



7 February 2011

ASX Announcement

NOTICE OF SHAREHOLDERS' GENERAL MEETING

Australian Mines Limited (**ASX: AUZ**) advises that it has dispatched to Shareholders today the Notice of General Meeting to be held on 9 March 2011 to approve the acquisition of Nigeria Gold Pty Ltd.

More information on the proposed resolutions can be obtained by reading the Explanatory Statement in the Notice or by visiting the AUZ website at:-

WWW.australianmines.com.au

For further information contact:

Brett Young

Chief Operating Officer

Australian Mines

08 9481 5811

Australian Mines Limited



ABN 68 073 914 191

NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT

For a Shareholders General Meeting to be held
On 9 March 2011 at 10.00 am (Western Standard Time) at
The Celtic Club, 48 Ord St West Perth, Western Australia

This is an important document. Please read it carefully.

*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.*

TIME AND PLACE OF GENERAL MEETING AND HOW TO VOTE

Venue

The General Meeting of Australian Mines Limited (the "**Meeting**") will be held at:

The Celtic Club	Commencing
48 Ord Street	at 10.00 am (Western Standard Time)
West Perth	on 9 March 2011
Western Australia	

How to Vote

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

Voting in Person

To vote in person, attend the Meeting on the date and at the place set out above. The Meeting will commence at 10.00am (Western Standard Time).

Voting by Proxy

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

- send the proxy form by hand to the Company's office at Level 1, 681 Murray Street, West Perth, Western Australia;
- send the proxy form by post to PO Box 883, West Perth, Western Australia, 6872; or
- send the proxy form by facsimile to +61 8 9481 5611,

so that it is received not later than 10.00 am (Western Standard Time) on 7 March 2011.

Your proxy form is enclosed.

AUSTRALIAN MINES LIMITED
ABN 68 073 914 191

NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of the Shareholders of Australian Mines Limited will be held at the Celtic Club, 48 Ord St West Perth, Western Australia on 9 March 2011 at 10.00 am (Western Standard Time) 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

SPECIAL BUSINESS

RESOLUTION 1 – APPROVAL TO CHANGE OF SCALE OF ACTIVITIES

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

"That, subject to Resolutions 2 to 6 being passed, for the purposes of Listing Rule 11.1 of the Listing Rules of ASX Limited and for all other purposes, approval is given for the Company to change the scale of its activities by undertaking the Transaction on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Shareholder approval is sought under Listing Rule 11.1 to allow the Company to undertake the Transaction and thereby make a significant change to the scale of its activities.

The Company will disregard any votes cast on this Resolution by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if this Resolution is passed and any associate of those persons. However, the Company need 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 the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 2 – APPROVAL TO ISSUE TRANCHE 1 SHARES

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

"That, subject to Resolutions 1 and 3 to 6 being passed, for the purposes of Listing Rule 7.1 of the Listing Rules of ASX Limited and for all other purposes, approval is given for the Company to allot and issue up to a total of 180,000,000 fully paid ordinary shares in the capital of the Company to the Vendors or their nominees as part consideration for the acquisition of the issued share capital of Nigeria Gold Pty Ltd on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Shareholder approval is sought under Listing Rule 7.1 to allow the Company to issue the Tranche 1 Shares on settlement of the Transaction to the Vendors as part consideration for the acquisition of Nigeria Gold Pty Ltd.

The Company will disregard any votes cast on this Resolution by any 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 shares, if this Resolution is passed and any associate of those persons. However, the Company need 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 the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 3 – APPROVAL TO ISSUE TRANCHE 2 SHARES

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

"That, subject to Resolutions 1, 2 and 4 to 6 being passed, for the purposes of Listing Rule 7.1 of the Listing Rules of ASX Limited and for all other purposes, approval is given for the Company to allot and issue up to a total of 120,000,000 fully paid ordinary shares in the capital of the Company to the Vendors or their nominees as part consideration for the acquisition of the issued share capital of Nigeria Gold Pty Ltd and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Shareholder approval is sought under Listing Rule 7.1 to allow the Company to issue the Tranche 2 Shares on or before 8 August 2011 as part consideration for the acquisition of Nigeria Gold Pty Ltd.

The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity as a Shareholder, if this Resolution is passed and any associate of those persons. However, the Company need 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 the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 4 – APPROVAL TO ISSUE TRANCHE 3 SHARES

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

"That, subject to Resolutions 1 to 3 and 5 to 6 being passed, for the purposes of Listing Rule 7.1 of the Listing Rules of ASX Limited and for all other purposes, approval is given for the Company to allot and issue up to a total of 36,000,000 fully paid ordinary shares in the capital of the Company to the Vendors or their nominees as part consideration for the acquisition of the issued share capital of Nigeria Gold Pty Ltd and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Shareholder approval is sought under Listing Rule 7.1 to allow the Company to issue the Tranche 3 Shares on the satisfaction of a performance milestone as deferred part consideration for the acquisition of Nigeria Gold Pty Ltd.

The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity as a Shareholder, if this Resolution is passed and any associate of those persons. However, the Company need 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 the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 5 – ELECTION OF DIRECTOR – MICHAEL RAMSDEN

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

"That, subject to Resolutions 1 to 4 and 6 being passed, for the purposes of rule 7.2(c) of the Constitution of the Company and for all other purposes, Michael Ramsden being eligible, offers himself for election, is hereby elected as a director of the Company from the date of settlement of the Transaction on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Mr Ramsden is presented for election by Shareholders in accordance with rule 7.2(c) of the Company's Constitution. Mr Ramsden's appointment is to take effect from the date of settlement of the Transaction.

RESOLUTION 6 – ELECTION OF DIRECTOR – DOMINIC MARINELLI

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

"That, subject to Resolutions 1 to 5 being passed, for the purposes of rule 7.2(c) of the Constitution of the Company and for all other purposes, Dominic Marinelli being eligible, offers himself for election, is hereby elected as a director of the Company from the date of settlement of the Transaction on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Mr Marinelli is presented for election by Shareholders in accordance with rule 7.2(c) of the Company's Constitution. Mr Marinelli's appointment is to take effect from the date of settlement of the Transaction.

RESOLUTION 7 – RATIFICATION OF PLACEMENT SHARES

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

"That, for the purposes of Listing Rule 7.4 of the Listing Rules of ASX Limited and for all other purposes, the Company approves and ratifies the issue of 47,826,087 fully paid ordinary shares in the capital of the Company at 2.3 cents each on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Listing Rule 7.1 allows the Company to issue equity securities in any 12 month period representing up to 15% of its ordinary share capital on issue at the commencement of that period without shareholder approval. By obtaining ratification of shareholders under Listing Rule 7.4 to the issue of the securities to the allottees, the Company will obtain relevant approval for the purposes of Listing Rule 7.1 and thereby refresh the Company's capacity to make future issues of securities up to the 15% threshold.

