



Ausmet Resources Limited

ABN 19 107 411 067

A N N U A L R E P O R T

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AUSMET RESOURCES LIMITED

CORPORATE DIRECTORY

DIRECTORS

Howard Graham DAWSON
Chairman

Malcolm Keith SMARTT
Non Executive Director

Peter Henry STRACHAN
Non-Executive Director

COMPANY SECRETARY

Malcolm Keith Smartt

PRINCIPAL and REGISTERED OFFICE

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AUDITOR

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Level 1, 1 Havelock Street
West Perth
Western Australia, 6005

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2, 45 St George's Terrace
Perth
Western Australia, 6000
Telephone: (08) 9323 2000
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STOCK EXCHANGE

The Company is listed on the Australian Stock Exchange Limited

LISTING

Home Exchange: Perth
ASX Codes:
AME - Ordinary shares
AMEO - 31 December 2006 \$0.20 options

AUSMET RESOURCES LIMITED

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AUSMET RESOURCES LIMITED

CHAIRMAN'S REPORT

Dear Fellow Shareholder,

I have pleasure in presenting to you the operations and financial report for Ausmet Resources Limited for the June 2004 financial year.

On April 30 of this year Ausmet joined the ASX as a listed exploration company. Since listing we have actively sought to advance our existing projects as well as pursue new and additional exploration and advanced resource project opportunities.

During the period covered by this report, your Company undertook a high level of activity over our two most advanced project areas, Dingo Range and Batchelor.

As you may be aware, we completed our first drilling programme at Dingo Range during May and received some very encouraging results from the drilling conducted over the Boundary deposit.

At the same time our staff and consultants commenced comprehensive data reviews over the Dingo Range and Batchelor project areas. This review was to integrate the historic data into a single package to allow a full assessment of past activities. Both of these studies have highlighted additional areas of potential within both projects and we hope to have drill tested these targets before the end of the current calendar year.

Despite an active period since listing, our cash reserves still total a healthy \$3.1 million.

In our prospectus I discussed that the goal of Ausmet is to secure either through discovery or acquisition a resource project that would add significant value to the Company and by inference, shareholder wealth.

Both the Dingo Range and Batchelor projects present attractive advanced targets and are consistent with this strategy. However, to increase our chances of fulfilling our goals we are also actively looking for additional projects with the same advanced potential. During the period under review we assessed a number of such opportunities.

At the same time we have extended our brief to seek less advanced projects that can be nevertheless explored at minimal cost but with the potential for high upside.

Gold is naturally a focus and base metals such as copper and nickel also feature on the radar. However, we will not be blinkered from pursuing other commodities should strong projects be offered.

The Australian resource sector is currently enjoying its best period of growth for at least a decade. Fuelled by demand from China, most major commodity prices are touching or even exceeding cyclical highs and the outlook, according to most commentators, remains for continued bullish conditions into 2005.

Your Directors want Ausmet to be part of this resource boom and hope, through successful exploration or project acquisition, to deliver the outcome that your investment in the Company deserves.

On behalf of my fellow Board members I thank you for your support to date and look forward to providing you with an active and successful coming year.

Howard Dawson
Chairman

AUSMET RESOURCES LIMITED

THE YEAR IN REVIEW

Review of Activities

Ausmet Resources has a portfolio of advanced and grass root exploration projects located within Western Australia and the Northern Territory.

Since listing, the Dingo Range and Batchelor projects have been the focus of work as they contain the most advanced gold and base metal targets.

At the Throssell project, only remote sensing studies have been completed as the tenements have yet to be granted.

Ausmet has also actively reviewed a number of promoted projects. The majority of these projects were located within Western Australia. In addition, a number of in house studies have been carried out over areas where the Company considers there to be potential for economic gold and base metal mineralisation.

Dingo Range (100%)

The Dingo Range project area is located 400km north of Kalgoorlie and is contained in the greenstone belt lying immediately east of the Bronzewing gold operation.

Previous exploration within the area has defined gold resources of 306,000 ounces, contained in three zones – Boundary, Bungarra, and Stirling.

In addition, previous exploration has also defined a large number of anomalous areas within the project area – these anomalous areas would appear to have potential for gold as well as base metal mineralisation such as copper and nickel.

The initial focus of our exploration activities has been to further understand the geometry and style of mineralisation within the larger of the existing gold resources – the Boundary deposit. A 5 hole reverse circulation drilling programme was completed over this deposit during May 2004 and was specifically targeted to test the potential for an east west orientation to the main lode structure, rather than the conventional interpretation of a north – south bias.

The results of this programme, which included both high grade as well as wide widths of lower grade mineralised intercepts, indicated that there may be greater continuity along the east-west orientation and this will require additional study.



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The more significant drill intersections from this programme included:

Hole No.	East (local)	North (local)	Dip (degrees)	Azimuth (degrees)	From (metres)	To (metres)	Interval (metres)	Gold (g/t)
BRC 1001	8830m	23165m	60	0	64	69	5	2.1
including					67	68	1	6.0
BRC 1001					81	82	1	2.4
BRC 1001					96	99	3	2.3
including					96	98	2	3.2
BRC 1001					100	108	8	4.2
including					102	106	4	6.6
BRC 1001					132	133	1	4.3
BRC 1002	8831m	23130m	60	0 15	22 7	1 5		
BRC 1002					58	114	56	3.6
including					58	63	5	5.2
					65	68	3	44.0
					89	92	3	2.7
					96	98	2	8.5
BRC 1002					131	132	1	8.0
BRC 1003	8810m	23170m	60	0	91	98	7	1.1
BRC 1003					127	128	1	36.0
BRC 1004	8810m	23135m	60	0	30	36	6	5.7
BRC 1004					82	84	2	8.3
BRC 1004					88	91	3	1.4
including					90	91	1	3.1
BRC 1005	8831m	23010m	60	0	18	30	12	0.7
BRC 1005					51	53	2	2.5
BRC 1005					60	82	22	1.8
including					66	67	1	6.5
					72	82	10	2.2
					80	82	2	4.9
BRC 1005					86	90	4	1.7
BRC 1005					101	102	1	2.6
BRC 1005					115	116	1	2.4

From an economic perspective, this drilling programme provided further evidence that the dominant controlling feature over the mineralisation within the Boundary deposit is brittle fracture, rather than a conventional lode structure prevalent throughout much of the eastern goldfields.

Such an interpretation indicates that the primary economic potential for the Boundary deposit is as a low grade bulk mining operation.

An initial scoping study has been carried out to test this potential and a more detailed study will be completed before year end to determine the economic parameters required to make such an operation viable.

Within the greater Dingo Range area, field reconnaissance of the majority of the previously delineated anomalies has been carried out.

In addition, a review of the exploration work completed by previous owners has been commenced and is likely to be completed during the September quarter. Included in this review was a programme to integrate all of the historic drilling results into a single, computer based data set. This integration has been completed and the data will be used to understand better the validity of a number of the anomalies developed within the regolith.

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Equally importantly, this integration of data will allow the effectiveness of much of the exploration completed by previous tenement owners, to be determined.

