



QUARTERLY ACTIVITIES REPORT

For Period Ended 30 September 2012

ASX: AUZ

26 October 2012

HIGHLIGHTS

- Seven distinct gold-in-soil anomalies observed at Yargarma
- Three priority gold targets identified at Yargarma through airborne geophysics
- Two high-priority gold targets detected by Kasele aeromagnetic survey
- Confirmed drilling commencement date of early November
- Entered sale agreement on non-core Australian tenements for \$700,000

Australian Mines Limited ("Australian Mines" or "the Company") is pleased to provide shareholders with its Quarterly Activities Report for the period ended 30 September 2012.

Managing Director Benjamin Bell commented, *"We are very pleased with the progress of our on-ground exploration during the quarter, particularly the results from the high-resolution airborne magnetic surveys which identified independently-assessed high-priority gold targets at both Yargarma and Kasele"*

"It has been a highly successful quarter for Australian Mines and we look forward to updating shareholders on the drill results as our exploration program continues".



Figure 1: Location of Australian Mines' project areas within the northwest gold fields of Nigeria. Artisanal workings are present across the Company's key project areas.

YARGARMA (AUZ 100%)

The Yargarma project is situated within Nigeria's northwest gold fields and covers 172 square kilometres of highly prospective ground (Figure 1).

Previous exploration completed by the Company at Yargarma returned rock chip assays that included 9.83 g/t gold, 7.73 g/t gold, 7.45 g/t gold and 6.49 g/t gold. During the course of undertaking this rock chip and soil sampling program, Australian Mines' geologists also observed numerous historic and active artisanal gold workings within the project area.



Exploration results received from the Yargarma project during this period continued to strengthen the Company's belief that this area represents a highly attractive region for gold mineralisation.

Final assays received this quarter from the detailed soil sampling program over the Yargarma shear, for example, appear to highlight seven distinct gold-in-soil anomalies with each anomaly returning a peak gold value of at least 1 g/t (1,000 ppb gold) and having a strike length of at least 400 metres (Figure 2).

Additionally during the September quarter, Australian Mines received the final interpretation from the high-resolution aeromagnetic survey flown over the Yargarma project. This interpretation, completed by Southern Geoscience Consultants (SGC) identified numerous gold targets within the Yargarma project of which three were classified by SGC as "high priority" targets. The Company's geological team has since completed field reconnaissance of these three target areas and noted that active artisanal workings coincide with the *S-01* and *S-03* targets.

During this period, Australian Mines also completed a site visit of the proposed Yargarma drill targets with the drilling contractor, including the three aforementioned high priority target areas. Having finalised the logistics for the proposed drill program, both Australian Mines and its drilling contractor are confident that the Company's maiden Nigerian drilling program is on schedule to commence in the coming weeks.

