



AuSelect Limited Quarterly Report for the 3 months ended 31 January 2007

PROPOSED MERGER

- Proposed merger of AuSelect with Lion Selection Group Limited.
- Scheme Booklets to be dispatched to shareholders on 28 February 2007.
- Shareholder meeting – 3 April 2007.

KEY POINTS

- **Cracow Gold Mine** ■ 8,400 ounces attributable gold production at A\$321/ounce cash cost.
- **African Lion** ■ Fund value to AuSelect up by 43% this quarter.
- **Indophil** ■ Xstrata to pay \$50 million to exercise 62.5% Tampakan option on 30 March 2007.
- New Tampakan cross sections at 0.3% copper cut-off grade shows a large expansion of the mineralised envelope.

INVESTMENT SUMMARY TABLE

Investment	ASX Code	Country/Activity	AUS Holding %	Amount Invested \$m	Market Value \$m
At 31/01/2007					
African Lion (AFL & AFL2) – AuSelect indirect share of African Lion Investments					
Albidon Limited	ALB	Africa – explorer/Zambia – nickel	6.0	3.3	17.4
Mineral Deposits	MDL	Senegal – mineral sands/gold	0.7	0.9	4.0
Platmin Limited	PPN-TSX	SA – PGMs	2.7	3.5	20.3
Sphere Investments	SPH	Mauritania – iron ore	2.0	1.1	5.9
Other including cash committed					4.6
Total African Lion investment			26.9	9.1*	52.5
Asian Lion – AuSelect indirect share of Asian Lion Investments					
Total invested (including cash)				1.8	1.8
Cash committed				7.3	7.3
Total Asian Lion Investment			32.4	9.1	9.1
Investments					
Austindo Resources	ARX	Indonesia – gold	0.7	1.5	1.1
Indophil Resources	IRN	Philippines – copper/gold	8.6	11.0	23.6
Intrepid Mines	IAU	Aust/Argentina – gold	9.1	14.6	9.7
Lafayette Mining	LAF	Philippines – polymetallic	5.1	5.0	4.1
Perseverance Corporation	PSV	Australia – gold	1.0	3.7	2.6
Sedimentary Holdings (30% Cracow)	unlisted	Australia – gold	100.0	65.0	65.9
Westonia Mines	WEZ	Australia – gold	0.4	0.2	0.2
Total Investments				120.1	168.9
Net cash					6.7
Total Net Assets before tax					175.6
Total Net Assets after tax					160.7
Net Tangible Asset (NTA) before tax (cents per share)					154.5
Net Tangible Asset (NTA) after tax (cents per share)					141.4

Note: For NTA purposes, all listed investments at market price. * AuSelect investment remaining in the African Lion funds after capital returned.



PROPOSED MERGER – AUSELECT AND LION SELECTION GROUP LIMITED

- In December 2006, the Directors of AuSelect and Lion Selection Group Limited announced that they have agreed, subject to shareholder approval, to merge the two companies (the Recommended Merger) to form a new company, Lion Selection Limited (New Lion).
- The Recommended Merger will result in the formation of a diversified mining company with a portfolio of high quality junior resource investments, which will complement and drive development of a core holding of larger investments and operations to provide capital growth and cash flow.

The Recommended Merger at a Glance:

- Is a merger of equals based on relative net tangible asset (NTA) contributions.
- Will be implemented by way of two schemes of arrangement – the AuSelect scheme and the Lion scheme – importantly allowing both groups of shareholders to vote on the Recommended Merger.
- Terms will be based on the pre-tax NTAs of both companies calculated 5 days prior to the scheme meetings (the Calculation Date).
- The pre-tax NTAs are based on the share price of AuSelect's and Lion's listed investments and, in the case of the Cracow gold mine and exploration assets, (recently acquired by AuSelect through its acquisition of Sedimentary Holdings), the market value of that transaction.
- Based on the pre-tax NTAs of AuSelect and Lion as at 31 December 2006, the shareholders of AuSelect and Lion would receive:

AuSelect: 788 New Lion shares for every 1,000 AuSelect shares held
Lion: 1 New Lion share for each Lion share held
and 61 New Lion options for every 1,000 Lion shares held
- The final terms of the Recommended Merger will be released to ASX on the Calculation Date and will also be available on the AuSelect (www.auselect.com.au) and Lion (www.lionselection.com.au) websites.
- No changes are envisaged to directors and management.

