

Australian Mines Limited
ABN 68 073 914 191

ENTITLEMENT OFFER

Fully underwritten \$1,482,974 non-renounceable 1 for 5 entitlement offer
of approximately 114,074,939 New Shares at an issue price of \$0.013 per New Share

CLOSING DATE: 5.00 PM AEST ON 16 September 2014

Underwriter: Terrain Capital Markets Limited

This Letter of Offer is an important document which is accompanied by an Entitlement and Acceptance Form and both should be read in their entirety. This Letter of Offer requires your immediate attention and if you are in any doubt about its contents or the course of action you should take, please contact your professional adviser.

The Letter of Offer is provided for information purposes and is not a prospectus or other disclosure document for the purposes of the Corporations Act. Accordingly, this Letter of Offer does not necessarily contain all of the information which a prospective investor may require to make an investment decision and it does not contain all of the information which would otherwise be required to be disclosed in a prospectus or other disclosure document.

The New Shares offered under this Letter of Offer have not been registered under the US Securities Act and may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any US Person, except pursuant to applicable exceptions from registration.

If you do not lodge an Entitlement and Acceptance Form together with payment by 5pm (Melbourne time) on 16 September 2014, you will not be issued New Shares in Australian Mines Limited.

Important Information

The Corporations Act allows listed companies to make a pro-rata entitlement offer of securities to existing Shareholders without a disclosure document. The Offer to which this Letter of Offer relates complies with the requirements of section 708AA of the Corporations Act as modified by ASIC Class Orders 07/571 and 08/35. Accordingly, the Offer is made without disclosure under Part 6D.2 of the Corporations Act and this Letter of Offer is not required to be lodged or registered with ASIC. This Letter of Offer is provided for information purposes and is not, and does not purport to be, a prospectus or other disclosure document for the purposes of the Corporations Act. Accordingly, this Letter of Offer does not contain all of the information which would otherwise be required to be disclosed in a prospectus or other disclosure document, and does not necessarily contain all of the information which a prospective investor may require to make an investment decision.

This Letter of Offer is dated 26 August 2014. Neither ASIC nor ASX, nor any of their officers or employees takes responsibility for this Offer or the merits of the investment to which this Offer relates.

Not investment advice

You should read this Letter of Offer in its entirety and refer to the releases made by Australian Mines Limited (AUZ or the Company) to ASX before deciding whether to apply for New Shares. In particular, you should consider the risk factors outlined in Section 6 and consider these risk factors in light of your personal circumstances, including financial and taxation issues. The information provided in this Letter of Offer is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. AUZ is not licensed to provide financial product advice in respect of the New Shares. You should conduct your own independent review, investigation and analysis of the New Shares which are the subject of the Offer. If you are in any doubt as to how to deal with this Offer or have any questions, you should contact your professional adviser without delay. You should obtain any professional advice you require to evaluate the merits and risks of an investment in AUZ before making any investment decision.

Overseas Shareholders

This Letter of Offer does not, and is not intended to, constitute an offer, invitation or issue in any place in which, or to any person to whom, it would be unlawful to make such an offer, invitation or issue. This Letter of Offer has not been, nor will it be, lodged, filed or registered with any regulatory authority under the securities laws of any country. In

particular, the New Shares have not been and will not be, registered under the US Securities Act and may not be offered, sold or delivered within the US or to or for the account or benefit of any US Person, except pursuant to applicable exceptions from registration. In addition, hedging transactions with respect to the New Shares may not be conducted unless in accordance with the US Securities Act.

Accordingly, subject to certain exceptions, Entitlement and Acceptance Forms will not be sent to Shareholders outside of Australia or New Zealand. The distribution of this Letter of Offer and the accompanying Entitlement and Acceptance Form outside of Australia or New Zealand may be restricted by law and persons who come into possession of this Letter of Offer and the accompanying Entitlement and Acceptance Form should seek advice on and observe those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws.

Return of a duly completed Entitlement and Acceptance Form will be taken by AUZ to constitute a representation that there has been no breach of laws in connection with your ability to participate in the Offer.

No Entitlement trading

Entitlements are non-renounceable and will not be tradeable on ASX or be otherwise transferable. In addition, you cannot, in most circumstances, withdraw your application for New Shares once it has been accepted.

