

AUSTRALIAN MINES LIMITED

ABN 68 073 914 191

ENTITLEMENT ISSUE PROSPECTUS

For a pro rata non-renounceable entitlement issue of seven (7) Shares for every one (1) Share held by Shareholders at an issue price of 0.1 cent per Share to raise approximately \$3,197,645 together with one (1) free attaching new Option for every twenty (20) new Shares subscribed for and allotted exercisable at 0.2 cents on or before 30 June 2013 (**Offer**).

This Prospectus has also been prepared for the purpose of Section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Securities to be issued by the Company.

This Offer is conditional upon Shareholders approving various matters at a general meeting to be held on or about 24 July 2009. Refer to Section 3.3 for further details.

The Offer is fully underwritten by Patersons Securities Limited AFSL 239052. Refer to Section 8.2 for further details.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.

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1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

TIMETABLE AND IMPORTANT DATES*

Lodgement of Prospectus with ASIC	24 June 2009
Notice sent to Shareholders	26 June 2009
Ex Date	29 June 2009
Record Date for determining Shareholder entitlements	3 July 2009
Prospectus despatched to Shareholders	7 July 2009
Closing Date of Offer * 5.00pm (WST)	31 July 2009
Securities quoted on a deferred settlement basis	4 August 2009
Notify ASX of under-subscriptions	6 August 2009
Despatch date/Shares entered into Shareholders' security holdings	11 August 2009

* These dates are determined based upon the current expectations of the Directors and may be changed with 6 Business Days prior notice.

IMPORTANT NOTES

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus is dated 24 June 2009 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of the Prospectus is 23 July 2010 (**Expiry Date**). No Shares or Options will be allotted or issued on the basis of this Prospectus after the Expiry Date.

Applications for Shares and Options offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form which accompanies this Prospectus.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

ELECTRONIC PROSPECTUS

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Entitlement and Acceptance Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

EXPOSURE PERIOD

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in the Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act.

Applications for Securities under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

2. CORPORATE DIRECTORY

Directors

Mr Brett Young
Mr Neil Warburton
Mr Michael Elias

Company Secretary

Mr Brett Young

Registered Office

Level 1, 681 Murray Street
PERTH WA 6005

Telephone: (08) 9481 5811
Facsimile: (08) 9481 5611

Solicitors to the Company

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Share Registry*

Advanced Share Registry Services
150 Stirling Highway
NEDLANDS WA 6009

Registry Postal Address

PO Box 1156
NEDLANDS WA 6909

Telephone: (08) 9389 8033
Facsimile: (08) 9389 7871

Underwriter

Patersons Securities Limited
AFSL 239052

Level 23, Exchange Plaza
2 The Esplanade
PERTH WA 6000

Telephone: (08) 9263 1111
Facsimile: (08) 9325 6452

Auditors*

KPMG
235 St Georges Terrace
PERTH WA 6000

* These entities have been named for information purposes only and have not consented to being named in this Prospectus.

3. DETAILS OF THE OFFER

3.1 Offer

By this Prospectus, the Company offers for subscription approximately 3,197,644,772 new Shares and approximately 159,882,239 new Options pursuant to a pro-rata non-renounceable entitlement issue to Shareholders of seven (7) new Shares for every one (1) Share held on the Record Date at an issue price of 0.1 cent per Share together with one (1) free attaching new Option for every twenty (20) new Shares issued. Fractional entitlements will be rounded up to the nearest whole number.

The Options issued will be exercisable at 0.2 cents on or before 30 June 2013.

The Offer will raise approximately \$3,197,645 (before expenses of the Offer). The purpose of the Offer and the use of funds raised are set out in Section 5 of this Prospectus.

Holders of existing options will not be entitled to participate in the Offer. The Company currently has 8,750,000 options on issue as at the date of this Prospectus, which options may be exercised by the option holder prior to the Record Date in order to participate in the Offer.

3.2 Placement – secondary sale

On 18 June 2009, the Company announced to ASX that it has received firm commitments from sophisticated investors for a placement of 2,416,500,000 Shares at an issue price of 0.1 cent per Share together with one (1) free attaching new Option for every twenty (20) Shares issued to raise approximately \$2,416,500 (**Placement**). The other purpose of this Prospectus is to remove any restrictions on the sale of Securities to be issued by the Company under the Placement in accordance with section 708A(11) of the Corporations Act.

Relevantly, section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body;
- (b) a prospectus is lodged with the ASIC before the day on which the relevant securities were issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

The Company intends to issue the Shares and Options under the Placement contemporaneously with the Securities issued pursuant to the Offer.

3.3 Offer and Placement conditional on Shareholder approval

The issue of Shares and Options pursuant to the Offer and the Placement are conditional on Shareholder approval at a general meeting to be held on 24 July 2009. Refer to Section 4.2 for further details.

3.4 How to Accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full, either:
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided and attach your cheque for the amount indicated on that relevant Entitlement and Acceptance Form; or
 - (ii) pay by BPAY® by following the instructions below and on the Entitlement and Acceptance Form; or
- (b) if you only wish to accept part of your Entitlement, either:
 - (i) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form and attach your cheque for the appropriate application monies (at 0.1 cent per Share); or
 - (ii) pay by BPAY® by following the instructions below and on the Entitlement and Acceptance Form; or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

Payment by Cheque/Bank Draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Australian Mines Limited – Share Issue Account" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5.00pm WST on the Closing Date.

Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (b) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (c) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of new

Shares (and free attaching Options) which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 4.00pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of new Securities (only where the amount is A\$1.00 or greater) will be refunded on or around 12 August 2009. No interest will be paid on any application monies received or refunded.

3.5 Minimum Subscription

The minimum subscription in respect of the Offer is \$3,197,645 (being the full subscription under the Offer).

3.6 Underwriting

The Offer is conditionally underwritten by Patersons Securities Limited.

Refer to Section 8.2 of this Prospectus for further details of the terms of the underwriting.

3.7 Shortfall

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall and will be dealt with at the discretion of the Underwriter in consultation with the Directors, having consideration to the terms of the Underwriting Agreement.

The offer of the Shortfall is a separate offer pursuant to this Prospectus and will remain open after the Closing Date. The issue price of any Shares offered pursuant to the Shortfall offer shall be 0.1 cent being the price at which the Entitlement has been offered to Shareholders pursuant to this Prospectus and will include one (1) free attaching Option for every twenty (20) Shares allotted.

If you wish to apply for Shares above your Entitlement, you can complete the Shortfall Application Form and return it, together with a cheque for the value of those Shortfall Shares, to the Company. Applications for additional new Securities in excess of an Entitlement may not be accepted in part or in full, in which case the application monies will be refunded (without interest) in accordance with the provisions of the Corporations Act. Accordingly, Shareholders who subscribe for Shortfall Shares (and free attaching Options) are not guaranteed to receive any or all of the Securities for which they have subscribed under the offer of the Shortfall.

3.8 Australian Securities Exchange Listing

Application for official quotation by ASX of the Shares and Options offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as modified by the ASIC), the Company will not issue any Shares and Options and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Shares and/or Options is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

3.9 Allotment of Shares and Options

Shares and Options issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date, providing Shareholder approval is obtained for the issue of the Securities under the Offer at the General Meeting. The Company will allot the Shares and Options on the basis of a Shareholder's Entitlement. Where the number of Shares and Options issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

Pending the allotment and issue of the Shares and Options or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

3.10 Overseas Shareholders

This Entitlement Issue does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Securities these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Entitlement Issue is not being extended and Securities will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

Shareholders resident in New Zealand should consult their professional advisors as to whether any government or other consents are required, or other formalities need to be observed, to enable them to exercise their Entitlements under the Entitlement Issue.

