

Ausmet Resources Limited

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Company Announcements Office
Australian Stock Exchange Limited
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SYDNEY NSW 2000

Dear Sir/Madam

QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2004

HIGHLIGHTS

- ❖ Proposed merger with Bounty Industries Australia Pty Ltd announced on 10 November 2004.
- ❖ Due diligence completed during December 2004 and Information Memorandum, Notice of meeting and Explanatory Statement released to ASX on 28 January 2005.
- ❖ Shareholder meeting to approve proposed merger to be held on 7 March 2005.
- ❖ Bounty is an integrated coal equipment manufacturer, supplier and mining contractor with head office in Sydney, main workshop at Newcastle and mining contracts and agreements with underground coal mines in NSW and Queensland.
- ❖ The merged company is targeting net earnings of greater than \$6 million for the year ending 30 June 2006.
- ❖ Ausmet shareholders to receive capital return via shares in unlisted Company, Discovery Capital Limited.

Summary

On 10 November 2004 Ausmet Resources (ASX Codes AME and AMEO) announced that the Company had reached agreement to merge with Bounty Industries Australia Pty Ltd (Bounty), subject to the satisfactory completion of due diligence and all relevant ASX, regulatory and Shareholder approvals being received.

The proposed Merger will result in Ausmet acquiring all of the shares in Bounty in return for issuing the shareholders of Bounty with Ausmet shares and options.

An Information Memorandum, Notice of Meeting and Proxy Form, together with an Explanatory Statement dealing with all the resolutions that shareholders must consider and vote on as part of the merger process, is scheduled to be mailed by Wednesday 2 February 2005.

The General Meeting of Shareholders is scheduled to be held on Monday, 7 March 2005.

During the December quarter Ausmet also conducted drilling programmes over the Dingo Range and Batchelor projects.

Bounty Industries

Operations

Bounty is an integrated coal equipment manufacturer, supplier and mining contractor with head office in Sydney and main workshop at Gateshead in Newcastle, New South Wales.

The company already owns a number of underground mining units and ancillary equipment and plans to increase this fleet to a size which will allow both existing and potential new mining agreements and contracts to be worked with greater efficiency, and at expanded rates.

The Company undertakes both conventional as well as low profile (thin seam) mining.

As disclosed in an Ausmet release to ASX dated 10 November 2004, Bounty is targeting consolidated revenues to grow to in excess of \$70 million over the next 2.5 years and net earnings to be in excess of \$6 million for the financial year ending 30 June 2006. Based on the undiluted share capital post the proposed merger and a proposed prospectus capital raising, these targeted earnings are equivalent to around \$0.08 per share.

These targeted earnings assume that the proposed prospectus capital raising is successfully completed.

Capital Return

Should the proposed merger be approved, Ausmet propose to return to Ausmet shareholders the majority of the mining and other assets currently held. This return of assets will be via a distribution of shares in a wholly owned subsidiary, Discovery Capital Limited and will be undertaken once approval for the merger has been received.

Your Directors propose to undertake this capital return as the exploration of mining properties will not be a core business of Ausmet, should the proposed Merger be approved.

Post the proposed Merger, Discovery will be an unlisted public company with the Ausmet shareholders on record as at the books closing date, holding around 90% of the issued capital. The balance will be held by Ausmet who will ultimately move to 25% of the issued capital through proposed share issues over an 18 month period.

It is the intention of Discovery to actively pursue the exploration or sale of the existing mining projects in Ausmet, which are to be transferred to it.

Proposed Prospectus Capital Raising

Ausmet seeks to raise up to \$6 million under a prospectus issue in order to fund the proposed expanded business activities of the Company, following the Merger.

It is the intention of the Directors of Ausmet to reserve a priority entitlement for Ausmet shareholders to participate in this proposed \$6 million Prospectus Capital Raising. This priority entitlement is for \$1,000,000 and is available to all shareholders who complete and lodge an application form by no later than three days following the General Meeting. This application form will be specially marked and contained within the prospectus pursuant to this proposed share issue.

It is expected that the prospectus pursuant to this proposed issue will be available by the middle of February 2005.

The Directors will reserve the right to adjust the amount allocated to a shareholders' application in the event that applications exceed the priority entitlement.

Compliance with ASX Listing Rules

Should the proposed merger be approved, the development of Bounty's business activities will become the main focus of Ausmet. As this will involve a significant change in the nature and scale of your Company's activities, Ausmet will need to comply with the ASX requirements for re-admission to its Official List.

The re-admission process will result in the Company's securities being suspended from official quotation for a short period during early March 2005.

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.

During the December quarter a reconnaissance drilling programme was undertaken to determine the geology under scree covered areas within the south eastern part of the project area, as well as test a number of structurally complex zones, as defined by aeromagnetic interpretation.

Holes were drilled using RAB and aircore, with a total of 37 being completed for 1,685 metres.

Samples were analysed for Au, As, Cu and Ni. In general, the majority of the results showed only background levels of geochemistry although a number of zones with weakly elevated Cu and Ni were detected over zones of magnetic dislocation.

These results are being integrated into the Dingo Range data base.

Batchelor (earning 60%)

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

The focus of Batchelor is more base metal than gold, as the 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.

During the quarter the results for the remainder of the historic drilling by New World Alloys across the preferred contact zone were received.

In addition a RAB and reverse circulation drilling programme was commenced. This programme was designed to test 5 main targets which had been delineated on the basis of previous exploration activities within the area, a review of the geology by Ausmet and consultants, and the sampling of previous drilling which had been completed by New World Alloys.

As a result of the onset of the wet season only 5 holes for 250 metres were completed. These holes comprised an incomplete test of the Siltstone and Powerline targets and additional drilling will need to be completed to adequately test the prospects.

The drilling completed nevertheless intersected zones of elevated base metals with values ranging up to 1100 ppm Cu, and 742 ppm Zn.

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.

During the quarter negotiations with parties concerned with native title were undertaken. It is hoped that ground access will be approved shortly and exploration can commence early in the June quarter

Corporate

As at the completion of the June quarter the Company's cash and financial assets balance was \$3,017,000.

Howard Dawson
Chairman

The information on mineralisation contained in this statement accurately reflects information compiled by Mr Malcolm Castle B.Sc (Hons), M.Aus.I.M.M who is a Competent Person (as defined by the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves) with relevant experience in relation to such mineralisation. Mr Castle has given permission for the information to be included in this statement.