



12th October 2012

ASX Announcement

ASX: AUZ

Airborne survey identifies priority targets at Kasele project, Nigeria

Australian Mines Limited ("Australian Mines" or "the Company") is pleased to announce that an independent assessment of the high-resolution aeromagnetic survey flown over the Company's wholly-owned Kasele project in the northwest Nigerian gold fields in March 2012 has identified 30 gold and base metal target zones within the project area including two high-priority gold targets that demand immediate follow-up exploration.

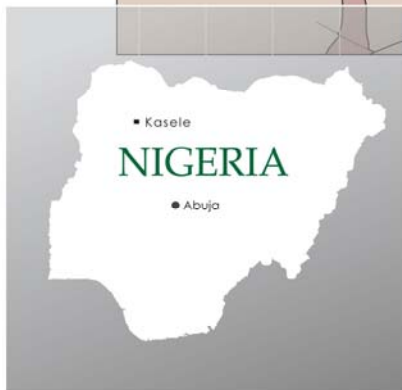
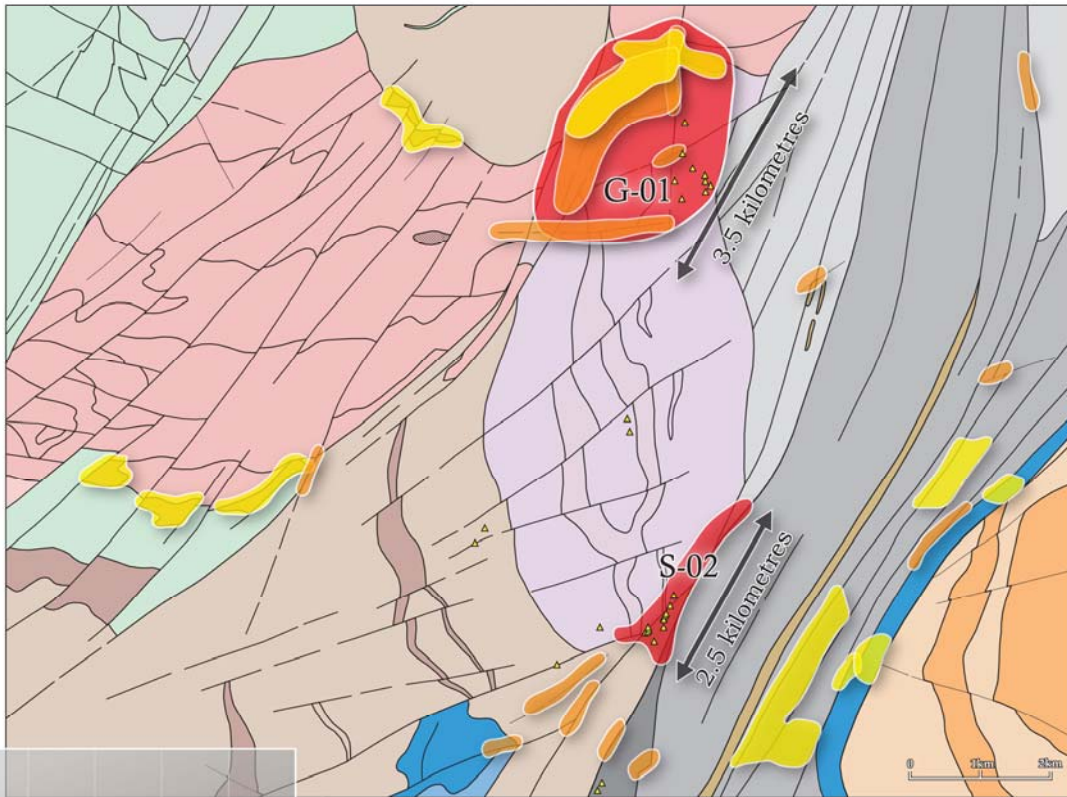
The Kasele project covers 169 square kilometres and is located 20 kilometres southeast of Australian Mines' 100% owned Yargarma project, where the Company is commencing its maiden drill program later this month.