3.11 Taxation Implications

The Directors do not consider that it is appropriate to give Applicants advice regarding the taxation consequences of applying for Securities under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Applicants. Potential Applicants should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Securities offered pursuant to this Prospectus.

3.12 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company will apply to ASX to participate in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are

electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares and Options allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

3.13 Privacy Act

If you complete an application for Shares and Options, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

3.14 Enquiries

Any questions concerning the Offer should be directed to the Company Secretary, Brett Young, on (08) 9481 5811.

4. COMPANY OVERVIEW

4.1 Background

Due to the substantial fall in the nickel price during the period October to December 2008, the Blair mine was closed in December 2008. The Company has a net outstanding debt from mining operations of approximately \$2.8 million that is owing to Creditors. All assets of the Company were reviewed for potential sale so that Creditors could be paid. Some of the mine infrastructure assets have been sold however the Company's projects were difficult to sell at a reasonable price in the current market.

The Directors consider that several of the Company's project assets have significant gold potential and the Company is seeking to raise funds under this Offer on the strength of these gold assets.

As announced to ASX on 18 June 2009, the Company has proposed a revised recapitalisation strategy to ensure that the Company can repay outstanding debts and continue operating as a going concern with a primary focus on its gold assets going forward.

4.2 Recapitalisation Proposal

Placement

The Company has received firm commitments from sophisticated investors for a placement of 2,416,500,000 Shares at an issue price of 0.1 cent per Share together with one (1) free attaching new Option for every twenty (20) Shares issued to raise approximately \$2,416,500.

The Shares and Options to be issued under the Placement will be allotted after the Record Date for the Entitlement Issue such that allottees will not be eligible to participate in the Entitlement Issue.

Entitlement Issue

In conjunction with the Placement, the Company intends to raise approximately \$3,197,645 pursuant to a non-renounceable entitlement issue on the basis of seven (7) new Shares for every one (1) Share held by Shareholders at an issue price of 0.1 cent per Share together with one (1) free option for every twenty (20) Shares subscribed for and allotted at an exercise price of 0.2 cents per Share.

The Entitlement Issue is conditionally underwritten by Patersons Securities Limited.

The funds raised by the Entitlement Issue will be used to fund exploration on the Company's prospective gold tenements, to supplement payments to statutory creditors and for working capital.

Capital Structure

The capital structure of the Company following completion of the issue of Securities pursuant to the Offer and the Entitlement Issue will be as follows:

	Number of Shares	Number of Options
Securities currently on issue	456,806,396	8,750,000
Securities issued under Entitlement Issue	3,197,644,772	159,882,239
Securities issued under Placement	2,416,500,000	120,825,000
Options to be issued to Underwriter in consideration for underwriting Entitlement Issue	-	910,642,675
TOTAL	6,070,951,168	1,200,099,914

General Meeting of Shareholders

The Placement and Entitlement Issue are conditional upon the approval by Shareholders of all of the following resolutions at the General Meeting to be held on 24 July 2009:

- (a) the issue of Shares and free attaching Options under the Placement;
- (b) the Company proceeding with the Entitlement Issue on a ratio of greater than 1 Share for every Share held which is prohibited by the ASX Listing Rules, in accordance with the terms of a waiver obtained from ASX; and
- (c) the issue of up to 910,642,675 Options to the Underwriter in part consideration for underwriting the Entitlement Issue.

If this condition is not satisfied within the timeframe permitted by the Corporations Act, none of the Shares or Options will be allotted or issued and the Company will need to consider other alternatives to ensure that it can continue operating as a going concern. In this circumstance, the applications for Securities will be dealt with in accordance with the Corporations Act.

Reinstatement to trading

The Company will seek reinstatement to trading of the Company's Shares subject to completion of the Entitlement Issue and the Placement.

4.3 Recent History

Blair Nickel Mine

The Blair Nickel Mine was closed on 19 December 2008 due to adverse nickel prices severely affecting the operating cash margin.

Production for the June 2008, September 2008 and December 2008 quarters was at 451, 447 and 441 tonnes of contained nickel metal respectively. However, lower nickel prices and adjustments to revenue on the Company's 90 day quotation period have adversely affected the financial position of the Company. The June 2008, September 2008 and December 2008 quarters nickel revenue received was \$11.50, \$9.98 and \$5.62 per pound respectively which was well down on previous quarters.

The higher production levels for the three quarters were after capital development was completed to the 325mRL. The revised mine production schedule for the June, September and December quarters restored the mine to near record production levels with lower overall mine operating costs.

However, notwithstanding the higher revised mine production schedule and reduced mine operating costs, the mining operation could not operate at the prevailing nickel prices.

Investec Facility

The Company and its subsidiary, Blair Nickel Mine Pty Ltd, had a receivables facility, a guarantee facility and a hedging facilities with Investec Bank (Australia) Limited. The receivables and hedging facility have been closed with repayment of all loans outstanding. Under the guarantee facility there are funds on deposit with Investec totalling \$245,000 for cash backing of rehabilitation bonds.

Hedge book

The balance of the hedge book at the end of 31 March 2009 was nil. The Board approved the closure of the remaining hedge contracts and funds were used to repay loans to Investec.

4.4 Exploration Assets of the Company

The Company will be seeking to focus its future activities on gold exploration. The Company's exploration assets include an extensive package of prospective gold and base metals tenements. The exploration area comprises 223 square kilometres of project area located approximately 35 km from Kalgoorlie which includes 16 granted mining leases, 4 granted prospecting licences, 1 large freehold block, 1 large exploration licence application and 1 miscellaneous licence.

4.5 Gold Projects

Golden Ridge Project and East Location 45

The Golden Ridge Project and East Location 45 cover a total area of 223 square kilometres and include the tenements set out in the table below. The areas are described as follows:

- (a) The ***Golden Ridge tenements*** cover an area of approximately 80 km². The Golden Ridge Project contains the Blair Nickel Mine, in respect of which the Company holds a 44.59% participating interest under a joint venture (***GRJV***) with Pioneer Nickel Limited. The Company has retained 100% of the gold rights in the Golden Ridge tenements.
- (b) The ***Woodline prospect*** (previously known as the Duplex Hill South tenements) contains the Woodline gold resource and covers an area of approximately 10 km². In December 2008, the Company sold an initial resource of 12,000 ounces from the Woodline prospect however retains the tenement for future exploration and extensions to the resource.
- (c) ***East Location 45*** covers an area of approximately 90 km². This comprises a 10 year lease over the Mt Martin tenements and East Location 45 freehold ground which hosts the Mt Martin Gold Mine and the Goodyear nickel Inferred Resource. The internal 'Mt Martin Sub Lease'

contains the Mt Martin Gold Mine and is currently held by Dioro Exploration NL. The sublease will revert to the Company when it expires in January 2010.

