



**AuSelect Limited**  
**Quarterly Report**  
**for the 3 months ended 31 October 2006**

**KEY POINTS**

**The takeover of Sedimentary has moved to the compulsory acquisition stage delivering AuSelect 30% of the Cracow Gold Mine and starting the transformation into a mining company. A presentation of the future strategy and vision for AuSelect is planned for the AuSelect AGM on 8 December 2006 in Melbourne and 12 December in other cities.**

- Cracow Gold Mine**

 7,400 attributable ounces production at a cash cost of A\$369 per ounce.
- Indophil**

 Pre-Feasibility Study completed on the Tampakan project in the Philippines at 210,000 tonnes of contained copper per annum.
- African Lion**

 Albidon starts development at the Munali Nickel Project in Zambia.
- Asian Lion**

 Numerous opportunities have been identified, and there is the possibility of near doubling the fund size early in 2007.

**INVESTMENT SUMMARY TABLE**

Investment At 31/10/2006	ASX Code	Country/Activity	AUS Holding %	Amount Invested \$m	Market Value or Cost of Unlisted \$m
<b>African Lion (AFL &amp; AFL2) – AuSelect share of African Lion Investments</b>					
Albidon Limited	ALB	Africa – explorer/Zambia – nickel	6.0	3.3	14.8
Mineral Deposits	MDL	Senegal – mineral sands/gold	0.7	0.9	3.8
Platmin Limited	PPN**	South Africa – PGMs	2.8	3.5	13.3
Sphere Investments	SPH	Mauritania – iron ore	2.1	1.1	3.6
Other including cash committed					1.3
<b>Total African Lion Investment</b>			<b>26.3</b>	<b>9.1 *</b>	<b>36.8</b>
<b>Listed Investments</b>					
Austindo Resources	ARX	Indonesia – gold	0.7	0.5	0.4
Indophil Resources	IRN	Philippines – copper/gold	8.6	11.0	25.2
Lafayette Mining	LAF	Philippines – polymetallic	5.1	5.0	3.6
Leviathan Resources	LVR	Australia – gold	5.1	3.7	2.3
Sedimentary Holdings	SED	Australia – gold	95.85	74.0	64.9
Westonia Mines	WEZ	Australia – gold	0.4	0.2	0.1
Total Investments				103.5	133.4
Asian Lion (ALF) cash committed					9.2
Net Cash					9.7
Total Net Assets before tax					152.3
Total Net Assets after tax					146.5
Net Tangible Asset (NTA) before tax & diluted for options (cents per share)					137.9c
Net Tangible Asset (NTA) after tax & diluted for options (cents per share)					132.7c

Note: For NTA purposes, African Lion's portfolio values listed investments at market and unlisted investments at last issue price.

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

\*\* Code: TSX/AIM

A\$/US\$ exchange rate of 0.77 A\$/C\$ exchange rate of 0.87

## INVESTEES

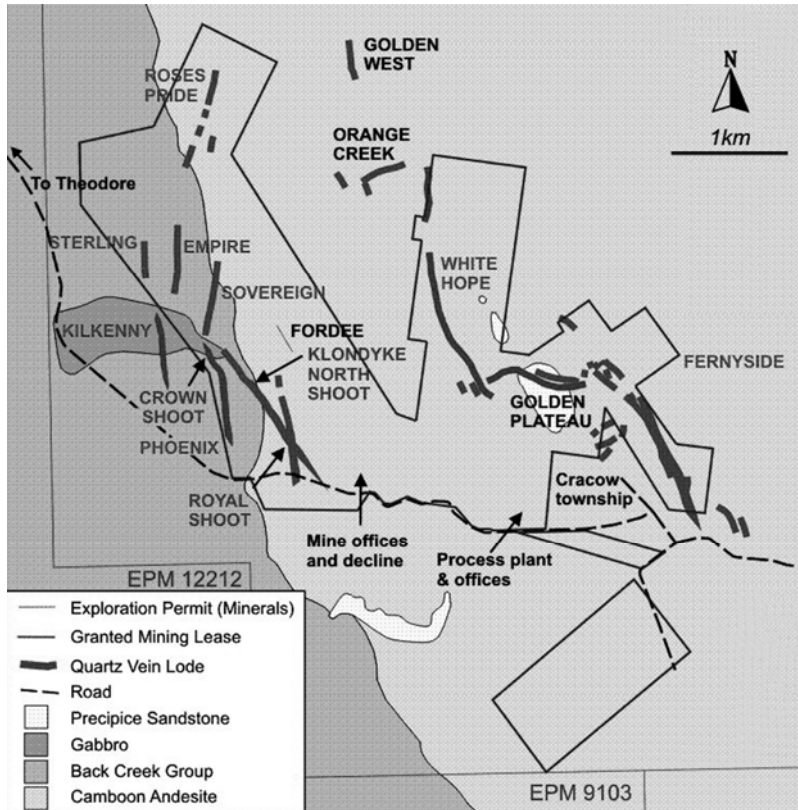
### SEDIMENTARY HOLDINGS LTD – AUSTRALIA/GOLD (AUSELECT – 95.85%)

