



AUSTRALIA UNITED MINING LIMITED (ASX: AYM)

24 November 2014

To: Australian Securities Exchange Limited

Filed by: Australia United Mining Limited

Pro-Rata Non-Renounceable Rights Issue Notice under section 708AA(2)(f) of the *Corporations Act 2001* (Cth)

Australia United Mining Limited (**AUML** or the **Company**) has announced a pro-rata non-renounceable rights issue on a 1-for-3 basis (**Rights Issue**) at an issue price of 1 cent per share (**Offer**). The Offer is made to holders of ordinary shares in the Company who had a registered address in Australia or New Zealand as at 7:00pm (AEDT) on Friday 28 November 2014 (**Record Date**) (**Eligible Shareholders**).

The Rights Issue offers Eligible Shareholders the right to take up one new share for every three AUML shares held as at the Record Date (**Entitlement**).

The Offer will not be underwritten; however there will be a shortfall facility which will enable Eligible Shareholders to subscribe for shares in addition to their Entitlement (**Shortfall Facility**). In the event that, following the close of the Offer a shortfall remains after additional shares are issued under the Shortfall Facility, the Directors reserve the right to place such shortfall shares at their discretion with persons interested in subscribing for shares in the Company within 3 months of the close of the Offer (**Shortfall Placement**).

The Company gives notice under section 708AA(2)(f) of the *Corporations Act 2001* (Cth) (the **Act**) as follows:

- (a) the new shares will be offered for issue without disclosure to investors under Part 6D.2 of the Act;
- (b) this notice is being given under section 708AA(2)(f) of the Act;
- (c) as at the date of this notice, AUML has complied with:
 - (i) the provisions of Chapter 2M of the Act as they apply to AUML; and
 - (ii) section 674 of the Act; and
- (d) as at the date of this notice, there is no excluded information of the type referred to in sections 708AA(8) and 708AA(9) of the Act.

Effect of Rights Issue on control of AUML and consequences of that effect

The effect of the Rights Issue on the control of AUML will depend on a number of factors, including:

- (a) the level of Eligible Shareholder participation in the Entitlement component of the Offer and the identity of Eligible Shareholders who do participate in the Entitlement component of the Offer;
- (b) if applicable, the level of Eligible Shareholder participation in the Shortfall Facility and the identity of Eligible Shareholders who do participate in the Shortfall Facility;
- (c) if applicable, the level of shortfall remaining following the close of the Offer; and
- (d) the identity of investors who participate in any Shortfall Placement following the close of the Offer; and the level of such investor participation.

The potential effect of the Offer on the control of the Company is as follows:

- 1. If all Eligible Shareholders take up their full Entitlements, there would be no significant effect on the control of AUML, as the Offer is made pro-rata and in that case no rights would lapse or revert to the Shortfall Facility or Shortfall Placement.
- 2. If Eligible Shareholders do not take up their full Entitlements under the Offer, then the interests of those Eligible Shareholders will be diluted.
- 3. The proportional interests of Ineligible Shareholders will be diluted because those Ineligible Shareholders are not entitled to participate in the Offer.

It is not presently possible for the Directors to predict the final level of subscription and Shortfall under the Rights Issue, or the identity of Eligible Shareholders who will subscribe for their Entitlements or Additional Shares. Further, the Directors are not presently able to state with certainty the identity of prospective subscribers under any Shortfall Placement, or the total number of shortfall shares which will or can be placed. Notwithstanding these limitations, upon the assumptions none of the subscribers of Shortfall Shares are existing shareholders, the maximum dilutionary effect the Rights Issue and shortfall placement will have on existing shareholders will be in accordance with the tables set out below (and subject to the assumptions stated below).

- (a) Assuming that the Directors are able to place 75% of the Shortfall Shares remaining following the close of the Offer:

Event	Number of Entitlement and Additional Shares issued	Number of Shares issued under Shortfall Placement	Total no. of Shares on issue post-Rights Issue	Maximum % dilution to existing Shareholders
Offer fully subscribed	223,495,923	0	893,983,693	0%
Offer 75% subscribed	167,621,943	41,905,486	880,015,198	23.81%
Offer 50% subscribed	111,747,962	83,810,971	866,046,703	22.58%
Offer 25% subscribed	55,873,981	125,716,457	852,078,208	21.31%
Nil subscriptions	0	167,621,943	838,109,713	20.00%

- (b) Assuming that the Directors are able to place 50% of the Shortfall Shares remaining following the close of the Offer:

Event	Number of Entitlement and Additional Shares issued	Number of Shares issued under Shortfall Placement	Total no. of Shares on issue post-Rights Issue	Maximum % dilution to existing Shareholders
Offer fully subscribed	223,495,923	0	893,983,693	0%

Offer 75% subscribed	167,621,943	27,936,990	866,046,703	22.58%
Offer 50% subscribed	111,747,962	55,873,981	838,109,713	20.00%
Offer 25% subscribed	55,873,981	83,810,971	810,172,722	17.24%
Nil subscriptions	0	111,747,962	782,235,732	14.29%

- (c) Assuming that the Directors are able to place 25% of the Shortfall Shares remaining following the close of the Offer:

Event	Number of Entitlement and Additional Shares issued	Number of Shares issued under Shortfall Placement	Total no. of Shares on issue post-Rights Issue	Maximum % dilution to existing Shareholders
Offer fully subscribed	223,495,923	0	893,983,693	0%
Offer 75% subscribed	167,621,943	13,968,495	852,078,208	21.31%
Offer 50% subscribed	111,747,962	27,936,990	810,172,722	17.24%
Offer 25% subscribed	55,873,981	41,905,486	768,267,236	12.73%
Nil subscriptions	0	55,873,981	726,361,751	7.69%

- (d) Assuming that the Directors not able to place any of the Shortfall Shares remaining following the close of the Offer:

Event	Number of Entitlement and Additional Shares issued	Number of Shares issued under Shortfall Placement	Total no. of Shares on issue post-Rights Issue	Maximum % dilution to existing Shareholders
Offer fully subscribed	223,495,923	0	893,983,693	0%
Offer 75% subscribed	167,621,943	0	838,109,713	20.00%
Offer 50% subscribed	111,747,962	0	782,235,732	14.29%
Offer 25% subscribed	55,873,981	0	726,361,751	7.69%
Nil subscriptions	0	0	670,487,770	0.00%

As the Company does not propose to apply to ASIC for approval of the appointment of a nominee for the purposes of section 615 of the Act, no person will be permitted to acquire New Shares under the Rights Issue to the extent that such acquisition results in that person holding a relevant interest exceeding 20% of the issued share capital of the Company on a post Rights Issue basis.

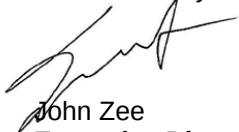
As the Rights Issue is not underwritten and there is no guarantee that the Directors can place any or all of the shortfall shares remaining after the close of the Offer, where the Entitlement component of the Offer and Shortfall Facility is not well subscribed, the Rights Issue may result in one or more substantial shareholders increasing their voting power in AUML (but subject to the 20% threshold). The current substantial shareholders of AUML as at the date of this cleansing notice, according to substantial holding notices lodged with the Company, are as follows:

Substantial Shareholder	No. of shares	% of current issued capital
Xiao Jing Wang, WY Australia Investment Pty Ltd	102,837,476	15.34%
Jianbing Zhang	129,591,500	19.33%
Shandong Gold Pty Ltd, Xinhua Geng	94,406,009	14.08%
Chao Ma	66,666,600	9.94%

The Board is cognisant that where the Rights Issue is significantly undersubscribed, a potential effect of any Shortfall Placement may be that a subscriber under any Shortfall Placement could potentially acquire control of the Company. To this end, the Directors intend to allocate shortfall shares (if any) in accordance with the allocation policy described below, which is designed to mitigate potential control effects of any Shortfall Placement.

In the event that there are shortfall shares remaining after the close of the Offer, the Board may issue and allot the shortfall shares to sophisticated investors and professional investors introduced to the Company by the Company's advisors and/or invited by the Company to participate in the Shortfall Placement. In the event of a significant shortfall, the Board reserves the right to engage one or more brokers to act as lead manager(s) to the placement of shortfall shares. To the extent that is commercially practicable and taking into account AUML's requirement for funds, the Directors (working in conjunction with the lead manager(s) if applicable) will endeavour to allot the shortfall shares to a spread of investors, in order to mitigate any control effects which may arise from issuing the shortfall shares to a single or small number of investors. In any event, no subscriber will be permitted to acquire shares under the Shortfall Placement to the extent that such acquisition would result in that subscriber having a voting power in AUML in excess of 20% (on a post Rights Issue and Shortfall Placement basis). In determining the allottees under any Shortfall Placement, the Company (and lead manager(s) if applicable) will ensure that no shortfall shares are allotted to related parties of the Company.

Yours faithfully



John Zee
Executive Director and Company Secretary
M. 0411 118 882
E. jzeeyt@gmail.com