AUS AMERICAN MINING

16th January 2012,

ASX Release,
By e-lodgement

Company Update

Dear Shareholder,

On behalf of your Board of Directors, I am taking the opportunity to update you on your Company as we begin the 2012 year.

Despite 2011 being an extremely challenging year for small cap uranium and rare earth element (REE) companies, much has been achieved by AusAmerican and many of our objectives were met under very difficult circumstances. Below is a list of those key achievements.

Key 2011 Achievements

1. **Advanced the La Paz REE project.**
   This project was discovered in 2010. In 2011, the Company completed the following:
   - Early stage exploration, mapping, sampling, and goechemistry;
   - Further claims staked in surrounding area;
   - 195 hole, 5,200 metre percussion drilling campaign completed;
   - Initial metallurgical test work completed by SRC;
   - Independent NI 43-101 completed;
   - Maiden indicated and inferred resource announced;
   - Independent Scoping Study commenced;
   - Second phase diamond drilling programme commenced; and
   - Second phase of metallurgical test work started.

2. **Continued to advance the Company's uranium projects.**
   - Multiple hydro carbon testing programme completed at Rio Puerco;
   - Drill programme undertaken at Rio Puerco;
   - Hydrological/metallurgical studies performed on Rio Puerco ore that demonstrated possibilities for low cost ISR extraction;
   - Independent NI 43-101 report completed at the Rio Puerco uranium project;
   - Independent NI 43-101 completed at the Apex uranium project - resource upgraded by 50%;
   - Negotiated the Lone Star joint venture;
   - Exploration and permitting work completed at Lone Star JV; and

Australian American Mining Corporation Ltd
ABN 99 073 155 781
572 Hay Street, Perth, WA, Australia, 6000
PO Box 1788, West Perth, WA, Australia, 6872
Telephone: (08) 9325 5568 Facsimile: (08) 9325 5574

AUS AMERICAN MINING

- Project/property evaluation undertaken in Texas.

3. **Advanced San Marcos gold project.**
    - Large sampling programme completed;
    - Magnetic survey completed;
    - Initial RC drilling programme completed: 30 holes, 3,475 meters;
    - Second phase, 5 hole, 878 metre diamond drill programme completed; and
    - Independent NI 43-101 report completed.

4. **Continued to advance the White Picacho specialty metals projects.**
    - Large, systematic sampling programme completed; and
    - Metallurgical extractive test work commenced.

5. **Continued to pursue other opportunities in the USA uranium space.**
    - Several opportunities were and are actively pursued; and
    - Bid (unsuccessfully) on a group of private uranium assets.

6. **Continued to develop the strategy of seeking a North American listing.**
    - Now trading ADR's on the highest tier of the OTC market, OTC.QX–New York; and
    - Conditional listing status achieved on the TSX-V and full listing anticipated by the end of January 2012.

AusAmerican assets

Importantly, in this time of uncertainty, the Company now has a number of high quality assets - all located in low risk, mining friendly jurisdictions in the USA. They are:

- The La Paz REE project in Arizona. NI 43-101 and JORC compliant indicated and inferred resource of 128 million tonnes of REE (95.6 million pounds) grading 0.0371% (371ppm) with +16% HREE. NI 43-101 report completed.
- The White Picacho pegmatite strategic metal project located in Arizona (lithium, rubidium, tantalum, and niobium).
- The Rio Puerco uranium project in New Mexico. NI 43-101 and JORC compliant inferred resource of 11.4 million pounds U_3O_8 grading 0.09% (900ppm) at a 0.03% (300ppm) cut off grade. NI 43-101 report completed.
- The Apex/Lowboy uranium project in Nevada. NI 43-101 and JORC compliant inferred resource of 1.5 million pounds U_3O_8 grading 0.07% (700 ppm) using a cut off grade 0.01% (100ppm). NI 43-101 report completed.
- The Lone Star uranium JV (AIW 90%) in Texas, with a number of leases on prospective uranium properties with historic resources.
- The Apache Basin uranium project in Arizona.
- The San Marcos gold project in Arizona. NI 43-101 report completed.
- The Bernard Gold project (AIW 90%) in Arizona.

Australian American Mining Corporation Ltd
ABN 99 073 155 781
572 Hay Street, Perth, WA, Australia, 6000
PO Box 1788, West Perth, WA, Australia, 6872
Telephone: (08) 9325 5568 Facsimile: (08) 9325 5574

AUS AMERICAN
MINING

In addition to these mineral properties, the Company also has the following non-mineral assets:

- An investment of 3 million shares in ASX listed company Forge Resources (FRG) currently valued at $1.2 million.
- An ASX listing, an ADR facility that trades on the OTC.QX market in New York, and very shortly, a listing on the TSX-V (currently conditional listing status).

Finally, of key importance is the quality of senior management, the Board, and technical experts. The Company has an excellent, in-depth team - with experienced senior management, strong financial and market expertise, Board depth, and over 200 years of geological and technical experience.

Plans for 2012

Subject to funding, the Company's objectives for 2012 are:

1. **To continue to advance its La Paz REE project.**

   We believe La Paz has the potential to be one of the largest REE projects in North America, possibly the world. Yet, the project is receiving very little value by the markets. Perhaps this apparent scepticism is based on the fact the project has been very recently discovered, is unique in structure, is low grade, and is in a generally little-understood sector. The Company understands this scepticism and is focused on explaining the project and its extraordinary potential to analysts, and pursuing the next stage of test work on upgrading the concentrate economically.