No representations other than as set out in this Letter of Offer

No person is authorised to give any information or make any representation in connection with the Offer other than as contained in this Letter of Offer. Any information or representation in connection with the Offer not contained in this Letter of Offer is not, and may not be relied upon as having been authorised by AUZ or any of its officers.

Defined terms

Defined terms and abbreviations used in this Letter of Offer are explained in Section 8.

MESSAGE FROM THE CHAIRMAN

26 August 2014

Dear Shareholder

This document is a Letter of Offer inviting you to participate in an Entitlement Offer by Australian Mines Limited (“AUZ”). The Entitlement Offer is fully underwritten to \$1.48m and offers you the right to take up 1 New Share for each 5 Shares you currently hold. The price of the New Shares is \$0.013 per New Share and your entitlement calculation is set out on the attached Entitlement and Acceptance Form.

Shareholders also have the opportunity to apply for New Shares in addition to their Entitlements at the Issue Price. In the event that Eligible Shareholders do not take up their Entitlements in full, the Directors, subject to the terms of the Underwriting Agreement, reserve the right to issue New Shares at their sole and absolute discretion to subscribers for Additional Shares.

I encourage you to carefully read this letter and the accompanying Entitlement and Acceptance Form in full prior to making any decision about whether or not to invest, and to seek professional advice if you think it appropriate to do so.

The proceeds of the Entitlement Offer will be used to undertake the drilling program referred to in the Company’s announcement to the market on 1 August 2014 and other working capital. That announcement concerned a ground-based electromagnetic (EM) survey over the Company’s Marymia project that has detected a strongly conductive body beneath an historic nickel-in-soil anomaly. You should read that announcement and subsequent announcements in full as well as this document prior to making any investment decision,

The Board recommends this offer to you.

Yours sincerely



Michael Ramsden
Chairman

KEY DATES

Activity	Date
Announcement concerning anomaly and drilling program	1 August 2014
Announce on ASX the non renounceable pro rata issue and lodge Appendix 3B with ASX.	Before 10.00am on 13 August 2014
Letter to option holders	13 August 2014
3B letter to shareholders	13 August 2014
Ex date.	20 August 2014
Record date to identify security holders entitled to participate in the issue.	7 pm (Melbourne time) 22 August 2014
Offer letter sent to shareholders. Announce that dispatch has been completed.	26 August 2014
Lodge 708AA Cleansing Notice with ASX.	26 August 2014
Offer period opens.	26 August 2014
Offer period closes.	5pm (Melbourne time) 16 September 2014
Notification of under subscriptions	19 September 2014
Issue and allot offer shares and announce completion of offer and lodge final Appendix 3B.	23 September 2014
Commencement of normal trading.	24 September 2014
Dispatch of holding statement.	24 September 2014

These dates are subject to change and are indicative only. AUZ reserves the right to amend this timetable, with the consent of the Underwriter where required, including, subject to the Corporations Act and the Listing Rules, to extend the Closing Date.

SECTION 1. KEY INFORMATION

The information set out in this section is not intended to be comprehensive and should be read in conjunction with the full text of this Letter of Offer.

1.1 Offer

This Letter of Offer contains an Offer of New Shares under a non-renounceable Entitlement Offer. Under the Offer, Eligible Shareholders are entitled to subscribe for 1 New Share for every 5 Shares held as at the Record Date, at an issue price of \$0.013 each. Your entitlement is set out in the Entitlement and Acceptance Form.

The Closing Date and time for acceptances and payments is 5.00pm AEST on 16 September 2014.

Only recipients of a personalised Entitlement and Acceptance Form can participate in the Offer.

You may also apply for Additional Shares as set out on the Entitlement and Acceptance Form. Additional Shares will be allotted from any Shortfall at the sole and absolute discretion of the Directors, subject to the terms of the Underwriting Agreement. Additional Shares may be pro rated amongst Shareholders who apply for them, or not allotted at all. You may therefore receive all, some or none of the Additional Shares for which you apply.

Further details of the Offer are set out in full in Section 2.

1.2 What you need to do

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. You can subscribe for all, or part, of the Entitlement to New Shares specified in the Entitlement and Acceptance Form. If you apply to accept your Entitlement in full you may also apply for Additional New Shares over and above their Entitlement. See Section 3 for detailed instructions on what you need to do.

