

# Eumeralla Resources Limited

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## ASX RELEASE [ASX:EUM]

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6 December 2016

### CORRECTION TO ANNOUNCEMENT

On 5 December 2016, Eumeralla Resources Limited (the **Company**) made an announcement in respect of its proposed acquisition of Ausmex Mining Limited.

Schedule 1 of that announcement included erroneous references to two incorrect entities. The Company has now corrected the announcement and attaches the corrected version. No other changes have been made to the announcement.

Yours faithfully

Tim Slate  
Company Secretary

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#### About Eumeralla Resources Ltd

Eumeralla is an emerging ASX-listed (ASX:EUM) metals explorer. The Company was listed on the ASX on 3 May 2012 for the primary purpose of acquiring and exploring mining projects initially in Mongolia and more recently, Myanmar. The company's strategic vision includes discovering commercially significant minerals deposits. In Mongolia, the license covers an area of 2,786 hectares and encompasses the historical Chuluun Khoroot tungsten mine, which was active during the period 1945-1955. The License area is located in NE Mongolia approximately 20 km north of the town of Dashbalbar, 850 km NE of Ulaanbaatar and 85 km NW of the Solowevsik-Choibalsan railway. In Myanmar, the company has three separate JV partners with applications pending for several mining leases. The biggest of which is a 400km<sup>2</sup> concession in Kayah State, which plays host to the historical Mawchi Tungsten mine. The Company's initial metal focus will be on tin and tungsten, although other commodities may be targeted in the future. Eumeralla is constantly assessing other projects throughout SEA with a view to add value to shareholders.

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## ASX RELEASE (ASX:EUM)

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5 December 2016

### EUMERALLA RESOURCES TO ACQUIRE AUSMEX MINING

Eumeralla Resources Limited (ASX:EUM) (**Eumeralla** or **Company**) is pleased to announce it has entered into a binding heads of agreement in relation to the acquisition of all of the securities in unlisted Australian public company Ausmex Mining Limited (**Ausmex**) (**Proposed Acquisition**). The key terms of the Proposed Acquisition are set out in Schedule 1 of this announcement.

#### Overview of Ausmex

1. Ausmex was incorporated in June 2016 with the principal objective of acquiring assets to explore for and develop a large IOGC or porphyry deposit funded by low risk gold production resources. To that end it has:
  - (a) applied for and been granted EL 5881, a licence covering 980 sq km prospective for gold/copper in the Mount Bryan-Red Banks-World's End area near Burra in South Australia; and
  - (b) entered into an agreement to acquire gold/ copper tenements or interests located in Queensland's Cloncurry region (**Cloncurry Option Agreement**).
2. As at the date of this announcement, Ausmex has a total of 11 security holders (holding Ausmex shares, convertible notes or both). Its largest shareholder is C4 Shares Pty Ltd (**C4 Shares**), which will be entitled to approximately 48.3% of the Company's shares (**EUM Shares**) to be issued to the Ausmex vendors. As a consequence of the Proposed Acquisition, if approved, C4 Shares is expected to hold approximately 27.3% of the listed merged entity.

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#### About Eumeralla Resources Ltd

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3. C4 Shares is controlled by veteran mineral explorer Wayne McCrae who brings more than 40 years' experience in the Cloncurry Mt Isa mineral field and has detailed knowledge of all of the Queensland tenements to be acquired by the Company if the Proposed Acquisition proceeds.

#### **Capital raising**

4. To assist the Company to re-comply with Chapters 1 and 2 of the Listing Rules and to support its exploration strategy post-completion of the Proposed Acquisition, the Company plans, subject to shareholder approval, to conduct a capital raising under a full form prospectus to raise at least \$3 million (**Public Offer**).
5. The Public Offer will not be underwritten.

#### **Control issues**

6. As set out in paragraph 2 of this announcement, C4 Shares will hold approximately 27.3% of the Company following completion of the Proposed Acquisition.
7. C4 Shares is an Australian proprietary company and is the trustee of the C4 Shares Trust.
8. Mr Wayne McCrae is the sole director and shareholder of C4 Shares. He is also a beneficiary of the C4 Shares Trust. Mr McCrae is therefore an associate of C4 Shares.
9. Neither C4 Shares nor Mr McCrae presently hold any shares in the Company; accordingly, the change in voting power of C4 Shares and its associates on completion of the Proposed Acquisition will be an increase from nil to 27.3%. The Company notes that shareholder approval will be sought to approve C4 Share's interest in the voting shares of the Company, in accordance with section 611 of the Corporations Act.

#### **Effect of the Proposed Acquisition on the Company's consolidated total assets and total equity interests**

10. The principal effects on the Company's consolidated statement of financial position will be:
- (a) current assets will increase by approximately \$2.6 million comprised of the net proceeds of the Public Offer and Ausmex's expected cash balance as at completion of the Proposed Acquisition;
  - (b) non-current assets will increase by approximately \$100,000 comprised of the value of Ausmex's non-cash assets; and
  - (c) total equity interests will increase by a corresponding amount.

**Effect of the Proposed Acquisition on the Company's revenue, expenditure and profit before tax**

11. The principal effects on the Company's consolidated statement of financial performance for the financial year ended 30 June 2017 will be:
- (a) revenues will be increased by approximately \$50,000, comprised principally of interest earned on the Company's cash balances – the Company does not expect to generate revenues from operations or sale of assets during the relevant period;
  - (b) expenditure will be increased by approximately \$450,000 comprised principally of expenses related to the Company's exploration expenditure on Ausmex's projects (\$260,000) and corporate overheads (\$190,000); and
  - (c) net profit (loss) is expected to be approximately \$(400,000).
12. The principal effects on the Company's consolidated statement of financial performance for the financial year ended 30 June 2018 will be:
- (a) revenues will be increased by approximately \$25,000, comprised principally of interest earned on the Company's cash balances – the Company does not expect to generate revenues from operations or sale of assets during the relevant period;
  - (b) expenditure will be increased by approximately \$1.78 million, comprised principally of expenses related to the Company's exploration expenditure on Ausmex's projects (\$1.21 million) and corporate overheads (\$570,000); and
  - (c) net profit (loss) is expected to be approximately \$(1.755 million).

**Pro Forma Share Capital Structure**

13. The indicative share capital structure of Eumeralla post-acquisition of Ausmex, based on the current Eumeralla securities on issue and including the Public Offer, will be as follows:

	Shares	Other securities	% interest in issued capital
Shares currently on issue	99,165,607		27.1%
Shares to be issued to Ausmex shareholders / noteholders	207,000,000		56.5%
Share to be issued under the Cloncurry Option Agreement (subject to confirmation of the issue price under the Public Offer)	12,500,000		3.4%
Shares to be issued to parties facilitating the Proposed Acquisition	10,000,000		2.7%

	Shares	Other securities	% interest in issued capital
Shares to be issued under the Public Offer at an indicative issue price of \$0.08 (subject to confirmation under the Public Offer)	37,500,000		10.3%
<b>Total Shares upon completion of the Proposed Acquisition</b>	<b>366,165,607</b>		<b>100%</b>
Options currently on issue (exercisable @ \$0.045 on or before 31 December 2018)		10,000,000	15.8%
Options to be issued to directors (exercisable @ \$0.045 on or before 31 December 2018)		3,500,000	5.5%
Options to be issued to parties facilitating the Proposed Acquisition			
- exercisable 150% of the Public Offer issue price on or before the date that is 3 years after the date of issue		20,000,000	31.5%
- exercisable 175% of the Public Offer issue price on or before the date that is 3 years after the date of issue		30,000,000	47.2%
<b>Total Options upon completion of the Proposed Acquisition</b>		<b>63,500,000</b>	<b>100%</b>

### New Board and Management Team

14. Upon completion of the Proposed Acquisition, James Hyndes and Nicole Fernandes will resign from the Board and Messrs Andrew Firek, Matthew Morgan and Geoff Kidd will be appointed as directors (**New Directors**). The New Directors' qualifications and experience are set out below.

#### Andrew Firek

Dr Firek holds a Master of Science and a Ph.D and is a Fellow of the Australian Institute of Mining and Metallurgy and the Australian Institute of Energy. He has been involved in minerals exploration, mining and processing industry at operational and executive levels for over 20 years. He has been managing director, CEO, or executive director of a number of successful listed mining companies

#### Matthew Morgan

Mr Morgan holds a Bachelor of Science (Geology) and has 20 years' experience in mine geology, quality control and mining engineering, and mine management roles in coal, gold, antimony, and iron ore mining & exploration, both open-cut and underground. He is also a non-executive director of ASX-listed company Gold Mountain Ltd.

## Geoff Kidd

Mr Kidd has over 30 years' experience with comminution and related minerals processing equipment, in hands-on roles managing, designing, purchasing, building & commissioning new mines & driving technological and operational efficiencies in both new and existing mine developments in all states of Australia and overseas.

David Wheeler, an existing director of the company, will stay on as a director after completion of the Proposed Acquisition.

### **Change of Name**

15. Following completion of the Proposed Acquisition, the Company will change its name to "Ausmex Mining Group Limited".

### **Timetable**

16. A timetable for the Proposed Acquisition and associated events is set out below:

<b>Event</b>	<b>Date (week ending)</b>
Despatch notice of general meeting of Eumeralla shareholders	6 January 2017
Lodge prospectus with ASIC & ASX	27 January 2017
Opening date of Public Offer	27 January 2017
Hold general meeting	10 February 2017
Closing date of Public Offer	24 February 2017
Settlement date	10 March 2017
Re-quotation date	31 March 2017

### **Ausmex's activities and business model**

17. Ausmex is planning two key strategies as corporate objectives:
- (a) to secure exploration projects that have potential to host giant world class IOCG or Porphyry copper gold deposits such as Ernest Henry or Rocklands in Queensland, Olympic Dam in South Australia or Cadia – Ridgeway in New South Wales; and
  - (b) allied and conducive to such exploration, secure gold/copper production opportunities on smaller gold projects to fund exploration and asset growth.

#### *Exploration Strategy for IOCG or Porphyry Cu Au Deposits*

18. Studies of both iron oxide-copper-gold (**IOCG**) and porphyry copper gold deposits in Queensland, South Australia and other mineral provinces have allowed geologists to

formulate typical IOCG models or porphyry models based on the significant number of copper gold discoveries in those regions. Many of the largest copper gold deposits show atypical features however, which suggest a transition from porphyry or mesothermal conditions or indicating overprinting of a hydrothermal system on a porphyry environment. IOCG signatures have also allowed key indicator profiles to be built as exploration pathfinder tools.

19. The two key mineral provinces in which Ausmex projects are located are the Mt Isa Inlier, Queensland and the G2 Structural Corridor in South Australia. The geological model and structural controls for each province can be interpreted by reference to tectonic setting and the evolution of the volcanic arcs in each region. In particular, deposit form, vein texture and mineralogy coupled with growing knowledge of the hydrothermal alteration which accompanies the formation of these type of copper gold deposits, are useful tools available now to explorers in those provinces towards recognising the key features of copper gold-bearing geological environments. Thus an 'indicator checklist' of IOCG or porphyry features in Queensland and South Australia can be utilised in exploration.
20. Ausmex plans to focus on geochemical sampling and geological mapping against which the typical geochemical, geophysical and geological profiles will be compared in search for a match in focusing the best drilling targets.

