

CHINESE EXPLORATION BUREAU SIGNS MOU WITH AMMG ON ITS CANNING BASIN COAL PROJECT

HIGHLIGHTS

- **Memorandum of Understanding (MOU) signed by AMMG subsidiary, Canning Coal Pty Ltd (“Canning Coal”) with Anhui Lianghuai Pty Ltd, a local wholly owned subsidiary of the Anhui Provincial Bureau of Coal and Geology (“Anhui”) for potential capital investment and project development of AMMG’s Western Australian based Canning Basin coal project.**
- **Terms of MOU include the key targets of:**
 - **working towards a direct capital investment by way an investment in shares by Anhui in AMMG or its subsidiaries; and**
 - **the entering into a Heads of Agreement for a Joint Venture for the development of Canning Coal’s Western Australian Canning Basin coal project.**
- **AMMG now has 1334 square kilometres of exploration licences in the Canning Basin.**
- **AMMG is continuing discussions with other interested parties on its other projects as part of its diversified strategy**

Australia Minerals and Mining Group Limited (**ASX: AKA**) (“**AMMG**” or “**the Company**”), is pleased to announce that, through its wholly owned subsidiary Canning Coal Pty Ltd (“**Canning Coal**”), it has signed a non-binding memorandum of understanding with the Queensland-based Anhui Lianghui Resources Pty Ltd, the wholly-owned Chinese based subsidiary of Anhui Provincial Bureau of Coal and Geology (“**Anhui**”). Anhui has a state sanctioned mandate and objective to actively source a variety of minerals including coal globally.

The signing of the MOU follows a series of discussions and initial due diligence, including two (2) AMMG visits to China earlier this year with a visit to the Anhui head office in Hefei, Anhui Province in June 2011; a subsequent visit to Anhui’s Queensland office; and a recent exploratory field trip by an Anhui delegation to Derby (Figure 1) and the Canning Basin Coal project area in the Kimberley, Western Australia.

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The MOU provides both parties with the framework to work together over the next few months to determine whether agreement can be reached on the terms of a direct capital investment by way of a share placement in AMMG or its subsidiary Canning Coal. The MOU further supports a potential Heads of Agreement for a Joint Venture Agreement for the development of the Canning Basin coal project.

AMMG, through its subsidiary Canning Coal, has been actively exploring and extending its tenement base in the Canning Basin and now has tenements in application stage extending over 1334 square kilometres.

Mr Ric Dawson, Managing Director, said the MOU demonstrated that Anhui recognised the mineral potential of the Company's projects and that AMMG's strategy of being an explorer, acquirer and developer of diversified projects is starting to be recognised.

The Company is continuing discussions with other interested parties on its other projects as part of its diversified strategy of targeting projects with historical data and will be sending a delegation to China in later in the year with the aim to progress those discussions.



Figure 1: Anhui personnel inspecting wharf facilities at Derby Port

About Anhui Province

Anhui is an inland province located in eastern China, west of Shanghai and located across the basins of the Yangtze River and the Huai River. The population of Anhui is approximately 60 million and the nominal GDP for 2010 was US\$181 billion, a 12.9% rise from 2008. As one of the high potential economic growth provinces in China, Anhui has a substantial requirement for strategic minerals to support its industrialisation and economic restructuring. Its steel industry is home to **Ma Steel**, reportedly the ninth largest steel producer in China, with a reported capacity of 16 mtpa.



Anhui Bureau of Coal and Geology

The Anhui Bureau is based in the Anhui Province, which is earmarked for development by the central government and the Anhui Provincial Government has been actively encouraging the Bureau to explore and develop mineral resources in Australia and overseas to help underpin its future economic growth.

The Bureau was established in 1952 and currently has 8280 employees, with eight county-level geological institutions located in major cities of Anhui Province, with several subsidiaries to develop its diverse business. Its business includes geological exploration, geological engineering, construction, real estate and machinery manufacturing. The Bureau has considerable coal exploration experience and has previously identified substantial resources of coal.

AMMG through its subsidiary Canning Coal has been actively exploring and extending its tenement base in the Canning Basin and now has tenements in application stage extending over 1334 square kilometres.

About the Canning Basin

The Canning Basin is emerging as a coal province in the northwest of Western Australia. As previously interpreted by government geological surveys, all exploration tenure has the potential to contain Lightjack Formation. The Lightjack Formation hosts Rey Resources Limited's (ASX:REY) 305.8 million tonne thermal coal total P1 resource, 229.6 million tonne thermal coal total P2 resource (REY, ASX Announcements, April 2011 and June 2009) located northwest of AMMG's application tenure within the Canning Basin.

