

AUSTRALIAN MINES LIMITED
ABN 68 073 914 191

**NOTICE OF ANNUAL GENERAL MEETING
AND
EXPLANATORY STATEMENT**

For the Annual General Meeting to be held on
27 November 2009 (2.30pm Western Standard Time) at
Level 1, Colonial Conference Room, The Melbourne Hotel, Cnr Hay & Milligan St, Perth
Western Australia

*This is an important document. Please read it carefully and in its entirety.
If you do not understand it please consult with your professional advisers.*

*If you are unable to attend the Meeting, please complete the form of proxy enclosed
and return it in accordance with the instructions set out on that form.*

TIME AND PLACE OF ANNUAL GENERAL MEETING AND HOW TO VOTE

This Annual General Meeting of the shareholders of Australian Mines Limited will be held at:

Level 1, Colonial Conference Room	Commencing
The Melbourne Hotel	at 2.30pm (WST)
Cnr Hay & Milligan St	on 27 November 2009
Perth, Western Australia, 6000	

How to Vote

You may vote by attending the meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person you need to attend the meeting on the date and at the place set out above. The meeting will commence at 2.30pm (WST).

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of Annual General Meeting as soon as possible and either:

- return the proxy form to the Company's office at Level 1, 681 Murray Street, West Perth, Western Australia,
- Post the proxy addressed Australian Mines Limited, P O Box 883, West Perth, WA 6872, or
- send the proxy by facsimile to facsimile number (08) 9481 5611,

so that it is received not later than 2.30pm (WST) on 25 November 2009.

Your proxy form is enclosed.

AUSTRALIAN MINES LIMITED
ABN 68 073 914 191
SECTION 1
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of AUSTRALIAN MINES LIMITED will be held on 27 November 2009 at Level 1, Colonial Conference Room, The Melbourne Hotel, Cnr Hay & Milligan St, Perth, Western Australia at 2.30pm (WST) for the purpose of transacting the following business.

The attached Explanatory Statement is provided to supply Shareholders with information to enable Shareholders to make an informed decision regarding the Resolutions set out in this Notice. The Explanatory Statement is to be read in conjunction with this Notice.

AGENDA

GENERAL BUSINESS

Accounts and Reports

To receive and consider the Financial Reports of the Company and the consolidated entity for the financial year ended 30 June 2009 and the reports of the Directors and Auditors thereon.

1. Resolution 1 – Adoption of Remuneration Report

To consider and, if thought fit, to pass with or without amendment, the following in accordance with section 250R(2) of the Corporations Act:

"That the Remuneration Report in the 2009 Annual Report of the Company be adopted."

Short Explanation: The Remuneration Report is in the Directors Report section of the Company's Annual Report. Listed companies are required to put the Remuneration Report to the vote for adoption at the Company's Annual General Meeting. The resolution will be determined as an ordinary resolution but is advisory only and does not bind the Directors or the Company.

2. Resolution 2 - Re - election of Director Mr Mick Elias

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, Mr Mick Elias, who retires by rotation in accordance with rule 7.3 of the Constitution of the Company, and being eligible offers himself for election, is hereby re-elected as a Director of the Company."

Short Explanation: Mr Mick Elias has been a Director of the Company since 1 July 2005 and was re-elected on 29 November 2006 Mr Elias is presented for re-election in accordance with the rotation requirements of the Company's Constitution.

SPECIAL BUSINESS

3. Resolution 3 – Grant of Options to Mr Brett Young

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, approval is given for the Company to grant to Mr Brett Young or his nominee up to 120,000,000 options to acquire fully paid ordinary shares in the capital of the Company, to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Under the related party provisions of the Corporations Act (Chapter 2E) the provision of any financial benefit (which includes the grant of options) to a related party requires shareholder approval unless excepted in terms of the Corporations Act. The ASX Listing Rules requires the Company to seek shareholder approval prior to the issue of securities to a related party. Mr Young is a related party of the Company.

The Company will disregard any votes cast on this Resolution 3 by a person who is to receive securities in relation to the Company and an associate of that person. However, the Company need not disregard a vote cast on this Resolution 3 if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

4. Resolution 4 – Grant of Options to Mr Neil Warburton

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, approval is given for the Company to grant to Mr Neil Warburton or his nominee up to 80,000,000 options to acquire fully paid ordinary shares in the capital of the Company, to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Under the related party provisions of the Corporations Act (Chapter 2E) the provision of any financial benefit (which includes the grant of options) to a related party requires shareholder approval unless excepted in terms of the Corporations Act. The ASX Listing Rules requires the Company to seek shareholder approval prior to the issue of securities to a related party. Mr Warburton is a related party of the Company.

The Company will disregard any votes cast on this Resolution 4 by a person who is to receive securities in relation to the Company and an associate of that person. However, the Company need not disregard a vote cast on this Resolution 4 if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

5. Resolution 5 – Grant of Options to Mr Mick Elias

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, approval is given for the Company to grant to Mr Mick Elias or his nominee up to 60,000,000 options to acquire fully paid ordinary shares in the capital of the Company, to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Under the related party provisions of the Corporations Act (Chapter 2E) the provision of any financial benefit (which includes the grant of options) to a related party requires shareholder approval unless excepted in terms of the Corporations Act. The ASX Listing Rules requires the Company to seek shareholder approval prior to the issue of securities to a related party. Mr Elias is a related party of the Company.

