



# QUARTERLY ACTIVITIES REPORT

For Period Ended 30 June 2014

ASX: AUZ

23 July 2014

## HIGHLIGHTS

### Marymia copper-nickel-gold project

- Entered into Heads of Agreement for 425 km<sup>2</sup> Marymia project located along strike of Sandfire Resources' DeGrussa copper-gold mine located in Western Australia
- Previous exploration indicates Marymia project is prospective for:
  - DeGrussa-style copper-gold mineralisation
  - Nickel sulphide deposits
  - Plutonic-style Archaean gold deposits
- Historic drill intersections of the oxide zone included:
  - 8 metres @ 1.05% nickel from 16 metres (drill hole K5-6)
  - 12 metres @ 11.0 g/t gold from 12 metres (drill hole RAB1432)
- Commenced geophysical surveys over priority copper and nickel targets
- Review of historic gold anomalies and drill intersections continuing

### Foothills gold-copper prospect

- Identified conductive body beneath supergene gold mineralisation
- Completed maiden RC drill hole of bedrock conductor – assay results pending

### Corporate

- Maintained a sound financial position with \$1.7 million cash-in-bank and no debt as at 30 June 2014



Australian Mines Limited (“Australian Mines” or “the Company”) is pleased to provide shareholders its Quarterly Activities Report for the period ended 30 June 2014.

## **Marymia copper-nickel-gold project**

During this quarter, Australian Mines continued to strengthen its exploration portfolio, entering into a Heads of Agreement with Riedel Resources (ASX: RIE) for the Marymia copper-gold-nickel project, which is located along strike from Sandfire Resources’ DeGrussa copper-gold mine.

### Copper-gold exploration

Since the discovery of the DeGrussa deposit in 2009, Sandfire Resources has defined a total Mineral Resource of 13.4 million tonnes @ 4.7% copper and 1.9g/t gold for a total of 634,000 tonnes of copper and 795,000 ounces of gold.

The key controlling structure of the DeGrussa ore bodies and Thundelarra’s recently discovered Red Bore copper-gold deposit is the major northeast-trending Jenkins Fault<sup>1</sup>. This important geological structure extends through Australian Mines’ Marymia project area for a distance of 20 kilometres.

Previous exploration across the Company’s Marymia project has highlighted a number of soil anomalies adjacent to the Jenkins Fault, including a 247ppb gold-in-soil anomaly reported by Australian Mines’ joint venture partner, Riedel Resources on 10 February 2012. These historic surface geochemical anomalies are presently untested by drilling. Similarly, no electromagnetic surveys, which played a key role in the discovery of the primary copper-gold mineralisation at DeGrussa, have previously been undertaken across the Marymia project area.

Australian Mines therefore commenced a trial moving loop electromagnetic survey over selected targets during this quarter. This geophysical survey is expected to be completed in the coming weeks with the final interpreted data being received by the Company in late August.

### Nickel sulphide exploration

In addition to targeting DeGrussa-style copper-gold mineralisation, the Marymia project also appears prospective for nickel sulphide mineralisation.

Historic drilling of the oxide zone during a first-pass gold exploration program returned encouraging supergene nickel results including<sup>2</sup>:

- 8 metres @ 1.05% nickel from 16 metres below the surface (drill hole K5-6)
- 13 metres @ 0.74% nickel from 28 metres below the surface (drill hole K5-7)
- 24 metres @ 0.58% nickel from 12 metres below the surface (drill hole K5-8)
- 4 metres @ 1.07% nickel from 28 metres below the surface (drill hole NKB0724)

<sup>1</sup> Thundelarra Limited, Presentation at Noosa Mining and Exploration Conference, released 17 July 2014

<sup>2</sup> Riedel Resources Limited, 2013 Annual Report, released 12 September 2013



Despite these promising preliminary results, no systematic exploration for primary nickel sulphide mineralisation has been reported across the Marymia project.

A review of the historic database by Australian Mines during this quarter indicated that the Company's Marymia project contains a sequence of folded komatiitic ultramafic rock with a combined strike length of 20 kilometres. Kambalda-style nickel sulphide ore bodies are hosted within komatiitic ultramafic rock.

Therefore, given the favourable geological setting and positive historic drill results, Australian Mines has sought to test a number of priority nickel targets at Marymia during the current geophysics program.

### Gold exploration

The Plutonic Gold Mine, which has produced over 5 million ounces of gold, is located 40km west of the Company's Marymia project. Previous explorers have indicated that the greenstone geology occurring within Australian Mines' Marymia project is an extension of the Archaean greenstones that host the nearby Plutonic gold deposits<sup>3</sup>.

