



27 October 2011

Company Announcements Office  
ASX Limited  
2 The Esplanade  
Perth WA 6000

## Annual General Meeting

Australian Mines Limited (ASX: AUZ) advises that the Annual General Meeting of shareholders will be held on Tuesday 29 November, at The Celtic Club, 48 Ord Street, West Perth, commencing at 11.30am (WST).

Attached is the Notice of Meeting, which will be mailed to shareholders today.

The shareholders will be asked to approve the issue of 13,600,000 share options to the incoming Chief Executive Officer, Benjamin Bell, and 27,200,000 share options to directors of the company.

The grant of the Options to Mr Bell and the Directors is an incentive for performance that further aligns their interests with Shareholders while preserving the cash resources of the Company.

The terms of these options, which will all expire on 30 November 2014, are as follows:

### 13,600,000 Chief Executive Officer's Options:

Total Number	Exercise Price	Vesting Criteria
4,533,334	2.0 cents	Service as chief executive officer for 3 months and a successful appraisal by the Board at the end of this 3 months.
4,533,333	2.5 cents	Service as an officer of the Company until 31 December 2012.*
4,533,333	3.0 cents	Service as an officer of the Company until 31 December 2013.*

\* The vesting criteria will be waived so that full vesting occurs in the event of a takeover of the Company being effected.



## 27,200,000 Directors' Options:

Total Number	Exercise Price	Vesting Criteria
9,066,664	2.7 cents	Service as a director or consultant to the Company until 31 December 2011.
9,066,668	3.5 cents	Service as a director or consultant to the Company until 31 December 2012.*
9,066,668	4.5 cents	Service as a director or consultant to the Company until 31 December 2013.*

\* The vesting criteria will be waived so that full vesting occurs in the event of a takeover of the Company being effected.

Yours faithfully  
Australian Mines Limited

Sally Grice  
**Company Secretary**

# AUSTRALIAN MINES LIMITED

ABN 68 073 914 191

## NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT

For the Annual General Meeting to be held on  
29 November 2011 at 11.30am (WST) at  
The Celtic Club, 48 Ord Street, West Perth, Western Australia

*This is an important document. Please read it carefully and in its entirety.  
If you do not understand it please consult with your professional advisers.*

*If you are unable to attend the Meeting, please complete the form of proxy enclosed  
and return it in accordance with the instructions set out on that form.*

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### TIME AND PLACE OF ANNUAL GENERAL MEETING AND HOW TO VOTE

This Annual General Meeting of the shareholders of Australian Mines Limited will be held at:

**The Celtic Club  
48 Ord Street  
West Perth, Western Australia**

**Commencing  
at 11.30am (WST)  
On Tuesday 29 November 2011**

#### How to Vote

You may vote by attending the meeting in person, by proxy or authorised representative.

#### Voting in Person

To vote in person you need to attend the meeting on the date and at the place set out above.  
The meeting will commence at 11.30am (WST).

#### Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of Annual General Meeting as soon as possible and either:

- return the proxy form to the Company's office at Level 1, 83 Havelock Street, West Perth, Western Australia,
- Post the proxy addressed Australian Mines Limited, PO Box 883, West Perth, WA 6872, or
- send the proxy by facsimile to facsimile number (08) 9481 5611,

so that it is received not later than 11.30am (WST) on 27 November 2011.

Your proxy form is enclosed.

**AUSTRALIAN MINES LIMITED**  
**ABN 68 073 914 191**  
**NOTICE OF ANNUAL GENERAL MEETING**

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Notice is hereby given that the Annual General Meeting of the Shareholders of AUSTRALIAN MINES LIMITED will be held on 29 November 2011 at The Celtic Club, 48 Ord Street, West Perth, Western Australia at 11.30am (WST) for the purpose of transacting the following business.

The attached Explanatory Statement is provided to supply Shareholders with information to enable Shareholders to make an informed decision regarding the Resolutions set out in this Notice. The Explanatory Statement is to be read in conjunction with this Notice.

**AGENDA**

**GENERAL BUSINESS**

**Accounts and Reports**

To receive and consider the Financial Reports of the Company and the reports of the Directors and Auditors for the financial year ended 30 June 2011.

**1. Resolution 1 – Adoption of Remuneration Report**

To consider and, if thought fit, to pass with or without amendment, the following in accordance with section 250R(2) of the Corporations Act:

*"That the Remuneration Report in the 2011 Annual Report of the Company be adopted."*

**Short Explanation:** The Remuneration Report is in the Directors Report section of the Company's Annual Report. Listed companies are required to put the Remuneration Report to the vote for adoption at the Company's Annual General Meeting. The resolution will be determined as an ordinary resolution but is advisory only and does not bind the Directors or the Company.

