



## AuSelect Limited

### Quarterly Report for the 3 months ended 31 July 2004

#### KEY POINTS

***AuSelect has been actively reviewing and updating valuations of potential investments since listing in May. Around \$9 million has been committed or invested of the \$30 million funds available. Some specific targets for significant investment are now awaiting either timing or opportunity.***

- **Indophil Resources**
  - *World class resource announced for Tampakan copper – gold project*
  - *Metallurgical testwork gives good results for copper recovery of around 90%*
- **African Lion**
  - *Fund Two commencement expected in September*
  - *AuSelect committed US\$6 million of the US\$19 million initial fund and US\$25 million total anticipated fund size*
- **Gallery Gold**
  - *Mupane Gold Mine construction on schedule. Gold production imminent*
  - *3 satellite deposits identified at Mupane potentially add mine life*
  - *Exploration success expands Buckreef Gold project in Tanzania*
- **Westonia Mines**
  - *Small new investment post quarter end*

#### INVESTMENT SUMMARY TABLE

Investment	ASX Code	Country/Activity	AUS Holding %	Amount Invested \$m	Market Value \$m
<b>At 30/07/04</b>					
<b>Unlisted Investments</b>					
African Lion (AFL)		Africa - mining investment	14.8	4.9	6.1
AFL Options		Africa – management incentive	53.8	0.0	1.7
<b>Listed Investments</b>					
Austindo Resources	ARX	Indonesia/Aust – gold	1.5	0.5	0.4
Equinox Minerals	EQN	Zambia/Aust – copper/gold	5.3	1.3	3.3
Gallery Gold	GGN	Botswana/Tanzania – gold	1.9	1.2	2.2
Indophil Resources	IRN	Philippines - copper/gold	3.5	1.0	2.4
Sedimentary Holdings	SED	Australia – gold	2.4	0.7	1.3
Total Investments				9.7	17.5
Net Cash					33.1
Total Net Assets					50.6
Net Asset Value (NAV) before tax (cents per share)					98.6
Net Asset Value (NAV) after tax (cents per share)					94.0

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

**INVESTEE UPDATE**

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

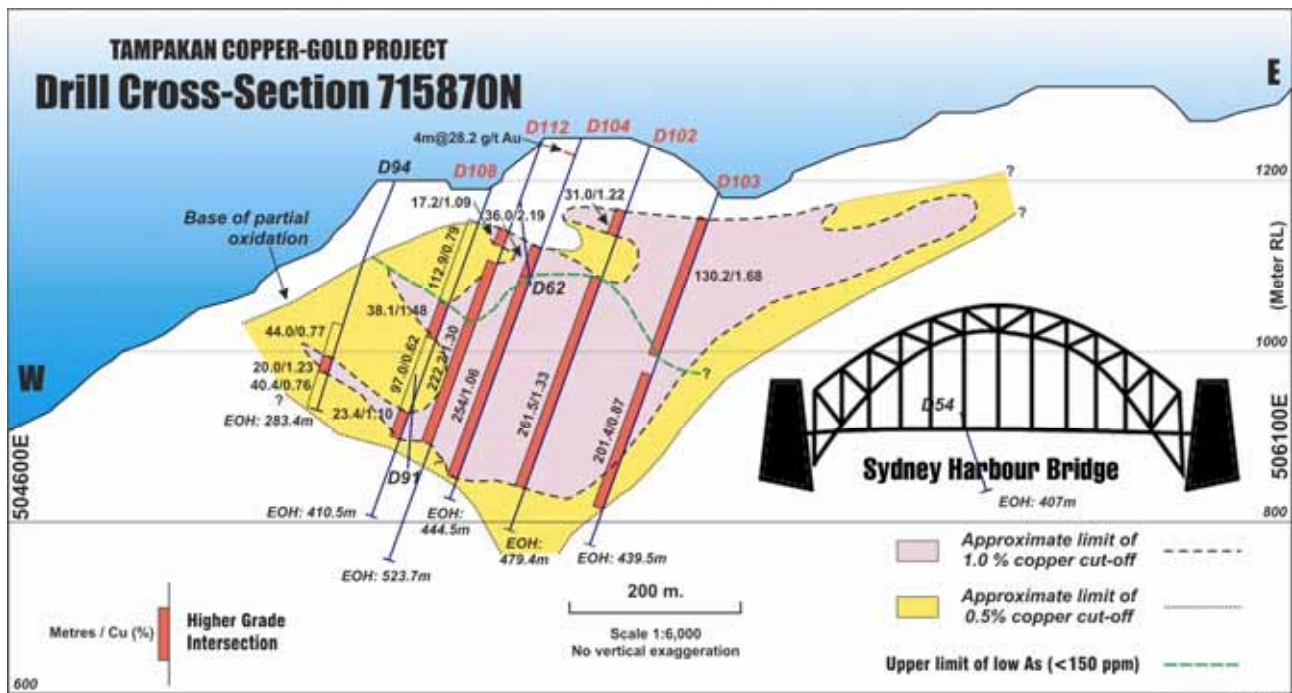
Excellent progress has been made on the Tampakan copper-gold project in the Philippines. A JORC Code standard resource estimate was reported by Indophil for the first time and demonstrated a World Class resource capable of supporting a large copper mine for over 50 years.

