

## JUNE 2011 QUARTERLY REPORT

# HIGHLIGHTS

### Creation of Constance Range Iron Ore Alliance, Queensland

- View to potential regional consolidation.
- The founding members of the Alliance being Viento Group Ltd (ASX: VIE), Icon Resources Ltd (ASX: ILL), Resolve Geo Pty Ltd and AMMG Ltd.
- The Alliance' tenement holdings contain 92kms of prospective iron ore formation, Train Range Member.
- Members hold 70% - 100% interests in tenements in the Constance Range, totalling approximately 1,186km<sup>2</sup>.

### China Marketing Visit, June 2011

- A second round of marketing to China to follow-up and meet potential **strategic partners** in Beijing, Chengdu, Shanghai, Hefei and Lianyungang.
- Further Confidentiality and Engagement agreements were signed with interested potential investors and joint venturers.
- Kaolin sample sent to overseas expert for chemical processing.

### Canada Technology/Marketing Visit, June 2011

- Managing Director, Ric Dawson, visited Montreal to meet with an enterprise with expert knowledge on innovative kaolin processing technology.
- Meetings with potential investors also held.

### Bencubbin Project Awarded State Drilling Co-Funding Program

- AMMG's submission for the EIS co-funded program on the Bencubbin project was successful.
- The co-funding will refund 50% of direct drilling costs upon completion.
- Further retrieval of historic data is ongoing into GIS to aid banded iron formation (BIF) targeting and the future location of planned drill holes.

### South West Kaolin Project WA

- The Company has commissioned an independent consultant to provide a resource statement to comply with JORC standards at the Kerrigan project.
- An overseas minerals company specialising in a kaolin dry processing technique visited the project and held discussions about future partnerships in developing its advanced **kaolin processing technology in WA**. AMMG kaolin samples were provided for testing and results are pending.

### Yilgarn Iron Ore Project WA

- **Two (2)** additional tenement applications have been made at Wongan Hills E70/4120 and Goomalling E70/4097. The total project area is now approximately 2,118km<sup>2</sup>.

