

27 January 2016

IP survey expands gold prospectivity at Dixon, Doolgunna – Marymia Project

- **200 metre long chargeability zone detected at the Dixon gold prospect**
 - Sulphidic quartz veining the likely source of the anomaly
- **Indicates probable strike continuity of gold mineralisation intersected at Dixon**
- **A second, and larger, IP anomaly also observed within the surveyed area**
 - Potential for repetitions of Dixon-style gold across project area
- **RC drill program planned for March 2016**

Australian Mines Limited (“Australian Mines” or “the Company”) is pleased to advise that a detailed Induced Polarisation (IP) geophysical survey completed over the Dixon prospect, part of its joint venture with Riedel Resources Limited (ASX: RIE), has detected a significant chargeability anomaly coincident with the high-grade gold mineralisation intersected during the Company’s most recent drilling program¹.

Given the geophysical characteristics and the geological positioning of this 200 metre long IP anomaly, its source is likely to be a sulphide (pyrite) body such as the gold-bearing sulphidic (pyrite + arsenopyrite) quartz veining being targeted at Dixon by Australian Mines.

Modelling of this newly-acquired IP data has also identified a second anomaly to the northeast of Dixon, which likewise represents a potential gold zone that warrants further testing.

The Dixon gold prospect is situated within the Company’s Doolgunna – Marymia Project, which is located 900 kilometres north of Perth and within 50 kilometres of Northern Star’s 5 million ounce Plutonic Gold Mine².

As reported on 6 November 2015, a single reverse circulation (RC) drill hole designed to test the validity of the Company’s exploration model at Dixon successfully intersected 10 metres @ 8.79 /t gold from 130 metres down hole.

¹ Australian Mines Limited, High-grade gold zone extended at Dixon prospect, released 6 November 2015

² Northern Star Resources Limited, Plutonic Acquisition Presentation, released 23 December 2013



Australian Mines' geological team observed that this mineralisation was hosted within a pyritic quartz veined structure, which occurred along the lithological contact between a magnetite-rich dolerite unit and a low magnetic intrusive dolerite.

Preliminary analysis of the drill samples by Australian Mines similarly indicated that the higher-grade gold mineralisation at Dixon appears to be associated with increased sulphide and quartz content. Consequently, last month Australian Mines trialled a gradient array IP survey and complementing pole-dipole IP traverses over the immediate Dixon prospect area.

Induced Polarisation (IP) has a demonstrated track record of directly mapping gold-bearing sulphidic quartz veining both along strike and at depth due to its ability to accurately detect the disseminated sulphides often associated with, but not bound to, the gold mineralisation^{3,4}.

Australian Mines is, therefore, very encouraged by the presence of a 200 metre long IP anomaly centred around the high-grade gold mineralisation at Dixon as it indicates this gold zone may have significant strike and depth continuity.

The discovery of a second chargeability anomaly in close proximity to, and along the same lithological contact as, the known mineralisation at Dixon is equally encouraging as it suggests that potential repetitions of the Dixon-style gold mineralisation may exist throughout the six kilometres of prospective dolerite geology mapped within the Company's Doolgunna – Marymia project area.

Given the quality of the gold targets at Dixon, Australian Mines is endeavouring to mobilise a reverse circulation (RC) drill crew to site as soon as practicable to test the strike continuity of the gold mineralisation at Dixon drill in addition to completing stratigraphic holes into the adjacent IP anomaly.

Further details regarding the proposed RC drill program will be provided prior to the commencement of drilling, which is currently anticipated to be early-mid March.

