



20 May 2009

ASX Announcement

PROSPECTUS FOR CREDITORS' PLACEMENT

Australian Mines (ASX: AUZ) is pleased to announce that it has now lodged the attached Prospectus for the Creditors' Placement with ASIC in accordance with its proposed recapitalisation strategy announced on 25 March 2009.

The next stage of the recapitalisation will be the lodgement of a second prospectus which will contain details of the Shareholders' Entitlements Issue which will be sent to Shareholders shortly.

Both allotments will be voted on at the Company's AGM to be held on 2 June 2009.

For further information contact:

Brett Young
Chief Operating Officer
Australian Mines Limited
Tel: 08 9481 5811

AUSTRALIAN MINES LIMITED
ABN 68 073 914 191

PROSPECTUS

For the offer of up to 2,800,000,000 Shares at a deemed issue price of 0.1 cent per Share, together with one (1) free attaching Option for every twenty (20) Shares subscribed for and allotted, in conversion of outstanding existing debts of the Company totalling \$2,800,000 (**Offer**).

This Offer is conditional. Refer to Section 2.2 for further details.

Lead Manager

Patersons Securities Limited

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, you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered speculative.

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TIMETABLE AND IMPORTANT DATES

Event	Date*
Lodgement of Prospectus with the ASIC	19 May 2009
Opening Date	27 May 2009
Annual General Meeting	2 June 2009**
Closing Date	17 June 2009
Expected date of Official Quotation of the Shares	13 July 2009

* The Directors reserve the right to extend the Closing Date at any time after the Opening Date without notice. As such, the date the Shares are expected to commence trading on ASX may vary with any change in the Closing Date.

** The date of the Annual General Meeting may be extended.

IMPORTANT INFORMATION

This Prospectus is dated 19 May 2009 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The Expiry Date of the Prospectus is the date that is 13 months after the date of this Prospectus (**Expiry Date**). No Securities will be allotted or issued on the basis of this Prospectus after the Expiry Date.

No person is authorised to give any 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.

Applications for Securities offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand 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 and New Zealand 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.

TRANSACTION SPECIFIC PROSPECTUS

This Prospectus is a transaction specific prospectus to acquire continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with Section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering 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.

WEBSITE – ELECTRONIC PROSPECTUS

A copy of this Prospectus can be downloaded from www.australianmines.com.au. Any person accessing the electronic version of the 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 Application 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.

CORPORATE DIRECTORY

Directors

Mr Brett Young
Mr Neil Warburton
Mr Michael Elias

Company Secretary

Mr Brett Young

Share Registry*

Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009

Registry Postal Address

PO Box 1156
NEDLANDS WA 6909

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

Registered Office

Level 1, 681 Murray Street
PERTH WA 6005

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

Lead Manager

Patersons Securities Limited
AFSL 239052

Level 23, Exchange Plaza
2 The Esplanade
PERTH WA 6000

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

Solicitors to the Company

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

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.

1. LETTER FROM THE CHAIRMAN

19 May 2009

Dear Creditor

It is not possible for the Company to settle all of its outstanding debts in cash, however the Board is committed to ensure that all outstanding Company debts are settled in a manner that is fair to all Creditors.

The Company is offering to all Creditors the opportunity to subscribe for fully paid ordinary shares in the Company for no consideration at a deemed issue price of 0.1 cent per Share together with one (1) free attaching Option for every twenty (20) Shares subscribed for and allotted, in full and final satisfaction of outstanding non statutory debts of the Company totalling \$2,800,000.

The Offer is conditional on the Company completing a non-renounceable entitlement issue to raise approximately \$2,284,031 on the basis of 5 new Shares for every 1 Share held by Shareholders at an issue price of 0.1 cent per Share together with 1 free Option for every 20 Shares subscribed for and allotted, exercisable at 0.2 cents each on or before 30 June 2013. The other conditions of the Offer are set out in Section 2.2 of this Prospectus.

