



QUARTERLY ACTIVITIES REPORT

For Period Ended 30 June 2012

ASX : AUZ

30 July 2012

HIGHLIGHTS

- Multiple gold-in-soil anomalies identified at Yargarma
- Soil sampling assay results from Yargarma demonstrate high gold values including **6.3 g/t Au**, **3.8 g/t Au** and **2.4 g/t Au**.
- \$2.5 million received in relation to Mt Martin gold project divestment
- Signed binding agreement to sell Golden Ridge tenements for \$700,000
- Nigerian exploration program remains fully funded through to 2014

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

Managing Director Benjamin Bell commented, "This Quarter has been highly successful for the Company with the delineation of a number of significant gold anomalies within our Yargarma project together with high grade gold assays from rock chip samples. With the receipt of \$2.5 million from the divestment of the Mt Martin gold project, the Company's Nigerian exploration program remains fully funded through to 2014 and we are very excited about the start of our drilling program, estimated to commence later this year at the Yargarma and Kasele projects."



Figure 1: Location of Australian Mines' priority project areas within the northwest gold fields of Nigeria. Artisanal workings are present across the Company's key project areas, with the gold mineralisation appearing similar in style to deposits being discovered in neighbouring West African countries.

YARGARMA (AUZ 100%)

Multiple gold-in-soil anomalies defined

During this Quarter, the Australian Mines completed a detailed soil sampling program at Yargarma.

Approximately 6,300 samples were taken as part of this program, which covered nine kilometres of a regional shear zone located within the Company's tenement in northwest Nigeria.



Australian Mines has now received assay results for 3,800 soil samples from this program representing around 60% of the samples submitted for analysis (Figure 2). The remaining assays are due to be received in the coming month.

The assay results received to date from the Yargarma soils program have defined a number of gold-in-soil anomalies including;

- A gold anomaly that extends for greater than two kilometres which remains open to the south, and
- A 500 metre long anomaly that contains a core gold assay exceeding 500ppb (or 0.5 g/t Au) which is exceptionally high for soil assays.

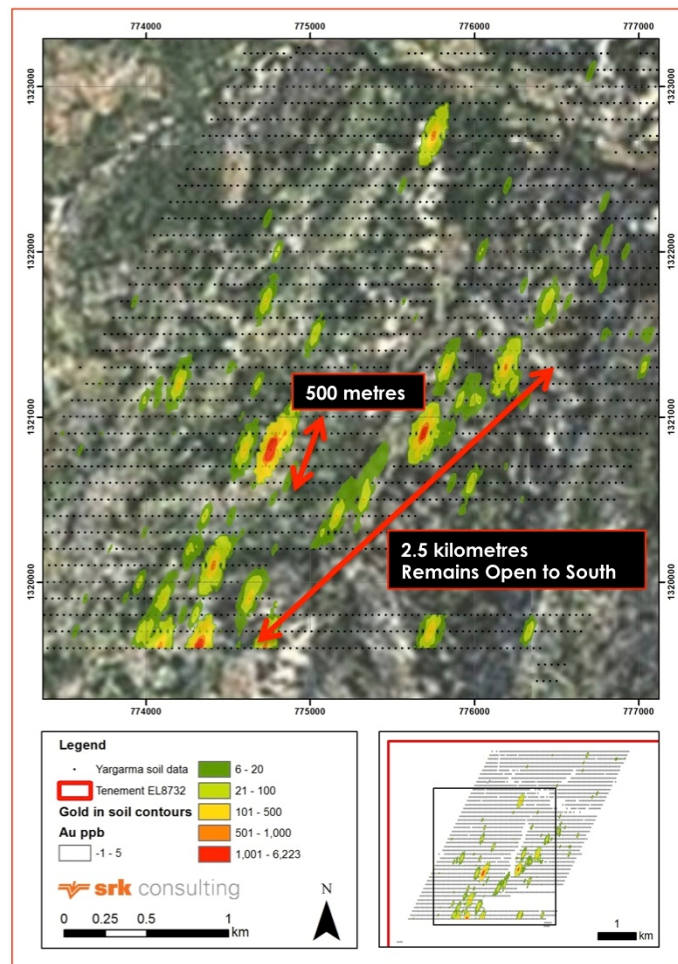


Figure 2: Gold-in-soil contours from the Company's recently completed soil sampling program at Yargarma. These gold-in-soil anomalies appear to coincide with the regional shear zone thought to host a number of historic and active artisanal gold workings.