*****ENDS*****

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³ Pittard & Bourne, The contribution of magnetite to the induced polarization response of the Centenary orebody, Exploration Geophysics, 2007, 30, 200-207

⁴ Dentith, Frankcombe & Trench, Geophysical signatures of Western Australian mineral deposits, Australian Society of Exploration Geophysicist, Special publication No. 7, 1994

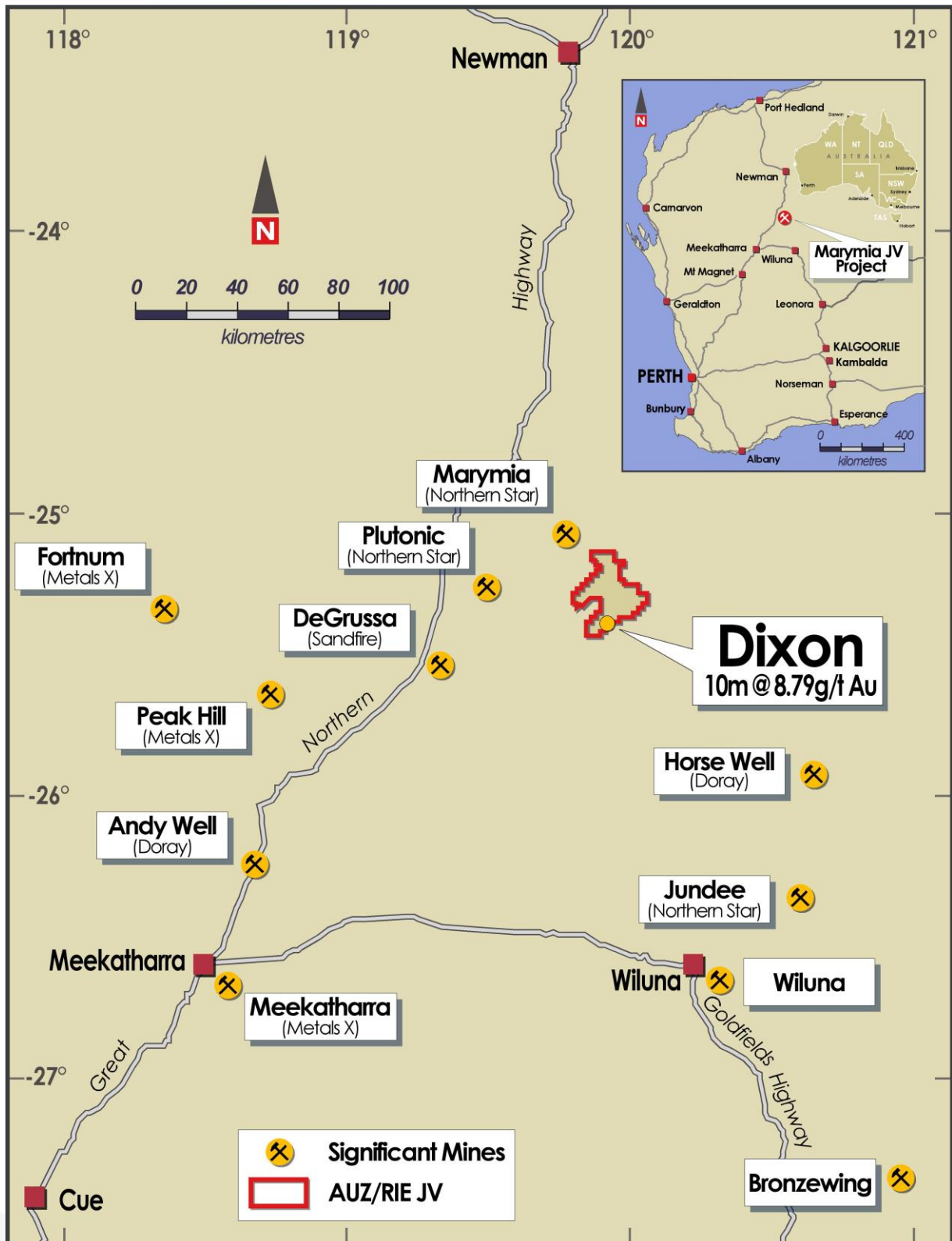


Figure 1: The Dixon gold prospect is situated within 50 kilometres of, and within a similar geological setting to, Northern Star’s Plutonic Gold Mine. This emerging Western Australian gold play is located within Australian Mines (AUZ) and Riedel Resources (RIE) joint venture tenement E52/2394 where Australian Mines is currently earning an 80% interest.