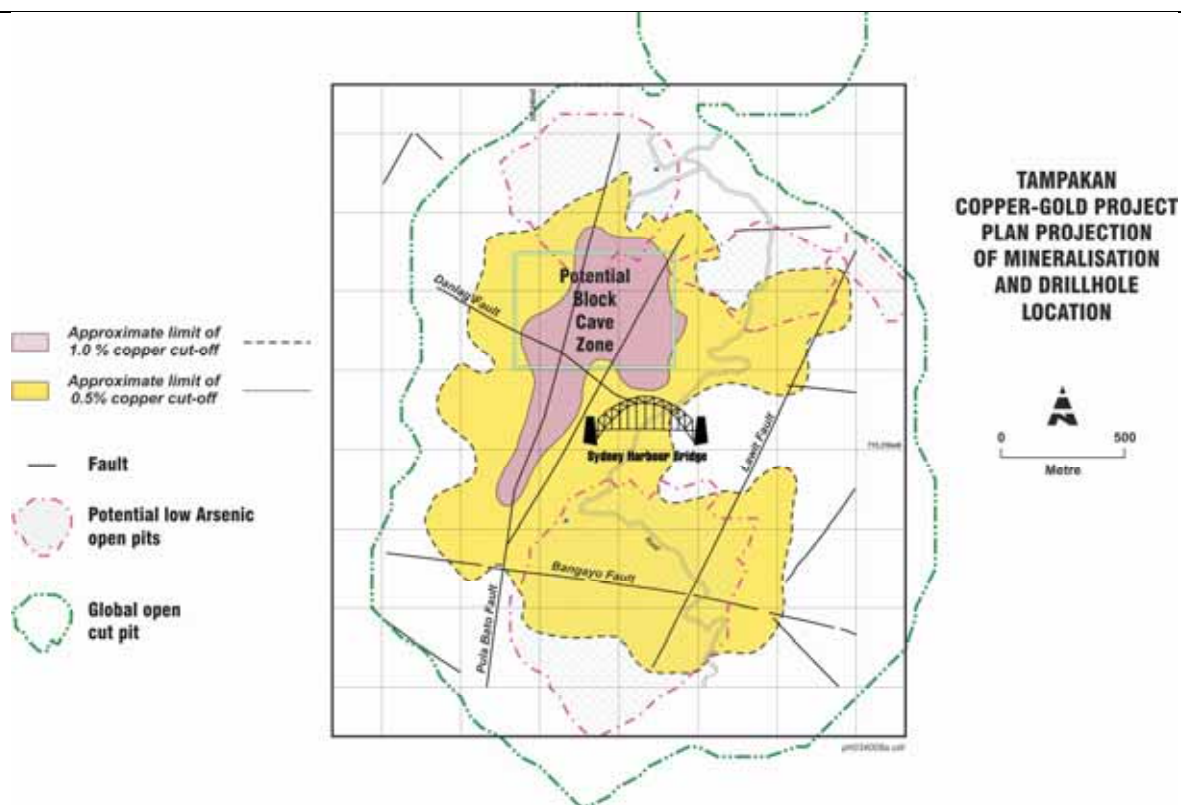
Inferred Resource Estimates:

