

AUSTRALIAN MINES LIMITED

ABN 68 073 914 191

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT

For the Annual General Meeting to be held on
19 November 2012 at 1.15pm (WST) at
The Celtic Club, 48 Ord Street, West Perth, Western Australia

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

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

TIME AND PLACE OF ANNUAL GENERAL MEETING AND HOW TO VOTE

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

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

**Commencing
at 1.15pm (WST)
On Monday 19 November 2012**

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 1.15pm (WST).

Voting by Proxy

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

- return the proxy form to the Company's office at Level 1, 83 Havelock Street, West Perth, Western Australia,
- Post the proxy addressed Australian Mines Limited, PO Box 883, West Perth, WA 6872, or
- send the proxy by facsimile to facsimile number +61 8 9481 5611,

so that it is received not later than 1.15pm (WST) on Thursday 15 November 2012.

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 19 November 2012 at The Celtic Club, 48 Ord Street, West Perth, Western Australia at 1.15pm (WST) for the purpose of transacting the following business.

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

AGENDA

GENERAL BUSINESS

Accounts and Reports

To receive and consider the Financial Reports of the Company and the reports of the Directors and Auditors for the financial year ended 30 June 2012.

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 2012 Annual Report of the Company be adopted."

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

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

- a) a member of the key management personnel, details of whose remuneration are included in the Remuneration Report; or
 - b) a closely related party of such a member,
- unless:
- c) the person does so as a proxy appointed in writing that specifies how the proxy is to vote on this Resolution; and
 - d) the vote is not cast on behalf of a person described in paragraphs (a) or (b) above.

The Company intends that Mr Michael Ramsden, as Chairman of the Company, will chair the Company's Annual General Meeting. It is Mr Ramsden's intention that, in relation to proxy forms received which direct that the person chairing the meeting vote as that person decides, he will cast the votes by abstaining from voting on this resolution 1.

2. Resolution 2 - Re-election of Director - Mr Mick Elias

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

"That, Mr Mick Elias, 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 Mick Elias is currently a non-executive Director and is presented for re-election in accordance with the rotation requirements of the Company's Constitution.

SPECIAL BUSINESS

3. Resolution 3 – Approval of Employee Share Option Plan

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

"That, for the purposes of Exception 9 of ASX Listing Rule 7.2 and for all other purposes, the issue of up to 30,000,000 Employee Options at an exercise price not less than the volume-weighted-average price per share of the Company's shares sold through ASX during the 5 trading days prior to the issue of the Employee Options, which are to be issued within 3 years of the date of this meeting, under the Australian Mines Limited Employee Share Option Plan of October 2012 (as amended from time to time) be approved as an exception to ASX Listing Rule 7.1."

Short Explanation: A summary of the terms of the Australian Mines Limited Employee Share Option Plan of October 2012 is included in the Explanatory Memorandum that forms part of this Notice of Annual General Meeting. Directors of the Company are excluded from participating under the Australian Mines Limited Employee Share Option Plan of October 2012.

4. Resolution 4 – Approval of Increase in Directors' Fees

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

"That, for the purposes of ASX Listing Rule 10.17, clause 7.5 of the Company's Constitution and for all other purposes, the aggregate amount that may be paid as non executive directors fees in any 12-month period be increased by \$100,000 to \$400,000."

Short Explanation:

The Company will disregard any votes cast on this Resolution by all directors of the Company and any of their associates. However, the Company need not disregard a vote cast on this Resolution if:

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

The Company intends that Mr Michael Ramsden, as Chairman of the Company, will chair the Company's Annual General Meeting. It is Mr Ramsden's intention that, in relation to proxy forms received which direct that the person chairing the meeting vote as that person decides, he will cast the votes by abstaining from voting on this resolution 4.

