

## AuSelect Limited

### Quarterly Report for the 3 months ended 30 April 2006

#### KEY POINTS

- Gallery**
  - Sold. A\$4.4 million after tax proceeds (A\$2.2 million after tax profit).
  - Sale by AFL triggered performance incentive increasing AuSelect's holding in AFL by 7% (worth A\$4.4 million) to 29.8%.
- Indophil**
  - Huge resource increase announced for Tampakan copper gold project.
- Lafayette**
  - Further A\$3 million invested in May (total investment A\$5 million).
  - **Awaiting Filipino Government approval to restart Rapu Rapu project (Cu-Au-Zn-Ag).**
- African Lion**
  - Platmin: Planned IPO expected mid 2006. Potential uplift in valuation. Updated resource statement currently being prepared.
  - Albidon: Recent drilling results further extend the Enterprise deposit at Munali in Zambia with potential to significantly grow the resource.
- Asian Lion**
  - Start up imminent.

#### INVESTMENT SUMMARY TABLE

Investment	ASX Code	Country/Activity	AUS Holding %	Amount Invested \$m	Market Value \$m
<b>At 30/04/2006</b>					
<b>African Lion (AFL &amp; AFL2) – AuSelect share of African Lion Investments</b>					
Albidon Limited	ALB	Africa – explorer/Zambia – nickel	5.8	1.6	5.8
Mineral Deposits	MDL	Senegal – mineral sands/gold	1.1	1.2	4.9
Platmin Limited	unlisted	South Africa – PGMs	2.8	3.0	6.1
Sphere Investments	SPH	Mauritania – iron ore	2.3	1.3	3.2
Other				4.9	8.8
<b>Total African Lion investment</b>			<b>23.2</b>	<b>12.0</b>	<b>28.7</b>
<b>Listed Investments</b>					
Austindo Resources	ARX	Indonesia – gold	0.8	0.5	0.5
Indophil Resources	IRN	Philippines – copper/gold	10.7	11.0	25.7
Lafayette Mining <sup>#</sup>	LAF	Philippines – polymetallic	2.3	2.0	2.5
Leviathan Resources	LVR	Australia – gold	5.1	3.7	3.9
Sedimentary Holdings	SED	Australia – gold	2.1	0.7	1.4
Westonia Mines	WEZ	Australia – gold	0.5	0.2	0.2
<b>Total Investments</b>				<b>30.1</b>	<b>63.0</b>
Additional cash committed to AFL2					2.4
Cash allocated to Asian Lion					9.2
<b>Net cash after AFL2 and Asian Lion</b>					<b>6.6</b>
<b>Total Net Assets</b>					<b>81.2</b>
<b>Net Tangible Asset (NTA) before tax &amp; diluted for options (cents per share)</b>					<b>153.3</b>
<b>Net Tangible Asset (NTA) after tax &amp; diluted for options (cents per share)</b>					<b>140.1</b>

Note: For NTA purposes, African Lion's portfolio values listed investments at market and unlisted investments at cost or last issue price. A\$/US\$ exchange rate of 0.76

<sup>#</sup> Further \$3 million invested at 11 cents per share effective 18 May 2006.

