Australian Mines Limited
ABN 68 073 914 191

25 July 2012

ASX Announcement **ASX: AUZ**

Two Kilometre Gold-in-Soil Anomaly at Yargarma

Australian Mines Limited ("Australian Mines" or "the Company") (ASX: AUZ) is pleased to report it has completed a detailed soil sampling program at its Yargarma Project, covering nine kilometres of a regional shear zone located within its tenement in northwest Nigeria.

Results received to date demonstrate a gold-in-soil anomaly extending over two kilometres which remains open to the south.

Gold mineralisation throughout Nigeria's northwest gold fields is thought to occur largely in veins hosted within the schist belts and is commonly associated with shear zones. As such, the Company's soil sampling program was designed to test the crustal scale shear zone trending northeast through the Yargarma Project.

Field reconnaissance completed by Australian Mines prior to the commencement of the soil sampling program identified a number of historic and active artisanal gold workings within the Yargarma Project. These workings appear to be located along this northeast trending shear zone with the primary target of the local workers being the mineralised quartz veins.

Australian Mines' Managing Director, Benjamin Bell stated, "Given we were confident of gold mineralisation being present at Yargarma, largely due to the presence of artisanal workings on our property area, we therefore wanted to complete the soil sampling survey using specifications that would enable the Company to go straight to drilling the anticipated geochemical anomalies, rather than having to go back and do further infill soil sampling."

"The strategy of Australian Mines remains to progress into drill testing targets as quickly as possible and these latest results from soil sampling will enable just that. We anticipate first stage drilling to commence at the Yargarma priority targets in the coming months."

Soil Sampling

Approximately 6,300 soil samples were taken as part of Australian Mines' Yargarma soils program, of which the Company has now received assays from approximately 3,800.

The detailed soil sampling program conducted over part of Yargarma was completed using 100 metre line spacing and 20 metre spacing along lines. The Company elected to sample using tight spacing as it was confident that gold mineralisation occurred within the tenement, due to the presence of artisanal workings at Yargarma, in addition to the positive rock chip assays recently returned. By completing the soil sampling survey in such detail, the Company can move directly to the drilling stage at this part of Yargarma, without having to carry out further infill soil sampling.

The initial soil sampling assay results demonstrate very high gold values including **6.37 g/t Au, 3.8 g/t Au, 2.4 g/t Au** and **1.9 g/t Au**.

Results to date from the soil sampling highlight a gold-in-soil anomaly that extends over two kilometres and remains open to the south. This geochemical anomaly appears to coincide with the broad trend of the regional shear zone.

Figure 1: Location of Australian Mines' Yargarma Project areas within Nigeria's northwest goldfields.

