4 June 2015

ASX Market Announcements

Results of Drilling Suspected WNW Extensions to the Grasmere—Peveril Line of Lode on EL 6400 in the Koonenberry, near White Cliffs.

Summary

The above RC- drilling program was undertaken from mid to late April 2015. Nine holes were completed for a total of 700 metres in 5 target areas designated T1 to T5 (see Figures 2 to 4, and Table 1) as follows:

T1--Wilandra (Holes W1, W2, W3, W6),

T2-- Wilandra East (Holes W7, W8),

T3-- North Peveril (Hole W9),

T4-- East Peveril (Hole W10), and

T5-West Peveril (Hole W11).

Two of the T1 holes (W4, W5) proposed in the program were not drilled, and hole W11 at T5 (West Peveril) was an additional hole decided during the drilling program. Proposed holes W7 to W10 were inclined less steeply than the planned 60 degrees to intersect more stratigraphy and hit proposed targets at shallower depth.

All holes encountered intensely leached and deeply weathered clay-rich material. Sulphide lode minerals, mainly pyrite and chalcopyrite, would not be expected to survive in such a weathering environment. There was scant evidence for weathered sulphides (eg silicified ironstone chips and/or blackened clays) in all holes except W11. Rock chips from all holes were noted to be either volcanic (dacite-andesite) or pelitic (clay rich sediments) in origin. By contrast the Grasmere-Peveril deposits are enveloped by both rock types; volcanics on the NE side, and sediments on the SW side.

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Five or 6 samples were collected from each of the 9 holes to check for metal concentrations (Cu, Pb, Zn, Mn, Au, Ag) and elements that help identify rock type (Si, Mg, Ca, Al, Fe, Ti). These were dispatched to ALS in Orange around mid-May, and results are expected later in June 2015. Samples of weathered lode material from W11 are of interest, however given the intensity of weathering and lack of evidence for mineralization results are not expected to reveal high metal values.
Future work to locate possible WNW extensions to the line of lode would involve drilling some 10 or 20, 80 to 100m long RAB or RC percussion holes, along say two SW running lines near target area T1 at Wilandra.

Background to Drilling

EL 6400 contains the Grasmere-Peveril Cu-Zn-(Ag) deposits, which contain a significant indicated and inferred JORC Code 2004 compliant resource* of 5.75mt @ 1.03% Cu, 0.35% Zn, 2.3g/t Ag and 0.05g/t Au (Inferred: 2.73 mt grading 0.9% Cu, 0.4% Zn, .04 g/t Au and 2.05 gt Ag. Indicated: 3.02 mt grading 1.15% copper, 0.3% Zn, 0.06 g/t Au and 2.53 g/t Ag).

The holes aim to test the earlier determined targets on suspected WNW extensions of the Grasmere-Peveril Line of Lode. The Grasmere-Peveril line of lode is a narrow 2m to 3m wide steeply dipping planar feature, originally continuous, but now broken up by boudinage and short cross-fault displacements, into numerous ironstone blocks observed at surface as outcrops and subcrops.

The lode has been traced and mapped over a strike distance of 4km and appears to run parallel to regional stratigraphic units of the middle Cambrian Ponto Group. The stratigraphic sequence is steeply dipping and *faces* (ie becomes younger towards) to the SW. The older sequence NE of the lode contains significant volcanogenic components; lava flows of dacitic to andesitic composition and volcanic tuffs. The younger sequence SE of the lode is a siliciclastic sequence of slaty metapelites, psammopelites and greywacke sandstones with occasional thin-bedded quartz-magnetite units.

In fresh rocks the lode consists of layers of near solid pyrite containing lesser chalcopyrite, and minor sphalerite, but near surface sulphides are oxidized to ironstones and secondary copper minerals. Deep weathering of the lode and surrounding host rocks to the WNW and SE has led to poor or non-existent rock exposure, especially in the west where there is less dissection of topographic rises, and broad plateau areas. In those areas weathering can extend to 40-50+m depth and gravity values are significantly reduced. Segments of the lode horizon can be traced for a distance of 4km at surface in the Grasmere-Peveril area.