#### *Queensland Projects*

21. Ausmex has entered into the Cloncurry Option Agreement with ASX-listed Queensland Mining Corporation Ltd (**QMN**), an company with the intention of acquiring copper-gold projects near Cloncurry, Queensland.
22. The Cloncurry Option Agreement contains 2 options exercisable within 3 months or an extended time not exceeding a further 6 months. It provides for:
  - (a) the acquisition of 60% of mainly production assets including the Gilded Rose and Mt Freda gold projects to be acquired for the issue for \$1 million worth of EUM Shares to commence a 60-40 joint venture with QMN; Ausmex can also increase its equity in this joint venture to 80% by the payment of a further \$1 million with the right to a final \$1 million to achieve 100% ownership; and
  - (b) the acquisition of certain exploration projects for the payment of \$500,000 by Ausmex. These include Morris Creek, Flamingo, Jessievale (upon option exercise, to be 100% owned) which are all exploration areas near Cloncurry containing IOCG targets where Ausmex plans fresh exploration programs based on encouraging results to date in those projects.
23. The Gilded Rose and Mt Freda projects provide early gold production potential on the basis of existing JORC resources\* and the gold process plant at the Gilded Rose project site.

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\* See QMN announcements to ASX dated 8 March 2010 and 22 March 2010

24. It is proposed to progress the existing gold project to feasibility status with trial mining and production. Technical studies and engineering work will be carried out to permit trial mining and production. Thus, Ausmex will drive an aggressive project management program to achieve early production at Mt Freda and Gilded Rose.
25. The in-house production management expertise within Ausmex will focus on low capex gold production projects with cheaper heap leach potential within a short time frame to increase cash resources for ongoing exploration.
26. See Section 1 of Schedule 3 for further details of the Queensland projects.

#### *South Australian Projects*

27. Ausmex has been granted EL 5881 SA covering 980 sq km comprising three project areas in South Australia. Ausmex is targeting IOCG or porphyry copper-gold targets, Burra-style base metal deposits and vein-style gold deposits at its projects near Burra in South Australia.
28. Ausmex has two projects, Mt Bryan and World's End, on strike from the famous Monster Mine which produced 10% of the world's copper in 1851 and which became a copper boomtown and largest inland population centre in Australia at that time. Ausmex's third South Australian project, Redbanks, is set on the same geological unit as the prolific Mongolata goldfield north-east of Burra with added prospectivity for phosphate.
29. These areas contain structural features with potential for mineralization produced by transportation of deeply sourced fluids typical of porphyry or IOCG style deposits and are also prospective for Burra-style base metal deposits and vein style gold deposits.
30. Ausmex has submitted comprehensive exploration programs including advanced geophysics and diamond drilling to the South Australian Mines Department.
31. See Section 2 of Schedule 3 for further details of Ausmex's South Australian projects.

#### **Key risks and dependencies**

32. The key risks to successful transformation of the Company can be summarised as:

(a) *Completion risk*

Pursuant to the heads of agreement, the key terms of which are summarised in Schedule 1, the Company has agreed to acquire 100% of the issued share capital of Ausmex, completion of which is subject to the fulfilment of certain conditions. There is a risk that the conditions for completion of the Proposed Acquisition can't be fulfilled and, in turn, that completion of the acquisition does not occur.

If the Proposed Acquisition is not completed, the Company will incur costs relating to advisors and other costs without any material benefit being achieved.

(b) *Re-quotations of shares on ASX*

As part of the Company's change in nature and scale of activities, ASX will require the company to re-comply with Chapters 1 and 2 of the listing rules. It is anticipated that the Company's securities will be suspended from the date of the general meeting convened to seek shareholder approval for the Proposed Acquisition suspended until completion of the Proposed Acquisition, the public offer, re-compliance by the company with Chapters 1 and 2 of the listing rules and compliance with any further conditions ASX imposes on such reinstatement.

There is a risk that the Company will not be able to satisfy one or more of those requirements and that its securities will consequently remain suspended from official quotation.

(c) *Liquidity risk*

On completion of the Proposed Acquisition, the Company proposes to issue EUM Shares to the Ausmex vendors. The company understands that ASX will treat some of these securities as restricted securities in accordance with Chapter 9 of the listing rules.

This could be considered an increased liquidity risk as a large portion of issued capital may not be able to be traded freely for a period of time.

(d) *Commodity and exchange rate fluctuation risk*

To the extent the Company may become involved in mineral production the revenue derived through the sale of commodities may expose the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

(e) *Financial markets risks*

Share market conditions may affect the value of the Company's quoted securities regardless of the company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;

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- (iv) changes in investor sentiment toward particular market sectors;
  - (v) the demand for, and supply of, capital; and
  - (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and technology stocks in particular. Neither the company nor the directors warrant the future performance of the company or any return on an investment in the company.

(f) *Exploration risks*

The mineral tenements that the Company will own or have the rights to exploit at the conclusion of the Proposed Acquisition are at various stages of exploration. There can be no assurance that exploration of these tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

(g) *Environmental risks*

The operations and proposed activities of the Company are subject to state and federal environmental laws and regulations. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. The Company will attempt to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

(h) *Economic and government risks*

The future viability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the resources industry including, but not limited to, the following:

- (i) general economic conditions in jurisdictions in which the Company operates;
- (ii) changes in government policies, taxation and other laws in jurisdictions in which the Company operates;
- (iii) the strength of the equity markets in Australia and throughout the world, and in particular investor sentiment towards the resources sector;
- (iv) movement in, or outlook on, interest rates and inflation rates in jurisdictions in which the Company operates; and

(v) natural disasters, social upheaval or war in jurisdictions in which the Company operates.

(i) *Tenement grant and maintenance risks*

The Company's mining exploration activities are dependent upon the grant, or as the case may be, the maintenance of appropriate licences, concessions, leases, permits and regulatory consents which may be withdrawn or made subject to limitations. The maintaining of tenements, obtaining renewals, or getting tenements granted, often depends on the Company being successful in obtaining the required statutory approvals for its proposed activities and that the licences, concessions, leases, permits or consents it holds will be renewed as and when required. There is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith.

(j) *Additional requirements for capital*

The funds to be raised under the Public Offer are considered sufficient to meet the immediate objectives of the Company. Additional funding may be required in the event costs exceed the Company's estimates and to effectively implement its business and operational plans in the future to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur. If such events occur, additional funding will be required.

Following the Public Offer, the Company may seek to raise further funds through equity or debt financing, joint ventures, licensing arrangements, or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of their activities and potential development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing may not be favourable to the Company and might involve substantial dilution to shareholders.

(k) *Reliance on key personnel*

The Company's future depends, in part, on its ability to attract and retain key personnel. It may not be able to hire and retain such personnel at compensation levels consistent with its existing compensation and salary structure. Its future also depends on the continued contributions of its executive management team and other key management and technical personnel, the loss of whose services would be difficult to replace. In addition, the inability to continue to attract appropriately qualified personnel could have a material adverse effect on the Company's business.

(l) *JV partners and contractors*

The Company is unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

33. The key dependencies influencing the viability of the Proposed Acquisition are:
- (a) the Company's capacity to re-comply with Chapters 1 and 2 of the Listing Rules to enable re-admission to quotation of the Company's securities;
  - (b) completion of the Proposed Acquisition to enable exercise of the options under the Cloncurry Option Agreement (which requires the issue of EUM Shares to the value of \$1 million (as set by Public Offer issue price) and an initial cash payment of \$500,000); and
  - (c) raising sufficient funds to carry out effective exploration, development and production activities in Queensland and South Australia.

**Ausmex's accounts**

34. The Company's pro forma statement of financial position as at 30 November 2016, based on audited 30 June 2016 accounts for both the Company and Ausmex, is set out in Schedule 2.

**Recent issues of Ausmex securities**

35. On 19 November 2016 Ausmex issued 250,000 convertible notes, each with a face value of \$1.00, to raise \$250,000 (**Convertible Notes**). The Convertible Notes are convertible into Ausmex shares. Conversions of all Convertible Notes are expected to occur prior to completion of the Proposed Acquisition, in which case the holders of Convertible Notes will be issued a total of 7,000,000 EUM Shares and a proportion of the other EUM Shares to which Ausmex shareholders will be entitled.
36. On 29 November 2016 Ausmex issued 250,000 Convertible Notes and 13,740,000 Ausmex shares to C4 Shares for a total consideration of \$250,001 in accordance with the terms of the strategic alliance agreement entered into by Ausmex and C4 Shares on 23 November 2016. C4 Shares is expected to convert its notes shortly which will result in C4 Shares owning 15,000,000 Ausmex shares.
37. The funds raised from these issues of Ausmex securities will be used to fund Ausmex's exploration and development programs pending completion of the Proposed Acquisition.

### **Recent issues of Eumeralla securities**

38. On 4 November 2016 the Company issued 10,000,000 options at an issue price of \$0.0025 to CPS Capital Group Pty Ltd (**CPS**) as a fee for the provision of corporate advice.
39. The funds received from the issue of options to CPS have been applied to working capital.

### **Re-compliance with ASX Listing Rules Chapters 1 and 2**

40. Since the Proposed Acquisition will result in a significant change to the scale of the Company's activities, the Proposed Acquisition will require Eumeralla shareholders' approval under Listing Rule 11.1.2 and will also require Eumeralla to re-comply with Chapters 1 and 2 of the Listing Rules in accordance with Listing Rule 11.1.3.

### **Shareholder approvals**

41. A notice of meeting seeking shareholder approval for the resolutions required to give effect to the Proposed Acquisition will be sent to Eumeralla shareholders in due course. It is expected that Eumeralla will convene a general meeting in February 2017 to facilitate shareholder approval for matters in respect of the Proposed Acquisition. Those approvals will include:
  - (a) the change in scale of the Company's activities;
  - (b) the issue of EUM Shares to the Ausmex shareholders (including for the purposes of Chapter 6D of the Corporations Act);
  - (c) the issue of EUM Shares in consideration for the assignment of the Convertible Notes (or, if the Convertible Notes have been converted, the sale of Ausmex shares held by noteholders);
  - (d) the issue of options to acquire EUM Shares to the Company's current directors and company secretary (as previously announced to ASX on 4 November 2016);
  - (e) the issue of securities to the parties' corporate advisors;
  - (f) the issue of EUM Shares in connection with the exercise of the options under the Cloncurry Option Agreement;
  - (g) the issue of EUM Shares in connection with the Public Offer;
  - (h) the change of the Company's name to Ausmex Mining Group Limited; and
  - (i) the appointment of new directors.

42. On the date of the meeting, the Company's securities will be suspended from quotation on ASX and, subject to shareholder approval being obtained, will remain suspended until the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules and the Proposed Acquisition has completed.

#### **ASX waivers required**

43. The Company intends to seek a waiver from Listing Rules 1.1 (Condition 11) and 2.1 (Condition 2) to enable it to issue securities at a price below the 20 cents stipulated in those rules.
44. The Company will seek a waiver of Listing Rule 9.1.3 to obtain "look-through" relief for Ausmex shareholders being issued EUM Shares.

#### **Regulatory requirements generally**

45. The Company notes that:
- (a) the Proposed Acquisition requires shareholder approval under the Listing Rules and therefore may not proceed if that approval is not forthcoming;
  - (b) the Company is required to re-comply with ASX's requirements for admission and quotation and therefore the Proposed Acquisition may not proceed if those requirements are not met;
  - (c) ASX has an absolute discretion in deciding whether or not to re-admit the Company to the Official List and to quote its securities and therefore the Proposed Acquisition may not proceed if ASX exercises that discretion; and
  - (d) investors should take account of these uncertainties in deciding whether or not to buy or sell the Company's securities.
46. Furthermore, the Company:
- (a) notes that ASX takes no responsibility for the contents of this announcement; and
  - (b) confirms that it is in compliance with its continuous disclosure obligations under Listing Rule 3.1.