The Company will disregard any votes cast on this Resolution 5 by a person who is to receive securities in relation to the Company and an associate of that person. However, the Company need not disregard a vote cast on this Resolution 5 if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

VOTING AND PROXIES

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by the person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. The date is 2.30pm on 25 November 2009.
4. A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the instructions on that form.

By order of the Board



Mr Brett Young
Executive Director and Chief Operating Officer
Dated: 21 October 2009

AUSTRALIAN MINES LIMITED
ABN 68 073 914 191
SECTION 2
EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of Resolutions 1- 6 contained in the Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Remuneration Report is in the Directors Report section of the Company's Annual Report.

By way of summary, the Remuneration Report:

- (a) explains the Company's remuneration policy and the process for determining the remuneration of its directors and executive officers;
- (b) addresses the relationship between the Company's remuneration policy and the Company's performance; and
- (c) sets out remuneration details for each Director and each of the Company's executives and group executives named in the Remuneration Report for the financial year ended 30 June 2009.

The Directors recommend that Shareholders vote in favour of Resolution 1. Section 250R(2) of the Corporations Act requires companies to put a resolution to their members that the Remuneration Report be adopted. The vote on this resolution is advisory only and will not bind the Board or the Company. However the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

The Chairman will give Shareholders a reasonable opportunity to ask questions about or to make comments on the Remuneration Report.

2. RESOLUTION 2 – RE-ELECTION OF MR MICK ELIAS AS DIRECTOR

By rule 7.3 of the Company's Constitution, one third of the current Directors (not including any Director appointed as the managing director and any Directors appointed as casual vacancies) must retire from office by rotation at each Annual General Meeting.

In accordance with clause 7.3, Mr Mick Elias is presented for re-election by Resolution 2. Mr Mick Elias has been a Director since 1 July 2005 and was last re-elected on 29 November 2006.

Mr Mick Elias offers himself for election by Resolution 2.

Details of the qualifications and experience of Mr Mick Elias are set out in the 2009 Annual Report for the Company.

3. RESOLUTION 3 – GRANT OF OPTIONS TO MR BRETT YOUNG

Background

Resolution 3 seeks Shareholder approval for the grant of up to 120,000,000 Options to Mr Brett Young or his nominee as part of a Director incentive scheme. Mr Young is a full-time Executive Director of the Company.

Shareholder approval is required for the purposes of Chapter 2E of the Corporations Act (section 208) and ASX Listing Rule 10.11 because Mr Young as a Director is a related party of the Company.

Chapter 2E of the Corporations Act

Related Party Transaction

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Mr Brett Young is a related party of the Company as a Director.

Resolution 3 provides for the grant of Options to a related party, which is a financial benefit requiring Shareholder approval in the absence of a specified exception applying.

For the purpose of Chapter 2E of the Corporations Act the following information is provided.

- (a) ***The Related Party to Whom the Proposed Resolution would Permit the Financial Benefit to be Given:***

The related party is Mr Young or his nominee.

- (b) ***The Nature of the Financial Benefit***

The proposed financial benefit to be given is the grant of up to 120,000,000 Options for no cash consideration to Mr Young or his nominee.

The Options to be granted to Mr Young or his nominee and details of the vesting criteria, exercise price and expiry date are set out in the table below:

Tranche	Number of Options	Vesting Criteria	Exercise Price of Options	Expiry Date
1 st	30,000,000	31 December 2009.	0.3 cents	31 December 2014
2 nd	30,000,000	Minimum period of service as a director or consultant to the Company - 12 months from the 31 December 2009*	0.4 cents	31 December 2014
3 rd	30,000,000	Minimum period of service as a director or consultant to the Company - 24 months from 31 December 2009*	0.5 cents	31 December 2014
4 th	30,000,000	Minimum period of service as a director or consultant to the Company - 36 months from 31 December 2009*	0.6 cents	31 December 2014

*The vesting criteria will be waived so that full vesting occurs in the event of a takeover of the Company being effected.

The Board decided to agree to set the respective exercise prices at 0.3, 0.4, 0.5 and 0.6 cents in view of the recent share price of the Company.

The Options will be granted within 1 month of Shareholder approval. However, the 2nd, 3rd and 4th tranches will not fully vest so as to be capable of exercise unless the minimum service period criteria are met. It is not the current intention of the Company for the Options to be quoted.

Otherwise, the general terms and conditions of all the Options are set out in Annexure 1.

(c) ***Directors Recommendation and Basis of Financial Benefit***

The Board consists of Mr Brett Young, Mr Neil Warburton and Mr Mick Elias.

The number of Options to be granted to Mr Young as an executive Director and their terms were negotiated with Mr Young by the other Directors independent of the Resolution being Messrs Warburton and Elias.

