

Ausmet Resources Limited

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24 Dec 2004

No. of pages lodged: 2

Company Announcements Office
Australian Stock Exchange Limited
4th Floor
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

PROPOSED ACQUISITION OF BOUNTY INDUSTRIES AUSTRALIA PTY LTD

Further to our previous notice issued on 17 December 2004, the Directors of Ausmet wish to advise that the due diligence regarding the proposed acquisition of Bounty Industries has been completed and the proposed merger has become unconditional except for normal ASX statutory requirements and the approval by Ausmet shareholders.

As discussed in our notice of 17 December, the Bounty business has been significantly restructured over the past 4 weeks to reflect that Bounty has expanded its business opportunities, particularly with the potential for additional mining contracts.

As a result of this restructuring, the Board of Ausmet have renegotiated the terms of the merger to reflect both the increased earnings potential of the merged company, but also the need to raise additional capital to properly benefit from the expanded opportunities.

Under the terms of the merger current Bounty shareholders will now be issued 15 million shares and 25 million options once the transaction is completed. The options will have strike prices of \$0.35, \$0.40 and \$0.45 in three equal tranches, with a three year life.

If the merged company achieves a Net Profit after Tax from ordinary activities of \$8 million in FY 2006, current Bounty shareholders will be issued a further 10 million shares.

In addition, as part of the proposed merger transaction, certain investors in Bounty will be issued shares with an attaching 1 for 2 option under a debt: equity conversion. It is expected that up to 5,000,000 shares and 2,500,000 options will be issued to convert \$1,000,000 in current Bounty debt.

As previously advised, an explanatory memorandum will be issued together with the notice of meeting. It is planned to have this document provided to shareholders during January.

In addition a prospectus for the issue of 30,000,000 shares to raise \$6,000,000 before costs will be prepared and available in February. The issue price of the shares under this prospectus will be \$0.20 and it is anticipated that Ausmet shareholders will receive a priority allocation.

Under these revised terms Ausmet will have an issued undiluted capital of approximately 80,000,000 shares post the transaction.

Targeted earnings have increased to \$6-\$8 million for the FY 2006 year.

The Directors thank shareholders for their patience.

Yours faithfully

HOWARD DAWSON
Chairman