The Company will disregard any votes cast on this Resolution (in any capacity) by or on behalf of any of the following persons:

a) a member of the key management personnel, details of whose remuneration are included in the Remuneration Report; or

b) a closely related party of such a member,

unless:

c) the person does so as a proxy appointed in writing that specifies how the proxy is to vote on this Resolution; and

d) the vote is not cast on behalf of a person described in paragraphs (a) or (b) above.

**2. Resolution 2 - Re-election of Director - Mr Brett Young**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, Mr Brett Young, who retires by rotation in accordance with rule 7.3 of the Constitution of the Company, and being eligible offers himself for election, is hereby re-elected as a Director of the Company."*

**Short Explanation:** Mr Brett Young is currently a non-executive Director and is presented for re-election in accordance with the rotation requirements of the Company's Constitution.

## SPECIAL BUSINESS

### 3. Resolution 3 – Grant of Options to Mr Michael Ramsden

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to grant to Mr Michael Ramsden or his nominee up to 6,800,000 options to acquire fully paid ordinary shares in the capital of the Company, to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** Under the related party provisions of the Corporations Act (Chapter 2E) the provision of any financial benefit (which includes the grant of options) to a related party requires shareholder approval unless excepted in terms of the Corporations Act. The ASX Listing Rules requires the Company to seek shareholder approval prior to the issue of securities to a related party. Mr Ramsden is a related party of the Company.

The Company will disregard any votes cast on this Resolution by a person who is to receive securities in relation to the Company and an associate of that person. However, the Company need not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### 4. Resolution 4 – Grant of Options to Mr Dominic Marinelli

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to grant to Mr Dominic Marinelli or his nominee up to 6,800,000 options to acquire fully paid ordinary shares in the capital of the Company, to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** Under the related party provisions of the Corporations Act (Chapter 2E) the provision of any financial benefit (which includes the grant of options) to a related party requires shareholder approval unless excepted in terms of the Corporations Act. The ASX Listing Rules requires the Company to seek shareholder approval prior to the issue of securities to a related party. Mr Marinelli is a related party of the Company.

The Company will disregard any votes cast on this Resolution by a person who is to receive securities in relation to the Company and an associate of that person. However, the Company need not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### 5. Resolution 5 – Grant of Options to Mr Neil Warburton

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to grant to Mr Neil Warburton or his nominee up to*

*6,800,000 options to acquire fully paid ordinary shares in the capital of the Company, to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** Under the related party provisions of the Corporations Act (Chapter 2E) the provision of any financial benefit (which includes the grant of options) to a related party requires shareholder approval unless excepted in terms of the Corporations Act. The ASX Listing Rules requires the Company to seek shareholder approval prior to the issue of securities to a related party. Mr Warburton is a related party of the Company.

The Company will disregard any votes cast on this Resolution by a person who is to receive securities in relation to the Company and an associate of that person. However, the Company need not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### **6. Resolution 6 – Grant of Options to Mr Mick Elias**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to grant to Mr Mick Elias or his nominee up to 6,800,000 options to acquire fully paid ordinary shares in the capital of the Company, to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** Under the related party provisions of the Corporations Act (Chapter 2E) the provision of any financial benefit (which includes the grant of options) to a related party requires shareholder approval unless excepted in terms of the Corporations Act. The ASX Listing Rules requires the Company to seek shareholder approval prior to the issue of securities to a related party. Mr Elias is a related party of the Company.

The Company will disregard any votes cast on this Resolution by a person who is to receive securities in relation to the Company and an associate of that person. However, the Company need not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### **7. Resolution 7 – Grant of Options to Mr Benjamin Bell**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.11 and for all other purposes, approval is given for the Company to grant to Mr Benjamin Bell or his nominee up to 13,600,000 options to acquire fully paid ordinary shares in the capital of the Company, to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** Under the related party provisions of the Corporations Act (Chapter 2E) the provision of any financial benefit (which includes the grant of options) to a related party requires shareholder approval unless excepted in terms of the Corporations Act. The ASX Listing Rules requires the Company to seek shareholder approval prior to the issue of securities to a related party. Mr Bell as a proposed Director is a related party of the Company.