The SE end of the lode is cut off sharply, along with its geophysical signatures, by what appears to be a substantial fault. The WNW end also ceases to outcrop suddenly in an area of very poor exposure. Several historic explorers have attempted to locate the continuation of the lode to the WNW without success. The known lode is divided into the Grasmere Prospect in the SE and the Peveril Prospect in the NW with a displacement of about 2km separating these two areas due to movement in the breccia zone of the Lewis Fault, a younger structure which cuts across and displaces older faults in the area.

Sparse outcrops and numerous drill holes have confirmed that the lode horizon separates dominant intermediate volcanic lavas and tuffs to the NE from siliciclastic quartz-feldspathic sandstones, siltstones and slates to the SW. Apparent parallelism of the lode with the adjacent stratigraphic units has led to a general belief that the lode is a sedimentary/ volcanogenic horizon within the Ponto Group stratigraphic sequence. However, mylonitic structures and crushed quartz veins within the lode testify to a faulted origin, and close examination of cores from Ausmon's and other holes has revealed fingernail sharp contacts between solid pyrite lode and adjacent pelitic units with no transition zone between sulphide-rich and sulphide-free rocks.

Geological consultant Dr Kingsley Mills believes that the lode was probably precipitated in a subduction zone thrust fault at an early stage in the deformation of the volcanogenic and siliciclastic sequences of the Ponto Group, during formation of the late middle Cambrian Delamerian

Koonenberry Fold and Thrust Belts. The sulphides may have been derived from dewatering of the underlying volcanic lavas and tuffs during the early stages of consolidation and metamorphism. Subduction zone thrust faults can cut across bedded units but tend to slide along particular bedding planes over considerable distances making them difficult to recognize, and giving the impression that the stratigraphic sequence is intact.

A short section of another subduction zone thrust has been mapped south of Wilandra homestead where it separates Ponto Group from Teltawongee Group sequences and is exposed as a knife sharp contact, but without any mineralisation. The 1:100 000 scale Grasmere Sheet was published by the Geological Survey of New South Wales in 2001. On that sheet detailed mapping by P. Buckley shows the Grasmere lode horizon being cut by the north-trending Bedford Fault. But there is no displacement of the lode horizon in spite of a 2km horizontal displacement of stratigraphic units along the Bedford Fault 5km south of the lode area.

Detailed geological mapping of the lode undertaken by Dr Kingsley Mills for Ausmon in 2009-2010 showed that the Bedford Fault does *not* cut the lode horizon. Tracking the Bedford Fault northwards from where it was well exposed in the south has indicated that the fault bends to the west and cuts off the western end of the lode horizon where it is last seen on the ground. Using the known 2km right-hand horizontal displacement on the Bedford Fault, and the known 2km right-hand horizontal displacement on the younger Lewis Fault, and guided by the aeromagnetic patterns, a new interpretation of where the lode horizon might extend to in the west was made (see Figure 2).

Unfortunately extensive deep weathering to 50m, and general lack of exposure makes it impossible to directly trace rock units at surface in this western area, and no further exposures of the lode rock have yet been discovered. The discovery by Seltrust-BP Minerals in 1984 of widespread anomalous Cu, Pb and Zn values in surface soils north of Wilandra homestead instigated a serious search for a likely orebody from which these elements might have been derived. The anomalous soils were located over a broad rise with almost no exposures of the underlying bedrock. Seltrust-BP carried out a drilling program consisting of 99 vertical holes along 4 lines extending perpendicular to the

general stratigraphy, over a 10 km total line length with holes being drilled each 100m and at depths of 24, 30 or 42m depending on overburden depths. Various weathered regolith materials were intercepted, described and analysed but few, if any, holes reached into fresh rock. Given the hole spacing of about 100m and a prospective target, if similar to the Grasmere-Peveril lode, likely to be steep dipping and only a few metres wide, it is not surprising that the source of the anomalous metals was not located.

Table 1. Holes drilled during April 2015—9 holes totalling 700m.