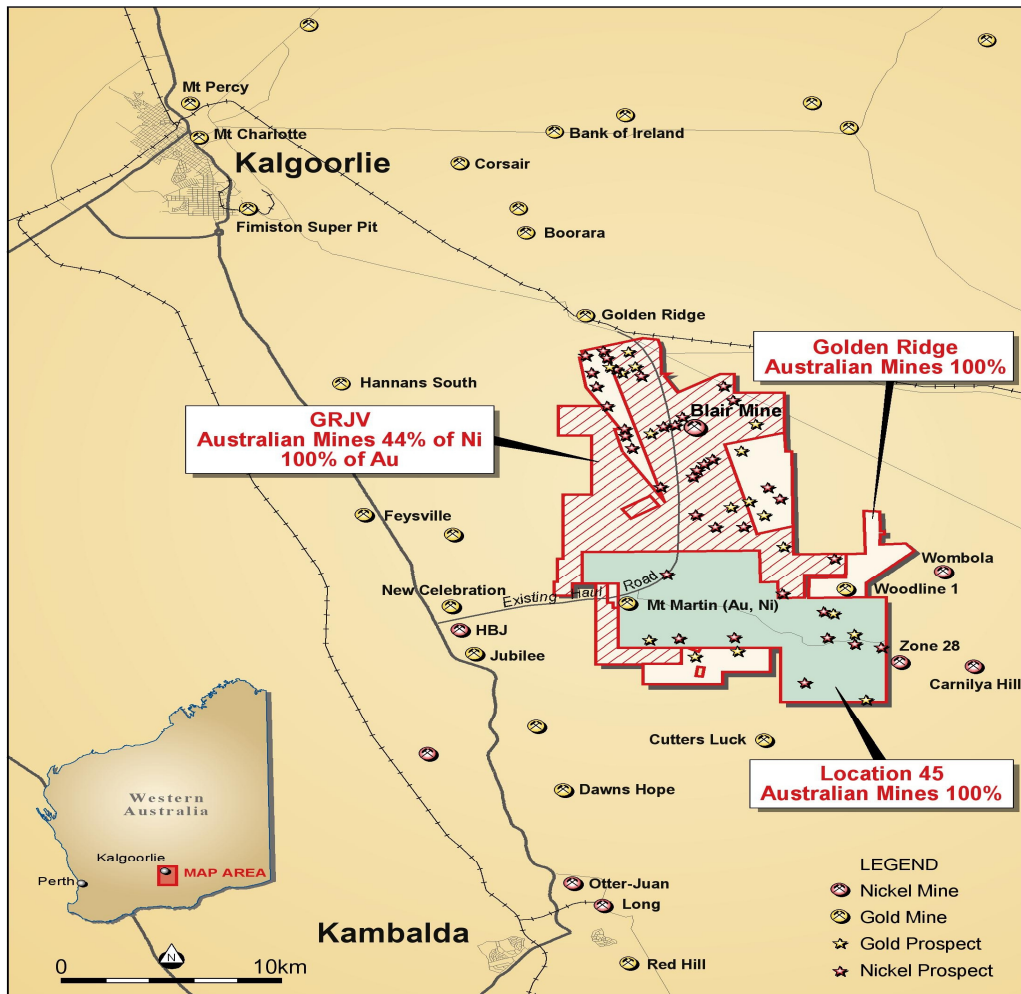
- (d) The Exploration Licence Application **E26/139** covers an area of approximately 45 km², and was lodged by the Company in December 2008. This application has relatively unexplored gold potential along the Woolibar Fault, and also covers potential down plunge repetitions/extensions to the Mt Martin Gold Mine.

Tenement	Name	Grant Date	Expiry Date	Area(ha)	Rent (\$)	AUZ Commitment
M26/220	Golden Ridge (GRJV)	02/05/1988	01/05/2009 * (renewed)	1000	13860	44000
M26/219	Golden Ridge (GRJV)	02/05/1988	01/05/2030	942.35	13070	41492
M26/221	Golden Ridge (GRJV)	02/05/1988	01/05/2030	957.25	13278	42152
M26/222	Golden Ridge (GRJV)	02/05/1988	01/05/2030	609.2	8455	26840
M26/223	Golden Ridge	02/05/1988	01/05/2009 * (renewed)	363.4	5045	36400
M26/225	Golden Ridge (GRJV)	02/05/1988	01/05/2030	292	4047	12848
M26/284	Golden Ridge	02/10/1989	19/10/2010	685.65	9508	68600
M26/285	Golden Ridge (GRJV)	20/10/1989	19/10/2010	553.1	7678	24376
M26/286	Golden Ridge (GRJV)	20/10/1989	19/10/2010	589.5	8177	25960
M26/287	Golden Ridge	20/10/1989	19/10/2010	767.65	10644	76800
M26/288	Golden Ridge	20/10/1989	19/10/2010	556.85	7720	55700
M26/289	Golden Ridge	20/10/1989	19/10/2010	864.75	11989	86500
M26/384	Golden Ridge (GRJV)	15/10/1991	14/10/2012	2.94	42	2200
M26/464	Mt Martin	01/09/1995	31/08/2016	947.2	13125	94700
M26/132	Mt Martin	17/03/1987	16/03/2029	65.58	915	10000
M26/782	Duplex Hill South	19/11/2006	19/11/2027	506.8	7584	50700
P26/3346	Duplex Hill South	19/02/2007	18/02/2011	56.15	125	2280

P26/3347	Duplex Hill South	22/05/2008	22/05/2012	126.7	279	5080
P26/3348	Duplex Hill South	22/05/2008	22/05/2012	149.5	330	6000
P26/3349	Duplex Hill South	22/05/2008	22/05/2012	132.9	293	5320
East Location45	ELoc45	Freehold		7633	0	250000
E26/139	Golden Ridge (GRJV)	Application	20291229	4517.2	0	0
L26/244	Duplex Hill South	20081229	20291229	9	0	0
Total				22328.67	136164	967948

Gold Prospects

The Golden Ridge tenements are in near proximity to the Golden Ridge Mine which historically produced 250,000 ounces of gold, East Location 45 which contains the Mt Martin Gold Mine (currently under lease to Dioro Exploration NL until January 2010) which historically produced 180,000 ounces of gold, and Woodline where the Company established an Indicated and Inferred Resource of 12,000 ounces of gold at Woodline 1 which has subsequently been sold.



The objective of the Company will be to increase the resource base by drilling advanced gold projects and exploring new conceptual targets alongside the regional faults. The Company has identified five priority target areas for exploration:

1. The Woodline Area

The Woodline prospect has previously been drilled for gold returning successful gold intersections.

From this drilling, the initial Woodline resource of 12,000 ounces was discovered and has subsequently been sold to a private syndicate for cash consideration of \$900,000 of which \$500,000 is still to be received on completion of mining. The Company retains the tenement for future exploration and extensions to this resource.

Woodline is open to the northwest and southeast. The proceeds from the Entitlement Issue will fund further drilling to fully define the extent and significance of the gold mineralisation along strike and at depth.

The Woodline 1 deposit is located under transported cover alongside a flexure (bend) in the Mt Monger Fault. There is considered to be excellent potential for new gold discoveries under cover to the NE of Woodline 1, and this model will drive future exploration at Woodline.

Planned Exploration

The Company has already proved up an economic gold orebody at Woodline 1 and further drilling will be conducted to test for depth extensions to the existing resource.

2. The Mick's Hill Area

There are two lines of shallow shafts and underground workings at Mick's Hill plus an alluvial patch which historically has been worked by 'dryblowing' methods.

The gold workings have been drilled and shallow intersections of economic widths and grades returned, but unfortunately the historic drilling is a combination of high quality RC drilling, and poor quality open hole RAB drilling which is not suitable for resource calculation.

Planned Exploration

The current model for Mick's Hill suggests that the gold system may be plunging to the south under cover and this concept will be further explored.

3. The Mt Martin Area

In 1967 Great Boulder Mines began exploration for gold in an attempt to find ore to supplement declining production from Fimiston. Considerable effort was expended on the Mt Martin deposit and surrounding area in the period 1967 to 1971, including extensive diamond drilling, shaft sinking and driving at Mt Martin itself, where gold mineralisation is associated with a series of stacked, northwest plunging, strongly sulphidic quartz-carbonate lodes in altered mafics, within a package of variably sheared and altered ultramafics.

