



27 April 2012

## QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 31 MARCH 2012

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### HIGHLIGHTS

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- Significant exploration progress achieved on Nigerian projects
- High-resolution aeromagnetic survey completed over entire Yargarma and Kasele project areas
- Detailed soil geochemical survey completed over the full length of the Yargarma shear zone
- Finalised acquisition of Nigeria Gold Pty Ltd
- Several parties reviewing acquisition of Australian assets

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

During this Quarter, Australian Mines continued to progress the exploration of its highly prospective Yargarma, Kasele, Kagara and Tsauni project areas, which are located in the West African gold region of northwest Nigeria (Figure 1).

### Yargarma (AUZ 100%)

The Company's Yargarma project covers 172 square kilometres of highly prospective ground, situated 350 kilometres northwest of Nigeria's capital city, Abuja (Figure 1).



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

During this Quarter, Australian Mines completed a high-resolution aeromagnetic and radiometric survey over the entire Yargarma project area.

With a survey flying height of only 30 metres above the ground and a flight-line spacing of 50 metres, this geophysical survey was designed to accurately map the geological structures known to host gold mineralisation within this region of the Nigerian goldfields.



Moreover, this survey used three magnetic sensors to collect data (one on each wing tip and a 'stinger-mounted' sensor on the aircraft's tail) as opposed to a single sensor used in most other surveys.

The resulting dataset, known as magnetic gradiometry, is advantageous to Australian Mines, as it will enable the Company to accurately model the orientation, dip angle and general behaviour of the targeted geological structures at depth within the project area.

This ability of Australian Mines to confidently model structures at depth forms a crucial component in the planning of the upcoming drill program at Yargarma.

Detailed radiometric data was also acquired as part of this airborne survey. The instrumentation in the aircraft that measures radiometric data includes a dedicated potassium channel, which may assist the Company to map the potassic alteration halo often surrounding West African gold deposits.

The final interpretation and modelling of both the aeromagnetic and radiometric datasets is anticipated to be received by Australian Mines in July.

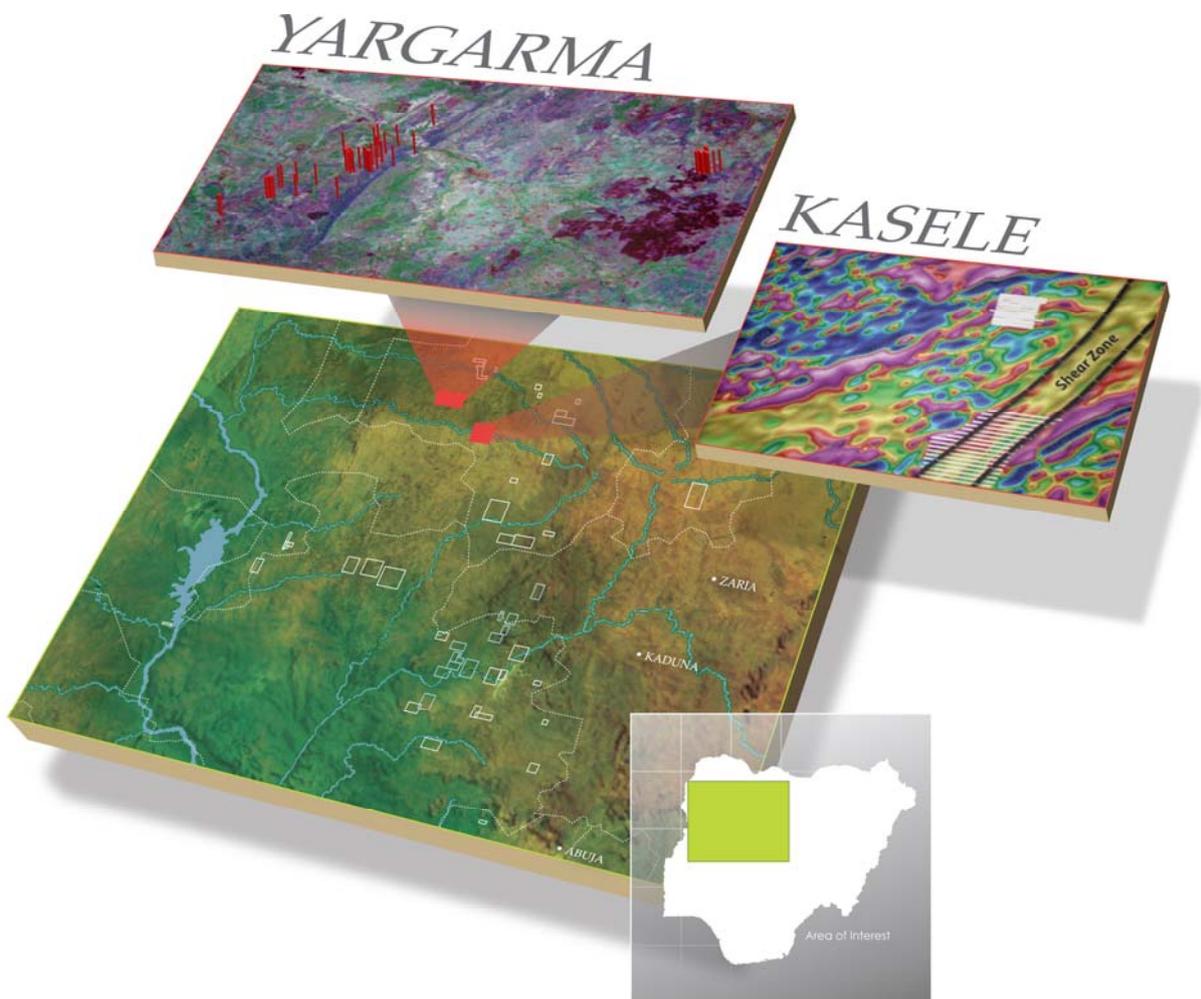
Australian Mines also completed a detailed soil sampling program at Yargarma during this Quarter. Geochemical samples were taken on a nominal 100 metre by 20 metre grid over full length of interpreted shear zone with the Company's Yargarma project area.