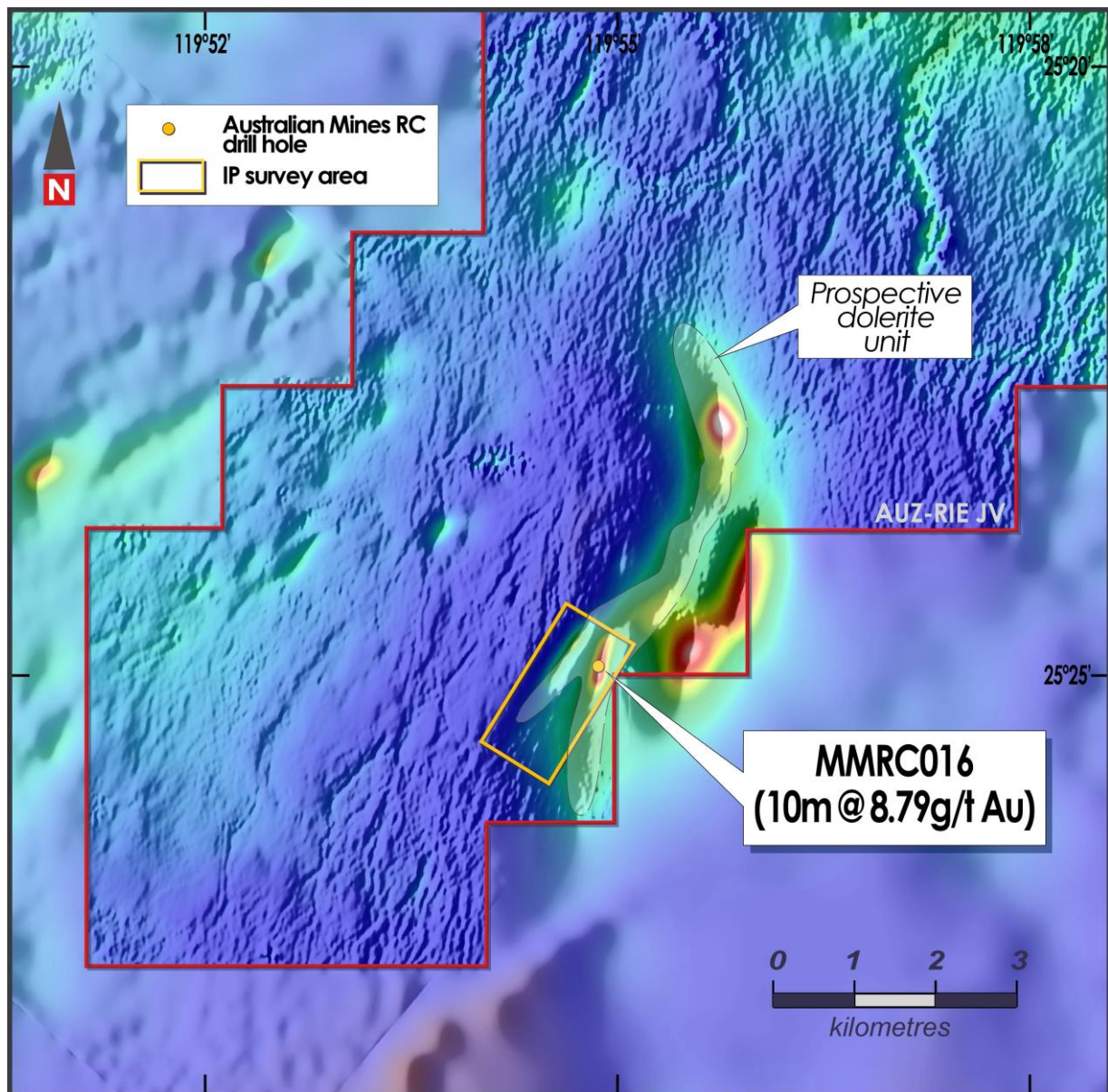


Figure 2: Magnetic (Reduced-to-Pole) image of the Company's Dixon prospect within its Doolgunna-Marymia Project. Gold mineralisation at Dixon occurs along the lithological contact of magnetite-rich dolerite and a non-magnetic dolerite, being identical to the mineralisation control observed at Gold Field's Centenary Gold Mine⁵. (Prior to production in 1998, the Centenary gold resource was 8.4 million tonnes @ 7.7 g/t for 2.1 million ounces)⁶. Geological mapping of this region indicates that the prospective dolerite units at Dixon extend for 6 kilometres and are wholly within Australian Mines (AUZ) – Riedel Resources (RIE) joint venture area.

⁵ Pittard & Bourne, The contribution of magnetite to the induced polarization response of the Centenary orebody, *Exploration Geophysics*, 2007, 30, 200-207