The Company is encouraged by the length and magnitude of these gold-in-soil anomalies in addition to their location, which appears to coincide with a regional shear zone. Such shared zones represent the favourable geological structure interpreted to control gold mineralisation across the northwest gold field of Nigeria.

Australian Mines believes these anomalies warrant further investigation and plans to drill test these targets as part of its upcoming drill program, expected to commence following the cessation of the wet season.

Final aeromagnetic data received

In mid-June, Australian Mines received the final processed magnetic and radiometric images from the Company's high-resolution airborne survey over Yargarma (Figure 3).

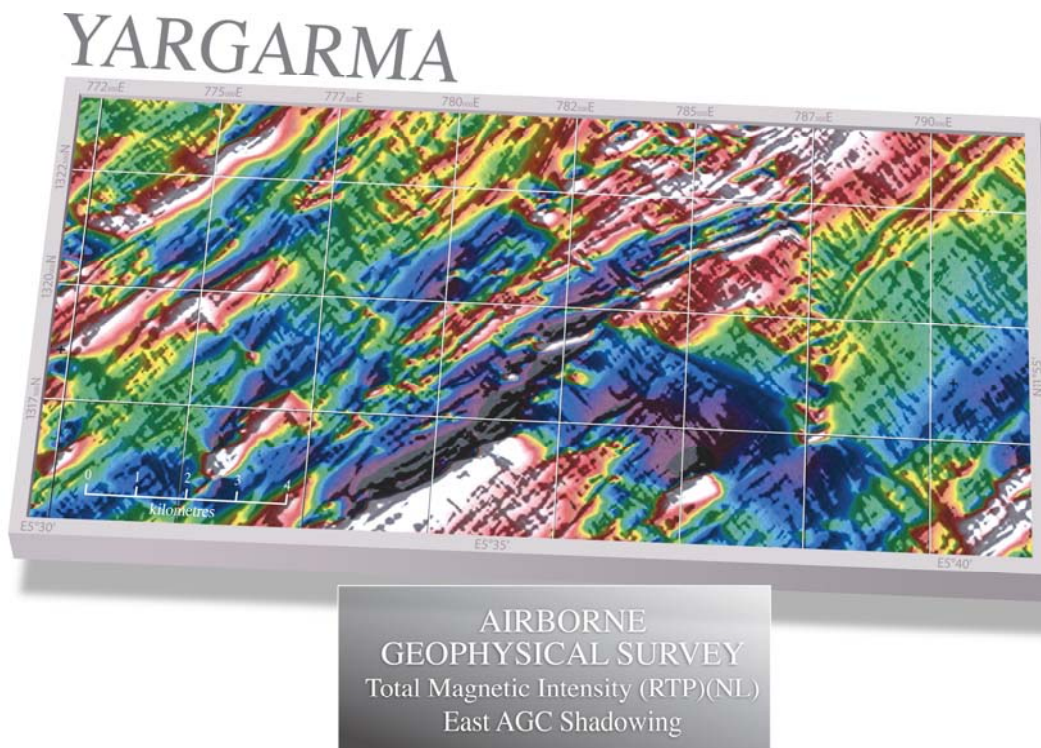


Figure 3: Aeromagnetic image processed from the high-resolution aeromagnetic survey Australian Mines flew in April 2012.



Interpretation and modelling of this data is currently underway, and the Company expects to identify a number of potential gold targets, which it will seek to test during its upcoming drill program.