The Entitlement Issue is proposed to be underwritten, subject to satisfaction of a number of conditions precedent, including acceptances under this Offer to Creditors achieving a minimum level of 90% by value of the total Creditor debt. Creditors will also be given the opportunity to elect to nominate for some or all of the Shares (and free attaching Options) offered to them pursuant to this Prospectus to be placed by the Lead Manager under a proposed Sell Down facility.

Funds raised under the Entitlement Issue will be applied towards exploration on the Company's prospective gold tenements including the Golden Ridge tenements in near proximity to the Golden Ridge Mine (which historically produced 250,000 ounces of gold), East Location 45 containing the Mt Martin Gold Mine (which historically produced 180,000 ounces of gold) and Duplex Hill South.

The Company will seek to recommence trading on ASX on completion of the Offer and Entitlement Issue.

The Board considers that due to the financial uncertainty surrounding the Company, this Offer to Creditors, in the context of the broader recapitalisation strategy, represents the only realistic opportunity for Creditors to recoup their debts. On behalf of the Board, I encourage you to support the Offer.

Yours faithfully

Neil Warburton
Chairman

2. DETAILS OF THE OFFER

2.1 Offer

This Prospectus invites Creditors of the Company to subscribe for up to 2,800,000,000 Shares for no consideration at a deemed issue price of 0.1 cent per Share together with one (1) free attaching Option for every twenty (20) Shares subscribed for and allotted, in conversion of outstanding non statutory debts of the Company totalling \$2,800,000.

All of the Shares offered under this Prospectus will rank equally with Shares on issue at the date of this Prospectus. Please refer to Section 5 of this Prospectus for further information regarding the rights and liabilities attaching to the Shares.

All of the Options offered under this Prospectus will be issued on the terms and conditions set out in Section 5.2.

The purpose of the Offer and the use of funds raised are set out in Section 4.1 of this Prospectus.

2.2 Conditional Offer

The Offer is conditional upon satisfaction of the following conditions:

- (a) receipt by the Company of acceptances under the Offer to Creditors equal to a minimum amount of 90% of the total non statutory creditor debt outstanding, equivalent to \$2.52 million;
- (b) approval by Shareholders of the following resolutions at the Annual General Meeting:
 - (i) the issue of Shares and free attaching Options to Creditors of the Company pursuant to this Prospectus;
 - (ii) 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
 - (iii) the issue of up to 831,125,515 Options to the Underwriter in part consideration for underwriting the Entitlement Issue;
- (c) the Company achieving a minimum subscription of \$1.5 million pursuant to the Entitlement Issue; and
- (d) the Company receiving conditional approval from ASX for the Company's Shares to be reinstated to trading on ASX (on conditions acceptable to the Company).

If any of the above conditions are 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.

2.3 Sell Down

Creditors are being offered the opportunity to appoint Patersons as their nominee to place all or part of the Shares and free attaching Options offered to

them pursuant to this Prospectus by making an election on the Application Form. Patersons will use its 'best endeavours' to facilitate an orderly placement of the Shares and free attaching Options (not underwritten or guaranteed) via seeking new investors for those Shares and free attaching Options (**Sell Down**). The Company will pay any brokerage and costs associated with the Sell Down.

Patersons will be authorised to act as a nominee to place the Shares on behalf of Creditors who elect to appoint Patersons. Proceeds from the Sell Down will be distributed to participating Creditors on a pro rata basis, with any remaining debt to be satisfied by Shares and free attaching Options issued pursuant to this Prospectus.

By way of example, a Creditor owed \$10,000 by the Company may subscribe for 10,000,000 Shares (with 500,000 free attaching Options). If the Creditor elects to appoint Patersons to place all of its Shares (and free attaching Options) offered pursuant to this Prospectus, and Patersons manages to place only 50% of the total amount of Securities for which it has been appointed to place in relation to all Creditors, the Creditor will receive from the Company:

- (a) \$5,000 in cash from the placement of the Shares (and free attaching Options) under the Sell Down; and
- (b) 5,000,000 Shares (and 250,000 free attaching Options).

Accordingly, no individual Creditor will receive any preference in the receipt of proceeds from the Sell Down.

2.4 Application for Securities

Applications for Securities must be made using the Application Form attached to or accompanying this Prospectus.