The ore bodies at Plutonic were discovered in the 1987 when a rotary air blast (RAB) drilling program intersected 'blind' gold mineralisation which later became the Plutonic Gold Mine<sup>4</sup>.

Despite having a similar geological setting to the rocks that host the Plutonic gold deposits, only limited drilling has been undertaken across the equivalent greenstone units within the Company's Marymia project to date. This drilling, though, does confirm that rocks within the Company's Marymia project area are gold bearing as a number of intersections have been reported by previous explorers.

Examples of the results returned from historic exploration includes<sup>5,6</sup>:

- 12 metres @ 11.0 g/t gold from 12 metres (drill hole RAB1432)
- 8 metres @ 11.1 g/t gold from 16 metres (drill hole RAB1427)
- 3 metres @ 9.5 g/t gold from 51 metres (drill hole BRD23)
- 2 metres @ 7.1 g/t gold from 4 metres (drill hole RB620)
- 56.6 g/t gold from a surface rock chip, which has yet to be drill tested

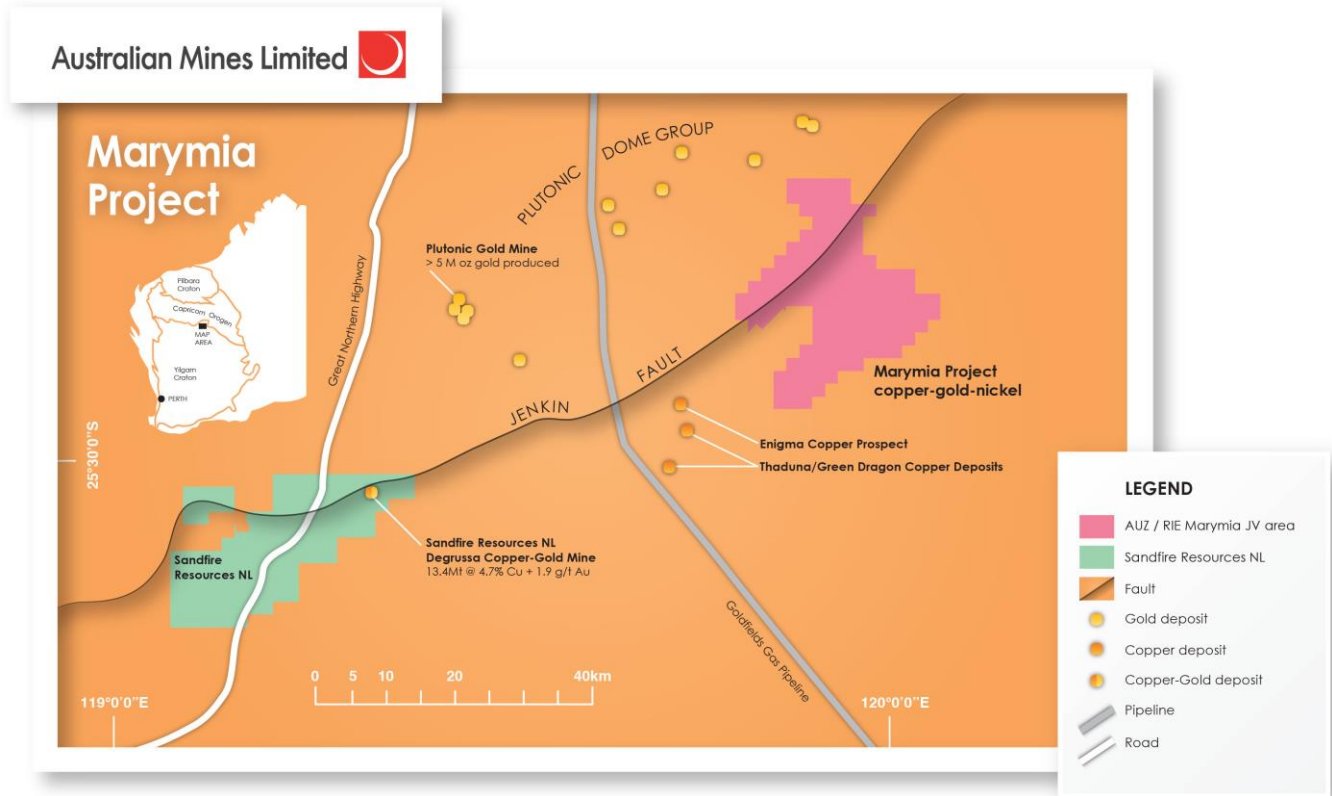
During this quarter, Australian Mines commenced a review of the available historic drill data in conjunction with re-interpreting the high-resolution aeromagnetic dataset acquired over the entire Marymia project area in 2005. The objective is to identify possible repetitions of the Plutonic-style gold mineralisation within the Company's Marymia project area. This work is expected to be completed over the coming quarter.