KASELE (AUZ 100%)

Australian Mines is presently designing an RC drill program, whose objective is to test the potential for gold mineralisation beneath, and along strike of, a number of artisanal gold workings observed across the Company's Kasele project area.

As part of this program, the Company proposes to drill test a series of geophysical anomalies anticipated to arise out of the interpretation and modelling of the high resolution airborne survey data recently acquired over the Kasele tenement. Drilling at Kasele will commence immediately after the Yargarma drilling program and is anticipated to take up to one month to complete.

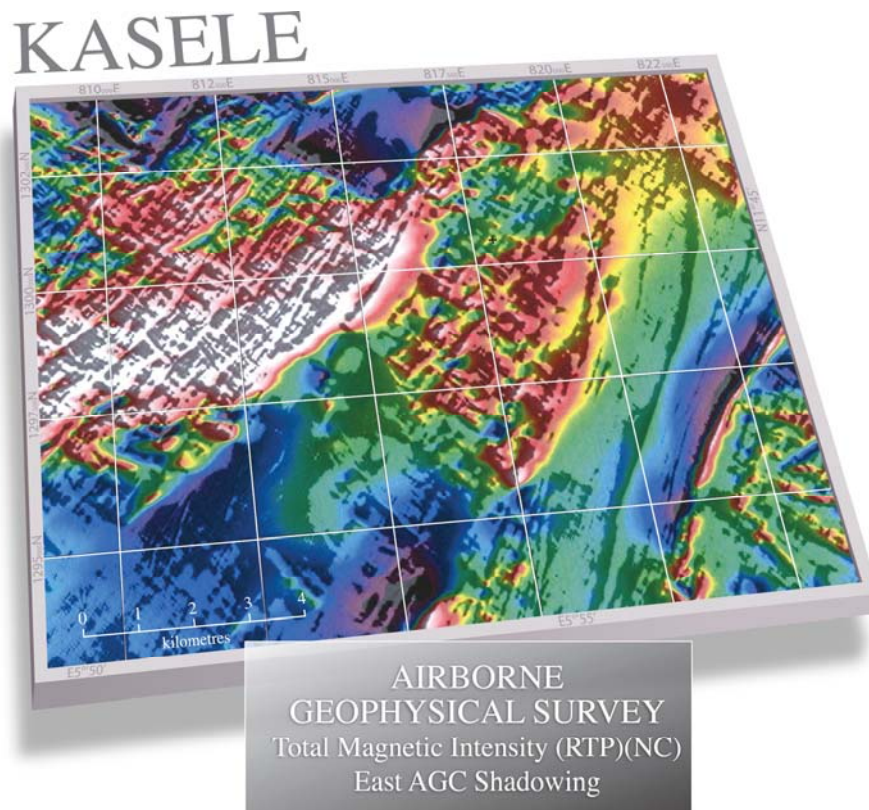


Figure 4: High-resolution aeromagnetic of the Kasele project area. This data was acquired by Australian Mines using a flight line spacing of 50 metres and a flight height of 30 metres.



TEGINA

A stream sediment sampling program has been designed for Australian Mines' Teginia project area (previously known as Kagara), which the Company proposes to commence immediately after the conclusion of the Yargarma and Kasele drilling programs.

The planned stream sediment sampling program consists of the collection of approximately 500 samples covering the entire Teginia project area.

The objective of this sampling program is to obtain at least one sample from each of the catchment basins and to sample intersections between streams within the exploration licences. The results will assist the Company to identify areas within the Teginia tenements that have a high probability of hosting gold mineralisation. Follow-up exploration programs will subsequently be undertaken across any geochemical anomalies.

Rock chip sampling of key outcrops combined with reconnaissance geological mapping will also be completed in conjunction with this stream sediment sampling program.

To minimise turn-around time for assays, sample preparation will be conducted by Australian Mines' geologists in Nigeria with a representative sample of approximately 100 grams to be air freighted to Australia for analysis.

Based on an average of five to ten samples collected per day, this program is estimated to take up to 12 weeks to complete.



