



AuSelect Limited

Quarterly Report for the 3 months ended 31 October 2004

KEY POINTS

- Indophil**
 - *A second high grade copper-gold zone discovered*
 - *New zone is low in arsenic and expands development alternatives*
- African Lion**
 - *Purchase of extra 3.8% for \$1.4 million*
- African Lion 2**
 - *Fund established with AuSelect committing US\$6 million*
 - *Subsequent to quarter end, new investments in Gallery Gold and Mineral Deposits Limited*
- Asian Lion**
 - *Multiple new opportunities identified for investment*
 - *Aim to finalise shareholder group in late 2004*
- Gallery**
 - *Gold production started at the Mupane mine, Botswana*
 - *Scoping study on a new 120,000 to 180,000 ounce per annum gold mine in Tanzania*

INVESTMENT SUMMARY TABLE

Investment	ASX Code	Country/Activity	AUS Holding %	Amount Invested \$m	Market Value \$m
At 29/10/04					
Unlisted Investments					
African Lion (AFL)		Africa - mining investment	18.7	6.3	11.3
African Lion 2 (AFL2)		Africa - mining investment	32.3	1.7	1.7
Listed Investments					
Austindo Resources	ARX	Indonesia/Aust - gold	1.6	0.5	0.4
Equinox Minerals	EQN	Zambia/Aust - copper/gold	5.3	1.3	3.0
Gallery Gold	GGN	Botswana/Tanzania - gold	1.9	1.2	3.4
Indophil Resources	IRN	Philippines - copper/gold	3.5	1.0	2.1
Sedimentary Holdings	SED	Australia - gold	2.4	0.7	1.6
Westonia Mines	WEZ	Australia - gold	0.5	0.1	0.1
Total Investments				12.8	23.6
Additional cash committed to AFL2					6.3
Cash allocated to Asian Lion					8.0
Net cash after AFL2 and Asian Lion					16.0
Total Net Assets					53.9
Net Asset Value (NAV) before tax (cents per share)					105.1
Net Asset Value (NAV) after tax (cents per share)					98.8

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

A\$/US\$ exchange rate of 0.75

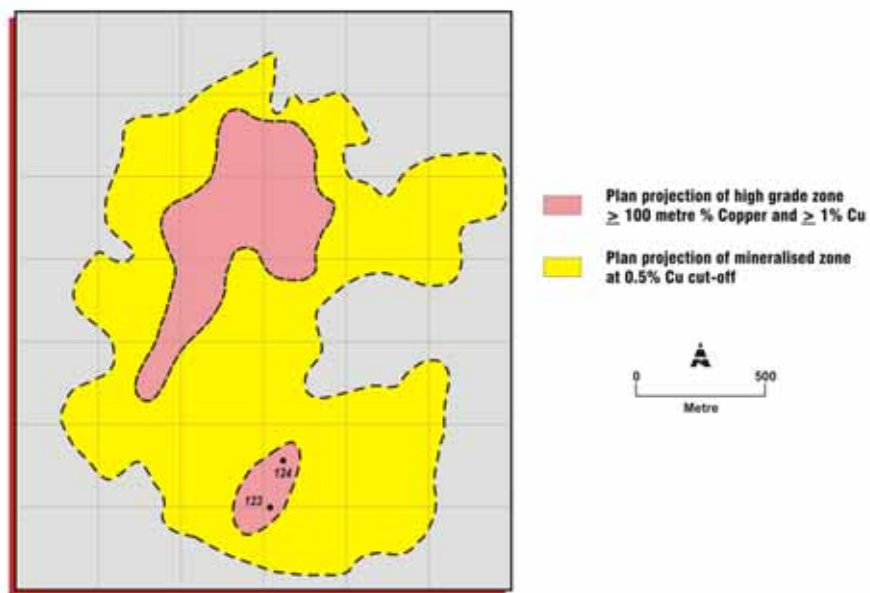
INVESTEE UPDATE

INDOPHIL RESOURCES NL - PHILIPPINES/COPPER & GOLD (AUS – 3.5%)

In late November, Indophil announced a discovery of a new high copper/low arsenic zone at the southern end of the Tampakan deposit in the Philippines. The best holes were:

TMPD 123	288 metres	@	1.0% Cu	0.6 ppm Au	47 ppm As
TMPD 124	265 metres	@	1.4% Cu	0.6 ppm Au	93 ppm As

Outline of Tampakan Deposit



In AuSelect's view, the Tampakan Deposit is one of the best undeveloped copper-gold projects in the world today. Two key obstacles block accelerated feasibility and development – the first is the constitutionality of the Financial and Technical Assistance Agreement (FTAA) of the Tampakan project which must be resolved by the Supreme Court. The second is the uncertainty surrounding the timing of Xstrata's option to acquire 62.5% of the project.