0.2% Cu cut-off	1270 Mt	0.6% Cu	0.25 g/t Au	<b>7.5 Mt Cu</b>	<b>10.2 Moz Au</b>
0.5% Cu cut-off	660 Mt	0.8% Cu	0.3 g/t Au	<b>5.3 Mt Cu</b>	<b>6.8 Moz Au</b>
1.0% Cu cut-off	150 Mt	1.27% Cu	0.5 g/t Au	<b>1.9 Mt Cu</b>	<b>2.3 Moz Au</b>

There is also potential for an additional resource at 0.2% copper cut-off grade of between 0.5 billion tonnes and 1.2 billion tonnes grading around 0.4% copper (2-6 million tonnes of copper) and 0.2 g/t gold (3-7 million ounces of gold). The JORC resource does not take into account detailed feasibility studies on mining, metallurgical, environmental, marketing and other economic factors. These issues will be addressed in a Bankable Feasibility Study.

Metallurgical testwork returned good results with likely copper and gold recoveries estimated to be around 90% and 70% respectively. Concentrate grades between 30% and over 50% copper should be produced, depending on the mineralisation type being treated. Indophil reports that the Scoping study defining all parameters to be considered in the Pre-feasibility Study is on schedule and due for completion by end July with a final report due by mid-August 2004.





## 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 30/07/04</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	25.7	2.4	6.0
Equinox Minerals	Zambia – copper	3.0	0.8	1.3
Gallery Gold	Botswana/Tanzania - gold	14.7	7.1	12.4
Resolute Mining	Tanzania/Australia - gold	3.1	2.0	4.2
Sphere Investments	Mauritania – iron ore	13.4	0.5	0.6
Total Investments			15.5	27.1
Net Cash				5.3
<b>Total Net Assets after tax</b>			<b>19.0*</b>	<b>31.0**</b>
Returns to Shareholders			14.8	21.5
Total Funding and Returns			33.8	52.5

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\$14.8 million

\*\* After return of US\$21.5 million. Total return of AFL to date is 55%

Note: AuSelect's **A\$4.9 million** investment (after redemptions), valued on the basis of the AFL portfolio as shown above is **A\$7.8 million** including the value of the AFL Options at A\$/US\$ exchange rate of 0.70

African Lion made one additional investment during the quarter and no divestments were made. African Lion has effectively completed its active investment phase.

An additional investment of US\$0.375 million was made in **Albidon Limited** via an exercise of options. This takes the total investment in Albidon to \$2.375 million. African Lion now has a 25.67% equity holding in this company.

Albidon reported high grade drill intercepts at the Munali nickel project in Zambia. These included:

4.2 metres	@	1.03% Ni	0.21% Cu	0.08% Co	1.38% g/t PGM	from	138.8m
and							
5.05 metres	@	1.85% Ni	0.35% Cu	0.11% Co	1.16% g/t PGM	from	116.3m

in drill holes MADDH026 and MADDH029 respectively.

These results are outside the previously defined resource at Munali and drilling has now progressed to further define high grade zones within the existing resource. Albidon also increased its nickel – PGM footprint in Botswana, successfully applying for an additional 1,260 square kilometres in the Tati region and over 8,000 square kilometres in the Selebi – Pikwe district. Both areas are located close to existing nickel mining and processing operations.

**Resolute Mining Limited** reported total annual production (to June 30) of 230,196 ounces at a cash cost of A\$364 per ounce. The majority of this production came from Golden Pride in Tanzania, but an increasing contribution will come from Ravenswood in Queensland.

Work continued on the Syama (Mali) Bankable Feasibility Study, with an anticipated completion date by the end of this year. No significant exploration results were reported during the quarter, mainly due to a low level of activity resulting from a shortage of drilling rigs.

**Sphere Investments Limited** received an expression of interest from the European Investment Bank to provide US\$5.5 million in funding towards the estimated US\$10 million required to complete a Bankable Feasibility Study (BFS) on the Guelb el Aouj iron ore project in Mauritania. This remains subject to due diligence and also a successful outcome of Stage One of the BFS (due for completion in October). Sphere are looking at an AIM listing by the end of 2004 and have appointed a nominated adviser (Nomad). After a review of newly available geological data other Mauritania copper-gold opportunities have been successfully applied for.