If you wish to appoint Patersons as your nominee to place Securities offered to you, you must make an election in the box provided on the Application Form and nominate the number of Shares (and free attaching Options) you wish for Patersons to place via the Sell Down facility.

Completed Application Forms must be mailed or delivered to:

Australian Mines Limited
PO Box 883
WEST PERTH WA 6872

No payment is required upon acceptance of the Offer by completion of an Application Form. Completed Application Forms must reach the Share Registry by no later than the Closing Date.

2.5 Minimum Subscription

The minimum subscription of the Offer is acceptances amounting to a minimum of \$2,520,000, equivalent to 2,520,000,000 Shares.

2.6 Allotment

The Directors will determine the allottees of the Securities in their sole discretion. The Directors reserve the right to reject any application or to allocate any Applicant fewer Securities than the number applied for.

Allotment of Securities offered by this Prospectus will take place as soon as practicable after the closing date of the Entitlement Issue, subject to satisfaction of the conditions set out in Section 2.2 above.

Allottees of Securities will not have an entitlement to participate in the Entitlement Issue.

2.7 ASX Listing

The Company will apply to ASX within seven (7) days after the date of this Prospectus for Official Quotation of the Shares and Options offered under this Prospectus. If ASX does not grant permission for Official Quotation of the Shares and Options offered pursuant to this Prospectus within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares and Options offered by this Prospectus will be allotted or issued. In these circumstances, all applications will be dealt with in accordance with the Corporations Act.

2.8 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction where, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. 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 such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify these Securities or otherwise permit a public offering of the securities the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained.

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

The Company will not be issuing share certificates. The Company is a participant in CHES for those investors who 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 separate statements (similar to a bank account statement) that set 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.

2.10 Lead Manager

The Company has engaged Patersons Securities Limited to act as Lead Manager for the Offer. Patersons will be paid a fee of \$60,000 to act as Lead Manager in relation to this Offer, the Entitlement Issue and the Sell Down facility.

Patersons will also be paid a fee of 6% of the amount underwritten under the Entitlement Issue and placed under the Sell Down facility.

2.11 Risk Factors

Prospective applicants should be aware that subscribing for Securities the subject of this Prospectus involves a number of risks. These risks are set out in Section 6 of this Prospectus and investors are urged to consider the risks carefully (and if necessary, consult their professional adviser) before deciding whether to apply for Securities.

The risk factors set out in Section 6, and other general risks applicable to all investments in securities not specifically referred to, may in the future affect the value of the Securities. Accordingly, an investment in the Company should be considered speculative.

2.12 Taxation

All prospective applicants should consult their own independent tax advisers regarding the income tax and capital gains tax consequences of subscribing for Securities in the Company in lieu of their outstanding debt owed.

2.13 Privacy Act

If you complete an Application Form you will be providing personal information to the Company (directly or via 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 of 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 share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its 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, 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.

2.14 Enquiries

Any questions concerning the Offer should be directed to the Chief Operating Officer, Mr Brett Young on (08) 9481 5811.

3. COMPANY OVERVIEW

3.1 Background

Due to the substantial fall in the nickel price during the period October to December 2008, the Company's Blair Mine was closed in December 2008. All assets of the Company were reviewed for potential sale in an effort to provide a means to repay all outstanding debts. 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 Company intends to repay statutory creditors (including the Australian Taxation Office) in cash from the proceeds received from the sale of certain assets of the Company together with funds raised from the proposed Entitlement Issue.

It is not possible for the Company to settle all of its outstanding debts in cash, however the Company is committed to ensure that all outstanding Company debts are settled in a manner that is fair to all creditors.

The Directors consider that several of the Company's project assets have significant gold potential and the Company will be seeking to raise equity funds on the strength of these gold assets.

The Company has designed a recapitalisation strategy in an effort to ensure that it can continue operating as a going concern.