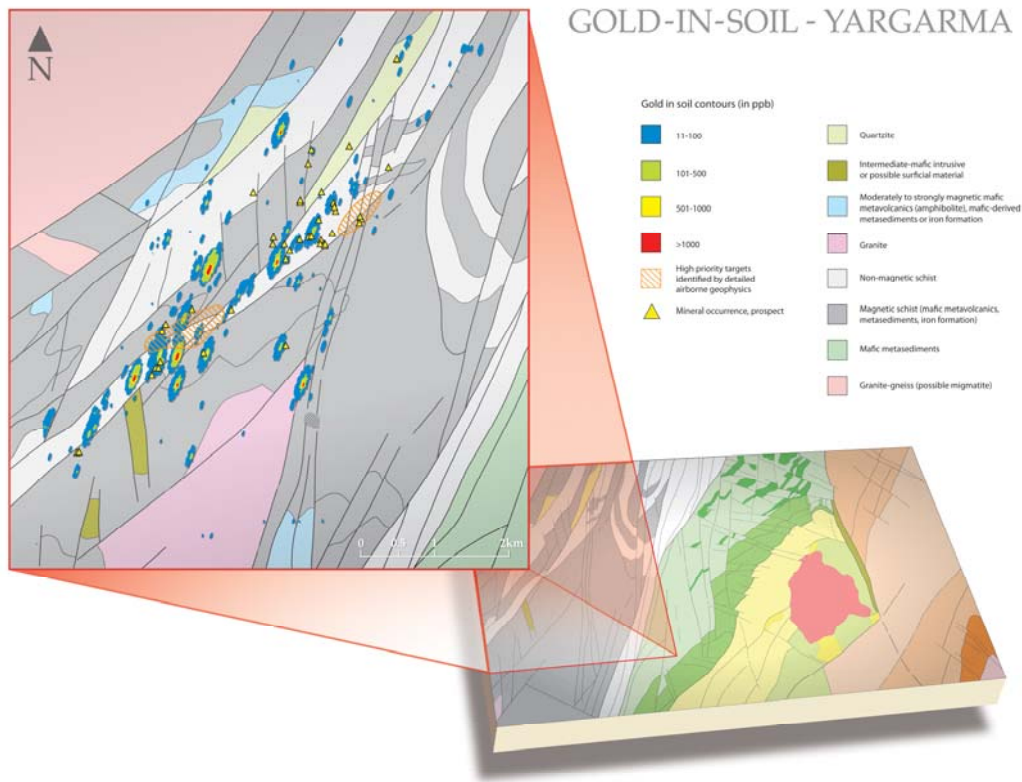


Figure 2: Surface soil sampling program completed on a detailed 100 x 20 metre grid pattern over prospective geology within Australian Mines' Yargarma project identified numerous gold-in-soil anomalies including seven anomalies in excess of 400 metres long, with a peak gold value greater than 1,000 ppb gold. The presence of numerous gold workings by local artisanal miners (shown as yellow triangles) within this project area indicates the area is prospective for quartz vein-hosted gold mineralization.

KASELE (AUZ 100%)

Australian Mines' Kasele project is located 20 kilometres southeast of the Company's Yargarma project and lies within the Anka Schist Belt, which is known within Nigeria as a highly attractive region for gold mineralisation as it hosts a number of historical gold mines including Kwali, Jameson, Zuzzurfa and Kuba.

Earlier this year Australian Mines acquired high-resolution aeromagnetic data over the Kasele project area for the purpose of gaining a better understanding of both the small and large-scale geological structures that are likely to be important controls on the gold mineralisation in this region.



Independent geophysicists at Southern Geoscience Consultants (SGC) in Perth recently completed an interpretation and assessment of the Kasele geophysical datasets. Through their analysis of this data SGC subsequently identified 30 gold and base metal target zones within the Kasele project area including two high-priority gold targets (namely *G-01* and *S-02*) that warrant follow-up exploration by the Company's exploration team (Figure 3).

Briefly, the *G-01* target is a broad zone situated in the north of the Kasele project area where numerous geological structures thought to be associated with gold mineralisation intersect each other at a granite margin. The presence of artisanal gold workings within the *G-01* target area reinforces the attractiveness of this target to Australian Mines, and the Company currently has its field geologists completing an in-depth reconnaissance program of the *G-01* 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. A preliminary field assessment of this target by the Company's geological team last week confirmed the potential of this region to host gold mineralisation (Figure 4).

Follow-up geological work is scheduled to be conducted over the *S-02* target in the coming week for the purpose of identifying specific sites within this target zone for drill testing as part of the Company's upcoming diamond core drilling campaign.