⁶ <http://www.smedg.org.au/apr16th98.html>

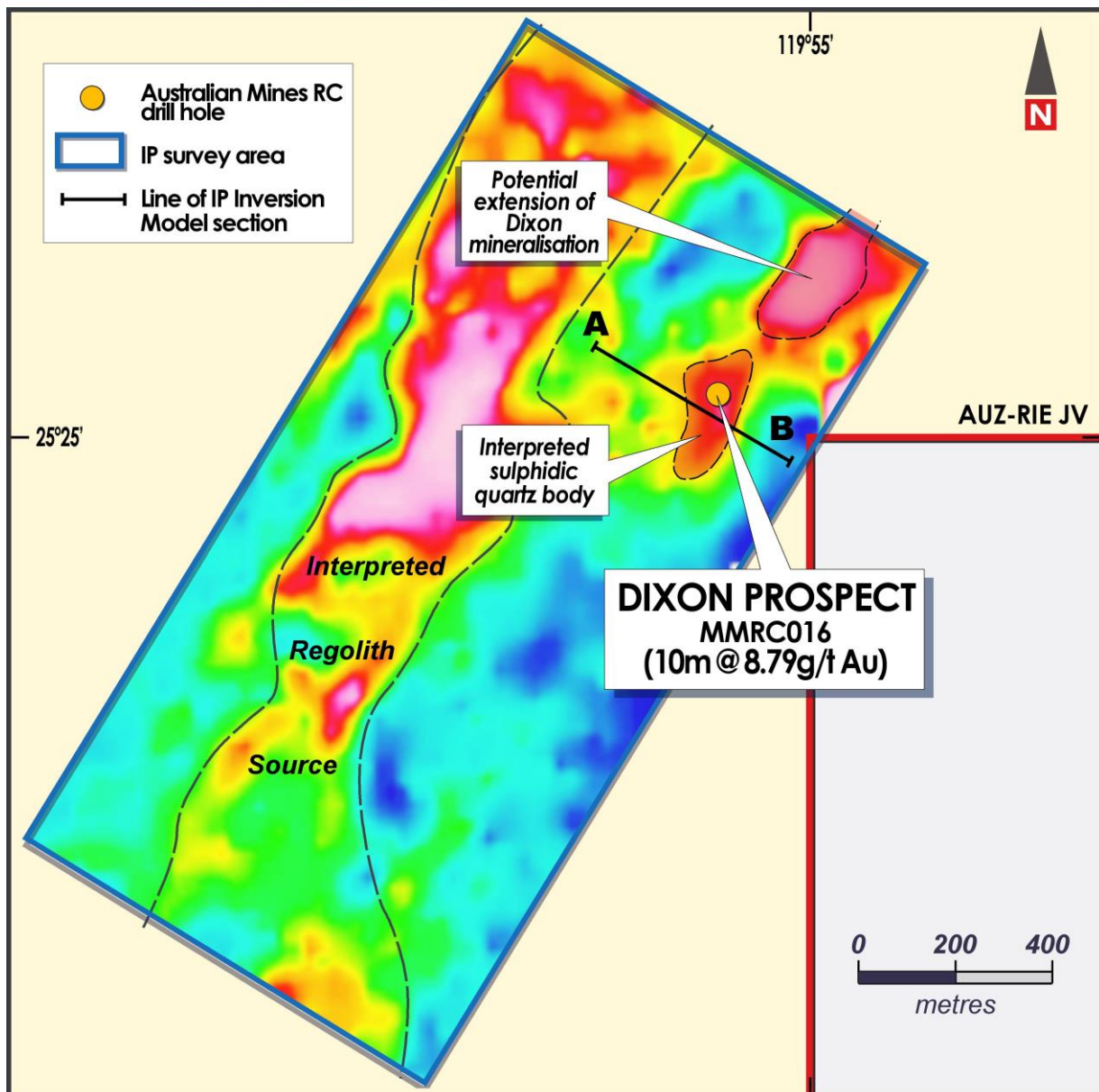


Figure 3: Plan image of the gradient array Induced Polarisation (IP) survey recently acquired by Australian Mines over the immediate Dixon gold prospect. This survey successfully mapped a zone of chargeability coincident with the high-grade gold mineralisation intersected by the Company's drill hole MMRC016. The strike length of this zone is excess of 200 metres and appears aligned with the lithological contact between a magnetic and non-magnetic dolerite unit. The gradient IP survey also detected a potential repetition of the Dixon gold mineralisation to the northeast of the project area. Australian Mines is proposing to drill test both targets during the current quarter.

