

AUSMET RESOURCES LIMITED

BATCHELOR PROJECT

ANNUAL REPORT ERL 134

Year ended 10 October 2004

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1. EXECUTIVE SUMMARY

Ausmet Resources Ltd has entered into a joint venture with Savanna Mineral Resources Pty Ltd, a wholly owned subsidiary of New World Alloys Ltd covering a group of mineral exploration tenements near Batchelor, Northern Territory. Ausmet considers that these tenements are under-explored for gold and base metals as a result of Savanna's primary focus having been on the magnesite potential of the area.

Since executing the joint venture agreement and following a successful listing on the ASX Ausmet has completed a detailed review of the project both by data review and field inspection. This review has assessed the data on the area with a view to identifying targets deserving further testing for gold and base metals. Several general target areas have been identified and an outline of a recommended testing programme has been developed. The programme is expected to involve mapping, rock chip sampling, sampling of existing drill holes, RAB drilling and RC drilling. It is expected that the first phase of this work will be undertaken during the current field season.

2. INTRODUCTION

In February 2004 Ausmet Resources Ltd entered into a joint venture agreement with Savanna Mineral Resources Pty Ltd, a wholly owned subsidiary of New World Alloys Ltd. Under the terms of this agreement Ausmet has the right to earn a 60% interest in all mineral tenements held in the name of Savanna in the Batchelor area of the Northern Territory. These tenements include EL's 9253 and 9501, ERL 134, MLN's 512, 513, 514, 515, 542 and 543, applications for AN's 495 and 515 and application for MLN 1984. A copy of this agreement has been lodged with the NT DBIRD.

Following execution of this agreement Ausmet finalized and lodged a Prospectus with ASX and completed a capital raising of \$3 million. Ausmet was listed on the ASX in April 2004. Following its successful listing Ausmet proceeded to undertake a detailed review of the technical data on all of its properties.

Ausmet had entered into the joint venture because it was perceived that the focus of New World Alloys/Mt Grace Resources on the magnesite potential of the area over the preceding six years had meant that the potential for gold and base metal mineralisation was under-evaluated. This review has focused on that gold and base metal potential. This is not to imply that the magnesite resource is not considered a valuable asset, it is simply a reflection of the view that a further examination of the possibility for development of the magnesite must await changes to the availability and pricing of energy in the region.

3. TENEMENTS

ERL 134 was granted on 11 October 1994 for a period of 6 years. Two applications to extend the life of this tenement each for a period of two years have been granted and a further application for extension has been lodged. The ERL was granted over an irregular shaped area of 971.3 hectares and still retains its original size. The ERL was originally granted to Giant's Reef Exploration Pty Ltd and was subsequently wholly acquired by Savanna. The location is shown in Figures 1 and 2.

4. PREVIOUS WORK

The area was explored for gold and base metals from the date of grant until late 1997. At that time the focus shifted from those commodities to assessment of the magnesite potential. This resulted in the definition of a magnesite resource of 16.6 million tonnes of 43.2% MgO, announced in mid-2000. A bulk sample pit was sunk in late 2000 and some 176 tonnes of magnesite ore was consigned to South Africa for metallurgical testing which in the final analysis was only partly completed. A pre-feasibility study was completed in 2001 and an EIS lodged with DBIRD in March 2002. A Supplement to the EIS was lodged in October 2002.

5. WORK COMPLETED

It is understood that Savanna undertook a review of the potential of the project in late 2003 but decided to look for a joint venture because the focus of Savanna's parent company, New World Alloys Ltd (NWA), had shifted to copper projects in Africa. NWA also proposed a rehabilitation programme to be completed by the end of 2003. It appears that this programme may not have been fully completed.

Following execution of the joint venture and the successful listing of Ausmet a detailed data review was undertaken including field inspection of the sites over an extended period. The output of this review was a report which is appended to this report (Appendix 1).

6. EXPENDITURE

During the period from 11 October 2003 to 10 October 2004 the following expenditure was incurred.

Expense	Quantity	Cost \$
Geologists	15 days	11,200
Field Technician	10 days	3,300
Airfares, vehicles and accommodation		4,158
Rehabilitation works		13,473
Overhead and administration		3,084
Total		35,215

7. PROPOSED PROGRAMME FOR ENSUING YEAR

It is proposed to implement the exploration programme as outlined in Appendix 1. The following budget is proposed for ERL 134.

Activity	Cost \$
Geological mapping	2,500
Rock chip sampling and assays	2,000
Drilling	5,000
Assays from drill samples	2,000
Geological supervision of drilling	
2,000	
Airfares, vehicles and accommodation	1,500
Rehabilitation works	500
Overhead and administration	1,000
Total	16,500

APPENDIX 1

REVIEW OF EXPLORATION BATCHELOR TENEMENTS