Table 1: Australian Mines' indicative exploration program for the coming 12 months

PROJECT	Q3/12	Q4/12	Q1/13	Q2/13
	Peak Wet Season			
	Wet Season Shoulder			
	Dry Season			
Yargama	Map artisanal workings for drill testing	DRILLING	DRILL ASSAYS DUE	Organise follow-up drilling program
	SOIL ASSAYS DUE			
	Prepare sites for drilling			
Kasele	Prepare sites for drilling	DRILLING	DRILL ASSAYS DUE	Organise follow-up drilling program
	Map artisanal workings for drill testing			
Tegina			Regional Stream Sediment Sampling Program	ASSAYS DUE

CORPORATE

\$2.5 million second instalment received

During this Quarter, the Company received a payment of \$2.5 million relating to the divestment of the Mt Martin gold project in Western Australia.

This payment is the second instalment from HBJ Minerals Pty Ltd ("HBJ"), a wholly-owned subsidiary of Alacer Gold Corp (TSX: ASR, ASX: AQG) under a formal Tenement Purchase Agreement as announced on 4 October 2011.

HBJ is due to make a third and final payment of \$2.5 million on 28 June 2013.

Nigeria Gold acquisition finalised

Australian Mines entered into deeds of settlement with the vendors of Nigeria Gold Ltd regarding the number of shares to be issued as full and final settlement of the Tranche 2 shares relating to the purchase of the Company's Nigerian assets.



Following legal counsel on the matter, Australian Mines offered 29,999,998 shares to Nigeria Gold shareholders as a final settlement for Tranche 2, in place of the 60 million being claimed. Nigeria Gold shareholders accepted this offer and the Company obtained shareholder approval to issue these shares at a General Meeting held on 29 June 2012.

Sale of Golden Ridge project

Post period, Australian Mines agreed to a binding Sale and Purchase Agreement for the sale of the Company's Blair Nickel/Golden Ridge Project to Pioneer Resources Limited ("Pioneer") (ASX: PIO) for a cash consideration of \$700,000. In addition the sale includes the replacement by Pioneer of performance bonds of \$207,000.

The Agreement is the result of a strategic review of the Company's Australian projects, aimed at maximising the value of the assets for Australian Mines' shareholders. Its completion enables the Company to wholly focus its growth on its Nigerian assets, in particular the key Yargarma and Kasele projects.

This sale does not include the Marriott's nickel project near Leinster in Western Australia, which contains an Indicated Mineral Resource of 460,000 tonnes @ 1.12% nickel, and an Inferred Mineral Resource of 370,000 tonnes @ 1.13% nickel. The Offer is conditional upon necessary relevant third party consents and statutory or regulatory approvals.

STAKEHOLDER ENGAGEMENT ACTIVITY

Australian Mines recently joined Twitter in order to connect with a wider audience of relevant stakeholders including brokers, media and investors. The Company encourages existing and potential investors to follow it by adding **@AusMines** to its watch list.

Between August 29 and 31, Australian Mines will be exhibiting at the *Africa Down Under* conference in Perth.



As part of this conference Managing Director Benjamin Bell will be presenting an update to investors on the Company's exploration program. Benjamin will also be available at the Australian Mines booth (booth 58) during the course of the conference and encourages investors to visit the booth should they wish to discuss any aspect of the Company's exploration program.

NIGERIA

Nigeria remains a relatively low risk destination in Africa, particularly Nigeria's northwest gold field where security risk remains comparable to many other West African countries.



Figure 5: 2012 Security and political risk map of Africa (reproduced with permission of Control Risk Group Limited)



ENDS

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Competent Persons Statement

The information in this report that relates to the Nigerian 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.

The information in this report that relates to the Australian Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Mick Elias, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Elias is a director of Australian Mines Limited. Mr Elias 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 Elias 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 has commenced systematic exploration of its highly-prospective Yargarma, Kasele and Tegna project areas, with the program being fully-funded through to 2014.