The Company will disregard any votes cast on this Resolution by an allottee of the issue the subject of this Resolution and any associates of such an allottee. However, the Company will not disregard a vote cast on this Resolution if:

- (a) it is cast by an allottee 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 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 7 March 2011 at 5.00 pm (Western Standard Time).
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: 3 February 2011

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 this Notice.

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

PART A - INFORMATION ABOUT THE TRANSACTION

1. INTRODUCTION

On 15 November 2010 the Company announced that it had entered into a heads of agreement to acquire gold and base metal exploration tenements located in north-western Nigeria. Under Transaction Agreements the Company will acquire all of the issued share capital of Nigeria Gold Pty Ltd ("**NGL**"), an Australian company (the "**Transaction**"). NGL has a Nigerian subsidiary entity, Mines Geotechniques Limited, which holds or has the rights to 46 exploration licences covering 2,170km² and a further 18 exploration licence applications covering 1,931km² for a total of 4,101km² in north-western Nigeria (the "**Tenements**").

Completion of the Transaction is subject to a number of conditions including Shareholder approval.

2. THE TENEMENTS

The Company has completed a legal due diligence on the Tenements. Valid title exists on the 46 exploration licences. There are also 18 valid exploration licence applications pending grant which includes 5 high priority exploration licence applications. The Share Sale Agreement was agreed on the basis that if 2 high priority exploration licences are granted then the issue of shares in the Company will be higher as detailed in section 3 of this Explanatory Statement.

The Company has commissioned an Independent Consulting Geologist's Report upon the prospectivity of the Tenements being acquired. This report appears as Annexure 1 to the notice of meeting.

3. TRANSACTION DETAILS

3.1 Consideration payable under the Transaction

The total consideration payable by the Company to acquire a 100% interest in NGL (and thereby an indirect interest in the Tenements) is the issue of at least 195,000,000 Shares and up to a maximum of 336,000,000 Shares. The Shares will be issued to each of the shareholders of NGL (the "**Vendors**") in proportion to their shares held in NGL at the time of settlement of the Transaction.

The Shares are payable in three tranches (set out below) and the actual number of Shares to be issued depends on whether particular events or performance milestones have been met.

- (a) **Tranche 1:** The Company will issue a total of 180,000,000 Shares to the Vendors to acquire 81% of the issued share capital of NGL on settlement of the Transaction.

- (b) **Tranche 2:** The Company will issue between 15,000,000 and 120,000,000 Shares to the Vendors to acquire the remaining 19% of the issued share capital of NGL by 31 July 2011 ("Deferred Settlement Date"). The number of Shares to be issued to the Vendors will depend on the occurrence of the following events at the Deferred Settlement Date:
- (i) Whether or not NGL has secured at least two high priority exploration licence applications among 5 identified high priority exploration licence applications.
 - (ii) Whether or not the Company has entered into an agreement over existing assets to toll treat greater than 750,000 tonnes of gold ore over an 18 month period or to sell the Mt Martin project and/or other Company projects on particular commercial terms that are specified in the Share Sale Agreement ("AUZ Milestone").

The number of Tranche 2 Shares to be issued are:

Event (as at Deferred Settlement Date)	Two or more high priority exploration licence applications are granted	Less than two high priority exploration licence applications are granted
Company has achieved the AUZ Milestone as designated at paragraph 3.1 (b) (ii) above .	30,000,000 Shares	15,000,000 Shares
Company has not achieved the AUZ Milestone as designated at paragraph 3.1 (b) (ii) above.	120,000,000 Shares	60,000,000 Shares

The maximum number of Tranche 2 Shares to be issued to the Vendors is 120,000,000 Shares. This obligation will arise if NGL has secured the grant of two high priority exploration licences on or before the Deferred Settlement Date and the Company has not achieved the AUZ Milestone as described at paragraph 3.1 (b) (ii) above.

The rationale for this maximum number is that the Company should issue more Shares as NGL will have materially increased its granted tenement portfolio by the granting of at least two high priority exploration licences and further the Company will not have achieved a significant commercial milestone on its existing assets. Therefore, deferred consideration to the Vendors by the issue of Shares in the Company should be at its maximum.

The minimum number of Tranche 2 Shares to be issued to the Vendors is 15,000,000 Shares. This obligation will arise if NGL has not been able to secure the grant of two high priority exploration licences on or before the Deferred Settlement Date and the Company has achieved the AUZ Milestone as designated at paragraph 3.1 (b) (ii) above.

The rationale for this minimum number is that the Company should issue less Shares as NGL will not have materially increased its granted tenement portfolio and the Company will have achieved a significant commercial milestone on its existing assets. Therefore, deferred consideration to the Vendors by the issue of Shares in the Company should be at its minimum.

- (c) **Tranche 3:** The Company will issue a further 36,000,000 Shares to the Vendors on satisfaction of a performance milestone within 2 years of settlement of the Transaction. The performance milestone is the receipt of a certificate from a qualified independent geologist certifying a JORC compliant Indicated Resource of at least 500,000 contained gold ounces in accordance with the JORC Code on the Tenements or on 2 further exploration licences currently held by a third party if the Vendors bring about a joint venture with the third party in respect of these licences. If this performance milestone is

not met within 2 years of settlement of the Transaction, the obligation on the Company to issue the Tranche 3 Shares will lapse.

3.2 Transaction documents

(a) Transaction Agreements with the Vendors

Under the Share Sale Agreement and the Other Holders Agreement the Vendors have or will agree to sell free from encumbrances all their shares in NGL to the Company. The Company agrees to purchase the Vendor's shares in NGL for the consideration as set out in set out in paragraph 3.1 above. The Vendors hold 100% of the shares in NGL.

There are various conditions precedent to completion including the Company obtaining Shareholder approval to the Transaction, NGL obtaining any necessary shareholder approval, the Other Holders Agreement being executed and the loan agreement being executed.

The Share Sale Agreement is governed by the laws of Western Australia.

(b) *Loan Agreement*

The Company will enter into a loan agreement by which the Company will agree to advance \$100,000 by way of loan to NGL. The loan is unsecured with no interest payable. The loan is repayable within 1 year of the advance

4. EXPENDITURE BUDGET

The Company has prepared an expenditure budget for a 6 month period assuming settlement of the Transaction to meet the commitments of the Company. The Company intends to use its cash on hand and any funds raised broadly as follows:

Project:	\$
Existing assets	380,000
Nigeria Tenements	600,000
Working capital and corporate administration	400,000
Total expenditure budget	\$1,380,000

Note: The estimated use of funds is contingent upon positive progress and results from the expenditure in line with the Company's objectives and strategy. The Directors reserve the right to expend the funds of the Company for the above purpose or for related or other purposes in line with the Company's objectives and strategy. The final expenditure of funds may vary from the above depending upon the circumstances in which the business develops and operates.