The Mt Martin mine operated intermittently between 1923 and 1997, producing in excess of 180,000 ounces of gold from 2 million tonnes of ore.

Remaining Resources at Mt Martin

Mt Martin currently has an Indicated Resource of 4,470,000 tonnes at 1.5 grams per tonne for 221,000 ounces.

The Mt Martin Mine Area is sub leased from the Company by Dioro Exploration NL until January 2010. After January 2010 the Company will have the rights to all of the mineral resources and exploration potential at Mt Martin.

Planned Exploration

The Company plans to test the Woolibar Fault to the south of Mt Martin Gold Mine, test the Mt Martin Fault to the south east and explore Mt Martin Gold Mine at depth.

Gold Resources – March 2009

Location	Category	Resource Tonnes	Au (g/T)	Gold oz
Mt Martin*	Measured			
	Indicated	4,470,000	1.5	221,000
	Inferred			
Total		4,470,000	1.5	221,000

* Dioro Exploration NL Annual Report 2008. The Mt Martin gold mine is currently under lease to Dioro Exploration NL until January 2010.

4. The Woolibar Fault Flexure

A recent exploration licence application by the Company (ELA 26/136) covers a major fault flexure (bend) of the Woolibar Fault in an area dominated by mafic rocks, which is considered a favourable setting for Archaean gold deposits. Furthermore, the fault flexure is alongside the 'Channel Prospect' which contains alluvial gold at the bottom of a palaeochannel. There is a possibility that the alluvial gold may have originated from the area of the fault flexure.

Planned Exploration

There appears to be little systematic gold exploration completed over the target area, and the initial exploration programme will involve a multi element soil sampling programme with follow up drilling of the best gold anomalies.

5. The Goldstar Area

The results from Goldstar have been encouraging with a number of 0.1 grams per tonne to 0.5 grams per tonne gold composite samples being upgraded to +1.0 grams per tonne gold results. Interpretation of the results from Goldstar has indicated a northwest trend with a westerly dip with anomalism open at depth and to the north.

The success of the results from the first pass RAB drilling on the anomaly at Goldstar provides the Company with the confidence to pursue further exploration.

The target area, located alongside a splay of the Kanowna to Mt Monger Fault, is highly anomalous in gold from soil and auger sampling programs and limited drill testing has not been systematic. Further encouragement is provided by several isolated magnetic features which may be associated with the soil anomalies, and there are a number of excellent RAB and RC drill intercepts from earlier drilling such as 10 metres at 4.54 grams per tonne from 3m and 15m at 1.6 grams per tonne from 36 metres.

Planned Exploration

The Company plans on following up on existing intercepts with RC drilling.

4.6 Nickel Projects

The Company also retains for the future some 28,000 tonnes of nickel metal in the form of nickel sulphide resources at the Blair Mine, Marriott's and Goodyear Projects as set out in the table below.

In the event that the spot price of nickel returns to a level that makes operations commercially viable, the Company will consider reinstating an exploration programme.

Nickel Resources – March 2009

Location	Category	Resource Tonnes	Nickel %	Nickel Tonnes
Blair Mine – Ni Sulphide Resource	Measured	33,000	4.2	1,400
	Indicated	28,000	4.1	1,100
	Inferred	51,000	3.5	1,800
	Sub-total	112,000	3.9	4,300
Marriott's – Ni Sulphide Resource	Measured			
	Indicated	460,000	1.12	5,100
	Inferred	370,000	1.15	4,300
	Sub-total	830,000	1.13	9,400
Goodyear – Ni Sulphide Resource	Measured			
	Indicated			
	Inferred	390,000	3.78	14,700
	Sub-total	390,000	3.78	14,700
Total Ni Sulphide Resource	Total	1,332,000	2.13	28,400

Golden Ridge Joint Venture (44%)

The Company also retains its 44.5% interest in the Golden Ridge Joint Venture with Pioneer Nickel Limited which has been achieving success with nickel exploration at Leo Dam (near the Blair Mine).

Marriott's and Goodyear Nickel Projects

The Company also retains the Marriott's Nickel Project where the Company has announced an Indicated and Inferred Resource of 9,500 contained nickel tonnes. Also retained is the Goodyear nickel project where an initial Inferred Resource of 14,700 nickel tonnes was announced.

The information contained in this section is summary information of reports previously announced by the Company on 25 March 2009, the Duplex Hill South gold project update 18 January 2008 and on 23 March 2005. Applicants should refer to these announcements for further details about the Company's exploration results.

The information in this Prospectus that relates to exploration results and mineral resources is based on information compiled by Mr M Elias who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Elias is employed by CSA Australia Pty Ltd and is a Non-Executive Director of the Company. Mr Elias has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Elias consents to the inclusion in the Prospectus of the matters based on his information in the form and context in which it appears.

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The purpose of the Offer is to raise approximately \$3,197,645 (before expenses). The proceeds of the Offer are planned to be used in accordance with the table set out below:

Proceeds of the Offer	\$
Exploration on the Blair tenements	1,721,907
Supplement payments to statutory creditors	500,000
Repayment of Director's Loan	155,000
Working Capital	345,000
Expenses of the Offer	475,738
Total	\$3,197,645

Notes:

1. The balance of \$155,000 payable under a related party loan to Michlange Pty Ltd, an entity associated with Mr Neil Warburton, a Director of the Company, will be settled by the issue of Securities in the Company pursuant to the Offer.
2. Refer to Section 8.7 of this Prospectus for further details relating to the estimated expenses of the Offer.

5.2 Effect of the Offer and Placement and Pro Forma Consolidated Balance Sheet

The principal effect of the Offer and Placement will be to:

- (a) increase the cash balance to approximately \$1,680,000 immediately after completion of the Offer and Placement, after the repayment to all statutory and non-statutory creditors of the Company and deducting the estimated expenses of the Offer and Placement; and
- (b) increase the number of Shares on issue from 456,806,396, to approximately 6,070,951,168 Shares following completion of the Offer; and
- (c) increase the number of options on issue from 8,750,000, to approximately 1,200,099,914 options following completion of the Offer and Placement. The new Options offered pursuant to the Offer and Placement will be quoted on ASX.

5.3 Consolidated Balance Sheet

The unaudited Consolidated Balance Sheet as at 31 March 2009 and the unaudited Pro Forma Consolidated Balance Sheet as at 31 March 2009 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position. They have been prepared on the assumption that all Shares and Options pursuant to the Offer and Placement are issued.

