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AUSMINERALS SHAREHOLDER UPDATE

HIGHLIGHTS

- ***Rights Issue for Shareholders underway.***
- ***Focus on Gold Development.***

Dear Shareholder

Rights Issue

You should by now have received your notice of entitlement to participate in the company's Rights Issue which is aimed at raising funds for urgently needed working capital. As you will know the company has not embarked on any capital raising since listing on the NSX almost two years ago and has relied on borrowings to sustain it over that period. This has severely hampered progress to the point where the directors made the decision earlier this year to sell the industrial minerals business, Kurdeez Lime P/L, to reduce group debt and to allow the focus to switch entirely to development of the gold tenements. Your support is crucial for the success of the company and I urge you to at least take up your minimum entitlements, and more if appropriate. At 6 cents per share we believe the entitlements to be good value and look forward to you increasing your share holding.

Timboon Operations

After planning an ambitious production expansion program at the Timboon operation in 2008, we suffered an increase in the cost of the new Grinding plant of approximately 34% due the weakness of the Aus\$, followed by the banking crash which saw our own bank reluctant to increase our finance facilities resulting in curtailed work programs on existing operations and the gold properties. We have however survived this and have started limited marketing of the expanded product range with good acceptance of the new products. Unfortunately the lack of working capital has forced us to seek buyers for this business and they will probably benefit from the expansion program which we have not been able to capitalize on due to limited working capital.

The process for the sale of this business has been exhaustive with extensive due diligence having been undertaken by the most interested group. The sale has not yet been finalized and the parties are continuing to work towards conclusion and an EGM will be called for shareholders to endorse the sale once final conditions have been agreed.

WA Gold

Over the past 6 months we have had discussions with various parties, including our bank, with a view to raising capital either through finance facilities or joint-venture to advance the gold project. Previous drilling has demonstrated extremely high gold values at various ore bodies of 13 meters at 10.3 grams per ton; 5 meters at 2.85 grams per ton; 2 meters at 10.82 grams per ton, 2 meters at 12.1 grams per ton; 1 meter at 68 grams per ton and 10 meters at 3.24 grams per ton, but the fact that we do not have JORC compliant gold reserves is hindering progress.

Given that the cost of drilling proposed by our geologist to fulfill JORC requirements is not exorbitant and rather than giving away a majority of the gold project to a joint-venture party at the expense of longer term shareholder value, we have embarked on the Rights Issue mentioned earlier and once again look forward to your participation.

Best regards

Erwin Bouverie
Managing Director