbu project in Tanzania, where Albidon has a 10% interest, was announced during the quarter. Joint venture partner Goldstream Mining NL has identified eleven nickel-copper anomalies and a recent drilling program produced the results of 9 metres @ 1.56 g/t platinum and 0.33% nickel, including 2 metres @ 2.37 g/t platinum and 0.39% nickel and 1 metre @ 3.27 g/t platinum and 0.38% nickel. This discovery underlies the potential for other new discoveries in the emerging East Africa nickel-platinum province.

Resolute Mining announced in April that it had exercised its option to purchase an 80% interest in the Syama gold project in eastern Mali from Randgold Resources. A recently completed Prefeasibility Study at Syama has concluded that a redevelopment of the existing gold resource is viable at current gold prices. The redevelopment of Syama will lift Resolute's reserve base to over 3 million ounces of gold and production to more than 500,000 ounces gold per annum.

Discussions with existing AFL shareholders regarding the establishment of a second African fund are at an advanced stage.

#### **INDOPHIL RESOURCES NL - PHILIPPINES/COPPER & GOLD (AUS – 4%)**

Indophil holds a 95% beneficial operating interest in the world class Tampakan Project in the Philippines, one of the largest undeveloped copper-gold deposits in South East Asia. A Prefeasibility Study, including a major infill and resource drilling definition program, is under way to assess the potential for early production of low arsenic copper from an underground mine.

Indophil continues to obtain extremely encouraging results from the current drilling program. Drilling has focused on defining a significant tonnage of high copper/gold and low arsenic mineralisation that could sustain a major 8-10 year initial underground mining operation. Upper parts of the drill holes completed during the quarter continue to confirm a high copper, variable arsenic resource in the high sulphidation zone. Indophil is confident that definition of a significant tonnage capable of supporting an open pit operation is also achievable in this zone.



Assay results included the following significant intersections at a cut off grade of 0.3% copper:

Hole	From (m)	Interval (m)	Copper (%)	Gold (g/t)	Arsenic (ppm)
TMPD 107	57.6	120.8	1.53	0.75	144
	275.3	201.7	0.79	0.24	28
TMPD 108	37.0	112.9	0.79	0.38	310
	149.9	158.5	0.90	0.38	13
TMPD 109	57.4	125.6	1.05	0.44	165
	183.0	234.0	0.79	0.41	63
TMPD 110	36.0	178.3	1.18	0.44	505
	214.3	196.9	0.63	0.36	32
TMPD 111	51.0	56.6	0.76	0.21	66
	107.6	212.4	0.54	0.13	57

Interpretation of the results indicate a wide, coherent and shallow higher grade zone underlain by a thick and coherent zone of more moderate copper, low arsenic mineralisation. All mineralisation contains recoverable gold.

Drilling results from Tampakan are being posted to Indophil's website, [www.indophil.com](http://www.indophil.com).

Four options for future mining at Tampakan are being evaluated as part of the Prefeasibility Study:

- a block cave underground mine
- a block cave underground mine with small open pit and blending of ore treated to produce one copper flotation concentrate
- a block cave underground mine with modest sized open pit with ores treated separately and two copper concentrates blended
- a large open pit with blended feed

Consultants have been appointed to conduct a desktop study on the geotechnical aspects of mining the deposit by underground block caving and metallurgical flotation studies testing samples of the target transition zone.

## **GALLERY GOLD LIMITED – BOTSWANA & TANZANIA/GOLD (AUSELECT – 2%)**

Gallery has a 100% interest in the Mupane Gold Project in Botswana and a portfolio of high quality advanced exploration projects in the Lake Victoria region in Tanzania. Construction of the 100,000 ounce per annum Mupane Gold Mine is under way and remains on schedule for the first gold pour in October 2004.

Gallery is actively pursuing two key priorities - adding to existing reserves at Mupane to improve the project's profitability and mine life and accelerating the completion of a prefeasibility study at the Buckreef-Rwamagaza project in Tanzania. A comprehensive program of drilling, trenching, mapping and soil analysis to increase resources and reserves over the next two to four years is under way.



A 36,000 ounce reserve has been confirmed at the Golden Eagle deposit, 14 kilometres from the Mupane processing plant, following the completion of a resource drilling program in the last quarter. Gallery announced in April that the JORC compliant resource at Golden Eagle in all categories totals 971,000 tonnes @ 2.2 g/t Au for 67,800 ounces using a 1 g/t cut off grade. The company anticipates that this will be the first in a series of reserve upgrades to be announced during the year. A program of detailed trenching, mapping and sampling has commenced in the area between Kite and Golden Eagle to better define the mineralised shoot for resource drilling. Results from the first four trenches are extremely encouraging.