## INVESTEE UPDATE

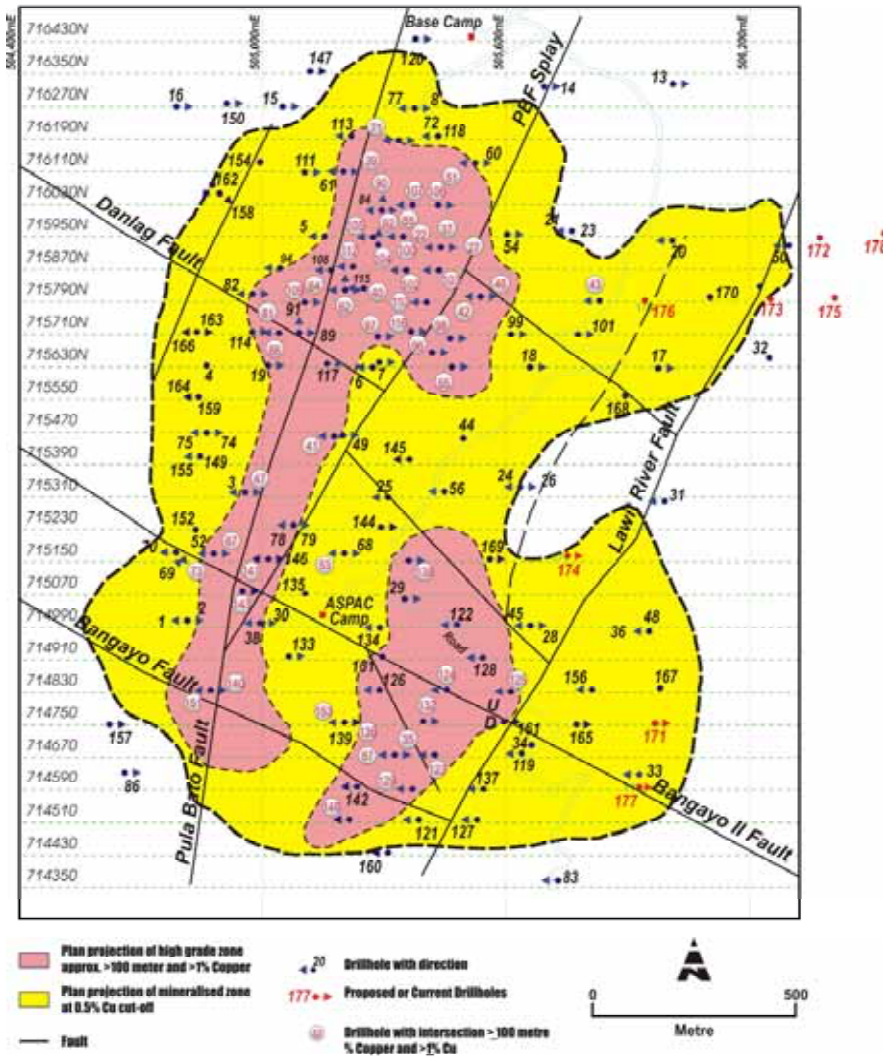
### INDOPHIL RESOURCES NL - PHILIPPINES/COPPER & GOLD (AUSELECT – 10.7%)

- Indophil has reported a new resource estimate for the Tampakan Copper-Gold project in southern Philippines during the quarter, delivering a 47% increase in resource tonnes, at 0.3% copper cut-off grade, as compared with estimates announced in November 2005.

Resource	Mt	Cu %	Au g/t	Contained Cu (Mt)	Contained Au (Moz)
Measured, Indicated & Inferred	1,970	0.59	0.23	11.6	14.6

- The increase in resource is due mainly to the drilling of 27 additional holes totalling 9,300 metres and an extension of the conceptual pit shell. It 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.
- Exploration work commenced on a number of targets close to Tampakan.
- The Pre-Feasibility Study, focussing on geology, mining, metallurgy and infrastructure, remains on schedule.
- Following the end of the quarter, Indophil announced a share placement at 85 cents per share to raise \$57.5 million. The issue was placed with Australian and overseas institutional and professional investors, and was heavily oversubscribed. Additionally, Indophil announced a share purchase plan at the same price.
- During the quarter, Indophil announced the appointment of Mr Louis Irvine of Xstrata Copper as a new Director to the Board. Xstrata Copper holds an option to acquire a 62.5% interest in the Tampakan project.

**TAMPAKAN PLAN PROJECTION OF MINERALISATION AND DRILL HOLE LOCATION**



**GALLERY GOLD LIMITED – BOTSWANA & TANZANIA/GOLD**

- AuSelect and the African Lion funds sold their holding in Gallery Gold during the quarter. The financial outcome for AuSelect is as follows:

	\$ invested	\$ received	Pre-tax profit
AuSelect	A\$2.2 million	A\$5.3 million	A\$3.1 million
African Lion funds	US\$7.9 million	US\$24.8 million	US\$16.9 million

In addition to A\$4.4 million after tax proceeds on its holding, AuSelect will receive approximately A\$5 million after tax proceeds from its interest in AFL and AFL2.