The review completed to date has confirmed that there are a number of structural zones and

stratigraphic targets which remain untested, particularly for gold mineralisation.

Drill rig availability and weather permitting, it is planned to drill test these areas during September and October of this year.

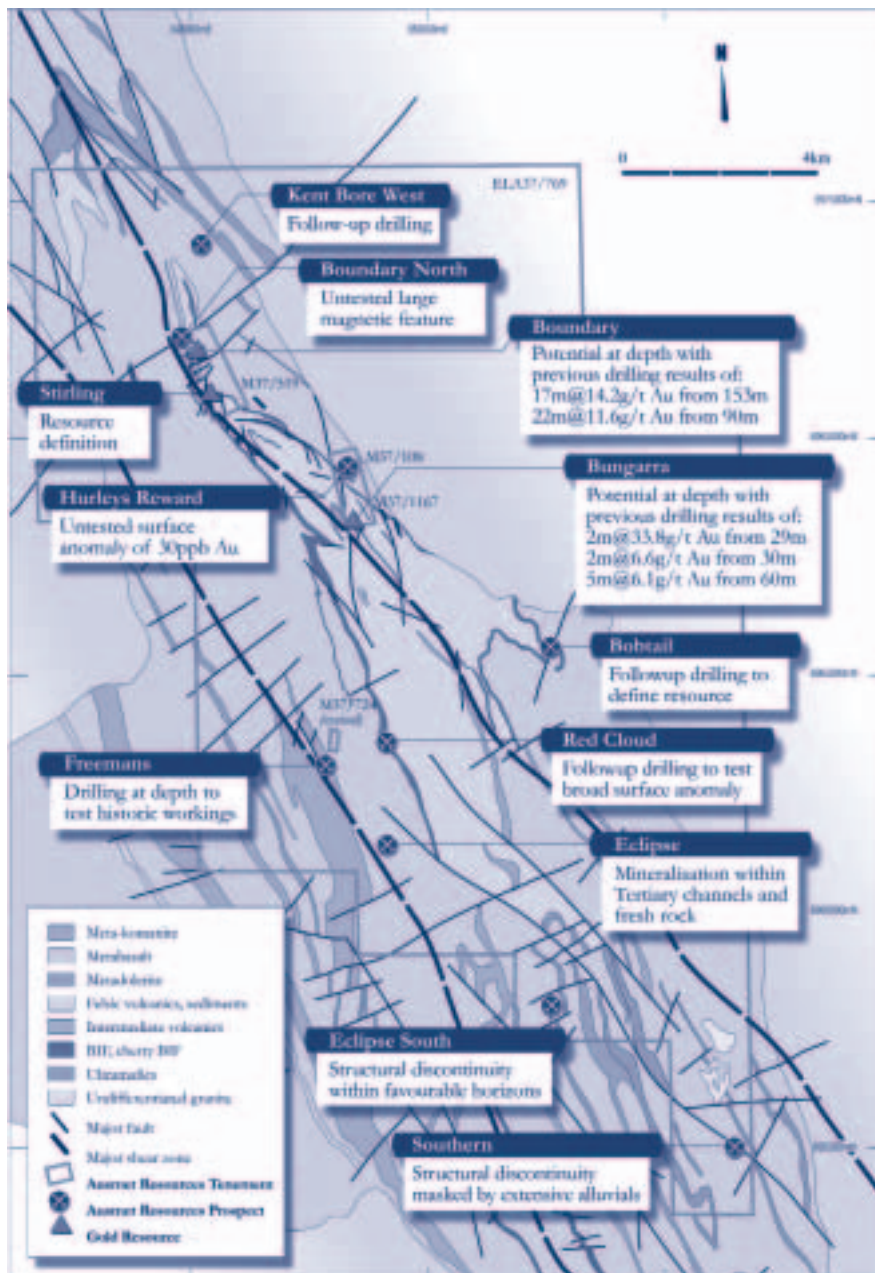


Figure 2
DINGO RANGE PROJECT – REGIONAL GEOLOGICAL SETTING

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Batchelor (earning 60%)

The Batchelor project is located in the Northern Territory near the town of Batchelor.

Similar to Dingo Range, the Batchelor project has a number of readily identifiable anomalous zones ready for drill testing. The focus of Batchelor is more base metal than gold, in particular for copper and zinc. This is because the Batchelor project area is located along the same strike horizon that hosted the nearby world class Woodcutters zinc/lead deposit as well as the undeveloped Browns deposit, which contains 39.8 million tonnes @ 3.61% lead, 0.11 cobalt and associated copper, nickel and silver credits.

Field reconnaissance has been carried out and drill cuttings from wide spaced drilling completed by previous tenement holders over the "Woodcutters" strike horizon, sampled. Although not providing a complete set of data as some hole samples were no longer available, the sampling of these cuttings

should prove to be a cost effective tool in determining areas of greater potential.

These samples are currently being logged and will be assayed for gold, copper and zinc.

In addition, a desk top review have been completed over the project area. This review involved a complete reappraisal of all historic work available focusing particularly on areas of anomalous geochemistry or alteration which previous explorers had either not adequately tested or followed up for various reasons.

A number of advanced targets, in addition to those target areas outlined in our prospectus, have been identified.

A drilling programme to test the preferred strike horizon as well as the other anomalous areas identified, is planned to be carried out in October, with precise timing subject to rig availability.



Figure 3

BATCHELOR PROJECT – REGIONAL GEOLOGICAL SETTING

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Throssell (100%)

The Throssell project area is located 420 kilometres northeast of Kalgoorlie and consists of 4 exploration licence applications.

Throssell is a grass roots conceptual target seeking to test the potential for previously untested greenstone lithologies adjacent to the northeast margin of the Yilgarn Craton.

We are currently working through the tenement approval process and it appears likely that the earliest

we could hope to drill this project would be during the March quarter of 2005.

A 1,500 metre drilling programme to test the targeted zones is planned once this approval has been received.

In the meantime desk top studies have been undertaken, and we are continuing to more precisely target potential drill locations.