The Company will disregard any votes cast on this Resolution by a person who is to receive securities in relation to the Company and an associate of that person. However, the Company need not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## VOTING AND PROXIES

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by the person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. The date is 4.00pm (WST) on 27 November 2011.
4. A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the instructions on that form.
5. The Chairman of the Meeting will vote undirected proxies on, and in favour of, all of the proposed Resolutions, except for Resolution 1 (Remuneration Report). Any undirected proxies held by the Chairman of the Meeting will not be voted on Resolution 1. Accordingly, if you appoint the Chairman of the meeting as your proxy, you should direct him how to vote on Resolution 1 if you want your shares to be voted on that Resolution. The same will apply if you appoint any other Director, any other of its key management personnel or any of their closely related parties. Key management personnel of the Company are the Directors and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's key management personnel for the financial year 30 June 2011. Their closely related parties are defined in the Corporations Act, and include certain of their family members, dependants and companies they control.

**By order of the Board**



Sally Grice  
Company Secretary  
Dated: 11 October 2011

**AUSTRALIAN MINES LIMITED**  
**ABN 68 073 914 191**  
**EXPLANATORY STATEMENT**

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This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of Resolutions 1 to 7 contained in the Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

**1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT**

The Remuneration Report is in the Directors Report section of the Company's Annual Report.

By way of summary, the Remuneration Report:

- (a) explains the Company's remuneration policy and the process for determining the remuneration of its directors and executive officers;
- (b) addresses the relationship between the Company's remuneration policy and the Company's performance; and
- (c) sets out remuneration details for each Director and each of the Company's executives and group executives named in the Remuneration Report for the financial year ended 30 June 2011.

The Directors recommend that Shareholder vote in favour of Resolution 1. Section 250R(2) of the Corporations Act requires companies to put a resolution to their members that the remuneration report be adopted. The vote on this resolution is advisory only and does not bind the Board or the Company. The Board will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies. Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Directors (other than the managing director) must go up for re-election.

Any undirected proxies held by the Chairman of the Meeting, other directors or other key management personnel or any of their closely related parties will not be voted on this Resolution. Key management personnel of the Company are the Directors and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's key management personnel for the financial year 30 June 2011. Their closely related parties are defined in the Corporations Act, and include certain of their family members, dependants and companies they control.

If you choose to appoint a proxy you are encouraged to direct your proxy how to vote on this Resolution by marking either "For", "Against" or "Abstain" on the proxy form for this item of business.

The Chairman will give Shareholders a reasonable opportunity to ask questions about or to make comments on the Remuneration Report.

**2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR BRETT YOUNG**

By rule 7.3 of the Company's Constitution, one third of the current Directors (rounded down to the nearest whole number) must retire from office by rotation at each Annual General Meeting.

In accordance with clause 7.3, Mr Brett Young is presented for re-election by Resolution 2. Mr Young was an executive Director of the Company from 17 October 2005 to 12 August 2011 and thereby the rotation requirements did not apply to Mr Young. Since 12 August 2011 Mr Young has been a non-executive Director and as such is subject to the rotation requirements.

Mr Young offers himself for election by Resolution 2.

Details of the qualifications and experience of Mr Young are set out in the 2011 Annual Report for the Company.



### 3. RESOLUTIONS 3 TO 6 – GRANT OF OPTIONS TO DIRECTORS

#### 3.1 Background

Resolutions 3 to 6 seeks Shareholder approval for the grant of Options to some of the existing members of the Board (Michael Ramsden, Dominic Marinelli, Neil Warburton and Mick Elias).

Shareholder approval is required for the purposes of Chapter 2E of the Corporations Act (section 208) and ASX Listing Rule 10.11 because each of the existing Directors and the proposed Director is a related party of the Company.

#### 3.2 Chapter 2E of the Corporations Act – Related Party Transactions

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, the Directors are related parties of the Company.

The grant of Options to a related party is a financial benefit requiring Shareholder approval in the absence of a specified exception applying.

For the purpose of Chapter 2E of the Corporations Act the following information is provided.

##### (a) ***The Related Party to whom the Resolutions would permit the financial benefit to be given***

The related parties are Mr Michael Ramsden or his nominee (Resolution 3), Mr Dominic Marinelli or his nominee (Resolution 4), Mr Neil Warburton or his nominee (Resolution 5) and Mr Mick Elias or his nominee (Resolution 6).

##### (b) ***The Nature of the Financial Benefit***

The proposed financial benefit to be given is the grant of Options for no cash consideration.

The terms of the Options including the number to be granted and the vesting hurdles are set out in Annexure 1. The Options will be issued in 3 tranches.

##### (c) ***Reasons for giving the benefit and Directors' Recommendation***

The Board comprises Michael Ramsden, Dominic Marinelli, Neil Warburton, Mick Elias and Brett Young. By Resolutions 3 to 6 all of the existing members of the Board apart from Brett Young will be granted Options.

The number of Options to be granted to each Director and the terms of the Options was negotiated by the Directors independent of that particular Director, which included Brett Young in each case.