Preliminary results from 2010 drilling on Duchess Paradise better or in-line with pre-feasibility Study including bituminous thermal coal product calorific value calculated at 5,539 – 5,666 kcal/kg gross as received (REY, ASX Announcement Nov. 2010).

After receiving positive results from a pre-feasibility study, Rey had commenced a definitive feasibility study into an initial slot and highwall mining operation producing 2Mtpa of saleable coal. Production is planned to commence in 2013. Conceptual studies with increased production to 4mtpa and potential underground mining are also underway (REY, ASX Update Nov. 2010).

Initial shipping by REY will be via barge loading out of Derby wharf. However, there is potential for significantly larger ship loading facilities, with Western Australian Government supportive of the development of a deep water port just north of Derby at Point Torment.

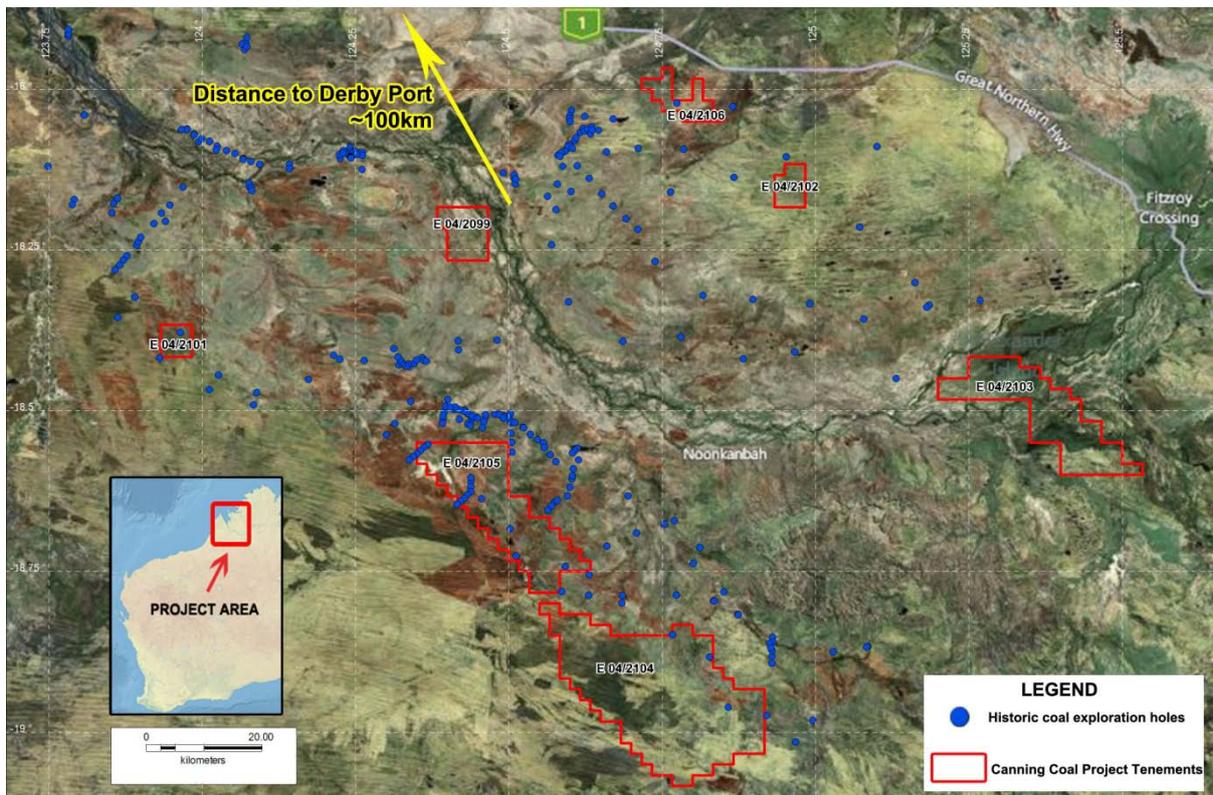


Figure 2: Location of Canning Coal tenements (red) with previous drilling (blue) over aerial photography

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About AMMG

Australian diversified resources company, AMMG, listed on the ASX in January 2010. The Company 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 Board believes may have the potential for the realisation of economic resources of these commodities currently targeted - iron ore, kaolin, coal, gypsum, mineral sands and salt.

The Company has eleven granted tenements and 40 applications for tenements covering approximately 9,255km² over the project areas.

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