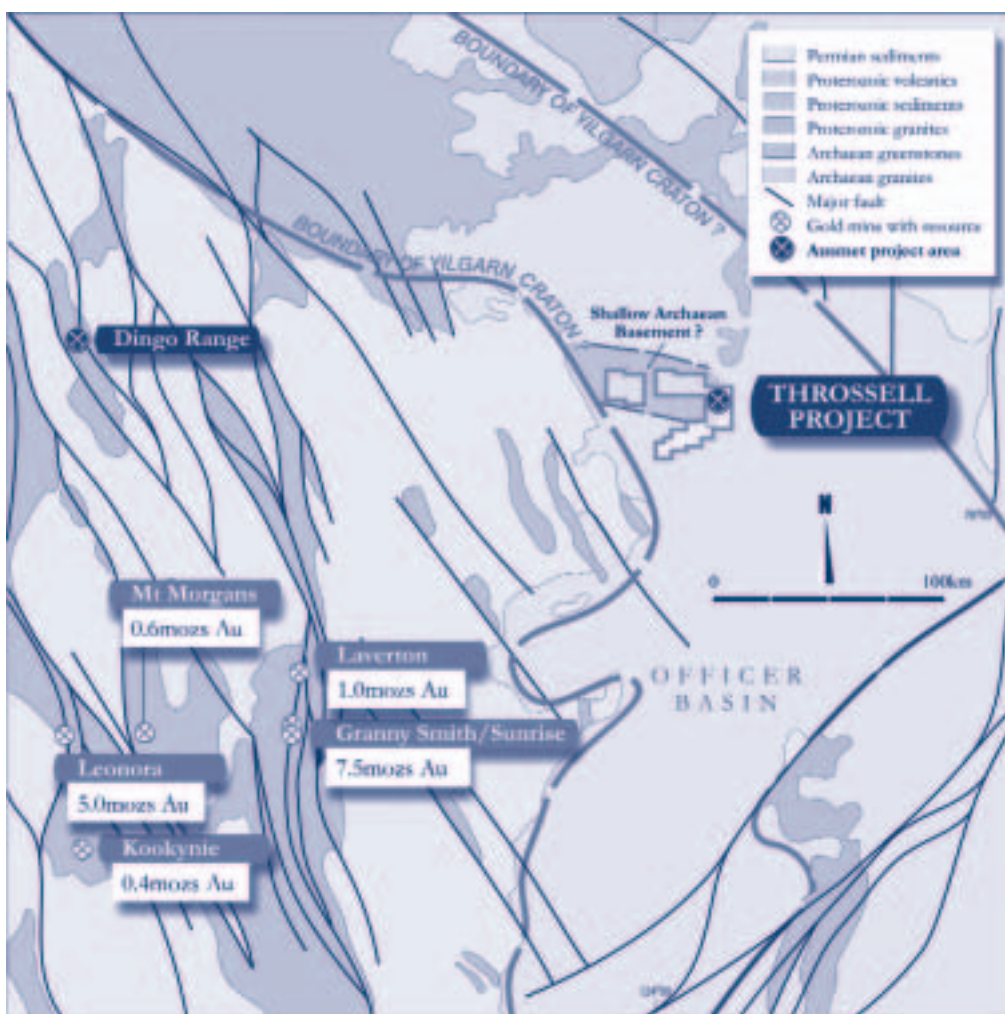


Figure 4
THROSSSELL PROJECT – REGIONAL GEOLOGICAL SETTING

AUSMET RESOURCES LIMITED

Business Development/New Projects

The technical consultants of Ausmet regard its existing suite of projects highly. At the same time, the Board of Ausmet recognise the potential for new projects to add value to your Company. As a consequence, the Company maintains an active search for advanced projects, both within Australia and overseas.

Since your Company was listed a large range of projects have been reviewed and advanced discussions carried on two opportunities. However, whilst more detailed analysis downgraded these targets, opportunities continue to be evaluated.

Corporate

As at the completion of the June 2004 financial year the Company's cash balance was \$3,145,469. Your Board is committed to the wise expenditure of these funds and to keeping administration costs to a minimum.

On 7 July, following the resignation of Michael Curnow, Peter Strachan joined the Board of Ausmet. Your Board was pleased to secure Peter as he has a wealth of technical, corporate and managerial experience which will allow him to assist the Company with its planned growth through exploration and project acquisition.

Howard Dawson
Chairman

AUSMET RESOURCES LIMITED

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SUMMARY OF TENEMENTS

Project	Tenement	Status	Interest
Dingo Range	E37/769	Application	100%
	E37/794	Application	100%
	M37/108	Granted	100%
	M37/519	Granted	100%
	M37/1167	Application	100%
Batchelor	EL 9253	Granted	earning 60%
	EL 9501	Granted	earning 60%
	ERL 134	Granted	earning 60%
	MLN 512	Granted	earning 60%
	MLN 513	Granted	earning 60%
	MLN 514	Granted	earning 60%
	MLN 515	Granted	earning 60%
	MLN 542	Granted	earning 60%
	MLN 543	Granted	earning 60%
	MLN 1984	Application	earning 60%
	AN 495	Application	earning 60%
	AN 515	Application	earning 60%
Throssell	E38/1648	Application	100%
	E38/1649	Application	100%
	E38/1650	Application	100%
	E38/1651	Application	100%

- AN - Authority – North
- EL - Exploration Licence
- ERL - Exploration Retention Lease
- M - Mining Lease
- MLN - Mineral Lease – North

AUSMET RESOURCES LIMITED

DIRECTORS' REPORT

The Directors present their report together with the financial report of Ausmet Resources Limited ("the Company") for the period 16 December 2003 (date of incorporation) to 30 June 2004 and the auditors' report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the period are:

Howard Graham Dawson
Chairman

Mr Dawson was formerly an exploration and resource development geologist with a number of major companies including BHP Minerals Limited. In 1987 he entered the securities industry as a Resource Analyst with a subsequent move into senior management roles with firms including McIntosh Securities, Merrill Lynch Australia and ABN Amro Morgans Limited.

Malcolm Keith Smartt
Non Executive Director

Mr Smartt is an accountant and company secretary and after retiring from the RAAF in 1987 as a Squadron Leader he joined the resource sector. He has held a number of senior positions as a company secretary and or Finance Director in a number of public companies such as Chevron Exploration, Arboyne, Mt Edon, Menzies Gold, Coolgardie Gold and New World Alloys.

Peter Henry Strachan
Non Executive Director

Mr Strachan commenced his working life as a research metallurgist in Zambia and then gained significant practical experience with Bougainville Copper and CRA (now Rio Tinto). Since 1983 he has been involved in the Securities Industry in activities such as corporate research, institutional banking and business development and management.

Michael Paul Curnow

Mr Curnow resigned as a Director on 7 July 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the period were mineral exploration.

RESULTS OF OPERATIONS

The net loss after income tax for the Company for the period was \$694,373 (2003: Not Applicable).

DIVIDENDS

No dividend has been paid since incorporation and no dividend is recommended for the current year.

AUSMET RESOURCES LIMITED

DIRECTORS REPORT

REVIEW OF ACTIVITIES

During the year the Company identifies and explored a number of resource projects located within Australia. A summary of these activities is contained in the section of this report entitled "The Year in Review – Operations and Exploration".

OPTIONS OVER UNISSUED CAPITAL

Listed Options

As at the date of this report there were a total of 15,218,000 listed options with details as follows -

<i>Number of Options</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
15,218,000	20 cents each	31 December 2006

These options do not entitle the holders to participate in any share issue of the Company or any other body corporate.

Unlisted Options

As at the date of this report there were no unlisted options.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future periods.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company will focus on the exploration of its portfolio of mining tenements and the acquisition of new projects and/or assets.

Further information about likely developments in

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the period under review, other than as noted in this Annual Report.

the operations of the Company and the expected results of those operations on future periods has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company holds various environmental licences and authorities to regulate its exploration activities in Australia. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration activities.

So far as the Directors are aware, all exploration activities have been undertaken in compliance with all relevant environmental regulations.

