



4 August 2011

ASX Announcement**ASX:AUZ****ISSUE OF TRANCHE 2 SHARES**

Australian Mines Limited ("AUZ") wishes to advise that the second tranche of the shares to be issued to Nigeria Gold Pty Ltd ("NGL") shareholders under the terms of the Transaction approved by Shareholders on 9 March 2011 for the acquisition of the final 19% of NGL is to be finalised by 8 August 2011.

The milestone to be reached by Nigeria Gold Pty Ltd to determine the number of shares to be issued in Tranche 2 of the Transaction was the granting of two high priority tenements in Nigeria by 31 July 2011. EL 9447 was the first high priority tenement which was granted.

As at today the following position is applicable for the award of a second tenement:

1. On 30 July 2011 a letter of Notification of Grant for EL9449 was received.
2. The granted area of EL9449 is of a lesser area than that applied for in the application.
3. The area granted was 56.2 km², whereas the area applied for was 167 km².
4. As the amount granted is less than the amount applied for the Directors of NGL and the independent directors of AUZ are seeking legal advice regarding the issue of shares for the deferred settlement of the remaining 19% of NGL.
5. 60m shares are being issued now, and subject to a resolution of the legal position, potentially a further 60m shares may be issued as full and final settlement of the second tranche.

The effect to the shareholders of AUZ is the following: -

Total shares on issue after the resolution of the outstanding NGL milestone.

AUZ Shares	NGL Milestone achieved	NGL Milestone not achieved
Total shares on issue	576,910,317	576,910,317
Tranche 2 Shares	120,000,000	60,000,000
Total AUZ shares after issue	696,910,317	636,910,317



In addition AUZ has negotiated the sale of the Mt Martin gold mine and surrounding tenements for \$7.5m cash and after the above share issue the effect for shareholders will be as follows: -

Total shares after issue	696,910,317	636,910,317
Mt Martin proceeds per share	1.1c	1.2c

The company believes that its shares are significantly undervalued considering it retains the nickel assets and the expansive and prospective gold assets in Nigeria.

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