**Platmin Limited** (Bushveld, PGMs) has continued with an aggressive resource definition program at its Pilanesberg (Western Bushveld) project area.

**Kalahari Diamonds** (Botswana, diamonds) has explored additional diamond prospective areas, and continues to generate additional drilling targets.

## AFRICAN LION 2 LTD

Final documentation has been prepared for the creation of the second African Fund (African Lion 2 Limited). It is anticipated that a final signing will take place in mid September for a fund of approximately US\$19 million. Additional investors may be included in a later second closing of the fund to expand the fund to approximately US\$25 million.

AuSelect have committed US\$6 million to African Lion 2. The fund, similar to AFL, will have a mixture of Development Bank and Commercial Bank Shareholders.

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

Construction of the Mupane Gold Mine in Botswana was 85% complete at the end of the June quarter. Mining is underway, ore stockpiling has commenced and Gallery is confident of meeting an October target for the first gold pour. Contractor Basil Read was awarded a US\$50m mining contract for the first three years of the mine's life. Meanwhile, continuing exploration aimed at identifying new feedstock options for the Mupane project produced the following positive results at Tau and several satellite sites during the quarter:

- The main Tau deposit resource was increased by 5% in an updated resource model and scoping study is now evaluating the underground potential below the Tau pit. The new upgraded resource has been estimated at 6.6 million tonnes at 3.3 g/t Au for 705,000 ounces.
- A 45% increase in resources at Map Nora was identified after a more detailed evaluation of the underground deposit was undertaken. A scoping study into mine design and costing has commenced, scheduled for completion in August 2004. The new resource has been estimated at 0.6 million tonnes at 13.9 g/t Au for 254,000 ounces.
- The extensive second quarter trenching and drilling program at Golden Eagle-Kite is expected to identify significant new open pit deposits.

Encouraging progress is also being made at the Buckreef-Rwamagaza gold project in Tanzania, where there are two percussion drill rigs and one diamond drill rig operating into the next quarter. Recent drilling at Buckreef-Rwamagaza identified significant extensions to potential surface and underground deposits. At the high grade zone at Buckreef, drilling over the last quarter returned 23 metres at 4.3 g/t Au including 5 metres at 8.8 g/t Au. High grade extensions to the main Buckreef deposit have the potential to increase the resource from the current 614,000 ounces to more than 1 million ounces.

Progress from the Rwamagaza area include 16 metres at 22.1 g/t Au including 4 metres at 84.2 g/t Au at Bingwa whilst drilling at the Busolwa prospect has returned 10 metres at 2.6 g/t Au and 10 metres at 4.5 g/t Au.

During the quarter, Gallery completed a share placement and Share Purchase Plan raising \$15.5 million at 25 cents per share for exploration and resource assessment in Tanzania and Botswana. Cash at the end of June amounted to \$A17.8 million. As at June 30, total funds drawn from the Mupane facility of US\$26.5 million totalled US\$17.3 million.

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

Over the quarter progress was made in all facets of project development at the Cracow Gold Mine (Sedimentary 30%, Newcrest 70%) in Queensland. Capital expenditure and forecasts remain within original budgets and production of gold is scheduled to commence in the December quarter of 2004. Decline development advanced to 1007 metres from the portal and underground diamond drilling for mine planning purposes commenced in the upper Royal Shoot.

Drilling at Cracow has been undertaken on the Sterling structure, however, no significant gold values were recorded for the period. Further drilling is scheduled to recommence in mid-August.



Sedimentary's 30% share of Cracow production is estimated to total 204,000 ounces over an initial mine life of 7 years, with its share of output up to 35,000 ounces per annum. Mine grade is expected within a range of 11 – 14 g/t Au, metallurgical recovery is estimated at 90-94%, and operating costs and total production costs are projected to be A\$220 per ounce and A\$360 per ounce respectively.