The purpose of the grant of the Options is to give Mr Young an incentive to provide dedicated and ongoing commitment to the Company particularly since his salary reduction in 2009. The full vesting of the Options is contingent on service periods. The independent Directors consider the particular number and terms of the Options to be granted to constitute an appropriate number to adequately incentivise Mr Young in light of his skill, experience and reputation and when considered together with his salary and other remuneration as a full-time executive Director (as detailed below).

Mr Neil Warburton and Mr Mick Elias as the Directors independent of the Resolution recommend Shareholders vote in favour of the Resolution for the reasons set out above.

Mr Brett Young abstains from making a recommendation to Shareholders as to the Resolution as he has an interest in the outcome of the Resolution being the recipient of the Options.

(d) ***Dilution***

The passing of the Resolution would have the effect of granting Mr Brett Young (or his nominee) Options on the terms and conditions as set out in the table at 3(b) above and in Annexure 1.

If any Options granted as proposed above are exercised the effect would be to dilute the shareholding of existing Shareholders. The market price of the Company's Shares during the period of the Options will normally determine whether or not option holders exercise the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be valued at a price that is higher than the exercise price of the Options.

If all Options to be granted under this Resolution were to be exercised, the effect would be to dilute the shareholding of existing Shareholders by approximately 1.98% on an undiluted basis and being based on the total number of Shares on issue at the date of this Notice of 6,070,951,168.

(e) ***Total Remuneration Package of Mr Young***

The current remuneration received by Mr Young is \$180,000 per annum (2008: \$206,500) plus statutory superannuation. Mr Young is entitled to be reimbursed for reasonable expenses in providing his services. Mr Young is not entitled to a separate Director's fee. In April 2009 Mr Young's salary was reduced due to difficult financial conditions being experienced by the Company.

(f) ***Existing Relevant Interest***

Mr Young and his associates currently have a relevant interest in 140,700,270 Shares and 12,825,797 Options. The exercise prices and expiry dates of the Options held by Mr Young and his associates are as follows:

Exercise Price of Option	Expiry Date
5 cents	31 December 2011
7.5 cents	31 December 2011
10 cents	31 December 2011
12 cents	31 December 2011
0.2 cents	30 June 2013

(g) **Trading History**

The Company was suspended from trading on 30 September 2008 and re-commenced trading on 13 August 2009.

From 13 August 2009 to 12 October 2009 the closing price of the Company's shares was 0.2 cents per Share for all days except on 23 September 2009 and 25 August 2009 when the closing price for the Company's Shares was 0.1 cents.

(h) **Valuation of Options**

The Company's independent advisers, Stantons International Securities, have valued the Options to be granted to Brett Young by reference to the Black Scholes option pricing model based on the following assumptions:

Input		Note
Underlying Security spot price	0.2 cents	1
Exercise price	Tranche 1: 0.3 cents Tranche 2: 0.4 cents Tranche 3: 0.5 cents Tranche 4: 0.6 cents	
Valuation date	12 October 2009	
Dividend rate	NIL	
Volatility factor	75%	2
Risk free rate	5.30%	3
Expiration date - Tranches 1, 2, 3 & 4	31 December 2014	

Note 1 The underlying security spot price used for the purposes of this valuation is based on share price at 10:30 am on 12 October 2009.

Note 2 The volatility factor preferred is 75%, in view of the limited period that has elapsed since the Company's Shares were relisted and based on general volatilities for junior mining exploration companies.

Note 3 The risk free rate is the 5 year Australian Commonwealth Government bond rate at October 2009.

A discount of 20% has been applied as a result of the Options not being listed and not being freely tradeable. No further discount has been applied by reason of the vesting hurdles.

Based on the above assumptions, the Options have been valued as follows:

Tranche	Number of Options	Value of an Option
1	30,000,000	0.092 cents
2	30,000,000	0.082 cents
3	30,000,000	0.075 cents
4	30,000,000	0.069 cents

(i) ***Other Information***

The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass the Resolution.

ASX Listing Rule 10.11

For the purposes of ASX Listing Rule 10.11, Mr Young is a related party of the Company.

Accordingly, in order to grant the Options to Mr Young (or his nominee), the Company must obtain Shareholder approval pursuant to ASX Listing Rule 10.11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to grant the Options to Mr Young as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the grant of the Options to Mr Young will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.13 sets out a number of matters which must be included in the notice of meeting convened to consider shareholder approval under ASX Listing Rule 10.11.

For the purposes of ASX Listing Rule 10.13, the following information is provided to Shareholders in relation to the Resolution. This information is as follows:

- (a) the Options will be granted to Mr Young or his nominee;
- (b) the maximum number of Options the Company will grant to Mr Young or his nominee is 120,000,000;
- (c) the Options will be issued no later than 1 month after the date of this Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the Options will be granted for nil cash consideration and the terms and conditions of the Options are set out in the table in section 3(b) and Annexure 1 of this Explanatory Statement; and
- (e) there will be no funds raised from the issue of the Options to Mr Young (or his nominee).