The Supreme Court is expected to rule on the Motion for Reconsideration regarding the validity of the FTAA in late 2004. The administration of President Macapagal-Arroyo and the Congress are both strongly supporting the Motion for Reconsideration put forward by the Philippine Government, the Philippine Chamber of Mines and Indophil.

During this quarter, resource definition and infill drilling was completed ahead of schedule, and results are expected to enhance the JORC resource estimate. As part of the Scoping Study, various options for mining were reviewed. Indophil reported that a large open pit mine is the preferred development route with further studies set to determine the optimum mining rate and detailed costing. Metallurgical testwork has shown positive results with selective flotation having potential to reduce arsenic in concentrates.

GALLERY GOLD LIMITED – BOTSWANA & TANZANIA/GOLD (AUSELECT – 1.9%)

Gallery reported that the first stage of construction of the Mupane Gold Mine in Botswana was essentially complete with the commissioning of the CIL plant and **first gold production on 12 November 2004**. Mining has continued at Mupane with approximately 330,000 tonnes of ore

containing 27,500 ounces of gold at an estimated grade of 2.6 g/t, stockpiled by the end of the quarter. Grade control drilling is demonstrating a strong correlation with the initial resource model.

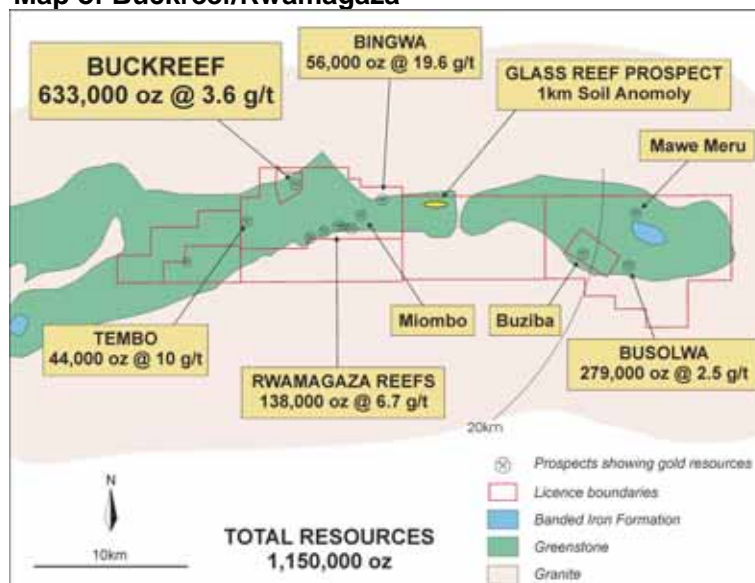
In Botswana, exploration on Tati focussed on defining additional satellite deposits within a 30 kilometre radius, trucking distance, of the Mupane plant. Drilling is complete at the Golden Eagle – Kite prospect and a resource is in the process of being calculated for the Kite deposit. At Map Nora, trench results from the Gap area include **4.8 metres at 18.8 g/t Au**, giving encouragement for open pit potential. A detailed scoping study is in progress evaluating the condition of the shaft and assessing the grade continuity and shoot geometry for underground stoping. The scoping study is estimated to be completed in around 6 months time.

In Tanzania, Gallery reported the results from a scoping study undertaken by RSG Global that indicated a mine could be developed at Buckreef, based on existing resources of 1.1 million ounces in the Buckreef/Rwamagaza area, and assumed production rates of 120,000 – 180,000 ounces per annum. Current drilling work will support a detailed feasibility study expected to begin before the end of the year. It will consider conceptual plans for a central processing plant, two open pits, one underground mine and several high grade satellites. Assuming a positive result, construction could begin in 2005 with production by the end of 2006 or early 2007.

Over the quarter, Gallery reported multiple exploration successes at Bingwa, Buckreef, Buckreef North and Busolwa in Tanzania.

