

EXECUTIVE SUMMARY

South West Alumina Project, WA

- UWA-based TSW Analytical has determined the optimal chemical reaction conditions in the production of alumina from AMMG's aluminous clay (or kaolin) material.
- A defined flow sheet of the process is now completed.
- Specifications of AMMG's alumina sample are currently being verified and will be announced soon.

Constance Range Iron Ore Project, QLD

- A maiden JORC-compliant inferred resource of **6.1Mt at 39.9% iron (Fe), calcined iron (caFe) grade 52.5%** has been established at BHP historical Deposit 'D'.
- AMMG has entered into an agreement to acquire **BHP historical Deposits 'I' and 'J'**, with the due diligence phase nearing completion.
- AMMG estimated an **exploration target*** of **approximately 20-25Mt** at Deposit 'I' (on a calcined basis equivalent to 58% caFe and 10% SiO₂).

National and International Marketing

- AMMG participated in the 2nd Asian Bauxite & Alumina conference in Singapore; followed by the China Mining 2012 Congress in Tianjin, China.
- AMMG received strong interest with a number of Chinese planning to visit the Company's projects.

Pingaring Nickel Project, WA

- AMMG received positive test results indicating individual metre assays of **up to 2.56% nickel** at its **100% owned** Pingaring Nickel Project.
- Stage 1 drilling program (EIS co-funded) was concluded in November last year.
- AMMG is currently costing a ground electro-magnetic (EM) program scheduled to commence in 2013.

Bencubbin Magnetite Iron Ore Project, WA

- The Company received highly encouraging metallurgical results at its **100% owned** Bencubbin project.
- The results indicate a **very 'coarse'** liberation of magnetite at a grind size of 150 microns.
- The average iron concentrate was **above 70%** with an average mass recovery of **38.6%** with a **'coarser'** grind size of 150 microns.
- Concentrate impurities contained low phosphorus, low silica, low alumina and low sulphur.
- The test work was conducted to determine the optimum grind size of the Bencubbin magnetite body.

Working Capital

The Company remains well funded with **\$3.7m** at Bank as at 31 December 2012.

AUSTRALIA MINERALS & MINING GROUP LTD (ASX Code: AKA)

SHARES

107.62m at 31/12/2012

MARKET CAP

\$7.53 million at 31/12/2012

CASH

\$3.7 million at 31/12/2012

DIRECTORS

**Luke Atkins
Ric Dawson
Peter Bailey
Jamie Coote
Daniel Tenardi
Piers Lewis**

**Non-executive Chairman
Managing Director
Non-executive Director (Independent)
Non-executive Director (Independent)
Non-executive Director
Company Secretary/Chief Financial Officer**

South West Alumina Project Western Australia

The testing and development of the Company's own unique aluminous clay (kaolin) to high purity alumina (HPA) processing technology was finalised during the quarter with the final report due early next quarter.

AMMG's chemical consultants, TSW Analytical, were engaged in mid-2012 to determine the least energy intensive, most efficient acid-based process for the production of alumina from the Company's aluminous clay (or kaolin) material.



Figure 1. Photo of final alumina sample using AMMG's processing technology

A flow sheet has been finalised for the aluminous clay to alumina conversion process, which demonstrates the extraction of alumina from aluminous clay using a low-energy input process coupled with an acidic solution. The quality of the alumina sample is currently being verified, and an announcement is anticipated within the next few weeks.

All four of AMMG's 100% owned aluminous clay projects (Meckering, Kellerberrin, Bobalong and Kerrigan) were found to present appropriate sources of aluminous clay for alumina production, with alumina successfully produced from each project area using AMMG's process, the quality of which is awaiting verification.



Figure 2. Photo of AMMG personnel with TSW Analytical, during a shakeout kaolin to alumina test demonstration

Screened samples of the Company's aluminous clay have been sent to a number of overseas companies for metallurgical analysis and testing for alumina production. Results and further information will be provided as it is made available to the Company.

AMMG's aluminous clay material is in-situ, formed through an ancient weathering process resulting in low impurities (such as iron and titanium) with silica and alumina remaining in a whitish surface with historically reported thicknesses of up to 42m. The processing technology poses a number of potential benefits in the production of alumina, such as reduced waste, low iron levels and recyclability.

Resource Upgrade

The South West Alumina Project carries a global combined resource of 150 million tonnes of aluminous clay with screened grades of up to **38% alumina**, with an exploration target* of 485-830Mt. The Company is currently preparing for an upcoming drill program to increase the resource.

*The term target should not be misunderstood nor misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004), and therefore the term has not been used in this context. It is uncertain if further exploration or feasibility study will result in the determination of a Mineral Resource or Mining Reserve.

Constance Range Iron Ore Project Queensland

AMMG's 100% owned Constance Range Iron Ore Project is located approximately 180km to the north-west of Mount Isa on the Northern Territory border. The project is made up of four (4) granted tenements and five (5) tenement applications totalling approximately 815km².