4. RESOLUTION 4 – GRANT OF OPTIONS TO MR NEIL WARBURTON

Background

Resolution 4 seeks Shareholder approval for the grant of up to 80,000,000 Options to Mr Neil Warburton or his nominee as part of a Director incentive scheme. Mr Warburton is the Non Executive Chairman of the Company.

Shareholder approval is required for the purposes of Chapter 2E of the Corporations Act (section 208) and ASX Listing Rule 10.11 because Mr Warburton as a Director is a related party of the Company.

Chapter 2E of the Corporations Act

Related Party Transaction

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Mr Neil Warburton is a related party of the Company as a Director.

Resolution 4 provides for the grant of Options to a related party, which is a financial benefit requiring Shareholder approval in the absence of a specified exception applying. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

(a) ***The Related Party to Whom the Proposed Resolution would Permit the Financial Benefit to be Given:***

The related party is Mr Warburton or his nominee.

(b) ***The Nature of the Financial Benefit***

The proposed financial benefit to be given is the grant of up to 80,000,000 Options for no cash consideration to Mr Warburton or his nominee.

The Options to be granted to Mr Warburton or his nominee and details of the vesting criteria, exercise price and expiry date are set out in the table below:

Tranche	Number of Options	Vesting Criteria	Exercise Price of Options	Expiry Date
1 st	20,000,000	31 December 2009.	0.3 cents	31 December 2014
2 nd	20,000,000	Minimum period of service as a director or consultant to the Company - 12 months from 31 December 2009*	0.4 cents	31 December 2014
3 rd	20,000,000	Minimum period of service as a director or consultant to the Company - 24 months from 31 December 2009*	0.5 cents	31 December 2014
4 th	20,000,000	Minimum period of service as a director or consultant to the Company - 36 months from 31 December 2009*	0.6 cents	31 December 2014

*The vesting criteria will be waived so that full vesting occurs in the event of a takeover of the Company being effected.

The Board decided to agree to set the respective exercise prices at 0.3, 0.4, 0.5 and 0.6 cents in view of the recent share price of the Company.

The Options will be granted within 1 month of Shareholder approval. However, the 2nd, 3rd and 4th tranches will not fully vest so as to be capable of exercise unless the minimum service period criteria are met. It is not the current intention of the Company for the Options to be quoted.

Otherwise, the general terms and conditions of all the Options are set out in Annexure 1.

(c) ***Directors Recommendation and Basis of Financial Benefit***

The Board consists of Mr Brett Young, Mr Neil Warburton and Mr Mick Elias.

The number of Options to be granted to Mr Warburton as a non-executive Director and their terms were negotiated with Mr Warburton by the other Directors independent of the Resolution being Messrs Young and Elias.

The purpose of the grant of the Options is to give Mr Warburton an incentive to provide dedicated and ongoing commitment to the Company particularly since Directors fees have been reduced by 50%. The full vesting of the Options is contingent on service periods. The independent Directors consider the particular number and terms of the Options to be granted to constitute an appropriate number to adequately incentivise Mr Warburton in light of his skill, experience and reputation and when considered together with his other remuneration as a non-executive Chairman of Directors (as detailed below).

Mr Brett Young and Mr Mick Elias as the Directors independent of the Resolution recommend Shareholders vote in favour of the Resolution for the reasons set out above.

Mr Neil Warburton abstains from making a recommendation to Shareholders as to the Resolution as he has an interest in the outcome of the Resolution being the recipient of the Options.

(d) ***Dilution***

The passing of the Resolution would have the effect of granting Neil Warburton (or his nominee) Options on the terms and conditions as set out in the table in section 4(b) above and in Annexure 1.

If any Options granted as proposed above are exercised the effect would be to dilute the shareholding of existing Shareholders. The market price of the Company's Shares during the period of the Options will normally determine whether or not option holders exercise the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be valued at a price that is higher than the exercise price of the Options.

If all Options to be granted under this Resolution were to be exercised, the effect would be to dilute the shareholding of existing Shareholders by approximately 1.32% on an undiluted basis and being based on the total number of Shares on issue at the date of this Notice of 6,070,951,168.

(e) ***Total Remuneration Package of Mr Warburton***

The current remuneration received by Mr Warburton is \$43,000 per annum (2008:\$86,000) consisting of a director's fee. Mr Warburton is entitled to reimbursement for reasonable expenses in providing his services. In January 2009 Directors fees were reduced by 50%.

(f) ***Existing Relevant Interest***

Mr Warburton and his associates currently have a relevant interest in 190,913,242 Shares and 10,855,661 Options. The exercise prices and expiry dates of the Options held by Mr Warburton and his associates are as follows:

Exercise Price of Option	Expiry Date
7.5 cents	31 December 2011
10 cents	31 December 2011
12 cents	31 December 2011
0.2 cents	30 June 2013

(g) **Trading History**

The Company was suspended from trading on 30 September 2008 and re-commenced trading on 13 August 2009.

From 13 August 2009 to 12 October 2009 the closing price of the Company's shares was 0.2 cents per Share for all days except on 23 September 2009 and 25 August 2009 when the closing price for the Company's Shares was 0.1 cents.