AUSMET RESOURCES LIMITED

DIRECTORS REPORT

INFORMATION ON DIRECTORS

As at the date of this report, the positions of the Directors and their interests in the shares and options of the Company are as follows:

Director	Position	Director's Interests in Ordinary Shares	Director's Interests in Listed Options
Howard G Dawson	Executive Chairman Appointed on 16 December 2003	3,230,000	1,575,000
Malcolm K Smartt	Non Executive Director Appointed on 16 December 2003	1,060,000	525,000
Peter Henry Strachan	Non Executive Director Appointed on 7 July 2004	Nil	Nil

Listed options with an exercise price of 20 cents expiring on 30th December 2006.

Each Directors holdings from the start of the period and movements to the end of the period are detailed at Note 14.

DIRECTORS MEETINGS

The number of meetings of the Company's held in the period each Director held office during the period and the number of meetings attended by each Director were:

Director	Director		Meetings whilst Director	
	<i>Appointed</i>	<i>Resigned</i>	<i>Held</i>	<i>Attended</i>
H G Dawson			13	13
M K Smartt			13	13
M C Curnow		7 Jul 04	13	13
P H Strachan		7 Jul 04	N/A	N/A

DIRECTORS AND EXECUTIVES' EMOLUMENTS

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The Board of Directors assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles.

Remuneration of Non-Executive Directors is determined by the Board with the maximum amount approved by the shareholders from time to time.

Details of the nature and amount of each element of the emoluments of each Director of Ausmet Resources Limited for the period are as follows:

Director	Base Emolument \$	Superannuation Contributions \$	Non Cash \$	Consultancy Benefits \$	Total Fees \$
H G Dawson (Non-Executive Chairman)	31,844	2,685	Nil	Nil	34,259
M K Smartt (Non Executive Director)	15,922	1,432	Nil	Nil	17,354
M P Curnow (Non-Executive Director)	7,961	716	Nil	Nil	8,677

Other than the Directors disclosed above there were no other executive officers who received emoluments during the period ended 30 June 2004.

AUSMET RESOURCES LIMITED

DIRECTORS REPORT

Indemnification of officers

The Company has agreed to indemnify and keep indemnified the following officers, Mr H G Dawson, Mr M K Smartt and Mr P H Strachan against all liabilities incurred by the Directors as a director of the Company and all legal expenses incurred by the Directors as a director of the Company.

The indemnity only applies to the extent and in the amount that the Directors are not indemnified under any other indemnity, including an indemnity contained in any insurance policy taken out by the Company, under the general law or otherwise.

The indemnity does not extend to any liability:

- to the Company or a related body corporate of the Company; or
- arising out of conduct of the Directors involving a lack of good faith; or
- which was incurred prior to 16 December 2003 and which is in respect of any negligence, default, breach of duty or breach of trust of which the Directors may be guilty in relation to the Company or related body corporate.

OFFICERS' INDEMNITIES AND INSURANCE

The company is actively seeking an underwriter for Directors and Officers' Insurance and it is anticipated that the Company will pay an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy will include the Directors named in this report.

The Directors and Officers' Liability insurance will provide cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company. The insurance policy will not contain details of the premium paid in respect of individual officers of the company. Disclosure of the nature of the liability cover and the amount of the premium will be subject to a confidentiality clause under the insurance policy.

Signed in accordance with a resolution of the Directors.

Howard Dawson
Chairman

Dated at Perth this 24th day of September 2004

AUSMET RESOURCES LIMITED

STATEMENT OF FINANCIAL PERFORMANCE

For the Period 16 December 2003 to 30 June 2004

	NOTE	2004 \$
Interest revenue	2	36,750
Total revenue	2	36,750
Expenses from ordinary activities		
Employee expense	3	(60,743)
Depreciation and amortisation expense	3	(271)
Exploration expenditure written off	3	(626,002)
Administration expenses	3	(44,107)
Loss from ordinary activities before related income tax expense		(694,373)
Income tax relating to ordinary activities	4	Nil
Net loss attributable to members of the Company	12	(694,373)
		=====
Basic loss per share (cents)	20	(5.17)
		=====

The statement of financial performance is to be read in conjunction with the Notes to the Financial Statements

AUSMET RESOURCES LIMITED

STATEMENT OF FINANCIAL POSITION

As at 30 June 2004

	NOTE	2004 \$
CURRENT ASSETS		
Cash assets	5	3,145,469
Receivables	6	81,391
		<hr/>
TOTAL CURRENT ASSETS		3,226,860
		<hr/>
NON-CURRENT ASSETS		
Property, plant and equipment	7	2,669
Capitalised mineral exploration and evaluation expenditure	8	–
		<hr/>
TOTAL NON-CURRENT ASSETS		2,669
		<hr/>
TOTAL ASSETS		3,229,529
		<hr/>
CURRENT LIABILITIES		
Payables	9	21,365
Provisions	10	–
		<hr/>
TOTAL CURRENT LIABILITIES		21,365
		<hr/>
TOTAL LIABILITIES		21,365
		<hr/>
NET ASSETS		3,208,164
		<hr/>
EQUITY		
Contributed equity	11	3,902,537
Accumulated losses	12	(694,373)
		<hr/>
TOTAL EQUITY		3,208,164

The statement of financial performance is to be read in conjunction with the Notes to the Financial Statements

AUSMET RESOURCES LIMITED

STATEMENT OF CASH FLOW

For the Period 16 December 2003 to 30 June 2004

	NOTE	2004 \$
Cash flows from operating activities		
Receipts from customers		
Interest received		25,947
Payments to suppliers and employees		(83,307)
Tax paid (GST)		(70,766)
		<hr/>
Net cash used in operating activities	21(b)	(128,126)
		<hr/>
Cash flows from investing activities		
Payments for exploration and evaluation		(126,002)
Payments for projects		(100,000)
Payments for property, plant and equipment		(2,940)
		<hr/>
Net cash used in investing activities		(228,942)
		<hr/>
Cash flows from financing activities		
Capital Raising Costs		(224,170)
Proceeds from the issue of shares		3,726,707
		<hr/>
Net cash provided by financing activities		3,502,537
		<hr/>
Net increase in cash held		3,145,469
Cash at the beginning of the period		-
		<hr/>
Cash at the end of the period	21	3,145,46
		=====

The statement of cash flow is to be read in conjunction with the Notes to the Financial Statements

AUSMET RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Period 16 December 2003 to 30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies, which have been adopted in the preparation of this financial report, are:

(a) Basis of Accounting

This financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's assets and the discharge of their liabilities in the normal course of business.

The financial report is a general purpose financial report that has been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets.

(b) Principles of Consolidation

The Company has no wholly-owned controlled entities; therefore there is currently no consolidation.

(c) Income Tax

The Company adopts the income statement liability method of tax effect accounting. Income tax expense is calculated as the operating result adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit from the deductions to be realised and will continue to comply with the conditions of deductibility imposed by the law.

(d) Non-Current Assets

Depreciable non-current assets, other than freehold land, are depreciated over their expected economic life using the straight line method. Profits and losses on disposal of non-current assets are taken into account in determining the operating loss for the year. The depreciation rate used for each class of assets is as follows:

- Plant and equipment 13 – 40%

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

(e) Acquisition of Assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to acquisition. Costs relating to the acquisition of new areas of interest are classified as exploration and evaluation expenditure, development properties or mine properties based upon the stage of development reached at the date of acquisition.