### Working Capital

- The Company remains well funded with \$6.47

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

100.9 million shares at 30/06/2011

Market Cap

\$12.1 million at 30/06/2011

Cash

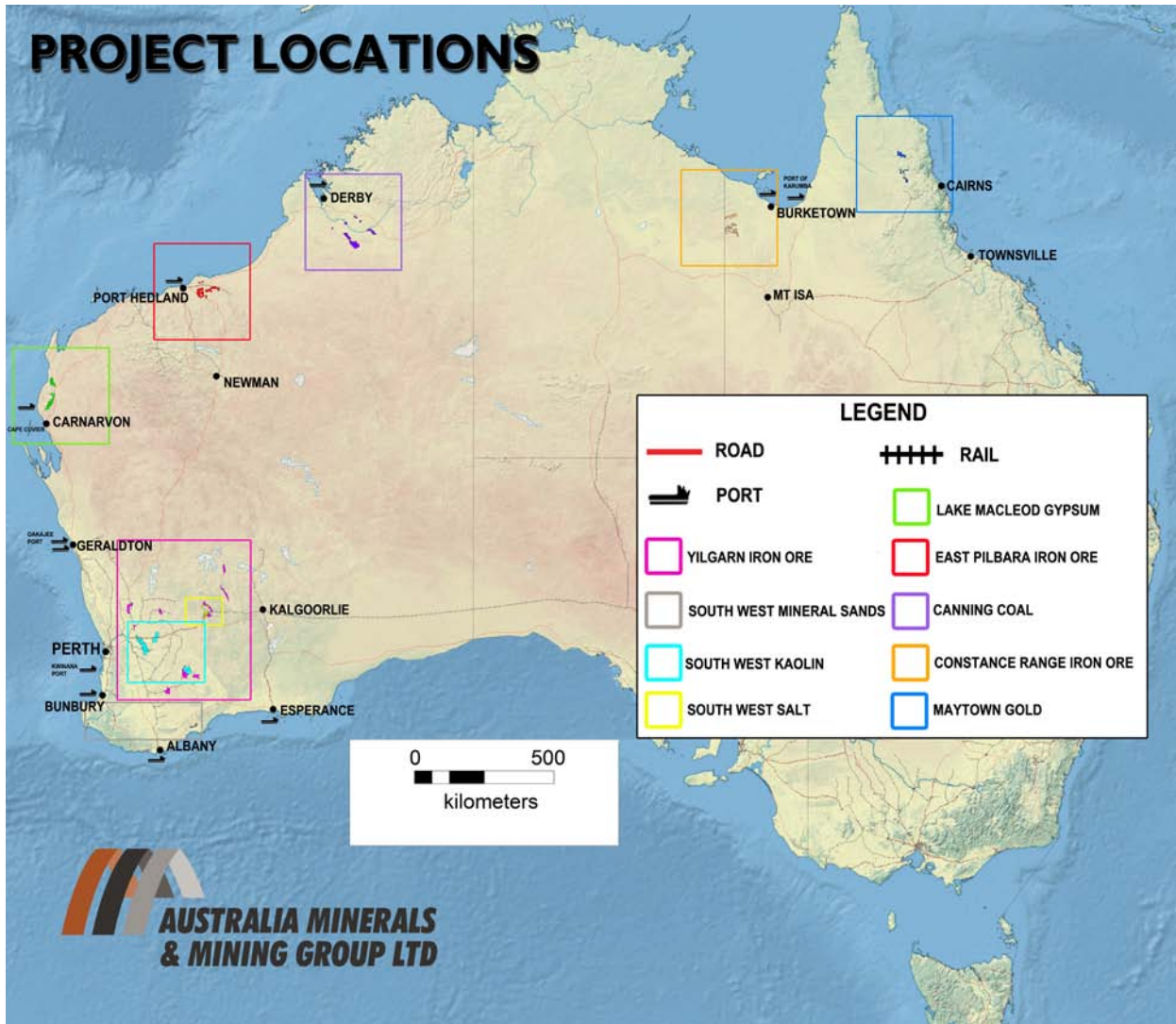
\$6.47 million at 30/06/2011

### DIRECTORS

**Luke Atkins**  
**Ric Dawson**  
**David Brook**  
**Chris Forrester**  
**Daniel Tenardi**  
**Piers Lewis**

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

Tenement areas granted and under application now totalling approximately **9,255km<sup>2</sup>**. This quarter, AMMG have applied for an additional **five (5)** tenements, which totals approximately **1,088 km<sup>2</sup>**.



## YILGARN IRON ORE PROJECTS

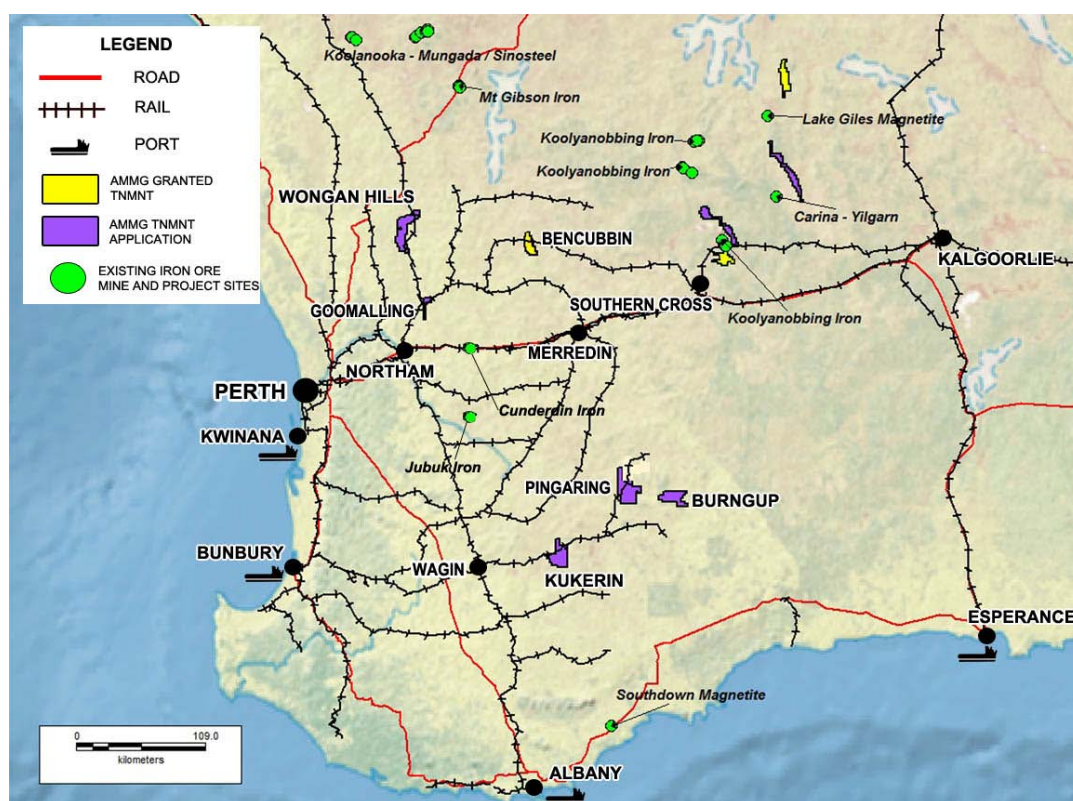
E70/4131, E70/4118, E70/4120, E70.4097, E70/4060, E70/4087, E16/325, E77/1936, E77/1770