The grant of the Options to the Directors preserves the cash resources of the Company and is an incentive for performance that further aligns their interests with Shareholders. The Board considers that the number of Options to be issued is appropriate in light of that Director's skill and experience and their current remuneration as detailed below.

The Company acknowledges that the issue of the Options to Michael Ramsden, Neil Warburton and Mick Elias as non-executive Directors may be contrary to guidelines for non-executive remuneration in recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of the Options to be reasonable in the circumstances given the Company's size and stage of development and the importance of maintaining the Company's cash reserve.

Each of the Directors the subject of Resolutions 3 to 6 (Michael Ramsden, Dominic Marinelli, Neil Warburton and Mick Elias) abstain from making a recommendation to Shareholders in relation to Resolutions 3 to 6. Each of these Directors has a material personal interest in the outcome of the Resolution relevant to them and may be seen to have an interest in the other Resolutions. For the

reasons stated above, Brett Young, as a Director independent of the Resolutions, recommends that Shareholders vote in favour of Resolutions 3 to 6.

(d) **Total Remuneration Package**

The current remuneration package received by Michael Ramsden is \$93,740 per annum inclusive of statutory superannuation.

The current remuneration package received by Dominic Marinelli is \$59,950 per annum inclusive of statutory superannuation. The Board may increase this remuneration package or make a bonus payment to reflect executive duties that have been undertaken.

The current remuneration package received by Neil Warburton is \$55,000 per annum inclusive of statutory superannuation.

The current remuneration package received by Mick Elias is \$55,000 per annum inclusive of statutory superannuation.

(e) **Existing Relevant Interest**

As at the date of this Notice, the Directors have the following relevant interest in securities of the Company as set out below.

	Shares	Options
Michael Ramsden	18,243,697	Nil
Dominic Marinelli	20,176,510	Nil
Neil Warburton	4,116,564	392,784*
Mick Elias	1,040,316	48,891*

\* These are listed options with an exercise price of 4 cents and an expiry date of 30 June 2013. Neil Warburton has voluntarily relinquished 4,150,000 Options and Mick Elias has voluntarily relinquished 3,112,500 Options prior to the issue of this Notice. These Options have thereby been cancelled. The exercise prices of these Options were respectively 6, 8, 10 and 12 cents and \$1.50, \$2.00 and \$2.50.

(f) **Dilution**

The passing of the Resolutions would have the effect of granting Directors and the proposed Directors (or their nominees) Options on the terms as set out in Annexure 1.

If any Options granted as proposed above are exercised, the effect would be to dilute the shareholding of existing Shareholders. The market price of the Company's Shares during the period of the Options will normally determine whether or not option holders exercise the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be valued at a price that is higher than the exercise price of the Options.

If all Options to be granted under Resolutions 3 to 6 were to be exercised (to 27,200,000 Shares), the effect would be to dilute the shareholding of existing Shareholders by approximately 4.09% based on the total number of Shares on issue at the date of this Notice of 636,910,317.

(g) **Trading History**

The following table gives details of the highest, lowest and latest closing price of the Company's Shares trading on the ASX over the last 12 months.

	<b>Closing Price</b>	<b>Date</b>
Highest Price	3.3 cents	18 January 2011
Lowest Price	1.3 cents	26, 27, 29 and 30 September 2011 and 5, 6, 7 and 10 October 2011
Latest Price	1.4 cents	11 October 2011

(h) **Valuation of Options**

The Company's independent advisers, Stantons International Pty Ltd, have valued the Options to be granted under Resolutions 3 to 6 by reference to the Black Scholes option pricing model based on the following assumptions:

<b>Input</b>	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Tranche 3</b>	
<b>Exercise Price</b>	<b>2.7 cents</b>	<b>3.5 cents</b>	<b>4.5 cents</b>	<b>Note</b>
Underlying share spot price	1.3 cents	1.3 cents	1.3 cents	1
Dividend rate	Nil	Nil	Nil	2
Risk free rate	3.58%	3.58%	3.58%	3
Volatility rate	75%	75%	75%	4
Expiry Date	30.11.2014	30.11.2014	30.11.2014	5

Note 1: The underlying share spot price used for the purpose of the valuation is based on the price as at 7 October 2011.

Note 2: No dividends are expected to be paid over the Option period.

Note 3: The risk free rate is the Commonwealth Government 3 year bond rate at 3.58% which 3 year period corresponds to the life of the Options.

Note 4: The volatility factor preferred by Stantons International Pty Ltd is 75%, which it considered a reasonable volatility after taking into account the share trading of ASX companies in similar business over the past 4 and 12 months, various ASX announcements by the Company and the volatility calculator.

Note 5: The expiry date of the Options is 30 November 2014.