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**AFRICAN LION LTD – AFL (AUSELECT – 22.8%, INCREASING TO 29.8%)**  
**AFRICAN LION 2 LTD – AFL2 (AUSELECT – 23.7%, REDUCING TO 19.0%)**

- Funds Summary

Both African Lion (AFL) and African Lion 2 (AFL2) have continued to perform strongly. AFL has concluded its active investment phase and has made the following returns after tax to AuSelect, from the sale of investments previously reported:

Year	A\$m
2004	5.0
2005	1.2
2006 (to April)	<u>0.3</u>
TOTAL	6.5

AuSelect has invested A\$11.4 million in AFL. The value of the remaining AFL portfolio, attributable to AFL is A\$17.0 million.

AFL2 is in an active investment phase and has made no significant asset sales.

- Funds Performance

Combined African Lion funds:	US\$m
Funds committed*	68.3
Funds returned to shareholders	27.9
Current portfolio value (after tax)	97.3

\* includes investment by Botswana Africa Mining Fund and EIB additional investment, subsequent to quarter end.

- Funds Activities

**The investments by both AFL and AFL2 in Gallery Gold were exited via an on market sale realising a pre tax profit of US\$16.9 million. This sale triggered a performance incentive which resulted in AuSelect's holding in AFL increasing by 7%, worth A\$4.4 million as at 30 April 2006.**

Funds committed to AFL2 increased from US\$25.4 million to US\$34.6 million following an investment of US\$7.5 million by the Botswana Africa Mining Fund and an additional investment by the European Investment Bank. As a result, subsequent to the end of the quarter AuSelect's interest in AFL2 decreased from 23.7% to 19%.

AFL2 made a new investment of A\$3.2 million, at an average price of \$0.69 per share, in Adamus Resources (ASX:ADU). This company is progressing a Bankable Feasibility Study (BFS) on its Southern Ashanti project in Ghana.

Follow on investments were made by both AFL (US\$1.6 million) and AFL2 (US\$0.9 million) in Platmin Limited, at US\$20 per share, as a result of a rights issue by that company. AFL2 also made a follow on investment of A\$3.3 million, at A\$1 per share, in Sphere Investments Limited.

- Platmin Limited, Bushveld South Africa - PGMs (AFL 8.3%/ AFL2 4.0%)

During the quarter, Platmin had a successful rights issue, raising US\$15 million, in which both AFL and AFL2 participated. The Company, currently unlisted, is pursuing a London and Canadian market listing by mid year 2006. AuSelect believes that the IPO is likely to be at a

higher price than the recent rights issue. RBC Dominion and Haywood Securities have been appointed as joint underwriters. Recent changes in ownership of Platmin have included Australian listed Mineral Securities Limited increasing its holding to 17%, and listed platinum mining company Lonmin plc increasing its holding above 25%.

Platmin has a quality portfolio of projects on the Bushveld with a previously reported combined resource of 21.7 million ounces PGM (combined platinum, palladium, rhodium and gold). The portion of this resource directly attributable to Platmin is 13.8 million ounces PGMs. A new resource estimate is expected shortly.

The Pilanesberg project is currently undergoing a feasibility study for an open pit mine providing feed to a flotation concentrator. The other projects at M'Phatlele, Loskop and Grootboom all offer similar potential for open pit mining.

- Albidon Limited, Zambia - nickel/PGMs (AFL 19.6%/ AFL2 5.6%)

Albidon maintained a high level of activity at the Munali project in Zambia with the target of completing a BFS by July 2006. Drilling at the Enterprise deposit continued to be focussed on the conversion of Inferred resources into the Indicated category to provide increased confidence to the BFS.