The final batch of samples from this geochemical survey is currently on route to an assay laboratory in Accra, Ghana.

The Company has recently been experiencing some delays in clearing samples through the Ghanaian customs. Whilst this matter has since been rectified, the subsequent delays in the assay lab receiving the Company's samples coupled with the current three month turnaround of results as quoted by the lab, means that the Company is now expecting the final assays from the Yargarma geochemical sampling survey in July.



This slight delay in receiving the final assays of the soil sampling program will not impact on the timing of the Company's maiden drilling program, which is scheduled to commence immediately following the cessation of the Nigerian wet season in October 2012.



**Figure 2:** Location of Australian Mines' Yargarma and Kasele projects within northwest Nigeria. The red markers within the Yargarma project image identify the location of individual artisanal gold workings mapped by Australian Mines' geologists during a field reconnaissance program complete this Quarter. The white lines shown on the Kasele project image illustrate the location of the Company's surface geochemical survey completed to date.



**Figure 3:** Photograph taken of the Aeroquest aircraft conducting pre-survey checks at Sokoto Airport (northwest Nigeria) for Australian Mines' geophysical survey of Yargarma and Kasele project areas.

## Kasele (AUZ 100%)

The Company's Kasele project area is located approximately 300 kilometres northwest of Abuja (Figure 1).

Extensive artisanal workings have been observed across the Company's Kasele project area, with the gold mineralisation appearing to be hosted in a parallel shear zone to the workings within the Company's nearby Yargarma project.

A high-resolution aeromagnetic survey of similar specifications as the Yargarma survey was also flown over the Kasele project area during the Quarter.



The intention of this survey is to accurately map, and model, the position and strike continuation of the geological structures interpreted to control the gold mineralisation within this project. As with the Yargarma airborne survey, both three-sensor magnetic gradiometry and radiometric data was acquired over Kasele with the final interpretation anticipated to be received by the Company in July.

## Kagara (AUZ 100%)

Australian Mines' Kagara project area is located 130 kilometres northwest of Abuja and consists of 473 square kilometres (Figures 1).

Previous work by the Company has identified at least three distinct target areas within the Kagara project that warrant exploration.

A target area of specific interest is the laterally extensive northeast-trending regional shear, which demonstrates similar geological and geophysical characteristics to the mineralised shear zones within the Company's Yargarma and Kasele project areas.

Given the potential of this project area, Australian Mines anticipates further field mapping and sampling to be undertaken in the second half of 2012. It is the Company's belief that through further targeted exploration, Kagara could potentially form a vital aspect in the Company's development portfolio moving forward.

## Tsauni (AUZ 100%)

Australian Mines Tsauni project area is situated only 20 kilometres west of Abuja (Figure 1) and hosts a series of artisanal workings whose combined length presently exceeds 600 metres.



Encouraged from the results of preliminary mapping across this project area, the Company will undertake a reverse circulation (RC) drilling program over the priority targets with the Tsauni project in the second half of this year.

## Australian Assets

The board of directors agreed to put the Australian assets of the Company up for sale. By quarter end, the Company had received several non-binding offers from interested parties. Further negotiations will continue over coming months with these parties and the market will be updated once a material contract has been finalised.

## CORPORATE

Post-period end, the Company announced it had finalised the acquisition of Nigeria Gold Pty Ltd.

As at 31 March 2012, Australian Mines had \$1.08 million in cash and no debt.

The Company expects to receive \$2.5 million on 29 June 2012 and a further \$2.5 million on 28 June 2013 from Alacer Gold Corp (TSX: ASR, ASX: AOG) under the terms of the Tenement Purchase Agreement relating to the divestment of the Company's Mt Martin gold deposit in Western Australia as announced on 4th October 2011.

The Company, therefore, remains fully funded to complete its Nigerian exploration program through to 2014.

\*\*\*ENDS\*\*\*



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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 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 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, Kagara and Tsauni project areas, with this program being fully-funded through to 2014.