5. PROPOSED TIMETABLE

General Meeting of Shareholders	9 March 2011
Settlement of Transaction and allotment of Tranche 1 Shares	9 March 2011
Appointment of new Directors to the Board	9 March 2011
Allotment of Tranche 2 Shares	31 July 2011

These dates are indicative only and may change without notice.

PART B – EFFECT OF TRANSACTION ON THE COMPANY

6. CORPORATE STRUCTURE

On settlement of the Transaction, the corporate structure of the Company will be:

Parent Entity	Country Registered	
Australian Mines Limited	Australia	
Subsidiary		Ownership
Blair Nickel Mine Pty Ltd	Australia	100%
Nigeria Gold Pty Ltd	Australia	100%
Mines Geotechniques Ltd	Nigeria	100%

7. PRO FORMA CAPITAL STRUCTURE

The pro-forma capital structure of the Company by reason of the Transaction and the Resolutions under this Notice is as follows:

SHARES

	Two or more High Priority ELAs granted		Less than two High Priority ELAs granted	
	AUZ Milestone achieved	AUZ Milestone <u>not</u> achieved	AUZ Milestone achieved	AUZ Milestone <u>not</u> achieved
CURRENT				
Shares on issue	396,909,195	396,909,195	396,909,195	396,909,195
TRANCHE 1 : on settlement of Transaction				
Tranche 1 Shares	180,000,000	180,000,000	180,000,000	180,000,000
Total	576,909,195	576,909,195	576,909,195	576,909,195
TRANCHE 2: on or about 9 August 2011				
Tranche 2 Shares	30,000,000	120,000,000	15,000,000	60,000,000
Total	606,909,195	696,909,195	591,909,195	636,909,195
TRANCHE 3: on satisfaction of performance milestone				
Tranche 3 Shares	36,000,000	36,000,000	36,000,000	36,000,000
Total	642,909,195	732,909,195	627,909,195	672,909,195

OPTIONS

Current	73,164,442
Options under capital raising	0
Options under Transaction	0
Total	73,164,442

Note these tables assume that no options are exercised and no other securities are issued by the Company. The Options on issue have various exercise prices and expiry dates.

8. PRO FORMA STATEMENT OF FINANCIAL POSITION

The pro-forma statement of financial position of the Company by reason of the Transaction and the Resolutions under this Notice is set out below.

AUSTRALIAN MINES LIMITED			
STATEMENT OF FINANCIAL POSITION			
	31 December 2010		31 December 2010 Proforma Consolidated
	AUZ	NGL	
Current Assets			
Cash assets	322,385	532,111	1,794,496
Receivables	3,823		3,823
Other	260,230	17,777	278,007
Total Current Assets	586,438	549,888	2,076,326
Non-Current Assets			
Exploration and evaluation expenditure	11,045,620	736,352	16,623,594
Property, plant and equipment	42,637		42,637
Total Non-Current Assets	11,088,257	736,352	16,666,231
Total Assets	11,674,695	1,286,240	18,742,557
Current Liabilities			
Payables	136,525	27,862	164,387
Provisions	55,423		55,423
Total Current Liabilities	191,948	27,862	219,811
Non-Current Liabilities			
Interest-bearing liabilities	5,404		5,404
Provisions	275,000		275,000
Total Non-Current Liabilities	280,404	-	280,404
Total Liabilities	472,352	27,862	500,214
Net Assets	11,202,343	1,258,378	18,242,343
Equity			
Contributed equity	27,193,856	1,258,378	34,233,856
Reserves	336,536		336,536
Retained losses	(16,139,297)		(16,139,297)
Net income	(188,752)		(188,752)
Total Parent Entity Interest	11,202,343	1,258,378	18,242,343

The assumptions in the pro-forma statement of financial position are as follows:

1. acquisition costs of NGL (and therefore the value of the Shares to be issued under Resolutions 2, 3 and 4) is \$6,000,000;
2. elimination of issued capital of NGL as a wholly owned subsidiary of \$1,235,378;
3. capital raising of \$1,100,000 (Resolution 7) less capital raising costs of \$60,000; and
4. costs of the Transaction of \$100,000.

9. CHANGE TO BOARD OF DIRECTORS

The Board of Directors currently comprises:

Brett Young	Executive Director
Neil Warburton	Non-executive Director
Mick Elias	Non-executive Director

On settlement of the Transaction it is intended that the Board will be restructured and, subject to Shareholder approval, two new Directors will be appointed. The new Board of Directors is intended to comprise:

Brett Young	Executive Director
Neil Warburton	Non-executive Director
Mick Elias	Non-executive Director
Michael Ramsden	Non-executive Director
Dominic Marinelli	Non-executive Director

The appointment of Michel Ramsden and Dominic Marinelli is the subject of Resolutions 5 and 6 respectively. Details of the experience of each proposed new Director is set out below.

Michael Ramsden is the Managing Director of Terrain Capital Australia in Australia. Mr Ramsden is a lawyer with more than 25 years experience as a corporate advisor. He has been involved with all forms of finance, including money markets, futures trading, lease finance, trade finance and foreign exchange. Mr Ramsden has worked for a Lloyds broker in London and a number of major international companies including CIBC Australia, JP Morgan and Scandinavian Pacific Investments Limited.

Dominic Marinelli is a Director of Terrain Capital in Australia. Mr Marinelli has over 20 years of corporate fundraising experience covering a wide range of industries including resources (including resources in Nigeria) and other emerging technologies. He has extensive UK experience and whilst there was a key member of a management team involved in the reverse takeover of a London Stock Exchange investment trust that was subsequently listed on the UK-AIM market.

10. KEY RISKS OF THE TRANSACTION

The Transaction will provide the Company with an opportunity to expand its gold and base metals interests. In addition to the general risks applicable to all investments in listed companies, some of the material risks associated with developing the Nigerian projects include:

- (a) Exploration and development – by its nature, the exploration and development of a resource project is a high risk undertaking with no assurance of the economic exploitation of mineral resources.
- (b) Resource estimation – resource estimations are expressions of judgment which are imprecise.
- (c) Commodity and gold price and exchange rate volatility – an adverse movement in the price of commodities including gold or relevant exchange rates may adversely affect the development of the Tenements.
- (d) Future capital needs – there is no assurance that future funding will be available to the Company to further develop the Company's assets.
- (e) Political and Sovereign risk – In addition to Australia, the Company's operations will be based in Nigeria. Nigeria is a West African country which has been independent from Britain since 1960. Nigeria has sovereign risk where uncertainties may arise from political instability, corruption, civil strife, poor infrastructure and inconsistent application of law. However the current political situation has been relatively stable. Nigeria does have a modern Mining Act and a legal system based on British law.
- (f) Other factors – there are other risk factors including environmental laws and regulations, reliance on key personnel and title.

11. EXISTING OPERATIONS

The Company's existing interests are associated with gold exploration at Mt Martin gold project and its Golden Ridge leases located 35kms south east of Kalgoorlie, Western Australia.