- High grade intersections near surface were recorded at Bingwa with **21 metres at 144.5 g/t Au** including **3 metres at 943.7 g/t Au**. This high grade zone extends for approximately 100 metre strike and has potential to increase the resources at Bingwa.
- New results at Buckreef deeps include **30.5 metres at 3.9 g/t Au** including **15 metres at 6.0 g/t Au**; and **26.5 metres at 3.6 g/t Au** including **14 metres at 5.0 g/t Au**. Infill drilling should be completed by November 2004 with an updated resource calculation for the entire Buckreef system before the end of December 2004.
- Encouraging results near surface were reported from the initial infill program at Busolwa with **49 metres at 4.5 g/t Au** including **24 metres at 8.1 g/t Au** and **21 metres at 3.2 g/t Au**.

Map of Buckreef/Rwamagaza





Gallery reported cash balances at the end of September amounted to \$A9.4 million. As at 30 September 2004, the Mupane project capital costs remain on track with an estimated completion cost of US\$28.6 million against the original estimate of US\$28.4 million.

Subsequent to the end of the quarter, AuSelect announced that it will invest \$1 million at 42.5 cents per share in a \$27.4 million placement by Gallery. This investment by AuSelect takes its total investment in Gallery to \$2.2 million which represents 2.1% of Gallery's expanded capital.

AFRICAN LION LTD – AFL (AUSELECT – 18.7%)

AFL Investment	Country / Activity	AFL Holding %	Amount Invested US\$m	Market Value or Cost of Unlisted US\$m
At 29/10/04				
Unlisted Investments				
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
Listed Investments				
Albidon	Africa – nickel/PGMs	25.7	2.4	7.4
Equinox Minerals	Zambia – copper	3.0	0.8	1.3
Gallery Gold	Botswana/Tanzania - gold	14.7	7.1	19.8
Resolute Mining	Tanzania/Australia - gold	2.3	1.6	4.6
Sphere Investments	Mauritania – iron ore	10.8	0.5	0.9
Total Investments			15.1	36.7
Net Cash				5.3
Total Net Assets after tax			19.0*	37.9**
Returns to Shareholders			14.8	21.5
Total Funding and Returns			33.8	59.4

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 76%

Additional AuSelect Purchase

AuSelect purchased an additional 3.8% of AFL from an existing shareholder to take its total ownership in AFL to 18.7%. The acquisition price was US\$1 million (A\$1.4 million).

Fund activity

No new investments were made by the fund this quarter. A follow on investment in one of the existing investee companies is currently being reviewed.

Albidon Limited

Albidon continued to have exploration success at Munali in Zambia where a best ever drill intersection of 31 metres at 2.3% nickel, 0.35% copper, 0.1% cobalt and 1.2 g/t PGM's was reported. This highlights the potential for a new zone of massive sulphide to be defined within, and to extend beyond, the existing Munali resource. Drilling at Munali is ongoing.



Another very significant advance for the company was an agreement with WMC Resources (WMR) to form a joint venture for exploration of Albidon's nickel and copper projects in Malawi, Tanzania, Zambia, Botswana and Tunisia. The agreement excludes Munali and the Albidon – Gallery Gold JV in Botswana. WMR must spend a minimum A\$4 million by July 2006 to secure an exclusive right to farm in on one or more of the projects. WMR can earn a 70% interest in a project by funding a prefeasibility. Albidon can elect to stay at a 30% level by funding or dilute in a number of ways. This deal will accelerate exploration across Albidon's very large ground position in Africa. Projects too small for WMR will revert 100% to Albidon.

Resolute Mining Limited

Resolute reported quarterly gold production from Golden Pride and from Ravenswood of 82,193 ounces at a cash cost of A\$389 per ounce. Work continued on the Syama (Mali) project feasibility study with anticipated completion by the end of 2004. No significant exploration news was reported from Africa.

Sphere Investments Limited

Technical progress has continued at the Guelb el Aouj iron ore project in Mauritania. Sphere is earning a 50% interest in the project and are required to spend an additional US\$10 million to reach this ownership level.

Expenditure to date has been largely on resource definition and metallurgical work. All results returned to date have been encouraging. An Inferred Resource of 225 million tonnes at 36% iron was estimated by Golder Associates, excluding the oxide portion of the mineralisation. Metallurgical testwork completed in Europe has given confidence that this resource can produce premium Direct Reduction grade pellets.

The company plans to advance to the next stage of feasibility and also to begin work on an exploration portfolio of gold and base metals targets in northern Mauritania.

Platmin Limited (Bushveld South Africa, PGM's)

Platmin continues to evaluate a possible open pit mining opportunity in the Pilanesburg area of the Bushveld and advance a number of other projects within its portfolio. The company is looking to list on an appropriate international market in early 2005.

