

10 June 2016

Western Australian Government co-funding upcoming diamond drilling program at Dixon

- **WA Government to contribute \$105,000 towards upcoming diamond drill program at Dixon gold prospect**
- **Equates to 1,200 metres of diamond core to be co-funded by Government via Exploration Incentive Scheme**
- **Latest RC drilling campaign now completed at Dixon**
- **Assay results from RC program expected within two weeks**

Australian Mines Limited (“Australian Mines” or “the Company”) is pleased to announce that the Government of Western Australia has agreed to co-fund a proposed diamond core drilling program at Dixon up to an amount of \$105,000.

This funding, which was awarded under the Government’s competitive Exploration Incentive Scheme, covers 50% of the direct drilling costs associated with Australian Mines’ proposed 1,200 metre diamond drill program at its emerging Dixon gold prospect, located within 50 kilometres of Northern Star’s Plutonic Gold Mine.

The location of the proposed diamond holes is currently based on detailed geological and geophysical modelling recently undertaken by Australian Mines. However, the final design of this drill program is anticipated to be influenced by the results of the Company’s reverse circulation (RC) drilling program, which was successfully completed earlier this week.

With the samples from this recent RC drilling presently en route to the lab, Australian Mines anticipates receiving initial assay results in the next two weeks at which point the Company will update shareholders on the details and timing of its follow-up exploration program.

Managing Director, Benjamin Bell commented, *“We are very pleased that the State Government has agreed to support our exploration program at Dixon through directly injecting funds into our next phase of drilling.*



This funding was obtained following a technical review of the Dixon gold prospect by the geological team within the Western Australia Department of Mines and Petroleum. Previous recipients of this funding include Sirius Resources and Gold Road Resources, which resulted in the discovery of the Nova nickel deposit and 3.8 million ounce Gruyere gold deposit respectively¹.

Having recently returned gold grades in approaching 1 ounce per tonne of specific intervals², and being hosted by similar greenstone geology to that containing Northern Star's nearby Plutonic Gold Mine, the Dixon prospect potentially represents Western Australia's next greenfield gold discovery. The fact that the State Government has selected this project for financial support via the Exploration Incentive Scheme is viewed by Australian Mines as confirmation of its potential".

*****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.

¹ Department of Mines and Petroleum, <http://www.dmp.wa.gov.au/News/Innovative-exploration-drilling-18764.aspx>, 9 June 2016