Best results from Munali include:

MAD229	23.8 metres	@	1.45% Ni	0.21% Cu	0.08% Co	0.53 g/t PGM	from	273 metres
including	7.8 metres	@	3.1% Ni	0.45% Cu	0.18% Co	0.9 g/t PGM		
MAD232	21.3 metres	@	1.4% Ni	0.13% Cu	0.07% Co	0.78 g/t PGM	from	326 metres
MAD233	29 metres	@	1.2% Ni	0.16% Cu	0.06% Co	0.63 g/t PGM	from	357 metres
MAD226	16 metres	@	2.5% Ni	0.28% Cu	0.12% Co	0.94 g/t PGM	from	346 metres

Subsequent to quarter end, Albidon announced further results from within the southern down-dip zone of Inferred resource at the Enterprise deposit. Best results include:

MAD251	12.3 metres	@	2.69% Ni	0.41% Cu	0.12% Co	1.31 g/t PGM	From	306 metres
MAD252	8.7 metres	@	1.06% Ni	0.14% Cu	0.05% Co	PGM pending	From	319 metres
including	2.1 metres	@	2.72% Ni	0.28% Cu	0.12% Co	1.23 g/t PGM	From	326 metres

The Munali resource has now been confirmed over a strike length of 800 metres and remains open at depth and along strike to the north. A substantial drilling program is expected to continue, both at Munali and then on regional targets.

Albidon continues to evolve its extensive exploration portfolio in east Africa, with BHP Billiton spending on selected areas as part of an exploration cooperation agreement.

- Mineral Deposits Limited, Senegal – mineral sands/gold (AFL2 3.6%)

Aggressive drill out of the Sabodala gold project, in Senegal, continued as part of a BFS. Within the previously announced 1.26 million ounce resource, at a grade of 2.2 g/t gold, the best infill drilling was reported as follows:

55 metres	@	12 g/t Au	from	Surface
35 metres	@	21.2 g/t Au	from	37 metres
48 metres	@	10.5 g/t Au	from	83 metres
46 metres	@	5.9 g/t Au	from	55 metres

Significantly, drilling has also extended the strike length of the known mineralisation by 320 metres to the north with best results as follows:

20 metres @	6.8 g/t Au	from	362 metres
10 metres @	7.1 g/t Au	from	265 metres
9.8 metres @	7.1 g/t Au	from	263 metres

At the Grande Côte zircon project, north of Dakar, a feasibility study to progress the Application for a Mining Concession was submitted to the Senegalese government. Corporately, MDL raised A\$150 million by the issue of 100 million shares at A\$1.50 per share. These funds will be used as the equity component for progressing both Sabodala and Grande Côte.

- Sphere Investments Limited, Mauritania – iron ore (AFL 3.8%/ AFL2 6.1%)

Sphere continued to progress the BFS on the 7 million tonne per annum Guelb el Aouj DR pellet project (SPH earning 50%). The on site activity includes continuing resource definition (East Deposit), geotechnical and hydrogeological drilling. Pre-feasibility engineering work was also commenced on a number of project configuration options.

Sphere has also completed a preliminary assessment of the Bou Derga and Tinkerate magnetite deposits (20 kilometres south of Guelb el Aouj). Initial resource potential has been estimated by Sphere to be in the range 800-1,100 million tonnes. Elsewhere in Mauritania, Sphere has a number of additional magnetite projects that are currently the subject of a review.

Sphere raised A\$45 million at A\$1.00 per share including a placement of A\$10 million to Saudi Iron and Steel Company, Hadeed. AFL2 participated in this capital raising, investing an additional A\$3.3 million. Subsequent to quarter end, Sphere announced that a second major steel producer, Qatar Steel Company, had signed a Share Placement Agreement for A\$10.5 million to acquire a 9.07% holding in the company. Sphere is now sufficiently funded to complete its 50% earn-in on Guelb el Aouj and complete the BFS (first quarter, 2007). Exploration on other iron ore projects will also be progressed. Sphere also announced the proposed spin out of its oil and gas and base metal assets.

