

**ASX ANNOUNCEMENT****ASX : AUZ**

7 March 2014

Farm-in agreement of Western Australian gold and copper project

Australian Mines Limited (“Australian Mines” or “the Company”) is pleased to advise shareholders it has entered into a Farm-In and Joint Venture Agreement (“the Agreement”) with Mount Magnet South NL (ASX: MUM) covering the Jumbulyer gold and copper project (“the Project”) located within the Murchison Goldfields district of Western Australia.

The Project consists of 31 granted and pending tenements covering 129 square kilometres in one of Australia’s most prolific gold producing regions.

Recent scout drilling programs completed by Mount Magnet South identified two mineralised structures within the Project, which demonstrate the area’s potential to host gold mineralisation. Of main interest to Australian Mines is the *Foothills* prospect, situated about 15 kilometres southwest of the Mt Magnet township, where drilling has defined a zone of gold mineralisation extending over a 100 metre strike length, with the structure remaining open both along strike and at depth.

Significant drill results returned from the *Foothills* prospect as previously announced by Mount Magnet South include:

- 16 metres @ 6.6 g/t gold from 9 metres (drill hole DH135)¹
- 10 metres @ 3.3 g/t gold from 20 metres (drill hole FR001)¹
- 14 metres @ 2.6 g/t gold from 38 metres (drill hole FRC04)¹
- 20 metres @ 3.0 g/t gold from 41 metres (drill hole FHRC002)²



In addition to the encouraging gold results, the *Foothills* prospect also appears to be an emerging copper target with Mount Magnet South recently mapping multiple outcrops of oxide and supergene copper mineralisation across this prospect.

Rock chip samples taken from these outcrops returned up to 18% copper with a subsequent reverse circulation drill hole intersecting 19 metres @ 1.3 % copper + 4.9 g/t silver + 0.4 g/t gold from one metre below surface (drill hole 12FHRC004)³. No follow-up exploration has been undertaken over this prospective copper target since this initial single-hole RC drill program was completed in late 2012.

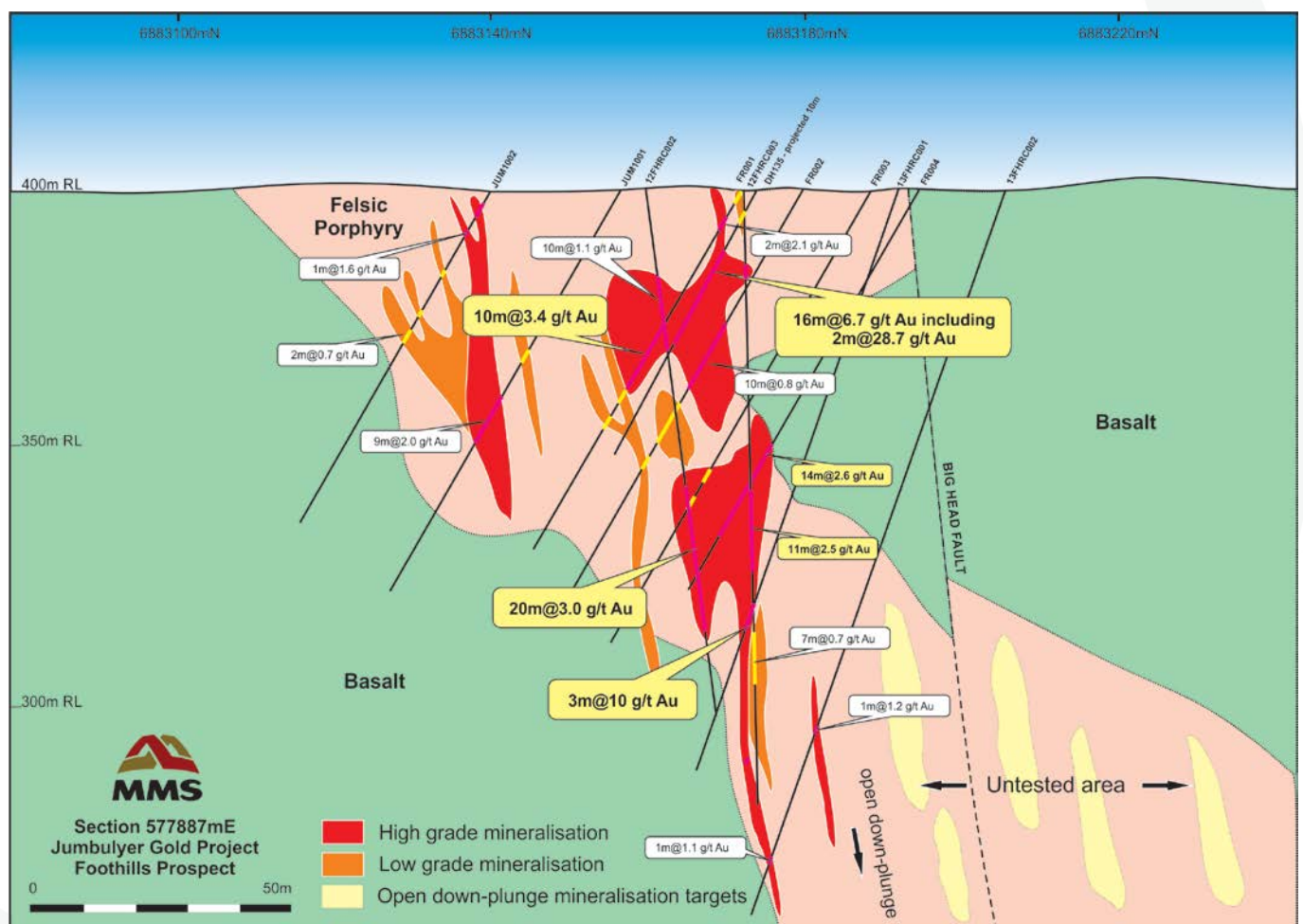


Figure 1: Schematic long section view (looking west) showing the gold assay results returned from Mount Magnet South's recent drilling program over the *Foothills* prospect. The *Foothills* prospect is situated 15 kilometres from the town of Mt Magnet and approximately 450 kilometres northeast of Perth, Western Australia.



Pursuant to the terms of the Agreement:

- Australian Mines may acquire a 60% interest in the Jumbulyer Project by spending \$1 million on exploration within an initial two year period. Australian Mines has the right to withdraw subject to spending a minimum of \$200,000 in exploration on the Project
- On expending \$1 million, Australian Mines may acquire an additional 20% interest in the Project by spending a further \$2 million on exploration within 48 months of the completion of the initial 60% acquisition
- Australian Mines will free carry Mount Magnet South's residual 20% interest in the Project to completion of a Pre-Feasibility Study, at which point Mount Magnet South may elect to contribute on a pro-rata basis or dilute their interest according to the standard industry formula
- Australian Mines will be the operator and manager of the Project

Managing Director Benjamin Bell stated, "This is an exciting project for Australian Mines. It is our intention to review the historic work carried out over the Jumbulyer Project and construct a geological model based on this data. Following this, a work program will be established to advance a number of targets already identified within the Jumbulyer copper-gold project area. I look forward to updating our shareholders as we progress our exploration".

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 a full-time employee and 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 2012 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.



¹ Mount Magnet South NL, Jumbulyer Gold Project – Multiple near surface gold targets identified, released 19 September 2012.

² Mount Magnet South NL, High grade gold mineralisation intersected at Jumbulyer project, released 21 November 2012.

³ Mount Magnet South NL, Further copper mineralisation identified at Jumbulyer project, released 27 November 2012.