



## QUARTERLY REPORT ON ACTIVITIES FOR PERIOD ENDED 30 JUNE 2011

### HIGHLIGHTS

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#### NIGERIA

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- High-grade gold assays returned from latest soil survey on EL 9447 ("Kasele")
- Best results from the 1 x 1.5 km soil grid include more than 10 samples over 100 ppb (*parts per billion*) gold, many in areas away from historic or artisanal workings, with best results of 446, 504, 523, 535 & 635 ppb gold.
- Further upside potential demonstrated with additional prospective ground confirmed at Kasele
- Tenement EL 8732 ("Yargarma") successfully granted – significant artisanal mining occurring on this prospect
- Experienced in-country Exploration Manager appointed

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#### CORPORATE

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- A commercial decision was made during the quarter by the Directors to seek a commercial outcome with the Australian assets including Mt Martin gold mine.
- Possible sale of the Eastern Goldfields tenement package has progressed with several parties expressing interest
- Funds from the possible sale of this package will be used to further progress exploration in Nigeria

#### NIGERIA

AUZ holds an extensive tenement portfolio of 50 approved Exploration Licences ("ELs") spanning 2,645 km<sup>2</sup> covering prospective gold areas on and adjoining the schist belts in northwest Nigeria, including the Anka, Maru and Birnin Gwari belts (Figure 1). The Company holds a further 14 Exploration Licence Applications ("ELAs") covering an area of 1,375 km<sup>2</sup>.

During the period, AUZ's consulting geologist, Greg Ryan carried out further fieldwork on the Company's tenements located within the general Anka-Maru region of northwest Nigeria (Fig 1), including ELs 8732 ("Yargarma"), 9447 ("Kasele") and 9451 ("Damsaralan"). Two potential joint venture ("JV") licences were also assessed for gold potential.

#### Anka-Maru Region Leases

Anka is located four to five hours drive north of the federal capital of Abuja. AUZ's 12 ELs in the Anka-Maru region cover 446 km<sup>2</sup> while the 6 ELAs extend over a further 322km<sup>2</sup>. The



Company considers this region to be its highest priority for exploration, with several historic British gold mines (mined in circa 1930's) demonstrating the most potential.

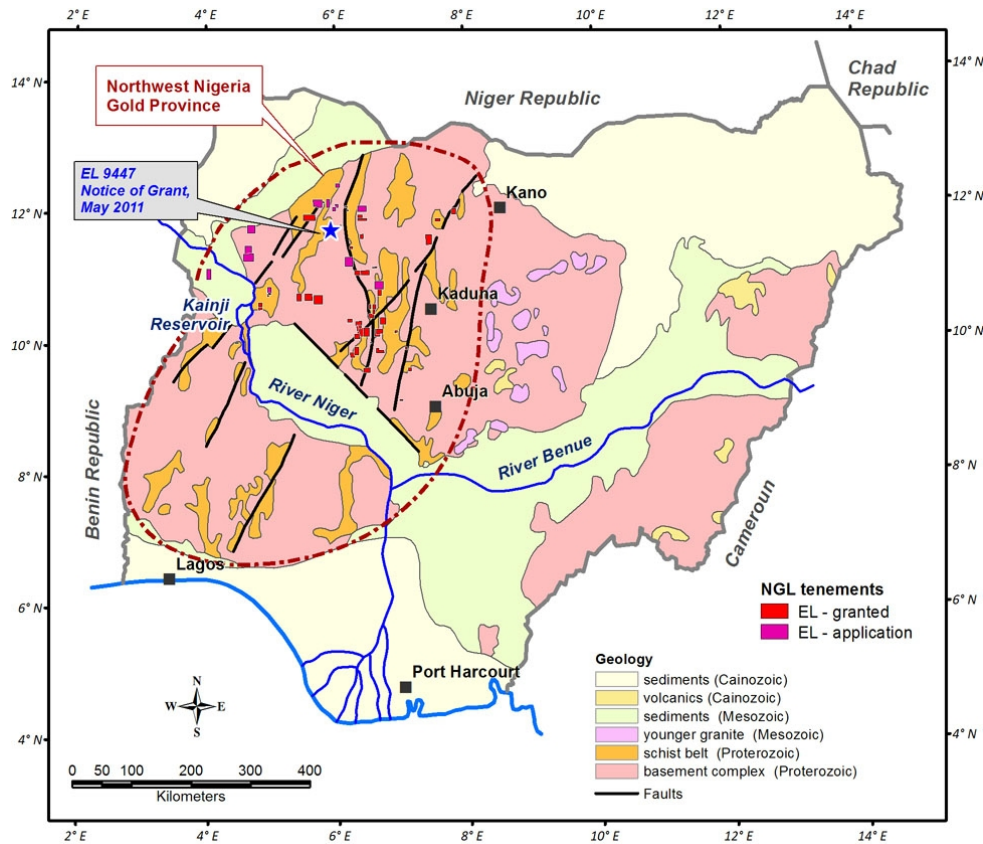


Figure 1 – Simplified Nigerian Geology Map overlain by the Company's Tenements

## GOLD EXPLORATION RESULTS

### Kasele

During the quarter, a programme consisting of 735 soil samples was completed over a grid area of approximately 1 x 1.5 km on Kasele. All gold assays had been received by the end of June while the base metal assays are currently being processed. Preliminary interpretation of the results received has been very encouraging and more detailed processing and interpretation is in progress.