The expenditure budget (set out in paragraph 4 above) provides for the projected expenditure on the Kalgoorlie assets over a 6 month period. In order to maximise a return to Shareholders, the Directors will continue to review alternatives concerning the existing projects including stand-alone development by the Company or a sale of the projects.

12. DIRECTORS' RECOMMENDATION

The current Directors (Messrs Young, Warburton and Elias) are independent of the Vendors and NGL. The current Directors consider that the Transaction is in the best interests of the Company and recommend that Shareholders vote in favour of all Resolutions. The current Directors have agreed to put the Resolutions to Shareholders and, separately, have approved the information contained in this Explanatory Statement.

The Directors do not have a material personal interest in the outcome of any of the Resolutions other than as Shareholders of the Company. Each of the Directors intends to vote their Shares in favour of each of the Resolutions.

Michael Ramsden and Dominic Marinelli as proposed Directors are related parties to the Company. The current Directors have resolved that the issue of Shares under the Transaction to the proposed Directors and the Transaction generally is on reasonable arms length terms and therefore rely upon the exception in the Corporations Act to not otherwise seek shareholder approval under the Corporations Act to a financial benefit to be given to a related party.

13. CONDITIONALITY OF RESOLUTIONS

Resolutions 1 to 6 are conditional upon the passing of each other, so that each will not have effect unless and until the other Resolutions are passed. In particular, if any of these Resolutions are not passed, the Transaction will not proceed, and the Company will continue to look for other potential projects for investment.

PART C – RESOLUTIONS AND REGULATORY REQUIREMENTS

14. RESOLUTION 1 – APPROVAL TO CHANGE OF SCALE OF ACTIVITIES

Completion of the Transaction will constitute a change in the scale of the Company's activities. The change in scale is significant and ASX has determined that Shareholder approval is required under Listing Rule 11.1. Information about the Transaction and the effect of the Transaction on the Company is set out in Parts A and B of this Explanatory Statement.

15. RESOLUTION 2 – APPROVAL TO ISSUE THE TRANCHE 1 SHARES

Listing Rule 7.1 provides, subject to certain exceptions, a listed company must not issue equity securities where the number of equity securities proposed to be issued represents more than 15% of the company's shares then on issue without the approval of shareholders. The issue of the Tranche 1 Shares to the Vendors will exceed the Company's 15% capacity under Listing Rule 7.1.

Resolution 2 seeks Shareholder approval to allow the Company to issue the Tranche 1 Shares to the Vendors as part consideration for the acquisition of 81% of the issued share capital of NGL.

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. In accordance with Listing Rule 7.3, the following information is provided to Shareholders in relation to Resolution 2.

- (a) The maximum number of securities to be issued by the Company is 180,000,000 Shares.
- (b) The Shares will be allotted and issued on settlement of the Transaction which will be no later than 3 months after the date of this Meeting (or a later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- (c) The deemed issue price of the Shares is 3 cents each.
- (d) The Shares will be allotted to the Vendors who are the shareholders of NGL. None of the allottees are related parties of the Company other than entities associated with the proposed Directors, Michael Ramsden and Dominic Marinelli. The Company is relying upon exception 6 in ASX Listing Rule 10.12 for not seeking separate Shareholder approval for the issue of securities to a related party.
- (e) The Shares are fully paid ordinary Shares in the Company and rank equally with the Company's current issued Shares.
- (f) No funds will be raised by the issue of the Shares. The Shares are issued as part consideration for the acquisition of the issued share capital of NGL as set out in paragraph 3 above.
- (g) It is intended that the Shares will be allotted on one date.

16. RESOLUTION 3 – APPROVAL TO ISSUE THE TRANCHE 2 SHARES

Resolution 3 seeks Shareholder approval for the purposes of Listing Rule 7.1 to allow the Company to issue the Tranche 2 Shares to the Vendors as part consideration for the acquisition of the remaining 19% issued share capital of NGL. Details about the ASX Listing Rules requirements regarding Listing rule 7.1 is set out in paragraph 15 above.

In accordance with Listing Rule 7.3, the following information is provided to Shareholders in relation to Resolution 3.

- (a) The maximum number of securities to be issued by the Company is 120,000,000 Shares. The number of Tranche 2 Shares that will be issued depends on the occurrence of the events detailed in paragraph 3.1(b) above.
- (b) Under the terms of the Share Sale Agreement the Tranche 2 Shares will be issued by 31 July 2011. Listing Rule 7.3.2 requires the date by which the Company will issue securities to be no later than 3 months after the date of this Meeting. ASX has granted a waiver to allow the securities to be issued within 5 months of Shareholder approval by this Meeting (by 8 August 2011).
- (c) The deemed issue price of the Shares is 3 cents each.
- (d) The Shares will be allotted to the Vendors who are the shareholders of NGL. None of the allottees are related parties of the Company other than entities associated with the proposed Directors, Michael Ramsden and Dominic Marinelli. The Company is relying upon exception 6 in ASX Listing Rule 10.12 for not seeking separate Shareholder approval for the issue of securities to a related party.
- (e) The Shares are fully paid ordinary Shares in the Company and rank equally with the Company's current issued Shares.
- (f) No funds will be raised by the issue of the Shares. The Shares are issued as part consideration for the acquisition of the issued share capital of NGL as set out in paragraph 3 above.
- (g) It is intended that the Shares will be allotted on the same date.

17. RESOLUTION 4 – APPROVAL TO ISSUE THE TRANCHE 3 SHARES

Resolution 4 seeks Shareholder approval for the purposes of Listing Rule 7.1 to allow the Company to issue the Tranche 3 Shares to the Vendors as part consideration for the acquisition of the issued share capital of NGL. Details about the ASX Listing Rules requirements regarding Listing rule 7.1 is set out in paragraph 15 above.

The Tranche 3 Shares will only be issued to the Vendors if the performance milestone is satisfied within 2 years of settlement of the Transaction. Details of the performance milestone is set out in paragraph 3.1(c) above.

In accordance with 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 by the Company is 36,000,000.
- (b) The Shares will be allotted and issued in the event that the performance milestone is satisfied within 2 years of settlement of the Transaction. Listing Rule 7.3.2 requires the date by which the Company will issue securities to be no later than 3 months after the date of this Meeting. ASX has granted a waiver to allow the securities to be issued within 2 years of Shareholder approval by this Meeting.
- (c) The deemed issue price of the Shares is 3 cents each.
- (d) The Shares will be allotted to the Vendors who are the shareholders of NGL. None of the allottees are related parties of the Company other than entities associated with the proposed Directors, Michael Ramsden and Dominic Marinelli. The Company is relying

upon exception 6 in ASX Listing Rule 10.12 for not seeking separate Shareholder approval for the issue of securities to a related party.