AUSMET RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Period 16 December 2003 to 30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Exploration and Evaluation Expenditure

All exploration and evaluation expenditure is expensed as incurred.

(g) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over the period of 10 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

(h) Joint Ventures

Interests in joint ventures have been brought to account by including the appropriate share of the relevant assets, liabilities and costs of the joint ventures in their relevant categories in the financial statements. Details of these interests are shown in Note 13.

(i) Receivables and Revenue Recognition

Interest income on short term investments is recognised as it accrues.

The gross proceeds of asset sales are included as revenue of the Company.

(j) Employee Entitlements

Liabilities for employees' entitlements to wages and salaries, annual leave, and other current employee entitlements are accrued at nominal amounts on the basis of the expected wage and salary rates at the time of payment.

Liabilities for other employee entitlements, which are not expected to be paid or settled within 12 months of balance date, are accrued, where material, in respect of all employees at the present values of future amounts expected to be paid.

Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable.

(k) Cash Flows

Cash on hand and in banks and short term deposits are stated at nominal value.

For the purpose of the statement of cash flows, cash includes cash on hand and deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

AUSMET RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Period 16 December 2003 to 30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Interest-Bearing Liabilities

Loans are carried at their principal amounts and if applicable, interest is accrued over the period it becomes due and payable and is recorded as part of trade creditors.

(n) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(o) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

(p) Contributed Equity

Issued capital is recognised as the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(q) Earnings per Share

Basic EPS are calculated based upon the net loss divided by the weighted average number of shares. Diluted EPS are calculated as the net loss divided by the weighted average number of shares and dilutive potential shares.

(r) Comparative Amounts

There are no comparative figures as the Company was only incorporated on 16 December 2003. The operating results and cash flows are prepared for the period 16 December 2003 to 30 June 2004.

AUSMET RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Period 16 December 2003 to 30 June 2004

	2004 \$
2. REVENUE	
Revenue from operating activities	
Interest received	36,750
Revenue from outside operating activities	—
	<hr/>
	36,750
	=====
3. EXPENSES	
The loss from ordinary activities before income tax expense has been determined after charging the following items:	
Auditors' remuneration	6,000
Other administration expenses	38,107
Contributions to employee superannuation plans	5,015
Employee expenses	60,743
Depreciation	271
Mineral exploration and evaluation expenditure written off	626,002
	=====

AUSMET RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Period 16 December 2003 to 30 June 2004

2004
\$

4. INCOME TAX

(a) Reconciliation

The aggregate amount of income tax attributable to the financial year differs by more than 15% from the prima facie tax benefit on the operating loss.

The differences are reconciled as follows:

Operating loss	(694,373)
	=====
Prima facie tax benefit at 30%	(208,312)
Tax effect of permanent differences:	
Exploration expenditure written off	156,000
Other non-deductible expenditure	-
Future income tax benefits not brought to account	52,312

Income tax expense attributable to ordinary activities	-
	=====

(b) Future income tax benefits

The future income tax benefits not brought to account at 30% relating to income tax losses, the benefits of which will only be realised if the conditions for deductibility as set out in Note 1(c) occur, are as follows:

Tax losses	52,312
	=====

AUSMET RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Period 16 December 2003 to 30 June 2004

	2004
	\$
5. CASH ASSETS	
Cash	66,841
Bank Bills	3,078,628
	<u>3,145,469</u>
	=====
6. RECEIVABLES	
GST recoverable and due	70,76
Accrued Interest	10,623
Other	2
	<u>81,391</u>
	=====
7. PROPERTY, PLANT AND EQUIPMENT	
Plant and equipment	
At cost	2,940
Accumulated depreciation	(271)
	<u>2,669</u>
	=====

Reconciliation

There were no assets at the beginning of the period and only additions and no disposals during the period.

8. CAPITALISED MINERAL EXPLORATION EXPENDITURE	
Company incorporation – 16 December 2003	Nil
Purchase Price for Tenements	500,000
Exploration Expenditure	126,002
Total	<u>626,002</u>

Less: Expenditure written off during the year	(626,002)
	<u>-</u>
Total Amount Capitalised as at 30 June 2004	-----

AUSMET RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Period 16 December 2003 to 30 June 2004

	2004
	\$
9. PAYABLES	
Current	
<i>Unsecured</i>	
Trade creditors and accruals	15,120
Superannuation	5,015
Amounts owed to Directors and/or Director-related entities	1,230
	<hr/>
	21,365
	=====
10. PROVISIONS	
Current	
Employee entitlements	-
	<hr/>
Number of employees at year end	1
	=====

AUSMET RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Period 16 December 2003 to 30 June 2004

11. CONTRIBUTED EQUITY

(a)	Ordinary Shares - 30,436,000		\$ 3,902,537
			=====
(b)	Share Movements During The Year	\$	Shares
	Balance at the beginning of the period	Nil	Nil
	Seed Capital	294,000	4,200,000
	Promoter Shares	507	5,075,000
	Ordinary shares issued under a Prospectus	3,432,200	17,161,000
	Shares issued as payment for Project	400,000	4,000,000
	Less:		
	Capital Raising Costs	(224,171)	
		-----	-----
	Balance at the end of the period	3,902,537	30,436,000
		=====	=====

(c) Options

Listed options issued under a Prospectus

The listed options were issued during this period and are as follows -

<i>Number of Options Issued</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
15,218,000	20 cents	31 December 2006

Unlisted options

There are no unlisted options.

(d) Terms and Conditions of Contributed Equity

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

12. ACCUMULATED LOSSES

Accumulated losses at the beginning of the period		-
Net loss attributable to members of the Company		694,373

Accumulated losses at the end of the period		694,373
		=====

AUSMET RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Period 16 December 2003 to 30 June 2004

13. INTERESTS IN JOINT VENTURES

Joint venture agreements have been entered into with third parties, whereby the Company can earn an interest in exploration areas by expending specified amounts in the exploration areas. The Company's percentage interests in the future output of the joint ventures, if all its obligations are fulfilled are as follows:

Joint Venture	Joint Venture Partner	Location
Batchelor Project	New World Alloys	Northern Territory

The terms of this agreement are that there is a minimum expenditure of \$75,000 and a total of \$600,000 to earn 60%. If the Company continues this Joint Venture beyond 20 February 2005 they must pay New World Alloys a further \$30,000.