Drill hole	easting	northing	inclination	to magnetic	to true	elevation	ground condition	drilling	EOH
W1	658075	6540149	60	20	30	223	minor bluebush	drilled 17/04/2015	70
W2	658107	6540206	60	200	210	223	no vegetation	drilled 17/04/2015	80
W3	658048	6540234	60	210	220	223	no vegetation	drilled 19/04/2015	80
W4	658010	6540266	60	198	208	223	no vegetation	not drilled	
W5	657919	6540302	60	165	175	223	minor bluebush	not drilled	
W6	657864	6540301	60	179	189	223	no vegetation	drilled 19/04/2015	80
W7	658966	6539384	52	40	50	213	no vegetation	drilled 20/04/2015	80
W8	658987	6539395	52	220	230	213	minor bluebush	drilled 20/04/2015	80
W9	660577	6538173	55	54	64	217	no vegetation	drilled 21/04/2015	80
W10	661581	6537486	55	12	22	212	no vegetation	drilled 21/04/2015	70
W11	660562	6537637	60	50	60	209	minor bluebush	drilled 22/04/2015	80

Details of Drilling—see Figure 2 for Target Area locations

Target Area T1—Wilandra (sink holes) — Holes W1, W2, W3, and W6.

While looking for outcrop and subcrop near predicted lode extensions north of Wilandra homestead in 2009-10, Dr Kingsley Mills discovered lines of sink holes aligned parallel to the expected continuation of stratigraphy. Sink holes are known to occur above sulphide-bearing bedrocks (gypsum--hydrated calcium sulphate—is formed from the reaction between Ca bearing groundwater and sulphides). Additional evidence included high Cu & Zn concentrations in soils—presumed to come from weathering of hidden lodes.

Planned Holes W1 to W6 were designed to test 5 sink hole targets at depth over a strike length of about 300 m.

Holes W1 & W2 were scissors holes. Both holes passed through clay rich red, yellow and khaki weathered regolith material to reach fresh pale grey dacitic volcanic rock from about 50m vertical depth. Secondary calcite was seen in joints and cracks, but no sulphides were seen.

Hole W3 was drilled 65m NW of Hole W2 to test beneath another large sink hole. Similar material was noted with fresh dacite evident from 55m vertical depth. The 80m hole contained weathered zones at 68-69m and 74-75m down hole. Sulphides were noted as thin films of secondary pyrite on fractures in fresh rocks at depth.

Due to negative results holes W4 and W5 were not drilled. Hole W6 was drilled at the western end of the sinkhole system, 260m NW of hole W1. Weathered volcanic rock was noted to 80m (69m vertical depth), with strong oxidation in red and variegated clays to 60m hole depth and yellow and khaki weathered material was seen over the full 80m. Chips of partially weathered dacitic volcanic rock were found at 79-80m. No sulphides were seen.

Ausmon assesses that if a lode extension does occur in this area and if the stratigraphic sequence is the same as Grasmere –Peveril, it would likely run a little further SW of the volcanic rocks encountered in the above drill holes. This may be tested in future work.

Target Area T2—Wilandra East—(surface ironstones)—Holes W7 and W8.

Holes W7 and W8 were sited just over 1km SE of Holes W1 and W2 and close to the Wilandra-Daubeny road. The target was a prominent exposure of ironstone some 50m long by 20m wide in which anomalous copper and zinc values had been measured using a portable XRF analyser.

The ironstone shows poorly developed sub-horizontal bedding suggesting it is a recent sedimentary feature not related to the Ponto Group. However, Ausmon thought that it may have been formed from a proximal weathering sulphide source—ie an extension to the Grasmere-Peveril lode. Both holes were designed test for sulphide lodes beneath the ironstone. They were designed as scissors holes, plunging north and south at about 50 degrees.

Hole W7 rapidly encountered weathered metasiltstones beneath shallow soils, then a siliciclastic sequence consisting of psammopelitic and psammitic rocks well-oxidized to 45m hole depth, then fresh rocks were entered at 58m hole depth (46m vertical depth). The hole was continued to 80m but no sulphides were encountered.