- (e) The Shares are fully paid ordinary Shares in the Company and rank equally with the Company's current issued Shares.
- (f) No funds will be raised by the issue of the Shares. The Shares are issued as part consideration for the acquisition of the issued share capital of NGL as set out in paragraph 3 above.
- (g) It is intended that the Shares will be allotted on the same date on satisfaction of the performance milestone in accordance with the terms of the Share Sale Agreement.

18. RESOLUTIONS 5 AND 6 – ELECTION OF DIRECTORS

By rule 7.2(c) of the Constitution of the Company, the Company may in general meeting by ordinary resolution, appoint any person to be a Director.

Michael Ramsden and Dominic Marinelli offer themselves for election. If all of the Resolutions are passed and the Transaction completed, Messrs Ramsden and Marinelli will be appointed as Directors on the date of settlement. The experience and qualifications of Messrs Ramsden and Marinelli are summarised at paragraph 9 above.

19. RESOLUTION 7 – RATIFICATION OF PLACEMENT SHARES

Listing Rule 7.1 provides, subject to certain exceptions, a listed company must not issue equity securities where the number of equity securities proposed to be issued represents more than 15% of the company's shares then on issue without the approval of shareholders.

Listing Rule 7.4 provides that an issue of securities made without the approval under Listing Rule 7.1 is treated as having been made with approval if the issue of securities did not breach Listing Rule 7.1 (that is, the issue was within the Company's 15% capacity) and Shareholders subsequently approve it.

The Company will issue 47,826,087 Shares on or about 7 February 2011 within its 15% capacity under Listing Rule 7.1. The Company now seeks Shareholder approval by Resolution 7 to ratify this issue and refresh the 15% capacity.

Listing Rule 7.5 provides that for Shareholders to approve an issue subsequently, the notice of meeting must include particular information. This information is as follows:

- (a) The number of securities allotted was 47,826,087 Shares.
- (b) The Shares were issued at an issue price of 2.3 cents each.
- (c) The Shares are fully paid ordinary shares in the Company and rank equally with the Company's current issued Shares.
- (d) The Shares were allotted to sophisticated, professional and other investors who are exempt from the disclosure requirements under Chapter 6D of the Corporations Act including clients of Patersons Securities Limited. None of the allottees are related parties of the Company.
- (e) The Company intends to use the funds raised from the placement to fund the costs of the Transaction and to assist exploring the Nigerian tenements.

AUSTRALIAN MINES LIMITED

ABN 68 073 914 191

GLOSSARY

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

"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.

"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.

"JORC Code" means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

"Meeting" means the meeting convened by this Notice.

"NGL" means Nigeria Gold Pty Ltd (ACN 140 601 305)

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

"Option" means an option to subscribe for a Share in the Company.

"Other Holders Agreement" means an agreement to be executed that is ancillary to the Share Sale Agreement and by which the shareholders of NGL that have not executed the Share Sale Agreement agree to sell their shares in NGL on the terms of the Share Sale Agreement.

"Resolution" means a resolution referred to in the Notice.

"Share" means a fully paid ordinary share in the capital of the Company.

"Shareholder" means a registered holder of Shares in the Company.

"Share Sale Agreement" means the agreement executed 31 January 2011 between certain Vendors, NGL and the Company in relation to the Transaction.

"Tenements" means the 46 exploration licences and 18 exploration licence applications that are held by Mines Geotechniques Limited or over which Mines Geotechniques Limited has a beneficial interest.

"Transaction" means the transaction between the shareholders of NGL and the Company whereby the Company will acquire all of the issued share capital of NGL;

"Tranche 1 Shares" means the issue of Shares to the shareholders of NGL to acquire an 81% interest in NGL in accordance with the Transaction Agreements and being the subject of Resolution 2.

"Tranche 2 Shares" means the issue of Shares to the shareholders of NGL to acquire the remaining 19% interest in NGL in accordance with the Transaction Agreements and being the subject of Resolution 3.

"Tranche 3 Shares" means the issue of Shares to the shareholders of NGL on satisfaction on a performance milestone as deferred consideration to the acquisition of the issued share capital of NGL in accordance with the Transaction Agreements and being the subject of Resolution 4.

"Transaction" means the transaction by which the Company acquires 100% of the capital in NGL, which will provide the Company with a 100% beneficial interest in the Tenements.

"Transaction Agreements" means the Share Sale Agreement and the Other Holders Agreement.

"Vendors" means the shareholders of NGL.

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

"\$" or **"A\$"** means Australian dollars unless otherwise stated.

AUSTRALIAN MINES LIMITED
ABN 68 073 914 191
PROXY FORM

APPOINTMENT OF PROXY
Australian Mines Limited
ABN 68 073 914 191

I/We

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

Appoint

Name of Proxy

or failing the person so named or, if no person is named, the Chairman of the 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 General Meeting to be held at the Celtic Club, 48 Ord St West Perth, Western Australia on 9 March 2011 at 10.00 am (WST) and at any adjournment thereof.

Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Approval to change of scale of activities	☐	☐	☐
Resolution 2	Approval to issue the Tranche 1 Shares	☐	☐	☐
Resolution 3	Approval to issue the Tranche 2 Shares	☐	☐	☐
Resolution 4	Approval to issue the Tranche 3 Shares	☐	☐	☐
Resolution 5	Election of Director-Michael Ramsden	☐	☐	☐
Resolution 6	Election of Director-Dominic Marinelli	☐	☐	☐
Resolution 7	Ratification of Placement Shares	☐	☐	☐

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 the Resolutions.

If you mark the abstain box for a particular item, you are directing your proxy not to 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 on 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 or by post to PO Box 883, West Perth, Western Australia, 6872 or by fax to +61 8 9481 5611 by 10.00am (WST) on 7 March 2011.

Signed this day of 2011.

By:

Individuals and joint holders

Companies (affix common seal if appropriate)

Signature

Director

Signature

Director/Secretary

Signature

Sole Director and Sole Secretary

AUSTRALIAN MINES LIMITED
ABN 68 073 914 191

Instructions for Completing Appointment of Proxy Form

1. In accordance with section 249L of the Corporations Act, a shareholder 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 sections 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with sections 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 sections 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.
6. 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, 681 Murray Street, West Perth, Western Australia

Fax Number: +61 8 9481 5611

Postal Address: PO Box 883, West Perth, Western Australia, 6872

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



NZ EXPLORATION LTD

2 Clark Street

Dunedin 9016

New Zealand

E-mail: nzexploration@hotmail.com

Ph.: +64 210348692

Directors

Australian Mines Limited

Level 1 681 Murray Street

West Perth WA 6011

12/1/2011.

Independent Consulting Geologists Report Nigeria Gold Pty Ltd and Mines Geotechniques Ltd

Dear Sirs,

NZ Exploration Limited (NZ Ex) has been commissioned by Australian Mines Limited (Aus Mines) to provide an Independent Consulting Geologists Report on the Exploration Licences (ELs) and Exploration Licence Applications (ELAs) ("the tenements") beneficially owned by Nigerian registered company Mines Geotechniques Ltd, which in turn is owned by Australian registered company Nigeria Gold Pty Ltd (NGL). This report is to be included in the Notice of Meeting regarding the proposed acquisition of NGL by Aus Mines, to be sent to Aus Mines shareholders.