<sup>3</sup> Riedel Resources Limited, Marymia Project – Exploration Results and Update, released 10 February 2012

<sup>4</sup> Riedel Resources Limited, Prospectus, released 23 November 2010

<sup>5</sup> Riedel Resources Limited, 2012 Annual Report, released 31 August 2012

<sup>6</sup> Riedel Resources Limited, Annual Report – Combined Reporting Group C144/2010, submitted to WA Department of Mines and Petroleum on 15 June 2013



**Figure 1:** The Marymia Project is located 55 kilometres northeast and along strike of Sandfire Resources' DeGrussa copper-gold mine. The Company's initial target at Marymia is the Jenkin Fault, which controls the mineralisation at DeGrussa.

## Jumbulyer Project

### *Foothills gold-copper prospect*

Australian Mines' Foothills prospect is located 20 kilometres south of the Hill 50 / Mt Magnet Gold Mine where mining to date has produced in excess of 5.6 million ounces of gold<sup>7</sup>.

Previous exploration at Foothills by Australian Mines' joint venture partner, Mount Magnet South has returned some positive drill results that included<sup>8</sup>:

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

<sup>7</sup> Ramelius Resources, Investor Presentation, released 16 August 2010

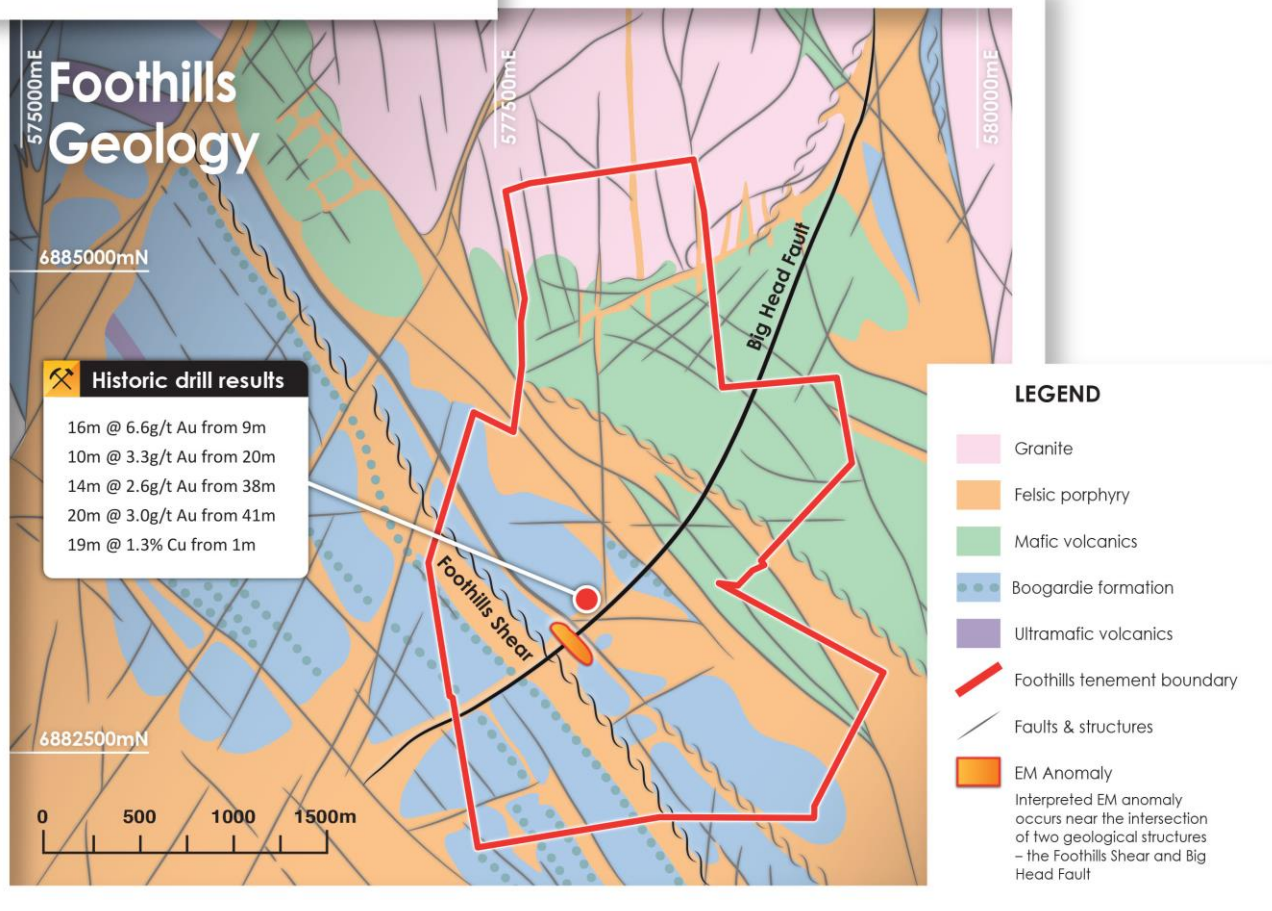
<sup>8</sup> Mount Magnet South NL, Jumbulyer Gold Project – Multiple near surface gold targets identified, released 19 September 2012