JORC Inferred Resource at Deposit 'D'

A maiden JORC-compliant inferred resource of **6.1Mt at 39.9% iron (Fe), calcined iron (caFe)[#] grade 52.5%** was established at BHP historical Deposit 'D' (AMMG's tenement EPM18375). [Click here to view the ASX release on December 4, 2012.](#)

The resource was obtained after conducting block modelling of analysed RC drill samples at Deposit 'D' (refer to Table 2 below). Laboratory analysis showed low impurity levels of sulphur and phosphorus, suggesting a premium product that may be able to cater to global iron ore markets.



Figure 3. Photo of drill rig at Deposit 'D' RC drill program, Constance Range, Queensland.

The resource calculation at Deposit 'D' involved the initial creation of wireframes of the three distinctive oolitic ironstone lodes based on the recent RC drilling using Micromine software. A block model was then created and the grades interpolated into the block model using the inverse distance squared method. Grade interpolation was constrained within the digitised wireframes.

In Situ Tonnes (Mt)	Fe %	caFe [#] %	SiO ₂ %	P %	S %	Al ₂ O ₃ %	Loi 1000%
6.1	39.85	52.45	15.13	0.04	0.33	1.12	23.80

Notes: #caFe= Fe/Fe-100/Fe; Cut-off Grade 48%caFe; Density estimate of 3.2t/m³ used

Table 1. JORC inferred resource calculation at Deposit 'D'

The stage 1 RC drill program commenced at the 31 sub-block EPM18375 (host of BHP historical Deposit 'D') in September 2012, with nine (9) drill holes into the northern part of the Deposit 'D' and approximately 1,006 metres completed.

The drilling intersected three discrete continuous oolitic ironstone horizons within a series of micaceous shales of the Mullera Formation. The mineralised zones have an approximate dip of 15 degrees and two of the horizons could be traced over a distance of approximately one kilometre.

$$\#caFe = Fe\%(100 - LOI) * 100$$

The objective of the drill program was to target BHP's previously identified ironstone Deposit 'D' along the prospective Train Range Ironstone Member over the granted tenement EPM18375.

Deposits I & J

Located about 30 kilometres from Deposit 'D' lies BHP historical Deposits 'I' and 'J', which are currently held by subsidiaries of Carbine Tungsten Limited (ASX: CNQ). The Company has entered into an agreement to acquire these subsidiaries, with the due diligence phase now nearing completion.

The historical resource at Deposit 'I' does not comply with JORC standards, however, AMMG has estimated an **exploration target*** of approximately **20-25Mt on a calcined basis equivalent to 58% caFe**. The Company is evaluating options to bring this up to a JORC standard.

**The term target should not be misunderstood nor misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004), and therefore the term has not been used in this context. It is uncertain if further exploration or feasibility study will result in the determination of a Mineral Resource or Mining Reserve.*

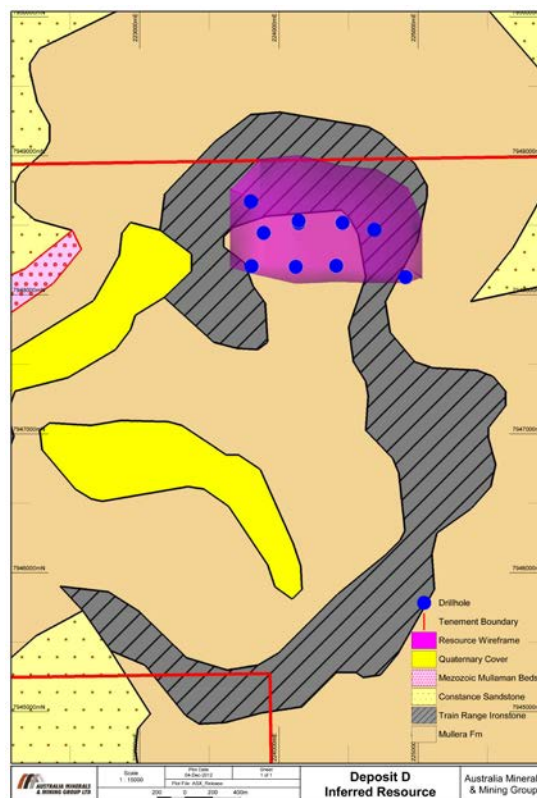


Figure 4. Map showing the JORC inferred resource estimation at Deposit 'D'.

Pingaring Nickel Project Western Australia

The Company's 100% owned Pingaring Nickel Project is located 340km south-east from Perth; it is made up of one granted tenement E70/4131 totalling approximately 353km².

Previous exploration by Tiger Resources between 1995 and 2001 intersected anomalous nickel and cobalt with maximum values of 1.8% nickel and 0.9% cobalt. However, due to the deep weathering profile, Tiger Resources was not able to penetrate into fresh rocks.

