



13 August 2014

Dear Option holder

I refer to Australian Mines Limited's (AUZ or the Company) announcements to ASX dated 13 August 2014 concerning a proposed partly underwritten non-renounceable rights issue (Rights Issue). The purpose of this letter is to advise you that if you wish to participate in the Rights Issue as an Option holder you must exercise your options according to their terms so that shares are issued following that exercise on or before the record date.

The Rights Issue has been undertaken to give eligible shareholders the opportunity to apply for shares in the Company with no brokerage fees at a price of \$0.013 per ordinary share. The record date is 7pm (Melbourne time) 22 August 2014.

Because of complications in extending the offer to overseas jurisdictions, eligible shareholders will only be those shareholders on the AUZ register on the record date that are located in Australia or New Zealand.

The rights issue has been fully underwritten to the amount of \$1,482,974 by Terrain Capital Markets Limited (the Underwriters).

Eligible shareholders will be entitled to participate on a 1 for 5 basis, being 1 new ordinary share for every 5 existing ordinary shares held. Fractional entitlements will be rounded up. This means that, subject to rounding, and based on the number of shares held by eligible shareholders at the date of this announcement, the number of new shares offered will be approximately 114,074,939 to raise approximately \$1.48m.

If there is any shortfall after the offer closes and settlement of the Underwriters' commitments, AUZ intends to place that shortfall within 3 months of the close of the rights issue.

The purpose of the Rights Issue is to conduct a drilling program referred to in the Company's announcement to ASX dated 1 August 2014. You should read that announcement in full.

AUZ will carry out the rights issue without a prospectus or other disclosure document, but will issue an Offer Document and personalised Application Form to eligible shareholders. A copy of the Offer Document will be available on the ASX website—[asx.com.au](http://asx.com.au), and on the Company's website — [www.australianmines.com.au/](http://www.australianmines.com.au/).

Directors of AUZ recommend to shareholders that they should take up their entitlements under the Rights Issue given the content of the announcement.

The timetable for the rights issue was set out in the announcement to ASX dated 13 August 2014. Key dates are as follows:

- The record date for determining entitlements is 7pm (Melbourne time) 22 August 2014;
- The rights issue will open on 26 August 2014;
- The closing date for receipt of applications is 5pm (Melbourne time) 16 September August 2014;
- Holding statements are expected to be dispatched by 24 September 2014.

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

The effect of the Rights Issue on issued capital of AUZ (assuming all offered shares are issued) is as follows:

|                                                  |             |
|--------------------------------------------------|-------------|
| Current issued capital                           | 666,911,575 |
| No of shares to be issued                        | 114,074,939 |
| Issued capital on completion of the rights issue | 780,986,514 |

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

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

Yours faithfully



**Michael Ramsden**  
Chairman