14. DIRECTORS AND EXECUTIVES' REMUNERATION

Remuneration Disclosures

Ausmet Resources Limited		Period Ended: 30 June 2004						
	Primary Salary & Fees	Cash Bonus	Non-cash	Post Employment		Equity Options	Other Benefits	TOTAL \$
				Super-annuation	Retirement Benefits			
Specified Directors								
<i>Dawson, H. Chairman (Executive)</i>								
2003	–	–	–	–	–	–	–	–
2004	31,844	–	–	2,685	–	–	–	34,529
<i>Smartt, M. Non Executive Director</i>								
2003	–	–	–	–	–	–	–	–
2004	15,922	–	–	1,432	–	–	–	17,354
<i>Curnow, M. Non Executive Director (Resigned 7 July 2004)</i>								
2003	–	–	–	–	–	–	–	–
2004	7,961	–	–	716	–	–	–	8,677
Totals	55,727	–	–	4,833	–	–	–	60,560

Share Trading Disclosures

Ausmet Resources Limited – Period Ended 30 June 2004					
Number of Shares held: Specified Directors & Executives					
	Balance 16 Dec 03	Issued during Period	Options Exercised	Net Change Other	Balance 30 Jun 04
Specified Directors					
Dawson, H.	–	3,150,000	–	66,000	3,216,000
Smartt, M.	–	1,050,000	–	10,000	1,060,000
Strachan, P.	–	–	–	–	–
Totals	–	4,200,000	–	76,000	4,276,000

Option Trading Disclosures

Ausmet Resources Limited – Period Ended 30 June 2004					
Number of Shares held: Specified Directors & Executives					
	Balance 16 Dec 03	Issued during Period	Options Exercised	Net Change Other	Balance 30 Jun 04
Specified Directors					
Dawson, H.	–	1,575,000	–	–	1,575,000
Smartt, M.	–	525,000	–	–	525,000
Strachan, P.	–	–	–	–	–
Totals	–	2,100,000	–	–	2,100,000

AUSMET RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Period 16 December 2003 to 30 June 2004

15. AUDITORS' REMUNERATION

	2004
	\$
Audit Services	6,000
Other	Nil

16. RELATED PARTY TRANSACTIONS

There were no related party transactions.

17. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

The Chairman is the Company's only employee at this time and utilises consultants. The Company contributes to Director Superannuation plans at the statutory rate.

18. EXPENDITURE COMMITMENTS

The Company has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Company's exploration programs and priorities. As at balance date, total exploration expenditure commitments on tenements held by the Company which have not been provided for in the financial statements and which cover the following twelve month period amount to \$139,600 (2003: N/A) respectively. These obligations are also subject to variations by farm-out arrangements or sale of the relevant tenements.

As from 1 September, 2004 the Company has committed to a lease for accommodation and it is anticipated that the 3 year lease will total approximately \$70,000.

19. SEGMENT INFORMATION

The Company operates predominantly in one segment involved in the mineral exploration and development industry. Geographically, the Company operates in Australia only.

20. EARNINGS/(LOSS) PER SHARE

	2004
	\$
The following reflects the loss and share data used in the calculations of basic and diluted earnings/(loss) per share:	
Earnings/(loss) used in calculating basic and diluted earnings/(loss) per share	(694,373)
	2004
	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share:	13,443,190

A diluted earnings per share has not been included, as it results in a more favourable loss per share than the basic loss per share.

AUSMET RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Period 16 December 2003 to 30 June 2004

2004
\$

21. NOTES TO THE STATEMENTS OF CASH FLOWS

Reconciliation of Cash

Cash at the end of the period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash at bank	66,641
Cash on hand	200
Deposits at call	3,078,628

3,145,469
=====

Reconciliation of the loss from ordinary activities after income tax to the net cash flows used in operating activities

Loss from ordinary activities after income tax	(694,373)
--	-----------

Non-cash items:

Depreciation	271
Exploration written off	626,002

Change in operating assets and liabilities:

(Decrease)/increase in trade creditors	21,365
Increase)/ decrease in receivables	(81,391)

Net cash outflows used in operating activities	(128,126)
--	-----------

=====

AUSMET RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Period 16 December 2003 to 30 June 2004

22. FINANCIAL INSTRUMENTS

Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market, interest rates and the effective weighted average interest rates on those financial assets, is as follows:

	Note	Weighted Average Effective Interest %	Floating Interest Rate \$	Fixed Interest Rate Maturing		Non Interest Bearing \$	Total \$
				12 months or less \$	12 – 60 months \$		
Financial Assets							
Cash assets - Bills	21(a)	5.29%	3,078,628	-	-	-	3,078,628
Cash Assets - Receivables	5	3.51% 0%	66,841	-	-	-	66,841
						81,391	81,391
Total Financial Asset			3,145,469	-	-	81,391	3,226,860
Financial Liabilities							
Payables	9	-	-	-	-	21,365	21,365
Total Financial Liabilities	-	-	-	-	-	21,365	21,365
Net Financial Assets	-	-	-	-	-	-	3,205,495
			=====	=====	=====	=====	=====

(b) Credit Risk

The Company's maximum exposures to credit risk at balance date in relation to each class of recognized financial asset is the carrying amount of those assets as indicated in the statement of financial position.

(c) Net Fair Values

The net fair value of financial assets and liabilities at balance date approximates their carrying amount.

23. CONTINGENT LIABILITIES

On 23 June 2004 Deep Yellow Limited and its subsidiaries went into voluntary administration. Under the Dingo Range agreement, all rehabilitation liabilities that may have existed over the Dingo Range area were to be assumed by Deep Yellow Limited. As a result of the Company being placed in administration, any rehabilitation liabilities that may exist could pass to Ausmet Resources. The Directors are unable to quantify the extent of these liabilities as none have been raised at the date of this report. The Directors will explore all legal avenues to ensure Deep Yellow Limited honors its obligations under the Dingo Range agreement.

24. SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future periods.

AUSMET RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Period 16 December 2003 to 30 June 2004

23. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

The Australian Accounting Standards Board is adopting the Standards of the International Accounting Standards Board for application to reporting periods beginning on or after 1 January 2005. Pending Accounting standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' prescribes transitional provision for first-time adopters.

AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' requires financial reports to disclose information about the impacts of any changes in accounting policies in the transition period leading up to the adoption date and will apply for June 2004 reporting.

The company has allocated internal resources and in conjunction with its auditors is assessing those accounting policies and key areas that are likely to be impacted by the transition to International Financial Reporting Standards (IFRS). As the company has a 30 June year-end, priority has been given to the consideration of the impact of the Australian equivalents to the IFRS and the preparation of a balance sheet in accordance with those Australian equivalent standards as at 30 June 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the company prepares its first fully IFRS compliant report for the year ended 30 June 2006. As required by AASB 1047, the key accounting policies, which will change and may have an impact on the financial report of the company is set out below.

Exploration and evaluation expenditure

In terms of the exposure drafts issued by the International Accounting Standards Board (IASB) and the Australian Accounting Standards Board (AASB) on exploration and evaluation expenditure, entities are permitted to continue their previous accounting policies but all exploration and evaluation expenditure would be subject to an annual impairment test. Under the impairment test, exploration and evaluation expenditure would be carried at recoverable value which will be determined at the higher of fair value less costs to sell, and value in use. The likely impact is that exploration and evaluation expenditure will not meet the recoverable value test and will need to be written off in the year incurred.

Taxation

Under the Australian equivalent to IAS 12 "Income Taxes", a balance sheet approach will be adopted for calculating taxation, replacing the "statement of financial performance approach". This method recognizes deferred tax balances for all temporary differences arising between the carrying value of an asset or liability and its tax base. Whilst there will be enhanced disclosure of the composition of the deferred tax assets and liabilities it is not expected that there will be any significant impact in terms of the statement of financial position or performance.