1.3 Purposes of the Offer and use of proceeds

The key purpose of the Offer is to undertake the drilling program referred to in the Company's announcement to the market on 1 August 2014 and other working capital.

The purposes of the Offer are discussed more fully in Section 4.

1.4 Effects of the Offer on the capital of AUZ

There are 666,911,575 Shares on issue as at the date of this Letter of Offer. After the issue of New Shares under the Offer there will be up to approximately 780,986,514 Shares on issue.

The Underwriter is underwriting the Offer by up to \$1,482,974. In some circumstances the relevant interest in Ordinary Shares of AUZ of the Underwriter will increase as a result of the Offer, however the Underwriter is not allowed to obtain a relevant interest in excess of 20% of the issued capital in AUZ as a result of the offer.

A more detailed description of the effects of the Offer is contained in Section 4.

1.5 Financial impact of the Offer

A summary of the financial impact on the Company of the Offer is contained in Section 5.

1.6 Risk factors

An investment in AUZ involves general risks associated with an investment in the share market. The price of New Shares may rise or fall.

There are also a number of risk factors, both specific to AUZ and of a general nature, which may affect the future operating and financial performance of AUZ and the value of an investment in it. There is a limited discussion of risk in Section 6. Before deciding to invest in AUZ, prospective investors should consider all risk factors carefully.

SECTION 2. DETAILS OF THE OFFER

2.1 The Offer

AUZ is making a non-renounceable Entitlement Offer offering Eligible Shareholders 1 New Share for every 5 Shares held at the Record Date. The issue price of \$0.013 per New Share is payable in full on application.

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. Fractional entitlements have been rounded up to the nearest whole New Share. Eligible Shareholders may accept their Entitlement, in whole or in part, by making payment via BPAY using the details on their Entitlement and Acceptance Form, or by completing their Entitlement and Acceptance Form and sending it to the Share Registry at the address on the back of the Entitlement and Acceptance Form together with payment by cheque, money order or bank draft so that it is received prior to the Closing Date.

You may also apply for Additional Shares as set out on the Entitlement and Acceptance Form. Additional Shares will be allotted from any Shortfall at the sole and absolute discretion of the Directors, subject to the terms of the Underwriting Agreement. Additional Shares may be pro-rated amongst Shareholders who apply for them, or not allotted at all. You may therefore receive all, some or none of the Additional Shares for which you apply.

2.2 Opening and Closing Dates

The Offer will open for receipt of acceptances on 26 August 2014.

The Closing Date and time for acceptances and payments is 5.00pm AEST on 16 September 2014, subject to the Directors varying the Closing Date in accordance with the Corporations Act and Listing Rules and the consent of the Underwriter.

2.3 Who is entitled to participate in the Offer

Every Eligible Shareholder who is registered as the holder of Shares at 7.00pm AEST on the Record Date is entitled to participate in the Offer.

2.4 Renounceability

This Offer is non-renounceable. This means that your Right to subscribe for New Shares under this Letter of Offer is not transferable. Any Rights not taken up by an Eligible Shareholder may revert to the Underwriter, be placed by the Company or lapse.

2.5 Issue of New Shares

AUZ expects that the New Shares will be issued by no later than 23 September 2014 and holding statements will also be despatched on 24 September 2014.

Issues of New Shares under this Letter of Offer will only be made after permission for their quotation on ASX has been granted.

2.6 Refund of subscription monies

Subscription money will be held in a subscription trust account until the New Shares are issued. This account will be established and kept by AUZ on behalf of each Eligible Shareholder.

2.7 Underwriting

The Offer is fully underwritten by the Underwriter. This means that the Underwriter will step in and take up any Rights which are not accepted by Shareholders up to the amount of the Underwriting Commitment.

Further details of the Underwriting Agreement are set out in Section 7.2.

2.8 Excluded Shareholders

AUZ has decided that it is unreasonable to make the Offer to Shareholders who have a registered address in a country outside of Australia or New Zealand (**Excluded Shareholders**), having regard to the number of Shareholders in such places, and the substantial costs of complying with the legal and regulatory requirements in all of those jurisdictions. This Letter of Offer and any accompanying Entitlement and Acceptance Form do not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. Shareholders holding Shares on behalf of persons who are resident outside Australia or New Zealand are responsible for ensuring that subscribing for the New Shares under the Entitlement Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will constitute a representation that there has been no breach of such regulations. Where the Letter of Offer has been dispatched to Shareholders domiciled outside Australia or New Zealand and where that country's securities code or legislation prohibits or restricts in any way, the making of the offers contemplated by the Letter of Offer, the Letter of Offer and the accompanying Entitlement and Acceptance Form are provided for information purposes only.