- Adamus Resources Limited, Ghana - gold (AFL2 4.2%)

Adamus is progressing a BFS on their Southern Ashanti project area in Ghana. This project area contains 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. Both deposits have the potential to grow as a consequence of an ongoing exploration program.

**More information on the African Lion funds is available on the website [www.afl.co.za](http://www.afl.co.za)**

## ASIAN LION FUND - ALF

- Start up is imminent and only awaits completion of legal documentation.
- Founding shareholders are AuSelect, ABN Amro, Proparco. IFC is awaiting final approval. A subsequent second closing could add other groups which have expressed strong interest in investing, and expand the fund from approximately US\$21 million up to US\$40 million.
- Mr Howard Walker and Mr John Dugdale will manage the Asian Lion Fund. Mr Walker has been an Executive Director of Lion Manager since its inception. Mr John Dugdale will join Lion Manager in July 2006, and has over twenty years of exploration leadership and discovery in Australia.

## **LAFAYETTE MINING LIMITED - PHILIPPINES/POLYMETALLIC (AUSELECT – 2.3%)**

- Lafayette is awaiting Filipino Government approval to commence commissioning of the Rapu Rapu base metals plant. A decision is imminent.
- On 23 March 2006, Mr David Baker was appointed as the new Managing Director of Lafayette, replacing Mr Andrew McIlwain. Mr Baker is an experienced investment banker with a strong background in project finance in the resources sector.
- During the quarter, Lafayette announced board and management changes, with the introduction of a new Filipino partner to oversee operational and administrative activities in the Philippines. Mr Carlos G (Sonny) Dominguez has joined as Chairman, President and Chief Executive Officer of Lafayette's operational arm, Lafayette Philippines Inc, and has also joined the board of Lafayette Mining Limited. Mr Dominguez has held a number of senior roles in the Filipino Government and in the private sector. In addition, Mr Robin Widdup, Managing Director of AuSelect Limited and Lion Selection Group, has joined the board of Lafayette Mining Limited.
- On 23 March 2006, Lafayette announced a range of funding initiatives totalling A\$42 million, at 11 cents per share, to strengthen the Company's financial position following the delay in base metal production. As part of this A\$42 million capital raising, an A\$3 million placement was made to AuSelect, bringing AuSelect's total investment in Lafayette to \$5 million. In addition, Lion Manager Pty Ltd, AuSelect's management company, agreed to take a placement of A\$2 million. This is funded largely from anticipated post tax proceeds of the Lion Manager's performance incentive triggered earlier this year. Other components of the raising consisted of an A\$11 million placement by ABN AMRO Morgans to domestic and international investors and institutions, and a placement of A\$5.5 million to an overseas institution. Rapu Rapu joint venture partners, LG International and KORES, will contribute US\$4.81 million of subordinated debt, as a soft loan. Credit approval was also obtained from the Rapu Rapu banking syndicate in respect of a US\$10 million project stand-by facility and a restructuring of principal repayments and associated forward sales contracts.
- Work required to satisfy all of the technical remedial requirements imposed by the Filipino authorities, following the two discharges of process water late in 2005, has been completed and a submission for restart was lodged with the relevant authorities on 20 March 2006.
- The response of the Filipino authorities to the submission to restart was delayed by a commitment on the part of the President to obtain the results of a Presidential Fact Finding Commission (FFC), before ruling on the merits of the submission. Whilst the delay is disappointing, the FFC has completed its public hearings and reported on 19 May 2006. Lafayette expects the regulator to confirm permission to restart during the week ending 2 June 2006, following a detailed review and commentary on the FFC report.
- Endorsements for the resumption of operations have been secured from all levels of the community in the provinces of Albay and Sorsogon, including all leading government officials and other peak business, environmental and social groups.