AMMG has **three (3) granted** tenements at Bencubbin, Koolyanobbing and Illaara. A further **seven (7)** applications are located at Brontie, Pingaring, Kukerin, Ularring, Burngup, Wongan Hills and Goomalling. The total area granted and under application status is now approximately 2,118km<sup>2</sup>.

During the quarter the Company was successful in its submission to the Exploration Incentive Scheme (EIS) Co-funded Drilling Program for its Bencubbin project. AMMG will be refunded up to a total of \$66,000 towards the upcoming drilling program. Generally, the EIS Co-funded program is funded by the State Government's Royalties for Regions program, and provides co-funding of up to 50% of direct drilling costs.

Subsequent to quarter end, the Bencubbin project was granted. Preparations for an exploration program are now underway with drill program logistics, access agreements and landowner information being compiled. Additional historic data has been registered into GIS to aid banded iron formation (BIF) targeting and the future location of drill holes.

During the quarter, AMMG representatives conducted a field trip to assess further prospects for potential iron ore formations incorporating the use of a magnetic susceptibility meter. The Company concluded that there is sufficient iron ore potential at the Wongan Hills tenement to warrant further investigation and will apply for the next round of EIS Co-funding. It was concluded that Goomalling requires more work due to lack of observed outcrop.



Tenement Locations of the Yilgarn Iron Projects

## SOUTH WEST KAOLIN PROJECTS

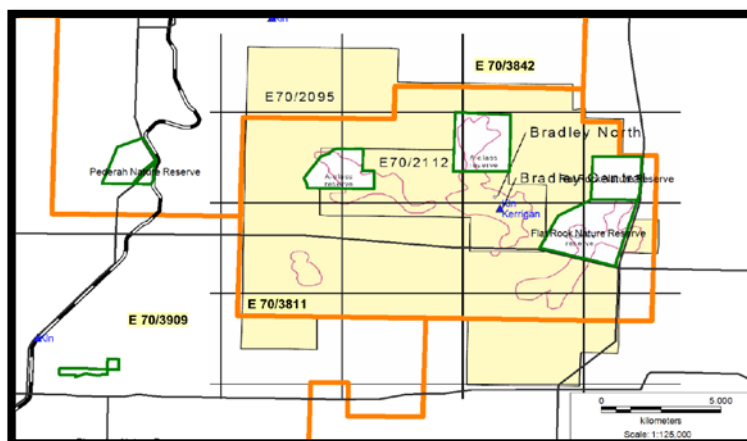
**MECKERING** E70/3923, E70/4030-33; **KERRIGAN** E70/4086, E70/4053; **KELLERBERRIN** E70/4034-5

AMMG has **one (1) granted** exploration licence and **eight (8)** applications targeting kaolin in the Yilgarn region of Western Australia. The kaolin project extends across three project areas—Meckering, Kerrigan and Kellerberrin. The total area under application and granted status is approximately 1,835km<sup>2</sup>. The Company previously announced a JORC kaolin resource of 65Mt comprising 16.77Mt indicated and 48.28Mt inferred.

International visitors with expert knowledge on advanced dry kaolin processing technology visited the Company's Meckering Kaolin Project during the quarter. The innovative dry process is a unique technique that is not commonly attributed to the kaolin industry, with the potential to expand the use of kaolin to new markets such as rubber, refractory and cement industries. The visitors presented the advantages of this technology, the greater opportunities that exist in China and the Middle East markets and took samples of AMMG's kaolin for testing. The results of these samples are expected to be received in the coming quarter.

The Company is currently preparing the Meckering Project's exploration program for the upcoming quarter. Exploration work will include extension air-core drilling of the area to expand the resource; high level reviews of historical drill data from within the recently applied for tenements; and associated kaolin chemical and physical property analysis.