SECTION 3. WHAT YOU NEED TO DO

If you have any questions about your Entitlement to New Shares, please contact:

- AUZ on 08 9481 5811;
- The Share Registry on 08 9389 8033; or
- Your stockbroker or professional adviser

3.1 How to take up all or part of your Entitlement

To subscribe for New Shares offered to you, complete the accompanying Entitlement and Acceptance Form according to the instructions on the form for all or that part of your Entitlement that you wish to accept. If you apply to accept your Entitlement in full you may also apply for Additional New Shares over and above their Entitlement.

You can either pay the subscription amount, including subscriptions for Additional New Shares, by BPAY using the details set out on your personalised Entitlement and Acceptance Form, or send the completed form, together with a cheque, bank draft or money order in payment for all the New Shares which you wish to subscribe for, to reach AUZ's Share Registry, Advanced Share Registry Services, in the reply paid envelope, no later than 5.00pm AEST on 16 September 2014. Acceptances will not be accepted by the Company if they are received after the Closing Date.

3.2 Lapse of Rights

If you decide not to accept all or part of your Entitlement to New Shares, or fail to do so by the Closing Date, your Rights will lapse. Lapsed Rights will revert to the Underwriter, who will subscribe for the New Shares which are the subject of these Rights without any benefit to you for doing so, up to the Underwriting Commitment. Any Shortfall in excess of the Underwriting Commitment may be placed by the Directors within three months of the Closing Date.

3.3 Payment

Entitlement and Acceptance Forms must be accompanied by payment in full. Payments must be made by 5.00pm AEST on 16 September 2014. Payments will only be accepted in Australian currency and as follows:

- BPAY using the BPAY biller code and customer reference number set out on your personalised Entitlement and Acceptance Form;
- cheque drawn on and payable at any Australian bank;
- bank draft drawn on and payable at any Australian bank ; or
- money order.

Payment can be made using BPAY in accordance with the instructions for BPAY set out in your Entitlement and Acceptance Form using the biller code and unique reference number on the form. If you pay by BPAY you do not need to complete and return your personalised Entitlement and Acceptance Form.

If you require further information in relation to using BPAY please contact your bank, credit union or building society. If you are applying for New Shares and your payment is being made by BPAY you do not need to return your Entitlement and Acceptance Form. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.

Cheques, bank drafts or money orders should be completed as described in the Entitlement and Acceptance Form. Cash payments will not be accepted.

SECTION 4. PURPOSE AND EFFECTS OF THE OFFER

4.1 Purposes of the Offer and use of proceeds

The key purpose of the Offer is to undertake the drilling program referred to in the Company's announcements to the market on 1 August 2014 and 5 August 2014, and other working capital.

AUZ's exploration team is very encouraged by the initial results received to date from the EM survey at Marymia.

AUZ is particularly pleased with the early indications from the Simmons prospect, which appears to be ticking all the boxes as a possible Kambalda-style nickel target.

The Company will look to undertake a drilling program of this promising base metal target and as well as expand the EM survey across other high priority nickel and copper-gold targets. The drilling of the Simmons prospect, is scheduled to commence by September 2014 and the Company anticipates receiving the final assays from this program in October.

You should read the announcements and this Letter of Offer in full before making any investment decision.

4.2 Capital structure

This table shows the number of issued New Shares at the date of the Offer and the potential total number of issued Shares at the close of the Offer.

<i>Ordinary New Shares</i>	<i>Number</i>
Issued Shares at the date of the Letter of Offer	666,911,575
New Shares offered under this Letter of Offer *	114,074,939
Total issued Shares on close of the Offer	780,986,514

* This figure, and the total number of issued Shares on the close of the Offer are necessarily approximate as the number of Shares issued will depend on the number of Applications and individual Shareholdings will be rounded up when calculating entitlements.