- Further progress has been made on AuSelect's acquisition of all of the shares of Sedimentary. Under the offer, Sedimentary shareholders receive 2 AuSelect shares for every 9 Sedimentary shares held. As at the close of the offer on 19 October 2006, AuSelect held a relevant interest in Sedimentary of 95.85%, and subsequently moved to compulsory acquisition for the remaining ordinary shares in Sedimentary, with compulsory acquisition notices dispatched. Subsequent to quarter end, the shares of Sedimentary ceased trading on the ASX.
- At the 30% owned Cracow Gold Mine, the treatment plant achieved record throughput during the quarter reflecting the benefits of a program of optimisation. Mine grades were relatively low reflecting the sequencing of stopes at the Royal Shoot that were in lower than average grade ore blocks. As a result of these lower mine grades and with slightly increased operating costs, cash costs per ounce increased.

Quarterly production (Sedimentary's share)	Sept Qtr 2006	June Qtr 2006	Mar Qtr 2006	Dec Qtr 2005
Ore treated - tonnes (000's)	29	27	25	24
Ore - grade (g/t Au)	8.8	11.0	11.2	12.2
Recovery (%)	93	94	95	94
Gold (000's ounces)	7.4	9.1	8.3	9.1
Cash cost (A\$/oz)	369	338	259	255

- A total of 1,319 metres of lateral development including declining was completed during the quarter. The Royal decline was completed at an RL of 1,869 metres, one level below the original design. The Crown decline is now at an RL of 1,910 metres with ore development taking place on four levels.

## CRACOW MINE SITE



- In August, Sedimentary announced an Inferred Resource on the Kilkenny zone of mineralisation at Cracow of 108,000 ounces (attributable to SED) from a total of 950,000 tonnes at 12 g/t gold and 4.6 g/t silver. Included in the new estimate is a new intersection reported below:

CBK189W\_1 4.35 metres 3 metres (estimated true width) @ 20 g/t Au from 864 metres

This result represents the deepest intersection of significant mineralisation at Kilkenny.

## INDOPHIL RESOURCES NL - PHILIPPINES/COPPER & GOLD (AUSELECT – 8.6%)

- In October, Indophil announced that the \$27 million Pre-Feasibility Study (PFS) for the Tampakan Copper Gold Project in southern Philippines has been delivered on time and on budget. The key results of the PFS are:

Resources (0.3% copper cut-off)	2 billion tonnes containing: 11.6 million tonnes of copper 14.6 million ounces of gold
Mining rate	30 million tonnes per annum
Average production	210,000 tonnes of copper per annum 218,000 ounces of gold per annum
Capital cost	US\$1.4 billion (plus US\$0.5 billion other infrastructure costs)
Cash operating cost	< US\$0.70 per pound of copper
Long term operating cost	< US\$7.00 per tonne of ore milled

- Xstrata Copper holds an option to acquire a 62.5% interest in the Tampakan Project. On 1 November, Xstrata advised Indophil of its decision, under the terms of its option agreement, to sole fund further work to advance the project study process, prior to Xstrata making a decision to exercise its option. Indophil will continue to manage the project. Xstrata must determine its position on the option exercise as soon as possible but no later than 31 December 2007. Xstrata must pay Indophil approximately A\$50 million if the option is exercised prior to 31 December 2006, and approximately A\$60 million after that and prior to 31 December 2007.
- Subsequent to quarter end, Indophil announced that Mr Dick Potts will join the Board of Indophil. Mr Potts will replace Mr Peter Maloney, the AuSelect nominee on the Indophil Board. Mr Maloney is stepping down as a result of work commitments with AuSelect. Mr Potts, a mining engineer by profession, has over 40 years experience in the minerals industry and has held senior management and consulting roles with a number of companies, including Rio Tinto plc, Pasminco Mining Limited and Mount Isa Mines Holdings Limited.