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## AUSTINDO RESOURCES CORPORATION NL – INDONESIA /GOLD (AUSELECT – 0.8%)

- Construction continued at the Cibaliung gold project in Java. Gold production is scheduled to begin in the first quarter of 2007.
- During the quarter, dismantling of the Mount Olympus gold processing plant in Western Australia was completed and the majority of the plant was transported to Port Hedland ready for shipping to site in Indonesia. Aker Kvaerner has substantially completed pre-engineering for the plant relocation and PT Petrosea were engaged to provide detailed engineering in respect of the re-erection of plant on site.
- At Cibaliung, preparation of the Box Cut was substantially completed in anticipation of the arrival of a road header to commence decline development. In addition, bulk earthworks were initiated, upgrading of public access roads was undertaken and Project Camp facilities were commissioned.
- In April 2006, Austindo announced that it had successfully undertaken a placement of 218 million shares at 5.5 cents per share to raise A\$12 million. The funds will be used for a significantly increased exploration program in Indonesia, working capital purposes and to fund modest cost overruns associated with the development of Cibaliung.
- Austindo announced that a new exploration area, Trenggalek, in East Java has been granted. Trenggalek is prospective for low sulphidation epithermal gold/silver deposits similar to Cibaliung, and is the fourth gold project Austindo is undertaking in Indonesia to further the Company's growth strategy.

## WESTONIA MINES LIMITED - WESTERN AUSTRALIA/GOLD (AUSELECT – 0.5%)

- Following new drilling data, Westonia has remodelled the resource and announced a new Mineral Resource estimate. Compared to the Mineral Resource estimate in the 2004 Feasibility Study, the new resource has resulted in a more than 10% increase in contained metal within the "bankable" Indicated resource category. The 2006 resource estimate, at 0.70 cut-off grade, is reported as:

	Million tonnes	Gold (g/t)	Thousand oz
<b>Measured</b>	12.1	1.36	529
<b>Indicated</b>	9.2	1.37	404
<b>Inferred</b>	5.0	1.3	204

- Following the remodelling of the resource estimate, Westonia has commenced the rework of the Feasibility Study. As part of this rework, Westonia will review the projected costs associated with relocating the Big Bell plant aimed at reducing capital, improve operating margins and/or commission in an earlier timeframe. This work is scheduled to be completed by the end of the June 2006 quarter.
- Subsequent to quarter end, Westonia announced a successful placement of 23.5 million shares at 17 cents per share to existing and new institutional and sophisticated investors, raising \$4 million. This placement was undertaken by Austock Corporate Finance Limited and funds raised will be used for the completion of the feasibility study, ongoing exploration and working capital.

## SEDIMENTARY HOLDINGS LIMITED – AUSTRALIA/GOLD (AUSELECT – 2.1%)

- Revenue from the Cracow Gold mine in Queensland increased by 26% on the previous quarter with 9,100 ounces of gold sold at an average price of \$733.50 per ounce. Processing at Cracow continued at tonnage levels above nameplate capacity with quarterly gold production of 8,261 ounces attributable to Sedimentary. Production was sourced mainly from development and stoping ore from the Royal Shoot with the first development ore from Crown being hauled during March.

Quarterly production (Sedimentary's share)	Mar Qtr 2006	Dec Qtr 2005	Sept Qtr 2005	June Qtr 2005
Ore treated - tonnes (000's)	25	24	19	20
Ore - grade (g/t Au)	11.2	12.2	12.2	11.7
Recovery (%)	95	94	94	90
Gold (000's ounces)	8.3	9.1	6.8	6.2
Cash cost (US\$/oz)	259	255	307	310

- Surface drilling continued to expand the high grade Kilkenny zone of mineralisation. A significant new result, as reported below, added further potential to Kilkenny both up dip toward surface and to the south. High grade mineralisation has now been intersected on two sections over a vertical extent approaching 200 metres.

**CBK204**    6.4 metres    4.3 metres (estimated true width)    @ 23 g/t Au    from 608 metres

- During the quarter, NuStar Mining Limited's (SED holding 16.5%) proposed merger with emerging Canadian gold producer Intrepid Mineral Corporation advanced. Meetings to approve the merger are expected to be held prior to 30 June 2006.

