



ASX ANNOUNCEMENT

ASX : AUZ

20 May 2016

Australian Mines kicks off drilling campaign targeting high-grade gold zone at Dixon

- 10 hole RC drill program to commence immediately at Dixon gold prospect
- Dixon prospect within 50km of Plutonic Gold Mine and hosted by similar geology
- Result of previously announced discovery hole was 10m @ 8.79 g/t gold¹

Australian Mines Limited (“Australian Mines” or “the Company”) is pleased to announce that it has engaged drill contractor Ausdrill Northwest to immediately commence drilling up to 10 reverse circulation (RC) drill holes for 2,000 metres at the Company’s promising Dixon gold prospect, located 180 kilometres northeast of Meekatharra in Western Australia.

This new round of drilling, which is the result of significant preliminary work, will target the high-grade gold zone discovered by the Company in October 2015 when drill hole MMRC016 successfully intersected 10 metres @ 8.79 grams of gold per tonne from 130 metres and included individual lenses that graded almost 1 ounce of gold per tonne².

Proximity to Northern Star’s Plutonic Gold Mine

The gold mineralisation at Australian Mines’ Dixon prospect is hosted by a similar greenstone belt to that containing Northern Star’s nearby Plutonic Gold Mine³, which has produced over 5 million ounces of gold to date and has poured on average 200,000 ounces of gold every year since the mine opened 26 years ago⁴.

The main style of gold mineralisation at Plutonic is predominantly structurally controlled and typically occurs as thin (1 to 3 metre) lodes that are often rich in arsenopyrite and iron sulphides⁵.

Whilst the main Plutonic deposit has a strike length of several hundred metres at surface, it remains continuous at depth for at least 1.5 kilometres⁶.

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

² Australian Mines Limited, High-grade gold zone extended at Dixon prospect, released 6 November 2015

³ Northern Star Resources Limited, Plutonic Operations Fact Sheet <http://www.nsr ltd.com/wp-content/uploads/2015/06/NSR-Plutonic-Operations-Fact-Sheet-May-2015.pdf>, 28 April 2016

⁴ Northern Star Resources Limited, Plutonic Acquisition Presentation, released 23 December 2013

⁵ Northern Star Resources Limited, Plutonic Operations Fact Sheet <http://www.nsr ltd.com/wp-content/uploads/2015/06/NSR-Plutonic-Operations-Fact-Sheet-May-2015.pdf>, 28 April 2016

⁶ Dampier Gold Limited, Prospectus, released 19 July 2010



Interestingly, a preliminary review of the geochemistry returned from Australian Mines drilling programs by mining consultants, CSA Global, confirmed a positive relationship exists between arsenopyrite, pyrite (iron sulphide) and gold mineralisation at Dixon.

Similarly, modelling and analysis of the geological structures controlling the gold mineralisation at Dixon subsequently concluded that the Company's March 2016 drill program primarily tested the narrower, secondary veinlets rather than the main geological structure thought to host the high-grade gold mineralisation observed in Australian Mines' 2015 discovery hole.

Brief Project History

April 2014: Australian Mines signed an agreement to farm into Riedel Resources' (ASX: RIE) prospective Doolgunna-Marymia Project. Australian Mines currently owns 51% of this project and will expend a further \$850,000 by May 2018 to acquire an 80% interest.

August 2015: Australian Mines finalised "conceptual targets" at Doolgunna-Marymia based on an interpretation of the geological setting and mineralisation controls of the gold deposits at the nearby Plutonic and Marymia Gold Mines.

September 2015: Australian Mines commenced a 5 hole RC program testing four separate gold and base metal conceptual targets with one hole (discovery hole MMRC016) intersecting 10 metres @ 8.79 g/t gold at the Company's Dixon prospect. Disseminated iron sulphides appeared to be associated with this gold mineralisation.

December 2015: Australian Mines commissioned an induced polarisation (IP) survey over the immediate Dixon prospect area to determine the location and strike extent of the disseminated sulphides. A chargeability zone was discovered in the immediately vicinity of the Company's MMRC016 discovery hole.

March 2016: Australian Mines completed a 6 hole reconnaissance drill program (5 RC and 1 diamond) to confirm whether disseminated iron sulphides were the source of the chargeability anomaly (as opposed to a non-mineralised geological feature) and to ascertain whether gold was associated with these sulphide-rich fluids.

April 2016: Australian Mines confirmed that the extensive sulphidic corridor present at Dixon was gold-bearing within intersections including 11 metres @ 1.10 g/t gold from 136 metres (DXRC003), 1 metre @ 8.99 g/t gold from 65 metres (DXRC004), and 1.1 metres @ 5.07 g/t from 186.9 metres (DXDD001) being returned.

Australian Mines determined via analysis of the diamond core that these intersections potentially represent the lower-grade auriferous veinlets rather than the high-grade gold horizon, which now appears to be hosted within an east-west trending, cross-cutting structure.