(h) **Valuation of Options**

The Company's independent advisers, Stantons International Securities, have valued the Options to be granted to Neil Warburton by reference to the Black Scholes option pricing model based on the following assumptions:

Input		Note
Underlying Security spot price	0.2 cents	1
Exercise price	Tranche 1: 0.3 cents Tranche 2: 0.4 cents Tranche 3: 0.5 cents Tranche 4: 0.6 cents	
Valuation date	12 October 2009	
Dividend rate	NIL	
Volatility factor	75%	2
Risk free rate	5.30%	3
Expiration date: Tranches 1, 2, 3 & 4	31 December 2014	

Note 1 The underlying security spot price used for the purposes of this valuation is based on share price at 10:30 am on 12 October 2009.

Note 2 The volatility factor preferred is 75%, in view of the limited period that has elapsed since the Company's Shares were relisted and based on general volatilities for junior mining exploration companies.

Note 3 The risk free rate is the 5 year Australian Commonwealth Government bond rate at October 2009.

A discount of 20% has been applied as a result of the Options not being listed and not being freely tradeable. No further discount has been applied by reason of the vesting hurdles.

Based on the above assumptions, the Options have been valued as follows:

Tranche	Number of Options	Value of an Option
1	20,000,000	0.092 cents
2	20,000,000	0.082 cents
3	20,000,000	0.075 cents
4	20,000,000	0.069 cents

(i) ***Other Information***

The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass the Resolution.

ASX Listing Rule 10.11

For the purposes of ASX Listing Rule 10.11, Mr Warburton is a related party of the Company.

Accordingly, in order to grant the Options to Mr Warburton (or his nominee), the Company must obtain Shareholder approval pursuant to ASX Listing Rule 10.11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to grant the Options to Mr Warburton as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the grant of the Options to Mr Warburton will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.13 sets out a number of matters which must be included in the notice of meeting convened to consider shareholder approval under ASX Listing Rule 10.11.

For the purposes of ASX Listing Rule 10.13, the following information is provided to Shareholders in relation to the Resolution. This information is as follows:

- (a) the Options will be granted to Mr Warburton or his nominee;
- (b) the maximum number of Options the Company will grant to Mr Warburton or his nominee is 80,000,000;
- (c) the Options will be issued no later than 1 month after the date of this Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the Options will be granted for nil cash consideration and the terms and conditions of the Options are set out in the table in section 4(b) and Annexure 1 of this Explanatory Statement;
- (e) there will be no funds raised from the issue of the Options to Mr Warburton (or his nominee); and
- (f) the purpose of the grant of Options to Mr Warburton is to give him an incentive to provide dedicated and ongoing commitment and effort to the Company. The Company acknowledges the issue of the Options to a non-executive Director is contrary to recommendation 9.3 of the ASX Principles of Good Corporate Governance and Best Practice Recommendations. However, the Board considers the grant of the Options to be reasonable in the circumstances given the Company's size and stage of development and the necessity to attract and retain the highest calibre of professionals to the role of non-executive Director whilst maintaining the Company's cash reserves.

5. RESOLUTION 5 – GRANT OF OPTIONS TO MR MICK ELIAS

Background

Resolution 5 seeks Shareholder approval for the grant of up to 60,000,000 Options to Mr Mick Elias or his nominee as part of a Director incentive scheme. Mr Elias is a Non-Executive Director of the Company.

Shareholder approval is required for the purposes of Chapter 2E of the Corporations Act (section 208) and ASX Listing Rule 10.11 because Mr Elias as a Director is a related party of the Company.

Chapter 2E of the Corporations Act Related Party Transaction

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Mr Mick Elias is a related party of the Company as a Director.

Resolution 5 provides for the grant of Options to a related party, which is a financial benefit requiring Shareholder approval in the absence of a specified exception applying. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

- (a) ***The Related Party to Whom the Proposed Resolution would Permit the Financial Benefit to be Given:***

The related party is Mr Elias or his nominee.

- (b) ***The Nature of the Financial Benefit***

The proposed financial benefit to be given is the grant of up to 60,000,000 Options for no cash consideration to Mr Elias or his nominee.

The Options to be granted to Mr Elias or his nominee and details of the vesting criteria, exercise price and expiry date are set out in the table below:

Tranche	Number of Options	Vesting Criteria	Exercise Price of Options	Expiry Date
1 st	15,000,000	31 December 2009	0.3 cents	31 December 2014
2 nd	15,000,000	Minimum period of service as a director or consultant to the Company - 12 months from 31 December 2009*	0.4 cents	31 December 2014
3 rd	15,000,000	Minimum period of service as a director or consultant to the Company - 24 months from 31 December 2009*	0.5 cents	31 December 2014
4 th	15,000,000	Minimum period of service as a director or consultant to the Company - 36 months from 31 December 2009*	0.6 cents	31 December 2014

*The vesting criteria will be waived so that full vesting occurs in the event of a takeover of the Company being effected.

The Board decided to agree to set the respective exercise prices at 0.3, 0.4, 0.5 and 0.6 cents in view of the recent share price of the Company.