The Kasele project lies within the Anka Schist Belt, which is known within Nigeria as a highly attractive region for gold mineralisation hosting numerous historical gold mines including Kwali, Jameson, Zuzzurfa and Kuba. The airborne survey conducted by Australian Mines over this project area was flown with a tight flight-line spacing of only 50 metres that enabled the Company to acquire an ultra-detailed dataset, which in turn allows for better understanding of both the small to large-scale structures that are likely to be important controls on the gold mineralisation in this region.

A comprehensive analysis of this high-resolution geophysical survey data, undertaken by Southern Geoscience Consultants ("SGC") of Perth, has identified two high-priority gold targets that warrant immediate follow up exploration, **G-01** and **S-02**.



KASELE GOLD TARGETS



LEGEND	
	Possible contact alteration.
	Strongly foliated metasediments (phyllite, meta-siltstone) / schist.
	Possible pyroclastic sediments (shale, siltstone).
	Metasediments weakly developed foliation.
	Iron formation strongly sheared/foliated along major shear zone contact.
	Schist (metasediments or possible metavolcanics).
	Mafic metavolcanics or metasediments.
	Mafic metavolcanics.
	Metasediments.
	Metasediments and/or metavolcanics.
	Intermediate to mafic intrusive complex.
	Iron formation (or possible mafic).
	Felsic intrusive complex; possible granitoid.
	Mafic metavolcanics.
	Mineral occurrence, artisanal working.
FAULTS	
	Major fault or shear zone.
	Secondary fault or shear zone.
TARGETS	
	High priority gold target.
	Favourable sites for quartz vein development and gold deposition.
	Possible contact alteration; skarn.



Target **G-01**, located in the north of the Kasele project area, is a broad zone where numerous geological structures thought to be associated with gold mineralisation intersect each other at a granite margin. Such a location is often considered an attractive target for gold exploration as it provides both the pathways required to focus gold-bearing fluids as well as the geological 'trap' necessary to concentrate these auriferous fluids to potentially form a gold deposit. The presence of artisanal gold workings within the **G-01** target area further strengthens the attractiveness of this target.

The second priority target, **S-02** is approximately 2.5 kilometres in length and coincides with an interpreted dilational bend on a major shear structure, which is already known to host gold mineralisation including a number of historic artisanal gold mines.

Given the high-priority status assigned the **G-01** and **S-02** gold targets, Australian Mines has commenced a field reconnaissance program for the purpose of preparing these targets for drill testing as part of the Company's upcoming drilling campaign.

Whilst the Company's immediate attention will be focused on further exploring high-priority targets **G-01** and **S-02**, based on SCG's interpretation, a total of 30 potential targets have been identified within Kasele.

These targets include a set of 15 structural targets (including S-02) considered favourable for vein formation and gold mineralisation.

A further 15 targets (including **G-01**) have also been identified that demonstrate potential alteration and intrusive zones that may be also prospective for gold mineralisation and potentially base metal mineralisation.



Australian Mines' Managing Director Benjamin Bell commented:

"We are extremely pleased with the results elicited from the high-resolution airborne magnetic survey flown over our promising Kasele project. Whilst our initial ground exploration had indicated the presence of gold mineralisation, to receive such strong results with the identification of 30 potential targets demonstrates the potential of Kasele to host a significant zone of gold mineralisation.

"We will initially focus on our two priority targets, G-01 and S-02 and will seek to progress these targets for drill testing in this coming quarter".

*****ENDS*****

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About Australian Mines:

Australian Mines (ASX: AUZ) is an Australian-listed resource company targeting gold and base metals.

Australian Mines' key asset is its extensive 100%-owned tenement holding in Nigeria's northwest gold province that contain similar geology to the better known gold producing countries of Ghana, Cote d'ivoire and Burkina Faso – where a combination of advanced exploration and development programs is leading to rapidly expanding output.

Nigeria has a history of gold production and the majority of Australian Mines' tenements contain historic artisanal workings.

The Nigerian Government, which is democratically elected, is actively encouraging foreign investment into the country's mineral sector. The Nigerian *Minerals and Mining Act 2007* guarantees security of tenure and the right of explorers to convert exploration licences into Mining Leases following the delineation of an ore resource.

Australian Mines has commenced systematic exploration of its highly-prospective Yargarma, Kasele, Tegna and Tsauni project areas, with this program being fully-funded through to 2014.