



QUARTERLY ACTIVITIES REPORT

For Period Ended 31 December 2012

ASX: AUZ

31 January 2013

HIGHLIGHTS

- Seven diamond core holes completed to date at Yargarma
- Drill testing of priority Yargarma and Kasele targets continuing
- Cutting and sampling of diamond drill core re-commenced
- Satisfied conditions of Blair Nickel/Golden Ridge tenement sale
- Active exploration program remains fully-funded to mid-2014

Australian Mines Limited ("Australian Mines" or "the Company") is pleased to provide shareholders its Quarterly Activities Report for the period ended 31 December 2012.

YARGARMA (AUZ 100%)

The Company's Yargarma project area is located 350 kilometres northwest of Nigeria's capital city, Abuja and within the country's northwest gold fields.

During the December quarter, Australian Mines commenced its maiden drilling program at Yargarma. This drilling program is designed to test eight discrete geophysical or geochemical anomalies within the broader *S-01* and *S-03* target zones.



This strategy will greatly assist Australian Mines develop a better understanding of the region's geology and advance the Company's knowledge on the controls of gold mineralisation within Nigeria's northwest gold fields.

Seven diamond core holes were completed at Yargarma during the quarter for a total of 1,054 metres. One hole remains to be drilled at Yargarma with drilling having re-commenced in the third week of January. At the conclusion of the Yargarma program, this drill rig will then mobilise to the Company's Kasele project area to complete a four-hole diamond core drill program.

YARGARMA GOLD TARGETS

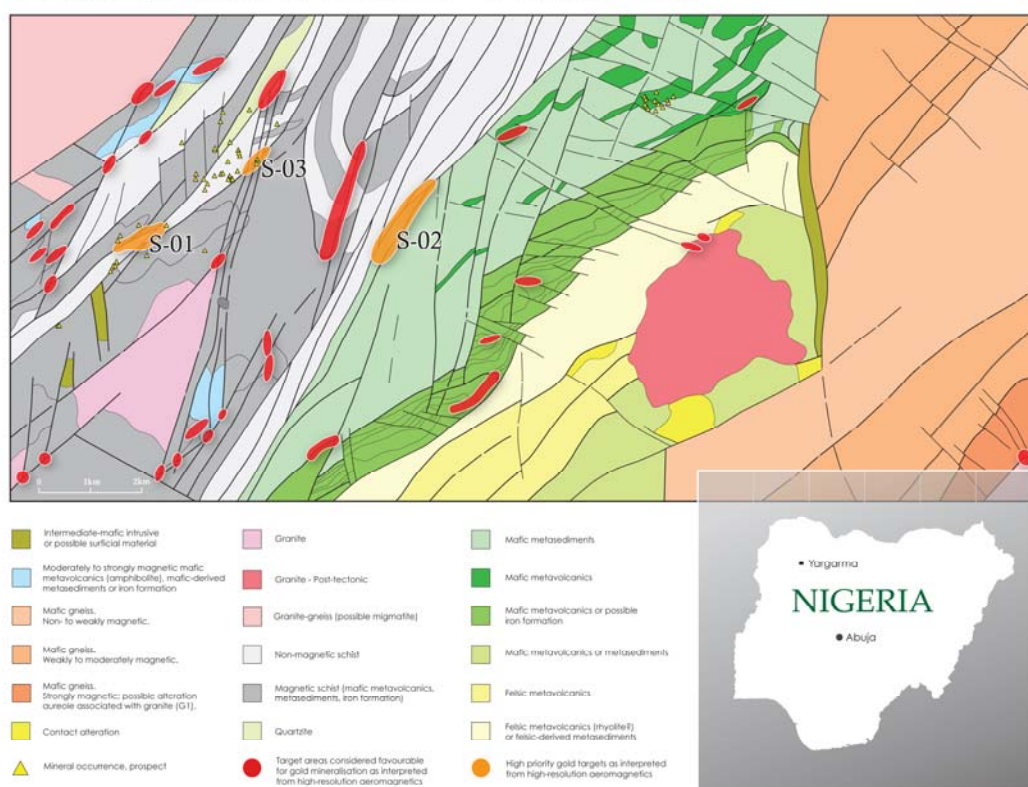


Figure 1: Three high-priority gold targets *S-01*, *S-02* and *S-03* (highlighted as orange polygons) have been identified within Australian Mines' Yargarma project. A further 31 target zones (highlighted by red polygons) have been identified across this project area. Drill testing of the *S-01* and *S-03* targets commenced in the December quarter. Australian Mines' proposes to test the gold potential of the *S-02* target as part of the next round of drilling.



Figure 2: Photograph taken of Australian Mines' diamond core drilling operation at Yargarma. This drill hole (hole number *YADD008*) has a planned depth of 150 metres and is targeting a geophysical lineament that coincides with historic artisanal gold workings.