**AFRICAN LION LTD – AFL (AUSELECT – 29.8%)**  
**AFRICAN LION 2 LTD – AFL2 (AUSELECT – 18.6%)**

- Funds Summary

Both funds have continued their strong performances increasing by more than 5% each in value over the quarter. Both AFL and AFL2 received shares in Shield Mining Limited (Shield), which was spun out of Sphere Investments Limited (Sphere). Shield has early stage gold and base metal projects in Mauritania.

AFL has returned initial capital and dividends (US\$47.3 million) to shareholders and has a portfolio valued at US\$53 million at the end of the quarter. AFL has ceased active investment.

AFL2 is now two years into its active investment phase and has seven investments with an eighth investment, Kasbah Resources (Kasbah), made subsequent to quarter end. Kasbah is an unlisted tin exploration company focused in Morocco.

- Funds Performance

<b>Combined African Lion Funds:</b>	<b>US\$m</b>
Funds committed	68.3
Funds returned to shareholders	47.3
Current portfolio value (after tax)	111.2
Total fund value and returns (after tax)	158.5

- Funds Activities

A follow on investment was made by AFL2 in Albidon Limited (US\$2.5 million) at A\$1.20 per share for a further 2.8 million shares. This was part of a US\$35 million capital raising undertaken by Albidon and resulted in AFL2 slightly increasing its shareholding to 7.6%.

In September, both AFL and AFL2 received an in specie distribution of Shield shares through their respective holding in Sphere. Shield listed on the ASX in late September (ASX: SHX).

- Platmin Limited, Bushveld South Africa - PGMs (AFL 7.2%/ AFL2 3.5%)

Following the successful listing of Platmin Limited (Platmin) on the AIM and TSX, Platmin has continued feasibility work on the Pilanesberg project and has recently commenced a major drilling program on the M'Phatlele project.

Moepi Capital (a broad-based Black Economic Empowerment (BEE) company that invests primarily in the resources sector) has acquired the interests of two existing BEE shareholders in two of Platmin's South African subsidiaries. This has consolidated the project ownership structure in South Africa without changing Platmin's beneficial interest or attributable resources in its projects.

- Albidon Limited, Zambia - nickel/PGMs (AFL 15.2%/ AFL2 7.6%)

Albidon successfully raised US\$35 million to fund the Munali Nickel Project in Zambia. AFL2 participated in the raising by investing a further US\$2.5 million taking its total investment in Albidon to US\$7.3 million. Development of the Enterprise Nickel Deposit at Munali has begun, along with initial excavation of the box cut and construction of site access roads and associated infrastructure.

Drilling within the resource boundaries at Enterprise has intersected further encouraging results including hole MAD217: 6.5 metres at 2.5% nickel, 0.45% copper, 0.14% cobalt and 1.52 g/t platinum + palladium.

Work is continuing on banking and off-take discussions for the Munali project.

- Mineral Deposits Limited, Senegal – mineral sands/gold (AFL2 3.5%)

At the Sabodala deposit, step-out drilling has intercepted further high grade gold intersections:

14.0 metres	at	6.8 g/t Au	from 351 metres (all downhole)
7.8 metres	at	6.8 g/t Au	from 172 metres
24.0 metres	at	3.9 g/t Au	from 183 metres

MDL was invited during the quarter to formally start negotiating with the Senegalese government for a Mining Lease for Sabodala. This process is due to be completed by the end of 2006.

- Sphere Investments Limited, Mauritania – iron ore (AFL 3.4%/ AFL2 5.6%)

Sphere has announced a substantial resource increase at the Guelb el Aouj project, now approximately 1.0 billion tonnes total at El Aouj East and Central. The resource increase includes 188 million tonnes of Measured Resource at the East deposit. This should underpin a significant long life (>30 year) project.

Sphere recently announced encouraging ground water flows from a hydrogeological drilling program. If successful this program will provide on-site processing options for Sphere.

- Shield Mining Limited, Mauritania – base metals (AFL 2.6%/ AFL2 4.3%)

Shield successfully listed on the ASX in late September, with a portfolio of early stage base metal and gold projects in Mauritania.