NZ Ex has not been asked to give an Independent Valuation of the properties, nor to comment on the wisdom of the proposed acquisition, and therefore no opinion on these matters has been offered.

NZ Ex has based this report primarily on the results of reconnaissance field exploration activities carried out by the author in April, June and October/November 2010, supported by desk top studies of historic literature and preliminary review of geophysical maps, compiled from recently available data from the Nigerian Geological Survey regional geophysical survey of Nigeria.

The tenements comprise 46 ELs covering an aggregate area of 2169.8 km² and 18 ELAs covering an aggregate area of 1931 km². The legal status of the tenements is subject to a separate Solicitors Report. These matters have not been independently verified by NZ Ex.

Annexure 1

The tenements are considered to be “Exploration Projects”, which are inherently speculative in nature. However, NZ Ex considers they have been acquired on the basis of sound technical merit. Subject to varying degrees of exploration risk, the tenements are considered to be sufficiently prospective, to warrant methodical exploration and full assessment of their economic potential.

The Independent Consulting Geologists Report has been prepared on information available up to and including 11th January 2011. NZ Ex consents to the inclusion of the Consulting Geologists Report in the Aus Mines Notice of Meeting in the form and context in which it appears. NZ Ex has been providing consulting services to the exploration and mining industries since January 2010. Prior to that date, the organisation had been operating under the name of Pacific Geological Consulting Limited since January 1981.

This report was compiled by Mr GJ Ryan, who is a professional geologist with more than 30 years experience in 9 countries covering a variety of commodities but specialising in gold. Mr Ryan is Managing Director of NZ Exploration Limited and a corporate member of the Australian Institute of Mining and Metallurgy. Mr Ryan has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves”.

Neither NZ Ex nor Mr Ryan have or have had any material interest in MGL, NGL or Aus Mines. The relationship with these organisations is solely a professional association between client and independent consultant. The report is prepared in return for professional fees based on agreed commercial rates and the payment of these fees is in no way dependent on the results of this report.

Yours faithfully,
NZ Exploration
Greg Ryan MAusIMM
Managing Director.

ANNEXURE 1

Independent Consulting Geologists Report

Nigeria Gold Pty Ltd and Mines Geotechniques Ltd

1. Introduction

This report has been commissioned to review the exploration potential of the ELs (being “granted Exploration Licences”) and ELAs (being “approved Exploration Licence applications”). (“the tenements”), which are listed in Appendices 2 and 3 to this report and located in north west Nigeria and which are beneficially owned by Mines Geotechniques Limited (“MGL”) a company registered in Nigeria.

MGL is a 100% subsidiary of Nigeria Gold Pty Ltd (“NGL”), a company registered in Australia. NGL is being acquired by Australian Mines Limited, an ASX listed company (“AUZ”) and AUZ is undertaking due diligence on MGL and the tenements.

This report does not verify the legal standing of the tenements but does highlight the prospectivity of the tenements. Based on the work carried out to date, a large number of the tenements listed have been identified as priority tenements, several of which have **drill-ready exploration targets**.

2. Nigerian Mining Act

After establishing the Nigerian Ministry of Solid Minerals Development in 1995, the Nigerian Government passed the Minerals and Mining Act in 1999, later replacing this with the Minerals and Mining Act 2007. The new act is aimed at developing a private sector mining industry, administered and regulated by the government. Applications for mineral tenements are processed on a ‘first come, first served’ basis and may be made by any person or entity.

The Mining Cadastre Office is responsible for processing all applications and for issuing licences, which are then approved and signed off by the Minister. Once grant of a licence has been notified, the applicant must pay the first year’s rental and physically accept the licence from the Mines Cadastral Office within 2 weeks, or the licence will be forfeit. While it is necessary to consult with and obtain consent from the owner or chief responsible for the land under application, mining has priority over all other land uses. An EL gives the holder exclusive right to explore for minerals within the licence area, as well as exclusive right to be granted Mining Leases (MLs) over any land within the tenement. ELs are granted for an initial 3 year term and may be renewed twice for 2 year periods. MLs are granted initially for 25 years and are renewable every 24 years.

3. MGL tenements

Nigeria Gold Pty Ltd, through its 100% owned Nigerian subsidiary Mines Geotechniques Ltd holds 46 ELs and 18 ELAs covering 4,101 km² of the highly gold prospective schist belts in north western Nigeria (Fig. 1, Appendices 2 & 3). The Nigerian schist belts have often been compared with the better known, highly mineral endowed Birimian schist belt of Ghana, Mali and Burkina Faso, where exploration for and development of major precious metal deposits is much more advanced. While underexplored by modern exploration techniques, Nigeria is considered to have potential to host major precious and base metals deposits.