The Options will be granted within 1 month of Shareholder approval. However, the 2nd, 3rd and 4th tranches will not fully vest so as to be capable of exercise unless the minimum service period criteria are met. It is not the current intention of the Company for the Options to be quoted.

Otherwise, the general terms and conditions of all the Options are set out in Annexure 1.

(c) ***Directors Recommendation and Basis of Financial Benefit***

The Board consists of Mr Brett Young, Mr Neil Warburton and Mr Mick Elias.

The number of Options to be granted to Mr Elias as a non-executive Director and their terms were negotiated with Mr Elias by the other Directors independent of the Resolution being Messrs Warburton and Young.

The purpose of the grant of the Options is to give Mr Elias an incentive to provide dedicated and ongoing commitment to the Company particularly since Director's fees have been reduced by 50%. The full vesting of the Options is contingent on service periods. The independent Directors consider the particular number and terms of the Options to be granted to constitute an appropriate number to adequately incentivise Mr Elias in light of his skill, experience and reputation and when considered together with his other remuneration as a non-executive Director (as detailed below).

Mr Neil Warburton and Mr Brett Young as the Directors independent of the Resolution recommend Shareholders vote in favour of the Resolution for the reasons set out above.

Mr Mick Elias abstains from making a recommendation to Shareholders as to the Resolution as he has an interest in the outcome of the Resolution being the recipient of the Options.

(d) ***Dilution***

The passing of the Resolution would have the effect of granting Mr Mick Elias (or his nominee) Options on the terms and conditions as set out in the table in section 5(b) above and in Annexure 1.

If any Options granted as proposed above are exercised the effect would be to dilute the shareholding of existing Shareholders. The market price of the Company's Shares during the period of the Options will normally determine whether or not option holders exercise the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be valued at a price that is higher than the exercise price of the Options.

If all Options to be granted under this Resolution were to be exercised, the effect would be to dilute the shareholding of existing Shareholders by approximately 0.99% on an undiluted basis and being based on the total number of Shares on issue at the date of this Notice of 6,070,951,168.

(e) ***Total Remuneration Package of Mr Elias***

The current remuneration received by Mr Elias is \$27,500 per annum (2008:\$55,000) consisting of a director's fee. Mr Elias is entitled to reimbursement for reasonable expenses in providing his services. In January 2009 Directors' fees were reduced by 50%.

(f) **Existing Relevant Interest**

Mr Elias and his associates currently have a relevant interest in 16,056,310 Shares and 2,990,315 Options. The exercise prices and expiry dates of the Options held by Mr Elias and his associates are as follows:

Exercise Price of Option	Expiry Date
7.5 cents	31 December 2011
10 cents	31 December 2011
12 cents	31 December 2011
0.2 cents	30 June 2013

(g) **Trading History**

The Company was suspended from trading on 30 September 2008 and re-commenced trading on 13 August 2009.

From 13 August 2009 to 12 October 2009 the closing price of the Company's shares was 0.2 cents per Share for all days except on 23 September 2009 and 25 August 2009 when the closing price for the Company's Shares was 0.1 cents.

Valuation of Options

The Company's independent advisers, Stantons International Securities, have valued the Options to be granted to Mick Elias by reference to the Black Scholes option pricing model based on the following assumptions:

Input		Note
Underlying Security spot price	0.2 cents	1
Exercise price 1	1 st Tranche: 0.3 cents 2 nd Tranche: 0.4 cents 3 rd Tranche: 0.5 cents 4 th Tranche: 0.6 cents	
Valuation date	12 October 2009	
Dividend rate	NIL	
Volatility factor	75%	2
Risk free rate	5.30%	3
Expiration date - Tranches 1, 2, 3 & 4	31 December 2014	

Note 1 The underlying security spot price used for the purposes of this valuation is based on share price at 10:30 am on 12 October 2009.

Note 2 The volatility factor preferred is 75%, in view of the limited period that has elapsed since the Company's Shares were relisted and based on general volatilities for junior mining exploration companies.

Note 3 The risk free rate is the 5 year Australian Commonwealth Government bond rate at October 2009.

A discount of 20% has been applied as a result of the Options not being listed and not being freely tradeable. No further discount has been applied by reason of the vesting hurdles.

Based on the above assumptions, the Options have been valued as follows:

Tranche	Number of Options	Value of an Option
1	15,000,000	0.092 cents
2	15,000,000	0.082 cents
3	15,000,000	0.075 cents
4	15,000,000	0.069 cents

(h) ***Other Information***

The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass the Resolution.

ASX Listing Rule 10.11

For the purposes of ASX Listing Rule 10.11, Mr Elias is a related party of the Company.

Accordingly, in order to grant the Options to Mr Elias (or his nominee), the Company must obtain Shareholder approval pursuant to ASX Listing Rule 10.11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to grant the Options to Mr Elias as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the grant of the Options to Mr Elias will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.13 sets out a number of matters which must be included in the notice of meeting convened to consider shareholder approval under ASX Listing Rule 10.11.