As this drilling was primarily focussed on delineating a near-surface oxide gold resource for treatment at a nearby processing plant, minimal testing of the underlying bedrock for primary gold mineralisation has previously been undertaken at Foothills.

Encouraged by the historic drill results reported for this project, in April 2014 Australian Mines commenced a ground geophysics program over the Foothills prospect targeting bedrock mineralisation. This program, comprising a moving loop electromagnetic survey and a subsequent Sub-Audio Magnetics survey was designed to test for the presence of gold-bearing pyrrhotite and/or pyrite (iron sulphide) zones within the Company's project area.



**Figure 2:** A moving loop electromagnetic (EM) survey at the Foothills prospect successfully identified a buried bedrock conductor (highlighted in orange/red in this image). Australian Mines drill tested this geophysical anomaly in June 2014 with a single 170-metre deep reverse circulation (RC) hole. Assay results from this drill hole are currently pending.



Following the completion of the moving loop electromagnetic survey at Foothills, Australian Mines reported the identification of a bedrock conductor situated within close proximity to the oxide gold mineralisation previously intersected by shallow historic drilling. The modelled depth of this geophysical anomaly was approximately 120 metres below the surface, which is a depth untested by historic drill programs.

In late June, Australian Mines drilled a single reverse circulation (RC) hole into the interpreted bedrock conductor. This drill hole successfully intersected a zone of disseminated sulphides and quartz veining around the depth predicted by the Company's geophysicists, and Australian Mines is presently awaiting the final assay results for this hole.

The Company also anticipates receiving the final interpreted results of the Foothills Sub-Audio Magnetics (SAM) survey in August. The SAM survey at Foothills was designed to identify and map the gold-hosting structures present across the broader tenement area, which are currently untested by drilling.

Australian Mines will await the results of its maiden drill hole at Foothills and the associated high-resolution SAM survey before finalising the appropriate follow-up exploration program.

## **Marriotts nickel project**

The Company's Marriotts project is located 70 kilometres south of the nickel mining centre at Leinster, Western Australia. No work was conducted at the Marriotts project this quarter.

## **Nigeria**

No work was carried out at the Company's Nigerian assets this quarter.

## **Corporate**

Australian Mines remains in a sound financial position with \$1.7 million cash in the bank and no debt as at 30 June 2014.

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

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## About Australian Mines:

Australian Mines (ASX: AUZ) is an Australian-listed resource company targeting gold and base metal deposits. The Company is currently acquiring an interest in two key assets in Western Australia, which have demonstrated a potential to host mineralisation.

### **Marymia Copper-Gold-Nickel Project (Agreement to earn up to 80%)**

Australian Mines recently signed a Heads of Agreement with Riedel Resources covering the Marymia copper-gold-nickel project, located 55 kilometres northeast and along strike of Sandfire Resources' world class DeGrussa copper-gold mine.

In addition to targeting VMS-style copper-gold mineralisation, Australian Mines will also be testing for nickel sulphide mineralisation across the Marymia project as historic drilling of the oxide zone has returned encouraging results including 8m @ 1.05% Ni from 16m, 4m @ 1.07% Ni from 28m, and 13m @ 0.74% Ni from 28m. (AUZ release: 30 April 2014).