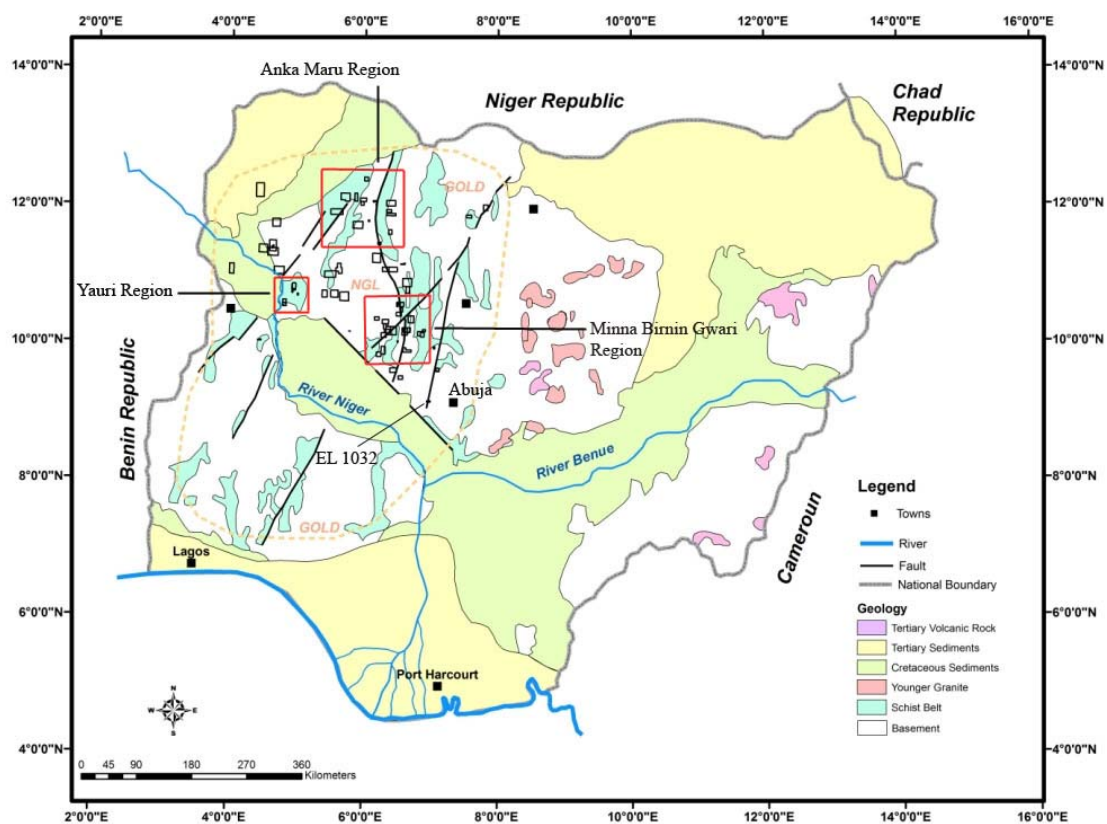


Figure 1 Simplified geological map of Nigeria showing NGL tenement locations.

The tenements have been acquired in several phases, commencing with an initial package, which was assessed by the author in the latter part of 2009. Additional tenements were acquired in high priority areas at various times during the first half of 2010, as land became available in response to a license revalidation programme carried out by the Mines Cadastral Office. This resulted in the revocation of many non-performing licences.

Appraisal work of the NGL tenement package has highlighted four key regions that warrant detailed exploration follow-up (Fig 1). These are Anka/Maru, EL 1032 Tsauni, Minna/Birnin

Gwari and Yauri. This report focuses on the tenements in those regions, which have highest priority for follow up.

3.1 Anka/Maru region

The large, mineral-rich Anka and Maru schist belts dominate the NGL Anka/Maru tenement package (Fig 1). There are widespread historic (mid 1900s British) and current artisanal gold workings throughout these schist belts. In many of these workings, both the quartz veins and the surrounding sheared bedrock contain gold and other metals. Several NGL tenements at Anka host many of these historic and current workings and are highly prospective for gold and probably also for base metals (Fig 2). While all of the workings visited by the author in November 2010 were sampled, delays associated with the Christmas-New Year period, mean that assays from these samples have not yet been received.

A large, very well equipped miners' camp close to a cluster of artisanal workings on high priority ELA # 1, has been operating for many years. These extensive workings have helped to delineate target areas for immediate follow-up. Similar workings on high priority ELAs # 2 and # 3, near the town of Anka, and ELA # 4, some distance to the south, have also delineated high priority targets for follow-up. The style and intensity of workings on these key Anka tenements, suggest the potential for large-scale, shallow, bulk tonnage deposits, suitable for open pit development. It should be noted that at this stage these tenements are still in the application process.



Figure 2 Major artisanal workings typical of those in and around the key NGL Anka tenements, note 'ore' sacks. Historic British workings centre background.

3.2 Tsauni – EL 1032

On EL 1032 near Tsauni Village, a series of substantial, high-grade gold/copper artisanal workings extends over more than 500m strike length. Rock chip and trench samples from this zone of workings have returned assays up to 19 g/t gold, 400 g/t silver, 0.1% copper and 36% lead. The licence is easily accessible and only 1.5 hours drive from the capital city Abuja. While preliminary mapping and limited trenching gave encouragement, a detailed geophysical programme should be carried out, to delineate the extent of mineralised quartz vein development within the licence, and to guide more extensive surface and sub-surface exploration.

3.3 Yauri region

Gold exploration and mining in the Yauri region extends back to the British colonial days, with widespread artisanal workings continuing to the present day. There are significant artisanal workings within and immediately adjacent to the NGL tenement package, making this a highly prospective region for the company. NGL has 4 granted licences and 1 application.

Geophysical interpretation, first-pass mapping and sampling and the presence of artisanal workings, have delineated several attractive target areas on all of the tenements (Fig 3).

There are active artisanal workings in ELA # 5 and EL 1033. Two rock chip samples from either end of a geophysical anomaly, which encroaches into the SE corner of EL 1033 returned assays of 4.3 and 2 g/t gold. Two trial soil lines in this area were sampled in November 2010, with assays still awaited. There are widespread artisanal workings in the superficial material in the centre of this anomaly, immediately south of EL 1033. Follow-up soil sampling in the SE part of EL 1033, with trenching of any anomalous zones, is strongly recommended.

In EL 8592 and ELA # 5, limited sampling of large (up to 5m+ wide) white quartz veins returned only anomalous gold assays (up to 0.4 g/t gold). Based on observations at many artisanal bedrock workings, and on discussions with other operators, it appears that the gold mineralisation is more likely to be in silicified shear zones adjacent or close to, rather than within these large quartz veins. Typically, these shear zones do not crop out and would need to be exposed by trenching. Within EL 8592, there are also zones of sheared and amphibolised mafic rock including black quartzite and banded iron formation (BIF), which returned assays up to 23% iron and 6% manganese with very weakly anomalous copper. Follow-up within EL 8592 and ELA # 5 once it is granted, consisting of more detailed and widespread mapping and sampling, soil sampling and trenching is highly recommended.

Several ridges composed of highly sheared and amphibolised mafic rock, including BIF and black quartzite, lie within an aeromagnetic anomaly, which straddles ELs 1127 and 8582. The most intensely sheared zones - most likely to host gold mineralisation - appear to underlie the valley floors, where there is very little outcrop. Limited sampling on the ridges returned assays up to 40% iron and 6% manganese with weakly anomalous copper. Methodical exploration of

this highly prospective area, consisting of more detailed and widespread mapping and rock chip sampling, soil sampling and possibly trenching or auger sampling, is strongly recommended.



Figure 3 Very active artisanal workings on ELA 8731 at Yauri.

3.4 Minna/Birnin Gwari region

The Minna/Birnin Gwari schist belt is another significant gold producing region, with many areas of artisanal workings, particularly near the large town of Birnin Gwari. NGL has a large tenement package in this region. From the work carried out to date on the granted tenements, those in the vicinity of the town of Kagara, have the highest priority for follow up.

Road cuttings immediately S of EL 9009 showed numerous zones of shearing and quartz vein development within predominantly phyllite lithology. These prospective zones trend directly into the tenement. While the very limited sampling so far carried out, has returned only weakly anomalous gold assays (0.1g/t), the geology and structures observed are typical of those that host substantial workings elsewhere, especially in the Anka-Maru region. Several gossanous outcrops E of EL 9009 appear to trend into this tenement. Samples returned assays up to 40% iron and 7% manganese. There are active alluvial gold workings, several kilometres to the NE of the tenement. Methodical exploration, especially mapping and sampling, of EL 9009 and the tenements to the N is strongly recommended.