For further information, please contact:

David Wheeler  
Non-Executive Chairman  
Eumeralla Resources Limited

Phone: +61 419 342 152

**Competent person's statement**

*Statements contained in this report relating to exploration results and potential are based on information compiled by Mr Matthew Morgan, who is a member of the Australian Institute of Mining & Metallurgy (AusIMM), member No 301283. Mr Morgan is a consultant geologist and has sufficient relevant experience in relation to the mineralisation styles being reported on to qualify as a Competent Person as defined in the Australian Code for Reporting of Identified Mineral resources and Ore reserves (JORC) Code 2012. Mr Morgan consents to the use of this information in this report in the form and context in which it appears.*

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## SCHEDULE 1 – KEY TERMS OF HEADS OF AGREEMENT

The key terms of the heads of agreement to effect the Proposed Acquisition (**Heads of Agreement**) are as follows:

1. **Conditions Precedent:** Completion of the Proposed Acquisition is subject to and conditional upon a number of conditions precedent, including:
  - (a) satisfaction of all necessary due diligence investigations by the parties;
  - (b) each of the shareholders of Ausmex entering into a binding sale agreement with EUM on terms consistent with the provisions of the Heads of Agreement and otherwise acceptable to EUM;
  - (c) EUM receiving conditional approval by ASX to reinstate its securities and those conditions being satisfied to the reasonable satisfaction of EUM and Ausmex;
  - (d) EUM undertaking a capital raising to raise at least \$3 million (**Public Offer**); and
  - (e) EUM holding a meeting of shareholders to obtain all approvals under the Corporations Act and the Listing Rules that are required to give effect to the transactions contemplated by the Heads of Agreement.
2. **Consideration:** Subject to satisfaction of the conditions precedent, at completion, EUM will issue 207 million EUM Shares to the Ausmex shareholders. EUM will also issue 10 million EUM Shares and 50 million options in fees to the parties' corporate advisors.
3. **Board composition:** At completion of the Proposed Acquisition, EUM will appoint Messrs Andrew Firek, Matthew Morgan and Geoff Kidd as directors of EUM. Current directors James Hyndes and Nicole Fernandes will resign.
4. **Change of name:** Following successful completion of the Proposed Acquisition, EUM will change its name to "Ausmex Mining Group Limited".
5. **Exclusivity:** For a period of six months after execution of the Heads of Agreement, EUM will refrain from doing anything to procure or allow (other than to comply with legal obligations) persons other than EUM from acquiring equity interests in Ausmex.
6. **Formal documents:** the parties agree to negotiate in good faith formal binding agreements to be entered into by EUM, Ausmex and each of the Ausmex shareholders on terms consistent with the Heads of Agreement or as otherwise agreed between the parties.

The Heads of Agreement otherwise contains clauses typical for non-binding agreements of this nature.

SCHEDULE 2 – AUSMEX FINANCIAL STATEMENTS

Ausmex Mining Limited

Pro forma statement of financial position as at 30 November 2016\*

	Eumeralla unaudited as at 30 November 2016	Ausmex unaudited 30 November 2016	Pro forma adjustment	Pro forma as at 30 November 2016
	\$	\$	\$	\$
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	1,091,118	397,054	2,613,160	4,101,332
Receivables	17,195	645	-	17,840
Prepayments	3,613	-	-	3,613
<b>Total Current Assets</b>	<b>1,111,926</b>	<b>397,699</b>	<b>2,613,160</b>	<b>4,122,785</b>
<b>Non-current Assets</b>				
Exploration and evaluation assets	1,119,292	101,638	-	1,220,930
<b>Total Non-Current Assets</b>	<b>1,119,292</b>	<b>101,638</b>	<b>-</b>	<b>1,220,930</b>
<b>TOTAL ASSETS</b>	<b>2,231,218</b>	<b>499,337</b>	<b>2,613,160</b>	<b>5,343,715</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables	23,970	-	-	23,970
<b>Total Current Liabilities</b>	<b>23,970</b>	<b>-</b>	<b>-</b>	<b>23,970</b>
<b>TOTAL LIABILITIES</b>	<b>23,970</b>	<b>-</b>	<b>-</b>	<b>23,970</b>
<b>NET ASSETS</b>	<b>2,207,248</b>	<b>499,337</b>	<b>2,613,160</b>	<b>5,319,745</b>
<b>EQUITY</b>				
Issued capital	6,543,995	547,500	1,725,941	8,817,436
Reserves	303,594		1,476,406	1,780,000
Accumulated losses	(4,640,341)	(48,163)	(589,187)	(5,277,691)
<b>TOTAL EQUITY</b>	<b>2,207,248</b>	<b>499,337</b>	<b>2,613,160</b>	<b>5,319,745</b>

\* Based on audited financial statements as at 30 June 2016

## SCHEDULE 3 - AUSMEX PROJECTS

### 1. CLONCURRY PROJECTS - QUEENSLAND

Cloncurry is a world class mineral province and home to a number of Tier 1 mineral deposits. Included in these are IOCG deposits which Ausmex will target including the Evening Star prospect which adjoins the Mt Freda gold project (see under 'Evening Star' below).

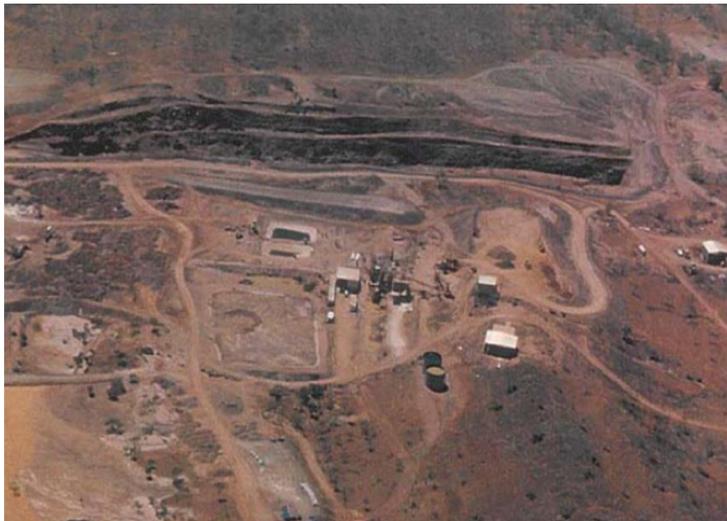
The Cloncurry projects described in this Section 1 are currently owned by ASX-listed Queensland Mining Corporation Limited (ASX code: QMN) and are the subject of an option agreement between QMN and Ausmex. Further information about the Cloncurry projects can be found on ASX's announcements platform at

<http://www.asx.com.au/asx/statistics/announcements.do> and the QMN website at <http://www.qmcl.com.au/irm/content/overview.aspx?RID=303&RedirectCount=1>

#### 1.1 Mt Freda Gold Project

Mt Freda lies 39 km southeast of Cloncurry and comprises Mining Leases ML2741 and ML2752 (total area 120.28 ha) held by Spinifex Mines Pty Ltd of which Ausmex is to hold 60% and Queensland Mining Corporation Ltd ("QMC") 40%.

Former tenement holder Diversified Mineral Resources production averaged 88 - 90% Au recovery from its carbon in leach plant producing over 350 kg of gold. Ausmex will assess this project for development through the use of the Gilded Rose plant described below. A low cost heap leach operation will be considered as one of the production options. Project infrastructure and mine layout from previous operations may reduce development costs for such an operation. Ausmex's in house technical team will undertake production planning studies including drilling program, metallurgical test work and an economic mine concept study before making a decision to trial mine at Mt Freda and Gilded Rose (see below).



Mt Freda Project area (Circa 1990) – existing infrastructure shown – picture on right shows open cut ore body that was mined in the pit (left photo) in 1988-1990.

#### 1.2 Gilded Rose Gold Project

The Gilded Rose Project is located 15 km east-southeast of Cloncurry and has a history of mining dating back to 1882. There are four granted mining leases (66.41 ha), including mining leases ML2709, ML2713, ML2718, & ML2719, owned by Spinifex Mines Pty Ltd.

The Gilded Rose group of workings have produced approximately 280 kg of gold, most of which came from the oxidised zone that extends to a depth of around 60m. Potential for mineralisation is present in repeat structures and associated with the 1.5 km long system that hosts the Gilded Rose group of workings. Ausmex plans to step out and re-focus drilling on cross faults to 200m targetting Au-Cu mineralisation.



**CIL Gold Plant with crushing and milling circuits at Gilded Rose**

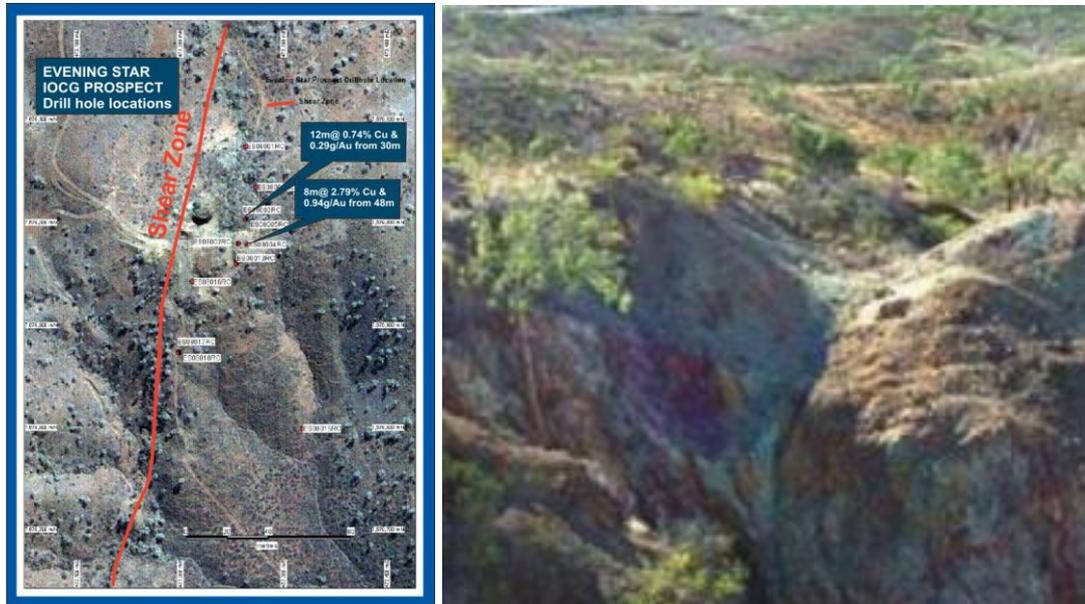
The Gilded Rose gold process plant (on care and maintenance) will be assessed for plant upgrade and metallurgical assessment to determine an optimum flow sheet for economic resource recovery. Technical studies will be completed by management to determine the most cost effective means of extraction of identified minerals. The Gilded Rose gold process plant and infrastructure includes an 8 tph high grade CIL Gold Plant with crushing and milling circuits, Zadra electrowinning circuit and Goldroom, Tailings Dam and 400 KVA powerhouse. Project work will include drilling, mine engineering and metallurgical evaluation to determine the compatibility of the different ores for treatment accordingly.

### **1.3 Evening Star IOCG / Oxide Project**

The Evening Star Project is located 39 km southeast of Cloncurry and consists of three granted mining leases that lie adjacent to the Mt Freda gold deposit. Evening Star Mining Leases ML2742, North ML2763, and ML 2750 (total area 21 ha). A 20 hole RC programme drilled 160m of the potential 600m strike length by former tenement holder Diversified Mineral Resources NL. There is potential to delineate a resource both down dip and along strike as the Evening Star deposit is open in all directions although it does thin at surface. The target has IOCG potential or as near surface oxide material to feed a heap leach or other processing operation.

QMC in its 2008 prospectus included an independent geologists report (Australian Geoscientists – author Neil Stuart) which stated: “The northern end of the Evening Star mine was worked on a small scale in the 1880s. The first reference to modern exploration was by Broken Hill

Proprietary Ltd which in the 1970s drilled two holes immediately south of the Evening Star open cut. Information about this drilling is sketchy and no records have been sighted. During the early 1980s, about 1,000 tonnes of ore averaging 4.3% Cu was mined and sold to Mt Isa Mines before DMR bought the Evening Star project in 1987. DMR later mined 380.84 tonnes of oxide ore averaging 3.9% Cu and 0.96 g/t Au that was sold to Mt Isa Mines.”