The unaudited Consolidated Balance Sheets have been prepared to provide Shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

**Consolidated Balance Sheet and Pro Forma Balance Sheet as at 31 March 2009
(unaudited)**

	Notes	Unaudited 31 Mar 2009 Consolidated \$,000	Proforma 31 Mar 2009 Consolidated \$,000
CURRENT ASSETS			
Cash	1	832	1,680
Receivables	2	290	290
Total Current Assets		<u>1,122</u>	<u>1,970</u>
NON CURRENT ASSETS			
Plant & equipment		551	551
Exploration & evaluation		9,075	9,075
Total Non Current Assets		<u>9,626</u>	<u>9,626</u>
TOTAL ASSETS		<u>10,748</u>	<u>11,596</u>
CURRENT LIABILITIES			
Payables	3	3,840	-
Interest bearing liabilities	4 & 5	1,342	892
Provisions		77	77
Total Current Liabilities		<u>5,259</u>	<u>969</u>
NON CURRENT LIABILITIES			
Provisions		213	213
Total Non Current Liabilities		<u>213</u>	<u>213</u>
TOTAL LIABILITIES		<u>5,472</u>	<u>1,182</u>
NET ASSETS		<u>5,276</u>	<u>10,414</u>
EQUITY			
Contributed equity		21,119	26,257
Reserve		196	196
Accumulated Loss		(16,039)	(16,039)
TOTAL EQUITY		<u>5,276</u>	<u>10,414</u>

5.4 Notes to the Balance Sheet – adjustments to Current Assets and Current Liabilities

- Cash** – the cash balance as at 31 March 2009 of \$832,000 is used to pay creditors. The pro forma cash balance is the amount raised from the Entitlement Issue and Placement less the repayment to all statutory and non-statutory creditors of the Company totalling approximately \$3,840,000 and deducting the estimated expenses of the Offer and Placement.

2. **Receivable** – represents the balance of funds owed on sale of assets and received in April 2009. Funds have been subsequently paid to statutory creditors. An amount of \$500,000 not recorded in the pro-forma Balance Sheet is still to be received from the sale of the Woodline resource.
3. **Payables** – the pro-forma amount has been reduced by the payment to Creditors from proceeds of the Offer and Placement and cash at hand.
4. **Hire Purchase Liabilities** – The Company has defaulted on hire purchase contracts on mining underground equipment with one financier worth approximately \$2,300,000. The mining equipment and the liability which totals \$2,600,000 do not appear on the Balance Sheet because the equipment is no longer under the control of the Company. A shortfall is expected on the sale of assets and hire purchase of approximately \$300,000. Negotiations resulted in a settlement with the financier accepting a full and final settlement on their outstanding hire purchase liability for a cash payment of \$300,000.

The Company has some other assets under hire purchase in the Balance Sheet. As at end of May the balance of hire purchase liabilities is approximately \$780,000 with sales expected to cover the balance outstanding.

5. **Related Party Loan** – Michlange Pty Ltd, an entity associated with Mr Warburton, loaned to the Company \$250,000. On 23 January 2009 the Company made a repayment to Michlange of \$100,000 plus accrued interest of \$14,162. The balance of \$150,000 balance outstanding at 31 March 2009 is secured by a fixed and floating charge over the assets of the Company. The balance of the loan plus accrued interest of approximately \$5,000 will be settled by the issue of Securities in the Company pursuant to the Entitlement Issue.

5.5 Effect on Capital Structure

A comparative table of changes in the capital structure of the Company as a consequence of the Offer and Placement is set out below, assuming that the Offer is fully subscribed.

Shares

	Number
Shares on issue as at the date of Prospectus	456,806,396
Shares offered pursuant to the Offer	3,197,644,772
Shares offered pursuant to the Placement ¹	2,416,500,000
Total Shares on issue after completion of the Offer	6,070,951,168

Options

	Number
Unquoted options on issue as at the date of this Prospectus ²	8,750,000

Options offered pursuant to the Offer	159,882,239
Options offered pursuant to the Placement	120,825,000
Options to be issued to the Underwriter (or its nominees) ³	910,642,675
Total Options on issue after completion of the Offer	1,200,099,914

Notes:

1. The Shares and Options offered pursuant to the Placement will be allotted after the Record Date for the Entitlement Issue such that allottees will not be eligible to participate in the Entitlement Issue.
2. Unquoted options including 1,500,000 Director options (exercise price 5 cents, expiry 31/12/2011), 3,250,000 Director options (exercise price 7.5 cents, expiry 31/12/2011), 3,250,000 Director options (exercise price 10 cents, expiry 31/12/2011), 500,000 employee options (exercise price 7.5 cents, expiry 31/12/2011) and 250,000 employee options (exercise price 7.5 cents, expiry 31/12/2012).
3. The Company has agreed to issue Options to the Underwriter (or its nominees) under the terms of an Underwriting Agreement in relation to the Entitlement Issue. Refer to Section 8.2 below.

6. RIGHTS AND LIABILITIES ATTACHING TO THE SHARES AND OPTIONS

6.1 Shares

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of shareholders in the Company. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend Rights

Subject to the rights of persons (if any) entitled to shares with special rights to dividend the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to shares with special rights as to dividends, all dividends are to be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the

dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

(d) **Winding-Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, shares classified by ASX as restricted securities at the time of the commencement of the winding up shall rank in priority after all other shares.

(e) **Transfer of Shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(f) **Variation of Rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

6.2 Options

The material terms and conditions of the Options are as follows:

- (a) the Options have an expiry date of 5:00 pm (WST) on 30 June 2013 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date;
- (b) each Option gives the Option holder the right to subscribe for one Share. To obtain the right given by each Option, the Option holder must exercise the Options in accordance with the terms and conditions of the Options;

- (c) the exercise price payable upon exercise of each Option will be 0.2 cents (**Exercise Price**);
- (d) all or part of the Options may be exercised at any time prior to the Expiry Date;
- (e) an Option holder may exercise their Options by lodging with the Company, before the Expiry Date a written notice of exercise of Options together with payment for the Exercise Price for the number of Options being exercised;
- (f) all Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares;
- (g) the Company will apply for quotation of the Options on ASX;
- (h) the Company will also apply for quotation by ASX of all Shares allotted pursuant to the exercise of Options within 10 Business Days after the date of allotment of those Shares;
- (i) in the event of any reorganisation (including consolidation, sub-division, reduction or return) of the issued capital of the Company before the expiry of any Options, the number of Options to which an Option holder is entitled or the Exercise Price of the Options or both will be reconstructed (as appropriate) in accordance with the Listing Rules;
- (j) an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised; and
- (k) there are no participating rights or entitlements inherent in the Options and Option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of the proposed issue notice of the new issue will be given to Option holders at least seven (7) business days before the record date. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

7. RISK FACTORS

7.1 General

The Shares offered under this Prospectus are considered speculative, and involve investors being exposed to risk. The Directors recommend potential applicants examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for Shares offered pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company's quoted securities.

This list is not exhaustive and potential applicants should examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for Shares.

7.2 Statutory Debts

The Company has an outstanding tax liability with the Australian Taxation Office (ATO) of \$922,115 as at 31 March 2009. The Company intends to repay the ATO in cash from the proceeds received from the sale of certain assets of the Company together with funds raised from the Offer. The Company has advised the ATO that it expects to be able to pay its outstanding tax liability after 30 June 2009.

There is a risk that if the Entitlement Issue does not proceed or there is a default or delay in payment to the Company from the sale of assets, the Company will not be able to raise funds to satisfy its outstanding tax liability to the ATO before this date.

7.3 Hire Purchase Liabilities

The Company has total hire purchase liabilities of \$3,510,500 as at 31 March 2009 including a liability with one financier of \$2,630,111 under a hire purchase agreement on plant assets worth \$2,300,000. The Company has negotiated with one financier a payment of \$300,000 from the funds raised under the Offer in settlement of its potential outstanding liability on any shortfall in realisable value from the sale of assets. The sale of other assets will allow the Company to meet its obligations under the remaining hire purchase agreements.

There is a risk that if the Entitlement Issue does not proceed or there is a substantial shortfall on the sale of the hire purchase assets, the Company will have a substantial liability and be subject to a risk of a claim for repayment.

7.4 Shareholder approval

The issue of Shares and Options pursuant to the Offer and the Placement are conditional on Shareholder approval at a general meeting to be held on 24 July 2009. If this condition is not satisfied, the Offer and the Entitlement Issue will not proceed and the Company will need to consider other alternatives to satisfy its obligations to Creditors and to continue operating as a going concern.