A discount rate of 20% has been applied as a result of the Options not being listed and not being freely tradeable. No further discount has been applied by reason of the vesting hurdles.

Based on the above assumptions, the Options have been valued as follows:

<b>Number and Value of Options</b>			
	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Tranche 3</b>
Michael Ramsden	2,266,666 Options – 0.34 cents each	2,266,667 Options – 0.277 cents each	2,266,667 Options – 0.222 cents each
Dominic Marinelli	2,266,666 Options – 0.34 cents each	2,266,667 Options – 0.277 cents each	2,266,667 Options – 0.222 cents each
Neil Warburton	2,266,666 Options – 0.34 cents each	2,266,667 Options – 0.277 cents each	2,266,667 Options – 0.222 cents each
Mick Elias	2,266,666 Options – 0.34 cents each	2,266,667 Options – 0.277 cents each	2,266,667 Options – 0.222 cents each

(i) **Other Information**

The Directors do not consider that there are opportunity costs to the Company or benefits foregone by the Company in granting the Options.

For accounting purposes, the Options will be recognised as an expense.

The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass the Resolutions.

### 3.3 ASX Listing Rule 10.11

For the purposes of ASX Listing Rule 10.11, each of the Directors the subject of Resolutions 3 to 6 are related parties of the Company.

Accordingly, in order to grant the Options the subject of Resolutions 3 to 6, the Company must obtain Shareholder approval pursuant to ASX Listing Rule 10.11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to grant the Options as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the grant of the Options will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.13 sets out a number of matters which must be included in the notice of meeting convened to consider shareholder approval under ASX Listing Rule 10.11.

For the purposes of ASX Listing Rule 10.13, the following information is provided to Shareholders in relation to the Resolution. This information is as follows:

- (a) The Options will be granted to Michael Ramsden or his nominee (Resolution 3), Dominic Marinelli or his nominee (Resolution 4), Neil Warburton or his nominee (Resolution 5) and Mick Elias or his nominee (Resolution 6).
- (b) The maximum number of Options the Company will grant to each of the related parties is set out in Annexure 1.
- (c) The Options will be issued no later than 1 month after the date of this Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- (d) The Options will be granted for nil cash consideration and the terms of the Options are set out in Annexure 1.
- (e) There will be no funds raised from the issue of the Options.

## 4. RESOLUTION 7 – GRANT OF OPTIONS TO BENJAMIN BELL

### 4.1 Background

Resolution 7 seeks Shareholder approval for the grant of Options to Benjamin Bell as a proposed Director.

Shareholder approval is required for the purposes of Chapter 2E of the Corporations Act (section 208) and ASX Listing Rule 10.11 because a proposed Director is a related party of the Company.

### 4.2 Chapter 2E of the Corporations Act – Related Party Transactions

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Benjamin Bell as a proposed Director is a related party of the Company.

The grant of Options to a related party is a financial benefit requiring Shareholder approval in the absence of a specified exception applying.

For the purpose of Chapter 2E of the Corporations Act the following information is provided.

(a) ***The Related Party to whom the Resolutions would permit the financial benefit to be given***

The related party is Mr Benjamin Bell or his nominee (Resolution 7).

(b) ***The Nature of the Financial Benefit***

The proposed financial benefit to be given is the grant of Options for no cash consideration.

The terms of the Options including the number to be granted and the vesting hurdles are set out in Annexure 2. The Options will be issued in 3 tranches.

(c) ***Reasons for giving the benefit and Directors' Recommendation***

The Board comprises Michael Ramsden, Dominic Marinelli, Neil Warburton, Mick Elias and Brett Young.

The number of Options to be granted and the terms of the Options were negotiated by the Board with Mr Bell.

The grant of the Options to Mr Bell as the proposed Director preserves the cash resources of the Company and is an incentive for performance that further aligns his interests with Shareholders. The Board considers that the number of Options to be issued is appropriate in light of Mr Bell's skill and experience and his current remuneration as detailed below. Further, the Options to be granted to Mr Bell constitute part of his remuneration package as chief executive officer that has been agreed with the Board, subject to Shareholder approval.

Each of the Directors considers he is independent concerning this Resolution and does not have an interest in the Resolution. For the reasons stated above, the whole of the Board recommends that Shareholders vote in favour of the Resolution.

(d) ***Total Remuneration Package***

The remuneration to be received by Mr Bell is \$327,000 per annum inclusive of statutory superannuation.

(e) ***Existing Relevant Interest***

As at the date of this Notice, Mr Bell has no relevant interest in securities of the Company.

(f) ***Dilution***

The passing of the Resolution would have the effect of granting Mr Bell (or his nominee) Options on the terms as set out in Annexure 2.