Evening Star area with copper outcrops showing

#### 1.4 Morris Creek IOCG Project

The tenement consists of one sub-block (EPM 15076 of 3 sq km) and is located approximately 18 km to the west of Cloncurry. Access to the tenement is via station tracks leading north from the Barkley Highway and low hills and shallow creeks dominate the terrain. The Morris Creek project abuts Cudoco Ltd's ground to the north where the Rocklands Cu-Co-Au deposit was discovered and is now under mine development. The prospect is located in the nose part of the regional north-plunging Duck Creek Anticline in the highly mineralised eastern fold belt of the Proterozoic Mount Isa Inlier. The area hosts the prospective Overhang Jaspilite and Mitakoodi Quartzite units of the Mid Proterozoic Age, which are intruded by dolerites and transacted by NE, NS and NW trending faults.

Past work has identified strong ferruginous and silicified zones in the northern part of the tenement where intense deformation and oxide copper mineralisation are evident along a NWW-SEE trending linear structure (estimated to be at least 300m long and 5m wide) parallel to the mineralisation zones defined in the Cudoco's Rocklands project. Copper showings were also recognised in the central part of the tenement in association with marble units and mafic intrusives. In addition, historical soil sampling by SRC highlighted an elevated copper anomalous zone at an extent of 700m by 50m over 200 ppm Cu in the southwestern portion of the project area.



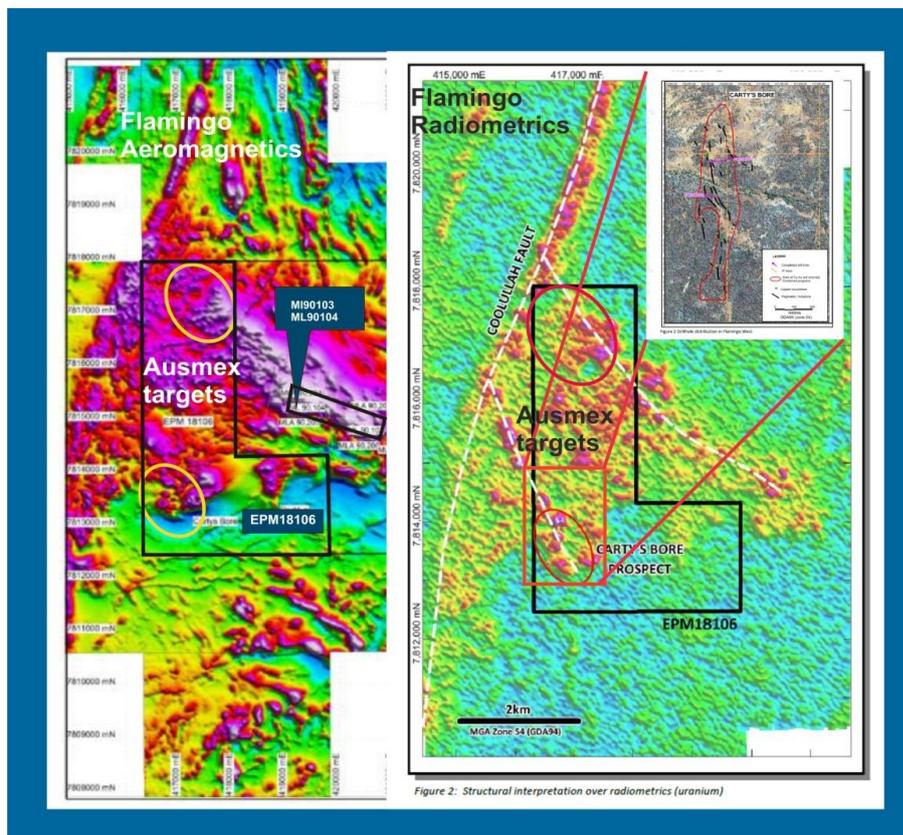
Cu outcrops on the side of the hill up Morris Creek adjoining Rocklands area.

## 1.5 Flamingo IOCG Project

The Flamingo Project is located 105 km NNW of Cloncurry and comprises two mining leases ML90103 & ML90104 and EPM 18106 with a combined area of more than 13 square km. Drilling by MIM in the early 1990's intersected encouraging gold and copper grades.

QMC in its 2008 prospectus included an independent geologists report (Australian Geoscientists – author Neil Stuart) which stated:

“Many old copper workings are present in the area, although only minor amounts of ore have been mined. Mining Lease 90103 contains scattered workings that include prospecting pits, shafts and costeans while shallow prospecting pits have been reported in the northern part of Mining Lease 90104.



Drill targets shown at Flamingo projects on geophysical diagrams (Source MIM data set)

The most significant exploration completed within the project area was by MIM during 1990-96, while investigating EPM 7052 for economic concentrations of copper-gold mineralisation. Stream sediment, and grid-based soil and rock chip sampling defined a 600m long north-northwest trending coincident copper-gold soil anomaly at the Eclipse workings. Follow-up exploration included geological mapping, ground magnetic and subaudio magnetic (SAM) surveys, and ground and airborne EM surveys. Drilling (25 holes totalling 3,045m) was undertaken at the Eclipse and Eclipse West areas to test the coincident copper-gold soil anomaly, which resulted in encouraging copper and gold grades being intersected (see table below) . As well, several MIM holes intersected wide intervals of oxide copper-gold mineralisation, which suggests a possibility of finding economic concentrations of shallow oxide resources.”

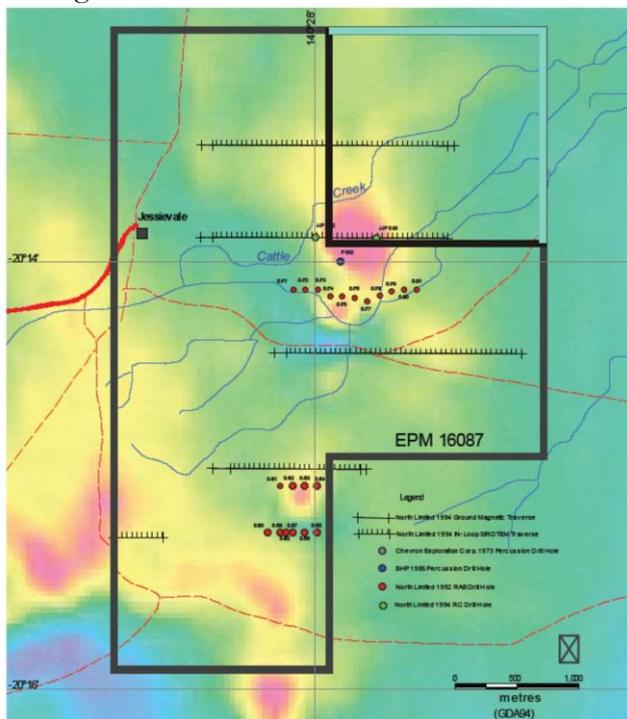
## 1.6 Jessievale IOCG Project

Jessievale EPM 16078 is located 48 km north-northwest of Cloncurry in northwest Queensland. The EPM comprises four sub-blocks that cover an area of 13 sq km.

Work by Western Mining Corporation involved interpretation of aeromagnetic data, compilation of previous exploration results, and a regional gravity survey with later infill at 200 x 400m spacing. The gravity survey found a 2 miligal anomaly trending north-south for 7 km in the eastern part of their tenement. In 1999, the tenement was assigned to BHP and in 2000, after reviewing WMC's exploration results farmed out the tenement to Noranda Pacific Pty Ltd (Noranda). Three diamond holes were drilled to test coincident magnetic and TEM anomalies. The holes intersected massive magnetite and strong zones of pyrite-pyrrhotite several metres wide, with trace chalcopyrite mineralisation.

The Jessievale EPM is located within the Ernest Henry magnetic terrane, nearly 31 km northwest of the Ernest Henry Mine (166 Mt at 1.1% Cu, 0.54 g/t Au). Despite being investigated by other explorers, it remains prospective for IOCG mineralisation within Proterozoic basement rocks, which are concealed by up to 60m of younger Mesozoic-Cainozoic cover. Several structures are obvious from the geophysical data, some of which could be major pathways for mineralising fluids.

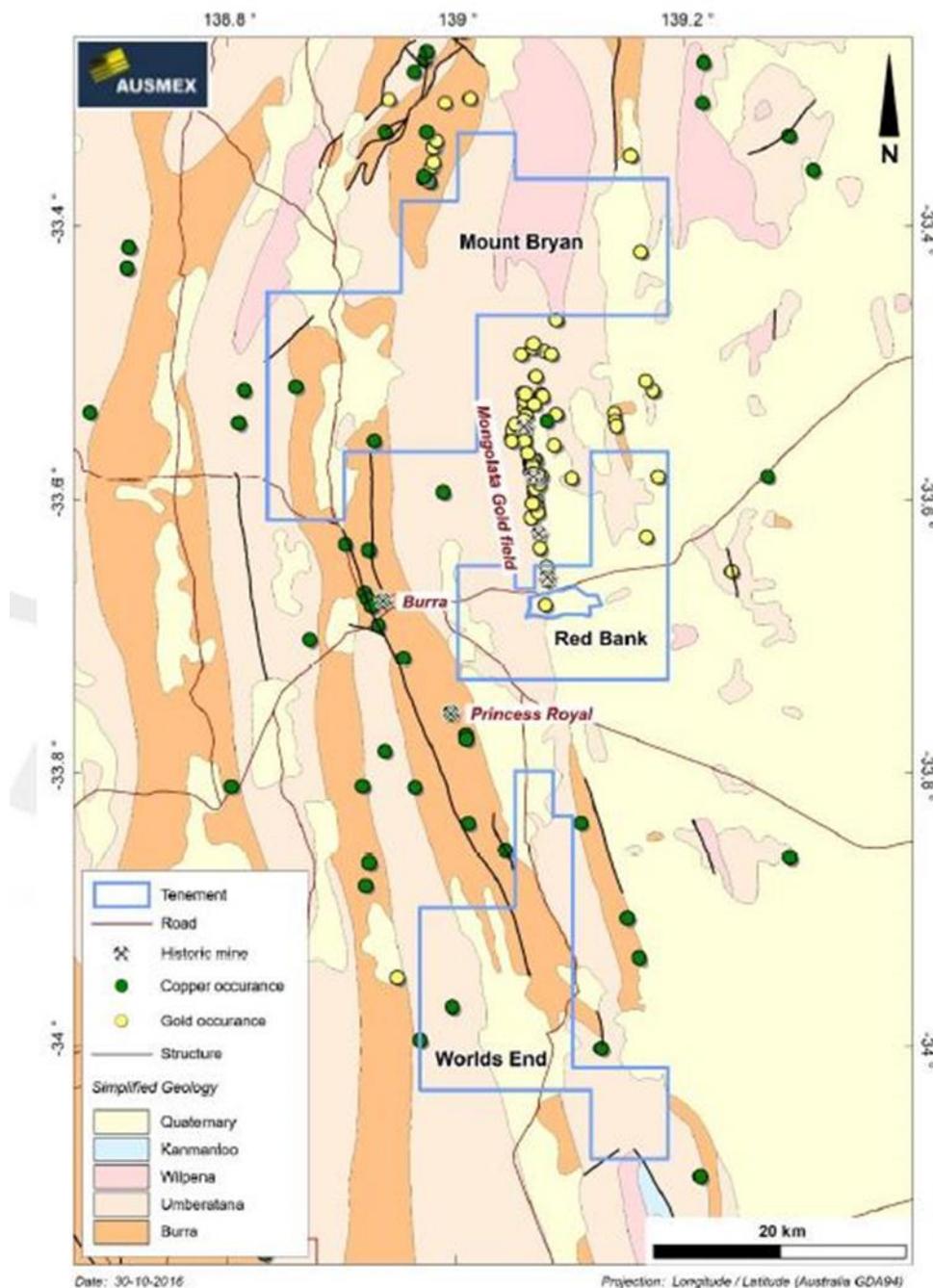
Wide spaced drilling by previous explorers outlined several zones of anomalous Cu and Zn geochemistry within Proterozoic basement rocks at the Jessievale and Cattle Creek Prospects. The zones of anomalous geochemistry have not been fully tested at depth and warrant follow-up investigations.