VOTING AND PROXIES

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by the person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. The date is 4.00pm (WST) on 16 November 2012.
4. A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the instructions on that form.
5. The Chairman of the Meeting will vote undirected proxies on, and in favour of, all of the proposed Resolutions, except for Resolution 1 (Remuneration Report) and Resolution 4 (Increase in Directors' Fees). Any undirected proxies held by the Chairman of the Meeting will not be voted on Resolutions 1 and 4. Accordingly, if you appoint the Chairman of the meeting as your proxy, you should direct him how to vote on Resolutions 1 and 4 if you want your shares to be voted on those Resolutions. The same will apply if you appoint any other Director, any other of its key management personnel or any of their closely related parties. Key management personnel of the Company are the Directors and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's key management personnel for the financial year 30 June 2012. Their closely related parties are defined in the Corporations Act, and include certain of their family members, dependants and companies they control.

By order of the Board



Sally Grice
Company Secretary
Dated: 10 October 2012

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 Resolutions 1 to 5 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 2012.

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 does not bind the Board or the Company. The Board will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies. Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Directors (other than the managing director) must go up for re-election.

Any undirected proxies held by the Chairman of the Meeting, other directors or other key management personnel or any of their closely related parties will not be voted on this Resolution. Key management personnel of the Company are the Directors and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's key management personnel for the financial year 30 June 2012. Their closely related parties are defined in the Corporations Act, and include certain of their family members, dependants and companies they control.

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

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

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR MICK ELIAS

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

In accordance with clause 7.3, Mr Mick Elias is presented for re-election by Resolution 2. Since 12 August 2011 Mr Elias has been a non-executive Director of the Company since his appointment on 1 July 2005.

Details of the qualifications and experience of Mr Elias are set out in the 2012 Annual Report for the Company.

3. RESOLUTION 3 – APPROVAL OF EMPLOYEE SHARE OPTION PLAN

Resolution 3 seeks Shareholder approval for the Company to grant Options to employees and consultants under the provisions of the Australian Mines Limited Employee Share Option Plan of October 2012.

ASX Listing Rule 7.1 restricts the issue of new securities by a listed company. In broad terms, a company cannot increase securities on issue by more than 15% in any 12 month period unless the increase falls within certain exceptions. One exception to Listing Rule 7.1 is exception 9 of Listing Rule 7.2, in relation to the issue of securities under an employee incentive scheme.

Listing Rule 7.2 exception 9 relevantly provides that an issue of securities (including Options) under an employee incentive scheme will be treated as an exception to Listing Rule 7.1 if that issue is made within 3 years of shareholders in a general meeting approving the issue of securities under the employee incentive scheme as an exception to Listing Rule 7.1.

While the rules within the Australian Mines Limited Employee Share Option Plan do not specify the total number of Employee Options to be issued, nor their minimum exercise price, the resolution to be voted at the Annual General Meeting restricts the issues to the following:

- (a) A maximum of 30,000,000 Employee Options may be issued within three years of the date of this meeting; and
- (b) The exercise price which will be determined by the Board will not be below the *volume-weighted-average price per share of the Company's shares sold through ASX during the 5 trading days prior to the issue of the Employee Options*.

For shareholders to provide their approval the Listing Rules require a summary of the terms of the employee incentive scheme, which are set out below:

The objectives of the Australian Mines Limited Employee Share Option Plan ("the Plan") are to:

- (a) provide an incentive for Eligible Employees to remain in their employment in the long term;
- (b) recognise the ongoing ability of Eligible Employees and their expected efforts and contribution in the long term to the performance and success of the Group; and
- (c) provide Eligible Employees with the opportunity to acquire Employee Options, and ultimately Shares, in the Company, in accordance with these Rules.

Features of the Plan are as follows:

- (c) The Eligible Employees who may participate in the plan are full-time and part-time employees and consultants of the Company or its subsidiaries, excluding Directors of the Company.
- (d) The maximum number of Employee Options on issue under the Plan may not exceed 5% of the number of shares issued by the Company at any time.
- (e) The Board may at its discretion offer Employee Options to Eligible Employees in accordance with the Plan, and each recipient may decide to accept or reject the offer within the period specified in the offer.
- (f) The options will vest over a four year period, at 25% per year.
- (g) If the holder of Employee Options ceases to be eligible because of termination of employment or otherwise, he or she will have 14 days to exercise any of those Employee Options which have vested, otherwise his or her Employee Options will lapse.
- (h) The Board may deem any unexercised Employee Options to have lapsed where the Eligible Employee acts fraudulently or dishonestly in any material respect or is in material breach of his or her obligations to any group company.