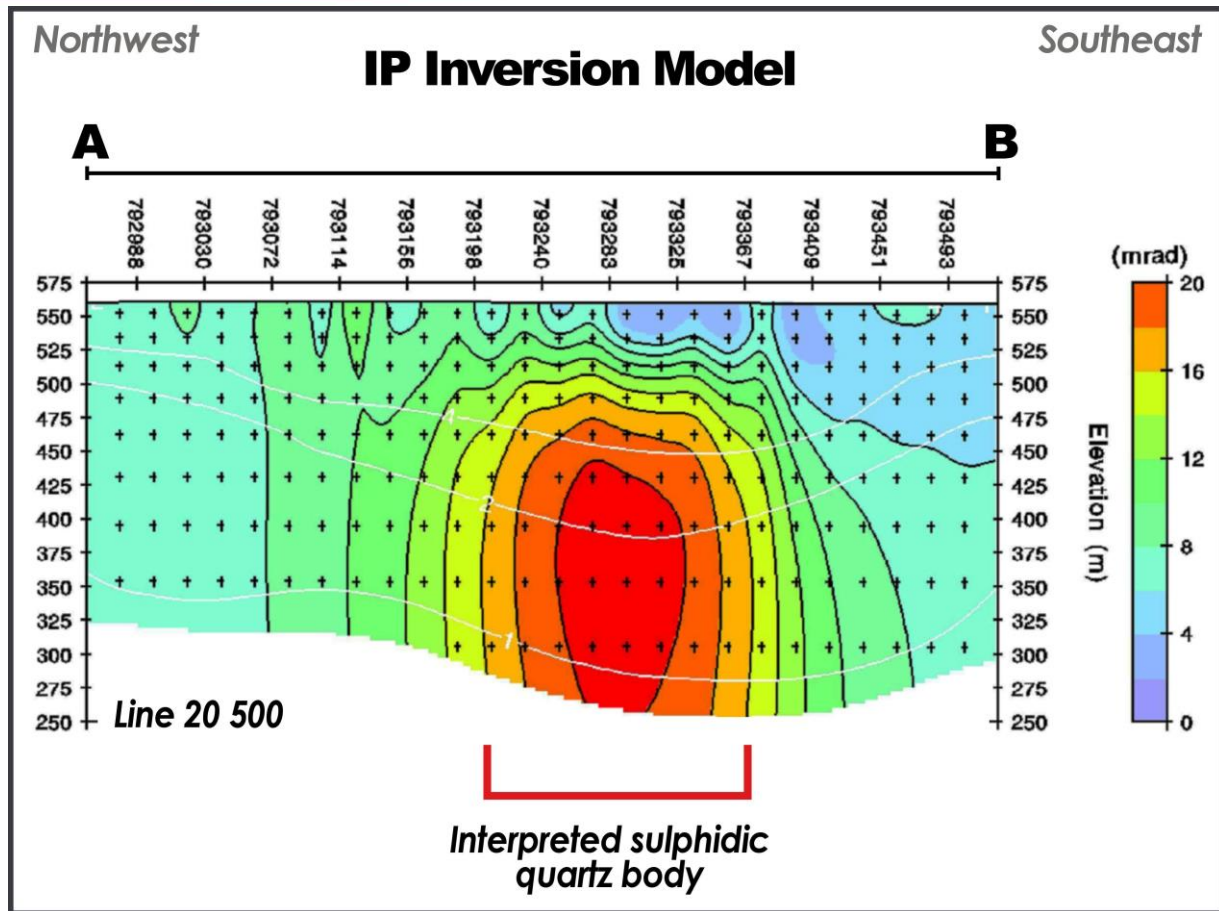


Figure 4: Cross-section of the pole-dipole Induced Polarisation (PDIP) response observed over the southern continuation of Dixon gold prospect. Modelling of the PDIP traverses completed in conjunction with the Company's gradient IP survey strongly suggests that the source of the 200 metre long chargeability anomaly at Dixon is likely to be a sulphide body, such as the gold-bearing sulphidic quartz veining being targeted by Australian Mines.



About Australian Mines

Australian Mines Limited (ASX: AUZ) is an Australian-listed resource company targeting gold, copper and nickel deposits. The Company is actively exploring the Doolgunna - Marymia region of Western Australia, which has demonstrated the potential to host significant gold and base metal mineralisation including Northern Star's Plutonic Gold Mine and Sandfire's DeGrussa Copper-Gold Mine. The Company also holds 100% interest in the Marriotts Nickel Project near Leinster in Western Australia.

Doolgunna – Marymia Project

Agreement to earn up to 80% interest

Australian Mines signed a Heads of Agreement with Riedel Resources Limited (ASX: RIE) in April 2014 covering the tenements E52/2394 and E52/2395, which form the Company's Doolgunna - Marymia Project.

As announced on 29 May 2015, Australian Mines currently holds a 51% interest in these tenements and the Company has elected to acquire an additional 29% interest in the project (taking the total to 80%) by spending a further \$2 million on exploration by May 2018.

On 6 November 2015, the Company announced that a single reverse circulation (RC) hole drilled at its Dixon prospect within tenement E52/2394 successfully intersected high-grade primary gold (10 metres @ 8.79 g/t gold from 130 metres down hole) within a similar greenstone sequence to that which hosts the nearby Plutonic gold deposits⁷.

Australian Mines' ongoing exploration program is, therefore, aimed at confirming the depth and strike potential of the gold mineralisation at Dixon as well as identify possible repetitions of this gold mineralisation within the Company's project area.

Marriotts Nickel Project

100% interest in Mining Lease 37/96

Australian Mines holds a 100% interest in the Marriotts Nickel Project in Western Australia, which hosts a current Mineral Resource of: Indicated 460,000t @ 1.12% Ni plus Inferred 370,000t @ 1.13% Ni (reported at 0.5% Ni lower cut-off grade)⁸.