Hole W8 also intercepted a siliciclastic rock sequence of psammopelites and psammites, with psammitic units becoming more dominant beneath rising ground to the south. Well-oxidized rocks extended to 30m hole depth and fresh rocks were noted at 53m hole depth (42m vertical depth). The hole was continued to 70m hole depth but no sulphides were encountered. The dominant siliciclastic (sedimentary) sequence and absence of volcanic rocks in this area suggests that the hole was somewhat SW of any possible lode extension suggested from fault pattern mapping (Figure 3).

Target Area T3—North Peveril—Hole W9

Fault displacement predictions indicated that there should be a small displaced slice of Grasmere-Peveril lode in this area. Furthermore field inspection also revealed the presence of a large exposure, 20m by 5m, of heavy black rock rich in manganese. Proximal creek exposures showed the presence of several late plane-sided quartz veins with the same black mineral. These veins ranged from 8cm to 40cm thick and clearly cross-cutted bedding and cleavage foliation in the Ponto Group sequence at an oblique angle. That suggested that mineralization was younger than at the Grasmere-Peveril.

Hole W9 was designed to plunge at 55 degrees beneath the outcrop. After a thin soil horizon, psammopelites were dominant. Strongly oxidised rocks extended to 35m down hole, and fresh rocks were encountered at 69m hole depth (57m vertical depth). The hole was drilled to 80m depth, with only a couple of narrow sections containing the above-mentioned black mineral.

Ausmon concluded that the lode outcrop must peter out at down dip, or alternately, dip northwards.

Target Area T4—East Peveril—Hole W10

Hole W10, about 1 km SE of hole W9, was designed to test an alignment of small sink holes. Narrow quartz veins with secondary iron oxide minerals are seen in this area, adding credence to the idea that sulphide lodes should occur beneath the sink holes. If such a lode existed it would be further north, and independent to the Grasmere-Peveril lode.

Hole W10 plunged at 55 degrees to the north and was designed for near-perpendicular intersection with any lodes at depth. The hole continued to 70m with no sulphides seen. Rocks were noted to be weathered dacitic volcanics (were well oxidized to 33m) and fresh below 47m hole depth (39m vertical depth).

Target Area T5—West Peveril—Hole W11

Hole W11 was drilled to test an exposed ironstone area of the Grasmere-Peveril lode at depth, and to examine the stratigraphic sequence adjacent to the lode well to the west of previous Ausmon core drilling at Peveril. It was of particular interest to see if copper values in the lode would be similar or higher in this western extension. The hole was collared 30m south of visible lode outcrop and inclined at 60 degrees to the north. Five strongly coloured weathered zones were encountered before passing into fresh volcanic rock at 72m (61m vertical depth) which continued to 80m. Various weathered zones were examined for affinities to known stratigraphic units, and are listed below on the basis of preliminary observation, as follows.

0-19m Yellow-khaki weathered meta-siltstones
20-26m Deep purple and maroon *weathered lode rock*
27-36m Yellow-khaki weathered rock material
37-55m Brown weathered rock material
56-71m Yellow-khaki weathered rock material
72-80m Fresh hard light grey volcanic rocks.

Assuming an un-faulted planar dip, the lode must dip south at 40-45 degrees in this location.

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Future Work in Target Area T1

Further work will be required with the aim to improve on the existing JORC resource estimate. This could involve running two SW trending lines of RAB or RC percussion holes to locate the contact area between volcanic and sedimentary rocks with possibly 20 X 70m holes and then drilling possibly 4 X 100m inclined RC percussion holes through the contact area to seek out possible sulphides.

*The information relating to the mineral resource was prepared and first reported in accordance with the JORC Code 2004 in 2006. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was reported in 2006.

The information in the report above that relates to Exploration Results is based on information compiled by Dr Pieter Moeskops, the principal of Agaiva Holdings Pty Ltd and a member of The Australasian Institute of Mining and Metallurgy.

Dr Moeskops has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2004 and 2012 Editions of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Moeskops consents to the inclusion in this report of matters based on his information in the form and context in which it appears.