If any Options granted as proposed above are exercised, the effect would be to dilute the shareholding of existing Shareholders. The market price of the Company's Shares during the period of the Options will normally determine whether or not option holders exercise the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be valued at a price that is higher than the exercise price of the Options.

If all Options to be granted under Resolution 7 were to be exercised (13,600,000 Shares), the effect would be to dilute the shareholding of existing Shareholders by approximately 2.09% based on the total number of Shares on issue at the date of this Notice of 636,910,317.

(g) ***Trading History***

The following table gives details of the highest, lowest and latest closing price of the Company's Shares trading on the ASX over the last 12 months.

	<b>Closing Price</b>	<b>Date</b>
Highest Price	3.3 cents	18 January 2011
Lowest Price	1.3 cents	26, 27, 29 and 30 September 2011 and 5, 6, 7 and 10 October 2011
Latest Price	1.4 cents	11 October 2011

(h) **Valuation of Options**

The Company's independent advisers, Stantons International Pty Ltd, have valued the Options to be granted under Resolutions 3 to 6 by reference to the Black Scholes option pricing model based on the following assumptions:

<b>Input</b>	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Tranche 3</b>	
<b>Exercise Price</b>	<b>2.7 cent</b>	<b>3.5 cents</b>	<b>4.5 cents</b>	<b>Note</b>
Underlying share spot price	1.3 cents	1.3 cents	1.3 cents	1
Dividend rate	Nil	Nil	Nil	2
Risk free rate	3.58%	3.58%	3.58%	3
Volatility rate	75%	75%	75%	4
Expiry Date	30.11.2014	30.11.2014	30.11.2014	5

Note 1: The underlying share spot price used for the purpose of the valuation is based on the price as at 7 October 2011.

Note 2: No dividends are expected to be paid over the Option period.

Note 3: The risk free rate is the Commonwealth Government 3 year bond rate at 3.58% which 3 year period corresponds to the life of the Options.

Note 4: The volatility factor preferred by Stantons International Pty Ltd is 75%, which it considered a reasonable volatility after taking into account the share trading of ASX companies in similar business over the past 4 and 12 months, various ASX announcements by the Company and the volatility calculator.

Note 5: The expiry date of the Options is 30 November 2014.

A discount rate of 20% has been applied as a result of the Options not being listed and not being freely tradeable. No further discount has been applied by reason of the vesting hurdles.

Based on the above assumptions, the Options have been valued as follows:

<b>Number and Value of Options</b>			
	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Tranche 3</b>
Benjamin Bell	4,533,334 Options – 0.417 cents each	4,533,334 Options – 0.359 cents each	4,533,333 Options – 0.314 cents each

(i) **Other Information**

The Directors do not consider that there are opportunity costs to the Company or benefits foregone by the Company in granting the Options.

For accounting purposes, the Options will be recognised as an expense.

The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass the Resolutions.

### 4.3 ASX Listing Rule 10.11

For the purposes of ASX Listing Rule 10.11, Mr Bell as a proposed Director is a related party of the Company.

Accordingly, in order to grant the Options the subject of this Resolution, the Company must obtain Shareholder approval pursuant to ASX Listing Rule 10.11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to grant the Options as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the grant of the Options will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.13 sets out a number of matters which must be included in the notice of meeting convened to consider shareholder approval under ASX Listing Rule 10.11.

For the purposes of ASX Listing Rule 10.13, the following information is provided to Shareholders in relation to the Resolution. This information is as follows:

- (a) The Options will be granted to Benjamin Bell or his nominee.
- (b) The maximum number of Options the Company will grant is set out in Annexure 2.
- (c) The Options will be issued no later than 1 month after the date of this Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- (d) Benjamin Bell is a proposed Director and by the Corporations Act is held to be a related party and thereby approval is required under ASX Listing Rule 10.11.
- (e) The Options will be granted for nil cash consideration and the terms of the Options are set out in Annexure 2.
- (f) There will be no funds raised from the issue of the Options.