Under the terms of the Agreement announced on 30 April 2014, Australian Mines may acquire a 51% interest in the Marymia project by making a cash payment to Riedel Resources of \$250,000 by 30 October 2014 and spending \$1 million on exploration within an initial two year period. Following the acquisition of the initial 51% Australian Mines may elect to acquire an additional 29% interest (taking the total to 80%) in the project by spending a further \$2 million on exploration within a further 36 month period.

### **Foothills Gold and Copper Project (Farm-In Agreement to earn up to 80%)**

In March 2014, Australian Mines entered into a Farm-In and Joint Venture Agreement with Mount Magnet South for the Jumbulyer tenements near Mt Magnet. Included within this tenement package is the advanced Foothills prospect.

Historic scout drilling at Foothills has defined a zone of gold mineralisation extending over 100 metres and remaining open both along strike and at depth. Results returned from this drilling included 16m @ 6.6 g/t Au from 9m, 10m @ 3.3 g/t Au from 20m and 14m @ 2.6 g/t Au from 38m (AUZ release: 7 March 2014).

The Foothills prospect also appears to be an emerging copper target with historic drilling intersecting 19m @ 1.3 % Cu from 1m (AUZ release: 7 March 2014).

Under the joint venture agreement, Australian Mines may acquire a 60% interest in the project by spending \$1 million on exploration within an initial two year period. On expending \$1 million, Australian Mines may acquire an additional 20% interest in the project (for a total of 80%) by spending a further \$2 million on exploration within 48 months of the completion of the initial 60% acquisition (AUZ release: 7 March 2014).



## Project Location Map



Australian Mines' Foothills and Marymia projects are located approximately 450 and 850 kilometres northeast of Perth, Western Australia respectively.





## Appendix 1: Exploration Drilling Results

**Table 1: Foothills Reverse Circulation (RC) Drill Program**

Hole ID	Depth (m)	North (MGA50)	East (MGA50)	RL	Dip	Azimuth	From (m)	To (m)	Width (m)	Gold (g/t)	Comments
FHRC001	170	6883100	577920	390	-60°	240°	-	-	-	-	Assays pending

All co-ordinates are recorded in MGA Zone 50.

Drill hole collar co-ordinates were obtained using handheld GPS and are accurate to within +/- 5 metres.

Reduced Level (RL) is reported in metres above sea level.

Drill chips were sampled at regular one metre intervals for the entire length of the drill hole.

Sample preparation and analysis of samples was undertaken at Intertek Genalysis in Perth, Western Australia.

All samples were pulverised to produce a 50 gram charge, which was analysed by Fire Assay and Four Acid ICP-OES.

The quality of the analytical results is monitored through the use of internal laboratory procedures and standards in addition to Certified Reference Material (supplied by ORE Research and Exploration in Melbourne, Australia) and duplicates to ensure the results are representative and within acceptable ranges of accuracy and precision.



## Appendix 2: Tenement Information

### Mining tenements held at end of the quarter

Location	Project	Tenement	Status	Interest
<b>NIGERIA</b>				
Zamfara	Kasele	EL9447	Granted*	100%
Zamfara	Yargarma	EL8732	Granted*	100%
Zamfara	Yargarma	EL9449	Granted	100%
<b>AUSTRALIA</b>				
Western Australia	Marriotts	M37/096	Granted	100%

\* Nigerian exploration licences 9447 and 8732 expired on 26 April 2014 and 17 May 2014 respectively. Under the Nigerian *Minerals and Mining Act 2007*, Australian Mines may apply to have these licences renewed for two further periods of two years each. Australian Mines submitted renewal applications for EL9447 and EL8732 to the Nigerian Mines Department in February 2014.

### Mining tenements acquired and disposed of during the quarter

Location	Project	Tenement	Status	Interest
-	-	-	-	-

### Beneficial percentage interests held in farm-in or farm-out agreements at end of the quarter

Location	Project	Agreement	Parties	Interest	Comments
<b>AUSTRALIA</b>					
Western Australia	Jumbulyer	Farm-In and Joint Venture	AUZ and MUM	0%	Announced 7 March 2014
Western Australia	Marymia	Heads of Agreement	AUZ and RIE	0%	Announced 30 April 2014



## Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the quarter

Location	Project	Agreement	Parties	Interest	Comments
<b>AUSTRALIA</b>					
Western Australia	Marymia	Heads of Agreement	AUZ and RIE	0%	Announced 30 April 2014

Australian Mines announced on 30 April 2014, that the Company had entered into a Heads of Agreement with ASX-listed Riedel Resources Limited covering the Marymia copper-gold-nickel project in Western Australia. The Marymia project covers 425 square kilometres and is located 55 kilometres northeast and along strike from Sandfire Resources' DeGrussa copper-gold mine.