Jessievale RAB drilling carried out by other mining companies

**Jessievale EPM 16078 (Source MIM data Set)**

## 2. BURRA PROJECTS - SOUTH AUSTRALIA EL5881



Burra Projects EL5881 tenement location (comprises all three blocks).

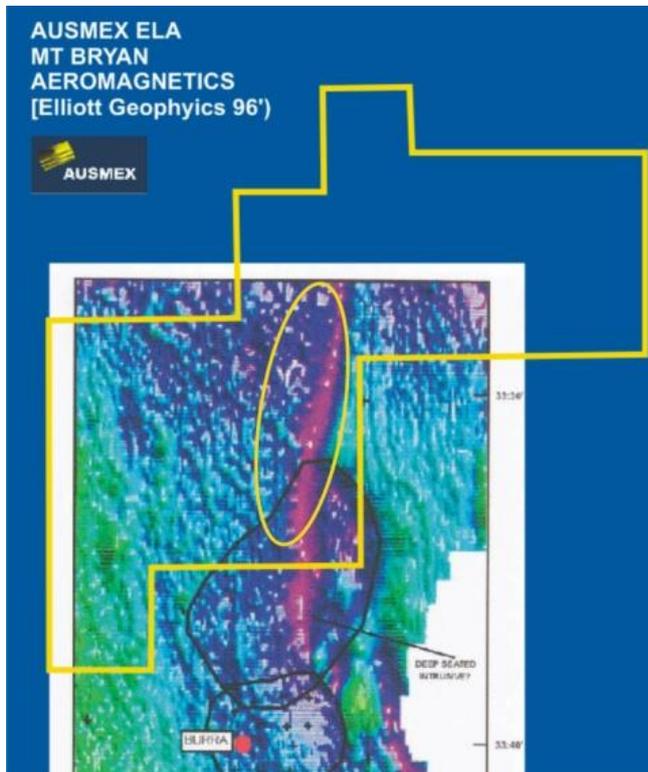
### 2.1 Mt Bryan Copper Gold Project Block (EL5881)

The Mt Bryan EL5881 block (total area approximately 970 sq km) is about 12 km northwest of the township of Burra and in the same geological trend as the Monster Mine at Burra. The Burra region is reported to have historically produced 86,000 tonnes of copper in its history and produced 40,000 tonnes in the period 1969 to 1981 in its 'second life'. The Monster Mine at Burra is reported to have produced 10% of the world's copper supply in 1851 (ref. Copper Mining and Treatment in South Australia – Ken F. Bampton, Consultant Geologist).

The Monster Mine ore zone is hosted in a fractured and brecciated zone within the Skilogalee Dolomite member of the Adelaidean Burra Group of Neoproterozoic age. The geological unit consists of limestone, dolomite and dolomitic siltstone of which the Skilogalee dolomite forms the country rock. Petrographic analysis shows a series of tuffaceous and volcanoclastic beds within the dolomite sequence without any large body of intrusives. Significantly Phoenix Copper in its Burra Group - Annual Technical Report 2009 to 2010 stated:

“A small lens of sulphide- mineralized intrusive feldspar porphyry was exposed in the open pit. It is possible that this exposure represents an offshoot from a larger igneous body at depth, and if such a body is present it may well be the host of the primary mineralization from which the oxide bodies have been derived.”

Ausmex wishes to pursue a target is based on a north south structural feature containing the magnetic high (reddish zone on diagram below) which is a proposed hidden porphyry model and deep seated intrusive. The Mt Bryan EL5881 tenement outline is superimposed on yellow on the diagram with the geophysical feature target. Additional targets lie in the west of the EL outline on trend from the Monster Mine.



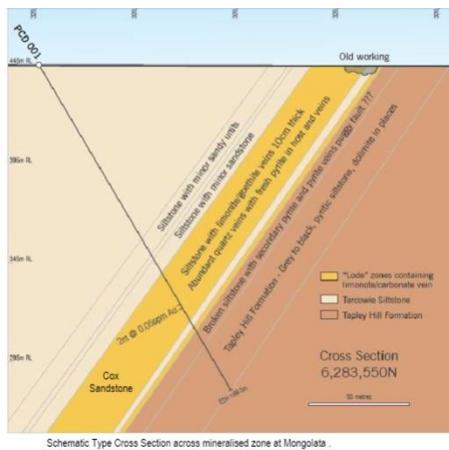
Ausmex targets and Mt Bryan Block outline in yellow showing geophysical trend in centre of EL5881

## 2.2 Redbanks Gold Phosphate Project Block (EL5881)

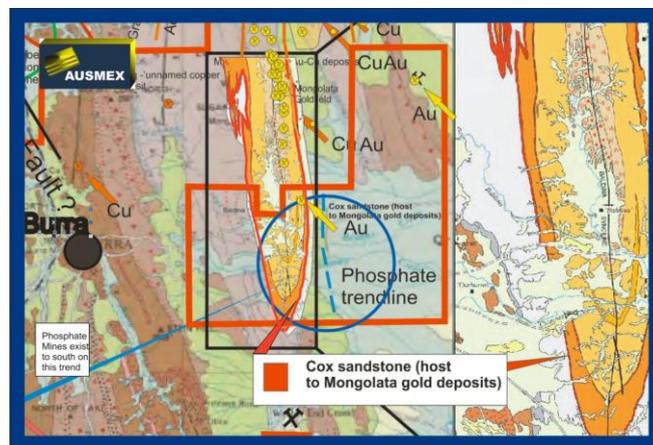
The Redbanks EL5881 Block is about 10 km east of the township of Burra adjoining the Mongolata gold field hosted within the Cox Sandstone unit. The Cox Sandstone unit which extends south across Redbanks project area is the host to the large number of Mongolata gold deposits (see diagram below).

Former tenement holder Phoenix Copper conveniently summarized the Mongolata goldfield geological model to the north of the Redbank EL5881 Block in its Burra Group- Annual Technical Report 2009 to 2010 which stated:

“The host formation for mineralisation in the goldfield is a feldspathic, sandy siltstone named the Cox Sandstone, belonging to the Neoproterozoic Tarcowie Siltstone Formation; which overlies the Tapley Hill Formation units. The Cox Sandstone outcrops for approximately 12 kilometres along the eastern scarp of the Mt Lofty Ranges, with most of the gold developments concentrated within a 4 kilometre extent within this outcrop. These formations are developed within a deformed (Delamerian orogeny) Neoproterozoic basin of greenschist facies metamorphism termed the Nackara Arc, this basin joins the larger Adelaide Geosyncline to the west. Gold mineralisation is hosted in a network of cross-cutting quartz-veins, with large flat-lying veins recording the highest gold production. Exceptional high-grade coarse-grained gold occurs at the intersection of these lodes with steeply-dipping veins. Mineralisation within veins and breccias outward into the hanging or foot-walls of the Cox Sandstone is also reported. The interface between the Cox Sandstone and the underlying laminated metasiltstone is characterised by the bedding- parallel "Limonite Lode"." (p16-17).



Cox Sandstone (host to Mongolata gold deposits) model cross section



Ausmex Redbanks EL5881 Block outline in red showing extension of Cox Sandstone across centre of EL

A typical model cross section for the significant Cox Sandstone Unit hosting these gold zones is shown above. Ausmex wishes to pursue a target based on potential for similar mineralization to that of the Mongolata Goldfield just to the north of the EL. This model is underscored by the Redbanks EL block outline map above providing potential along the Cox Sandstone trendline for many gold targets given the multitude of gold deposits within the Cox Sandstone unit to the north.

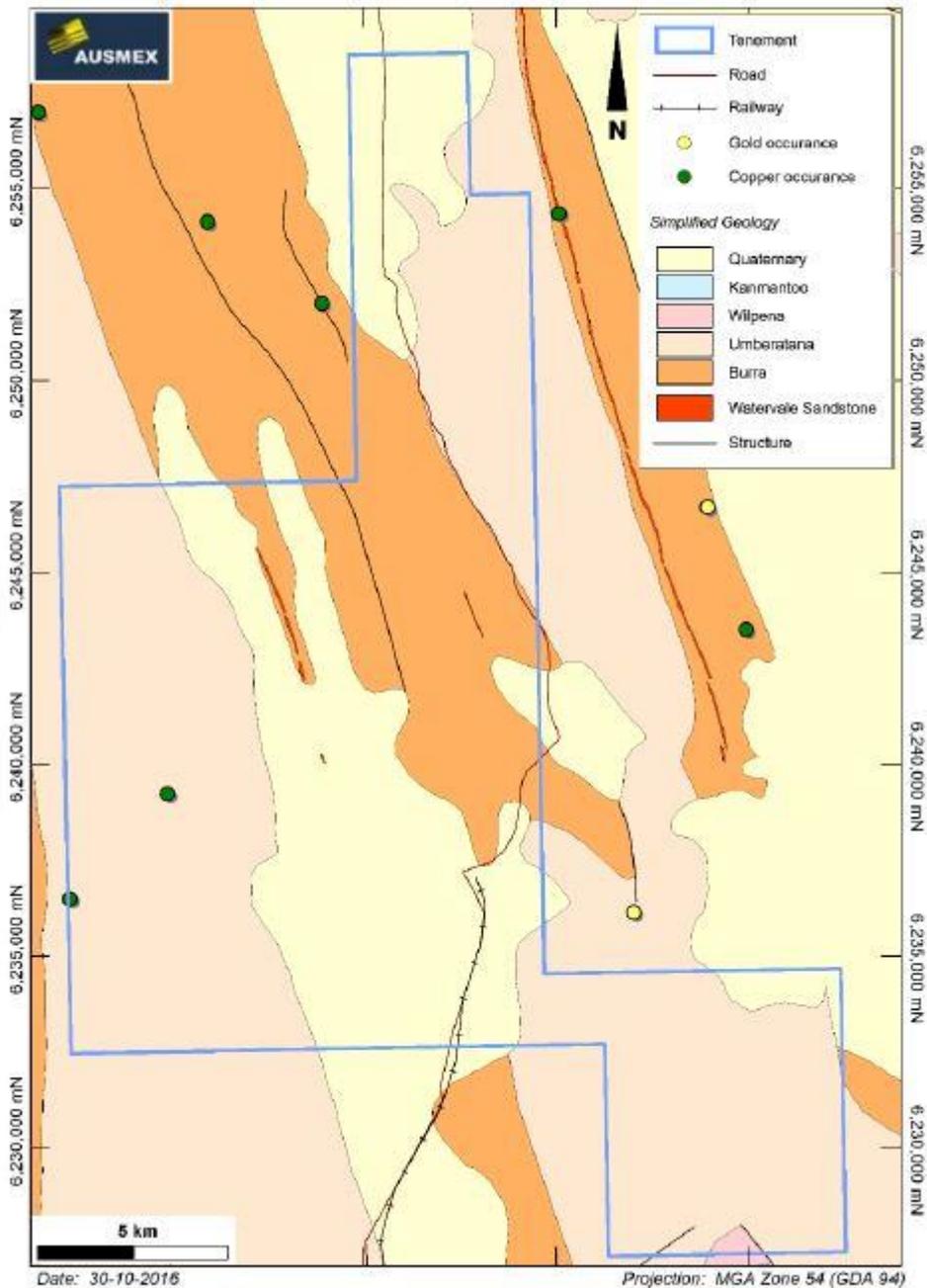
In addition, given the existence of phosphate deposits to the south of the Redbanks EL block, a phosphate prospectivity zone has been highlighted by past explorers including Phoenix Copper shown by the phosphate trend line in the diagram above. Ausmex will conduct a dual gold and phosphate exploration program in EL5881.