Timing

- The AuSelect shareholder meeting will be held at 10.30am or immediately following the Lion shareholder meeting whichever is later, on Tuesday 3 April 2007 at the Telstra Theatre, Telstra Conference Centre, Level 1, 242 Exhibition Street, Melbourne.
- The Scheme Booklet will be dispatched to shareholders on 28 February 2007.
- If the schemes of arrangement are approved by AuSelect's shareholders and Lion's shareholders respectively, AuSelect intends to seek court approval of the scheme at a further hearing in the Supreme Court in Melbourne which is expected to be held on or about 13 April 2007.
- On the basis of the Court Hearing taking place on 13 April, the last day AuSelect shares trade on the ASX with an entitlement to participate in the AuSelect Scheme will be 16 April 2007.



OPERATIONS/ROYALTIES

CRACOW GOLD MINE – GOLD (AUSELECT – 30%)

- Following compulsory acquisition of Sedimentary Holdings Ltd, AuSelect now holds 100% of Sedimentary and as a result, a 30% interest in the Cracow Gold Mine in central Queensland.
- At Cracow, record mining and milling rates were achieved during the quarter.

Quarterly production (30% share)	Dec Qtr 2006	Sept Qtr 2006	June Qtr 2006	Mar Qtr 2006
Ore treated - tonnes (000's)	29	29	27	25
Ore - grade (g/t Au)	9.7	8.8	11.0	11.2
Recovery (%)	94	93	94	95
Gold (000's ounces)	8.4	7.4	9.1	8.3
Cash cost (A\$/oz)	321	369	338	259

- Drilling during the quarter was focussed on the Kilkenny gold mineralisation where infill drilling is defining the distribution and continuity of high grade gold mineralisation. Five core holes were completed, with a sixth hole in progress at quarter end. Results have been received for three holes with the best result reported:

CBK209	9.5 metres	7.2 metres (estimated true width)	@ 5.8 g/t Au	from 825 metres
including	2.6 metres	1.9 metres (estimated true width)	@ 15 g/t Au	from 831 metres

INVESTEES

AFRICAN LION LTD – AFL (AUSELECT – 29.8%)

AFRICAN LION 2 LTD – AFL2 (AUSELECT – 18.6%)

- The AFL funds have increased in value to AuSelect by 43% this quarter. Over the 12 months to January 2007, the value of African Lion funds to AuSelect doubled from A\$26.5 million to A\$52.5 million.
- AFL has returned initial capital and dividends (US\$47.3 million) to shareholders and has a portfolio valued at US\$79 million at the end of the quarter. AFL has ceased active investment.
- AFL2 is now over two years into its active investment phase and has ten investments with Kasbah Resources, Copperbelt Minerals and African Energy added during the quarter. AFL2 has now invested US\$25 million of the US\$34.6 million committed.
- Funds Performance

Combined African Lion Funds:	US\$m
Funds committed	68.3
Funds returned to shareholders	47.3
Current portfolio value	153.4
Total fund value and returns	200.7

- Platmin Limited, Bushveld South Africa - PGMs (AFL 7.0%/ AFL2 3.4%)

Platmin continue to progress its key projects. Pilanesberg has moved into feasibility and an aggressive drill out of the M'Phatlele resource is underway. A revised resource estimate is anticipated during the first half of this year.

The company has achieved the required conversion to new order mining rights at Pilanesberg, M'Phatlele and Grootboom. This is a prerequisite for the granting of Mining Licences. The level of Black Empowerment (BEE) Compliance (27.6%) now exceeds the level required by the South African Mining Charter (26%).

Platmin has initiated a review to investigate the ability to leverage off its growing resource base by smelting its own concentrate.

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

During the quarter Albidon signed an Offtake Agreement with Jinchuan Group Limited for the purchase of nickel concentrates from the Munali Nickel Project over the life of the project. This is a major milestone for Albidon and the Munali project. The agreement includes an offtake financing package of US\$20 million of subordinated debt finance and an equity investment of US\$5 million in Albidon to be made by Jinchuan.