Under the terms of the Agreement:

- Australian Mines paid \$50,000 to Riedel Resources on signing of the Heads of Agreement
- Australian Mines has the right to withdraw subject to spending a minimum of \$150,000 in exploration on the Marymia project within six months from the signing of the Agreement ('Minimum Expenditure').
- If Australian Mines exercises its option to continue following the \$150,000 Minimum Expenditure, the Company must make a cash payment to Riedel Resources of \$250,000.
- Australian Mines may acquire a 51% interest in the Marymia project by spending \$1 million (including the Minimum Expenditure) on exploration within an initial two year period from the signing of the Agreement.
- Following the acquisition of the initial 51% Australian Mines may elect to acquire an additional 29% interest (taking the total to 80%) in the Marymia project by spending a further \$2 million on exploration within a further 36 month period.
- Once Australian Mines has satisfied its earn-in obligations, with a resulting joint venture interest of either 51% of 80%, Riedel Resources 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



## Appendix 3: JORC Code, 2012 Edition

### Section 1: Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> <li>Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.</li> <li>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used</li> <li>Aspects of the determination of mineralisation that are Material to the Public Report.</li> <li>In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.</li> </ul>	<ul style="list-style-type: none"> <li>Samples from Australian Mines' reverse circulation (RC) drill program are collected at one metre intervals using a cone splitter to produce an approximate 3 kilogram sample, which is representative of the full drill metre.</li> </ul> <p>Sampling is guided by Australian Mines' protocols and QAQC procedures which were designed in consultation with SRK Consulting, Perth.</p> <p>All samples were submitted to the Intertek Genalysis assay laboratory in Perth for Fire Assay and Four Acid ICP-OES analysis.</p> <p>Australian Mines analyse for the following elements: Au, Ag, Al, As, Ba, Bi, Ca, Cd, Ce, Co, Cr, Cu, Fe, K, La, Li, Mg, Mn, Mo, Na, Ni, P, Pb, S, Sb, Sc, Sn, Sr, Te, Ti, Tl, V, W, Zn.</p>
Drilling techniques	<ul style="list-style-type: none"> <li>Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>The Foothills drill program was a single reverse circulation (RC) drill hole and completed by Egan Drilling using an ED250 drill rig.</li> </ul>



## Drill sample recovery

- Method of recording and assessing core and chip sample recoveries and results assessed.
- Measures taken to maximise sample recovery and ensure representative nature of the samples.
- Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.
- The reverse circulation (RC) sampling was good with almost no wet sampling at Foothills. Overall recoveries were good and there were no significant sampling recovery problems.

Insufficient drilling and geochemical data is available at present to evaluate potential sample bias. Australian Mines protocols, however, are followed to preclude any issues of sample bias due to material loss or gain.

## Logging

- Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.
- Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.
- The total length and percentage of the relevant intersections logged.
- Geological logging of drill chips have been recorded for this drill hole, including lithology, mineralogy, grainsize, texture, weathering, oxidation, colour and other features of the samples.

Drill chips were not logged to any geotechnical standard and the data is insufficient to support Mineral Resource estimation at this stage.

Logging of reverse circulation drill chips is considered to be semi-quantitative given the nature of rock chip fragments and the inability to obtain detailed geological information. The drill hole was logged in full to the end of the hole.

## Sub-sampling techniques and sample preparation

- If core, whether cut or sawn and whether quarter, half or all core taken.
- If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.
- For all sample types, the nature, quality and appropriateness of the sample preparation technique.
- Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.
- Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.
- Whether sample sizes are appropriate to the grain size of the material being sampled.
- All 1 metre splits were passed through a cone splitter to produce a 12% split for assaying. The 78% off-split was collected in green bags for future testing as required.

Samples are dried and pulverised using industry standard methods by Intertek Genalysis at their Perth assay laboratory.

All samples are pulverised to produce a 50-gram charge, which is analysed by Fire Assay and Four Acid ICP-OES.

The sample sizes are considered to be appropriate to correctly represent the sought after mineralisation style.





## Quality of assay data and laboratory tests

- The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.
- For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.
- Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.

- Samples submitted to Intertek Genalysis in Perth are assayed using a Fire Assay and mixed four acid digest.