7.5 Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's

exploration, development and production activities, as well as on its ability to fund those activities.

Further, 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:

- (a) general political and economic outlook in Australia;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors (in particular copper and gold);
- (e) industrial and landowner issues and disputes; and
- (f) terrorism or other hostilities.

7.6 Market Conditions

The market price of quoted securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration 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.

7.7 Additional Requirements for Capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. There is however, no guarantee that the Company will be able to secure any additional funding or be able to secure sales, joint ventures, or funding on terms favourable to the Company.

7.8 Native Title and Title Risks

Both the Native Title Act 1993 (Cth), related State Native Title legislation and Aboriginal Land Rights and Aboriginal Heritage legislation may affect the Company's ability to gain access to prospective exploration areas or obtain production titles.

Compensatory obligations may be necessary in settling Native Title claims if lodged over any tenements acquired by the Company. The existence of outstanding registered Native Title claims means that the grant of a tenement in respect of a particular tenement application may be significantly delayed or thwarted pending resolution of future act procedures in the Native Title Act. The level of impact of these matters will depend, in part, on the location and status of the tenements acquired by the Company. At this stage it is not possible to quantify the impact (if any) which these developments may have on the operations of the Company.

7.9 Exploration Success

The mineral tenements held by the Company are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that exploration of the Company's mining tenements, or any other mineral properties 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.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Company.

The success of the Company will also depend upon the Company having access to sufficient development capital, being able to maintain title to its mining tenements and obtaining all required approvals for its activities. In the event that exploration programs prove to be unsuccessful this could lead to a diminution in the value of the mining tenements, a reduction in the cash reserves of the Company and possible relinquishment of the mining tenements.

7.10 Operating Risks

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of factors, including:

- (a) adverse geological conditions;
- (b) limitations on activities due to seasonal weather patterns and cyclone activity;
- (c) unanticipated operational and technical difficulties encountered in geophysical surveys, drilling and production activities;
- (d) mechanical failure of operating plant and equipment;
- (e) industrial and environmental accidents, industrial disputes and other force majeure events;
- (f) unavailability of aircraft or drilling equipment to undertake airborne electromagnetic and other geological and geophysical investigations;
- (g) unexpected shortages or increases in the costs of labour, consumables, spare parts, plant and equipment; and
- (h) inability to obtain necessary consents or approvals.

7.11 Resource Estimates

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.

As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

7.12 Commodity Price Volatility and Exchange Rate Risks

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Gold and nickel 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.

Furthermore, international prices of gold and nickel is denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

7.13 Environmental Risks

The Company's projects are subject to Commonwealth and State laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mining projects, these projects would be expected to have a variety of environmental impacts should development proceed.

The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by the Company's activities will be rehabilitated as required by the conditions attaching to the tenements.

7.14 Legislative changes, Government policy and approvals

Changes in government regulations and policies may adversely affect the financial performance of the Company. For example, any increased rentals under the Mining Act 1978 (WA) may impact on the Company's actual financial statements. The Company's capacity to explore and mine, in particular the Company's ability to explore and mine any reserves, may be affected by changes in government policy, which are beyond the control of the Company.

7.15 Reliance on Key Management

The Company's prospects depend in part on the ability of its executive officers, senior management and key consultants to operate effectively, both independently and as a group. To manage its growth, the Company must attract and retain additional highly qualified management, technical, sales and marketing personnel and continue to implement and improve operational, financial and management information systems. Investors must be willing to rely to a significant extent on management's discretion and judgement, as well as the expertise and competence of outside contractors.

In addition, Western Australia is currently experiencing a shortage of skilled labour including those skills utilised in the mining industry. The Company cannot guarantee that its mining and exploration activities will not be negatively affected by an inability to employ appropriately skilled staff.

7.16 Taxation

The acquisition and disposal of Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential applicants are urged to obtain independent financial advice about the consequences of acquiring Securities in lieu of outstanding debt owed by the Company from a taxation viewpoint and generally.

7.17 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

8. ADDITIONAL INFORMATION

8.1 Continuous Disclosure Obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms “transaction specific prospectuses” are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the financial statements of the Company for the financial year ended 30 June 2008 being the last financial statements for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus;
 - (ii) any half year financial statements of the Company lodged with ASIC since the lodgement of the last financial statements for the

year ended 30 June 2008 lodged with ASIC before the issue of this Prospectus; and

- (iii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement of the 2008 audited financial statements:

Date	Description of Announcement
18/06/2009	Revised Proposal and Terms for Share Issues
03/06/2009	Results of 2008 Annual General Meeting
25/05/2009	Appendix 3B Creditors Placement
20/05/2009	Prospectus for Creditors Placement
18/05/2009	Half-Yearly Report and Accounts
01/05/2009	2008 Annual Report to shareholders
01/05/2009	Notice of 2008 Annual General Meeting / Proxy Form
30/04/2009	Third Quarter Activities and Cashflow Report
30/04/2009	Third Quarter Cashflow Report
25/03/2009	AUZ Proposed Recapitalisation Strategy
10/02/2009	Termination Bounty Nickel Rights Option Agreement WA
10/02/2009	AZS: Bounty Nickel Rights
30/01/2009	Second Quarter Activities Report
30/01/2009	Second Quarter Cashflow Report
24/11/2008	PIO: Final Ni Cu PGE results confirmed Leo Dam Target
31/10/2008	Quarterly Activities Report
31/10/2008	Quarterly Cashflow Report
30/09/2008	Request for Suspension from Official Quotation
30/09/2008	Suspension from Official Quotation
26/09/2008	Trading Halt Request
26/09/2008	Trading Halt
15/09/2008	Qtr Production Progress Report Blair Mine
12/09/2008	PIO: Drilling Progress Report
12/08/2008	Change of Director's Interest Notice
31/07/2008	Quarterly Activities Report
31/07/2008	Quarterly Cashflow Report
22/07/2008	Change of Director's Interest Notice
07/07/2008	Quarterly Production Result at Blair Mine

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website <http://www.australianmines.com.au>

8.2 Underwriting Agreement

Pursuant to an agreement between Patersons Securities Limited (**Underwriter**) and the Company (**Underwriting Agreement**), the Underwriter has agreed to fully underwrite the Offer for 3,197,644,772 Shares and 159,882,239 free attaching Options.

Pursuant to the Underwriting Agreement, the Company has agreed to:

- (a) pay the Underwriter an underwriting fee of 6% of the underwritten amount;
- (b) pay the Underwriter a corporate advisory fee of \$60,000; and
- (c) issue to the Underwriter (or its nominees) 910,642,675 Options.

The Agreement is conditional upon satisfaction of the following conditions on or before the Lodgement Date:

- (a) the Underwriter being satisfied with the due diligence investigations in relation to the Prospectus;
- (b) the Underwriter being satisfied with the form of the Prospectus (in its absolute discretion) and having given its consent to be named in the Prospectus;
- (c) the Company's solicitor's providing a legal sign off in relation to the due diligence investigations to the satisfaction of the Underwriter;
- (d) the Prospectus being lodged with ASIC on or before 24 June 2009;
- (e) the Underwriter entering into sub-underwriting agreements with sub-underwriters on the terms and conditions satisfactory to the Underwriter (in its absolute discretion);
- (f) the Company having lodged with ASX a notice of meeting for the General Meeting to approve the Placement and issue of Options to the Underwriting;
- (g) the Company, through parties introduced by, provided sub-underwriting support of at least \$475,689.03;
- (h) completion of the Placement; and
- (i) the Company providing certainty in relation to the re-quotations of the Company's Shares to the official list of ASX and for the securities in respect of the Offer and Placement and the Options to be issued to the Underwriting being granted official quotation.