## GLOSSARY

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In this Explanatory Statement the following expressions have the following meanings:

**"Annual General Meeting"** and **"Meeting"** means the meeting convened by this Notice.

**"ASX"** means the ASX Limited (ABN 98 008 624 691).

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

**"Board"** means the board of directors of the Company.

**"Chairman"** means the chairman of the Company.

**"Company"** or **"Australian Mines"** means Australian Mines Limited (ABN 68 073 914 191).

**"Constitution"** means the Constitution of the Company.

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

**"Directors"** mean the directors of the Company from time to time.

**"Explanatory Statement"** means this explanatory statement.

**"Notice"** means the notice of meeting that accompanies this Explanatory Statement.

**"Option"** means an option to subscribe for a Share.

**"Proxy Form"** means the proxy form accompanying the Notice.

**"Resolution"** means a resolution contained in this Notice.

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

**"Shareholder"** means a holder of Shares.

**"WST"** means Western Standard Time, Perth, Western Australia.

**"\$"** or **"A\$"** means Australian dollars.

**AUSTRALIAN MINES LIMITED**  
**ABN 68 073 914 191**

**ANNEXURE 1**

**Number of Options and Terms of Options  
(Resolutions 3 to 6)**

1. The number of Options to be granted, exercise price, expiry date and vesting criteria for the Options to be issued to Directors are set out in the tables below.

<b>Tranche</b>	<b>Total Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Vesting Criteria</b>
1	9,066,664	2.7 cents	30.11.2014	Service as a director or consultant to the Company until 31 December 2011.
2	9,066,668	3.5 cents	30.11.2014	Service as a director or consultant to the Company until 31 December 2012.*
3	9,066,668	4.5 cents	30.11.2014	Service as a director or consultant to the Company until 31 December 2013.*

\* The vesting criteria will be waived so that full vesting occurs in the event of a takeover of the Company being effected.

<b>Person</b>	<b>Number of Options</b>		
	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Tranche 3</b>
Michael Ramsden	2,266,666	2,666,667	2,266,667
Dominic Marinelli	2,266,666	2,266,667	2,266,667
Neil Warburton	2,266,666	2,266,667	2,266,667
Mick Elias	2,266,666	2,266,667	2,266,667
<b>Total</b>	<b>9,066,664</b>	<b>9,066,668</b>	<b>9,066,668</b>

2. The general terms of the issue of each of the Options are:
- (a) The Options will be issued for no consideration.
  - (b) Each Option entitles the holder to one Share in the capital of the Company.
  - (c) Subject to any vesting criteria, the Options may be exercised at any time prior to the expiry date, in whole or in part, upon payment of the exercise price per Option.
  - (d) The Options will not be quoted and are not transferable except with the approval of the Board.
  - (e) The Company will provide to each Option holder a notice that is to be completed when exercising the Options ("Notice of Exercise"). Options may be exercised by the Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the Secretary of the Company to be received prior to the expiry date. The Notice of Exercise must state the number of Options exercised, the consequent number of Shares to be allotted and the identity of the proposed allottee. The Notice of Exercise by an Option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the exercise price per Share.
  - (f) All Shares issued upon the exercise of the Options will rank equally in all respects with the Company's then issued Shares.



- (g) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues or pro-rata issues of securities offered to Shareholders of the Company during the currency of the Options. Subject to paragraph (h), an Option holder is required to exercise the Options in order to participate in any new issue of securities offered to Shareholders by the Company. Option holders will be provided with written notice and afforded that period of time as required by the ASX Listing Rules before the record date to determine entitlements to the offer to exercise their Options.
- (h) If from time to time on or prior to the expiry date the Company makes a bonus issue of securities to holders of Shares in the Company ("Bonus Issue"), then upon exercise of his or her Options an Option holder will be entitled to have issued to him or her (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise) the number of securities which would have been issued to him or her under that Bonus Issue if the Options had been exercised before the record date for the Bonus Issue.
- (i) In the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the issued capital of the Company, all rights of the Option holder shall be reconstructed (as appropriate) in accordance with the ASX Listing Rules.
- (j) The Option holder has no rights to a change in the exercise price of the Option or a change to the number of underlying securities over which the Option can be exercised, except in the event of a Bonus Issue and for any pro-rata issue of securities where the exercise price of the Options will be adjusted in accordance with the ASX Listing Rule 6.22.2.

## ANNEXURE 2

### Number of Options and Terms of Options to Benjamin Bell (Resolution 7)

1. The number of Options to be granted, exercise price, expiry date and vesting criteria for the Options to be issued to Benjamin Bell for the Options to be issued to Directors are set out in the table below.

Tranche	Total Number	Exercise Price	Expiry Date	Vesting Criteria
1	4,533,334	2.0 cents	30.11.2014	Service as chief executive officer for 3 months and a successful appraisal by the Board at the end of this 3 months.
2	4,533,333	2.5 cents	30.11.2014	Service as an officer of the Company until 31 December 2012.*
3	4,533,333	3.0 cents	30.11.2014	Service as an officer of the Company until 31 December 2013.*

\* The vesting criteria will be waived so that full vesting occurs in the event of a takeover of the Company being effected.

