



15 October 2010

ASX Announcement

NOTICE OF MEETING AND ANNUAL REPORT 2010 TO SHAREHOLDERS

Australian Mines Limited (ASX: AUZ) is pleased to release the Company's Notice of Annual General Meeting and Annual Report to shareholders for the year ended 30 June 2010.

The Notice of Meeting has been mailed to shareholders for the AGM to be held on 15 November 2010.

Further information can be found by visiting the Company's web site at:

www.australianmines.com.au

For further information contact:

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

**LEVEL 1, 681 MURRAY STREET, WEST PERTH, 6005
(PO BOX 883, West Perth, WA 6872)**

**Tel: (08) 9481 5811 Fax: (08) 9481 5611
Email: office@australianmines.com.au**



NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT

**For the Annual General Meeting to be held on
15 November 2010 at 9.00am (WST)**

**The Celtic Club
48 Ord St
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 Proxy Form enclosed
and return it in accordance with the instructions set out on that form.*

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:

**Presidents Room
The Celtic Club
48 Ord St
West Perth, Western Australia**

**Commencing
at 9.00am (WST)
on 15 November 2010**

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 9.00am (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 registered office at Level 1, 681 Murray Street, West Perth, Western Australia;
- post the Proxy Form addressed to Australian Mines Limited, P O Box 883, West Perth, WA 6872; or
- send the Proxy Form by facsimile to facsimile number (08) 9481 5611,

so that it is received not later than 9.00am (WST) on 13 November 2010.

Your Proxy Form is enclosed.

AUSTRALIAN MINES LIMITED
ABN 68 073 914 191

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of
AUSTRALIAN MINES LIMITED
will be held on 15 November 2010 at 9.00am (WST) at

The Celtic Club
48 Ord St
West Perth, Western Australia

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 consolidated entity for the financial year ended 30 June 2010 and the reports of the Directors and Auditors thereon.

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 2010 Annual Report of the Company be adopted.”

2. Resolution 2 – Re-election of Mr Neil Warburton as Director

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

“That, Mr Neil Warburton, 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 Neil Warburton has been a Director of the Company since 22 April 2003 and was re-elected on 3 June 2009. Mr Warburton is presented for re-election in accordance with the rotation requirements of the Company’s Constitution.

SPECIAL BUSINESS

3. Resolution 3 – Consolidation of Capital

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

“That in accordance with Section 254H of the Corporations Act and the Company’s Constitution and for the purposes of Listing Rule 7.22 of the Listing Rules of ASX Limited and for all other purposes approval is given for the issued capital of the Company be consolidated on the basis that:

(a) Every 20 Shares be consolidated into 1 Share; and

(b) Every 20 Options be consolidated into 1 Option with the exercise price of each Option to be amended in inverse proportion to that ratio;

and where the consolidation results in a fraction of a Share or Option being held by a shareholder or option holder (as the case may be), the Directors be authorised to round that fraction up to the nearest whole Share or Option, with the consolidation taking effect on the date the resolution is passed.”

Short Explanation: The Company is seeking to consolidate its capital in order to make it more attractive to investors and to position it for long term growth. Under the Corporations Act and the Company’s Constitution, the Company may convert all or any of its Shares into a smaller amount by resolution passed at a general meeting. The Company is then required to consolidate its Options in accordance with the ASX Listing Rules. Please refer to the Explanatory Statement for more details.

4. Resolution 4 – Approval for Placement of Securities

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

“That, subject to Resolution 3 being passed, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue up to 100,000,000 Shares at an issue price of \$0.02 each to sophisticated investors (or their nominees) on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Short Explanation: Listing Rule 7.1 provides that the prior approval of shareholders is required if the number of securities issued by the Company exceeds 15% of its issued capital in any 12 month period. The Company proposes to offer to sophisticated investors up to 100,000,000 Shares at \$0.02 to raise \$2,000,000.

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if this Resolution is passed and any associate of those persons. However, the Company will not disregard a vote 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 a person chairing that meeting as a proxy for a person who is entitled to vote in accordance with the directions 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 13 November 2010 at 9.00am (WST).
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.

By order of the Board

A handwritten signature in black ink, appearing to read 'B. Young', written in a cursive style.

Mr Brett Young
Executive Director
Dated: 15 October 2010

AUSTRALIAN MINES LIMITED
ABN 68 073 914 191

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions 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 2010.

The Directors recommend that Shareholders 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 will not bind the Board or the Company.