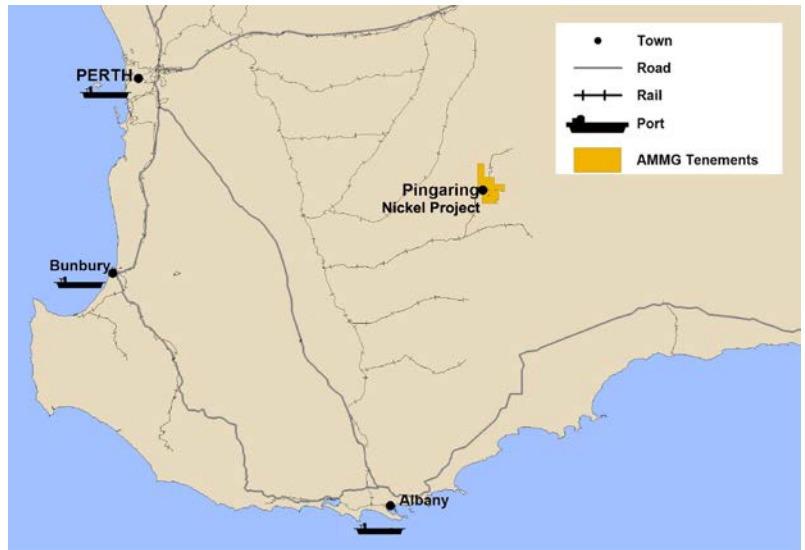


Figure 5. Map showing the Pingaring Nickel Project, 340km from Perth.

Stage 1 Drilling Program

During the quarter the Company completed the stage 1 drilling program at its 100% owned Pingaring Nickel Project. The drilling program was co-funded by the state government's Exploration Incentive Scheme (EIS), which refunded 50% of direct drilling costs associated with the Pingaring drill program.

A total of 2,528m of RC drilling was conducted over two drill fence lines. The southern line was drilled to test a magnetic high for nickel or iron mineralisation. The northern line was drilled to test for shear hosted gold mineralisation.

A hand-held XRF machine provided analysis from the southern line, which returned anomalous **nickel mineralisation of up to 2.06%** associated with saprolitic clays to be later tested by laboratory analysis.

Drilling Highlights

The drilling confirmed the presence of a Komatiitic Ultramafic unit and some relict olivine cumulate textures were also observed in the RC chips.

This is encouraging as we have the correct geological environment (i.e. a cumulate texture Komatiite with elevated 0.1 to 0.3% nickel values in fresh rock silicates) to host a possible nickel sulphide deposit. See Figure 6 for the potential geological environment that the drilling has determined.

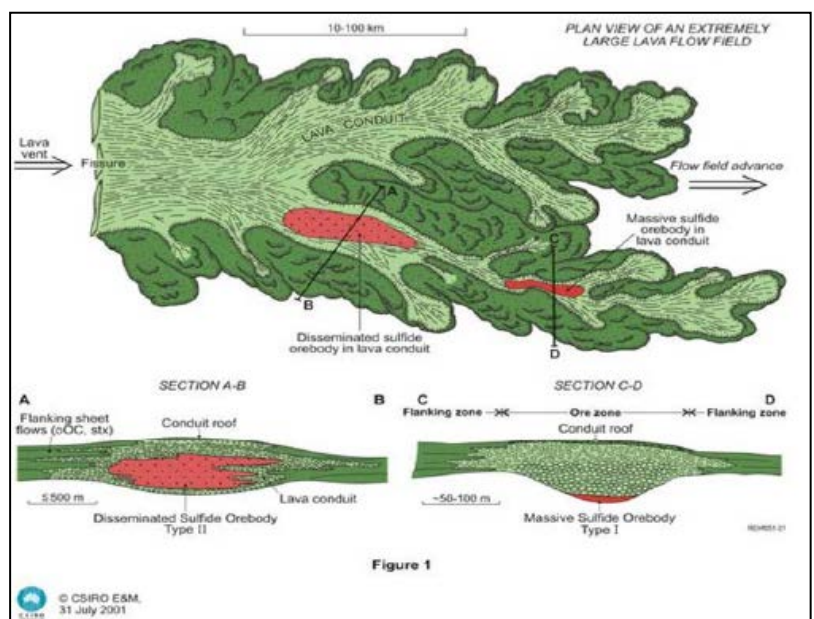


Figure 6. Schematic of nickel sulphide mineralisation.

Significant Nickel Results

Laboratory results received were **higher** than that obtained by the hand-held XRF. Results of nickel differed up to 0.5% for nickel and 20% for iron as compared to the hand-held XRF. The **maximum nickel grade received from individual one metre assays was 2.56% from 72 to 73m**, and the maximum iron being 54%.

Significant nickel intercepts are provided in Table 3 below, with drill results in Appendix 1.



Figure 7. Photo of the stage 1 RC drill program, Pingaring.

Hole ID	From	To	Thickness	Ni%
PIN012	72	89	17	1.22
<i>PIN012</i>	<i>72</i>	<i>73</i>	<i>1</i>	<i>2.56</i>
PIN013	68	86	18	0.94
PIN009	82	88	6	1.21
PIN006	54	67	13	0.88

Table 2. Significant nickel (Ni) intercepts

Exploration Underway

The next phase of exploration will concentrate on applying geophysical tools in order to detect any underground EM conductors that can be indicative of the presence of sulphides. The Company is reviewing proposals to conduct a ground EM program. Down-hole EM is also an alternative if regional EM is positive within the vicinity of the holes.