2. The general terms of the issue of each of the Options are:
- (a) The Options will be issued for no consideration.
- (b) Each Option entitles the holder to one Share in the capital of the Company.
- (c) Subject to any vesting criteria, the Options may be exercised at any time prior to the expiry date, in whole or in part, upon payment of the exercise price per Option.

- (d) The Options will not be quoted and are not transferable except with the approval of the Board.
- (e) The Company will provide to each Option holder a notice that is to be completed when exercising the Options ("Notice of Exercise"). Options may be exercised by the Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the Secretary of the Company to be received prior to the expiry date. The Notice of Exercise must state the number of Options exercised, the consequent number of Shares to be allotted and the identity of the proposed allottee. The Notice of Exercise by an Option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the exercise price per Share.
- (f) All Shares issued upon the exercise of the Options will rank equally in all respects with the Company's then issued Shares.
- (g) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues or pro-rata issues of securities offered to Shareholders of the Company during the currency of the Options. Subject to paragraph (h), an Option holder is required to exercise the Options in order to participate in any new issue of securities offered to Shareholders by the Company. Option holders will be provided with written notice and afforded that period of time as required by the ASX Listing Rules before the record date to determine entitlements to the offer to exercise their Options.
- (h) If from time to time on or prior to the expiry date the Company makes a bonus issue of securities to holders of Shares in the Company ("Bonus Issue"), then upon exercise of his or her Options an Option holder will be entitled to have issued to him or her (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise) the number of securities which would have been issued to him or her under that Bonus Issue if the Options had been exercised before the record date for the Bonus Issue.
- (i) In the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the issued capital of the Company, all rights of the Option holder shall be reconstructed (as appropriate) in accordance with the ASX Listing Rules.
- (j) The Option holder has no rights to a change in the exercise price of the Option or a change to the number of underlying securities over which the Option can be exercised, except in the event of a Bonus Issue and for any pro-rata issue of securities where the exercise price of the Options will be adjusted in accordance with the ASX Listing Rule 6.22.2.

**AUSTRALIAN MINES LIMITED**

**(ABN 68 073 914 191)**

**PROXY FORM**

I/We (name and address)

[Empty box for name and address]

being a Member of Australian Mines Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint

[Empty box for name of proxy]

**Name of proxy**

or failing the person so named or, if no person is named, the Chairman of the Annual General Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the Annual General Meeting of Shareholders to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on 29 November 2011 at 11.30am (WST) and at any adjournment thereof.

**Voting on Business of the General Meeting**

		<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director - Mr Brett Young	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Grant of Options to Mr Michael Ramsden	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Grant of Options to Mr Dominic Marinelli	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Grant of Options to Mr Neil Warburton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Grant of Options to Mr Mick Elias	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Grant of Options to Mr Benjamin Bell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If the chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in the box. By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of the Resolutions and that the votes cast by the Chair of the meeting for those Resolutions other than as proxy holder will be disregarded because of that interest. **The Chair intends to vote any such undirected proxies in favour of all Resolutions except for Resolution 1 (Remuneration Report). Any undirected proxies held by the Chair will not be voted on Resolution 1.** If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the Resolutions and your votes will not be counted in calculating the required majority if a poll is called on a Resolution.

If you mark the abstain box for a particular item, you are directing your proxy not vote on that item on a show of hands or on a poll and that your Shares are not to be counted in computing the required majority of a poll

If two proxies are being appointed, the proportion of voting rights this proxy represents is \_\_\_\_\_%.

Please return this Proxy Form to the Company Secretary, Australian Mines Limited Level 1, 83 Havelock Street, West Perth, Western Australia, post to Company at PO Box 883, West Perth, WA 6872 or fax to (08) 9481 5611 by 11.30am (WST) on 27 November 2011.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011

By:

Individuals and joint holders

Companies (affix common seal if appropriate)

Signature [Empty box]

Director [Empty box]

Signature [Empty box]

Director/Company Secretary [Empty box]

Signature [Empty box]

Sole Director and Sole Company Secretary [Empty box]

**AUSTRALIAN MINES LIMITED**  
**ABN 68 073 914 191**

**Instructions for Completing Proxy Form**

1. A member of the Company who is entitled to attend and cast two or more votes at a general meeting of shareholders is entitled to appoint two proxies. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - 2 directors of the company;
  - a director and a company secretary of the company; or
  - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a proxy form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
5. Where a proxy form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.

In accordance with section 250BA of the Corporations Act the Company specifies the following for the purposes of receipt of proxy appointments:

Registered Office: Level 1, 83 Havelock Street, West Perth, Western Australia, 6005

Fax Number: (08) 9481 5611

Postal Address: PO Box 883, West Perth, WA, 6872

by no later than 48 hours prior to the time of commencement of the Meeting.