   It is worth stating that the asset has a number of extremely positive attributes that many of its peers don't have. This includes: high tonnage; homogenous mineralization from surface to +40 meters; good mineralogy; no thorium or uranium issues (less than 10 ppm U and Th); positive metallurgy; excellent siting and infrastructure; and a low jurisdictional risk location in the USA.

   It is also worth noting that, as yet, there are no REE producers outside China - indicating that AusAmerican's competition all have significant barriers and challenges yet to overcome before getting into production. Many of these barriers are technical and environmental, based on high levels of contaminants that we don't have with La Paz. While La Paz is given little or no value by the market, all the other REE projects outside China have high valuations.

   We understand our challenges, and believe they are less of an issue than those of many rival REE producers - and we are well-advanced in managing them.

2. **Advance the San Marcos gold project**

   We will also continue to advance our gold project at San Marcos with a priority placed on metallurgical test work and further drilling. This work will help us to better understand the potential size of the project, to ensure that it leaches economically, and to release a maiden resource estimate in 2012.

3. **Advance our uranium projects**

   Based on good medium and longer-term prospects for uranium, we would like to drill our Texas project, do further test work for ISR at Rio Puerco and continue to look at acquisition possibilities, especially in Texas. While the sentiment for uranium collapsed following the Fukushima disaster in March 2011, we believe that strong uranium fundamentals will drive an increase in the price of uranium and, importantly, an improvement in the sentiment for uranium and the share price of uranium producers.

4. **Review/advance the White Picacho strategic metals project**

   Depending on the results of the metallurgical test work currently being undertaken on samples from the White Picacho strategic metals project, we aim to conduct a drilling programme to test the potential and size of those projects.

5. **Pursue listings and shareholder migration to North American markets**

   We will continue our push to migrate the majority of our shareholders and investors to the North American markets. We believe these markets have a better appreciation of our assets as these assets are solely based in the USA. This is also the world's largest market and the depth of capital in the combined USA and Canadian markets is staggering. Listing of the Company on the TSX-V remains a priority as well as developing and encouraging North American investment in the Company.

Finally, I thank you for your support in these difficult times in which the Company's share price has under-performed. We believe that this under-performance is the result of a combination of factors: poor markets in general; lack of a listing on a major North American exchange; lack of appreciation for what we have actually achieved this year; and under-recognition of the quality of our assets by the Australian market. The challenge for the Board and Management this year is to continue advancing our assets, bring wider exposure to our story, and convince the Australian and North

American markets of the remarkable quality of our Company and its prospects. It is our total commitment to deliver on this in 2012.

Please stay in touch, by ringing the Company on +61 9325 5568 or e-mailing me at jim.malone@ausamerican.com or visiting the website on www.ausamerican.com.

Sincerely,

Jim Malone
Executive Chairman

Competent person
The review of exploration activities and results contained in this report is based on information compiled by Mr. Denis Geldard, Chief Executive Officer and Executive Director of Australian-American Mining Corporation Limited ("AusAmerican" or "Company"). Mr Geldard is a member of the Australasian Institute of Mining and Metallurgy. Mr Geldard is considered a competent person pursuant to paragraph 8 of the JORC Code and has significant experience relevant to the style of mineralisation and types of deposits under consideration. Mr Geldard consents to the inclusion of this information in the form and context of this announcement.

Cautionary note to U.S investors
The United States Securities and Exchange Commission limits disclosure for US reporting purposes to mineral deposits that a company can economically and legally extract or produce. We may use terms in the release such as "reserves", "resources", "geological", "proven", "probable", "measured", "indicated" or "inferred" which may not be consistent with the reserve definitions established by the SEC. US investors are urged to consider closely the disclosure in our annual reports. You can review and obtain copies of these filings from our website.

This announcement contains forward looking statements. These statements relate to future events, or our future financial performance. We have attempted to identify forward looking statements by terminology including "anticipates", "believes", "can", "continue", "could", "estimates", "expects", "intends", "may", "plans", "potential", "predicts", "should" or "will" or the negative of these terms or other comparable terminology. The statements are only predictions and involve known and unknown risks, uncertainties and other factors. The following factors, among others, could cause our actual results and performances to differ materially from the results and performance projected in, or implied by, the forward looking statements:

- Our history of losses and expectation of further losses.
- The effect of poor operating results on our company.

- Our ability to expand our operations in both new and existing prospects and our ability to develop or acquire new prospects.
- Or ability to develop new prospects and our performance in detecting and producing uranium for yellow cake.
- Our ability to raise capital.
- Our ability to fully utilize and retain new executives.
- Negative publicity surrounding our product.
- Trends in consumer tastes in energy.
- The impact of litigation.
- The impact of Federal, state, local or foreign government regulations.
- The effect of competition in our industry.
- Economic and political conditions generally.

Further information:

For further information please contact Jim Malone at jim.malone@ausamerican.com or on +1 520 907 3657 or Denis Geldard , CEO AusAmerican on +61 89325 5568 or denis.geldard@ausamerican.com

North American Investor Relations Manager: Peter Barnes on +1 646 269 3073.

Australian American Mining Corporation Ltd
ABN 99 073 155 781
572 Hay Street, Perth, WA, Australia, 6000
PO Box 1788, West Perth, WA, Australia, 6872
Telephone: (08) 9325 5568 Facsimile: (08) 9325 5574