A five kilogram sample of the nickel laterite was also submitted to an overseas metallurgical company for preliminary test work. Results of this testing will be announced as they are made available.

Corporate Strategy

AMMG is currently seeking expressions of interest to advance the Pingaring Nickel Project by way of joint venture partners.



Figure 8. Map showing historical drill holes

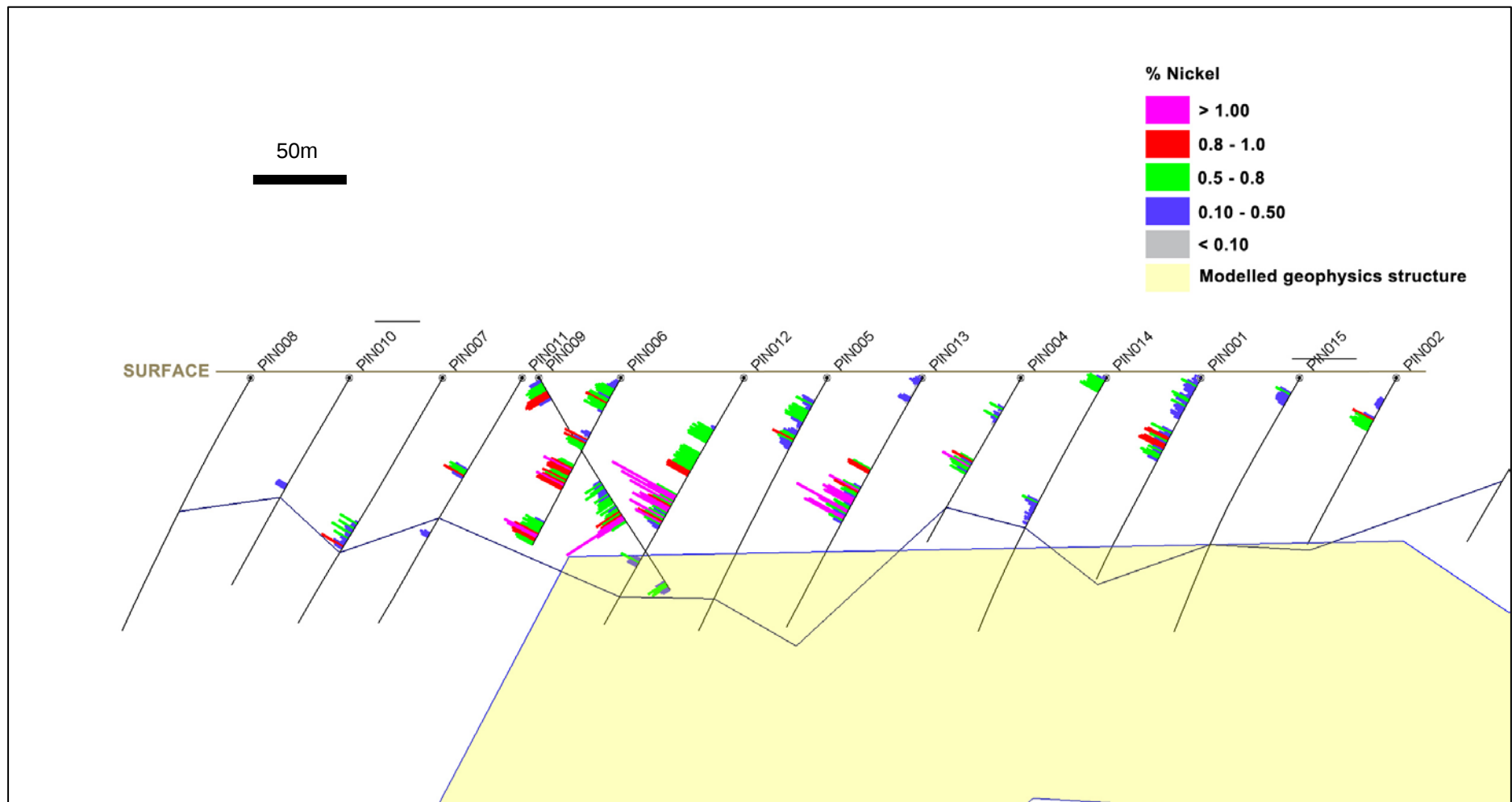


Figure 9. Long section showing drill holes at the stage 1 drill program, Pingaring, Western Australia.

Southdown Extension Iron Ore Project Western Australia

AMMG's 100% owned Southdown Extension Iron Ore Project is situated approximately 80 kilometres from the town and port of Albany on the south coast of Western Australia. It is made up of six (6) granted tenements totalling approximately 105 square kilometres.

Metallurgical Testing

During the quarter AMMG conducted physical and metallurgical test work on the diamond drill core recovered from the stage 1 diamond drilling program at the Southdown Extension project. One (1) 360-metre deep angled hole was drilled through the mineralised sequence. Size testing was conducted to ascertain the optimal grind size for the extraction of a high grade iron, low silica magnetite concentrate.



Figure 10. Photo showing stage 1 diamond drill program at the Southdown Extension Iron Ore Project, July 2012.