May 2016: Australian Mines has engaged Ausdrill Northwest to undertake a 10 hole RC drill program, which is designed to test the potential of this recently-identified secondary structure to host high-grade gold mineralisation.



Managing Director, Benjamin Bell commented, *“We have been encouraged by the progress made to date in understanding the apparent controls of mineralisation within the Dixon gold system.*

This latest round of drilling, which is targeting both the immediate strike and depth continuity of a high-grade gold lens will similarly serve to increase our knowledge of this emerging greenfield gold discovery, which in turn will enable us to progress the drill-out of any eventual gold deposit.

We remain committed to ensuring shareholders have as much information as possible prior to the closing date of the Company’s Entitlement Offer. Our geological team, aware of the Offer’s current 2 June 2016 closing date will, therefore, seek to fast-track the assay results from this RC program”.

*****ENDS*****

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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.

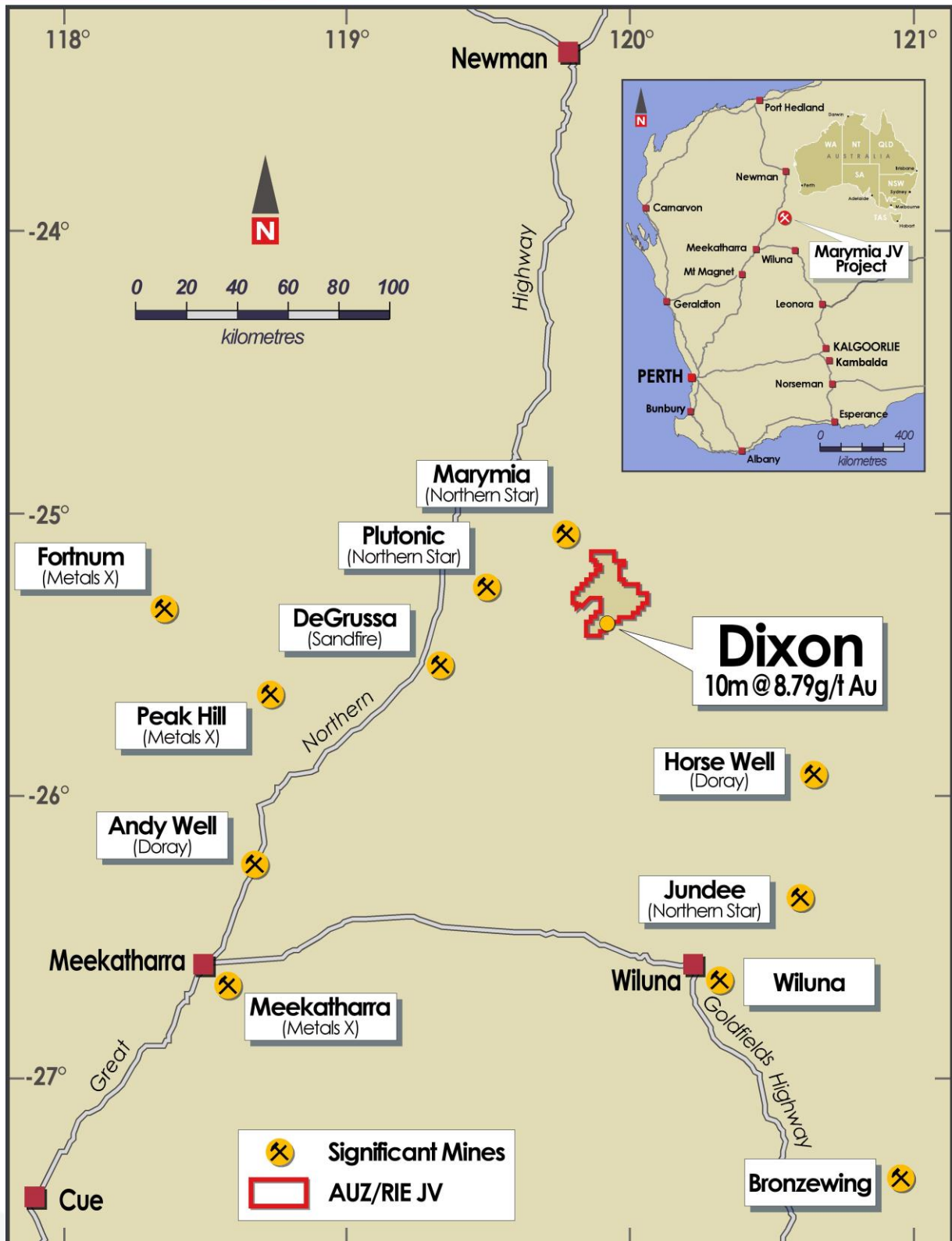


Figure 1: The Dixon gold prospect is situated within 50 kilometres of Northern Star’s Plutonic Gold Mine, and is located within Australian Mines (AUZ) and Riedel Resources (RIE) joint venture tenement E52/2394 where Australian Mines is currently earning an 80% interest.