4.3 Effect of the Offer on the Control of AUZ

It is not possible to predict with accuracy the effect of the Offer on the control of AUZ. There are various possible outcomes that may arise and these, in large part, will depend on the extent to which Eligible Shareholders take up their entitlements under the Offer and apply for Additional Shares, and the ability of the Directors to place Shortfall Shares.

If all Eligible Shareholders take up their full entitlements, then each Eligible Shareholder's percentage ownership interest (and voting power) in AUZ will increase by approximately 2.5% (given the number of Shares held by ineligible Shareholders) and there will be little or no effect on the control of AUZ.

If an Eligible Shareholder does not take up all of their entitlement, their percentage ownership interest (and voting power) in AUZ will be diluted.

The proportional interests of overseas shareholders excluded from the Offer (being all overseas shareholders other than those in New Zealand) will be diluted because such Shareholders are not entitled to take up New Shares under the Offer.

The Underwriter has entered into agreements with third parties to sub underwrite all of the Underwritten Amount. The number of New Shares that will be issued to the Underwriter is not known at this time as it will depend on the number of New Shares and oversubscriptions taken up by Eligible Shareholders.

If:

- No Eligible Shareholders (other than Directors) take up their Entitlements; and
- No Eligible Shareholder applies for more than their Entitlements; and
- The Directors are unable to place Shortfall Shares; and
- All the sub underwriters fail to take their agreed allocations,

then the relevant interest of the Underwriter in AUZ will potentially increase from 0% to 13.21 %. The Directors consider that this is extremely unlikely to occur. The most likely **maximum** relevant interest is nil given the current arrangements in place with sub underwriters.

As Michael Ramsden is a related party to the Underwriter (see section 7.2), his current relevant interest in AUZ shares of 3.47% will be added to the Underwriter's relevant interest. The Directors consider the most likely **maximum** relevant interest of Mr Ramsden following the Entitlement Offer is 7.12% as he may sub underwrite part of the Underwritten Amount as disclosed in section 7.2.

SECTION 5. FINANCIAL INFORMATION

5.1 Financial position

AUZ's cash reserves will increase by up to approximately \$1.48 million following the Entitlement Offer, being the gross proceeds of the Entitlement Offer.

5.2 Tax considerations

The Directors do not consider that it is appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Letter of Offer.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders. As a result, Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Letter of Offer.

SECTION 6. RISK FACTORS

There are risks associated with investing in any form of business and with investing in the share market generally. There are also a range of specific risks that may materially affect the performance of AUZ and the value of the New Shares. Many of these risks are outside the control of AUZ and cannot be mitigated in any way, although prudent management may partly minimise some of these risks.

This section identifies the areas the Board regards as the major risks specific to an investment in AUZ.

6.1 Mining and exploration

Exploration and mining companies throughout the world are subject to the inherent risks of the minerals industry. The future viability and profitability of the Company as an exploration and mining company will depend on a number of factors, including but not limited to:

- Commodity prices and exchange rates are constantly changing;
- Risks inherent in exploration and mining include, among other things, successful exploration and identification of ore reserves, satisfactory performance of mining operations if a mineable deposit is discovered and competent management;
- Risks associated with obtaining the grant of any or all of the Company's mining tenements or permits which are applications, or renewal of tenements upon expiry of their current term, including the grant of subsequent titles where applied for over the same ground.
- Applications may also be subject to additional processes and requirements under the Native Title Act. The right to negotiate process under Native Title matters can result in significant delays to the implementation of any project or stall it. Negotiated native title agreements may adversely impact on the economics of projects depending on the nature of any commercial terms agreed.
- The risk of material adverse changes in the government policies or legislation of Australia affect the level and practicality of mining and exploration activities;
- Environmental management issues with which the Company may be required to comply from time to time.
- Poor access to exploration areas as a result of remoteness or difficult terrain;
- Poor weather conditions over a prolonged period which might adversely affect mining and exploration activities and the timing of earning revenues;
- Business risks associated with AUZ's joint venture arrangements with Riedel Resources Limited.

6.2 General risk

This section identifies the areas the board regards as the general risks to any investment in securities:

- economic conditions in Australia and globally;
- investor sentiment in local and international share markets;
- changes in interest rates and the rate of inflation;
- changes to government regulation, policy or legislation;
- seasonal fluctuations in business;
- industrial disputes;
- share investment risk;
- liquidity and realisation risk;
- changes to accounting or financial reporting standards;
- political instability or war; and
- other economic and political risks.