Financial Instruments

Under AASB 139 "Financial Instruments: Recognition and Measurement" financial instruments will be required to be classified into five categories and to be measured based on the nature of the classification. The five categories and basis of measurement are:

Financial asset or financial liability measured at fair value through the statement of financial performance

Held to maturity investments measured at amortised cost, subject to impairment

Loans and receivables measured at amortised cost, subject to impairment

Available for sale assets measured at fair value with changes in fair value measured directly in equity

Financial liability measured at amortised cost

This will result in a change in the current accounting policy that does not classify financial instruments.

Impairment of Assets

Under the Australian equivalent to IAS 36 "Impairment of Assets" the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change to the company's current accounting policy which determines recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is likely that the impairment of assets will be recognized sooner and the amount of write downs will be greater.

AUSMET RESOURCES LIMITED

DIRECTORS' DECLARATION

The Directors of Ausmet Resources Limited declare that:

- (a) the financial statements and notes as set out on pages 16 to 31 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards in Australia and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the financial position of the Company as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the period ended on that date.
- (b) in the Directors opinion there are reasonable grounds to believe that Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Howard Dawson
Chairman

Signed at Perth this 24th day of September 2004

AUSMET RESOURCES LIMITED



STANTON PARTNERS

1 HAVELOCK STREET
WEST PERTH 6005
WESTERN AUSTRALIA

TELEPHONE: (08) 9481 3188

Facsimile: (08) 9321 1204

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INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF
AUSMET RESOURCES LIMITED

SCOPE

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash-flows, accompanying notes to the financial statements, and the director's declaration for Ausmet Resources Limited (the Company), for the period 16 December 2003 to 30 June 2004.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows.

AUSMET RESOURCES LIMITED

We formed our opinion on the basis of these procedures, which included:

examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

INDEPENDENCE

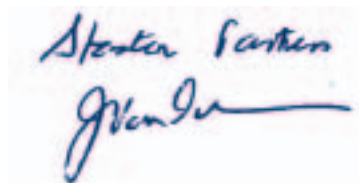
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

AUDIT OPINION

In our opinion, the financial report of Ausmet Resources Limited is in accordance with:

- a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2004 and of its performance for the period ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

STANTON PARTNERS



J P Van Dieren
Partner

Perth, Western Australia
24 September 2004

AUSMET RESOURCES LIMITED

CORPORATE GOVERNANCE STATEMENT

GOOD GOVERNANCE AND PRACTICE RULES

The Australian Stock Exchange Corporate Governance Council has determined a total of ten Governance and Good Practice Rules, and although not mandatory at this time, these rules must be listed and an explanation provided on whether the Company Complies with the rule, or a reason why it does not.

Full details of the Company Corporate Governance can be viewed on the internet at www.ausmet.com.au or contact the Ausmet Office 08 9322 4855 and a copy of the full Corporate Governance will be sent to you.

PRINCIPAL 1: Lay solid foundations for management and oversight	COMPLIANCE OR DETAILS OF PLANNING
1.1 Formalise and disclose the functions reserved to the board and those delegated to management	All Board and Management functions fully detailed in a best practice and responsibility document..
PRINCIPAL 2: Structure the Board to add value	COMPLIANCE OR DETAILS OF PLANNING
2.1 A majority of the Board should be independent Directors	Ausmet has a majority of non-executive Directors
2.2 The Chairperson should be an independent director	The Board considers that the executive role carried out by the Chairman is in the best interests of the Company. This matter is constantly reviewed and will be amended if deemed necessary.
2.3 The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual	The Board considers that the executive role fulfilled by the Chairman is in the best interests of the Company and is appropriate for its current stage of development.
2.4 The board should establish a nomination committee	The Board fulfills role of Nomination Committee.
PRINCIPAL 3: Promote ethical and responsible decision-making	COMPLIANCE OR DETAILS OF PLANNING
3.1 Establish a code of conduct to guide the director's, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to: <ul style="list-style-type: none"> 3.1.1 the practices necessary to maintain confidence in the Company's integrity. 3.1.2 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices. 	A comprehensive Code of Conduct has been adopted.
3.2 Disclose the policy concerning trading in Company securities by Directors, Officers and Employees;	A strict policy has been adopted and is disclosed in the Corporate Governance Statement.
PRINCIPAL 4: Safeguard integrity in financial reporting	COMPLIANCE OR DETAILS OF PLANNING
4.1 Require the chief executive officer (or equivalent) to state in writing to the Board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	Completed by Chairman in conjunction with Auditor
4.2 The board should establish an audit committee.	The role of Audit Committee has been assumed by the two Non executive Directors and the Company Secretary.
4.3 Structure the audit committee so that it consists of: <ul style="list-style-type: none"> ● Only non-executive Directors ● A majority of independent Directors. ● An independent chairperson who is not the chairperson of the Board. ● At least three members. 	Complied with.
4.4 The audit committee should have a formal operating charter.	Not appropriate at this time.

AUSMET RESOURCES LIMITED

CORPORATE GOVERNANCE STATEMENT

GOOD GOVERNANCE AND PRACTICE RULES (CONT)

PRINCIPAL 5: Make timely and balanced disclosure.	COMPLIANCE OR DETAILS OF PLANNING
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance	Complied with.
PRINCIPAL 6: Respect the rights of shareholders	COMPLIANCE OR DETAILS OF PLANNING
6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	Complied with.
6.2 Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and content of the auditors report.	Complied with.
PRINCIPAL 7: Recognise and manage risk.	COMPLIANCE OR DETAILS OF PLANNING
7.1 The Board or appropriate Board committee should establish policies on risk oversight and management.	Complied with.
7.2 The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that: 7.2.1 The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. 7.2.2 The company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects	Complied with.
PRINCIPAL 8: Encourage enhanced performance.	COMPLIANCE OR DETAILS OF PLANNING
8.1 Disclose the process for performance evaluation of the Board, its committees and individuals Directors, and key executives.	Complied with.
PRINCIPAL 9: Remunerate fairly and responsibly	COMPLIANCE OR DETAILS OF PLANNING
9.1 Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the cost and benefits of these policies and (ii) the link between remuneration paid to Directors and key executives and corporate performance.	Complied with.
9.2 The Board should establish a remuneration committee.	Complied with.
9.3 Clearly distinguish the structure of non-executive Directors remuneration from that of executives.	Complied with.
9.4 Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	Complied with.
PRINCIPAL 10: Recognise the legitimate interest of stakeholders.	COMPLIANCE OR DETAILS OF PLANNING
10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	Complied with.

AUSMET RESOURCES LIMITED

CORPORATE GOVERNANCE STATEMENT

BOARD OF DIRECTORS

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for management and monitoring the achievement of these goals. The Board has also established a framework for the management of the Company including setting levels of remuneration for Directors and senior personnel, an overall framework of internal control and the establishment of appropriate ethical standards.

The Board regularly reviews the Company's operational and financial performance and reviews and approves detailed budgets and investment opportunities. The Board works closely with executive management to identify and manage operational, financial and legislative risks.

To ensure the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of Directors and for the operation of the Board.

