

21 February 2017

Dear Shareholder

Non renounceable Entitlement Offer – Appendix 3B Notice

I refer to Australian Mines Limited's (AUZ or the Company) announcement to the ASX dated 21 February 2017 concerning a proposed underwritten non-renounceable entitlement offer (Entitlement Offer) to raise approximately \$2.0m, the issue of Convertible Notes to raise \$3.8m and a placement of approximately 60.75m shares raising \$0.486 million (Placement).

The Entitlement Offer has been undertaken to give eligible shareholders the opportunity to apply for shares in the Company with no brokerage fees (except for Underwritten commitments) at a price of \$0.008 per ordinary share. The Record Date for shareholders is 7pm (Melbourne time) 27 February 2017.

Because of complications in extending the offer to overseas jurisdictions, eligible shareholders will only be those shareholders on the Australian Mines' register on the Record Date that are located in Australia or New Zealand.

Eligible shareholders will be entitled to participate on a 2 for 11 basis, being 2 new ordinary shares for every 11 existing ordinary shares held. Fractional entitlements will be rounded up. This means that, subject to rounding, and based on the number of shares held by eligible shareholders at the date of this announcement, the number of new shares offered will be approximately 249.6 million to raise approximately \$2.0 million.

The purpose of the Entitlement Offer is to raise funds for resource drilling and the evaluation work of the Company's Flemington and Sconi Scandium-Cobalt projects referred to in the Company's announcement to ASX dated 21 February 2017 (Announcement). You should read the Announcement in full.

Australian Mines will carry out the Entitlement Offer without a prospectus or other disclosure document, but will issue an Offer Document and personalised Application Form to eligible shareholders. A copy of the Offer Document will be available on the ASX website – asx.com.au, and on the Company's website – <http://www.australianmines.com.au/>.

Directors of Australian Mines recommend to shareholders that they should take up their entitlements under the Entitlement Offer given the content of the Announcement.

The timetable for the Entitlement Offer is set out in the announcement to ASX dated 21 February 2017.

Key dates are as follows:

- The Record Date for determining entitlements is 7pm (Melbourne time) 27 February 2017;
- The Entitlement Offer will open on 2 March 2017;
- The closing date for receipt of applications is 5pm (Melbourne time) 31 March 2017;
- Shares are expected to be allotted and issued on 7 April 2017.

Shares issued under the Entitlement Offer will rank equally in all respects with other ordinary shares on issue.

The effect of the Entitlement Offer on issued capital of Australian Mines (assuming all offered shares are issued, and including shares issued under the Placement) is as follows:

Current issued capital	1,311,851,301
Placement shares	60,745,071
New shares offered under Entitlement Offer	249,562,977
Issued capital on completion of the Entitlement Offer	1,622,159,349

As stated, because of rounding issues, take-up of the Entitlement Offer, settlement of the Underwriter's commitment and the number of eligible shareholders at the record date, the number of shares actually issued may vary from the above.

No shareholder approval is required to carry out the Entitlement Offer. The Company does not anticipate paying dividends in the short to medium term.

You should read the Offer Document in full before making any decision concerning participation in the Entitlement Offer.

Yours faithfully

Michael Ramsden
Chairman