



21 July 2010

ASX Announcement

MT MARTIN EXPLORATION UPDATE

OPTIMISATION STUDY RESULTS

Australian Mines Limited (ASX:AUZ) is pleased to announce that the first in a series of optimisation studies has been completed for the Mt Martin gold project which is located 30 kilometres from Kalgoorlie in Western Australia.

Current Open Pit Optimisation Studies

The recently completed optimisation study has indicated that an open pit mine would make a significant profit with various treatment options producing 50,000 – 60,000 ozs of Au at a gold price of A\$1,300/oz.

The optimisation study was completed using a number of different scenarios including gold price, treatment costs and haulage under the various milling options.

Further work is required to determine if, potentially, this could include a decline from the bottom of the open cut.

The Directors are encouraged that the study indicated an open pit mining operation would generate significant value to AUZ.

The various mining and treatment options for Mt Martin will be reviewed and a decision will be made in August on how best to maximise the return for shareholders.

Diamond drilling Results - East Shear Mt Martin

The Company has also completed 5 diamond holes on the East Shear at Mt Martin to test underground resources on the East Shear below the 6 level. The recently completed drilling produced some significant intercepts however it will require a significant amount of exploration drilling to fully explore this underground resource.

Further geological interpretation is required before the resource model is updated.

The best results include:

- **AUZD14** - 4.0 metres @ 3.39 g/t Au from 124.4 metres downhole.
- 11.9 meters @ 3.24 g/t Au from 149.5 metres down hole.

Other results are tabulated below.



Previous Production

Mt Martin gold mine has produced to date approximately 200,000 ounces of gold.

Gold ore was initially produced from a set of 4 shafts with the deepest underground workings at the 6 level which is 165 metres below the surface. In recent times shallow oxide ore was mined from an 800 metre long open pit.

For further information contact:

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The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr E Poole who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Poole is employed by AUZ. Mr Poole has sufficient experience which is relevant to the style of mineralisation and type of deposits 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 Poole has consented to the inclusion of the information in the form and context in which it appears.

Hole Id	North (m)	East (m)	RI (m)	Azi (deg)	Dip (deg)	From (m)	Intercept (m)	Grade (g/t)
AUZD9	6568064	374012	242	287	-69	140.2	6.0	1.51
AUZD10	6568061	374014	242	342	-81	96.5	2.3	2.39
						129.8	2.7	0.88
AUZD11	6568052	374019	244	298	-57	165.1	4.6	1.69
AUZD13	6568071	374012	242	310	-61	117.7	4.6	1.05
AUZD14	6568067	374014	242	351	-65	125.4	4.0	3.39
						149.5	11.9	3.24

Table 1: East Shear – Diamond drilling intercepts July 2010. AUZD12 was not drilled.

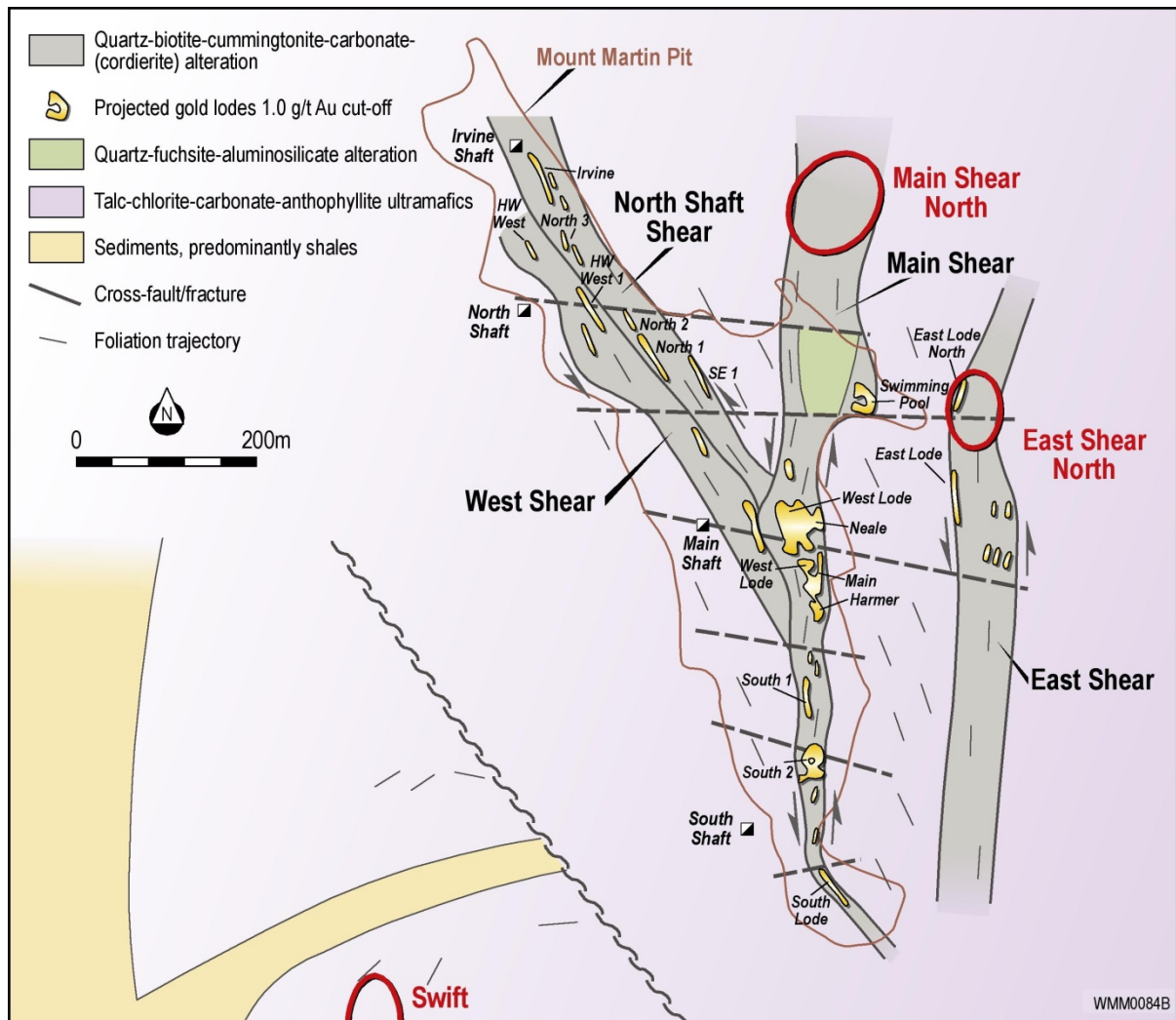


Figure 3: Mt Martin geology plan with surface exploration projects and current pit outline .