John Wang, Managing Director/Secretary

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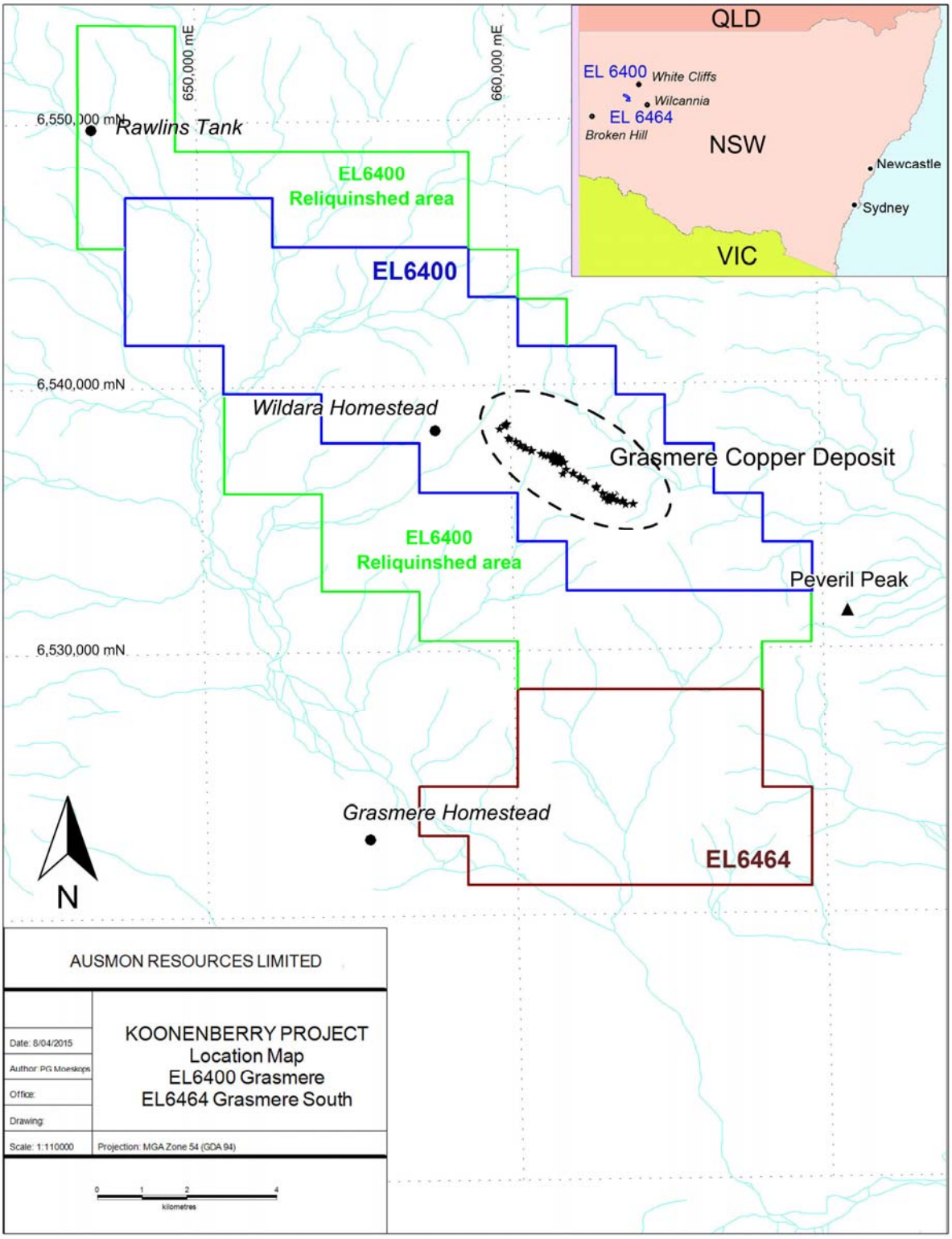

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Figure 1. **EL 6400 and known extent of Grasmere-Peveril line of lode**.