The samples are digested and refluxed with a mixture of acids including Hydrofluoric, Nitric, Hydrochloric and Perchloric acids and conducted for multi-elements including Au, Ag, Al, As, Ba, Bi, Ca, Cd, Ce, Co, Cr, Cu, Fe, K, La, Li, Mg, Mn, Mo, Na, Ni, P, Pb, S, Sb, Sc, Sn, Sr, Te, Ti, Tl, V, W, Zn.

This method approaches a total digest for many elements although some refractory minerals may not be completely attacked.

The quality of the analytical results is monitored through the use of internal laboratory procedures and standards in addition to Certified Reference Material (supplied by ORE Research and Exploration in Melbourne, Australia) and duplicates to ensure the results are representative and within acceptable ranges of accuracy and precision.

## Verification of sampling and assaying

- The verification of significant intersections by either independent or alternative company personnel.
- The use of twinned holes.
- Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.
- Discuss any adjustment to assay data.

- No Australian Mines assay results or significant intersections are included in this report.

Primary data was collected using a set of standard Excel templates using lookup tables. The information was sent to the Company's external database consultant, rOREdata, for validation and compilation into Australian Mines' database.

No twinned hole drilling is proposed by Australian Mines at this stage.

No adjustments or calibrations were made to any assay values.

## Location of data points

- Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.
- Specification of the grid system used.
- Quality and adequacy of topographic control.

- Drill hole collar locations were recorded using handheld Garmin GPS.

The expected accuracy is +/- 5 metres for easting and northings and 10 metres for elevation coordinates. Elevation values were in AHD.

The grid system used is Map Grid of Australia (MGA) GDA94 Zone 50.



## Data spacing and distribution

- Data spacing for reporting of Exploration Results.
- Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.
- Whether sample compositing has been applied.

- Australian Mines' maiden drill program at Foothills involved a single reverse circulation hole targeting a geophysical anomaly interpreted for the Company's recently completed moving loop electromagnetic survey.

This drill data is not being used for estimating a Mineral Resource or modelling of grade at this stage in exploration.

No sample compositing was applied to the exploration results.

## Orientation of data in relation to geological structure

- Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.
- If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.

- Australian Mines is targeting shear-hosted Archaean gold and copper mineralisation at Foothills.

Two geological shears / faults have been interpreted to transect the Foothills tenement of P58/1281; namely, the northwest-trending Foothills Shear and the northeast-trending Big Head Fault.

The orientations of the Company's drilling were designed to intersect these two geological structures at right angles in an attempt to minimise the risk of biased sampling.

The orientation of the drilling is deemed sufficient at this stage of exploration.

## Sample security

- The measures taken to ensure sample security.

- The chain of custody is managed by Australian Mines.

Samples are stored on site and are delivered by Australian Mines personnel directly to the assay laboratory.

## Audits or reviews

- The results of any audits or reviews of sampling techniques and data.

- Australian Mines' sampling techniques and data collection processes are of industry standard and have been subjected to internal reviews.

Any data received from the assay laboratories are independently verified by rOREdata in Perth, Australia.



## Section 2: Reporting of Exploration Results

Criteria	JORC Code explanation	Commentary
<b>Mineral tenement and land tenure status</b>	<ul style="list-style-type: none"> <li>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</li> <li>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</li> </ul>	<p><b><u>Foothills</u></b></p> <ul style="list-style-type: none"> <li>The Foothills prospect is located within the Western Australian prospecting licence of P58/1281. A mining lease application (M38/359) has been submitted by the registered owner of this tenement, Mount Magnet South NL, under Section 49 of the Western Australian Mining Act 1978. Conversion of this prospecting licence to a mining lease is currently pending.</li> </ul> <p>On 7 March 2014, Australian Mines announced it had entered into a Farm-In and Joint venture Agreement with Mount Magnet South (ASX code: MUM) in relation to the Jumbulyer project. Prospecting licence P58/1281 is one of 31 granted and pending tenements covered under this Agreement.</p> <p>Prospecting licence P58/1281 lies within the Yoweragabbie Pastoral Lease and is wholly contained within the Native Title Claim boundaries of the <i>Badimia</i> Traditional Owners (WC1996/098).</p> <p>Exploration activities on P58/1281 are permitted under an agreement dated 22 January 2007 between Mount Magnet South and the Yamatji Marlpa Barna Baba Maaja Aboriginal Corporation as agent for the <i>Badimia</i>. Australian Mines is permitted to operate under this agreement as the company is joint venturing with Mount Magnet South on this project.</p> <p>Tenement P58/1281 is in good standing with no impediments to exploration known to exist at the time of writing.</p> <p><b><u>Marymia</u></b></p> <ul style="list-style-type: none"> <li>The Marymia project is located within the Western Australian exploration licences of E52/2394 and E52/2395.</li> </ul> <p>On 30 April 2014, Australian Mines announced it had signed a Heads of Agreement with Riedel Resources Limited (ASX code: RIE) in relation to the Marymia project.</p>