- (i) Employee Options are not transferable. The Company will apply for listing of Shares issued upon exercise of Employee Options, which shall, from the date of issue, rank equally in all respects with shares which are listed for quotations on the ASX.
- (j) Unvested Employee Options may be exercised during a takeover period, in the event of death, total and permanent disablement or redundancy of the eligible person, or in the event of the winding up of the company.
- (k) The Board may alter the plan or rules at any time so long as such amendment complies with the Listing Rules.

No Employee Options have been issued under the October 2012 Australian Mines Limited Employee Share Option Plan Rules as at the Date of this Notice.

A copy of the Australian Mines Limited Employee Share Option Plan can be obtained by request from the Company and a copy may be inspected at the Annual General Meeting.

4. RESOLUTION 4 – APPROVAL OF INCREASE IN DIRECTORS’ FEES

ASX Listing Rule 10.17 and clause 7.5 of the Company’s Constitution provide that the maximum aggregate amount of Directors’ fees is to be determined by shareholders in general meeting.

The level of Directors’ fees currently being paid to the four current non-executive directors is \$251,000 per annum. This includes fees and superannuation but does not include other benefits including options. It also does not include any executive salaries and consulting fees for additional services.

The Board considers that the current level of non executive directors’ fees are reasonable and commensurate with the role of a Director of a publicly listed company with overseas operations. The aggregate was last increased to \$300,000 at the 2006 Annual General Meeting.

While the Board does not currently plan to increase individual non executive directors’ fees, it is concerned that it does not exceed the aggregate amount approved by the shareholders, and seeks an increase to \$400,000 per annum. The increased aggregate amount allows scope for additions to the Board and enables the Directors to increase fees over time without frequent reference to the shareholders for approval.

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 the ASX Limited (ABN 98 008 624 691).

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

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

"Chairman" means the chairman of the Company.

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

"Constitution" means the Constitution of the Company.

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

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

"Explanatory Statement" means this explanatory statement.

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

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

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

"Resolution" means a resolution contained in this Notice.

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

"Shareholder" means a holder of Shares.

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

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

AUSTRALIAN MINES LIMITED
(ABN 68 073 914 191)
PROXY FORM

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 Street, West Perth, Western Australia on 19 November 2012 at 1.15pm (WST) and at any adjournment thereof.

Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	☐	☐	☐
Resolution 2	Re-election of Director - Mr Mick Elias	☐	☐	☐
Resolution 3	Approval of Employee Share Option Plan	☐	☐	☐
Resolution 4	Approval of Increase in Directors' Fees	☐	☐	☐

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

☐

If you mark the abstain box for a particular item, you are directing your proxy not vote on that item on a show of hands or on a poll and that your Shares are not to be counted in computing the required majority of a poll. If two proxies are being appointed, the proportion of voting rights this proxy represents is _____%.

Please return this Proxy Form to the Company Secretary, Australian Mines Limited Level 1, 83 Havelock Street, West Perth, Western Australia, or post to the Company at PO Box 883, West Perth, WA 6872, or fax to +61 8 9481 5611 by 1.15pm (WST) on Thursday 15 November 2012.

Signed this _____ day of _____ 2012

By:

Individuals and joint holders

Companies (affix common seal if appropriate)

Signature

Director

Signature

Director/Company Secretary

Signature

Sole Director and Sole Company Secretary

AUSTRALIAN MINES LIMITED
ABN 68 073 914 191

Instructions for Completing Proxy Form

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

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

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

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

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

Fax Number: +61 8 9481 5611

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

by no later than: 1.15pm (WST) on Thursday 15 November 2012.