AUZ's future revenues and operating costs can be affected by all of the factors described above. Accordingly, the future profitability of AUZ and price of any New Shares issued in relation to the Entitlement Offer may be affected by factors which are beyond the control of AUZ.

The above list of risk factors is not exhaustive of the risks faced by AUZ or by investors in AUZ. Those risk factors, and others not specifically referred to above, may in the future materially affect the financial performance of AUZ and the value of the New Shares.

Therefore, the New Shares to be issued under this Letter of Offer carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those New Shares.

SECTION 7. ADDITIONAL INFORMATION

7.1 Privacy notification

By accepting the Offer, each Eligible Shareholder acknowledges that they have received and read this Letter of Offer.

As a Shareholder, AUZ and the Share Registry have already collected certain personal information from you. If you apply for New Shares, AUZ and the Share Registry may update that personal information or collect additional personal information. Such information will be used to assess your acceptance of New Shares, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. By accepting the Offer, you agree that AUZ and the Share Registry may disclose your personal information for purposes related to your Shareholding to its agents, contractors and service providers including those listed below or as otherwise authorised under the Privacy Act:

- the Underwriter in order to assess your acceptance of New Shares;
- the Share Registry for ongoing administration of the register;
- printers and mailing houses for the purposes of preparation and distribution of Shareholder statements and for handling of mail; and
- ASX and other regulatory authorities.

The Corporations Act requires AUZ to include information about each Shareholder (including name, address and details of the Shares held) in its public register. The information contained in AUZ's public register is also used to facilitate payments and corporate communications (including AUZ's financial results, annual reports and other information that AUZ wishes to communicate to its security holders) and compliance by AUZ with legal and regulatory requirements.

If you are paying by cheque, bank draft or money order and do not provide the information required on the Entitlement and Acceptance Form, AUZ may not be able to accept or process your Form.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) AUZ and the Share Registry. You can request access to your personal information by contacting AUZ through the Share Registry as follows:

Advanced Share Registry Limited
PO BOX 1156 Nedlands WA 6909
Tel: 08 9389 8033
Fax: 08 9262 3723
Website: www.advancedshare.com.au

A fee may be charged for access to your personal information.

7.2 Underwriting Agreement

The Underwriter has agreed to fully underwrite the Offer. The Underwriting Agreement between the Underwriter and AUZ was executed on 12 August 2014. The Underwriting Agreement contains the following key terms (defined terms below have the same meaning as given to them in the Underwriting Agreement):

Under the terms of the Underwriting Agreement, the Underwriter is entitled to an underwriting fee of 6% of the amount raised (plus any applicable GST) and a management fee of \$15,000. Additionally, the Company must pay or reimburse the Underwriter for its reasonable legal and other costs of and incidental to the Entitlement Offer. The Underwriter may appoint sub-underwriters to sub-underwrite the Offer. The Underwriter is responsible for paying all sub-underwriting fees, handling fees, brokerage and other charges incurred by them in procuring valid applications.

The Chairman of AUZ Michael Ramsden is a director and shareholder of the Underwriter. Accordingly he will receive a benefit from the Underwriting Agreement in terms of Underwriter's fees.

A Director of AUZ, Dominic Marinelli, carries out services for the Underwriter and will be paid a fee for services relating to the Underwriting.

The Directors of AUZ other than Mr Ramsden and Mr Marinelli have resolved that the benefit being received by Mr Ramsden and Mr Marinelli as related parties are reasonable in the circumstances and on arms length terms. Any Shares issued to the Underwriter will be on the same terms and price as New Shares.

The Underwriter intends to sub underwrite to third parties. Those parties may include the current Directors including Mr Ramsden and Mr Marinelli depending on the amount of the Shortfall as discussed below. The amount of any Shortfall is not known at the date of this Letter of Offer. If there is a Shortfall (being the number of Underwritten Shares for which Valid Applications have not been received before the Closing Date), the Underwriter must, by 22 September 2014, lodge or cause to be lodged with the Company applications for the Underwritten Shares comprising the Shortfall (including the application money).

The Company has made a number of representations and warranties under the Underwriting Agreement, including that the Entitlement Offer complies with the requirements of the Corporations Act and that the Company has complied with its continuous disclosure requirements. The Company has indemnified the Underwriter and its Directors, officers, employees and advisers against losses arising if these representations and warranties are wrong.