Kalahari Diamonds Limited (Botswana, Diamonds)

Kalahari continues an aggressive exploration program in Botswana, utilising BHP Billiton's airborne gravity system to help in target definition. The company is looking for a possible AIM listing in early 2005.

AFRICAN LION 2 LIMITED – AFL2 (AUSELECT – 32.3%)

The second African Lion fund (AFL2) is now fully operational. The AFL2 fund has committed capital of US\$18.6 million. Additional investors may be included in a second closing of the fund, with a target final fund size of approximately US\$25 million.

The shareholders in AFL2 are:

- AuSelect
- Investec Bank (South Africa)
- PROPARCO (France)
- European Investment Bank (Luxembourg)



AuSelect have committed US\$6 million to African Lion 2. Subsequent to the end of the quarter, AFL2 has made the following new investments:

Gallery Gold Limited

AFL2 has invested A\$1 million in the recent Gallery Gold placement.

Mineral Deposits Limited

AFL has committed to invest A\$2.5 million as part of a \$12.5 million raising. Mineral Deposits is active in Senegal (west Africa) and has two projects – mineral sand near Dakar and gold at Sabodala near the Mali border.

SEDIMENTARY HOLDINGS LIMITED - QUEENSLAND/GOLD (AUSELECT – 2.4%)

Subsequent to the end of the quarter, Sedimentary announced the commencement of gold production at the Cracow Gold Mine (30% owned) in Queensland, with first gold being poured on 24 November 2004. The current development plan for Cracow envisages an initial production of 680,000 ounces of gold over a seven year life for the joint venture. Sedimentary's share of production is expected to be up to 35,000 ounces per annum at estimated cash operating costs of \$220 per ounce and total production costs of \$360 per ounce over the life of the mine.

The Royal decline at Cracow advanced to 1376 metres from the portal including additional level accesses to be turned out and also 95 metres of the access decline to Crown Shoot to be commenced. Development in ore commenced with 3760 tonnes at 12.3 g/t and 4160 tonnes of low grade at 2.1 g/t stockpiled and available for commissioning by the end of the quarter.

Underground diamond drilling and ore development have broadly confirmed the resource model from surface drilling. Both an upgrade of the resource categorisation and also initial reserve estimates are expected in early 2005. During September, two holes were completed into the Sterling structure and holes planned for Empire and Sovereign, seeking further high-grade gold mineralisation.

Capital expenditure to first production is expected to be slightly less than original estimates mainly due to timing differences.

During the quarter, Sedimentary's 4.2 million shares in Southern Cross Resources Inc were sold on market at C\$1.22 per share. Net proceeds from the sale amounted to A\$5.5 million increasing the company's cash position to \$11 million at the end of the quarter.

Subsequent to quarter end, Sedimentary announced an off-market offer of two fully paid ordinary Sedimentary shares for every nine fully paid ordinary shares in NuStar Mining Corporation Limited (NuStar). NuStar is currently developing an 80,000 ounce per annum Paulsen gold mine and has an extensive land holding position in the Ashburton region of Western Australia. The combination of Sedimentary's interest in the Cracow Gold Mine in Queensland and NuStar's Paulsens project would see the emergence of a substantial gold producer and explorer should the takeover be successful. Sedimentary announced its offer holding a 4.2% interest in NuStar. The offer's main conditions are the acquisition of a minimum 50.1% interest and the acquisition by NuStar of the Paulsen's royalty from their major shareholder, St Barbara, which requires approval by each of those companies at their respective AGMs.

AUSTINDO RESOURCES CORPORATION NL – INDONESIA & VICTORIA/GOLD (AUSELECT – 1.6%)

During the quarter, Austindo announced that the completed Bankable Feasibility Study (BFS) on the Cibaliung gold project in Indonesia has been accepted by Austindo and its partner in Cibaliung, Pt AnTam Tbk (Antam). Key findings of the BFS are:

- a mine life of six years;
- capital expenditure of approximately US\$34 million;
- production rate of 220,000 tonnes per annum;
- Mineable Reserves and Resources of 467,000 equivalent ounces of gold;
- annual production of approximately 70,000 ounces gold equivalent; and
- life of mine average cash operating costs less than US\$200 per ounce.

Pre-engineering work for the construction of the project has commenced. Subject to financing and regulatory approvals being completed, construction could start in the first half of 2005 with first gold production in early 2006. Due diligence is being undertaken by the two banking consortia.