The Company has engaged independent consultants to provide a maiden JORC statement on its Kerrigan Project for the next quarter. The Kerrigan project consists of two tenement applications totaling approximately 460km<sup>2</sup>. AMMG anticipates the grant of the Kerrigan/Bradley tenement E70/4086 in the coming quarter.



Bradley deposits located at Kerrigan project

The Bradley deposit contains crude kaolin to depth of 30 metres (>10micron kaolin clay at a grade of 45% kaolin). In 1993 exploration work on the Bradley deposit was completed by CRA (now Rio Tinto), including diamond drill core and aircore, XRF analysis on -2 micrometre kaolinite fraction. The database of historical drill holes has now been completed by AMMG, paving the way for the definition of a JORC resource.

## CONSTANCE RANGE IRON ORE PROJECT

EPM16620, EPM17164, EPM17919-17920, EPM18375, EPM18710

The Company has **two (2) granted** tenements, and anticipates the granting of further tenements in the nearer term. The total area under application and granted status is now over 690km<sup>2</sup>.

During the quarter, the Company signed a Memorandum of Understanding of Strategic Co-operation with Viento Group Ltd (ASX:VIE), Icon Resources Ltd (ASX:III) and Resolve Geo Pty Ltd to form the Constance Range Iron Ore Alliance (**the Alliance**). The founding members of the alliance hold between 70 – 100% interests in tenements in the Constance Range area of Queensland totaling approximately 1,186 square kilometres and contain 92 kilometres of prospective surface iron ore formation, Train Range Member (see figure 1 below).

The MOU is a legally non-binding agreement providing a statement of the parties' intentions to potentially consolidate their respective areas into a single corporate entity.

Alliance members' meetings have commenced, with future strategic development discussions in Brisbane and site reconnaissance planned for the coming quarter. The Alliance plans to finalise vendor equity considerations, and discuss potential IPO and capital raising sizes and other pertinent business matters at the upcoming discussions.

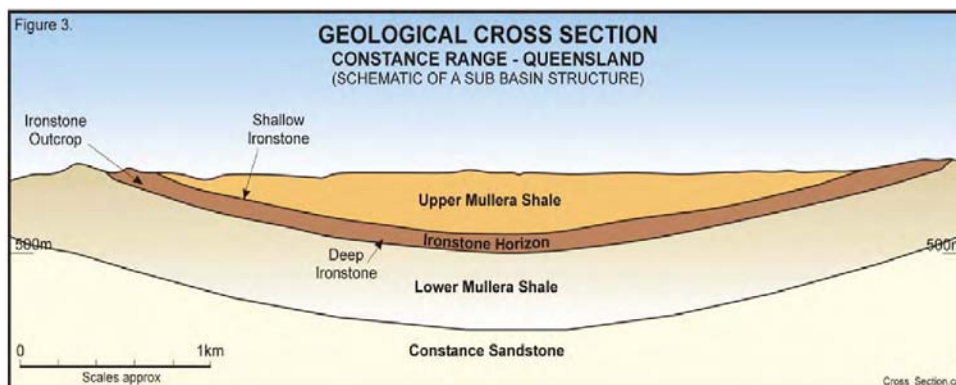
The Constance Range historical iron ore deposits are located in the North-west of Queensland close to the Northern Territory border. They form part of a regional iron formation within the South Nicholson Basin and have the potential to become a significant iron ore province.



Figure 1: View of Constance Range from helicopter with portion of Train Range Member circled red

Exploration carried out by BHP in the 1960's identified an exciting iron ore deposit capable of producing a highly beneficiated (magnetic separation) product of up to 66.4% Iron (Fe) and 6.5% Silica (SiO<sub>2</sub>) from ironstone outcrop and shallow ironstone.

The deep ironstone horizon as shown below in Figure 2, marked in dark brown in the middle of the geological cross section, is still to be tested in light of the increased demand for iron ore, higher prices and advancements in mining and beneficiation technologies compared to that existing at the time.



\* Thickness of ironstone beds diagrammatic

Figure 2: Stylised Geological Cross Section

The Alliance members are targeting hematite direct shipping ore and magnetite and have three granted EPM and seven pending applications comprising a tenement area of 1,186km<sup>2</sup>. There is a substantial historical data base of BHP's previous historical work available.

BHP first explored the area in the period 1956 to 1963 and delineated 15 outcropping ironstone deposits over a strike length of 100 kilometres. The two largest deposits outlined by the BHP drilling were Deposits "A" (currently 70% owned by Viento) and Deposit "P" (predominantly covered, currently 70% owned by Viento and partially covered, 100% owned by AMMG).