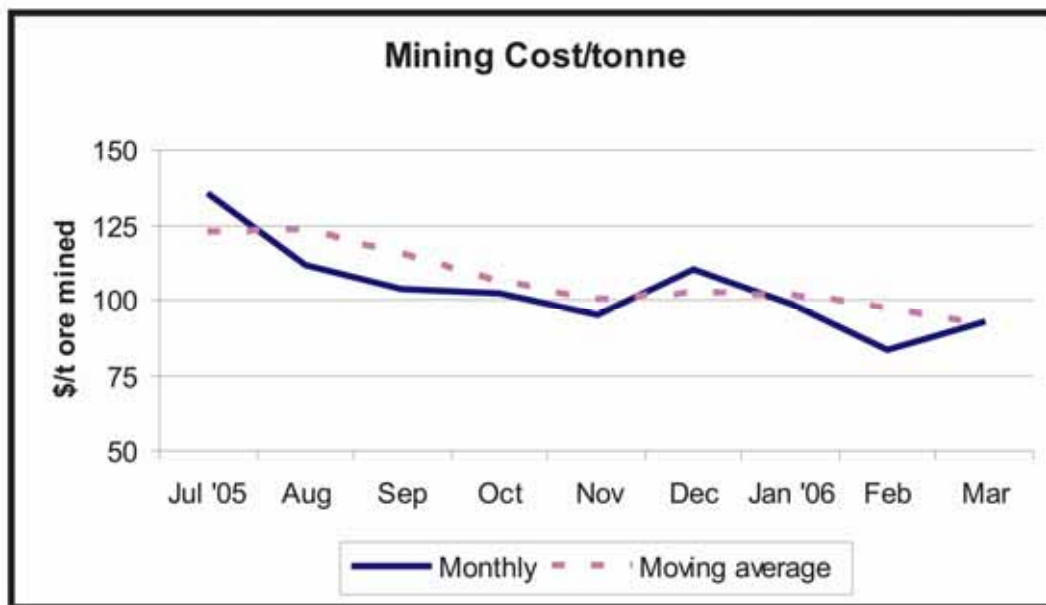
## LEVIATHAN RESOURCES LIMITED – AUSTRALIA/GOLD (AUSELECT – 5.1%)

- Gold production in the March quarter was affected by several days of shutdowns due to bushfires close to the mine site and by the mining of lower grade stopes during the quarter. The grade of ore mined from underground is expected to improve to average around 5.0 g/t gold over the year, as mining shifts to higher grade stopes during the second half. Increased cash costs in the March quarter of \$501 per ounce reflected lower gold production and should fall in the second half as grades increase over the rest of the year.

Stawell Gold Mine (LVR – 100%)	March Qtr 2006	Dec Qtr 2005	Sept Qtr 2005	June Qtr 2005
Quarterly production				
Ore treated - tonnes (million)	0.19	0.21	0.17	0.17
Ore - grade (g/t Au)	4.6	4.9	5.7	5.9
Recovery (%)	91	92	94	94
Gold (000's ounces)	24.9	29.6	29.7	30.3
Cash cost (A\$/oz)	501	462	446	431

- Whilst \$ per ounce costs increased during the quarter, there have been significant decreases in \$ per tonne operating costs since July 2005.

## STAWELL GOLD MINE OPERATING COSTS



### AUSELECT INVESTMENT BRIEFINGS

In April, AuSelect made its series of bi-annual investment briefings to shareholders and interested parties in Melbourne, Sydney, Adelaide, Brisbane and Perth. A copy of the presentation is available on AuSelect's website [www.auselect.com.au](http://www.auselect.com.au) under the Company Calendar section. The next series of investment briefings will be made in October. Further details and invitations will be sent out later this year.

### SHAREHOLDER INFORMATION

Issued shares:	51.3 million	Share price at quarter end:	\$1.50
Quarter high:	\$1.50	Quarter low:	\$1.15
Volume traded:	3.4 million	NTA after tax:	\$1.40

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Any resource estimates provided within this quarterly report were sourced from relevant investee company quarterly reports and announcements.