The Underwriter may terminate the Underwriting Agreement and be released from its obligations on the happening of a number of events that the Company considers are usual for an underwriting agreement of this type

7.3 Costs of the Offer

If the Offer proceeds, the total estimated costs of the Offer, including underwriting fees, processing fees, legal fees, fees for other advisers, Letter of Offer design, printing, postage and other miscellaneous expenses, will be approximately \$145,000.

SECTION 8. DEFINED TERMS

ASIC means the Australian Securities and Investments Commission.

ASX means the Australian Securities Exchange Limited.

Board means the board of Directors.

Closing Date means the last date for accepting an offer for New Shares, being 5.00pm AEST on 16 September 2014.

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

Directors means the directors of AUZ.

Eligible Shareholders means:

- (a) all Shareholders with registered addresses in Australia; and
- (b) all Shareholders whose registered address is in New Zealand,

and **Eligible Shareholder** means any one of those Shareholders.

Entitlement means the entitlement to subscribe for New Shares offered to a holder of Rights.

Entitlement and Acceptance Form means the form accompanying this Letter of Offer, which is particularised for the relevant Eligible Shareholder.

Letter of Offer means this letter under which the Offer is being made.

Listing Rules means the official listing rules of ASX.

New Share means a Share to be issued pursuant to this Letter of Offer.

Offer means the offer made under this Letter of Offer of 1 New Share for every 5 Shares held by an Eligible Shareholder on the Record Date.

Excluded Shareholder means a Shareholder whose registered address is not in Australia or New Zealand.

Record Date means 7.00pm AEST on 22 August 2014.

Right means the right to subscribe for 1 New Share for every 5 Shares held by an Eligible Shareholder on the Record Date and **Rights** has a corresponding meaning.

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

Shareholders means the registered holders of Shares as at the Record Date.

Share Registry means Advanced Share Registry Pty Ltd.

AUZ or Company means Australian Mines Limited ACN 073 914 191.

Underwriter means Terrain Capital Markets Limited ACN 061 986 258.

Underwriting means the underwriting of the Offer by the Underwriter under the terms of the Underwriting Agreement.

Underwriting Agreement means the underwriting agreement between the Underwriter and AUZ dated 12 August 2014.

Underwriting Commitment means the amount of \$1,482,974.



ENTITLEMENT AND ACCEPTANCE FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCKBROKER OR LICENSED PROFESSIONAL ADVISOR.
 REGISTERED OFFICE: Level 1, 83 Havelock Street West Perth, Western Australia 6872
 SHARE REGISTRY: Advanced Share Registry Ltd, 110 Stirling Highway, Nedlands, Western Australia 6009
 A non-renounceable pro-rata entitlements issue of up to 114,074,939 New Shares at an issue price of \$0.013 per New Share on the basis of 1 New Share for every 5 Share held at the Record Date, to raise up to approximately \$1,482,974 (**Rights Issue**) before expenses.
NON-RENOUNCEABLE ENTITLEMENTS ISSUE, CLOSING 5.00 PM AUSTRALIAN EASTERN STANDARD TIME ON TUESDAY, 16 SEPTEMBER 2014.

AUZ-1234567890

Mr John David Smith
 PO Box 1234
 Sydney NSW2000

Sub-Register	XXXXXX
HIN / SRN	1234567890
Number of eligible shares held as at the record date, 7 pm (Melbourne time) 22 August 2014	
Entitlement to new shares on 1 for 5 basis	
Amount payable on full acceptance at A\$0.013 per Share	

**To the Directors
 AUSTRALIAN MINES LIMITED**

- I/We the above mentioned, being registered on Friday, 22 August 2014 as the holder(s) of ordinary shares in your Company hereby accept the below mentioned securities in accordance with the enclosed Offer Document;
- I/We hereby authorise you to place my/our name(s) on the register of Shareholders in respect of the number of Shares allotted to me/us and;
- I/We agree to be bound by the Constitution of the Company.