For the purposes of ASX Listing Rule 10.13, the following information is provided to Shareholders in relation to the Resolution. This information is as follows:

- (a) the Options will be granted to Mr Elias or his nominee;
- (b) the maximum number of Options the Company will grant to Mr Elias or his nominee is 60,000,000;
- (c) the Options will be issued no later than 1 month after the date of this Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the Options will be granted for nil cash consideration and the terms and conditions of the Options are set out in the table in section 5(b) and Annexure 1 of this Explanatory Statement;
- (e) there will be no funds raised from the issue of the Options to Mr Elias (or his nominee); and
- (f) the purpose of the grant of Options to Mr Elias is to give him an incentive to provide dedicated and ongoing commitment and effort to the Company. The Company acknowledges the issue of the Options to a non-executive Director is contrary to recommendation 9.3 of the ASX Principles of Good Corporate Governance and Best Practice Recommendations. However, the Board considers the grant of the Options to be reasonable in the circumstances given the Company's size and stage of development and the necessity to attract and retain the highest calibre of professionals to the role of non-executive Director whilst maintaining the Company's cash reserves.

AUSTRALIAN MINES LIMITED

ABN 68 073 914 191

SECTION 3

GLOSSARY

In this Explanatory Statement the following expressions have the following meanings:

"**Annual General Meeting**" and "**Meeting**" means the meeting convened by this Notice.

"**ASX**" means the ASX Limited (ABN 98 008 624 691).

"**ASX Listing Rules**" or "**Listing Rules**" means the Listing Rules of the ASX.

"**Board**" means the board of directors of the Company.

"**Chairman**" means the chairman of the Company.

"**Company**" or "**Australian Mines**" means Australian Mines Limited (ABN 68 073 914 191).

"**Constitution**" means the Constitution of the Company.

"**Corporations Act**" means the Corporations Act 2001 (Cth).

"**Directors**" mean the directors of the Company from time to time.

"**Explanatory Statement**" means this explanatory statement.

"**Notice**" means the notice of meeting that accompanies this Explanatory Statement.

"**Option**" means an option to subscribe for a Share.

"**Proxy Form**" means the proxy form accompanying the Notice.

"**Resolution**" means a resolution contained in this Notice.

"**Share**" means a fully paid ordinary share in the capital of the Company and "**Shares**" has a corresponding meaning.

"**Shareholder**" means a holder of Shares.

"**WST**" means Western Standard Time, Perth, Western Australia.

"**\$**" or "**A\$**" means Australian dollars.

AUSTRALIAN MINES LIMITED
ACN 073 914 191
ANNEXURE A
GENERAL TERMS AND CONDITIONS OF OPTIONS

The general terms and conditions of the issue of each of the Options are:

- (a) The Options will be issued for no consideration.
- (b) Each Option entitles the holder to one Share in the capital of the Company.
- (c) Subject to any vesting criteria, the Options may be exercised at any time prior to the expiry date, in whole or in part, upon payment of the exercise price per Option.
- (d) The Options are not transferable except with the approval of the Board.
- (e) The Company will provide to each Option holder a notice that is to be completed when exercising the Options ("Notice of Exercise"). Options may be exercised by the Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the Secretary of the Company to be received prior to the expiry date. The Notice of Exercise must state the number of Options exercised, the consequent number of Shares to be allotted and the identity of the proposed allottee. The Notice of Exercise by an Option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the exercise price per Share.
- (f) All Shares issued upon the exercise of the Options will rank pari passu in all respects with the Company's then issued Shares.
- (g) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues or pro-rata issues of securities offered to Shareholders of the Company during the currency of the Options. Subject to paragraph (h), an Option holder is required to exercise the Options in order to participate in any new issue of securities offered to Shareholders by the Company. Option holders will be provided with written notice and afforded that period of time as required by the ASX Listing Rules before the record date to determine entitlements to the offer to exercise their Options.
- (h) If from time to time on or prior to the expiry date the Company makes a bonus issue of securities to holders of Shares in the Company ("Bonus Issue"), then upon exercise of his or her Options an Option holder will be entitled to have issued to him or her (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise) the number of securities which would have been issued to him or her under that Bonus Issue if the Options had been exercised before the record date for the Bonus Issue.
- (i) In the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the issued capital of the Company, all rights of the Option holder shall be reconstructed (as appropriate) in accordance with the ASX Listing Rules.
- (j) The Option holder has no rights to a change in the exercise price of the Option or a change to the number of underlying securities over which the Option can be exercised, except in the event of any pro-rata issue of securities, the exercise price of the Options will be adjusted in accordance with the ASX Listing Rule 6.22.2 and except in the event of a Bonus Issue.

13 October 2009

The Directors
Australian Mines Limited
Level 1, 681 Murray Street
WEST PERTH WA 6005

Attention: Mr Brett Young

Dear Sirs

At the request of the Chief Operating Officer Brett Young on 13 October 2009, Stantons International Securities hereby set out our valuation of 260,000,000 share options ("Options") to be granted by Australian Mines Limited ("AML") to 3 directors (120,000,000, 80,000,000 and 60,000,000 Options each) subject to shareholders approval proposed for 27 November 2009. In arriving at the below mentioned valuation, we have used the following assumptions.

