Australian Mines Limited

ABN 68 073 914 191

20 December 2012

ASX Announcement

ASX: AUZ

Update on Drilling Program in Nigeria

Australian Mines Limited ("Australian Mines" or "the Company") is pleased to provide

shareholders with an update from its maiden drilling program in Nigeria. This program is

designed to test the Company's key Yargarma and Kasele project areas situated within

Nigeria's highly prospective northwest gold fields (ASX Announcement 16th November 2012).

Australian Mines has completed seven diamond core holes for a total of 1,054 metres and

samples from the first two holes have been sent to the Bureau Veritas Mineral Laboratory in

Cote d'Ivoire for analysis. The Company is anticipating receipt of these assay results in

January 2013.

Drilling has now ceased for the Christmas holidays and will recommence on 14 January

2013, when a further seven drill holes will be completed.

Australian Mines' Managing Director Benjamin Bell commented:

"Things are progressing well with our drilling program thus far and we anticipate receiving

our first results within the next month. We look forward to reporting the maiden results of our

drill program covering Yargarma and Kasele in the New Year and updating our

shareholders".

ENDS

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Competent Person's Statement

Information in this report that relates to 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 that 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 Bell consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

About Australian Mines:

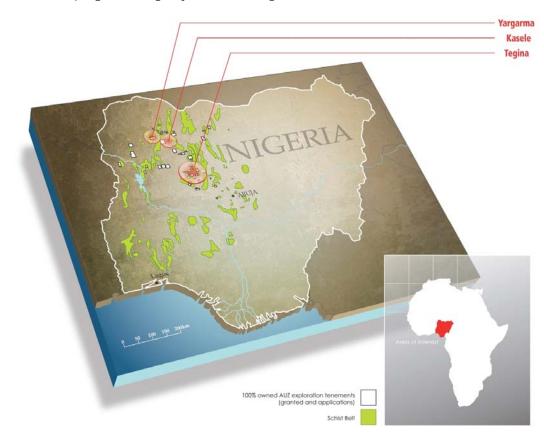
Australian Mines (ASX: AUZ) is an Australian-listed resource company targeting gold and base metals.

Australian Mines' key asset is its extensive 100%-owned tenement holding in Nigeria's northwest gold province that 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 and Tegina project areas, with this program being fully-funded through to 2014.



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