Quarter core was taken from diamond drill hole SDD001 to obtain a 20kg sample for this purpose. As 20kg was the minimum volume required, some core had to be taken from lower grade zones. A summary of the collection intervals are presented in Table 3 below.

Hole_ID	From	To	Interval	Sample_Type	Purpose	Laboratory
SDD001	99.7	111.8	12.1	1/4 NQ Core	Met	Nagrom
SDD001	152.1	159.2	7.1	1/4 NQ Core	Met	Nagrom
SDD001	278.9	285	6.1	1/4 NQ Core	Met	Nagrom

Table 3. Source intervals for quarter core

The core was crushed to 3mm homogenised and then split into six samples. Each of the subsamples were pulverised to 100% passing one of the following sizes - 500µm, 250µm, 150µm, 106µm, 75µm, 45µm, 38µm. Results determined that the optimal passing size was 75µm (microns) are summarised in Table 4.

DTR P100	Wt Rec (%)	Fe (%)	SiO ₂ (%)	P (%)	S (%)
75	15.4	66.5	1.60	0.001	1.33

Table 4. DTR results of 75 micron grind size

Whilst the weight recovery is 15.4%, it should be noted that recovery is directly proportional to the iron (Fe) head grade. Due to the fact that to obtain 20kg of sample suitable for testing some of the core had to be sourced from lower grade magnetite zones, the head grade was lower than preferred. Head grade results for the composited core sample was 19.3% Fe and 49.4% Si. This can be compared to the zone from 76 to 80m in the RC drill-hole SDRC003 which has a head grade of 32.6% Fe and 41.0%Si and returned DTR results of 68.1%Fe with a recovery of 35.6% (grind size 75 microns).

The stage 1 RC drilling program was completed in February 2012, with metallurgical test work showing an iron concentration averaging 68% and mass recovery averaging 35%. A 'coarse-grained' grind size of minus 75 microns was used, which is coarser than what has previously been reported at other WA iron ore projects.

Corporate Strategy

The Company is moving forward with its strategy to secure a strategic investor/joint venture partner.

The Company is currently in discussion with some interested parties, having signed a number of confidentiality agreements and provided detailed exploration data. A Chinese delegation has requested a site visit to AMMG's Southdown Extension and surrounding projects (Green Range Coal, Gairdner Mineral Sands). The site visit has been scheduled for early 2013 and the Company will announce further updates as they progress. See below map showing the Southdown Extension Project and AMMG's surrounding projects.

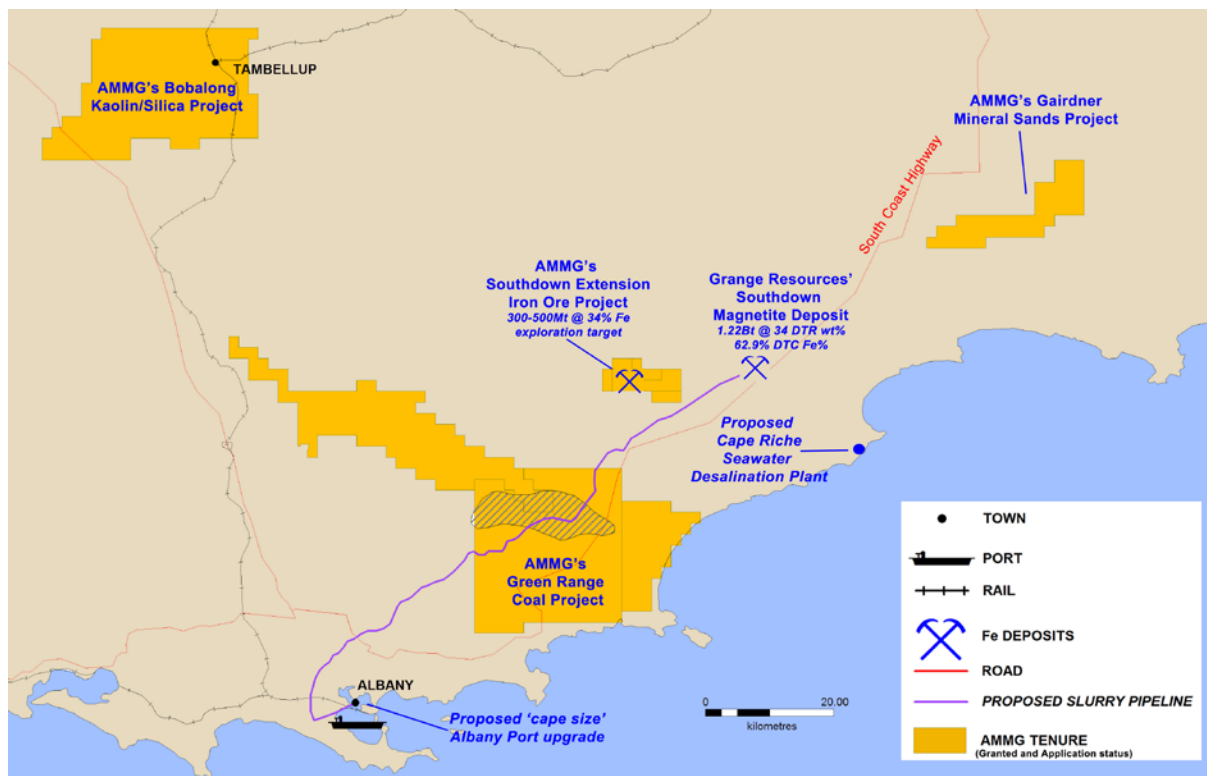


Figure 11. Map showing AMMG's 100% owned projects in the Albany hub, Western Australia.