In January, Albidon mandated The European Investment Bank and Barclays Capital to act as joint Lead Arrangers in providing finance of up to US\$60 million for Munali. Subsequently Albidon has been able to sign contracts on the long lead items for Munali including the ball mills and power supply.

Albidon has signed an agreement with Zinifex Limited providing Zinifex with an option to earn into Albidon's Tunisian projects.

- Sphere Investments Limited, Mauritania – iron ore (AFL 3.4%/ AFL2 5.5%)

Sphere has made considerable progress at the Guelb el Aouj iron ore project in Mauritania. A first ore reserve for the East project was estimated at 472 million tonnes at 36% Fe. This should underpin a greater than 30 year mine life.

Subsequent to quarter end, Sphere released PFS results highlighting the low strip ratio (1.1:1.0) and favourable processing testwork. Hydrogeological drilling is ongoing and success will be essential to the progress of on site processing options.

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

During January, MDL and the Senegalese Government executed the supplementary deed to the existing Mining Convention for the development of the Sabodala Gold Project. The supplementary deed grants the company conversion of the existing Exploitation Permit to a Mining Concession (Mining Lease). As a formality, MDL now awaits execution of the Presidential Decree and the final Notification Letter granting the mining title. This is a significant step in the development of Sabodala.

A new east zone at Sabodala has been discovered as a result of step-out drilling. Highly encouraging intersections, representing a flat-lying structure some 50 metres east of the known mineralised gold zone and only 100 metres vertically from the surface. Significant gold intersections include (all holes inclined at 60 degrees and downhole):

36.6 metres	@	5.9 g/t Au	from	121 metres
14 metres	@	7.0 g/t Au	from	231 metres
19 metres	@	5.7 g/t Au	from	120 metres
32 metres	@	5.1 g/t Au	from	165 metres

- Kasbah Resources, Morocco - tin (AFL2 6.3%)

- New investment US\$0.4 million.
- IPO planned mid 2007.

Kasbah has an option to acquire the Achmmach and El Karit tin projects in Morocco. The company is also looking to find additional projects in North Africa. A Pre-Feasibility Study of Achmmach is in progress.

- Copperbelt Minerals, DRC - copper/cobalt (AFL2 2.3%)

- New investment US\$0.5 million.
- Exploration company, IPO planned late 2007.

Copperbelt Minerals, has two key project areas in the Kolwezi region of the Katanga Province of the D.R.C. These project areas, Deziwa and Écaille C, both prospective for copper-cobalt, and are in joint venture with the state run company Gécamines. Copperbelt Minerals can earn up to 75% of each project by completing a feasibility study.

Initial drilling results from an ongoing program at Deziwa have highlighted a shallow oxide copper system, results include:

85 metres	@	3.3% Cu	1.0% Co	from	20 metres
75 metres	@	5.3% Cu	0.1% Co	from	55 metres
32 metres	@	2.9% Cu	1.8% Co	from	13 metres

- African Energy Resources, Zambia - uranium (AFL2 1.9%)

- New investment US\$0.5 million.
- IPO planned first half of 2007.

African Energy is exploring for uranium in Southern Zambia. A number of the project areas are in joint venture with Albidon Limited where African Energy has the ability to earn a 70% interest. The most advanced project, Njame North, has an Inferred Resource of:

5.5 million tonnes @ 400 ppm U₃O₈ for 2,300 tonnes U₃O₈ (cut off grade 200 ppm U₃O₈)

More information on the African Lion funds is available on the website www.afl.co.za

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

- Following Xstrata Copper's decision in November 2006 to sole fund further work at the Tampakan copper gold project in the Philippines, Xstrata advised Indophil in December that it was exercising its option to acquire a 62.5% interest in the Tampakan resource. Indophil and Xstrata are now working through a period of transition, with management handover scheduled for 30 March 2007. As part of the option agreement, Xstrata will pay Indophil approximately A\$50 million. The beneficial ownership in Tampakan will be Xstrata 62.5%, Indophil 32.5% and Filipino partner, Alsons Corporation 5%.