3.2 Recapitalisation Proposal

Creditor Placement

The Company currently has a net outstanding debt from mining operations of approximately \$2.8 million that is owing to Creditors. The Company is offering Creditors the opportunity to accept equity in the Company in full and final satisfaction of all unsecured debts owing to Creditors. Pursuant to this Prospectus, the Company offers to Creditors up to 2,800,000,000 Shares for no consideration together with 1 free Option for every 20 Shares subscribed for and allotted, exercisable at 0.2 cents each on or before 30 June 2013. The issue of Shares and Options under the Offer is subject to completion of the Entitlement Issue.

Given the cash flow difficulties and financial position of the Company, the Directors consider the issue of Securities to Creditors under the Offer provides the only realistic opportunity to repay outstanding Creditor debts.

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

Entitlement Issue

The Company intends to raise sufficient funds to ensure that it can continue operating as a going concern.

In conjunction with the Offer to Creditors, the Company intends to raise approximately \$2,284,031 pursuant to a non-renounceable entitlement issue on the basis of 5 new Shares for every 1 Share held by Shareholders at an issue price of 0.1 cent per Share together with 1 free Option for every 20 Shares subscribed for and allotted, exercisable at 0.2 cents each on or before 30 June 2013.

The Entitlement Issue is proposed to be underwritten by Patersons Securities Limited, subject to satisfaction of a number of conditions precedent, including acceptances under the Offer to Creditors achieving a minimum level of 90% by value of the total Creditor debt.

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.

The offer under the Entitlement Issue will be made pursuant to a prospectus to be lodged with the ASIC on or about 29 May 2009.

Conditions

The issue of Securities pursuant to the Offer and the Entitlement Issue are subject to the satisfaction of the following conditions:

- (a) receipt by the Company of acceptances under the Offer to Creditors equal to a minimum amount of 90% of the total non statutory creditor debt outstanding (equivalent to \$2.52 million);
- (b) Shareholder approval being obtained for the Entitlement Issue and Offer to Creditors;
- (c) the Company achieving a minimum subscription of \$1.5 million pursuant to the Entitlement Issue; and
- (d) the Company receiving conditional approval from ASX for the Company's Shares to be reinstated to trading on ASX (on conditions acceptable to the Company).

Capital Structure

The capital structure of the Company following successful 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	2,284,031,980	114,201,599
Securities issued to Creditors	2,800,000,000	140,000,000
Options to be issued to Underwriter in consideration for underwriting Entitlement Issue	-	831,125,756
TOTAL	5,540,838,376	1,094,077,355

Annual General Meeting of Shareholders

The Offer and the Entitlement Issue are conditional upon the approval by Shareholders of the following resolutions at the Annual General Meeting:

- (a) the issue of Shares and free attaching Options to Creditors of the Company pursuant to this Prospectus;
- (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 831,125,756 Options to the Underwriter in part consideration for underwriting the Entitlement Issue.

Financial Reports

The Company failed to lodge the 2008 Financial Year Annual Report (**Annual Report**) and 31 December 2008 Half-Year Report (**Half-Year Report**) within the time period prescribed under the Corporations Act due to its financial uncertainty. The Annual Report and Half-Year Report were lodged with the ASIC on 1 May 2009 and 18 May 2009 respectively.

Reinstatement to trading

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

3.3 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.

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.

3.4 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.

3.5 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:

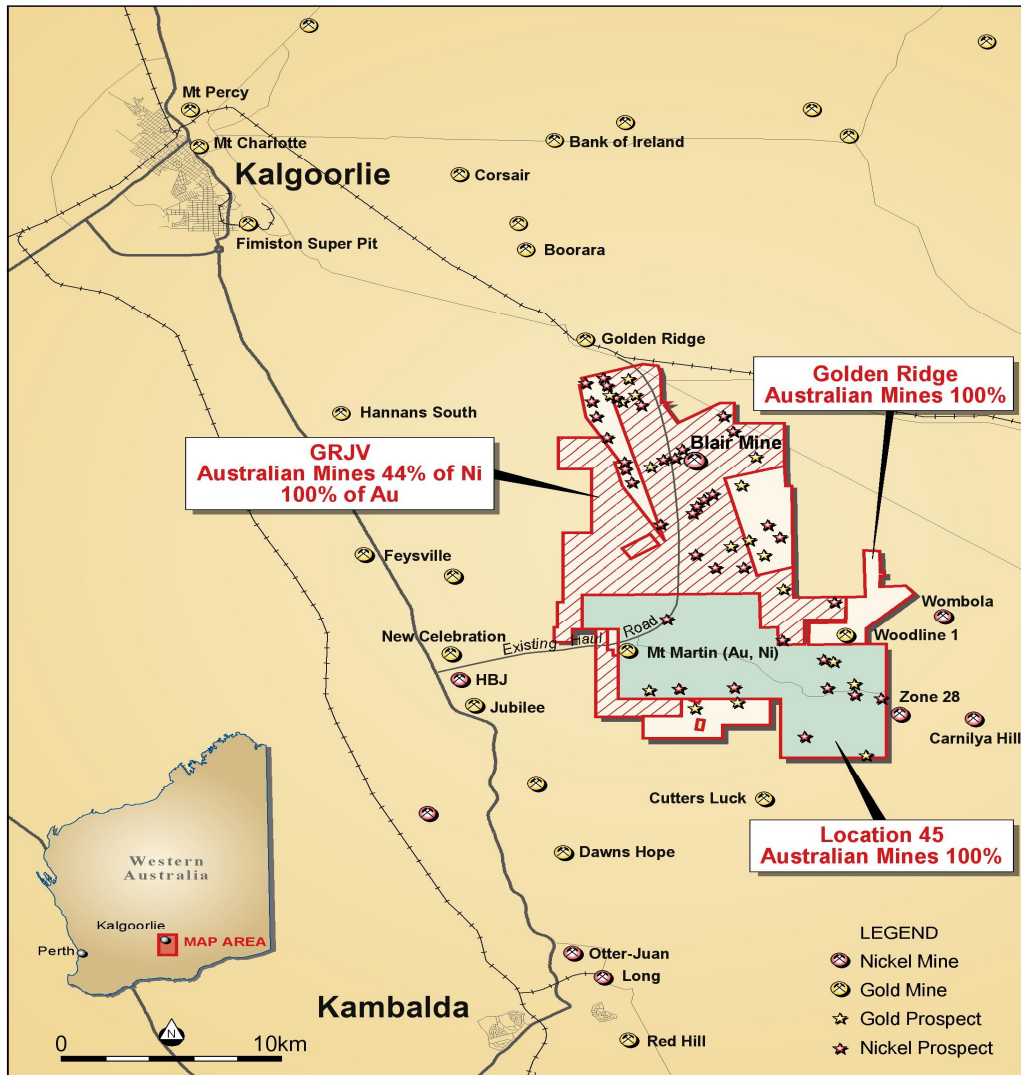
- (a) The **Golden Ridge tenements** cover an area of approximately 80 km². The Golden Ridge Project contains the Blair Nickel Mine, in respect of which the Company holds a 44.59% participating interest under a joint venture (**GRJV**) with Pioneer Nickel Limited. The Company has retained 100% of the 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 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 Woollbar 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	02/05/1988	01/05/2030	942.35	13070	41492

	(GRJV)					
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 230,000 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

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.

3.6 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.

4. PURPOSE AND EFFECT OF THE OFFER

4.1 Purpose of the Offer

The Purpose of the Offer is to issue Securities to Creditors in full and final satisfaction of non statutory debts outstanding of \$2,800,000. Accordingly, the Company will not raise any funds from the issue of Shares and Options under the Offer. Together with the Entitlement Issue, the issue of Securities under the Offer will enable the Company to:

- (a) provide funds to ensure that the Company can continue operating as a going concern;
- (b) provide funds for the further exploration on the Company's gold prospective tenements; and
- (c) meet the costs and expenses of the recapitalisation of the Company.

4.2 Effect of the Offer and Entitlement Issue

The issue of Shares and Options pursuant to this Prospectus is conditional upon, amongst other things, the approval of Shareholders and the Entitlement Issue raising a minimum of \$1.5 million.