**Bencubbin Magnetite Project Western
Australia**

During the quarter the Company received new metallurgical test work results at its 100% owned Bencubbin Magnetite Project ([click here to view the ASX announcement dated December 4, 2012](#)). The highly encouraging results indicate a **very 'coarse' liberation of magnetite** at a grind size of **150 microns**. The average iron (Fe) concentrate was **above 70%** with an average **mass recovery of 38.6%** with a **'coarser' grind size of 150 microns** (refer to table 1 below).



Figure 12. Photo of the RC drill rig at stage 1 drill program, Bencubbin, 275kms from Perth.

The results are **highly encouraging** for magnetite in the Western Australian iron ore regions as it allows for much lower operating costs, as the 'coarser' the grain size, the lower the crushing costs associated with a potential processing plant.

The Company's concentrated magnetite also contains low levels of impurities such as alumina, phosphorus, silica and sulphur, which is known to reduce production costs significantly.

This further testing follows the Company's previous announcement dated 12th June 2012 ([click here to view the announcement](#)) reporting the initial Davis Tube Recovery (DTR) findings, with an average **concentrate grade of above 70% iron**, an average **mass recovery of 42.8%**, low contaminants, with grind size of 75 microns.

Hole ID	Co-ordinates	Depth From	Depth To	Mass Rec. (%)	Fe (%)	Al ₂ O ₃ (%)	P (%)	S (%)	SiO ₂ (%)	lg. loss (%)
BNRC003	580033E 6582555N	24	34	34.3	71.5	0.18	0.002	0.014	0.63	-3.28
BNRC004	579998E 6582555N	33	40	40.4	71.7	0.23	0.001	0.001	0.42	-3.30
BNRC005	579626E 6583078N	21	32	34.6	71.5	0.22	0.003	0.008	0.57	-3.34
BNRC008	579599E 6583107N	37	42	45.1	71.4	0.26	0.002	0.152	0.27	-3.36

Notes: The grind size was P₈₀ minus 150 micron; lg. loss: Loss of ignition (chemically bound water); Co-ordinates are GDA94 Zone 50.

Table 5. Significant concentrate results from the new metallurgical test work

Stage 2 Drilling Program

Based on the highly encouraging metallurgical test work results, and the new enhanced EIS aeromagnetic imagery, the Company now has the confidence to evaluate a follow-up stage 2 RC drill program or advance potential joint venture participation over the length of the Bencubbin project. Having been successful in a second Exploration Incentive Scheme (EIS) co-funded drilling application for a refund of up to \$100,000 of direct drilling costs (the first EIS co-funded drilling program was completed in February 2012), the Company proposes drilling later in 2013.

Bencubbin Project Background

AMMG's 100% owned Bencubbin project (through its wholly owned subsidiary, Yilgarn Iron Pty Ltd) is made up of one granted tenement E70/4087, which was granted in January 2011, with a tenement area of approximately 250km². The tenement is bisected by existing rail and is approximately 220kms from Perth and 240kms from the Kwinana port, Western Australia.

Last year AMMG was successful in its submission to the Western Australian government's Exploration Incentive Scheme (EIS) co-funded drilling grant for its Bencubbin stage 1 drilling program, receiving a refund of 50% for associated drilling costs. A second EIS co-funded drilling grant was successful for stage 2 drilling at Bencubbin to be completed by 2013.

