



7 April 2011

ASX Announcement

Nigeria Exploration Update

- AUZ has commenced soil sampling and mapping on Nigerian awarded tenements and exploration licence applications with some encouraging gold results.
- AUZ is awaiting award of high priority applications before drilling commences on identified targets.

Australian Mines (ASX:AUZ) has started immediately on an exploration program on its recently acquired Nigerian granted tenements and its exploration licence applications.

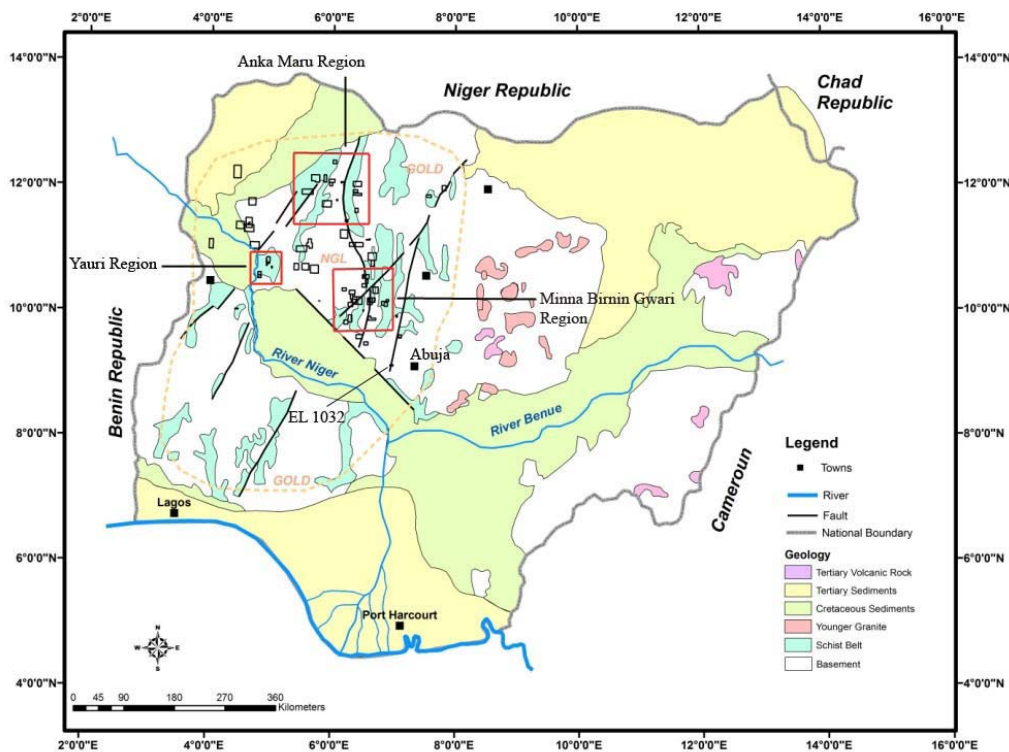


Figure 1 Nigeria Gold – simplified geology map overlain by tenement groups

Using the consulting geologist who has visited Nigeria over a period of twelve months on behalf of Nigeria Gold Pty Ltd (“NGL”), AUZ has to date examined many



of NGL's 46 granted exploration licences covering 2,170 sq km and 18 applications over a further 1,930 sq km.

Initial reconnaissance and then geological mapping and soil/rock sampling results have given most encouraging results. In many instances the presence of recent artisanal workings underlines the prospective nature of our granted tenements and exploration licence applications.

To ensure that the data collected is processed in an appropriate manner, a fully digital GIS data base has been established and is working well. Other inputs to this system, including publicly-available satellite imagery and regional aeromagnetics flown by the Nigerian government over our granted tenements and exploration licence application areas have been integrated into the system to provide an indispensable and vital exploration tool.

A four-wheel drive dual-cab utility vehicle has been purchased to implement the field work.

Wherever possible, local people are employed to help out as necessary while we are also training two indigenous Nigerian geologists to be full time employees. Once they are up to speed our level of field activity will increase significantly.

Overall expenditure to February 2011 on this and other associated work was approximately \$336,000. This work was totally funded by NGL.

Current Program to 30 June 2011

On his fourth visit in twelve months the consulting geologist at the time of writing has just completed a further field trip, with a primary objective of initiating field mapping and sampling programs designed to outline potential drill targets on the most attractive parts of our granted tenements and exploration licence applications.

Further to his November 2010 trip, he revisited old British workings on one of our exploration licence applications. These workings were untouched since Nigerian independence in 1960. He found that the entire hillside had been transformed into a mass of new artisanal workings with a small service village set up nearby.

This activity, together with the massive nature of the quartz outcrop and the extent of shearing and total alteration of the bedrock over broad zones, suggests the presence of a major mineralised system on this exploration licence application. These dramatic changes have effectively delineated a potential drill target that is some 300 to 400m in length and between 50-100m wide. The main questions at this stage are:

- Will this exploration licence application become a granted tenement?; and
- How deep below surface does this extensive and potentially rich mineralised zone extend?



Two other areas of major new artisanal workings were found, extending for several hundred meters in the immediate vicinity of the main miners' camp on this same exploration licence application. Together with the already significant workings that were located and sampled in November 2010, these new developments help to establish this area as a major target region.

New artisanal workings and the finding of additional artisanal and British workings on all three of the other key Anka exploration licence applications, confirm the highly prospective nature of the Anka region.

Geological mapping of these areas is in progress along with intensive rock chip and soil sampling programs.

This work is providing further excellent hands-on training for our local geologists and at the end of this trip our consulting geologist expects the two Nigerian geologists to be in a position to undertake ongoing soil sampling and geological mapping without day-to-day supervision.

The budget for the period to 30 June 2011 is approximately \$150,000.

Short Term to 31 Dec 2011

Local geologists are being trained to work unsupervised with a program of almost year-round exploration work that can begin with samples collected, prepared for assay and forwarded for analysis at a contracting laboratory on an ongoing basis. Areas showing good results would be examined more closely and in greater detail as we move closer to establishing drilling targets and eventually defining a mineral resource.

Although Australian Mines is conducting sampling on exploration licence applications, drilling will not commence on tenements until they are granted.

Our other areas will be progressively assessed by the consulting geologist as soon as possible. To assist in this regard and improve his mobility and efficiency we plan to acquire a second field vehicle.

The budget for the work over the 6-month period from mid 2011 has yet to be determined in detail and will depend on the actual amount of soil sampling and trenching planned, the associated geological supervision required together with assay costs and data compilation and interpretation expenses.

Medium Term to mid 2012

Given success in these endeavours, by the end of 2011 or possibly 2012 AUZ could well be in a position for preliminary drilling on the most prospective targets.



By then AUZ plans to have appointed a full-time Nigerian based expatriate geologist responsible for this work. That person would also be in charge of other non-geological matters such as government and community liaison and marketing of the company to investors both locally and overseas.

Greater exploration and evaluation work expenditure are expected to result in a significantly higher budget for fiscal 2013.

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The information in this report that relates to Exploration Results is based on information compiled by Mr G Ryan who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Ryan is employed by NZ Exploration Limited, a New Zealand based geological consulting company and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral resources and Ore Reserves'. Mr Ryan consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.