### 2.3 World's End Copper Gold Project Block (EL5881)

The World's End EL5881 Block area is about 15 km south east of the township of Burra and in the same geological trend as the Monster Mine at Burra. As referred to earlier the Monster Mine

ore zone is hosted in a fractured and brecciated zone within the Skilogalee Dolomite member of the Adelaidean Burra Group of Neoproterozoic age. The geological unit consists of limestone, dolomite and dolomitic siltstone of which the Skilogalee dolomite forms the country rock. Petrographic analysis shows a series of tuffaceous and volcanoclastic beds within the dolomite sequence without any large body of intrusives.

The World's End prospect area is an interesting prospect as it lies in a trend zone having a number of common structural and geological features within the Skilogalee Dolomite that hosts the Monster Mine and thus is a prime drilling target once confirmatory work is done to validate the targets.



## JORC Code, 2012 Edition – Table 1 report template

### SECTION 1 SAMPLING TECHNIQUES AND DATA

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
<b>Sampling techniques</b>	<ul style="list-style-type: none"> <li>• Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</li> <li>• Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</li> <li>• Aspects of the determination of mineralisation that are Material to the Public Report.</li> <li>• In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</li> </ul>	<ul style="list-style-type: none"> <li>• No drill sampling or surface sampling reported</li> <li>• Airborne and ground magnetic and electromagnetic surveys and geophysical data modelling were conducted over Queensland projects tenements by previous explorers, Mount Isa Mines (MIM) and or Queensland Mining Corporation (QMC).</li> <li>• Airborne magnetic surveys and geophysical data modelling were sourced from publicly available information over South Australian projects by previous explorers.</li> </ul> <p><b>Ausmex</b></p> <ul style="list-style-type: none"> <li>• No exploration work undertaken by Ausmex</li> </ul>
<b>Drilling techniques</b>	<ul style="list-style-type: none"> <li>• Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</li> </ul>	<ul style="list-style-type: none"> <li>• No drilling results are reported</li> </ul> <p><b>Ausmex</b></p> <ul style="list-style-type: none"> <li>• No exploration work undertaken by Ausmex</li> </ul>

Criteria	JORC Code explanation	Commentary
<b>Drill sample recovery</b>	<ul style="list-style-type: none"> <li>• Method of recording and assessing core and chip sample recoveries and results assessed.</li> <li>• Measures taken to maximise sample recovery and ensure representative nature of the samples.</li> <li>• Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</li> </ul>	<ul style="list-style-type: none"> <li>• No drilling results are reported</li> </ul> <p><b>Ausmex</b></p> <ul style="list-style-type: none"> <li>• No exploration work undertaken by Ausmex.</li> </ul>
<b>Logging</b>	<ul style="list-style-type: none"> <li>• Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</li> <li>• Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</li> <li>• The total length and percentage of the relevant intersections logged.</li> </ul>	<ul style="list-style-type: none"> <li>• No drilling results are reported</li> </ul> <p><b>Ausmex</b></p> <ul style="list-style-type: none"> <li>• No exploration work undertaken by Ausmex</li> </ul>
<b>Sub-sampling techniques and sample preparation</b>	<ul style="list-style-type: none"> <li>• If core, whether cut or sawn and whether quarter, half or all core taken.</li> <li>• If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</li> <li>• For all sample types, the nature, quality and appropriateness of the sample preparation technique.</li> <li>• Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</li> <li>• Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/ second-half sampling.</li> <li>• Whether sample sizes are appropriate to the grain size of the material being sampled.</li> </ul>	<ul style="list-style-type: none"> <li>• No drill sampling or surface sampling reported</li> </ul> <p><b>Ausmex</b></p> <ul style="list-style-type: none"> <li>• No exploration work undertaken by Ausmex</li> </ul>

Criteria	JORC Code explanation	Commentary
<b>Quality of assay data and laboratory tests</b>	<ul style="list-style-type: none"> <li><i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i></li> <li><i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i></li> <li><i>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</i></li> </ul>	<ul style="list-style-type: none"> <li>No drill sampling or surface sampling results are reported</li> </ul> <b>Ausmex</b> <ul style="list-style-type: none"> <li>No exploration work undertaken by Ausmex</li> </ul>
<b>Verification of sampling and assaying</b>	<ul style="list-style-type: none"> <li><i>The verification of significant intersections by either independent or alternative company personnel.</i></li> <li><i>The use of twinned holes.</i></li> <li><i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i></li> <li><i>Discuss any adjustment to assay data.</i></li> </ul>	<ul style="list-style-type: none"> <li>No drill sampling or surface sampling results are reported</li> </ul> <b>Ausmex</b> <ul style="list-style-type: none"> <li>No exploration work undertaken by Ausmex</li> </ul>
<b>Location of data points</b>	<ul style="list-style-type: none"> <li><i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i></li> <li><i>Specification of the grid system used.</i></li> <li><i>Quality and adequacy of topographic control.</i></li> </ul>	<ul style="list-style-type: none"> <li>Queensland (QLD) <ul style="list-style-type: none"> <li>Flamingo Deposit: MIM used a Local Grid set up parallel to AMG66 (and so correlatable to MGA94).</li> <li>Instrumental surveying was used for grids positioning.</li> </ul> </li> <li>No information is available on the location systems (datum) used for the geophysical surveys, use of the standard datum for Australia at the time of surveys is assumed.</li> <li>Industry standard survey practices at the time are assumed for all</li> </ul>

Criteria	JORC Code explanation	Commentary
		<p>historical surveys conducted.</p> <p><b>Ausmex</b></p> <ul style="list-style-type: none"> <li>No exploration work undertaken by Ausmex</li> </ul>
<p><b>Data spacing and distribution</b></p>	<ul style="list-style-type: none"> <li><i>Data spacing for reporting of Exploration Results.</i></li> <li><i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i></li> <li><i>Whether sample compositing has been applied.</i></li> </ul>	<ul style="list-style-type: none"> <li>No drill sampling or surface sampling results are reported</li> </ul> <p><b>Ausmex</b></p> <ul style="list-style-type: none"> <li>No exploration work undertaken by Ausmex</li> <li>No information is available on the line, grid spacing or flight path spacing for historical geophysical surveys.</li> <li>Industry standard survey practices at the time are assumed for all historical surveys conducted.</li> </ul>
<p><b>Orientation of data in relation to geological structure</b></p>	<ul style="list-style-type: none"> <li><i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i></li> <li><i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i></li> </ul>	<ul style="list-style-type: none"> <li>No drill sampling or surface sampling results are reported</li> </ul> <p><b>Ausmex</b></p> <ul style="list-style-type: none"> <li>No exploration work undertaken by Ausmex</li> <li>No information is available on the orientation of line, grids or flight paths for historical geophysical surveys.</li> <li>Industry standard survey practices at the time are assumed for all</li> </ul>

Criteria	JORC Code explanation	Commentary
		historical surveys conducted.
<b>Sample security</b>	<ul style="list-style-type: none"> <li>The measures taken to ensure sample security.</li> </ul>	<ul style="list-style-type: none"> <li>No drill sampling or surface sampling results are reported</li> </ul> <p><b>Ausmex</b></p> <ul style="list-style-type: none"> <li>No exploration work undertaken by Ausmex</li> </ul>
<b>Audits or reviews</b>	<ul style="list-style-type: none"> <li>The results of any audits or reviews of sampling techniques and data.</li> </ul>	<ul style="list-style-type: none"> <li>Insufficient information available to assess</li> <li>No audits have been found</li> </ul> <p><b>Ausmex</b></p> <ul style="list-style-type: none"> <li>No exploration work undertaken by Ausmex</li> </ul>

## SECTION 2 REPORTING OF EXPLORATION RESULTS

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
<b>Mineral tenement and land tenure status</b>	<ul style="list-style-type: none"> <li>Type, reference name/ number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</li> <li>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</li> </ul>	<ul style="list-style-type: none"> <li>QLD:</li> <li>Ausmex are acquiring a beneficial interest in eight Exploration Permits for Minerals (EPMs 14163, 14475, 15706, 15858, 16078, 18106, 18286, 25669), three Mining Claims (MCs) and 14 Mining Leases (MLs) within Queensland.</li> <li>All occur within ~ 120km of Cloncurry township in North West Queensland.</li> <li>All of QLD Mining Claims and Mining Leases in which AusMex are</li> </ul>

Criteria	JORC Code explanation	Commentary
		<p>acquiring an interest were granted before 23 December 1996.</p> <ul style="list-style-type: none"> <li>• Original licence documents as they have not been retained by the holders. <ul style="list-style-type: none"> <li>• Mining Claims (MC 4348, MC 4349 and MC 4350) are located about 55km to the west of Cloncurry. Mining lease ML 2518 is located about 1km to the south-east of Mining Claim MC4349. Mining leases ML 90103 and ML 90104 are located 2 km to the east of EPM 18106.</li> <li>• Four adjoining Mining Leases are located within EPM 14475. These include the historical Gilded Rose, Boomerang, Gilt Edge and Silver Lining underground mines and QMCL's CIL Gold Plant that is currently under Care and Maintenance.</li> <li>• Five adjoining Mining Leases are located to the south-east of EPM 14163 (ML's 2741, 2752, 2750, 2742, 2763). These include the Mt Freda opencut mine, which ceased operation in 1991 and is under Care and Maintenance.</li> <li>• Substantial infrastructure apparently remains, including surface infrastructure at the mine site and a carbon-in-pulp treatment plant, a carbon stripping and electro winning plant, and a CIP batch plant located in the Gilded Rose prospect 20km to the north.</li> </ul> </li> <li>• South Australia (SA) <ul style="list-style-type: none"> <li>• Granted EL 5881 covering 980 km<sup>2</sup>; comprising three project areas</li> <li>• Located 140 km north-northeast of Adelaide. The EL is 100% owned by Ausmex Pty. Limited.</li> <li>• The licence is to undertake exploration for all minerals (except opal). The focus minerals are gold, industrial minerals, copper and phosphate. Once granted the licence will valid for two years and</li> </ul> </li> </ul>

Criteria	JORC Code explanation	Commentary
		<p>can be renewed up to five years.</p> <ul style="list-style-type: none"> <li>• The EL contains the following conservation areas: Caroon Creek (Mount Bryan); Mokota (Mount Bryan); Mibara (World's End)</li> <li>• The EL is covered by the Registered Native Title determination application SC2011/002 Ngadjuri Nation</li> </ul>
<b>Exploration done by other parties</b>	<ul style="list-style-type: none"> <li>• <i>Acknowledgment and appraisal of exploration by other parties.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Substantial historical mining &amp; exploration has previously been completed in both the QLD &amp; SA tenements, yet no detailed description of historical exploration work has been compiled at this stage.</li> <li>• QLD</li> <li>• Historic tonnage and grade estimations have been made by the then owners for Flamingo, Frieda and Gilded Rose deposits based on limited historic drilling by MIM and QMC.</li> <li>• SA <ul style="list-style-type: none"> <li>• Part of the EL was previously held PNX Metal who undertook regional pXRF surveys. The area has been partly held by numerous exploration companies since the 1970's. Only Dampier Mining Company Ltd, CRA Exploration Pty Ltd undertook drilling programs between 1978 and 1983.</li> </ul> </li> <li>• Elliot Geophysics in 1996 completed an airborne Total Magnetic Intensity Survey over the area underlying the Mt Bryan block within EL5881 in SA, as described with 2.1 in Annexure A.</li> <li>• Industry standard practices at the time are assumed for all historical work conducted.</li> </ul>
<b>Geology</b>	<ul style="list-style-type: none"> <li>• <i>Deposit type, geological setting and style of mineralisation.</i></li> </ul>	<ul style="list-style-type: none"> <li>• SA <ul style="list-style-type: none"> <li>• The generic model for copper mineralisation within the Adelaide Geosyncline is sediment-hosted stratabound copper deposits. Typically, these deposits consist of fine-grained copper- and copper-</li> </ul> </li> </ul>

