



18 June 2009

ASX Announcement

NEW TERMS FOR SHAREHOLDERS' ENTITLEMENT ISSUE AND WITHDRAWAL OF PROSPECTUS FOR CREDITOR PLACEMENT

The Directors of Australian Mines Limited (ASX: "**AUZ**" or the "**Company**") are pleased to announce that:

- AUZ has received firm commitments for a placement of 2,416,500,000 fully paid ordinary shares ("**Shares**") to sophisticated investor clients of Patersons Securities Limited ("**Patersons**") at an issue price of 0.1¢ per Share to raise circa \$2,416,500 ("**Placement**"). For every 20 Shares allotted under the Placement, applicants will receive 1 free listed option with an exercise price of 0.2¢ and an expiry date of 30 June 2013 ("**Placement Option**").
- AUZ intends to undertake a non-renounceable entitlement issue ("**Rights Issue**") of 7 new Shares for every existing Share held by shareholders at the record date, at an issue price of 0.1¢ together with 1 free attaching new option for every 20 new Shares taken up ("**Rights Option**") to raise \$3,197,645 (before expenses). The Placement Options will have the same terms as the Rights Options.
- Net proceeds from the Placement and Rights Issue will be used to repay outstanding statutory and non statutory debts, provide general working capital and raise funds for gold tenement exploration.

It is intended that the Rights Issue will be fully underwritten by Patersons.

AUZ intends to convene a general meeting of shareholders to approve resolutions associated with the revised recapitalisation strategy.

Full details of the Rights Issue will be set out in a prospectus to be released by the Company shortly.

Revised Recapitalisation Strategy

AUZ's creditor placement prospectus lodged with the ASIC on 20 May 2009 articulated a recapitalisation strategy that was to incorporate a creditor placement (in conversion of debts owed) followed by a non renounceable 5:1 rights issue. In light of improving market conditions and as a result of strong demand from sophisticated investor clients of Patersons, the originally contemplated offers will be varied.

The creditor placement will no longer be required and creditors will now be repaid in full with cash from the proceeds of the Placement set out in detail above. The ratio under the proposed rights issue (as detailed in the Notice of Meeting lodged with ASX on 1 May 2009) has been increased to a 7:1 offer to raise \$3,197,645 (before expenses), subject to shareholder approval.

As a result, the creditor placement prospectus lodged with ASX on 20 May 2009 is intended to be withdrawn.

Indicative Timetable

The indicative timetable set out below outlines the key milestones in the revised AUZ recapitalisation strategy. Note: this timetable is indicative only and may be subject to change.

• Lodge Rights Issue prospectus with ASIC and ASX	22 June
• Ex date	25 June
• Record date	1 July
• Rights Issue Opening Date	3 July
• Rights Issue Closing Date	29 July
• General meeting of shareholders	31 July
• Allotment & Dispatch of Creditor Placement and Rights Issue securities	7 August

The offers represent a combined raising of circa \$5.6 million where creditors will now be repaid with cash in full and the Company aims to re-emerge from suspension with its securities re-instated to trading on ASX having no debt and cash in hand to pursue its new gold focus.

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