(A) NUMBER OF NEW SHARES ACCEPTED (BEING NOT MORE THAN THE ENTITLEMENT SHOWN ABOVE)	(B) NUMBER OF ADDITIONAL NEW SHARES APPLIED FOR (IN EXCESS OF THE ENTITLEMENT SHOWN ABOVE)	(C) = (A) + (B) AMOUNT ENCLOSED @ \$0.013 PER SHARE
		AUD\$

METHOD OF ACCEPTANCE

You can apply for Shares and make your payment utilising one of the payment options detailed overleaf, however please indicate which payment option you have chosen by marking the relevant box below.

Cheque/bank draft/money order

BPAY

PLEASE ENTER CHEQUE DETAILS THANK YOU	Drawer	Bank	Branch	Amount



You can pay by BPAY. Please refer overleaf for details.

My/Our contact numbers in the case of enquiry are:

Telephone: (.....).....

Email:.....

NOTE: Cheques should be made payable to **AUSTRALIAN MINES LIMITED**, crossed NOT NEGOTIABLE and forwarded to Advanced Share Registry Ltd, PO Box 1156, Nedlands, Western Australia, 6009 to arrive no later than 5.00 pm Australian Eastern Standard Time on **TUESDAY, 16 SEPTEMBER 2014**

EXPLANATION OF ENTITLEMENT

1. The front of this form sets out the number of Shares, which you are entitled to accept.
2. Your entitlement may be accepted either in full or in part. There is no minimum acceptance.
3. The price payable on acceptance of each Share is \$0.013.
4. You may apply for more than your entitlement. Applications for over entitlements will be accepted at the discretion of the Board in conjunction with the Underwriters. There is no guarantee that over entitlements will be available or issued.
5. Please complete the Entitlement and Acceptance Form overleaf.

APPLICATION INSTRUCTIONS

Payment Details

You can apply for Shares by utilising the payment options detailed below.

By making your payment using either BPAY or by cheque, bank draft or money order, you confirm that you agree to all of the terms and conditions of the Australian Mines Limited Rights Issue Offer Document as enclosed with this form.

Your cheque, bank draft or money order should be made payable to **AUSTRALIAN MINES LIMITED** in Australian currency and crossed "Not Negotiable". Your cheque or bank draft must be drawn on an Australian branch of a financial institution. Please ensure you submit the correct amount. Incorrect payments may result in your Application being rejected. Complete cheque details in the boxes provided.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Entitlement and Acceptance Form. Cash will not be accepted. A receipt for payment will not be forwarded.

If the amount you pay is insufficient to pay for the number of Shares you apply for, you will be taken to have applied for such lower number of Shares as that amount will pay for, or your application will be rejected.

If the amount you pay is more than the amount payable for your full Entitlement, you will be taken to have applied for New Shares under the Shortfall Offer, if there is a Shortfall. The Directors will at their discretion allot additional New Shares to Eligible Shareholders who apply for New Shares in excess of their full Entitlement under the Shortfall Offer if there is a Shortfall.

Contact Details

Enter the name of a contact person and telephone number. These details will only be used in the event that the registry has a query regarding this form.

Lodgement of Application

If you are applying for Shares and your payment is being made by BPAY, you still need to return this form to the registry for reconciliation purposes – you can post the form to the registry or send it by facsimile to +61 8 9262 3723. Your payment must be received by no later than 5.00 pm AEST on TUESDAY, 16 SEPTEMBER 2014. Applicants should be aware that their own financial institution may implement earlier cut off times with regard to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.

If you are paying by cheque, bank draft or money order, your Application must be received by Advanced Share Registry Ltd ("ASW") by no later than 5.00 pm AEST on TUESDAY, 16 SEPTEMBER 2014. You should allow sufficient time for this to occur. Return your Application with cheque, bank draft or money order attached.

Neither ASW nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by ASW, as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by ASW, or you would like to correct information that is inaccurate, incorrect or out of date, please contact ASW. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting ASW. You can contact ASW using the details provided on the front of this form.

If you have any enquiries concerning this form or your entitlement, please contact ASW on telephone +61 8 9389 8033 or fax +61 8 9262 3723.

CHES holders must contact their Controlling Participant to notify a change of address.



Telephone & Internet Banking – BPAY

Call your bank, credit union or building society to make this payment from your cheque or saving account. More info:
www.bpay.com.au

By Mail

Australian Mines Limited Rights Issue Account
C/- Advanced Share Registry Ltd
PO Box 1156, Nedlands
Western Australia 6909

Or

110 Stirling Hwy
Nedlands
Western Australia 6009