Of the seven drill holes completed to date, core from only two holes was sent to the assay laboratory in Cote d'Ivoire for analysis during the December quarter. This was due to the core cutting facility in Nigeria only becoming available for the Company's use in mid-December. Between this time and the closure of the Company's activities for the Christmas break, Australian Mines had sufficient time to cut and sample the first two available holes (being *YADD001* and *YADD003*).



Cutting and sampling of the remaining five holes drilled during the December quarter at Yargarma commenced on Monday 21 January 2013 and will continue until sampling of the entire core acquired through the Yargarma (and Kasele) drilling campaign is complete.

Samples taken of the first two drill holes (hole numbers *YADD001* and *YADD003*) were submitted to the Bureau Veritas Mineral Laboratory in Cote d'Ivoire for multi-element analysis. Australian Mines analyses its samples for nineteen separate elements including gold and its pathfinder elements in northwest Nigeria of silver, copper, manganese and tungsten. Assay results from this multi-element analysis are currently pending.

KASELE (AUZ 100%)

Australian Mines' Kasele project covers 169 square kilometres and is located 20 kilometres southeast of the Company's Yargarma project area.

Having completed a detailed aeromagnetic survey over the Kasele project area in March 2012, Australian Mines subsequently announced on the 12 October 2012 that an independent assessment of this high-resolution geophysical data had identified 30 gold and base metal target zones within this tenement, including two priority targets (marked as *G-01* and *S-02*).

Target *G-01* is located in the north of the Kasele project area and is a broad zone 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 strengthens the attractiveness of this target.

Given the expansive area covered by the *G-01* target and following a field reconnaissance survey completed during this quarter by the Company's exploration



team, Australian Mines is proposing to undertake a detailed surface geochemical sampling program over this priority target zone before advancing to drill test any resulting coincident geochemical and geophysical anomalies. This proposed surface sampling program is anticipated to commence immediately following the stream sediment sampling program of the Company's Tegina project area.