- Birim Goldfields Inc, Ghana - gold (AFL2 5.5%)

Birim has successfully completed a follow-up drilling program along a 1,600 metre strike extent on its nine kilometre long Chert Ridge prospect in Ghana. Two zones of mineralisation have been identified. The first has a strike potential of approximately 300 metres and with intercepts of 10 metres at 2.23 g/t gold and 12 metres at 3.09 g/t gold. The second has a strike potential of approximately 400 metres. This zone has returned intercepts of 11 metres at 1.42 g/t gold and 10 metres at 4.79 g/t gold which are 160 metres apart.

- Adamus Resources Limited, Ghana - gold (AFL2 4.1%)

Adamus completed 25,000 metres of infill drilling at the Salman Deposit as well as finalising all metallurgical, hydrological and geotechnical drilling at both the Salman and Anwia deposits. Adamus' Feasibility Study remains scheduled for completion in the first quarter of 2007. A draft scoping study document outlining proposed project development has been submitted and accepted by the Environmental Protection Agency.

Exploration drilling during the quarter at Anwia South successfully intersected consistent high grade mineralisation over 350 metres of strike and included intercepts up to 2.4 metres at 14.3 g/t, 7.9 metres at 10.8 g/t, and 3.1 metres at 12.7 g/t gold.

**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**

- Asian Lion commenced operations on 1 July in anticipation of drawdown, which occurred on October 16. The founding shareholders are ABN Amro, AuSelect, IFC and Proparco, who have collectively committed US\$21.6 million to the fund. A second fundraising to increase the fund size from US\$21.6 million, to up to US\$40 million, is possible in the New Year, given the significant number of investment opportunities that have already been identified.
- During the quarter, three Asian country visits were made to consider sovereign risk, prioritise opportunities, and to make selective site visits. Asian Lion intends to commence making investments in early 2007.

### **WESTONIA MINES LIMITED - WESTERN AUSTRALIA/GOLD (AUSELECT – 0.4%)**

- Following the completion of the feasibility study into the redevelopment of the Westonia Gold Mine last quarter, Westonia is implementing a number of initiatives which are expected to incrementally improve project economics. Discussions are continuing with potential financiers.
- On 10 November, Westonia announced an underwritten renounceable rights issue, to raise \$6.1 million before costs. The rights issue offers 1 new share for every 4 shares held, at an application price of 10 cents per share. The majority of funds raised will be applied to the dismantling and transportation of the Big Bell plant to the Westonia mine site, as well as to plant site rehabilitation at Big Bell.
- Westonia reported success at the near-mine Greenfinch and Golden Point prospects during the quarter.
  - Drilling at Greenfinch to quarter end and subsequent geological modelling has produced an Inferred Resource to approximately 130 metres depth of 1.71 million tonnes at 1.3 g/t gold for 72,900 ounces (0.7 g/t cut off grade). Infill drilling at Greenfinch to upgrade to Indicated Resources, and strike extension drilling, commenced subsequent to quarter end.
  - At the Golden Point prospect, a four hole RC drill program intercepted narrow, high grade mineralisation in close proximity to the underground decline. Westonia expects to drill test the strike and down-dip extension potential of these holes prior to the end of 2006.
- In October, Westonia announced that Mr John Rowe had joined the Board as a Non Executive Director. Mr Rowe brings a wealth of geological and business development skills to the company.

### **LAFAYETTE MINING LIMITED - PHILIPPINES/POLYMETALLIC (AUSELECT – 5.1%)**

- At the Rapu Rapu polymetallic mine in the Philippines, process plant commissioning is proceeding with encouraging results.
- On 24 August, Lafayette received regulatory approval to commence the third and final stage of the Temporary Lifting Order (TLO) test run. This stage allowed the processing plant to ramp up progressively to full capacity and produce both copper and zinc concentrates.

On 14 September, Lafayette announced that a 60 day extension of the test run had been granted, allowing Lafayette to generate more data to demonstrate the efficacy of its environmental management systems under 'steady state' commercial operating conditions, and time to prepare and present a robust case for the granting of a Permanent Lifting Order (PLO). A further 30 day extension was announced by Lafayette on 9 November.

- In late September, a severe typhoon struck the eastern and northern parts of the Philippines. Fortunately, the only damage suffered by Rapu Rapu was to non-critical areas. Despite the direct hit of the typhoon, all critical operational areas, including the tailings dams and processing plant, were undamaged.