The Company is seeking to raise approximately \$2,284,031 pursuant to the Entitlement Issue. The principal effect of the Offer and the successful completion of the Entitlement Issue will be to:

- (a) increase cash reserves to approximately \$1,870,000, after deducting estimated expenses of the Offer and the Entitlement Issue (of approximately \$415,042) and assuming all Securities offered under this Prospectus and pursuant to the Entitlement Issue are issued;
- (b) decrease the amount owing to Creditors by approximately \$2,800,000; and
- (c) increase the number of Shares on issue from 456,806,396 as at the date of this Prospectus to 5,540,838,376 Shares, assuming all Shares offered under this Prospectus and pursuant to the Entitlement Issue are issued.

4.3 Balance Sheet and Pro Forma 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 on the following page 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 Securities offered under the Prospectus and pursuant to the Entitlement Issue are issued and take into account the estimated expenses of the Offer.

The Balance Sheet has been prepared to provide investors 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.

	Notes	Unaudited 31 Mar 2009 Consolidated \$,000	Proforma 31 Mar 2009 Consolidated \$,000
CURRENT ASSETS			
Cash	1	832	1,870
Receivables	2	290	-
Total Current Assets		<u>1,192</u>	<u>1,870</u>
NON CURRENT ASSETS			
Investments		-	-
Plant & equipment		699	699
Exploration & evaluation		9,075	9,075
Total Non Current Assets		<u>9,774</u>	<u>9,774</u>
TOTAL ASSETS		<u>10,896</u>	<u>11,644</u>
CURRENT LIABILITIES			
Payables	3	3,840	508
Interest bearing liabilities	4 & 5	1,490	900
Provisions		77	77
Total Current Liabilities		<u>5,407</u>	<u>1,485</u>
NON CURRENT LIABILITIES			
Interest bearing liabilities		-	-
Provisions		213	213
Total Non Current Liabilities		<u>213</u>	<u>213</u>
TOTAL LIABILITIES		<u>5,620</u>	<u>1,698</u>
NET ASSETS		<u>5,276</u>	<u>9,946</u>
EQUITY			
Contributed equity		21,119	25,789
Reserve		196	196
Accumulated Loss		(16,039)	(16,039)
TOTAL EQUITY		<u>5,294</u>	<u>9,946</u>

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

- Cash** – the cash balance as at 31 March 2009 is used to pay creditors. The pro-forma cash balance is the amount raised from the Entitlement Issue less expenses of the Offer and Entitlement issue of approximately \$414,042.
- Receivables** – receivables as at 31 March 2009 have been used to pay statutory creditors, including the Australian Taxation Office. An amount of \$500,000 not recorded in the pro-forma Balance Sheet which is still to be received from the sale of the Woodline resource will be used to pay statutory creditors.
- Payables** – the pro-forma amount has been reduced by the extinguishment of \$2,500,000 in debts owed to Creditors pursuant to this Offer and cash payments totalling \$832,000 described in note 1 above.
- 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 are progressing towards a settlement with the financier accepting Shares (and free attaching Options) in full and final settlement on the outstanding hire purchase liability. The Company has some other assets under hire purchase in the Balance Sheet which is close to sale and therefore the hire purchase liability is covered by the value of the equipment.

5. **Related Party Loan** – Michlange Pty Ltd, an entity associated with Mr Warburton, a Director of the Company, loaned to the Company \$250,000 on 1 July 2008. 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 under the loan outstanding at 31 March 2009 is secured by a fixed and floating charge over the assets of the Company. It is proposed that the balance of the loan plus accrued interest of \$4,219 will be settled by the issue of Shares in the Company on the same terms as the Shares issued pursuant to this Prospectus.

4.5 Pro forma Capital Structure of the Company

The capital structure of the Company following completion of the Offer and the Entitlement Issue is set out below:

Shares

	Number
Shares on issue as at the date of this Prospectus	456,806,396
Shares offer to Creditors pursuant to this Prospectus	2,800,000,000
Shares offered pursuant to Entitlement Issue	2,284,031,980
Shares on issue on completion of the Offer and Entitlement Issue	5,540,838,376

Options

	Number
Unquoted options on issue as at the date of this Prospectus ¹	8,750,000
Options issued to Creditors pursuant to this Prospectus	140,000,000
Options offered pursuant to Entitlement Issue	114,201,599
Options to be issued to the Underwriter (or its nominees) ²	831,125,756
Options on issue on completion of the Offer	1,094,077,355

Notes:

1. 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).