KASELE GOLD TARGETS

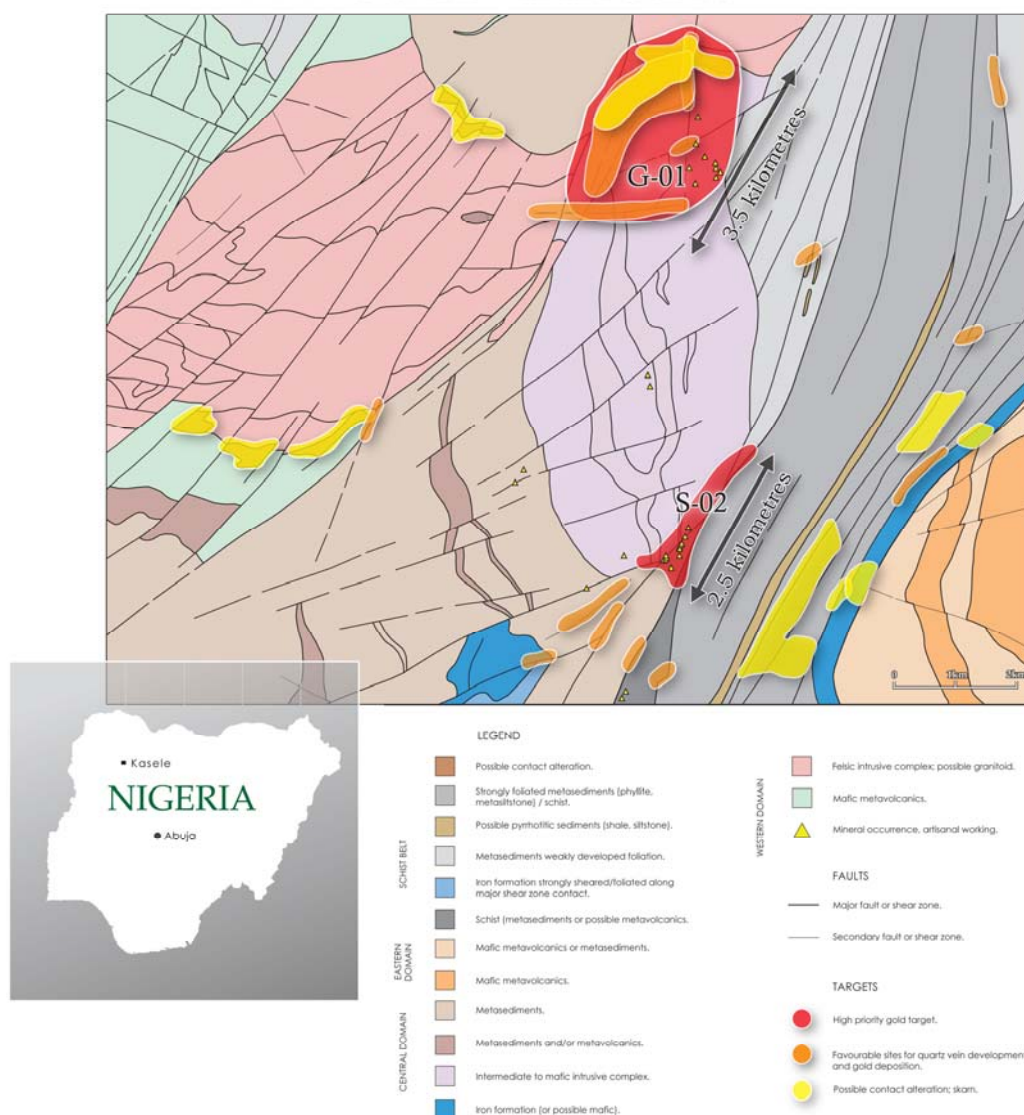


Figure 3: Interpretation of the high-resolution aeromagnetic survey flown over the Company's Kasele project identified 30 gold and base metal targets zones (highlighted by red and orange polygons) including two priority targets marked G-01 and S-02.



The second gold 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 and a number of historic gold workings. Two diamond core drill holes have initially been planned to test the *S-02* target.

In addition to the two prospective gold targets, *G-01* and *S-02*, field mapping conducted by the Company's geologists during this quarter also identified two attractive targets within the central part of Kasele project area – both warranting further exploration. Australian Mines will therefore undertake a diamond core drill hole in each of these two central targets as part of the Company's current drilling campaign.

Drilling at Kasele is scheduled to commence in early February and is expected to take up one month to complete. Samples from this drill program will be sent to a certified assay laboratory in West Africa for analysis with priority sample intervals submitted by Australian Mines for urgent analysis.

TEGINA (AUZ 100%)

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

Analysis undertaken by Australian Mines in collaboration with SRK Consulting indicates the Company's Tegin project is highly prospective for gold mineralisation, particularly in areas where the regional Kalanghai Fault intersects granite bodies.

The potential of the Tegin project to host gold mineralisation warrants Australian Mines undertaking a first-pass stream sediment sampling program over this project area at the conclusion of the Yargarma and Kasele drilling programs.



The proposed stream sediment sampling program at Tegna is designed to identify broad anomalous zones within the Company's project area, which would require further follow-up exploration in the form of detailed surface geochemical sampling and airborne geophysical surveys before specific drill targets can be established.

The first-pass stream sediment sampling program of the Tegna project is anticipated to take up to three months to complete.

CORPORATE

Having satisfied all the conditions associated with the Sale of Tenements Agreement for the Company's Blair Nickel / Golden Ridge tenements, Australian Mines is due to receive a cash payment of \$700,000 from ASX-listed Pioneer Resources Limited in February 2013.

The receipt of \$700,000 from Pioneer Resources Limited in addition to \$2.5 million due to Australian Mines by HBJ Pty Ltd (a subsidiary of ASX and TSX-listed Alacer Limited) on 29 June 2013 will result in Australian Mines having sufficient cash-in-bank to fully fund the Company's active Nigerian exploration activities to mid-2014.

STAKEHOLDER ENGAGEMENT ACTIVITY

Managing Director Benjamin Bell presented an update on the Company's Nigerian exploration program to existing shareholders and potential investors at the *Gold Symposium Conference* in Sydney on the 22 October 2012.

Australian Mines' Chairman Michael Ramsden and Managing Director Benjamin Bell will also be meeting with a number of broking and investment firms during the upcoming *African Mining Indaba* in South Africa to promote the Company and its Nigerian assets.



Copies of both the *Gold Symposium Conference* and *African Mining Indaba* presentations will be made available via 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 and 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 has commenced systematic exploration of its highly-prospective Yargarma, Kasele and Teginia project areas, with the program being fully-funded through to mid-2014.





Hole ID	Easting	Northing	Dip	Azimuth	Total Depth
YADD001	774549	1320192	-60	290	178.8
YADD002	774755	1320080	-60	300	78.8
YADD003	774821	1319796	-45	340	205.6
YADD004	774840	1319854	-45	245	205.2
YADD005	776817	1321476	-60	110	113.5
YADD006	776462	1321704	-45	180	128.1
YADD007	776429	1321671	-45	110	140.1
YADD008	776302	1321410	-45	290	In progress

Table 1: Summary of diamond core drill holes completed at Yargarma in December quarter. Drill hole coordinates are in WGS84 UTM Zone 31N with hole depths measured in metres.