Exploration licences E52/2394 and E52/2395 are within the Marymia and Ned's Creek Pastoral Leases and contained within the Native Title Claim boundaries of the *Gingirana* (WAD6002/03) and *Yugunga-Nya* (WAD6132/98) Traditional Owners.

Exploration activities on E52/2394 and E52/2395 are permitted under agreements dated; 7 October 2010 between Audax Resources Ltd (a subsidiary of Riedel Resources) and the Yamatji Marlpa Aboriginal Corporation as agent for the *Yugunga-Nya* people; and 23 October 2010 between Audax Resources and Gingirana Pty Ltd. Australian Mines is permitted to operate under these agreements as the company is joint venturing with Riedel Resources on this project.

Exploration licences E52/2394 and E52/2395 are in good standing with no impediments to exploration known to exist at the time of writing.

## Exploration done by other parties

- Acknowledgment and appraisal of exploration by other parties.

### Foothills

- Previous exploration at Foothills (P58/1281) by Australian Mines' joint venture partner, Mount Magnet South has returned encouraging gold and copper intersections from reverse circulation drilling.

Announcements outlining these historic drill results were released by Mount Magnet South on 19 September 2012, 21 November 2012, 27 November 2012 and 7 December 2012.

### Marymia

- Limited exploration and drilling programs have previously been undertaken across the Marymia project area by other companies.

A summary of the historic anomalous gold and nickel intersections are outlined in the Prospectus released by Riedel Resources Limited on 23 November 2010.

## Geology

- Deposit type, geological setting and style of mineralisation.

### Foothills

- The targeted deposit style at Foothills is shear-hosted Archaean gold and copper mineralisation.

The Foothills prospect is located on the southern section of the Mount Magnet Archaean greenstone belt.



## Marymia

- Australian Mines are targeting three types of mineral deposits at Marymia;
  - (i) DeGrussa-style volcanogenic massive sulphide copper-gold,
  - (ii) Kambalda-style komatiite-hosted nickel sulphide, and
  - (iii) Plutonic-style Archaean gold.

The Marymia project overlies the Baumgarten Greenstone Belt, which is interpreted as the northern extension of the Eastern Goldfields Province of the Yilgarn Craton. The geology of the Marymia project comprises an Archaean greenstone sequence of basalts and komatiitic ultramafic rocks.

## **Drill hole Information**

- A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:
  - easting and northing of the drill hole collar
  - elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar
  - dip and azimuth of the hole
  - down hole length and interception depth
  - hole length.
- If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.
- Refer to Appendix 1 of the accompanying report.

## **Data aggregation methods**

- In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.
- Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.
- The assumptions used for any reporting of metal equivalent values should be clearly stated.
- Any reported intersections of Australian Mines' drilling results are based on a regular sample interval of 1 metre.

Where quoted, gold intersections are based on a minimum gold threshold of 0.5 g/t Au, and copper and/or nickel intersections are based on a minimum threshold grade of 0.5% Cu and/or Ni.

No upper cuts are applied and a maximum internal dilution of three metres is used for any intersection calculations.

No metal equivalents have been used in this report.





## Relationship between mineralisation widths and intercept lengths

- These relationships are particularly important in the reporting of Exploration Results.
  - If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.
  - If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').
  - There is insufficient understanding of the bedrock geology at present to determine the true thickness of any reported drill intersections.
- Any intersections included in this report are down hole lengths. The true widths of these intersections are not known.

## Diagrams

- Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.
- Appropriate maps and sections are included in the body of this report.

## Balanced reporting

- Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.
- The accompanying document is considered to represent a balanced report.

## Other substantive exploration data

- Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.
- Other exploration data collected by the Company is not considered as material to this report at this stage. Further data collection will be reviewed and reported when considered material.

## Further work

- The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).
  - Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.
- Foothills**
- Future exploration work may include drill testing of regional anomalies, as well as the interpreted depth extensions of known mineralisation.
- Marymia**
- Further work may include a reverse circulation drill program to test the nature of any buried conductor identified at Marymia.

## 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.