2. 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.

The Shares and Options offered pursuant to this Prospectus will be allotted after the Record Date for the Entitlement Issue such that Creditors will not be eligible to participate in the Entitlement Issue.

5. RIGHTS ATTACHING TO SECURITIES

5.1 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.

5.2 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.

6. RISK FACTORS

6.1 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.

6.2 Statutory Debts

As at the date of this Prospectus, 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 proposed Entitlement Issue. The Company has advised the ATO that it expects to be able to pay its outstanding tax liability on or about 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.

6.3 Hire Purchase Liabilities

The Company has total hire purchase liabilities of \$3,510,500 as at 31 March 2009. The Company is negotiating with several parties in relation to the sale of assets to allow the Company to meet its obligations under the hire purchase agreements.

The Company has an outstanding liability with one financier of \$2,630,111 under a hire purchase agreement on plant assets worth \$2,300,000. The Company is seeking, as part of this Offer, to issue to the financier Shares (and free attaching Options) equal to an amount of \$300,000 pursuant to this Prospectus in full and final satisfaction of its potential outstanding liability on any shortfall in realisable value.

There is a risk that the financier may not accept the offer of Shares in lieu of the potential outstanding liability.

6.4 Minimum Acceptance by Creditors

It is a condition of the Offer that the Company receives acceptances from Creditors equal to a minimum amount of 90% of the total Creditor debt outstanding, equivalent to approximately \$2.52 million.

The Offer is also subject to a number of other conditions set out in Section 3.2.

In the event that the Company does not receive the minimum level of acceptances from Creditors (or any of the other conditions of the Offer are not satisfied), the Offer and the Entitlement Issue will not proceed and the Company will need to consider whether it can continue operating as a going concern.

6.5 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.

6.6 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.

6.7 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.

6.8 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.

6.9 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.

6.10 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.

6.11 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.

6.12 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.

6.13 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.

6.14 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.

6.15 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.

6.16 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.

6.17 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.

7. ADDITIONAL INFORMATION

7.1 Continuous Disclosure Obligations

The Company is a “disclosing entity” for the purpose 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. The Shares which will be issued pursuant to this Prospectus are in the same class of Shares that have been quoted on the official list of the ASX during the 3 months prior to the issue of this Prospectus.

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 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 enquiries as are reasonable, the Company believes that it has complied with the general and specific disclosure requirements of ASX as applicable from time to time since the date the Company listed on 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) copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, the offices of the ASIC; and
- (b) it will provide a copy of any continuous disclosure given by the Company since the date the Company listed on ASX.

The Company has lodged the following announcements with ASX since 30 June 2008:

Date	Description of Announcement
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.

7.2 Material Contracts

The following are summaries of the significant terms of the material agreements which relate to the business of the Company.

Sale Agreement – Blair Mine infrastructure

On 25 February 2009, the Company entered into an agreement to sell the Blair Mine underground infrastructure for \$1,250,000 (excluding GST) to Paddington Gold Pty Ltd. The proceeds from the sale have been used towards payment to creditors and to pay for the costs of the Entitlements Issue.

Sale of Woodline 1 resource

In December 2008, the Company sold the Woodline 1 gold resource of approximately 12,000 ounces of gold to a Kalgoorlie Syndicate in consideration for an initial deposit of \$400,000 plus a final payment of \$500,000. The agreement allows for the syndicate to mine over a period of 9 months from the date of access which is April 2009. The underlying tenement remains registered in the name of the Company. The balance of \$500,000 as consideration is payable on completion of mining.

7.3 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 31 December 2008, 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 \$4,219 may be settled by the issue of Shares in the Company, subject to Shareholder approval.