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement on the occurrence of specified events including:

- (a) (**Indices fall**): any of the S&P/ASX 200 Index, or the S&P/ASX 200 Materials Index as published by ASX is at any time after the date of the

Underwriting Agreement 10% or more below its respective level at the close of business on the business day prior to the date of the Underwriting Agreement;

- (b) **(Shareholder Approval)**: Approval for all resolutions detailed in the notice of meeting are not approved at the General Meeting due to be held on or about 24 July 2009;
- (c) **(Prospectus)**: the Company does not lodge the Prospectus on the Lodgment Date or the Prospectus or Offer is withdrawn by the Company;
- (d) **(Conditions)**: the conditions precedent (set out above) are not satisfied;
- (e) **(No Official Quotation)**: official quotation has not been granted by the date of the notice of shortfall being given by the Company or, having been granted, is subsequently withdrawn, withheld or qualified;
- (f) **(Misleading Prospectus)**: it transpires that there is a statement in the Prospectus that is, or becomes misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of sections 711, 713 and 716 of the Corporations Act);
- (g) **(Restriction on allotment)**: the Company is prevented from allotting the Securities within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi governmental agency or authority;
- (h) **(ASIC application)**: an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, and that application has not been dismissed or withdrawn;
- (i) **(ASIC hearing)**: ASIC gives notice of its intention to hold a hearing under section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or the ASIC makes an interim or final stop order in relation to the Prospectus under section 739 of the Corporations Act;
- (j) **(Takeovers Panel)**: the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel;
- (k) **(Hostilities)**: there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;

- (l) **(Authorisation)**: any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter;
- (m) **(Indictable offence)**: a director or senior manager of the Company or any of its subsidiaries is charged with an indictable offence;
- (n) **(Designated Sub-underwriters)**: any of the designated sub-underwriters do not or threaten not to comply with its obligations under the sub-underwriting agreements; or
- (o) **(Termination Events)**: the occurrence of any termination events including:
 - (i) **(Default)**: default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
 - (ii) **(Adverse change)**: an event occurs which gives rise to a material adverse effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in relation to the Company or any of its subsidiaries;
 - (iii) **(Significant change)**: a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
 - (iv) **(Misleading information)**: any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the Issue or the affairs of the Company or any of its subsidiaries is or becomes misleading or deceptive or likely to mislead or deceive;
 - (v) **(Prescribed Occurrence)**: a Prescribed Occurrence (as defined in the Underwriting Agreement) occurs, other than as disclosed in the Prospectus;
 - (vi) **(Event of Insolvency)**: an Event of Insolvency (as defined in the Underwriting Agreement) occurs in respect the Company or any of its subsidiaries;
 - (vii) **(Judgment against the Company or any of its subsidiaries)**: a judgment in an amount exceeding \$50,000 is obtained against the Company or any of its subsidiaries and is not set aside or satisfied within 7 days;
 - (viii) **(Litigation)**: litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against the Company or any of its subsidiaries, other than any claims foreshadowed in the Prospectus;
 - (ix) **(Force Majeure)**: a Force Majeure (as defined in the Underwriting Agreement) affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;

- (x) **(Certain resolutions passed)**: the Company or any of its subsidiaries passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- (xi) **(Capital Structure)**: the Company or any of its subsidiaries alters its capital structure in any manner not contemplated by the Prospectus; or
- (xii) **(Market Conditions)**: a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

8.3 Disclosure of Underwriter Voting Power

To comply with the requirement to disclose the potential control effect of the underwriting by the Underwriter, the following is disclosed.

The Entitlement Issue is conditionally underwritten by Patersons Securities Limited (**Underwriter**).

The Underwriter has advised the Company that it has entered into sub-underwriting agreements with a number of sub-underwriters in relation to the Shortfall.

Other than as disclosed below, neither the Underwriter, nor any other sub-underwriters, individually, will have a voting power in the Company in excess of 20% by virtue of the sub-underwriting agreements.

One of the sub-underwriters will also be issued Securities under the Placement such that the potential effect of the sub-underwriting may be to increase its relevant interest in the Company to a maximum potential level of 25.63% on a fully diluted basis (assuming a 100% Shortfall). This sub-underwriter is not a related party or an associate of the Company, any of its Directors or the Underwriter and does not have a relevant interest in any Shares as at the date of this Prospectus. The sub-underwriter has confirmed that Securities issued to it under the sub-underwriting agreement have been syndicated to its clients, such that no one person will individually have a voting power in the Company in excess of 20% after the issue of the Shortfall.

In the unlikely circumstances that all Shareholders decide not to take up their entitlement and all sub-underwriters renege on their obligations to subscribe for the Shortfall as instructed by the Underwriter, and the Underwriting Agreement has not been terminated, the Underwriter could increase its shareholding in the Company to nearly 52.67%. The Company would comply with its supplemental disclosure obligations under the Corporations Act in these circumstances.

8.4 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the offer of Shares pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner or director, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or the offer of Shares pursuant to this Prospectus.

Directors' relevant interests in securities of the Company at the date of this Prospectus are:

Director	Shares	Options
Mr Neil Warburton ¹	33,800,000	2,000,000
Mr Michael Elias ²	1,250,000	1,500,000
Mr Brett Young	4,184,294	4,500,000

Notes:

1. Mr Warburton holds 28,999,998 shares indirectly through Michlange Pty Ltd as trustee of The Warburton Family Trust and 4,800,002 shares indirectly through Michlange Pty Ltd as trustee of the Neil Warburton Super Fund. 2,000,000 options are held directly as part of his employment package.
2. Mr Mick Elias holds 500,000 shares directly and 750,000 indirectly as trustee for the Elias Super Fund. The 1,500,000 options are held directly as part of his employment package.
3. Mr Brett Young holds 4,184,294 shares indirectly as Trustee of the B Young Superannuation Fund and 4,500,000 options are held directly as part of his employment package.

The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting (currently set at \$300,000), to be divided among the Directors and in default of agreement then in equal shares.

Mr Young has an employment agreement with the Company in respect of his position as managing director. Pursuant to that agreement, Mr Young receives a salary (inclusive of superannuation) of \$225,000 per annum. From the period 1 July 2009 to the date of this Prospectus, \$185,164 has been paid to Mr Young.

On 1 July 2008, the Company entered into a loan agreement with Michlange Pty Ltd (**Michlange**), an entity associated with Mr Warburton, pursuant to which Michlange loaned to the Company \$250,000 at an interest rate of 11.25% per annum. On 23 January 2009, the Company made a repayment to Michlange of \$100,000 plus accrued interest of \$14,062. The balance of \$150,000 payable under the loan is secured by a fixed and floating charge over the assets of the Company. The balance of the loan plus accrued interest of approximately \$5,000 will be settled by the issue of Securities in the Company pursuant to the Entitlement Issue.

The Company paid to the Directors a total of \$155,100 for the year ended 30 June 2008 by way of approved remuneration for services provided by all Directors or former Directors (executive, non-executive and alternate), companies associated with those Directors or former Directors or their associates in their capacity as Directors or former Directors, employees, consultants or advisers (and including superannuation payments). Directors' fees for the period 1 July 2008 to 31 March 2009, have not been paid to Mr Warburton or Mr Elias as non-executive Directors of the Company due to the adverse financial position of the Company. The Directors have agreed to a reduction in fees payable by 50% from the period commencing 1 January 2009 in light of the financial position. A total of \$96,937 in fees is payable by the Company to the non-executive Directors. The outstanding Directors' fees payable by the Company will be repaid from the proceeds received under the Offer.