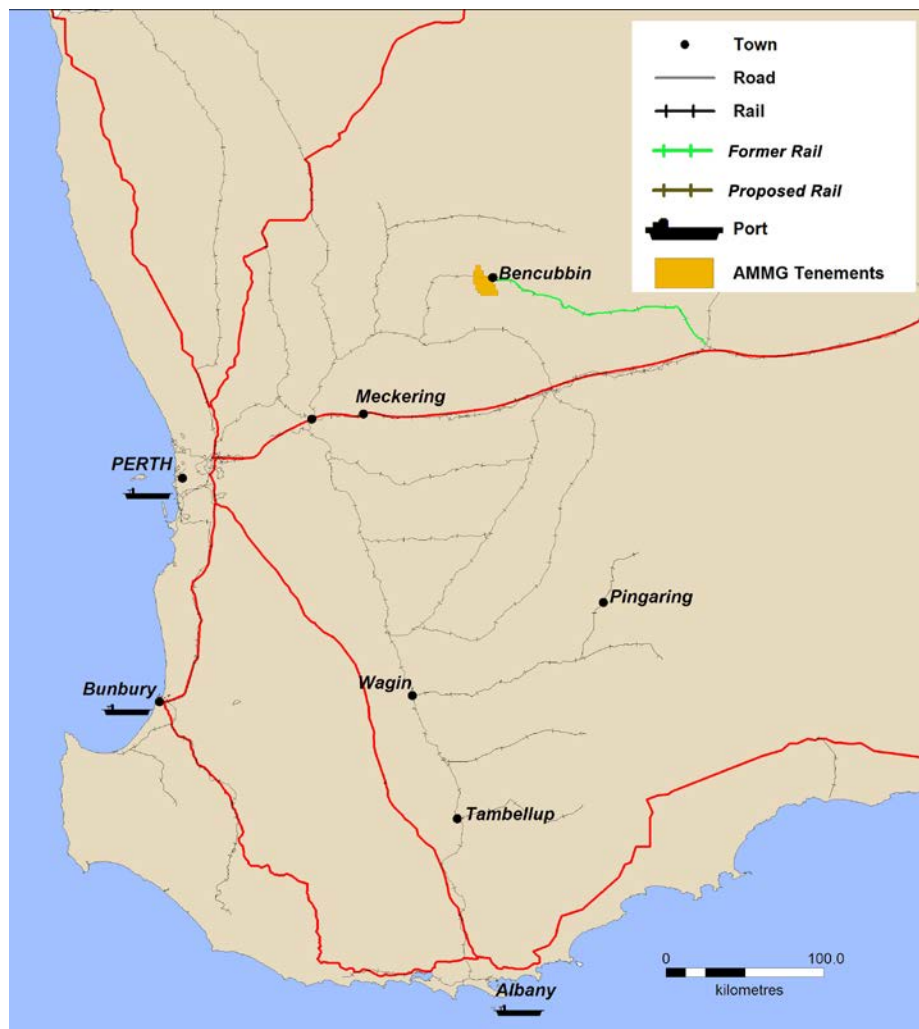


Figure 13. Map showing AMMG's Bencubbin tenement area and location, Western Australia.

Investor Relations/Corporate Marketing

During the quarter the Company participated in some significant international mining events.

A delegation from AMMG travelled to the **2nd Asia Bauxite & Alumina** conference in Singapore held over two days from 30th October 2012. Major bauxite and alumina industry players were in attendance.

Following the conference, AMMG travelled to Tianjin, China, to participate in the **China Mining 2012 Congress**. The conference has become one of the world's largest mineral investment platforms, attracting more than 5,000 delegates from around the world.



Figure 14. AMMG's booth at China Mining 2012 Congress, Tianjin.

At its booth, AMMG met with Chinese and international investors, with a number of delegations indicating their intentions to visit AMMG's projects.

One delegation plans to travel to Western Australia in February this year for a site visit to the Company's Albany regional projects.

Corporate

During the quarter the Company announced a non-renounceable offer of one new Option for everyone one Listed Option held by option holders registered at 5.00pm on 30 November 2012 at an issue price of 1 cent per Option to raise approximately \$420,000. Each Option has an exercise price of \$0.20 each on or before 5.00pm (WST) on 31 March 2014. The closing date of offer was extended to 24 January 2013, with the Company having the option to place any shortfall.

Working Capital

The Company remains well funded with circa **\$3.7 million** cash at Bank as at 31 December 2012.

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ABOUT AMMG

AMMG was established for the purpose of securing exploration ground over areas that have typically been subject to **historical exploration** and where **significant geological data** was available and/or the land was considered sufficiently prospective. Areas with existing or potential access to infrastructure were also targeted.

To date, the Company has identified project areas located in Western Australia and Queensland, which the directors believe may have the potential for the realisation of economic resources of these commodities currently targeted, being - **iron ore, aluminous clay (kaolin), gypsum, mineral sands, salt and coal**.

Technical information in this report is based on information compiled by Mr. Michael O'Mara B.Sc. Geology, AMMG Chief Geologist and a member of the Australian Institute of Geologists. Mr. O'Mara has sufficient exploration experience which 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC 2004"). Mr. O'Mara consents to the inclusion in this release of the matters based on his information in the form and context in which it appears.

Project Overview

As at quarter end, the Company had **20 granted tenements** and **36 tenement applications** totalling approximately **11,358km²**.