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

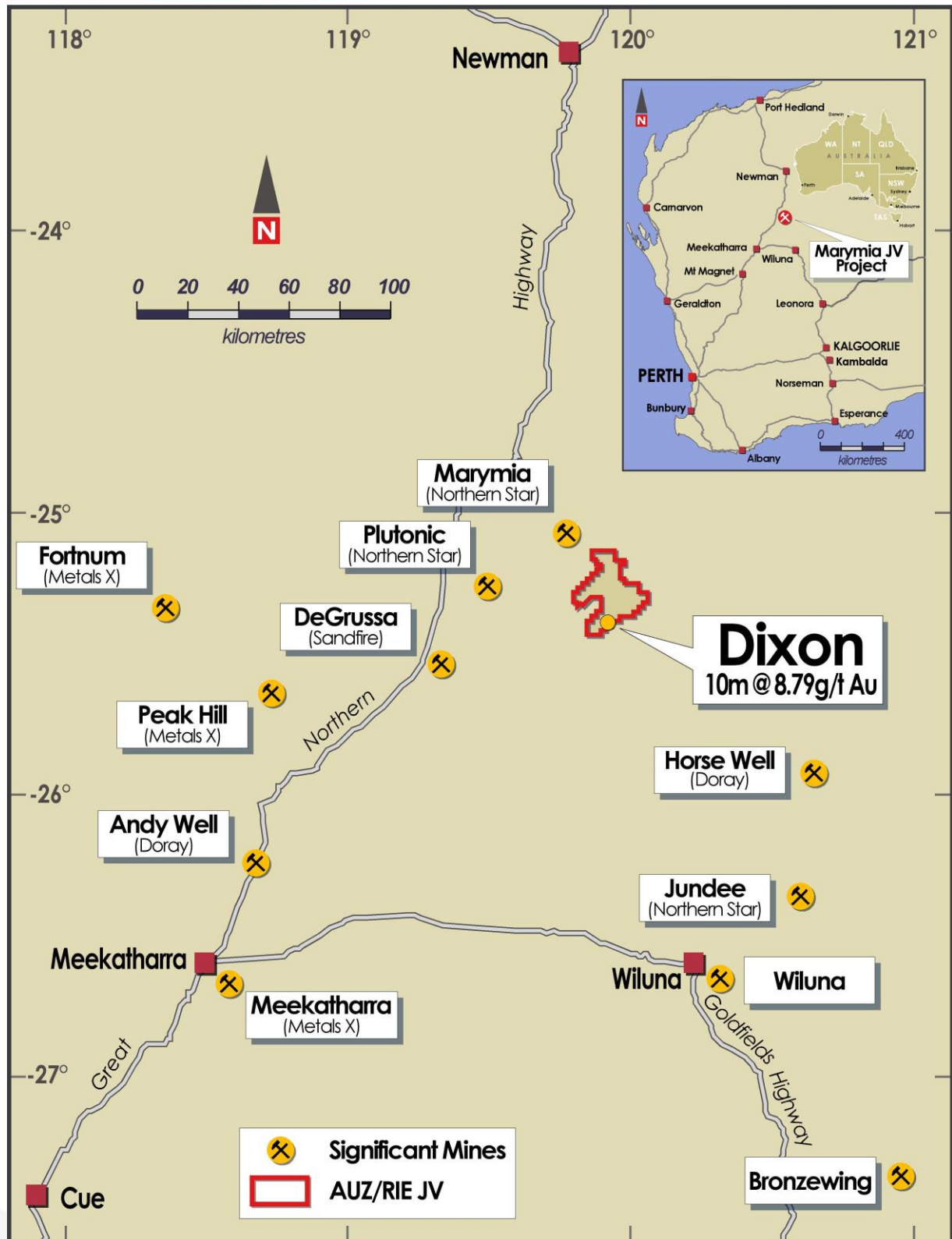


Figure 1: The Dixon gold prospect is situated within 50 kilometres of Northern Star’s Plutonic Gold Mine, and is located within Australian Mines (AUZ) and Riedel Resources (RIE) joint venture tenement E52/2394 where Australian Mines is currently earning an 80% interest.



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.

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 deposits³.

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.

Arunta West Project

Agreement to earn up to 80% interest

The Arunta West joint venture area, situated approximately 600 kilometres west of Alice Springs, covers an area of approximately 345 square kilometres in a region that is rapidly becoming known as Australia's next copper province.

Recently, Independence Group announced the discovery of significant copper-gold-silver-lead-zinc-cobalt mineralisation⁴ along strike of Australian Mines' Arunta West project area.

With BHP Billiton having already identified a similar copper-gold target within the Company's Arunta West tenement package, this project comes with a bona fide walk-up drill target plus a number of priority anomalies, which Australian Mines is proposing to test in the near future.

Under the terms of the joint venture agreement, Australian Mines may acquire a 51% interest in these tenements by spending \$350,000 in exploration by June 2018. The Company may subsequently elect to acquire an additional 29% interest in the project (taking the total to 80%) by spending a further \$3.15 million on exploration within a further 24 month period.

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)⁵.

³ Australian Mines Limited, High-grade gold zone extended at Dixon prospect, released 6 November 2015

⁴ ABM Resources, Announcing the Bumblebee gold-copper-silver-lead-zinc-cobalt discovery, released 6 October 2015

⁵ Australian Mines Limited, Annual Report for the year ended 30 June 2015, released 17 September 2015