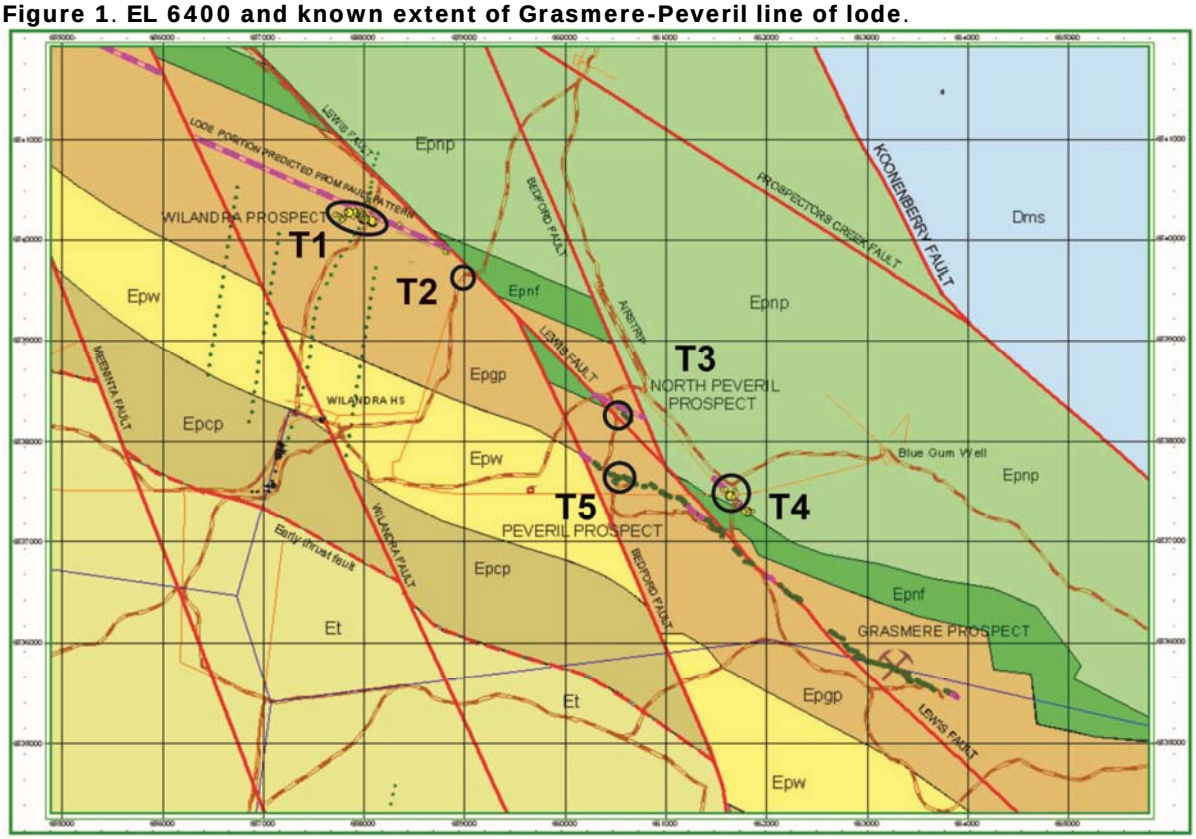

Figure 2. Stylised geological map of bedrock features adjacent to the Grasmere-Peveril lode. The geological units are based on those mapped and recorded on the Grasmere 1:100 000 Geological Sheet, First Edition (Buckley 2001), projected and adjusted to match features displayed on the latest aeromagnetic images that cover the map area. The exposed segments of the lodes are indicated in dark green with unexposed and projected segments in purple. The location of the Ausmon Resources prospect areas, Grasmere, Peveril, North Peveril and Wilandra are shown. The location of the main Grasmere Mine shaft in the Grasmere Prospect, the site of early mining activities, is also plotted. Two lines of sink holes (small, medium and large as mapped by the author) are plotted as yellow filled circles and were thought to mark the position of unexposed sulphide lodes. Faults mapped and proposed by the author are drawn in red. Access roads and station tracks are shown in brown, power lines in dark blue and some mapped fences in orange. The panels of holes drilled by BP Minerals-Seltrust around 1985 seeking the source of anomalous copper and zinc in deeply weathered soils to the north of Wilandra homestead are also indicated. The grid is the standard GDA 94 UTM kilometre grid for Zone 54. Target Areas T1 to T5 are indicated. Author is Dr Kingsley Mills.