8.5 Interests and Consents of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of securities pursuant to this Prospectus; or
- (c) the Offer of securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer pursuant to this Prospectus.

Pursuant to Section 716 of the Corporations Act, Steinepreis Paganin has given, and has not withdrawn its consent to being named as Solicitors to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named. Steinepreis Paganin has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

The Company estimates it will pay Steinepreis Paganin approximately \$50,000 (excluding GST) for services in relation to this Prospectus. In the past two years, Steinepreis Paganin has not been paid any fees for legal services provided to the Company other than in relation to this Offer and a related notice of meeting.

Pursuant to Section 716 of the Corporations Act, Patersons Securities Limited has given and has not withdrawn its consent to being named as Underwriter to the Offer in the Corporate Directory of this Prospectus in the form and context in which it is named. Patersons has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

Patersons Securities Limited has given, and at the time of lodgement of this Prospectus, has not withdrawn its consent to be named as Underwriter to the Offer of Securities under this Prospectus, in the form and context in which it is named. Patersons was not involved in the preparation of any part of this Prospectus and did not authorise or cause the issue of this Prospectus. Patersons makes no express or implied representation or warranty in relation to Australian Mines Limited, this Prospectus or the Offer and does not make any statement in this Prospectus, nor is any statement in it based on any statement made by Patersons Securities Limited. To the maximum extent permitted by law, Patersons Securities Limited expressly disclaims and takes no responsibility for any material in, or omission from, this Prospectus other than the reference to its name.

Patersons Securities Limited will be paid an underwriting fee of approximately \$191,859, a management fee of \$60,000 in respect of this Offer. In accordance with the terms of the Underwriting Agreement, the Company shall issue up to a total of 910,642,675 Options to Patersons Securities Limited (or its nominees) under the terms of the Underwriting Agreement to induce sub-underwriting commitments in relation to the underwriting. In the past two years, Patersons has not been paid any fees by the Company.

8.6 Legal Proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

8.7 Estimated Expenses of Offer

In the event that the Offer is fully subscribed, the estimated expenses of the Offer are as follows:

	\$
ASIC fees	2,010
ASX fees	16,880
Underwriting and management fees*	396,848
Legal expenses	50,000
Printing and other expenses	10,000
Total	\$475,738

* This includes commissions payable in relation to the Placement.

8.8 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX. The Shares were suspended from trading on ASX on 30 September 2008 and remain suspended

as at the date of this Prospectus. The last market sale price of the Company's Shares on ASX was 2 cents on 26 September 2008.

8.9 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please phone the Company on (08) 9481 5811 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.australianmines.com.au

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

9. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Brett Young
For and on behalf of
Australian Mines Limited

GLOSSARY

Applicant means a Shareholder or Underwriter or other party instructed by the Underwriter who applies for Securities pursuant to the Offer.

ASIC means the Australian Securities and Investments Commission.

ASTC Settlement Rules means the settlement rules of the securities clearing house which operates CHESS.

ASX means the ASX Limited (ACN 008 624 691).

Board means the board of Directors unless the context indicates otherwise.

Business Day means a day on which trading takes place on the stock market of ASX.

Closing Date means the closing date of the Offer, being 5.00pm (WST) (or 4.00pm if accepting by BPAY®) on 31 July 2009 (unless extended).

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

Constitution means the Company's Constitution as at the date of this Prospectus.

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

Creditors means a trade creditor of the Company or any of its subsidiaries incurred and still outstanding as at 31 March 2009 not including statutory creditors.

Directors means the directors of the Company at the date of this Prospectus.

Dollar or "\$" means Australian dollars.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

General Meeting means the general meeting of Shareholders to be held on or about 24 July 2009 to seek approval for, amongst other things, the issue of the Securities under the Offer.

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

Lodgement date means 24 June 2009.

Offer or **Entitlement Issue** means the offer pursuant to the Prospectus of seven (7) new Shares for every one (1) Share held by a Shareholder on the Record Date together with one (1) free new Option for each new Share issued.

Official List means the official list of ASX.

Option means an option to acquire a Share on the terms and conditions set out in section 6.2.

Placement means the proposed placement by the Company of 2,416,500,000 Shares at an issue price of 0.1 cent per Share together with 1 free attaching Option for every 20 Shares to be allotted and issued to sophisticated investor clients of Patersons to raise \$2,416,500.

Prospectus means this prospectus.

Quotation and **Official Quotation** means official quotation on ASX.

Record Date means 5.00pm (WST) on 3 July 2009.

Securities means Shares and Options.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Shortfall means those Securities under the Offer not applied for by Shareholders under their Entitlement.

Shortfall Application Form means the shortfall application form attached to or accompanying this Prospectus.

Underwriter or **Patersons** means Patersons Securities Limited (ABN 69 008 896 311) AFSL 239052.

WST means Western Standard Time.

INSTRUCTIONS TO APPLICANTS

Please post or deliver the completed Shortfall Application Form together with a cheque to the Share Registry of the Company. If an Applicant has any questions on how to complete this Shortfall Application Form, please telephone the Share Registry on **(08) 9389 8033**. The Form must be received by the Share Registry no later than the Closing Date.

- A. Application for Shares (and free attaching Options)**
The Shortfall Application Form must only be completed in accordance with instructions included in the Prospectus.
- B. Name of Applicant**
Write the Applicant's FULL NAME. This must be either an individual's name or the name of a company. Please refer to the bottom of this page for the correct form of registrable title. Applications using the incorrect form of registrable title may be rejected.
- C. Name of Joint Applicants or Account Designation**
If JOINT APPLICANTS are applying, up to three joint Applicants may register. If applicable, please provide details of the Account Designation in brackets. Please refer to the bottom of this page for instructions on the correct form of registrable title.
- D. Address**
Enter the Applicant's postal address for all correspondence. If the postal address is not within Australia, please specify Country after City/Town.
- E. Contact Details**
Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Shortfall Application Form.
- F. CHES HIN or existing SRN Details**
The Company participates in CHES. If the Applicant is already a participant in this system, the Applicant may complete this section with their existing CHES HIN. If the applicant is an existing shareholder with an Issuer Sponsored account, the SRN for this existing account may be used. Otherwise leave the section blank and the Applicant will receive a new Issuer Sponsored account and statement.
- G. Cheque Details**
Make cheques payable to "Australian Mines Limited – Share Issue Account" in Australian currency and cross them "**Not Negotiable**". Cheques must be drawn on an Australian Bank. The amount of the cheque should agree with the amount shown on the Shortfall Application Form.
- H. Declaration**
By completing the Shortfall Application Form, the Applicant will be taken to have made to the Company the declarations and statements therein. The Shortfall Application Form does not need to be signed.
If a Shortfall Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept a Shortfall Application Form, and how to construe, amend or complete it, shall be final. A Shortfall Application Form will not however, be treated as having offered to subscribe for more Options than is indicated by the amount of the accompanying cheque.

Forward your completed application together with the application money to:

<p>By Post: Advanced Share Registry Services PO Box 1156 NEDLANDS WA 6909</p>	OR	<p>By Hand: Advanced Share Registry Services 50 Stirling Highway NEDLANDS WA 6009</p>
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CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold securities. Shortfall Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Shortfall Application Forms cannot be completed by persons under 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund