



AuSelect Limited
Annual General Meeting, 8th December 2006

Chairman's Address

This is our second full year of operation, and shareholders will have noted that we have reported a pre-tax profit of \$36 million. Shareholders should be aware that this result is our first using the Australian equivalent of International Reporting Standards, and includes the result of “mark to market” of our investment portfolio. We will now be obliged to report our results annually in this way, and therefore volatility can be expected as markets and commodity values rise and fall.

Whilst the progress of the Company's investment funds and direct investments is of vital importance, this year the merger with Sedimentary Holdings Ltd. required much attention. The acquisition of Sedimentary, and thereby its 30% interest in the high grade epithermal gold deposit in the Cracow goldfield in Queensland, was a new departure for the company and its Managers, but consistent with the AuSelect prospectus. This is a significant deposit, and one with great exploration potential. It is well managed by Newcrest Mining Limited, which owns the other 70%. Your company attaches great importance to the significance of gold in the world economy, and this is the first attempt to secure a share of actual gold output from a producing mine.

As a result of the Sedimentary acquisition, we have approximately 1,800 new shareholders. I welcome them to AuSelect, and look forward to a long association.

When I addressed you this time last year, the price of gold was circa US\$500 per ounce. Today we are looking at around US\$630 per ounce, an increase of 26% for the period. Gold production from the principal producers, South Africa, The US, and Australia, continues to decline, and the demand from the increasingly wealthy Indian and Chinese middle classes, would seem to ensure a continuing upward trend in price. There are stories that the Chinese

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Central Bank has been a buyer of gold, as it seeks to reduce their holdings of US dollars. The wariness of the American dollar continues internationally, and this must have a flow on effect in the perception and value of gold. We will be eyeing other opportunities.

In contrast to the Australian Government, the Chinese Government has been active in the promotion of its gold mining and exploration activities. It has already climbed to position number four in the world, with an effective liberalisation of this sector of their economy since the early 2000's. It is not inconceivable that they could knock out South Africa, the US and Australia, for the world's top slot in the not too distant future.

What the future holds for Australia is hard to predict. The Government has been asked, time and time again, to introduce a Flow-Through Share Scheme, to encourage actual exploration, a financial device which has been so successful in Canada. Treasury seems to have a notion that the present spate of small companies tapping the market indicates that exploration is booming. They do not seem to understand the serious inroads into these small capital raisings that will be absorbed by the costs of land access and the payroll. The cost of technical staff, and the consultants required to fill the gap from the years of education neglect, will subsume much of these small, under \$5 million capital raisings, for so called exploration. For the nation to be intact 10 years from now, a resumption of serious green fields exploration is essential, and this will require major investment by well backed companies.

With the acquisition of Sedimentary Holdings, the Company now has a net asset backing after tax, of \$1.40 per share, or a worth of say \$160 million. In market terms this is much too small to attract serious attention by the market makers. It just doesn't come up on the radar screen. This company was spawned from Lion Selection Group Limited, and indeed many of our shareholders, also are investors in Lion. In order to present to the market an entity that would be much bigger, and therefore attract more attention, the Directors believe that it may be in the best interests of shareholders to merge with Lion, and with the same Manager, produce an entity with an asset

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backing of \$350 million, as a new base on which to build. As a result, discussions are occurring between the two companies in relation to a possible recommended merger.

After the close of this meeting, Robin Widdup will give a presentation to the combined shareholders of both the Company and Lion Selection Group Limited to outline the nature of this merger proposal which, if terms can be agreed and no roadblocks are identified, will be submitted to shareholders.

As a result of the discussions on merger, directors have deferred the implementation of the Share Purchase Plan and the Share Sale Facility, announced on 9 November 2006, as these proposals may become redundant.

In conclusion, I want to say thank you to my board colleagues for their support during the year, and to Robin Widdup and his management team for another successful year. Finally, to you our shareholders many thanks for your continued backing over this past year. It is much appreciated.

Thank you,

E.W.J. Tyler
8th December, 2006