Criteria	JORC Code explanation	Commentary
		<p>iron-sulphide minerals that occur as stratabound to stratiform disseminations in siliciclastic or dolomitic sedimentary rocks</p> <ul style="list-style-type: none"> <li>• Gold mineralisation in the Adelaide Fold Belt is dominantly sediment-hosted, structurally controlled mineralisation in host-rocks that underwent greenschist- to amphibolite facies metamorphism during the Delamerian Orogeny. The majority of mineralisation is hosted by a restricted section of the Neoproterozoic Adelaidean strata, the lower Umberatana Group. These type of gold deposits broadly fall under the orogenic depositional model as proposed by Groves et al., (1998).</li> <li>• QLD <ul style="list-style-type: none"> <li>• QLD projects underlain by rocks of the Mary Kathleen Group and the Proterozoic Soldiers Gap Group. These two groups consist mostly of meta-sedimentary and meta-volcanic rocks including slate, quartzite, phyllite, calc-silicate rocks, amphibolite, meta-basalt, meta-dolerite, meta-greywacke and chert.</li> <li>• Mineralisation is largely hosted in the Mount Norma Quartzite member of the Soldiers Gap Group, which consists of quartzite, metamorphosed greywacke, schist, siltstone, chert, basalt, and amphibolite. Mineralisation is described as individual vein networks, bedding-parallel reefs and ladder veins.</li> </ul> </li> </ul>
<b>Drill hole Information</b>	<ul style="list-style-type: none"> <li>• <i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:</i> <ul style="list-style-type: none"> <li>○ <i>easting and northing of the drill hole collar</i></li> <li>○ <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i></li> <li>○ <i>dip and azimuth of the hole</i></li> <li>○ <i>down hole length and interception depth</i></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• No drill sampling or surface sampling results are reported</li> </ul> <p><b>Ausmex</b></p> <ul style="list-style-type: none"> <li>• No exploration work undertaken by Ausmex</li> </ul>

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> <li>○ <i>hole length.</i></li> <li>● <i>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</i></li> </ul>	
<b>Data aggregation methods</b>	<ul style="list-style-type: none"> <li>● <i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i></li> <li>● <i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i></li> <li>● <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i></li> </ul>	<ul style="list-style-type: none"> <li>● No drill sampling or surface sampling results are reported</li> </ul> <p><b>Ausmex</b></p> <ul style="list-style-type: none"> <li>● No exploration work undertaken by Ausmex</li> </ul>
<b>Relationship between mineralisation widths and intercept lengths</b>	<ul style="list-style-type: none"> <li>● <i>These relationships are particularly important in the reporting of Exploration Results.</i></li> <li>● <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i></li> <li>● <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg ‘down hole length, true width not known’).</i></li> </ul>	<ul style="list-style-type: none"> <li>● No information available</li> <li>● No drill sampling or surface sampling results are reported</li> </ul> <p><b>Ausmex</b></p> <ul style="list-style-type: none"> <li>● No exploration work undertaken by Ausmex</li> </ul>
<b>Diagrams</b>	<ul style="list-style-type: none"> <li>● <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i></li> </ul>	<ul style="list-style-type: none"> <li>● Location plans and figures are shown in Annexure A</li> <li>● Imaged airborne magnetic survey data is used as a background image in several figures in Annexure A; these are from the MIM surveys for QLD projects; and from publically available for purchase SA government data sets for the SA projects including data flown by</li> </ul>

Criteria	JORC Code explanation	Commentary
<b>Balanced reporting</b>	<ul style="list-style-type: none"> <li>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</li> </ul>	<p>Elliot Geophysics in 1996.</p> <ul style="list-style-type: none"> <li>No drill sampling or surface sampling results are reported</li> <li>Detailed geophysical survey logistics and or modelling reports are not available for review at this stage.</li> </ul> <p><b>Ausmex</b></p> <ul style="list-style-type: none"> <li>No exploration work undertaken by Ausmex</li> </ul>
<b>Other substantive exploration data</b>	<ul style="list-style-type: none"> <li>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</li> </ul>	<ul style="list-style-type: none"> <li>Imaged airborne magnetic survey data is used as a background image in several figures in Annexure A; these are from the MIM surveys conducted between 1990-1996 including subaudio magnetic (SAM) surveys, and ground and airborne EM surveys for QLD projects; and from publicly available for purchase SA government data sets for the SA projects including airborne magnetic data flown by Elliot Geophysics in 1996.</li> <li>Geophysical of magnetic (plus other geophysical survey datasets obtained by the then operators) modelling highlighted several magnetic anomalies in all projects surveyed.</li> <li>Historical mining records reported by Diversified Mineral Resources (DMR) recorded various tonnage of copper oxide mined at Evening Star during the 1980's &amp; gold from Mt Freda. Open File data records for Gilded Rose state historical mining tonnages.</li> </ul>
<b>Further work</b>	<ul style="list-style-type: none"> <li>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</li> <li>Diagrams clearly highlighting the areas of possible extensions, including</li> </ul>	<p><b>Ausmex</b></p> <ul style="list-style-type: none"> <li>Follow up exploration campaigns are planned to test for extension to</li> </ul>

Criteria	JORC Code explanation	Commentary
	<i>the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i>	known deposits and target identified regional anomalies.

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**SCHEDULE 4 – AUSMEX ANNUAL REPORT 2016**

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**Ausmex Mining Limited**

ACN: 612 797 396

**Annual Report**

**For the period ended 30 June 2016**

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## Corporate Information

This financial report includes the financial statements and notes of Ausmex Mining Limited ('Company'). The Company's functional presentation currency is AUD (\$).

A description of the Company's operations and of its principal activities is included in the review of operations and activities in the Director's report on pages 2 to 3. The Director's report is not part of the financial report.

### Directors

Mr Andrew Firek  
*Chairman*  
(appointed 3 June 2016)

Mr Matt Morgan  
*Executive Director*  
(appointed 3 June 2016)

Mr Geoffrey Kidd  
*Executive Director*  
(appointed 3 June 2016)

### Company Secretary

Ms Mientze Tang

### Registered Office

Suite 207, 32 Delhi Road,  
North Ryde, NSW 2113  
Australia

### Auditors

William Buck Audit (WA) Pty Ltd  
Level 3, 15 Labouchere Road  
South Perth WA 6151

### Bankers

Commonwealth Bank of Australia  
48 Martin Place,  
Sydney, NSW 2000

### In House Counsel

Chris Hagan  
Suite 207, 32 Delhi Road,  
North Ryde, NSW 2113  
Australia

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## Directors Report

Your Directors present the following report on Ausmex Mining Limited (referred to hereafter as “the Company”) for the financial period ended 30 June 2016.

### Directors

The names of the Directors in office during the financial period and until the date of this report are as follows. All Directors were in office for the entire period unless otherwise stated:

Mr Andrew Firek	<i>Chairman (appointed 3 June 2016)</i>
Mr Matt Morgan	<i>Managing Director (appointed 3 June 2016)</i>
Mr Geoffrey Kidd	<i>Director (appointed 3 June 2016)</i>

### Principal Activities

Ausmex Mining Limited was incorporated on 3 June 2016. Since incorporation, the principal activities of the entities within the Company were the identification, acquisition and exploration of a large IOGC or porphyry deposit funded by low risk gold production resource projects in Australia.

### Dividends

No dividends were paid during the period.

### Review of Operations and Financial Results

The Statement of Profit or Loss and Other Comprehensive Income shows a net loss attributable to members of \$5,500 for the period ended 30 June 2016.

### Significant Changes in State Of Affairs

During the period the following changes occurred within the Company:

- **Completion of capital raising**

Seed capital was raised issuing \$47,500 shares at \$1.00 for proceeds of \$47,500.

### Financial Position

The net assets of the Company at 30 June 2016 was \$42,000.

### Director Meetings

During the period to 30 June 2016 there were no Directors meetings.

### Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the period.

## After Reporting Date Events

- Subsequent to year end the Company issued Converting Notes which raised \$500,000 for exploration and working capital purposes.
- On or about 16 August 2016, the Company entered an option agreement granting the Company two options conferring:
  - (a) the right to acquire a 60-100% interest in certain entities holding tenements in the Cloncurry region of Queensland. The initial 60% interest can be acquired for the issue of \$1,000,000 in Public Company shares, Ausmex can increase its equity in 20% allotments at \$1,000,000 each allotment to acquire 100%; and
  - (b) the right to purchase certain non-core exploration tenements for \$500,000.
- The company applied for and on 4 November 2016 was granted EL 5881 for two years. The licence covers 980 sq km prospective for gold/copper in the Mount Bryan-Red Banks-World's End area near Burra in South Australia with a requirement to spend no less than \$250,000 on exploration in the licence area during the licence term. Facilities were provided by two related parties to the Company for \$125,000 each, the facilities were opened to provide for the expenditure requirements.
- On the 4<sup>th</sup> day of November 2016 Ausmex Mining Pty. Limited converted to a Public company.

## Auditor

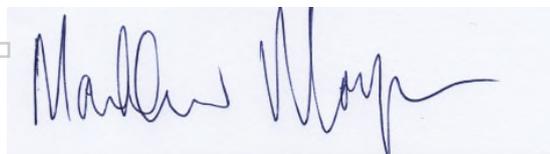
William Buck Audit (WA) Pty Ltd was appointed auditors on 29 November 2016 in accordance with Section 327A of the Corporations Act 2001.

## Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 has been included as part of the financial report.

No officer of the Company is or has been a partner/director of any auditor of the Company.

This Directors' report is signed in accordance with a resolution of the Board of Directors.



Director: Mr Matt Morgan  
Date: 30 November 2016

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001 TO THE DIRECTORS OF AUSMEX MINING LIMITED**

I declare that, to the best of my knowledge and belief during the period ended 30 June 2016 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.



William Buck Audit (WA) Pty Ltd  
ABN 67 125 012 014



Conley Manifis  
Director

Dated this day 30<sup>rd</sup> day of November, 2016

**CHARTERED ACCOUNTANTS  
& ADVISORS**

Level 3, 15 Labouchere Road  
South Perth WA 6151  
PO Box 748  
South Perth WA 6951  
Telephone: +61 8 6436 2888  
[williambuck.com](http://williambuck.com)

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSMEX MINING LIMITED

### Report on the Financial Report

We have audited the accompanying financial report on pages 7 to 22, being a special purpose financial report of Ausmex Mining Limited (the Company), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' Responsibility for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view, and have determined that the basis of preparation described in Note 1(a) to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### CHARTERED ACCOUNTANTS & ADVISORS

Level 3, 15 Labouchere Road  
South Perth WA 6151  
PO Box 748  
South Perth WA 6951  
Telephone: +61 8 6436 2888  
[williambuck.com](http://williambuck.com)

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSMEX MINING LIMITED (CONT)

### *Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

### *Auditor's Opinion*

In our opinion the financial report of Ausmex Mining Limited on pages 7 to 22 is in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the period ended on that date; and
- b) complying with Australian Accounting Standards to the extent described in Note 1(a) and the Corporations Regulations 2001.

### *Basis of Accounting*

Without modifying our opinion, we draw attention to Note 1(a) to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose.

A handwritten signature in black ink that reads 'William Buck'.

William Buck Audit (WA) Pty Ltd  
ABN 67 125 012 014

A handwritten signature in black ink that reads 'Conley Manifis'.

Conley Manifis  
Director

Dated this day 30<sup>th</sup> of November, 2016

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**Statement of Profit or Loss and Other Comprehensive Income**  
**For the period ended 30 June 2016**

	Note	2016 \$	2015 \$
Revenue			
Other income	2	-	-
Share based payments		2,500	-
Other expenses		3,000	-
<b>Profit/ (loss) before income tax</b>		(5,500)	-
Income tax expense		-	-
<b>Profit/ (loss) for the period</b>		(5,500)	-
Other Comprehensive Income		-	-
<b>Total Comprehensive Loss for the period</b>		(5,500)	-

The above statement of comprehensive income is to be read in conjunction with the accompanying notes.