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 MR NEIL WarBURTON AS DIRECTOR

Rule 7.3 of the Company's Constitution provides that one third of the current Directors must retire from office by rotation at each Annual General Meeting. This requirement does not apply to the managing director of the Company.

In accordance with rule 7.3, Mr Neil Warburton is presented for re-election by Resolution 2. Mr Warburton has been a Director since 22 April 2003 and was most recently re-elected at the 2008 Annual General Meeting of the Company.

Mr Warburton offers himself for re-election by Resolution 2.

Details of the qualifications and experience of Mr Warburton are set out in the 2010 Annual Report for the Company.

3. RESOLUTION 3 – CONSOLIDATION OF CAPITAL

3.1 Background

The Directors are seeking Shareholder approval to consolidate the number of Shares on issue on a one (1) for twenty (20) basis.

The capital of the Company was increased during the 2009/2010 financial year from 456,806,396 Shares to 6,981,662,168 Shares due to a financial reconstruction. As at the date of this meeting, the Company has on issue 6,981,662,168 Shares, a total of quoted options of 1,198,288,829 options exercisable at 0.2 cents expiring on June 30, 2013 and unquoted options of 272,000,000 with exercise prices and expiry dates as set out under the table below.

The Company is now focussed on developing its gold assets and specifically the Mt Martin gold mine.

The Directors have recapitalised the Company under difficult circumstances and have now decided to reduce the issued capital to make the Company more attractive for investors.

Section 254H of the Corporations Act provides that a company may, by ordinary resolution passed in general meeting, convert all or any of its shares into a larger or smaller number of shares. Rule 2.3 of the Constitution also provides that the Company may by ordinary resolution convert its Shares into a smaller number of Shares. The ASX Listing Rules require that the number of Options on issue be consolidated in the same ratio as the ordinary capital and the exercise price be amended in inverse proportion to that ratio.

If Resolution 3 is passed, the number of Shares on issue will be reduced from 6,981,662,168 to 349,083,108. Similarly, in accordance with the ASX Listing Rules, the number of Options on issue will be reduced from 1,463,288,839 to 73,164,442 and the exercise price of each of those Options will be increased by a multiple of 20.

3.2 Capital Structure

The capital structure of the Company assuming Resolution 3 in the Notice is carried into effect will be as follows:

SECURITIES	Pre-consolidation Number	Exercise price	Post-consolidation Number	Exercise price
SHARES	6,981,662,168		349,083,108	
QUOTED OPTIONS				
30 June 2013 Options	1,191,288,839	\$0.002	59,564,442	\$0.04
UNQUOTED OPTIONS				
31 December 2011 Director Options	1,500,000	\$0.050	75,000	\$1.00
31 December 2011 Director Options	3,250,000	\$0.075	162,500	\$1.50
31 December 2011 Director Options	3,250,000	\$0.100	162,500	\$2.00
31 December 2011 Director Options	3,250,000	\$0.125	162,500	\$2.50
31 December 2011 Executive Options	500,000	\$0.075	25,000	\$1.50
31 December 2012 Executive Options	250,000	\$0.075	12,500	\$1.50
31 December 2014 Director Options	65,000,000	\$0.003	3,250,000	\$0.06
31 December 2014 Director Options	65,000,000	\$0.004	3,250,000	\$0.08
31 December 2014 Director Options	65,000,000	\$0.005	3,250,000	\$0.10
31 December 2014 Director Options	65,000,000	\$0.006	3,250,000	\$0.12
Total Options	1,463,288,839		73,164,442	

Not all Shareholders and Option holders will hold Shares or Options which can be evenly divided by twenty (20). Where a fractional entitlement occurs, the Directors will round that fraction up to the nearest whole Share or Option. Shareholders and Option holders are advised to seek their own tax advice on the effect of the consolidation. Neither the Company, nor the Directors (or the Company's advisors) accept responsibility for the individual taxation consequences arising from the consolidation.

3.3 Timetable

The timetable for the consolidation of capital is as follows:

1.	Inform ASX of Shareholder approval of reorganisation	15 November 2010
2.	Trading in reorganised securities of a deferred settlement basis	17 November 2010
3.	Record Date and register securities on a post-reorganisation basis and issue holding statements	23 November 2010
4.	Despatch date and deferred settlement market ends	30 November 2010

After the consolidation becomes effective, the Company will arrange for new holding statements to be issued to Shareholders and Option holders. It is the responsibility of each Shareholder and Option holder to check the number of Shares or Options held prior to any disposal.