Assumptions

1. The Black Scholes option valuation methodology has been used.
2. The date of the valuation is as at 12 October 2009. The Options will need to be formally valued for A-IFRS purposes following shareholders approval.
3. The market price of a fully paid AML share as quoted on the ASX at close of business on 12 October 2009 is 0.2 cents.
4. The terms of the Options are as follows:

Tranche	Number of Options	Vesting Criteria	Exercise Price of Options (cents)	Expiry Date
1	65,000,000	31 December 2009	0.3	31 December 2014
2	65,000,000	Minimum period of service as Director or consultant to the Company-12 months from 31 December 2009	0.4	31 December 2014
3	65,000,000	Minimum period of service as Director or consultant to the Company-24 months from 31 December 2009	0.5	31 December 2014
4	65,000,000	Minimum period of service as Director or consultant to the Company-36 months from 31 December 2009	0.6	31 December 2014

5. A risk free rate is approximately 5.3% for the 5 year Options. We have also deemed the issue date of the options for the purposes of the Notice of Meeting to be 27 November 2009.
6. On 30 September 2008 the Company requested a suspension of its shares from quotation on the ASX. The Company advised the market that it was undertaking an asset sale program and potential capital raising. The shares were trading at 2 cents at date of suspension. The shares only started trading again on 13 August 2009 and on that date closed with a share price of 0.2 cents. From 13 August 2009 to 12 October 2009 the closing price of the shares has been 0.2 cents per share for all days except on 23 September 2009 and 25 August 2009 when it closed at 0.1 cents. The simple volatility from the lowest to the highest price is 100% since the suspension of trading on the ASX was lifted. In view of the significant restructuring and recapitalisation of the Company after the shares went into suspension on 30 September 2008, we have not considered the share prices prior to that date in determining volatility. In view of the limited period that has elapsed since the shares were relisted, and based on the general volatilities of junior mining companies which can range from 50% to 100% we consider that a volatility of 75% is appropriate. For the purposes of a Notice of Meeting, we have used the annualised volatility of 75%. The actual volatility rate to be used at the date the Options are issued may be different (and the share price of an AML share may be different).
7. The valuation noted below is not necessarily the market price that the Options could be traded at and it is not the market price for taxation purposes. The recipients of the Options should seek their own tax advice as to the tax treatment of receiving Options in AML and the value for taxation purposes.
8. A 20% discount has been applied for the Options not being listed on the ASX and therefore not freely tradable. Anecdotal evidence indicates that discounts of 20% to 30% for share options not being listed and freely transferable are used to discount the technical valuations arrived at under either Binomial or Black Scholes. The vesting terms are a non market based vesting condition and therefore no discount applies to such condition.

Based on the above assumptions the technical value of one Option is as follows:

Tranche 1 options- Approximately 0.092 cents (0.115 cents prior to the discount).
Tranche 2 options- Approximately 0.082 cents (0.103 cents prior to the discount).
Tranche 3 options- Approximately 0.075 cents (0.094 cents prior to the discount).
Tranche 4 options- Approximately 0.069 cents (0.086 cents prior to the discount).

Should you require anything further please do not hesitate to contact us.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES



John Van Dieren FCA
Director

AUSTRALIAN MINES LIMITED
(ABN 68 073 914 191)
PROXY FORM
ANNUAL GENERAL MEETING

I/We (name and address)

being a Member of Australian Mines Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Annual General Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the Annual General Meeting of Shareholders to be held at Level 1, Colonial Conference Room, The Melbourne Hotel cnr Hay & Milligan St, Perth, Western Australia on 27 November 2009 at 2.30pm (WST) and at any adjournment thereof. **If no directions are given on how to vote, the Chairman will vote in favour of all of the Resolutions.**

Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr Mick Elias	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Grant of Options to Mr Brett Young	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Grant of Options to Mr Neil Warburton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Grant of Options to Mr Mick Elias	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If the chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in the box. By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of the Resolutions and that the votes cast by the Chair of the meeting for those Resolutions other than as proxy holder will be disregarded because of that interest. **The Chair intends to vote any such undirected proxies in favour of all Resolutions.** If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the Resolutions and your votes will not be counted in calculating the required majority if a poll is called on a Resolution.

If you mark the abstain box for a particular item, you are directing your proxy not vote on that item on a show of hands or on a poll and that your Shares are not to be counted in computing the required majority of a poll

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____%.

Please return this Proxy Form to the Company Secretary, Australian Mines Limited Level 1, 681 Murray Street, West Perth, Western Australia, post to Company at P O Box 883, West Perth, WA 6872 or fax to (08) 9481 5611 by 2.30pm (WST) on 25 November 2009.

Signed this _____ day of _____ 2009

By:

Individuals and joint holders

Companies (affix common seal if appropriate)

AUSTRALIAN MINES LIMITED
ABN 68 073 914 191

Instructions for Completing Proxy Form

1. A member of the Company who is entitled to attend and cast two or more votes at a general meeting of shareholders is entitled to appoint two proxies. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a proxy form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
5. Where a proxy form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.