- Subsequent to the end of the quarter, Lafayette announced that the process plant was performing satisfactorily and that a total of 1,200 tonnes of marketable concentrates had been stockpiled.
- Various initiatives have been completed and others are in train to address working capital issues arising from the delays associated with the TLO process. These include standby loan facilities totalling US\$18 million, precious metal hedge restructures and rollovers, and the settlement of base metal forward sale contracts maturing at the end of September 2006, with the drawdown of additional project debt of US\$13.5 million.
- In October, Lafayette announced the terms of a convertible note issue, that will provide additional working capital and funding for an accelerated exploration program to extend mine life. Shareholder approval for the issue has been obtained and the transaction documents are under negotiation.
- Lafayette continues to stockpile commercial grade copper and zinc concentrates.
- Lafayette remains confident that a PLO will be granted in the near future, while in the meantime Lafayette continues to operate normally under the authority of the TLO.

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

- On 9 October, Perseverance Corporation (Perseverance), a Victorian based gold operator, announced an off-market takeover offer to acquire all of the shares in Leviathan. Under the offer, Leviathan shareholders will receive 1.7 Perseverance ordinary shares for each Leviathan ordinary share, which implies a value of 56.1 cents per share based on the closing price of Perseverance shares of 33.0 cents on 6 October 2006.

Stawell Gold Mine (LVR – 100%)	Sept Qtr 2006	June Qtr 2006	March Qtr 2006	Dec Qtr 2005
<b>Quarterly production</b>				
Ore treated - tonnes (million)	0.19	0.20	0.19	0.21
Ore - grade (g/t Au)	4.7	4.5	4.6	5.0
Recovery (%)	90	92	91	92
Gold (000's ounces)	26.6	26.6	24.9	29.6
Cash cost (A\$/oz)	459	476	501	462

#### **AUSTINDO RESOURCES CORPORATION NL – INDONESIA /GOLD (AUSELECT – 0.7%)**

- Austindo reported that further investigation into the total project cost for the Cibaliung Gold Project in Indonesia had been undertaken, and that significant additional costs have been identified. Subsequent to quarter end, Austindo advised that additional equity in the order of US\$20 million will need to be raised to complete the development of the project.
- Decline development at Cibaliung, which commenced in July, has not advanced at a satisfactory rate. An alternate plan to undertake limited hand held mining operations while



decline development continues is being investigated. Subsequent to quarter end, Austindo advised that decline development continued to progress at an unsatisfactory rate. Remedial work will need to take place to address the causes of the delay. This remedial work and the consequent delay in the development of the decline will have a significant cost impact on the project.

- A first gold pour is currently contemplated for May 2007.
- An independent review of cash operating costs at Cibaliung confirmed a US\$215 per ounce average cost over the life of the current project.
- Diamond drilling at Cibaliung commenced in the quarter with the objective of identifying additional resources. Narrow mineralised vein intersections were drilled at Ramada, located within two kilometres of the Cibaliung mine site.
- Regional exploration was undertaken during the quarter, with encouraging results received from continuous-chip sampling at the Trenggalek Project in East Java. Austindo anticipates drill testing will commence in early 2007. Anglo American has commenced drilling at the Aisajar Project in Papua, exploring for copper gold porphyries, under the strategic alliance with Austindo.

## ANNUAL GENERAL MEETING

The 2006 AuSelect Annual General Meeting will be held in Melbourne on Friday 8 December. The meeting will commence at 10.15am (or as soon thereafter as the annual general meeting of Lion Selection Group Limited has concluded or been adjourned) in the Telstra Theatre, Telstra Conference Centre, Level 1, 242 Exhibition Street (Corner of Lonsdale and Exhibition St), Melbourne, Victoria.

## INVESTMENT BRIEFINGS

The joint AuSelect and Lion investment briefings, which were originally planned for November, will now be taking place in Sydney, Brisbane, Adelaide, Perth and New Zealand commencing Tuesday 12 December 2006. The briefing presentation for Melbourne will be given at the AuSelect AGM on Friday 8 December 2006 (details above). An invitation to the briefings, including details of the dates, times and venues, will be sent out to shareholders with this quarterly report.

## SHAREHOLDER INFORMATION

Issued shares:	110.4 million	Share price at quarter end:	\$1.13
Quarter high:	\$1.45	Quarter low:	\$1.10
Volume traded:	3.1 million	NTA after tax:	\$1.33

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