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

The draft Bankable Feasibility Study (BFS) on the Cibaliung gold project in Indonesia has been completed and is now under review by Austindo and its partner in Cibaliung, Pt AnTam Tbk. Permitting and associated approvals for the project have been ongoing in parallel with the BFS and are well advanced. Two bank consortia have been short-listed to provide proposals for financing the project. These banks are due to commence a detailed review of the BFS and project due diligence.

Exploration at Cibaliung has continued with the aim of locating new high grade ore shoots. Drilling of selected target areas was carried out to obtain further geological information and test the model. The first phase of scout exploration drilling was undertaken during this quarter with no holes intersecting economic mineralisation. However, they have provided useful information to assist in the next phase of drilling, scheduled for the second half of this year.

Austindo is at an advanced stage in acquiring additional project areas in Indonesia and is actively pursuing a number of specific targets.

Subsequent to the end of the quarter, Austindo announced the decision to proceed with a placement of up to 70 million shares at 4.3 cents per share to raise additional working capital of \$3 million to fund the Company through the pre-implementation phase of Cibaliung. Lion will make a further investment in Austindo through the placement.

#### **EQUINOX MINERALS LIMITED - ZAMBIA/COPPER (AUS – 5%)**

During the quarter Equinox reported both a restructure of the company and listing on the Toronto Stock Exchange, with shares now trading on both the Toronto and Australian Stock Exchange under the new symbol of "EQN". The aim of the Canadian listing was to enhance the ability to access the global capital markets and facilitate the finance and development of the Lumwana Project in Zambia (Equinox Minerals 51%). The Canadian initial public offering raised C\$15.62 million which will be used to acquire the remaining interest in the Lumwana project, progress the project to development and fund exploration in Zambia, Peru and Australia.

Equinox anticipates that the preparation of documentation to acquire the remaining 49% in the Lumwana project from Phelps Dodge for US\$5.0 million will be completed within the next two months. It is aimed that finance completion and commencement of development on the project will occur in the second half of 2005.

Exploration commenced during the quarter to test target areas around the Lumwana project for open pit copper sulphide mineralisation. The Malundwe South target area will be tested with a 23 hole, reverse circulation program totalling approximately 2,250 metres. At the Chimiwungo North prospect, previous drill holes have intersected several significant zones of shallow mineralisation including 6 metres averaging 2.3% copper in copper sulphides. This prospect will be drilled with a 14 hole program totalling approximately 1,250 metres after the Malundwe South drilling is completed.



Induced Polarisation surveys are planned for the Chimiwungo SW, Lubwe and Kamaranda prospects, with completion in August 2004. Follow up drilling is scheduled for the third and fourth quarter.

Nickel and gold exploration programs are about to commence in Western Australia and Peru.

## ASIAN LION

The establishment of Asian Lion was delayed until African Lion 2 documentation is signed mid September. Asian Lion opportunities are being queued until the new fund is active.

## SHAREHOLDER PHOTOGRAPHY COMPETITION – 2004 ANNUAL REPORT

Shareholders are invited to submit lion photographs for the cover of the 2004 Annual Report. This year, images in landscape format of lions walking are preferred. Past cover images have been contributed by shareholders James Mitchell/Elizabeth Costello, Wayne Bishop, Robyn Stewart, Judith Russell and Wesley Askew.

Images can be submitted as high quality photographic prints or computer files (Photoshop TIF file 300dpi or Illustrator EPS file 800dpi). Photos must be taken by the shareholder and will be returned at the close of the competition.

The winning entry will be selected by the Lion team in Melbourne and the photographer will receive a framed copy of the report cover.

Send entries to (with return contact details and details of where photo was taken):

Brooke Benfield  
Investor Relations Manager  
Lion Selection Group  
Level 4, 15 Queen Street  
Melbourne VIC 3000  
Ph 9614 8008  
Fax 9614 8009

## SHAREHOLDER INFORMATION

<i>Issued shares:</i>	<i>51.3 million</i>	<i>Share price at quarter end:</i>	<i>\$0.93</i>
<i>Quarter High:</i>	<i>\$0.97</i>	<i>Quarter Low:</i>	<i>\$0.84</i>
<i>Volume traded:</i>	<i>5.3 million</i>	<i>NAV after tax:</i>	<i>\$0.94</i>

Further enquiries:

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