- In October 2006, Indophil announced the completion of the Pre Feasibility Study (PFS), confirming the Tampakan deposit as a two billion tonne resource containing 11.6 million tonnes of copper and 14.6 million ounces of gold at a 0.3% copper cut-off grade. Following the PFS completion, Indophil continue to work with Xstrata to develop the work program, including a definitive feasibility study to advance Tampakan.
- During the quarter, an Environmental Impact Statement (EIS) covering the Tampakan concession area was completed and submitted to the Philippine authorities. The EIS is part of the documentation required for a Declaration of Mining Feasibility.
- Indophil reported a number of Board and management changes. On 15 November 2006, Indophil announced that Mr Richard (Dick) Potts had joined the Board of Indophil, replacing Mr Peter Maloney, the AuSelect nominee on the Indophil Board. On 8 December, Indophil announced that Mr Kyle Wightman was joining the Indophil Board as a Non Executive Director.
- Geological cross sections of Tampakan showing the 0.3% copper cut-off contour were released for the first time and show a large expansion of the mineralised envelope compared with previous Tampakan sections, shown at a 0.5% copper cut-off.

PERSEVERANCE CORPORATION LIMITED – AUSTRALIA/GOLD (AUSELECT – 1.0%)

- In October 2006, Perseverance, a Victorian based gold operator, announced a takeover offer to acquire all of the shares in Leviathan and this proceeded to compulsory acquisition in January 2007. Leviathan shares ceased trading and were subsequently removed from the ASX on 25 January 2007.
- Acquisition of Leviathan's Stawell Gold Mine, adds to Perseverance's operation at the Fosterville Gold Mine, east of Bendigo in Victoria. Upon completion of the acquisition, Perseverance will produce in excess of 200,000 ounces of gold annually and control the largest tenement holding in Victoria.
- Gold production for the consolidated operations was 48,901 ounces at a cash cost of \$458 per ounce.

Quarterly production	Dec Qtr 2006	Sept Qtr 2006
Stawell Gold (000's ounces)	26.8	26.6
Stawell Cash cost (A\$/oz)	464	459
Fosterville Gold (000's ounces)	22.1	20.4
Fosterville Cash cost (A\$/oz)	450	488

- The Fosterville mine is based on an integrated open pit and underground mining operation and the treatment of approximately 800,000 - 1,000,000 tonnes per annum of ore and will produce 90,000 to 130,000 ounces of gold per year for approximately 8 to 10 years.

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

- On 8 February 2007, the Secretary of the Department of Environment and Natural Resources (DENR), announced a final lifting order (FLO) terminating all proceedings against Rapu Rapu Processing Inc, confirming that all conditions and requirements set by the DENR have been fully complied with. The FLO authorised RRPI to immediately resume production of copper and zinc concentrates from the Rapu Rapu base metals plant.
- Lafayette reported initial estimates of the cost (US\$6 million) and time (6-8 weeks) to repair critical damage resulting from Supertyphoon Reming which struck the eastern and northern parts of the Philippines in late November. No injuries were sustained at the Rapu Rapu minesite, however damage significantly affected offices, accommodation buildings and wharf facilities. Importantly, all environmental structures were undamaged and a safe freeboard level was maintained in the tailings dam. Routine production of on-specification copper and zinc concentrates had been established during November, prior to the Supertyphoon.
- Lafayette moved immediately following Reming to establish a US\$10 million multi option, working capital facility with project banks to fund the restoration program and provide a working capital buffer. This, together with revenue received and receivable from the sale of stockpiled concentrates, and expected insurance cover provides sufficient funding to bridge the production delay.
- Project stakeholders have demonstrated continuing support in a tangible manner with the implementation of stockpile financing arrangements with the project offtaker, LG International, and the management of base and precious metal forward sale commitments with the hedge banks, as well as support for the reconstruction effort from Leighton Contractors. In mid-February the reconstruction was proceeding to schedule and budget. All damage including the wharf is expected to be repaired by May 2007.
- In mid February, financial completion of the previously announced US\$15 million convertible note with Singapore fund SEASAF and others was finalised. This funding will protect the working capital position during ramp up in the first quarter of 2007 and provides US\$3 million for accelerated near mine and regional exploration.