COMPOSITION OF THE BOARD

Principle 2 of the Good Governance and Practice Rules recommends that;

The Chairperson should be an independent and Non-Executive Director.

Whilst the Chairman and Chief Executive Officer roles are exercised by the same person, the Board recognises that at this time such an arrangement is appropriate for economic reasons and the efficient management and growth of the Company.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board selects a candidate or panel of candidates with the appropriate expertise and experience. The Board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders. The Company does not have a formal Nomination Committee and that role is fulfilled by the whole Board.

The full Board currently holds scheduled meetings each year plus any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

BOARD RESPONSIBILITIES

As the Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the Company is delegated by the Board to the executive team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the executive team.

The Board is responsible for ensuring that managements' objectives and activities are aligned with the expectations and risks identified by the Board.

MONITORING OF THE BOARD'S PERFORMANCE AND COMMUNICATION TO SHAREHOLDERS

The Board aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through:

- the annual report which is distributed to all shareholders;
- the half-yearly report; and
- the annual general meeting and other meetings so called to obtain approval for board action as appropriate.

All documents that are released publicly are made available on the Company's website at www.ausmet.com.au

AUSMET RESOURCES LIMITED

CORPORATE GOVERNANCE STATEMENT

INDEPENDENT PROFESSIONAL ADVICE

Each Director has the right to seek independent professional advice at the Company's expense. However, prior approval of the Chairman is required, which should not be unreasonably withheld.

REMUNERATION

Remuneration levels are set by the Board in accordance with industry standards to attract suitably qualified and experienced Directors and senior executives.

ETHICAL STANDARDS

All Directors and employees are expected to act with the utmost of integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

CONFLICT OF INTEREST

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. There are no director related entity transactions with the Company.

DIRECTORS DEALINGS IN COMPANY SHARES

The Constitution permits Directors to acquire shares in the Company. Company policy prohibits Directors from dealing in Company shares whilst in possession of price sensitive information. Directors must notify the Company Secretary once they have bought or sold shares in the Company or exercised options over ordinary shares. In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange, the Company on behalf of the Directors must advise the Australian Stock Exchange of any transactions conducted by them in shares and/or options in the Company.

AUSMET RESOURCES LIMITED

ASX ADDITIONAL INFORMATION

Pursuant to the Listing Requirements of the Australian Stock Exchange Limited, the shareholder information set out below was applicable as at 10 September 2004.

Number of Shares and Options Holders

30,436,000 Ordinary Shares (AME)

15,218,000 Options (AMEO) Exercisable at 20 cents and expiring 31 December 2006.

Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of Shareholders	Number of Option Holders
1 – 1,000	0	0
1,001 – 5,000	3	77
5,001 – 10,000	78	45
10,001 – 100,000	305	259
More than 100,000	44	20
Totals	430	401

Holders of Non Marketable Parcels

There were zero holders of less than a marketable parcel of ordinary shares.

Substantial Shareholders

The following shareholders are recorded in the register of Substantial Shareholders

	<i>Number</i>	<i>Percentage</i>
<i>Deep Yellow Limited</i>	<i>4,000,000</i>	<i>13.14%</i>
<i>Mr Howard Dawson & M/s Leighth Dawson <Family A/C></i>	<i>3,150,000</i>	<i>10.35%</i>

Restricted Securities

Details of restricted ordinary shares are as follows;

	Ordinary Shares	Options
12 Months from 15 January 2004	2,066,350	1,033,175
12 Months from 30 April 2004	4,775,000	2,387,500
24 Months from 30 April 2004	4,768,250	2,384,125

Voting Rights

In accordance with the Company's Constitution, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

On-market buy back

There is currently no on-market buy back of the Company's securities.

Use of cash and assets

From the period of ASX Listing (30 April 2004) until the date of this report, the Company has used the cash and assets as declared on admission to the ASX, in a form consistent with the Company's business objectives.

AUSMET RESOURCES LIMITED

ASX ADDITIONAL INFORMATION

Twenty Largest Shareholders

The names of the twenty largest holders of shares are listed below:

<i>Name</i>	<i>Number</i>	<i>Percentage</i>
Deep Yellow Limited	4,000,000	13.14%
Mr Howard Graham Dawson and Mrs Leighth Dawson <Family A/C>	3,150,000	10.35%
Mr Malcolm Keith Smartt and Mrs Janice Leonie Smartt	1,050,000	3.45%
Gold Services Industries Pty Ltd <Bambino Family Account>	514,000	1.69%
Mr Ian Murray Charles Palmer	500,000	1.64%
Sdc Pty Ltd	500,000	1.64%
Reads It Pty Ltd	407,000	1.34%
Lgd Investments (WA) Pty Ltd <Detata Family A/C>	349,950	1.15%
Gold Services Industries Pty Ltd <Curnow Super Fund A/C>	342,800	1.13%
Rojex Mining Services Pty Ltd <Superannuation Fund A/C>	300,000	0.99%
Mr Matthew James Maxwell Telling	300,000	0.99%
M/s Nanda Sawant	250,000	0.82%
Lgd Investments (WA) Pty Ltd	232,050	0.76%
Mr Anthony John Allen	225,000	0.74%
Mr David Paul Curnow	214,200	0.70%
Mr Anthony Cooper	200,000	0.66%
Elcos Pty Ltd	200,000	0.66%
Alberta Resources Pty Ltd <British Columbia S/F A/C>	180,000	0.59%
Blossomfield Pty Ltd <Hill Investment A/C>	180,000	0.59%
Mesuta Pty Ltd	180,000	0.59%
	13,275,000	43.62%
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Twenty Largest Option holders

The names of the twenty largest holders of shares are listed below:

<i>Name</i>	<i>Number</i>	<i>Percentage</i>
Deep Yellow Limited	2,000,000	13.14%
Mr Howard Graham Dawson and Mrs Leighth Dawson <Family A/C>	1,575,000	10.35%
Mr Malcolm Keith Smartt and Mrs Janice Leonie Smartt	525,000	3.45%
Mr Edwin Grebble	500,000	3.29%
Gold Services Industries Pty Ltd <Bambino Family Account>	257,000	1.69%
Mr Ian Murray Charles Palmer	250,000	1.64%
Sdc Pty Ltd	250,000	1.64%
Reads It Pty Ltd	203,500	1.34%
Casula Management Pty Ltd	200,000	1.13%
Gold Services Industries Pty Ltd <Curnow Super Fund A/C>	171,400	1.13%
Lgd Investments (WA) Pty Ltd <Detata Family A/C>	162,475	1.07%
Mr Chris Robert Cannon	150,000	0.99%
Rojex Mining Services Pty Ltd <Superannuation Fund A/C>	150,000	0.99%
Mr Tony Villani	145,750	0.96%
M/s Nanda Sawant	125,000	0.82%
Starcat Investment Pty Ltd	125,000	0.82%
Lgd Investments (WA) Pty Ltd	116,025	0.76%
Mr David Paul Curnow	107,100	0.70%
Mr Anthony John Allen	100,000	0.66%
Mrs CY-Anne Aymore	100,000	0.66%
	7,213,250	47.40%
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