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## Statement of Financial Position

### As at 30 June 2016

	Note	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	-	-
Other assets	6	45,000	-
<b>Total Current Assets</b>		<b>45,000</b>	<b>-</b>
<b>Non-Current Assets</b>			
Exploration and evaluation expenditure		-	-
<b>Total Non-Current Assets</b>		<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>45,000</b>	<b>-</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	7	3,000	-
<b>Total Current Liabilities</b>		<b>3,000</b>	<b>-</b>
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>3,000</b>	<b>-</b>
<b>NET ASSETS</b>		<b>42,000</b>	<b>-</b>
<b>EQUITY</b>			
Issued Capital	8	47,500	-
Retained Earnings/(Accumulated Losses)		(5,500)	-
<b>TOTAL EQUITY</b>		<b>42,000</b>	<b>-</b>

The above statement of financial position is to be read in conjunction with the accompanying notes.

## Statement of Cash Flows

### For the period ended 30 June 2016

	Note	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Payments for exploration and evaluation		-	-
Payments to suppliers and employees		-	-
Receipts from exclusivity agreement		-	-
<b>Net cash flows generated from / (used in) operating activities</b>	11	-	-
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		-	-
Deposit on properties and other assets		-	-
Other exploration evaluation costs		-	-
<b>Net cash flows used in investing activities</b>		-	-
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares and options		-	-
<b>Net cash flows from financing activities</b>		-	-
Net increase/ (decrease) in cash and cash equivalents			
Exchange rate differences on cash balances			
Cash and cash equivalents at beginning of period		-	-
<b>Cash and cash equivalents at end of period</b>		-	-

The above statement of cash flows is to be read in conjunction with the accompanying notes.

## Statement of Changes in Equity For the period ended 30 June 2016

	Issued Capital	Retained Earnings/ (Accumulated Losses)	Total
	\$	\$	\$
<b>Balance at 3 June 2016</b>	-	-	-
Issue of shares	47,500	-	47,500
Loss for the period	-	(5,500)	(5,500)
<b>Balance at 30 June 2016</b>	<b>47,500</b>	<b>(5,500)</b>	<b>42,000</b>

The above statement of changes in equity is to be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

### 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Basis of preparation

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the *Corporations Act 2001*. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Ausmex Mining Limited is an unlisted public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### *Going concern*

The financial statements have been prepared on a going concern basis which assumes the settlement of liabilities and the realisation of assets in the normal course of business.

For the period ended 30 June 2016 the Company has incurred a loss of \$5,500 and at 30 June 2016 the Company had net working capital of \$42,000.

The Directors believe that it is appropriate to prepare the financial report on a going concern basis. Subsequent to year end the Company:

- raised \$500,000 for ongoing operations; and
- In early December 2016, it is anticipated that a Heads of agreement for the Company to be acquired by a Public Company Listed on the Australian Securities Exchange will be executed as part of a capital raising program to fund the anticipated exploration program.

## Notes to the Financial Statements (continued)

### (b) Income Tax

The income tax expense (revenue) for the period comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

## Notes to the Financial Statements (continued)

### (c) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

### (d) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### (e) Cash and Cash Equivalents

For cashflow statement presentation proposed, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in rate and bank overdrafts.

## Notes to the Financial Statements (continued)

### (f) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### (g) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

### (h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. 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 in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### (i) Segment Reporting

The Company operates in one industry, mineral exploration and assessment of mineral projects and in one main geographical segment, being Australia.

### (j) Comparatives

Ausmex Mining Limited was incorporated on 3 June 2016 and therefore there is no comparative information.

## Notes to the Financial Statements (continued)

### (k) Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definitions, seldom equal the related actual results.

#### *Key Judgment – Environmental Issues*

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

#### *Key Estimate – Taxation*

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors' understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, pending an assessment by the Australian Taxation Office.

## 2. Revenues & Other Income

	2016 \$	2015 \$
<b>Revenue</b>	-	-
<b>Other Income</b>		
Bank interest	-	-
	-	-

## Notes to the Financial Statements (continued)

### 3. Income Tax

	2016 \$	2015 \$
<b>Income tax expense</b>		
Current tax	-	-
Deferred tax	-	-
Deferred income tax (revenue) expense included in income tax expense comprises:		
(Decrease)/ increase in deferred tax assets	-	-
(Decrease)/ increase in deferred tax liabilities	-	-
	-	-

#### Numerical reconciliation of income tax expense (revenue)

##### To prima facie tax payable:

	2016 \$	2015 \$
Loss from continuing operations before income tax	(5,500)	-
Tax at the Australian tax rate of rate of 30%	(1,650)	-
Tax effect of amounts which are not deductible in calculating taxable income:		
Deferred tax assets not brought to account	1,650	-
Income tax expense/ (benefit)	-	-

The applicable weighted average effective tax rates are as follows: 0%

### 4. Dividends Paid or Proposed

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

### 5. Cash and Cash Equivalents

	2016 \$	2015 \$
<b>Current</b>		
Cash at Bank and in hand	-	-
	-	-

Cash at bank and in hand earns interest at floating rates based on daily bank rates. There was no restricted cash on hand at 30 June 2016.

## Notes to the Financial Statements (continued)

### 6. Other assets

	2016 \$	2015 \$
<b>Current</b>		
Other assets	45,000	-
	<u>45,000</u>	<u>-</u>

All receivables are carried at cost which approximates their fair value. All receivables are non-interest bearing. All receivables balances are current and no allowance has been made for impairment as all receivables have been received after year end. The receivable represents the uncalled settlement sum for the initial capital of the Company.

### 7. Trade and Other Payables

	2016 \$	2015 \$
<b>Current</b>		
Trade and Other payables	3,000	-
	<u>3,000</u>	<u>-</u>

Trade payables are non-interest bearing and are normally settled on 30-day terms. Other payables are non-interest bearing and have an average term of 1 month.

## Notes to the Financial Statements (continued)

### 8. Issued Capital

	2016 Number	2016 \$
Ordinary shares	47,500	47,500

(a) The share capital of the Company as at 30 June 2016 was 47,500 ordinary shares.

Date	Details	No. of Shares	Issue Price	\$
03.06.16	Opening balance	-	0.00	-
03.06.16	Issue of startup capital	47,500	1.00	47,500
		<b>47,500</b>	-	<b>47,500</b>

#### Capital risk management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company's capital includes ordinary share capital and financial liabilities, supported by financial assets.

In order to maintain or adjust the capital structure, the Company may issue new shares or converting notes.

Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The net working capital position of the Company at 30 June 2016 was \$45,000 (2015: Nil).

The Company currently has \$45,000 in current receivables, no cash or cash equivalents however no bank debt.

## Notes to the Financial Statements (continued)

### 9. Commitments and Contingent Liabilities

#### (a) Exploration Expenditure

In order to maintain mining tenements, the Company is committed to meet the prescribed conditions under which tenements were granted. These commitments may be met in the normal course of operations by future capital raisings and/or farm-out and under certain circumstances are subject to the possibility of adjustment to the amount and timing of such obligations or by tenement relinquishment.

	2016 \$	2015 \$
Exploration expenditure commitments		
Payable:		
- not later than 12 months	-	-
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
	<u>-</u>	<u>-</u>

### 10. Related Party Disclosure

#### (a) Loans to / from related parties

There were no loans from related parties however \$45,000 was owed by related parties for the settlement of issued capital which was received in July 2016.

#### (b) Transactions with Related Parties

Shares were issued to Ms Mientze Tang to the value of \$2,500 for her services as Company Secretary.

### 11. Cash Flow information

	2016 \$	2015 \$
<b>Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>		
Profit / (Loss) after income tax for the period	(5,500)	-
Non-cashflows in loss:		
Share based payments	2,500	-
Changes in assets and liabilities, net of effects of purchase and disposal of subsidiaries:		
Decrease/(increase) in other and trade receivables	-	-
Increase/(decrease) in exploration and evaluation expenditure	-	-
Increase/(decrease) in trade payables and accruals	3,000	-
Adjustment for non-cash operating items	-	-
<b>Net cash inflow/(outflow) from Operating Activities</b>	<u>-</u>	<u>-</u>

## Notes to the Financial Statements (continued)

### 12. Events After the Reporting Date

- Subsequent to year end the Company issued Converting Notes which raised \$500,000 for exploration and working capital purposes.
- On or about 16 August 2016, the Company entered an option agreement granting the Company two options conferring:
  - a) the right to acquire a 60-100% interest in certain entities holding tenements in the Cloncurry region of Queensland. The initial 60% interest can be acquired for the issue of \$1,000,000 in Public Company shares, Ausmex can increase its equity in 20% allotments at \$1,000,000 each allotment to acquire 100%; and
  - b) the right to purchase certain non-core exploration tenements for \$500,000.
- The company applied for and on 4 November 2016 was granted EL 5881 for two years. The licence covers 980 sq km prospective for gold/copper in the Mount Bryan-Red Banks-World's End area near Burra in South Australia with a requirement to spend no less than \$250,000 on exploration in the licence area during the licence term. Facilities were provided by two related parties to the Company for \$125,000 each, the facilities were opened to provide for the expenditure requirements.
- On the 4<sup>th</sup> day of November 2016 Ausmex Mining Pty. Limited converted to a Public company.

## Notes to the Financial Statements (continued)

### 13. Directors and Key Management Disclosures

#### (a) Directors

The following persons were directors of Ausmex Mining Limited during the financial period:

Name	Position
Mr Andrew Firek	<i>Chairman (appointed 3 June 2016)</i>
Mr Matt Morgan	<i>Managing Director (appointed 3 June 2016)</i>
Mr Geoffrey Kidd	<i>Director (appointed 3 June 2016)</i>

#### (b) Other key management personnel

There were no further key management personnel of the Company.

## Notes to the Financial Statements (continued)

### (c) Key management personnel compensation

	2016 \$	2015 \$
Short-term employee benefits	-	-
Share based payments	2,500	-
<b>Total</b>	<b>2,500</b>	<b>-</b>

#### *Shareholdings*

The numbers of shares in the Company held during the financial period by each director of Ausmex Mining Limited and other key management personnel of the Company, including their personally related parties are set out below.

### (d) Shareholding of Directors and Key Management Personnel

2016 Name	Balance at the start of the period	Received during the year on the exercise of options	Subscription of Seed Capital	Granted as remuneration	Balance at the end of the period
<b>Directors</b>					
Mr Andrew Firek	-	-	10,000	-	10,000
Mr Matt Morgan	-	-	10,000	-	10,000
Mr Geoffrey Kidd	-	-	10,000	-	10,000
<b>Company Secretary</b>					
MS Mientze Tang	-	-	2,500	-	2,500
<b>Total</b>	<b>-</b>	<b>-</b>	<b>32,500</b>	<b>-</b>	<b>32,500</b>

### (e) Loans to key management personnel

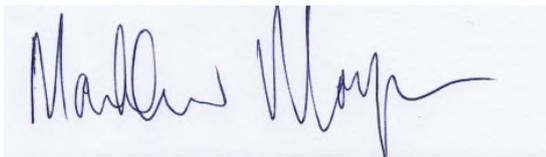
There were no loans made to directors of Ausmex Mining Limited and other key management personnel of the Company, including their personally related parties. The subscription of seed capital shareholdings was settled in July 2016 refer note 6.

## Directors' Declaration

In the Directors' opinion:

- (a) the financial statements, comprising the statement of profit and loss and other comprehensive income, statement of financial position, cash flow statement, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001, and:
- (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the period ended on that date of the Company.
- (b) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by;

A handwritten signature in blue ink, appearing to read 'Matt Morgan', is written over a light blue rectangular background.

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Mr Matt Morgan  
*Managing Director*

**30 November 2016**