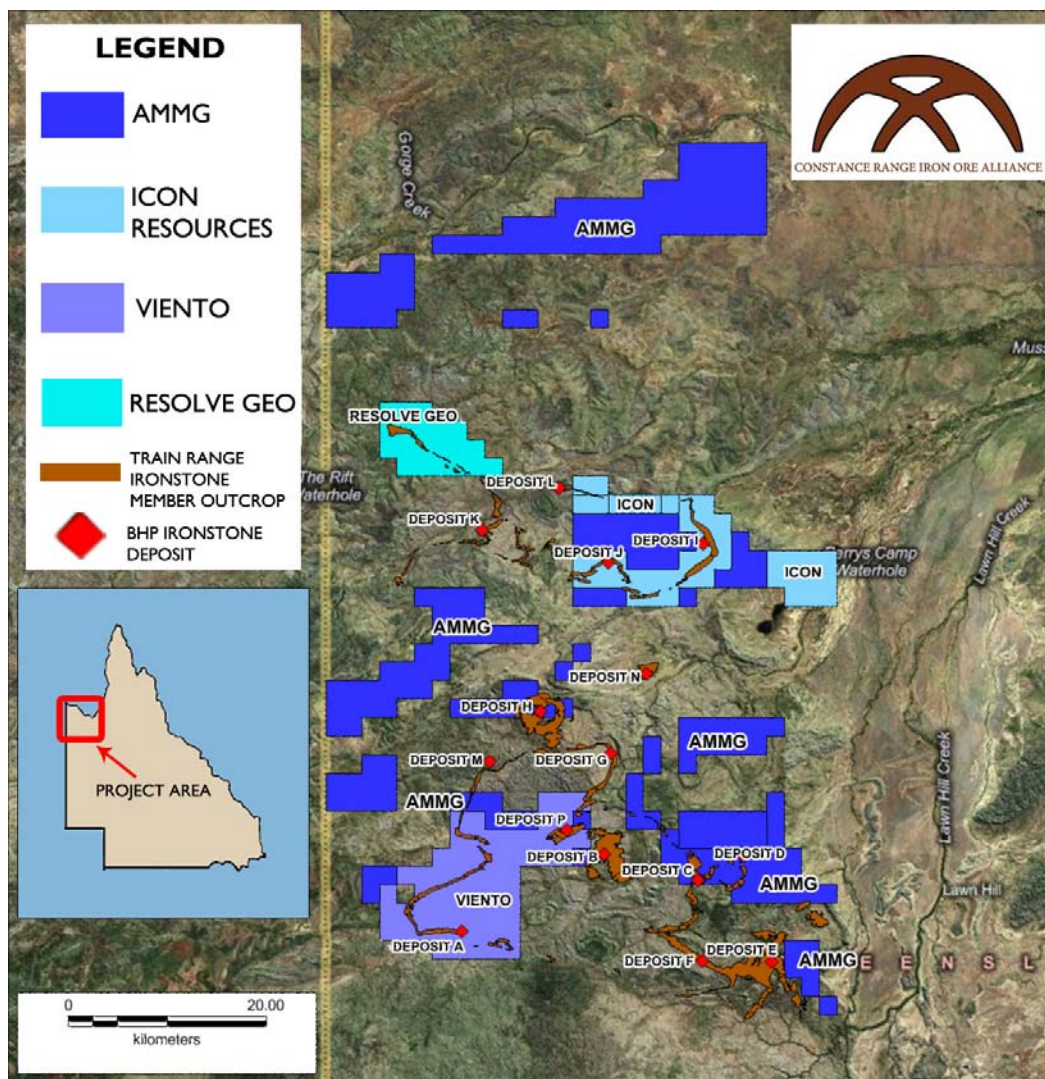
Deposit "A" is located approximately 160 kilometres from Burketown and 310 kilometres from the Port of Karumba. It is proposed that any potential DSO product will be transported by road train to Burketown for trans-shipping and magnetite slurry could potentially be slurry piped and pumped to existing facilities at the Port of Karumba.

The Alliance has 92 kilometres strike length of the bedded ironstone outcrop sequence that is approximately 180m thick and contains three main ironstone units of approximately 20m thickness each.