⁷ Australian Mines Limited, High-grade gold zone extended at Dixon prospect, released 6 November 2015

⁸ Australian Mines Limited, Annual Report for the year ended 30 June 2015, released 17 September 2015



Appendix 1: JORC Code, 2012 Edition

Section 1: Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> 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. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used Aspects of the determination of mineralisation that are Material to the Public Report. 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. 	<ul style="list-style-type: none"> In December 2015, Australian Mines commissioned Zonge Engineering and Research Organisation (Australia) Pty Ltd to complete a ground-based Induced Polarisation (IP) survey over a two square kilometre area of the favourable Archaean geology at its Dixon gold prospect in Western Australia. <p>The line spacing for the gradient IP survey was 100 metres with receiver dipoles positioned 25 metres along line.</p> <p>Lines of 50 metre pole-dipole IP data were subsequently acquired over the resulting anomalies in order to facilitate tighter geophysical modelling, and thus better drill targeting of the priority anomalies.</p> <p>At least two readings were acquired at each station in order to ensure data repeatability.</p> <p>Quality assurance and quality control (QA/QC) of the IP data was independently verified by Terra Resources in Perth.</p>
Drilling techniques	<ul style="list-style-type: none"> 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.) 	<ul style="list-style-type: none"> This report does not contain any new drill-related results. <p>Any drilling referenced in this report has previously been released by the Company in its announcements of 25 October 2015 and 6 November 2015.</p>



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.

- This report does not contain any new drill-related results.

Any drilling referenced in this report has previously been released by the Company in its announcements of 25 October 2015 and 6 November 2015.

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.

- This report does not contain any new drill-related results.

Any drilling referenced in this report has previously been released by the Company in its announcements of 25 October 2015 and 6 November 2015.

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.

This report does not contain any new drill-related results.

Any drilling referenced in this report has previously been released by the Company in its announcements of 25 October 2015 and 6 November 2015.



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.

- The survey parameters and geophysical equipment used by Zonge for the Induced Polarisation (IP) survey at Doolgunna - Marymia includes:

Survey Parameters

Configuration: gradient IP and pole-dipole IP in Frequency domain

Survey direction: northwest-southeast

Total number of survey lines: 20 gradient IP
3 pole-dipole IP

Line spacing: 100 metres (gradient IP)
50 metres (pole-dipole IP)

Station interval: 25 metres (gradient IP)
50 metres (pole-dipole IP)

Number of receiver dipoles: 8

Base frequency: 0.125 Hertz

Duty cycle: 100%

Survey Equipment

Transmitter: GGT30

Receiver: GDP322

Sensor: Porous pots

At least two readings were acquired at each station in order to ensure data repeatability.

The IP system is fully calibrated and daily tests were carried out to ensure data quality.

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.
- All primary analytical data acquired by Zonge during the IP survey were recorded digitally and sent in electronic format to Terra Resources in Perth for independent quality control and evaluation.



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.
 - The data points of Zonge's IP survey were located using standard GPS positioning.
- 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.
 - The line spacing for the gradient IP survey was 100 metres with receiver dipoles positioned 25 metres along line.
- Lines of 50 metre pole-dipole IP data were subsequently acquired over the resulting anomalies in order to facilitate tighter geophysical modelling, and thus better drill targeting of the priority anomalies

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.
 - This report does not contain any new drill-related results.
- The line spacing for the gradient IP survey was 100 metres with receiver dipoles positioned 25 metres along line.
- Lines of 50 metre pole-dipole IP data were subsequently acquired over the resulting anomalies.
- The orientation of the Company's IP survey lines was designed to cross the targeted geology and mineralised structures at right angles in an attempt to minimise the risk of biased or inaccurate sampling.

Sample security

- The measures taken to ensure sample security.
- The chain of custody is managed by Australian Mines.

Audits or reviews

- The results of any audits or reviews of sampling techniques and data.
- Experienced geophysicists at Terra Resources in Perth independently reviewed all data acquired from the IP survey at Doolgunna - Marymia.



