

Eumeralla Resources Limited

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ASX RELEASE [ASX:EUM]

ACTIVITIES REPORT

DECEMBER QUARTER 2016

During the quarter, on 5 December 2016, Eumeralla Resources Limited (ASX:EUM) (**Eumeralla** or **Company**) was pleased to announce it had 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**). On 29 December 2016, the Company further announced that, in accordance with the binding heads of agreement entered into by the Company and Ausmex, it had executed a formal Share Sale Agreement with Ausmex's security holders (**Ausmex Vendors**).

The effect of the Share Sale Agreement is that, subject to the satisfaction of certain conditions precedent, Eumeralla will acquire all the outstanding shares in Ausmex for consideration of 207,000,000 Eumeralla shares to be issued to the Ausmex Vendors.

Overview of Ausmex

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 with Queensland Mining Corporation Limited (ASX:QMN) to acquire gold/copper tenements or interests located in Queensland's Cloncurry region (**Cloncurry Option Agreement**).

Ausmex's activities and business model

Ausmex is planning two key strategies as corporate objectives:

- (a) to secure exploration projects that have potential to host giant world class IOGC 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.

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 Solowevsk-Choibalsan railway. In Myanmar, the company has three separate JV partners with applications pending for several mining leases. The biggest of which is a 400km² 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.

Exploration Strategy for IOCG or Porphyry Cu Au Deposits

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.

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.

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.

Information regarding the Ausmex projects is located at the Company's announcement - *Eumeralla Resources to Acquire Ausmex Mining – Corrected* dated 6 December 2016.

Completion of the Proposed Acquisition remains subject to various conditions precedent including shareholder approval and re-compliance with the admission requirements of Chapters 1 and 2 of the ASX Listing Rules. The indicative timing for the shareholder meeting, lodgement of the prospectus for a proposed \$5 million capital raising and re-compliance are detailed in the indicative timetable below.

Updated Indicative Timetable

An indicative timetable for the transaction is set out below. The Company notes that the timetable may be subject to change.

Event	Date (week ending)
Despatch notice of general meeting of Eumeralla shareholders	10 February 2017
Lodge prospectus with ASIC & ASX	17 February 2017
Opening date of Public Offer	17 February 2017
Hold general meeting	17 March 2017
Closing date of Public Offer	24 March 2017
Settlement date	14 April 2017
Re-quotation date	28 April 2017

Indicative Capital Structure

Following completion of the acquisition of Ausmex and re-instatement on ASX, the indicative capital structure of the Company is set out below:

	Shares	Other securities	% interest in issued capital
Shares currently on issue	99,165,607		25.3%
Shares to be issued to Ausmex Vendors	207,000,000		52.9%
Share to be issued under the Cloncurry Option Agreement (subject to confirmation of the issue price under the Public Offer)	12,500,000		3.2%
Shares to be issued to parties facilitating the Proposed Acquisition	10,350,000		2.6%
Shares to be issued under the Public Offer at an indicative issue price of \$0.08 (subject to confirmation under the Public Offer)	62,500,000		16%
Total Shares upon completion of the Proposed Acquisition	391,515,607		100%
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%
Total Options upon completion of the Proposed Acquisition		63,500,000	100%

MYANMAR

As announced on 29 October 2014, Eumeralla Resources Ltd's 70% controlled Myanmar subsidiary, Mawsaki Mining Co., Ltd ('Mawsaki'), received State Government approval for its exploration permit in the State of Kayah.

Mawsaki progressed with the process towards being granted the required approvals to clear the way for consideration of the proposed exploration terms and conditions by Cabinet of Union Government of Myanmar.

This approval process is the next step following the successful negotiations over the licence area with the Office of Chief Minister, Kayah State Government, Chief Minister, Ministry of Forest and Mines, both the State Forest Department and State Land Records Department in Loikaw and Office of Township Administration, Hpa-hsaung.

The Company understands that approval by the Union Government will be the final step in the approval process and is encouraged by the smooth progress of the Myanmar National Election held on 8 November 2015 and the formation of a new Government. In addition, reforms to the Myanmar Mines Law (1994) continue to move ahead in Parliament, the final version of the laws was passed the first half of 2016. The Company has conducted successful negotiations over the licence area with government authorities and expects the exploration permit to be granted in Q1 of calendar year 2017 and continue to hear that progress is being made towards that deadline. The Company is also encouraged that the first licences started to be awarded, indicating that the process of licence issuance has commenced. Our most recent checks with the Ministry indicate that the licence processing is progressing but the board notes the continuous delays in this approval process.

MONGOLIA

During the quarter the Company was advised it was successful in its application, with the Company successfully extending the Chuluun Khoroot Tungsten Project licence until 26 September 2019 and reducing the tenement area from 12,658 ha to 2,786 ha.

CORPORATE

On 4 November 2016, the Company issued CPS Capital Group Pty Ltd (**CPS Capital**) 10,000,000 Options (**Corporate Options**) at a nominal issue price of \$0.0025 in consideration of services provided by CPS Capital to the Company. Each of the Corporate Options entitles the holder to one fully paid ordinary share in the Company. The 10,000,000 Corporate Options are exercisable at \$0.045 on or before 31 December 2018 and will otherwise be issued on the terms set out in Annexure A of the Company's announcement dated 4 November 2016.

The Company further announced it will seek Shareholder approval for the issue of a total of 3,500,000 options to the directors and the company secretary (or their nominees) for no cash consideration (**Incentive Options**) in recognition of their services to the Company and to further incentivise their performance.

If approved, each of the Incentive Options will entitle the holder to one fully paid ordinary share in the Group. The 3,500,000 Incentive Options will be exercisable at \$0.045 on or before 31 December 2018 and will otherwise be issued on the terms set out in Annexure B of the Company's announcement dated 4 November 2016.

TENEMENT INFORMATION

In accordance with Listing Rule 5.3.3, mining exploration entities are required to provide the following information in relation to tenements held as at 31 December 2016:

Project	Tenement	Country	Status
Ovoot Project	XV-015591	Mongolia	Granted

Summary of Expenditure Incurred per Project

Tenement	Quarterly Cash Spend \$A'000
XV-015591	12
Total	12

Yours faithfully

David Wheeler
Director

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