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). For the period 1 July 2008 to the date of this Prospectus, no fees have been paid to Mr Warburton or Mr Elias as non-executive Directors of the Company due to the adverse financial position of the Company. 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 may be settled by the issue of Shares in the Company, subject to Shareholder approval.

7.4 Interests 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 Shares 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 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 of Shares pursuant to this Prospectus.

Steinepreis Paganin have acted as solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin approximately \$30,000 (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, a notice of meeting and the Entitlement Issue.

Patersons Securities Limited has acted as Lead Manager to the Company in relation to the Offer. The Company estimates it will pay Patersons \$60,000 to act as Lead Manager in relation to this Offer, the Entitlement Issue and the Sell Down facility. Patersons will also be paid a fee of 6% of the amount underwritten under the Entitlement Issue and committed firm under the Sell Down facility. In the past two years, Patersons has not been paid any fees by the Company.

7.5 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Patersons Securities Limited has given, and at the time of lodgement of this Prospectus, has not withdrawn its consent to be named as Lead Manager 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.

Steinepreis Paganin has given their written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn their consent prior to the lodgement of this Prospectus with the ASIC.

Mr Mick Elias has given his written consent to being named in this Prospectus as a Competent Person, as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and to the inclusion of the statements in Section 3 that relate to exploration results and mineral resources which are based on his information, in the form and context in which they appear. Mr Elias has not withdrawn his consent prior to the lodgement of this Prospectus with the ASIC.

7.6 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

7.7 Expenses of this Offer

In the event that the Offer is fully subscribed, the total expenses of this Offer are estimated to be approximately \$68,010 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	2,010
ASX fees	11,000
Advisers Fees*	50,000
Printing and other expenses	5,000
Total	<u>\$68,010</u>

* Assumes that Patersons Lead Manager fee in respect of this Offer only amounts to \$20,000. This does not include fees or commissions payable in relation to the Entitlement Issue or Sell Down facility as set out in 7.4 above.

The maximum total expenses of this Offer and the Entitlement Issue is set out in the table below:

Fee		\$
Lead Manager to Offer, Entitlement Issue and Sell Down		60,000
Underwriting Fee – Entitlement Issue	6%	137,042 ¹
Legal Fees – Offer		30,000
Commission – Sell Down	6%	168,000 ²
Legal Fees – Entitlement Issue		20,000
Total		\$415,042

Notes:

1. Assumes that the full amount to be raised under the Entitlement Issue is underwritten.
2. Assumes that all of the Shares offered pursuant this Prospectus have been placed by Patersons under the Sell Down facility.

7.8 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.

7.9 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.

8. 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

AFSL means Australian Financial Services Licence.

Annual General Meeting means the meeting of Shareholders to be held on 2 June 2009 (subject to any extension) to seek approval for, amongst other things, the issue of the Securities under the Offer.

Application Form means the application form accompanying this Prospectus.

ASIC means the Australian Securities and Investments Commission.

ASX means, as the context requires, ASX Limited (ACN 008 624 691) or the Australian Securities Exchange.

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 5:00pm (WST) on 17 June 2009 unless extended or closed earlier.

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 Issue means the proposed non-renounceable entitlement issue of 5 new Shares for every 1 Share held by existing Shareholders at an issue price of 0.1 cent per Share together with 1 free option for every 20 Shares subscribed for and allotted, to be offered pursuant to a Prospectus.

Lead Manager or **Underwriter** means Patersons (as the context requires).

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

Offer the offer pursuant to this Prospectus of up to 2,800,000,000 Shares at a deemed issue price of 0.1 cent per Share together with one (1) free attaching Option for every twenty (20) Shares subscribed for and allotted, to extinguish outstanding debts of the Company totalling \$2,800,000.

Opening Date means 27 May 2009.

Option means an option to acquire a Share on the terms and conditions set out in Section 5.2.

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

Prospectus means this prospectus.

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

Record Date means the record date for the Entitlement Issue, being 9 June 2009 (unless extended).

Securities means Shares and Options.

Sell Down means the facility described in Section 2.3.

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

Share Registry means Advanced Share Registry Services.

Shareholder means a shareholder of the Company.

WST means Western Standard Time.