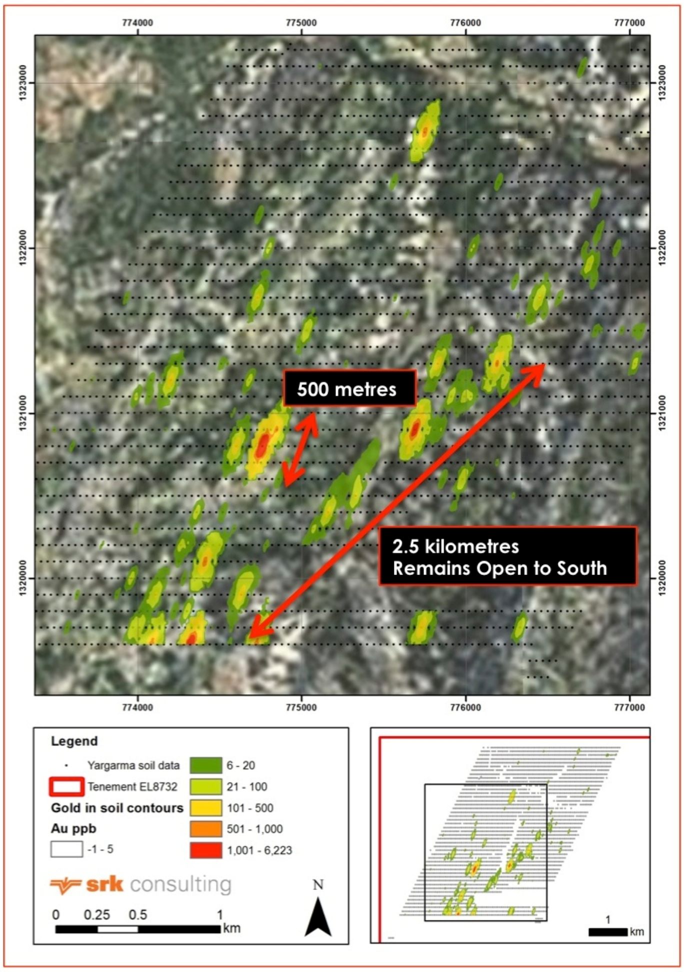

Figure 2: Gold-in-soil contours from the Company's recently completed soil sampling program at its Yargarma Project. Highlighted in this image is a geochemical anomaly that presently exceeds two kilometres in length and which remains open to the south. A number of discrete gold anomalies are also highlighted in this image. These gold-in-soil anomalies appear to coincide with the regional shear zone thought to host a number of historic and active artisanal gold workings.

The soil sampling has also identified a number of discrete gold anomalies, which again appear to sit along the regional shear zone. This includes an anomaly with a strike length measuring approximately 500 metres, containing a core gold assay exceeding 500ppb (or 0.5 g/t Au) which is exceptionally high for soil assays. Australian Mines believes these anomalies warrant further investigation and as such, plans to drill test these targets as part of its upcoming drilling program.

The Company anticipates receiving the remaining assay results over the coming month whereupon a full assessment and interpretation will be provided to shareholders.

Australian Mines is encouraged by the results of the soil sampling as it suggests a corridor of gold anomalism coinciding with the favourable geological structure interpreted to control gold mineralisation within the northwest gold field of Nigeria. The Company is also highly encouraged by the scale and magnitude of the gold-in-soil anomaly defined by the program to date and is keen to commence drill testing in the coming months.

Rock Chip Sampling

The Company is also pleased to announce that it has received the results from rock chip samples taken at Yargarma, as part of a regional field reconnaissance program, completed in February 2012. Assays returned include **7.73 g/t Au, 5.65 g/t Au, 4.19 g/t Au** and **2.40 g/t Au.** These assays positively demonstrate that gold mineralisation continues to outcrop across the Yargarma Project.

Australian Mines has previously announced rock chip assays from Yargarma that include **9.83 g/t Au, 7.45 g/t Au** and **6.49 g/t Au**.

*****ENDS*****

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Competent Persons Statement

The information in this report that relates to the 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 the Managing Director of Australian Mines Limited. Mr Bell has sufficient experience relevant to this 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 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Bell consents to the inclusion in this report of the matters based on his information in the form and context in which is appears.

About Australian Mines:

Australian Mines (ASX: AUZ) is an Australian-listed resource company targeting gold and base metals.

Australian Mines' key asset is its extensive 100%-owned tenement holding in Nigeria's northwest gold province that contains similar geology to the better known gold producing countries of Ghana, Cote d'ivoire and Burkina Faso – where a combination of advanced exploration and development programs is leading to rapidly expanding output.

Nigeria has a history of gold production and the majority of Australian Mines' tenements contain historic artisanal workings.

The Nigerian Government, which is democratically elected, is actively encouraging foreign investment into the country's mineral sector. The Nigerian *Minerals and Mining Act 2007* guarantees security of tenure and the right of explorers to convert exploration licences into Mining Leases following the delineation of an ore resource.

Australian Mines has commenced systematic exploration of its highly-prospective Yargarma, Kasele and Tegina project areas, with the program being fully-funded through to 2014.