Drilling at the Tau deposit, one of the primary ore sources for the Mupane Gold Mine, has confirmed the continuance of the wide main shoot at depth which contains a higher grade core. The drilling intersected discrete shoots, grading up to 5 g/t, which confirm the potential for future underground mining. Results obtained during the quarter included: 35 metres @ 2.9 g/t Au from 203 metres, including 5 metres @ 4.8 g/t Au. Further evaluation is in progress to determine if the widths and grades of the high grade gold zones identified are sufficient to sustain underground development.

Metallurgical test work on high grade ore from the nearby Map Nora deposit has confirmed potential recovered grades of approximately 7.5 g/t Au for a total of 125,000 ounces if the resource/reserve estimation of Phelps Dodge, the previous owner, is used and the ore is processed through the Mupane plant.

Drilling for a feasibility study at the Buckreef-Rwamagaza project in Tanzania is evaluating five deposits. Three diamond holes drilled at Buckreef during the quarter intersected significant widths of high grade mineralisation and these are thought to be a northern extension of the Main zone. The Main zone has a shallow northerly plunge and current drilling is assessing the extent of this high grade underground resource.

New joint venture agreements covering tenements in the Buckreef-Rwamagaza area have secured tenure over a 45 kilometre strike. Gallery has calculated a JORC compliant Inferred Resource of 279,000 ounces at 2.5 g/t for one of these joint venture tenements, Busolwa, increasing the total Buckreef-Rwamagaza resource to more than one million ounces. Drilling to upgrade Busolwa to a Measured-Indicated category has commenced and Gallery will use the results to assess this resource as a satellite deposit to the main Buckreef deposit, 25 kilometres to the west.

It is Gallery's intention to develop a mining project at Buckreef-Rwamagaza in two to three years.

The increased exploration and resource assessment programs will be funded by capital raisings carried out during the quarter. Approximately \$13.7 million was raised from a placement of 54.75 million shares at 25 cents each to institutional and sophisticated clients of Euroz Securities and RBC Capital Markets and \$1.8 million was raised by issuing 7.08 million shares at 25 cents per share as part of a Share Purchase Plan.

## **EQUINOX RESOURCES LIMITED - ZAMBIA/COPPER (AUS – 7%)**

Equinox has a 51% joint venture interest in the Lumwana copper project in north west Zambia and has signed a Letter of Intent on an option to acquire the 49% interest held by Phelps Dodge.



During the quarter Equinox announced a proposal to restructure the company and apply for listing on the Toronto Stock Exchange, in addition to its current listing on the Australian Stock Exchange. As part of the restructure the company intends to domicile in Canada via a Scheme of Arrangement, under which existing shareholders will be offered 1 share in a new Canadian company, Equinox Minerals Limited, for every 3 shares held in Equinox Resources.

The restructure will have no effect on Equinox Resources' existing assets and liabilities and is expected to provide the company with a greater ability to raise finance, both equity and debt. Equinox believes that access to the capital markets of North America will facilitate the financing of the Lumwana Project as it proceeds towards production.

As well as progressing Lumwana towards development, the company is undertaking regional exploration programs near the project, also investigating nickel targets in Western Australia and seeking to acquire gold projects in Peru through a 70% owned subsidiary, Alturas Minerals SRL.

### **AUSTINDO RESOURCES CORPORATION NL – INDONESIA & AUST/GOLD (AUS - 2%)**

Austindo holds an 82.25% interest in the Cibaliung Gold Project in Indonesia and mineral tenements in the Central Victorian goldfields around Bendigo. The company is developing the Cibaliung project and a Bankable Feasibility Study continues on schedule for completion in mid-2004.

Exploration work at Cibaliung has focused on increasing the project resource base by the end of this year. Extensive data analysis and a revised exploration model of the mine project area have demonstrated excellent potential for new discoveries. Based on the revised model the area immediately adjacent to Cikoneng and Cibitung has been ranked as highly prospective for additional economic shoots. The four key targets in this area identified for immediate detailed follow up are the Rorah Kadal vein, the Central Zone between the Cikoneng and Cibitung Shoots and the Cibeber and Cikeni veins.