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

- During the quarter, Westonia completed a renounceable rights issue, raising \$6.1 million to disassemble and relocate the Big Bell plant to the Westonia Gold Mine in Western Australia. The rights issue was over-subscribed.
- Westonia awarded a \$5.2 million fixed lump sum price contract for the disassembly, relocation of the Big Bell plant, and rehabilitation of the original plant site. The dismantling and relocation of the Big Bell plant commenced in January 2007.
- Near-mine exploration at Greenfinch shows that the tenor of assay grades from the resource infill drilling supports those previously reported. The latest results include a best intercept of 4 metres at 57.4 g/t gold from 106 metres. Resource and reserve estimations for Greenfinch are expected to be completed during February 2007.
- An airborne survey of the remainder of Westonia's regional tenements is scheduled to occur in March 2007, with drill testing of priority targets to start in the June 2007 quarter.



ASIAN LION FUND (AUSELECT – 32.4%)

- Asian Lion continued the process of country reviews and company assessments.
- The first Asian Lion investment of US\$2 million in TSX listed Mindoro Resources, was completed in December 2006.
- Mindoro is focussed on the discovery of major porphyry copper-gold and epithermal gold systems in the Philippines. Resource delineation drilling is in progress at the Kay Tanda epithermal gold prospect, located southwest of Manila, where high grade feeder zones were recently intersected. Drilling is commencing on the Calo porphyry copper-gold target. The company has identified a number of porphyry copper-gold prospects and a nickel laterite prospect in the Philippines and has an aggressive strategy of drilling multiple targets in 2007.

INTREPID MINES LIMITED – AUSTRALIA/ARGENTINA GOLD (AUSELECT 9.1%)

- As a result of the acquisition of Sedimentary Holdings Ltd, AuSelect has a 9.1% shareholding in Intrepid Mines Limited, a Canadian and Australian listed gold and silver mining company.
- The Paulsens Mine, located 180 kilometres west of Paraburdoo in Western Australia, is the Company's producing property. This is a 250,000 tonnes per annum underground mine and was based on 1.44 million tonnes of Indicated and Inferred Resource (541,300 ounces). The operation was planned with an average grade of 10 g/t, for projected production of approximately 80,000 oz per year for a minimum of five years, and was commissioned in May 2005.
- Paulsens' gold production for the December quarter was below forecast following poor mine to mill grade reconciliation. Intrepid has initiated a formal review of operations to identify the cause of the grade variance. The review is ongoing with completion anticipated in the current quarter.
- Intrepid also has an advanced development property, Casposo gold-silver project, located in the San Juan Province in Argentina, and its exploration properties are located in Argentina, El Salvador, Mexico, Australia and Canada.
- Feasibility study consultant AMEC completed field and technical components of a study into the Casposo project. A final feasibility document is expected to be released early in 2007.
- The company completed a US\$7.7 million raising (at C\$0.70 per unit), in late December 2006.

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

- Ongoing problems with the decline development, including a collapse burying the tunnel boring machine, has resulted in significant delays to project development. An alternative plan for the decline, using conventional drilling and blasting with a different mining contractor, is being reviewed. Until the review is finished, the final cost to complete the access to the orebody, and timing of the first gold pour, cannot be accurately stated. The gold plant construction is approximately 80% complete, however the contractor has demobilised and all other major works on site have been put on hold in order to conserve cash until additional finance is arranged.



- Additional debt and equity is being sought to complete the project. Conditional approval has been given by ANZ, the project financier, for a further US\$5 million. At this time the company estimates additional equity in the order of US\$20 million will be required.
- The company has recently drawn on a US\$5 million bridging facility provided by the major shareholder PT Austindo Nusantara Jaya, the Chief Operating Officer Mr Hermani Soeprapto, Non-Executive Director Mr John Carlile, and AuSelect. AuSelect committed US\$0.75 million within this bridging facility.

SHAREHOLDER INFORMATION

Issued shares:	113.7 million	Share price at quarter end:	\$1.22
Quarter high:	\$1.23	Quarter low:	\$1.11
Volume traded:	9.9 million	NTA after tax:	\$1.41

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