Exploration at Cibaliung has recommenced and is being funded by Antam's Geomin division with the aim of locating new high grade ore shoots.

Austindo has made application for a new explorations area in Java and this is currently being processed by the regulatory authorities.

At the end of the quarter, Austindo completed a placement of 70 million shares at 4.3 cents per share to fund pre-implementation for Cibaliung.

During the quarter, Austindo announced the decision to raise \$0.5 million of private equity in its wholly owned subsidiary Alexander Resources Limited (Alexander). Alexander undertakes exploration within Australia, in the central Victorian goldfields. The public will be offered shares in Alexander through an IPO and listing will be sought on the Australian Stock Exchange.

EQUINOX MINERALS LIMITED - ZAMBIA/COPPER (AUSELECT – 5.3%)

Equinox reported that the Lumwana Copper project in Zambia (Equinox 51%) is moving towards development and progress is being made towards financing the project. The aim is to complete project financing and commence an 18 month project construction effort in the second half of 2005.

Equinox has modified the previous development plan by simplifying the process design for the project, resulting in a reduction in the project capital requirements. This simplification involves changing from a two stage to single stage process. Processing of ore will be on site with concentrate delivered to a third party smelter for processing to copper metal. The key benefit of this design change identified by Equinox is a reduction in capital to US\$296 million plus US\$37 million for a mining fleet, whilst maintaining an attractive return on investment.

Equinox is now looking at the potential to develop Lumwana in its own right, perhaps supported by one or more minority partners. The company has commenced a recruitment process for an in-house development team. The acquisition of the remaining 49% interest in Lumwana from Phelps Dodge is progressing.

Equinox is in the process of tendering the Engineering, Procurement, Construction and Management (EPCM) contract with award of the EPCM contract due for completion in late 2004.



During the quarter, significant exploration programs on targets close to the proposed Malundwe and Chimiwungo open pits were commenced. Exploration also continued at the Cowan Nickel JV (Australia). Alturas Minerals (Equinox 70%) continued to build its gold and base metal prospective ground position in Peru.

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

AuSelect made a small investment in Westonia Mines Limited, a listed Australian company with wholly owned tenements in the Westonia Gold Mine located 300 kilometres east of Perth. Westonia completed a Bankable Feasibility Study (BFS) on the Westonia Gold Mine in April 2004.

During the last quarter, Westonia reported increases in the estimates of resources and reserves used in its BFS, and that independent mining consultants had optimised and designed a new pit.

The revised estimate of the Probable Ore Reserve within a new optimised pit is:

15.6 Mt @ 1.37 g/t for 687,000 ounces

Compared to BFS estimates, tonnes are up 22%, grade up 5% and contained ounces up 30%.

The new pit also contains an Inferred Resource of an additional:

1.4 Mt @ 1.42 g/t for 64,000 ounces

When the old open cut is dewatered, Westonia will drill out these Inferred Resources with the aim of upgrading them to reserves within the new pit, thus increasing recovered gold and lowering unit costs of production.

During the quarter, Westonia announced that project cost estimates have increased, based on tender pricings from contractors and input from Westonia's consultants. The rise in costs is attributed to increases in steel and oil prices, higher labour costs due to a shortage in skilled workers, increased risk aversion and high contractor profit margins. Westonia is currently reviewing tenders received and examining the potential for re-optimising the pit design and mill construction and other initiatives to enhance project economics. Outcomes from this review will be released in due course.

ASIAN LION

Lion Manager is progressing work on the establishment of Asian Lion. Discussions are advanced with a number of potential shareholders similar to those in African Lion, which have provided conditional commitment to investing in the fund. It is intended to finalise the shareholder group in late 2004.

A large number of potential investment opportunities have already been identified and will be queued pending finalisation of the fund.



ANNUAL GENERAL MEETING

The 2004 AuSelect Annual General Meeting will be held in Melbourne on Friday 10 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 adjourned) in the ASX Theatrette, 530 Collins Street.

SHAREHOLDER INFORMATION

<i>Issued shares:</i>	<i>51.3 million</i>	<i>Share price at quarter end:</i>	<i>\$0.91</i>
<i>Quarter High:</i>	<i>\$0.94</i>	<i>Quarter Low:</i>	<i>\$0.83</i>
<i>Volume traded:</i>	<i>4.1 million</i>	<i>NAV after tax:</i>	<i>\$0.99</i>

Further enquiries:

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