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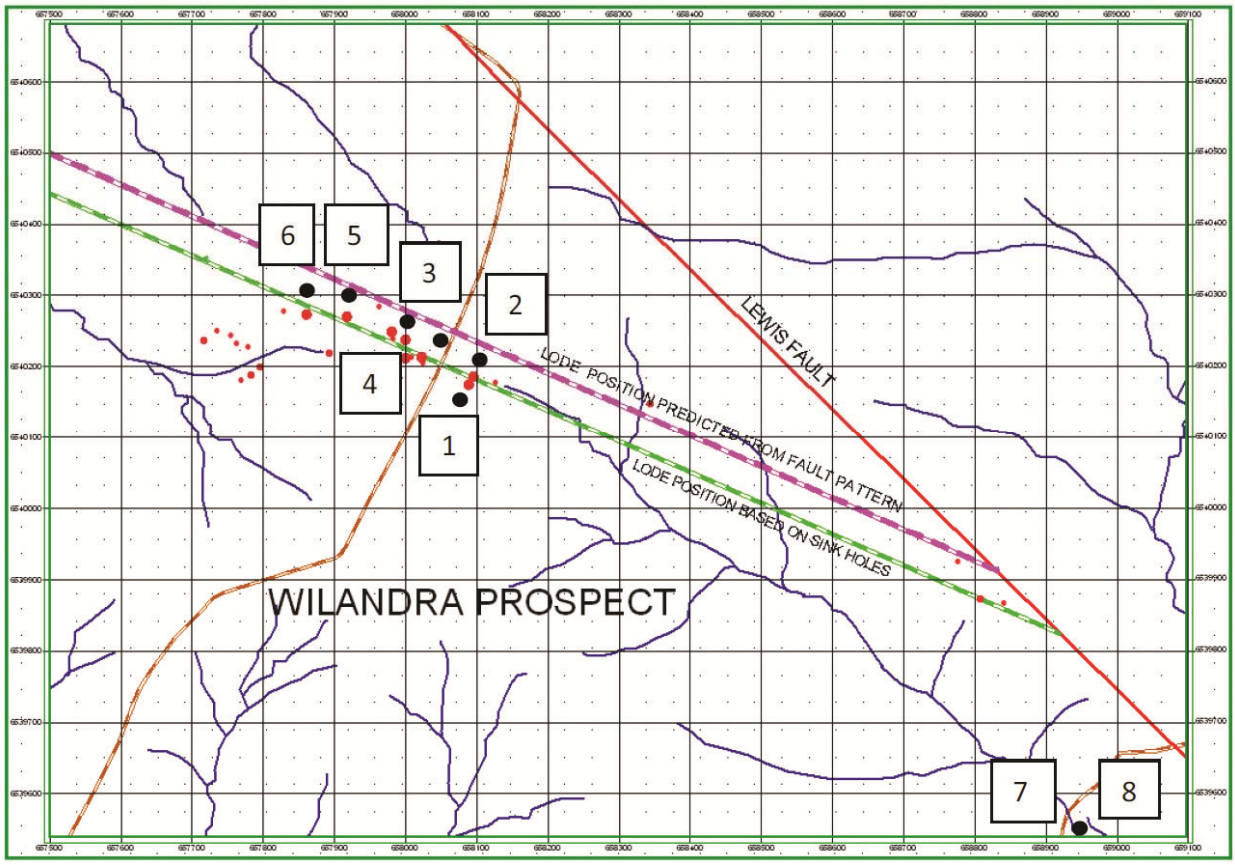

Figure 3. Wilandra Prospect showing locations of planned drill holes W1 to W8 (filled black circles labelled 1-8) on standard easting/northing metre grid for Zone 54, with grid line spacing 100m. Also shown are the line of lode positions as predicted from the mapped fault pattern (purple) and from the mapped positions of sink holes (green) that were assumed to be related to gypsum solution and precipitation, graded as small, medium and large (red circles). The projected position of the Lewis Fault is shown in red along with the actual positions of the access tracks (pale brown) and the main creek channels (dark blue). NOTE Holes W4 and W5 were not drilled.