- Deposit "A", BHP (pre 1963) drilled 16,256m of BQ diamond core.
- Deposit "A", 2007 drilling consisted of 1,275m of HQ diamond core.
- **Deposit "A" has a current JORC/43:101 Compliant Inferred Resource of 236Mt at 53.2% Iron, 10.3% Silica, 1.6% Alumina, 0.02% Phosphorus, and 11.2% Loss of Ignition (LOI).**
- Deposit "A" has a current JORC/43:101 Compliant Inferred "DSO" in Deposit A of 15mt at 56.5% Iron.
- In addition Deposits "B", "C", "D", "H", "I", "J" and "P" are also included in the MOU Alliance.

Source: Kimberley Metals 2009 Prospectus,

[http://www.kimberleymetals.com.au/IRM/Company/ShowPage.aspx?CPID=1809&EID=25219077&PageName=Kimberley Metals Ltd – Prospectus](http://www.kimberleymetals.com.au/IRM/Company/ShowPage.aspx?CPID=1809&EID=25219077&PageName=Kimberley%20Metals%20Ltd%20Prospectus), pp. 40 – 42



*Constance Range Iron Ore Alliance members' tenement holdings*

## ILLAARA BASE METALS PROJECT

ILLAARA E30/417

In the March Quarter, the Company entered into a Joint Venture Agreement with Alphabass Resources Pty Ltd, to undertake base metals exploration on AMMG's granted Illaara tenement.

During the due diligence phase, Alphabass Resources completed an open file compilation (of historical drill hole collars), due diligence sampling, and a search for historical drill hole spoil. While 48 historical collars were identified in the tenement area, no drill spoil from these holes was identified, and no significant drill spoil was sampled.

Following analysis of these samples, results indicated a lack of anomalous chemistry with no bedrock sampling available. The Company was subsequently advised by Alphabass that they would not be continuing with the envisaged Joint Venture.

## INVESTOR RELATIONS/CORPORATE MARKETING

Following the Company's initial China road show in March 2011, AMMG representatives visited China again in June to strengthen existing networks and explore new opportunities.

Meetings were held in Beijing, Chengdu, Hefei and Lianyangang with prospective investors who had previously expressed interest in the Company's projects.

AMMG also investigated new leads from state-owned enterprises in China, and the respective parties executed Confidentiality Agreements, with a view to promoting potential investments. AMMG has sent exploration data for review by these parties.

The Company also attended the Asia Mining Partnering Forum in Beijing and held constructive meetings with investors, merchant bankers, state-owned enterprises and steel makers.

AMMG's Managing Director, Ric Dawson, travelled to Canada in June as part of AMMG's research and development program. Mr Dawson met with an organisation possessing innovative new kaolin technology with a view to seeking a commercial arrangement for this process in Australia.

AMMG considers that this innovative process has the potential to significantly advance the commercialisation of kaolin. Mr Dawson held productive discussions with various experts and investors and communication is ongoing.

## WORKING CAPITAL

The Company remains well funded with \$6.47 million cash at Bank as at 30 June 2011.

## CORPORATE

At the Company's General Meeting of Shareholders held on 11 May 2011, Resolution 2 was passed to undertake a capital raising by way of placement of up to 10,000,000 fully paid shares. The placement is at a minimum price of 80% of the volume weighted average price of the shares on the ASX over the last 5 days in which sales in the shares have occurred before the date of issue. The placement will provide the Company with increased financial flexibility and enable the Company to more aggressively pursue the development of its projects, potential acquisition of new projects, as well as supplement the Company's working capital requirements.

#### CONTACT

Ric Dawson  
Managing Director  
Tel: +61 (08) 9389 5557  
[ric@ammg.com.au](mailto:ric@ammg.com.au)

#### MEDIA CONTACT

Felicity Nuttall  
Professional Public Relations Pty Ltd  
Tel: +61 (08) 9388 0944  
[felicity.nuttall@ppr.com.au](mailto:felicity.nuttall@ppr.com.au)

*Technical information in this report is based on information compiled by Mr. Derek Judkins B.Sc. Geology, AMMG Chief Geologist and a member of the Australasian Institute of Mining and Metallurgy. Mr. Judkins 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. Judkins consents to the inclusion in this release of the matters based on his information in the form and context in which it appears.*

#### 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, gypsum, kaolin, mineral sands, salt and coal**.

The Company itself or under joint venture now has **nine (9) granted tenements and 42 applications** for tenements covering approximately **9,255 km<sup>2</sup>** over the project areas. AMMG is pursuing a **diversification strategy** at this stage of the Company's development in order to provide additional development options and potential production opportunities.