Rorah Kadal is located less than 700 metres from Cikoneng and Cibitung and a drilling program is currently under way. Drilling during the quarter provided the following significant intercepts:

<b>AC-79</b>	4.95 metres	@	18.98 g/t Au	176 g/t Ag	from	140.75 metres
	incl 4.30 metres	@	21.42 g/t Au	197 g/t Ag	from	141.40 metres
<b>AC-80</b>	6.10 metres	@	10.39 g/t Au	186 g/t Ag	from	190.3 metres
	and 2.45 metres	@	7.37 g/t Au	268 g/t Ag	from	208.40 metres

The results from Rorah Kadal correspond with the rationale of the new exploration model, displaying a favourable NNW-SSE structural trend and key element signatures. It is thought that cover rocks to the south may mask the true extent of the known vein

In Victoria, Austindo's geological team has completed the development of a new predictive ore occurrence model to define prospective locations for shallow high grade gold occurrences at the Chewton and Sebastian gold projects. Interpretation of regional and detailed structural information using the model, known as the Corridor Stacked Reef Model, has produced new drill targets in different locations from those tested without success by earlier explorers. Six potential new gold systems are now ready for drill testing.

## SEDIMENTARY HOLDINGS LIMITED - QUEENSLAND/GOLD (AUS – 2%)

Sedimentary has a 30% interest in the Cracow Gold Mine in Queensland, where it is in joint venture with Newcrest Mining Limited. Development of the underground mining operation has been progressing steadily since late 2003 and the decline face is now 760 metres from the portal and at a vertical depth adjacent to the top of the Royal Shoot. Surface facilities at the mine site, including workshop, fuel facilities, communication and pumping equipment, are being established. Metallurgical assessments and process engineering design for the treatment plant have been finalised and detailed engineering design for refurbishment and expansion has commenced. Development of the project remains on schedule for commencement of gold production in the December quarter of 2004.

Exploration drilling at Cracow is focusing on a combination of new target zones and further testing of known areas of gold mineralisation. A significant intersection was recorded on the Sterling structure, producing:

<b>CBK131</b>	<b>7.45 metres</b>	<b>@</b>	<b>9.0 g/t Au</b>	from	639.2 metres
	incl 2.3 metres	<b>@</b>	<b>25.0 g/t Au</b>	from	639.2 metres

Within the higher grade zone an interval of 0.6 metres @ 74 g/t Au containing visible gold was recorded and appears to contain geochemical characteristics typical of the Crown Shoot mineralisation. The Sterling structure is located 300 metres west of the Empire mineralised zone and lies under approximately 100 metres of sedimentary cover rocks. From the four holes currently drilled the structure is interpreted to be sub-vertical and striking north-south.

Step out drilling at Sovereign has extended gold mineralisation toward the surface and produced the following results:

<b>CBK128</b>	20.5 metres	<b>@</b>	3.6 g/t Au	from	279.5 metres
	incl 1.8 metres	<b>@</b>	8.3 g/t Au	from	292.2 metres
	and 0.7 metres	<b>@</b>	6.1 g/t Au	from	308.0 metres
<b>CBK130</b>	20.2 metres	<b>@</b>	2.1 g/t Au	from	312.0 metres

Such results indicate the potential for these structures to provide an increase in resources for the Cracow Mine.

Sedimentary has been expanding its exploration portfolio following a successful capital raising earlier in the year. The company has agreed to form joint ventures with Mt Britton Mining Pty Limited and Enterprise Mining Pty Limited to explore the high grade epithermal Mount Britton goldfield near Nebo, approximately 75 kilometres south west of Mackay in Queensland. The joint ventures consist of a 1 square kilometre granted mining lease and the surrounding area, which is currently the subject of an exploration permit application.

Sedimentary can earn a 51% interest in the Mining Lease by spending \$750,000 within three years, when Mt Britton can elect to contribute or allow Sedimentary to earn an 80% interest by fully funding the joint venture to a positive feasibility study within ten years.

The Mount Britton goldfield contains a high grade epithermal gold vein system that displays similarities to Cracow. Drilling is planned to commence in June and will focus on down dip extensions of the mineralised vein systems, targeting high grade shoots similar to the Cracow and Vera Nancy deposits.



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## ASIAN LION

The successful close of the AuSelect float has ensured that the company can proceed immediately with the establishment of Asian Lion. As outlined in the prospectus, Asian Lion will use the successful AFL model of an unlisted fund specialising in mining investment in a specific region.

It is anticipated that Asian Lion will have a fund size of approximately US\$20-25 million, with AuSelect likely to provide A\$5-10 million of this amount. Investments made by the fund will typically be around US\$3 million.

The Manager has initiated discussions with various international groups and has received positive expressions of interest in the concept.

Further enquiries:

**Judith Russell**  
Investor Relations Manager  
Email: [aus@auselect.com.au](mailto:aus@auselect.com.au)