KASELE GOLD TARGETS

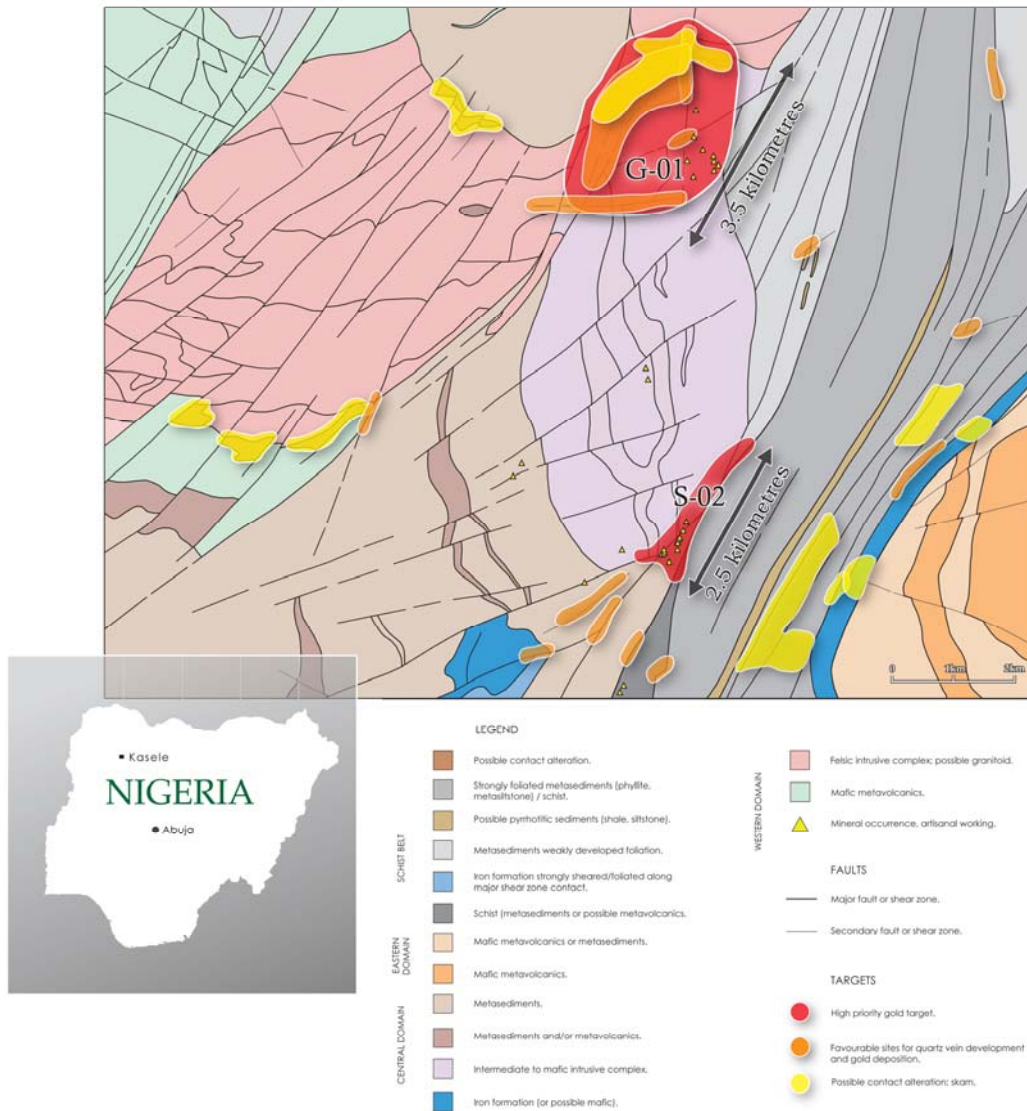


Figure 3: Interpretation of the high-resolution aeromagnetic survey flown over the Company's Kasele project identified 30 gold and base metal targets zones (highlighted by red and orange polygons) including two high-priority targets marked as G-01 and S-02.



Figure 4: An example of the quartz veins observed across the Kasele project by the Company's exploration team during their recent field reconnaissance program. XRF analysis of this vein located within the S-02 target region returned elevated gold values. Australian Mines is proposing to include this target in its upcoming diamond core drilling program at Kasele.

TEGINA (AUZ 100%)

The Company's Teginia project is located 130 kilometres northwest of Abuja and covers an area of 660 square kilometres.

Australian Mines has identified a number of prospective target zones within the Teginia project, which it proposes to test during the current field season.



The first phase of the Company's exploration at Tegina includes a regional stream sediment sampling and field mapping program that is scheduled to commence in the first quarter of 2013.

CORPORATE

During this period, Australian Mines entered into a binding Tenement Sale Agreement ("the Agreement") with Pioneer Resources Limited ("Pioneer") for the sale of the Company's Blair Nickel/Golden Ridge project in Western Australia.

When completed, the sale of this non-core asset will inject an additional \$700,000 into the Company's cash reserves and will enable Australian Mines to expand its on-ground exploration activities across its highly prospective Nigerian projects.

This Agreement is conditional upon Australian Mines obtaining a number of third party consents and statutory approvals. The Company is confident of obtaining these consents over the coming months.

STAKEHOLDER ENGAGEMENT ACTIVITY

In late August, Australian Mines exhibited at the *Africa Down Under* conference in Perth. As part of this conference Managing Director Benjamin Bell presented an update to investors on the Company's exploration program and fielded investor questions at the Australian Mines booth.

Post-period, Benjamin also presented at the *Gold Investment Symposium* in Sydney. Copies of the Company's *Africa Down Under* and *Gold Investment Symposium* presentations are available from the Australian Mines website.

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Competent Persons Statement

The information in this report that relates to the Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Benjamin Bell, who is a Member of the Australian Institute of Geoscientists. Mr Bell is the Managing Director of Australian Mines Limited. Mr Bell has sufficient experience relevant to this 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 Bell consents to the inclusion in this report of the matters based on his information in the form and context in which is appears.

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 contains 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 continues to systematically explore its highly-prospective Yargarma, Kasele and Tegina project areas, with the program being fully funded through to 2014.