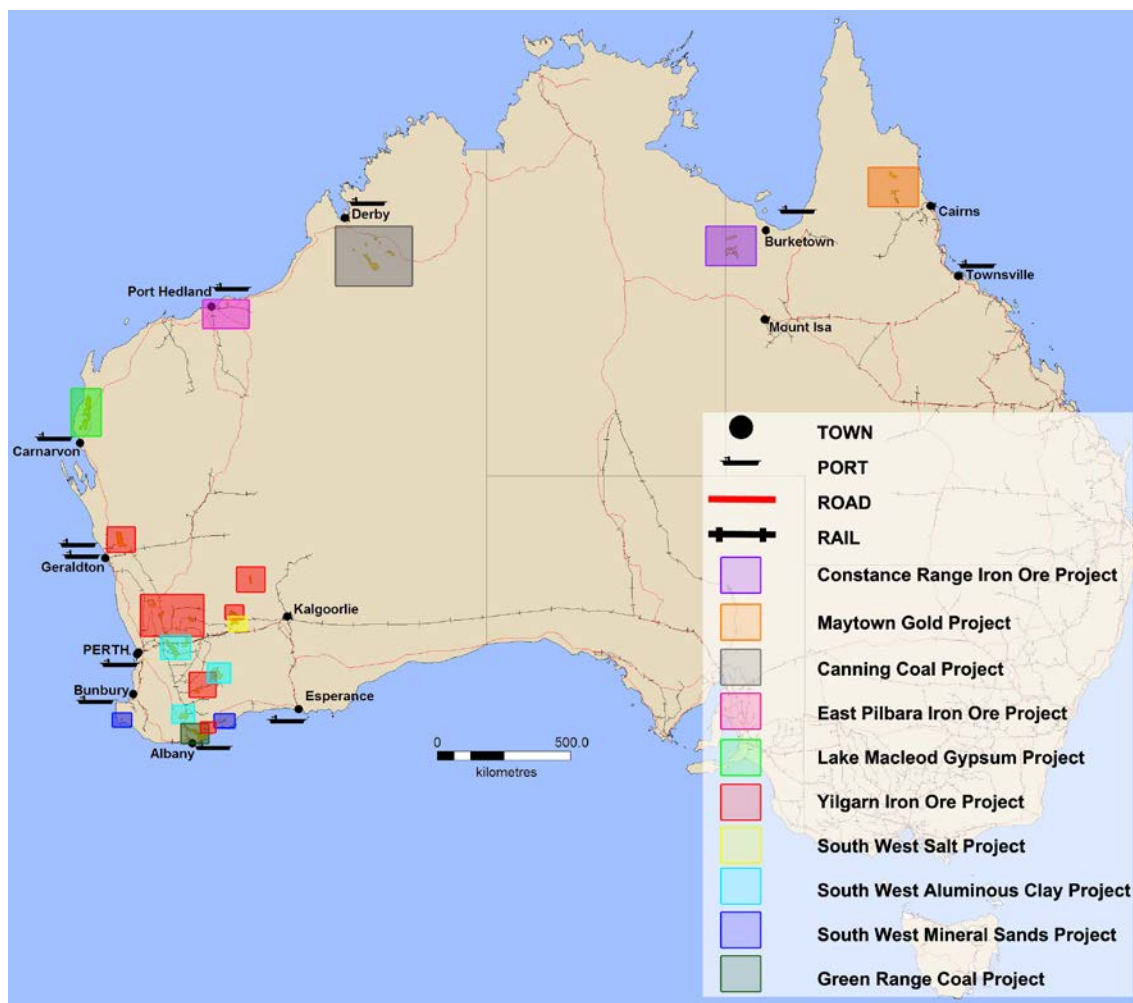


Figure 15. Location map showing AMMG's projects, Australia.

Appendix 1 – Pingaring drill results

Hole ID	Easting	Northing	Dip/Azimuth	Total Depth	From	To	Thickness	Ni%
PIN001	657124	6371155	-60/285	120	36	43	7	0.80
PIN002	657227	6371151	-60/270	100	25	26	1	0.81
PIN003	657314	6371152	-60/270	100	No Significant Results			
PIN004	657029	6371134	-60/270	100	51	52	1	0.82
					54	55	1	1.10
PIN005	656927	6371151	-60/270	150	37	38	1	0.83
PIN006	656818	6371139	-60/270	100	15	16	1	0.83
					37	38	1	0.88
					39	40	1	0.84
					54	67	13	0.88
					93	98	5	1.03
PIN007	656724	6371153	-60/270	150	103	104	1	0.88
PIN008	656623	6371154	-60/270	150	No Significant Results			
PIN009	656775	6371152	-60/090	132	8	12	4	0.88
					82	88	6	1.21
<i>inc</i>					<i>86</i>	<i>87</i>	<i>1</i>	<i>2.39</i>
PIN010	656675	6371154	-60/270	126	No Significant Results			
PIN011	656766	6371151	-60/270	150	60	61	1	0.80
PIN012	656883	6371132	-60/270	150	57	60	3	0.87
					72	89	17	1.22
<i>inc</i>					<i>72</i>	<i>73</i>	<i>1</i>	<i>2.56</i>
					<i>74</i>	<i>75</i>	<i>1</i>	<i>2.12</i>
PIN013	656977	6371152	-60/270	150	56	58	2	0.87
					68	86	18	0.94
<i>inc</i>					<i>80</i>	<i>81</i>	<i>1</i>	<i>2.05</i>
PIN014	657074	6371151	-60/270	150	No Significant Results			
PIN015	657176	6371150	-60/270	150	No Significant Results			

- Significant results are based on results of above 0.8% Ni with no more than 3m of internal dilution less than 0.5% Ni.
- Assay were completed at Nagrom in Kelmscott using XRF with a lithium borate flux. The detection limit using this method is 0.0001% Ni
- This reverse circulation drilling used a Shramm T685WS Rotadrill with an auxillary booster.
- Co-ordinates are in MGA94 Zone 51 and were obtained at 5m accuracy using a handheld GPS. Downhole dips and azimuths were recorded using digital down-hole camera.