



25 March 2009

ASX Announcement

Company Update

AUZ PROPOSED RECAPITALISATION STRATEGY

Australian Mines (ASX: AUZ) is pleased to announce that it has negotiated with Patersons Securities Limited the terms of an underwritten capital raising that will allow the Company to be relisted on the ASX.

The Company has been seriously affected by the downturn in nickel prices and was placed in suspension on 30th September 2008. The Blair mine was closed in December 2008. Mining personnel were laid off, mine infrastructure assets have been sold and the mobile fleet has been rationalised.

We can further advise that some of our tenement and project assets are gold related and we have received an offer to underwrite an entitlements issue to shareholders/creditors to raise funds to explore for gold on these gold assets. Also AUZ still retains its nickel assets for the future.

The proposed underwriting agreement for the entitlements issue will facilitate the repayment of outstanding liabilities and provide sufficient working capital for the Company to move forward.

Details of the issue are as follows: -

1. It is proposed that the issue would be a non-renounceable entitlement issue of 10 shares for every 1 share. These new shares will be issued at 0.1 cent to raise approx \$4.5m.
2. There would also be an issue of 1 free attaching option (exercisable at 0.2 cents and having a 4 year expiry period) for every 20 new shares.

Compliance Issues and Timing

The timetable for the events is being prepared and the company will need at least 2 months for the process to be completed. This will include circulating to our shareholders a signed set of full year financial reports for 2008, half year accounts for December 2008, holding our AGM which would also include shareholder approvals for the entitlements issue to proceed. Also there needs to be a prospectus prepared which will include a summary of our current projects and the proposed work programs going forward.

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Exploration Interests

The Directors believe this offers the best solution for all stakeholders to recover value by pursuing the gold exploration opportunities in the Golden Ridge/Mt Martin region of WA.

Gold

The Company is looking to develop its gold interests which have been largely overlooked during the period when nickel was considered more important.

The gold interests include the Golden Ridge tenements in near proximity to the Golden Ridge Mine which historically produced 300,000 ounces, East Location 45 which contains the Mt Martin Gold Mine (currently under lease to Dioro Exploration until January 2010) which historically produced 250,000 ounces of gold, and Duplex Hill South which contains an Indicated Resource of 12,000 ounces of gold at Woodline 1.

Location	Category	Resource Tonnes	Gold g/t	Gold Ounces
Woodline 1	Measured			
	Indicated	123,000	2.9	11,500
	Inferred	5,000	4.6	700
	Sub -total	128,000	3.0	12,000
Mt Martin*	Measured			
	Indicated	4,470,000	1.5	221,000
	Inferred			
	Sub-total	4,470,000	1.5	221,000
	Total	4,598,000	1.5	233,000

Gold resources March 2009.

*Dioro annual report 2008. Mt Martin gold mine is currently under lease to Dioro Exploration until January 2010.

Nickel

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

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

Nickel resources March 2009

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

For further information contact:

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The information in this report that relates to 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 AUZ. 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.

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