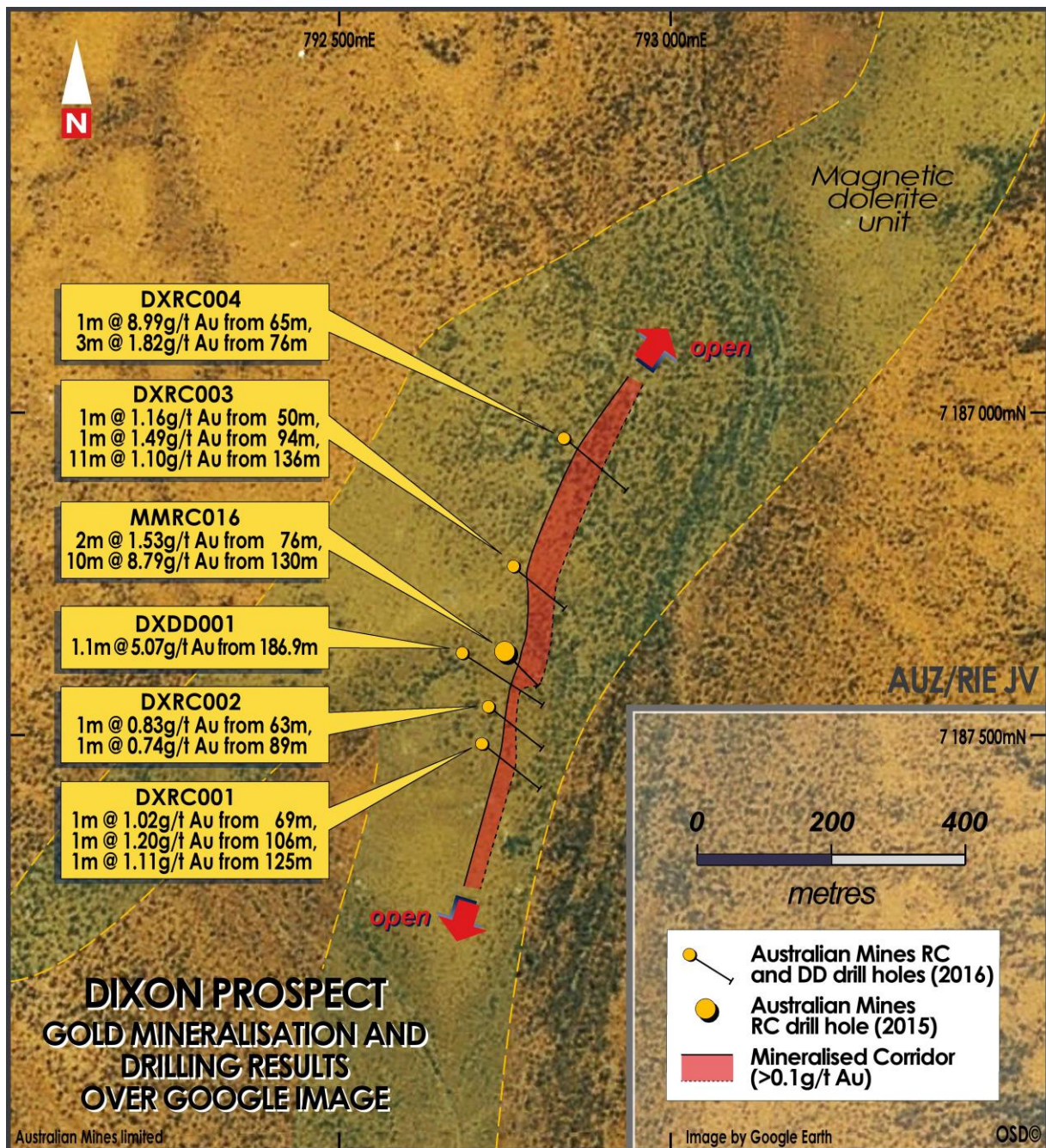


Figure 2: Schematic image showing the interpreted gold mineralised corridor (>0.1 g/t Au) at Dixon as based on Australian Mines' recent reverse circulation (RC) and diamond core drill program⁷. Preliminary analysis of the core from diamond hole DXDD001 suggests higher-grade zones at Dixon may occur where north-dipping (east-west trending) structures cross-cut this northeast trending corridor, which Australian Mines is seeking to test during the current RC drill program.

⁷ Australian Mines Limited, Australian Mines closes in on high-grade gold zones at its emerging Dixon prospect, released 29 April 2016



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 deposits⁸.

Australian Mines' ongoing exploration program is, therefore, aimed at determining 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)⁹.

⁸ Australian Mines Limited, High-grade gold zone extended at Dixon prospect, released 6 November 2015

⁹ Australian Mines Limited, Annual Report for the year ended 30 June 2015, released 17 September 2015