Reconnaissance mapping on ELs 8585, 8593 8597 and 8743, has located numerous outcrops of highly sheared, predominantly phyllite bedrock containing quartz veins. Alluvial gold workings

and minor bedrock workings have also been located. A strong aeromagnetic feature extends for some 15km through ELs 8585, 8593 and 8743. Reconnaissance mapping suggests the possibility that this feature may represent a highly sheared, potentially mineralised contact between the schist belt metasediments and the granitic rocks. While there has been some very limited sampling of all of these features, delays associated with the Christmas-New Year period, mean that assays from these samples have not yet been received. More detailed mapping and sampling of these tenements is highly recommended.

While the tenements in the Minna/Birnin Gwari region are very much at the greenfields stage, preliminary geophysical interpretation and the limited field mapping carried out to date, indicate that they have excellent potential for hosting gold and possibly base metal deposits. Rigorous exploration work is recommended on all of the Minna-Birnin Gwari tenements.

4. Summary

Overall the tenements acquired in the **Anka/Maru, Minna/Birnin Gwari** and **Yauri** regions are considered highly prospective for gold and other minerals. The tenements have potential to produce large-scale, bulk tonnage orebodies. Given the geology and structure as well as the style and density of workings, the Anka region in particular, has the potential to produce world class orebodies, as is the case in nearby Ghana and Burkina Faso. Whilst the region is largely unexplored by modern exploration techniques, there is substantial evidence provided from preliminary assessment and also from the presence of widespread, active artisanal workings, to warrant the undertaking of further exploration.

5. Personnel

In addition to Danjuma Aliyu, the Managing Director of MGL and a director of NGL, the Abuja, Nigeria based team of MGL includes geologists Abdulazeez Salawu (MSc) and Charles Igbankwe (MSc). During the field trips by the author (Appendix 1), the MGL team has received training in various aspects of mineral exploration, including reconnaissance, channel, trench and soil sampling. The team has also received training in appropriate handling and despatch of samples to the laboratory. The local MGL team is now able to carry out field sampling tasks such as soil sampling without the need for full time expat supervision. NGL is in the process of preparing an IT platform, which will allow easy transfer of field data to the main home database.

NZ Exploration Limited

Greg Ryan

Director/Consulting Geologist

MAusIMM

12/1/2011.

Appendix 1 Competent Persons Statement

The information in this report which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Greg Ryan, who is a corporate member of the Australasian Institute of Mining and Metallurgy and independent consultant to the Company. Mr Ryan is a Director of NZ Exploration Limited and has over 30 years of exploration and mining experience in a variety of mineral deposit styles including gold mineralisation. Mr Ryan has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Ryan consents to inclusion in the report of the matters based on his information in the form and context in which they appear.

Appendix 2 Schedule of granted licences

Hoffman & Danja Int Ltd licences are held in trust for the benefit of Nigeria Gold Pty Ltd.

Application No	Holder	Area (km²)	Region
EL 1032	Mines Geotechniques Ltd	6.4	
EL 1033	Mines Geotechniques Ltd	5.8	
EL 1049	Mines Geotechniques Ltd	28.8	
EL 1127	Mines Geotechniques Ltd	28.8	
EL 8582	Hoffman & Danja Int Ltd	28.8	
EL 8584	Mines Geotechniques Ltd	3.2	
EL 8585	Mines Geotechniques Ltd	46.8	
EL 8586	Mines Geotechniques Ltd	66	
EL 8587	Mines Geotechniques Ltd	21.6	
EL 8588	Mines Geotechniques Ltd	3.2	
EL 8589	Mines Geotechniques Ltd	38.4	
EL 8590	Mines Geotechniques Ltd	3.2	
EL 8591	Mines Geotechniques Ltd	116	
EL 8592	Mines Geotechniques Ltd	14.2	
EL 8593	Mines Geotechniques Ltd	42.4	
EL 8594	Mines Geotechniques Ltd	1.6	
EL 8723	Mines Geotechniques Ltd	14	
EL 8726	Mines Geotechniques Ltd	7.2	
EL 8728	Mines Geotechniques Ltd	8	
EL 8737	Mines Geotechniques Ltd	16	
EL 8743	Mines Geotechniques Ltd	57	
EL 8988	Mines Geotechniques Ltd	154	

EL 8989	Mines Geotechniques Ltd	64
EL 8990	Mines Geotechniques Ltd	40
EL 8991	Mines Geotechniques Ltd	52.8
EL 8992	Mines Geotechniques Ltd	57.6
EL 8993	Mines Geotechniques Ltd	32.4
EL 9007	Mines Geotechniques Ltd	15
EL 9008	Mines Geotechniques Ltd	90
EL 9009	Mines Geotechniques Ltd	64.8
EL 9010	Mines Geotechniques Ltd	93.6
EL 9011	Mines Geotechniques Ltd	22.4
EL 9013	Mines Geotechniques Ltd	51.2
EL 9014	Mines Geotechniques Ltd	81
EL 9015	Mines Geotechniques Ltd	96
EL 9016	Mines Geotechniques Ltd	0.6
EL 9017	Mines Geotechniques Ltd	35.2
EL 9018	Mines Geotechniques Ltd	60.8
EL 9019	Mines Geotechniques Ltd	38.4
EL 9020	Mines Geotechniques Ltd	76.8
EL 9021	Mines Geotechniques Ltd	73.6
EL 9382	Mines Geotechniques Ltd	130
EL 9383	Mines Geotechniques Ltd	192.2
EL 9627	Mines Geotechniques Ltd	38.4
EL 9628	Mines Geotechniques Ltd	38.4
EL 9629	Mines Geotechniques Ltd	13.2
Total 46		2169.8

Appendix 3 Schedule of licence Applications

Hoffman & Danja Int Ltd licences are held in trust for the benefit of Nigeria Gold Pty Ltd.

Application numbers provided are internal Nigeria Gold Pty Ltd reference numbers.

Application No	Holder	Area (km²)	Region
ELA # 1	Mines Geotechniques Ltd	167	
ELA # 2	Mines Geotechniques Ltd	25	
ELA # 3	Mines Geotechniques Ltd	30	
ELA # 4	Mines Geotechniques Ltd	163	
ELA # 5	Mines Geotechniques Ltd	56	
ELA # 6	Mines Geotechniques Ltd	4	
ELA # 7	Mines Geotechniques Ltd	38	
ELA # 8	Mines Geotechniques Ltd	181	
ELA # 9	Mines Geotechniques Ltd	165	
ELA # 10	Mines Geotechniques Ltd	8	
ELA # 11	Mines Geotechniques Ltd	52	
ELA # 12	Hoffman & Danja Int Ltd	204	
ELA # 13	Mines Geotechniques Ltd	58	
ELA # 14	Hoffman & Danja Int Ltd	194	
ELA # 15	Hoffman & Danja Int Ltd	168	
ELA # 16	Mines Geotechniques Ltd	201	
ELA # 17	Hoffman & Danja Int Ltd	7	
ELA # 18	Mines Geotechniques Ltd	210	
Total 18		1931	