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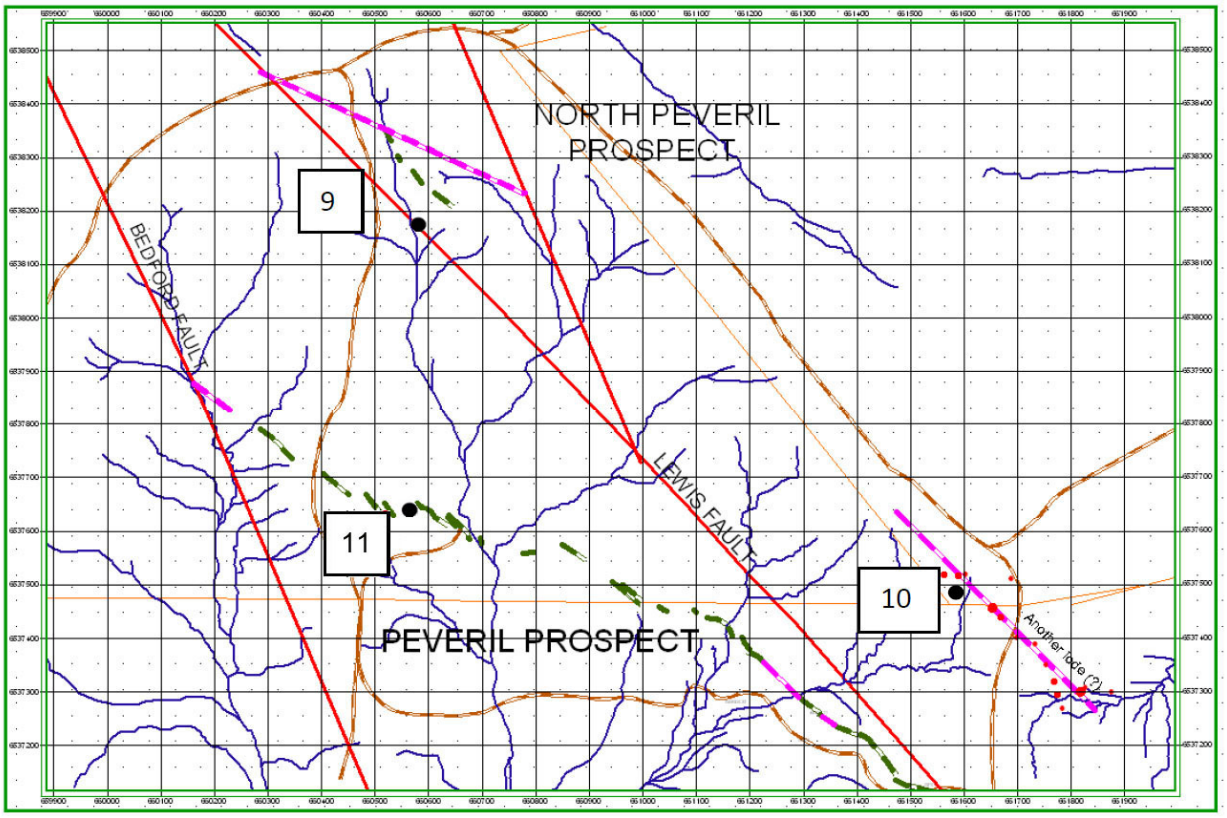

Figure 4. Locations of drill holes W9 at the North Peveril Prospect, W10 to the east of the Peveril Prospect where a possible second line of lode (purple) is indicated by alignment of sink holes (red filled circles graded as small, medium and large), and W11 in the Peveril Prospect. Exposures of the Grasmere Lode, displaced by numerous small faults, are shown in green in the Peveril and North Peveril Prospects and possible unexposed extensions in purple. Mapped positions of the Lewis Fault and the Bedford Fault shown in red. Also shown are access tracks (pale brown), fences (thin orange lines) and creek channels (dark blue). Standard easting/northing metre grid of Zone 54, with grid line spacing 100m.

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