



ASX Announcement 23 March 2011

Letter to Shareholders

Dear Shareholder,

In the wake of the events that took place recently in Japan and especially with the events that occurred at the Fukushima nuclear complex, I thought it was important that I write to you explaining the possible impact on your Company and the uranium industry in general, and how your Directors and management plan to deal with any shift in short and long-term market sentiment.

First, let me say our sympathy and thoughts go out to all of the people of Japan and to the families and friends of the thousands of Japanese citizens who were killed in the earthquake and the following tsunami. Like the rest of the world, we were horrified at the destruction to life and property and wish the country and its people as speedy a recovery as possible.

The Impact on Australian-American Mining Corporation Limited (“Aus-American”)

The earthquake and tsunami have created widespread and tragic destruction and death, however, the problems with the reactors at the Fukushima nuclear complex have, in fact, created no life-threatening impacts off-site. As is generally the case with any negative story involving the nuclear power or uranium industry, the media coverage tends to be characterised by hype and sensationalist reporting. This occasion is no exception and, as a consequence, uranium stocks have been put under pressure and the nuclear and uranium mining industries are under scrutiny by governments around the world.

The main issue will be one of perception, with the legitimacy of the nuclear industry being questioned again - especially by the powerful anti-nuclear lobby. For a while, there will likely be a slowing down in the rate of growth of new reactor construction as governments of nuclear expansion countries review their reactors and their safety as a matter of proper prudence. However, compared to other generating sources, nuclear demonstrably has an excellent safety record and possesses unique advantages. Hence, new build will almost certainly resume in China, India, Russia and other countries with a strong commitment to nuclear power, and uranium will continue to be considered a legitimate and important part of the world’s future energy mix.



Why Aus-American remains a sound investment

For this reason, I would like to point out that an investment in Aus-American is still, in the opinion of the Directors, a sound investment with considerable upside.

Here are some reasons why:

- *The fundamentals of nuclear energy have not changed*
 - Worldwide, there are over 440 commercial reactors providing electricity and operating safely every day.
 - Japan has 55 reactors which provide approximately 30% of the country's electrical needs. Of these 55 reactors, 3 at the Daiichi plant have sustained core damage and will never restart and the remaining 3 reactors at the station have no core damage but may not re-start. At worst, with 6 reactors off-line, this means that 11% of Japan's electrical capacity could be permanently removed. The 6 reactors also constitute about 1% of the world's operating reactors and therefore will not meaningfully depress uranium demand.
 - Over 60 reactors are under construction and none has been cancelled.
 - There remains a shortfall in supply of uranium compared with demand and this is only going to increase in the next 2 years as the highly enriched uranium agreement with Russia terminates.
 - Worldwide demand is approximately 190 million pounds; current production is about 140 million pounds.
 - There is no realistic replacement for this nuclear capacity, especially in countries with high electricity growth -- where load demand is growing annually at more than 7%. In countries such as China, India, Indonesia and Brazil, billions of people now have higher incomes and are driving demand for more and better infrastructure, housing and products. This will require very significant expansion of nuclear baseload electricity. The only feasible alternative would be fossil-fired (coal, oil or gas) generation – an unacceptable alternative from the standpoint of global warming, environmental and health impacts, and security of supply.



• ***Aus-American is primarily a USA uranium demand/supply story***

Aus-American's uranium projects are located in the USA and it is intended that uranium produced by the Company would be sold primarily into the American market.

The USA has 104 operating commercial reactors; nearly a quarter of the world's current operating reactors. American uranium demand is approximately 55 million pounds per annum yet the country produces just 3 million pounds per annum.

The majority of the 52 million pound shortfall has been met by the combination of mined uranium from other countries and Russian reprocessed weapons grade uranium. However, the agreement to supply down-blended weapons grade uranium terminates in 2013.

Significantly, USA's President Obama has reiterated his country's commitment to its nuclear program in the wake of the Japanese crisis. The reactors in the USA are not going to be shut down, and the USA appears determined, for sound and clearly articulated "energy policy" reasons, to maintain its percentage of electricity generated by nuclear at around 20%.

• ***Aus-American has a diversified portfolio of assets – including Specialty Metals and Gold***

Despite our attention primarily being focused on our brown field uranium assets in the USA, the Company has a number of non-uranium assets which it is in the process of developing. These include the promising gold projects, Bernard and St. Marcos in Arizona, and our pegmatite specialty metals project, White Picacho, also in Arizona.

In other words, if the nuclear energy and uranium mining industries stagnate over the next 12 to 24 months -- despite our belief that this will not happen -- Aus-American has exposure to the gold and specialty metals markets.

Our strategy over the next quarter, as we monitor the effects of the nuclear crisis, will be to take the opportunity to focus more closely on the Company's non-uranium assets. This will likely cover a drilling program at one or both of



the gold and specialty metals projects in the immediate future. In the meantime, we will put our uranium program on a “wait and see basis”, confident in the knowledge that we have permits and crews on standby ready to drill three of our brown field uranium projects (with targets to upgrade our pounds in the ground).

The uranium program will be put back in motion as soon as we can see that the Japanese situation has not caused a major longer-term lack of confidence in the nuclear industry and the uranium space.

- ***Aus-American remains well-positioned with a strong cash/investments position and soon to be listed on the Toronto Stock Exchange***

Following on from our capital raising of late last year, the Company currently has a strong balance sheet with approximately \$6 million in cash and an investment in ASX listed Rare Earth company Forge Resources (ASX: FRG) of 3 million shares worth approximately \$3.6 million. Importantly, this investment gives the Company exposure to the exciting Rare Earths sector and Forge Resources, led by Forge’s Executive Chairman Nick Curtis, who is a renowned leader in this fast growing industry.

As announced earlier in March 2011, the Company is in the process of seeking admission to the Toronto Stock Exchange (“TSX”). This listing will be in addition to the Company’s Australian Securities Exchange listing. We are expecting to list by the end of 2Q 2011 and at this time the Company will have listings on the ASX, the TSX and an ADR listing in New York.

The Company has a current market capitalisation of \$16.5 million (based on \$0.05) and, a current value of non cash/investments assets of \$6.9 million. Given that we have \$9.6 million in cash and investments, listings on three markets (including the two major global resource markets) and an array of promising U.S. assets, we believe we are significantly under-valued compared to our peers.

One characteristic the Company prides itself on is tenacity. We have battled through some tough times including the uranium meltdown of late 2007, a difficult merger in 2007/08, the global financial crisis of 2008 and the market of 2008/09 where uranium badly lagged all other metals -- and have come through all of these challenges intact with a stronger company.



We now have better assets, and importantly, all of our people are still employed and working hard to ensure the Company and its shareholders benefit from development of our exciting suite of projects. We will continue to work as hard and as smart as we can, and we are confident that Aus-American will weather this recent storm.

The Board appreciates your ongoing support and look forward to better times in the near future. Please do not hesitate to contact me or any of our Directors if you have any queries.

Regards,

Jim Malone
Executive Chairman

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Further information

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