4. RESOLUTION 4 – PLACEMENT OF SECURITIES

Resolution 4 seeks Shareholder approval under Listing Rule 7.1 for the allotment and issue of up to 100,000,000 Shares at \$0.02 per share to raise \$2,000,000. Resolution 4 is conditional on the passing of Resolution 3. Resolution 4 will not have effect unless Resolution 3 to consolidate the Company's capital is passed. The capital raising will be conducted on a post-consolidation basis.

ASX Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity securities or other securities with rights of conversion to equity if the number of those securities exceeds 15% of the total ordinary securities on issue at the commencement of that 12 month period. One circumstance where an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of Shareholders in a general meeting. The effect of Resolution 4 will be to allow the Directors to issue the Shares pursuant to the Placement during the period of 3 months after the Meeting (or a longer period if allowed by the ASX), without using the Company's annual 15% placement capacity.

ASX Listing Rule 7.3 sets out the matters which must be included in the notice of meeting convened to seek shareholder approval under ASX Listing Rule 7.1. For the purposes of ASX Listing Rule 7.3, the following information is provided to Shareholders in relation to Resolution 4:

- (a) The maximum number of securities to be issued is 100,000,000 Shares.
- (b) The Shares will be issued and allotted no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- (c) The Shares will be issued at an issue price of \$0.02 each.
- (d) The Shares will be issued to sophisticated investors.
- (e) The Shares will be fully paid ordinary shares in the capital of the Company and will rank equally with the Company's current issued shares.
- (f) Funds raised from the issue of Shares to investors will fund exploration (see below).
- (g) The Shares will be allotted and issued on one date.

4.1 Focus on exploration assets of the Company

The Company has focussed its activities on gold exploration. The Company's exploration assets include an extensive package of prospective gold and base metals tenements. The exploration area comprises 251 km² (178km² granted and 73km² under application) of project area located approximately 35 km from Kalgoorlie which includes 16 granted mining leases, 4 granted prospecting licences, 1 large freehold block, 3 exploration licence applications and 1 miscellaneous licence.

4.2 Mt Martin Gold Mine and Golden Ridge Exploration - Gold

Proceeds from the Placement will provide required working capital and enable the Company to continue its exploration programs over its prospective tenements following encouraging results obtained on advance targets at Mt Martin for gold.

A high priority will be the Mt Martin gold mine which is currently where the Company has announced the Indicated and Inferred Resource of 4.7 million tonnes at 2.19g/t for 328,000 ounces of gold.

The proceeds from the Placement will enable exploration to continue to define the potential of for mining at these exploration projects.

AUSTRALIAN MINES LIMITED
ABN 68 073 914 191

GLOSSARY

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 ASX Limited.

“**ASX Listing Rules**” or “**Listing Rules**” means the Listing Rules of ASX Limited.

“**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**” means 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.

“**Options**” 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.

AUSTRALIAN MINES LIMITED
ABN 68 073 914 191

PROXY FORM
ANNUAL GENERAL MEETING

I/We (name and address)
being a Member of Australian Mines Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint
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 St, West Perth, Western Australia on 15 November 2010 at 9.00am (WST) and at any adjournment thereof. **If no directions are given on how to vote, the Chairman will vote in favour of all of the Resolutions.**

Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	☐	☐	☐
Resolution 2	Re-election of Mr Neil Warburton as a Director	☐	☐	☐
Resolution 3	Approval of Consolidation of Capital	☐	☐	☐
Resolution 4	Approval of Placement of Securities	☐	☐	☐

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.**

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, 681 Murray Street, West Perth, Western Australia, and post to Australian Mines Limited at PO Box 883, West Perth, WA 6872 or fax to (08) 9481 5611 by 9.00am (WST) on 13 November 2010.

Signed this day of 2010.

By:

Individuals and joint holders

Signature

Companies (affix common seal if appropriate)

Director

Signature

Director/Company Secretary

Signature

Sole Director and Sole Company Secretary

AUSTRALIAN MINES LIMITED
ABN 68 073 914 191
Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A member entitled to attend and vote at an Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
 - **(Individual):** Where the holding is in one name, the member must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
 - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Annual General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Australian Mines Limited PO Box 883, West Perth, WA 6872; or
 - (b) facsimile to the Company on facsimile number +61 8 9481 5611,

so that it is received not later than 9.00am (WST) on 13 November 2010.

Proxy forms received later than this time will be invalid.