Section 2: Reporting of Exploration Results

Criteria	JORC Code explanation	Commentary
<p>Mineral tenement and land tenure status</p>	<ul style="list-style-type: none"> 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. 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. 	<ul style="list-style-type: none"> The Doolgunna - Marymia Project is located within the Western Australian exploration licences of E52/2394 and E52/2395. <p>Australian Mines announced on 30 April 2014 that it had signed a Heads of Agreement with Riedel Resources (ASX code: RIE) in relation to licences E52/2394 (which hosts the Dixon gold prospect) and E52/2395.</p> <p>Further, on 29 May 2015, Australian Mines reported that the Company had earned a 51% interest in these tenements and that the Company has elected to acquire an additional 29% interest in the project (taking the total to 80%) by spending a further \$2 million on exploration by May 2018.</p> <p>In August 2015, Australian Mines was notified by the Western Australian Department of Mines and Petroleum (DMP) that the Company's Extension of Term for E52/2394 and E52/2395 was successful, with these tenements now expiring in June 2020 and August 2020 respectively.</p> <p>The Company's Doolgunna - Marymia exploration licences are within the Marymia and Ned's Creek Pastoral Leases and contained within the Native Title Claim boundaries of the <i>Gingirana</i> (WAD6002/03) and <i>Yugunga-Nya</i> (WAD6132/98) Traditional Owners.</p> <p>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 <i>Yugunga-Nya</i> people; and 23 October 2010 between Audax Resources and <i>Gingirana</i> Pty Ltd. Australian Mines is permitted to operate under these agreements as the Company is joint venturing with Riedel Resources on this project</p> <p>Both tenements are currently in good standing with no impediments to exploration known to exist at the time of writing.</p>



Exploration done by other parties

- Acknowledgment and appraisal of exploration by other parties.
- Limited exploration and drilling programs have previously been undertaken across the Dixon gold prospect by other companies.

A summary of the historic exploration is outlined in the Prospectus released by Riedel Resources Limited on 23 November 2010.

Cyprus Gold Australia's Annual Report - Combined Reporting Group C153/1996, which was submitted to the Western Australian Department of Mines and Petroleum in December 1997, and covers tenements E52/592 and E52/594 (now tenement E52/2394) similarly summarises the historic exploration undertaken across the greater Doolgunna - Marymia project area.

Galtrad Pty Ltd's Annual Technical Report for tenement E52/594 (now tenement E52/2394), which was received by the Western Australian Department of Mines and Petroleum (DMP) on 16 September 1996, describes five reverse circulation (RC) drilled by Galtrad immediately north of Australian Mines' Dixon gold prospect.

Based on geological logs and assays returned from these five RC holes, Galtrad concluded in their 1996 report that "the extent of proven sulphidation and veining shown to occur in these drill holes indicates regional scale mineralising fluid flow with the propensity to generate a substantial gold orebody".

Geology

- Deposit type, geological setting and style of mineralisation.
- Australian Mines are targeting three types of mineral deposits at Doolgunna - Marymia;
 - (i) Archaean gold,
 - (ii) volcanogenic massive sulphide (VMS) copper-gold, and
 - (iii) komatiite-hosted nickel sulphide.

The Dixon prospect is situated within the Baumgarten Greenstone Belt (part of the Marymia Inlier), which is the interpreted extension of the same Archaean greenstones that host the nearby Plutonic gold deposits.

The geology of the Dixon prospect comprises an Archaean greenstone sequence of dolerites, basalts and metasediment 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.
- This report does not contain any new drill-related results.

Any drilling results referenced in this report have previously been released by the Company in its announcements of 25 October 2015 and 6 November 2015, including the relevant drill hole information of these holes such as collar coordinates, dip and azimuth, and hole length.

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 from Australian Mines' drilling program at its Dixon gold prospect are based on a regular sample interval of one metre.

The quoted gold intersections are based on a minimum gold threshold of 0.25 g/t gold.

No upper cuts are applied and no internal dilution has been 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 downhole 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.
- The Inducted Polarisation (IP) survey referred to in this report is the first exploration activity conducted by Australian Mines across the greater Dixon prospect area.

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.
- Further work may include a reverse circulation (RC) drill program to test the nature of the geophysical (IP) anomaly detected at the Company's Dixon gold prospect.

The specifications of this proposed RC drill program, including the location and targeted depth of these holes, will be announced by the Company prior to the commencement of drilling.

Competent Person's Statement

Information in this report that relates to Doolgunna - Marymia Project 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 styles of mineralisation and types 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.