Best results to date include:

- **635, 523, 151 & 70 ppb gold**, in the NE part of the grid
- **535, 504, 446, 280, 136, 121 & 86 ppb gold** in the SW of the grid
- **137, 106, & 83 ppb gold** in the central workings area.



From sampling to date, it is estimated that background soil gold content is <1 to 10 ppb, and any results above 50 ppb gold are considered to be significantly anomalous. Assay results are shown in Figure 2.

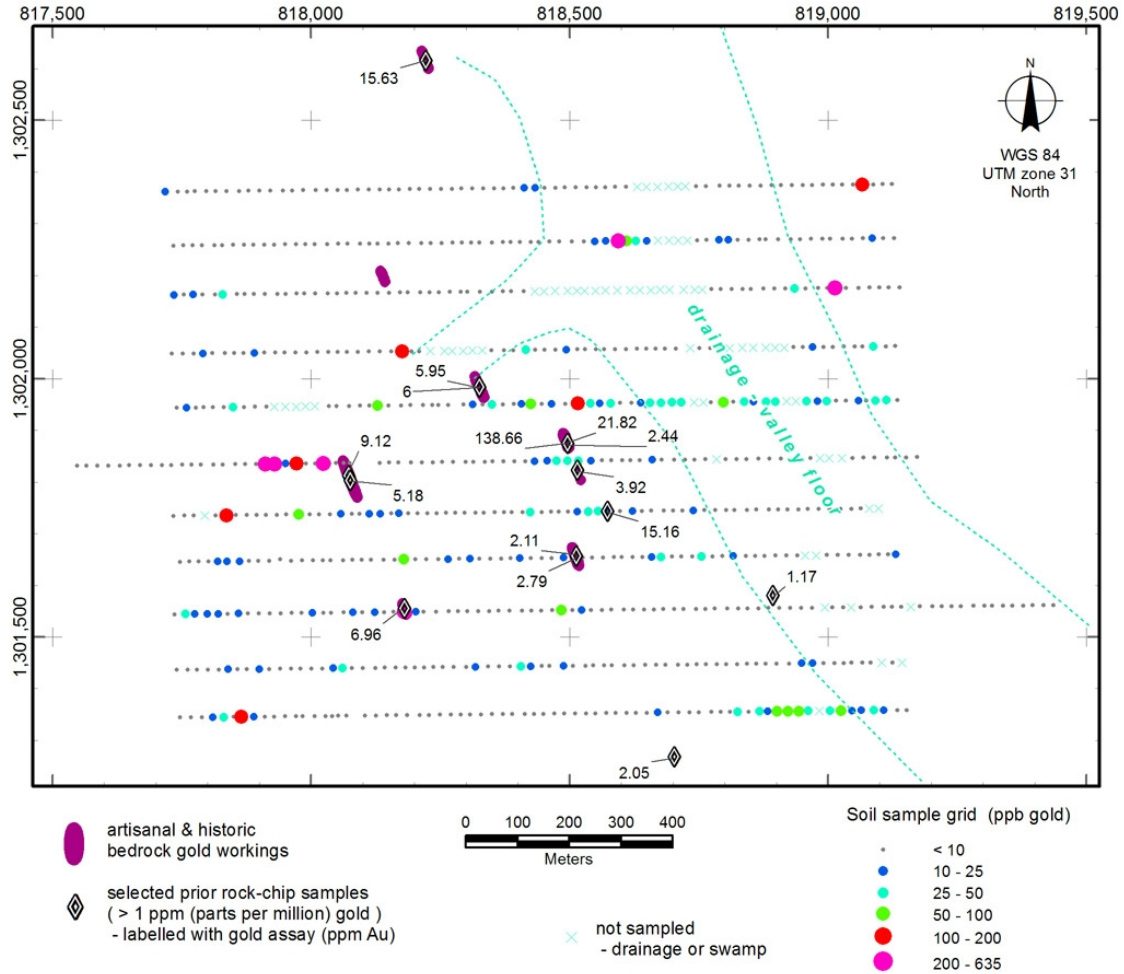


Figure 2. - Kasele sampling grid showing soil samples (ppb Au) and also highlighting selected previous rock chip samples (ppm Au)

Samples were assayed by Intertek Ghana, in Tarkwa, Ghana. Samples were 2-3 kg, 5mm-mesh sieved, analysed by 24-hour bottle-roll BLEG (*bulk leach extractable gold*).

## Yargama

Yargama was granted during the quarter and extensive review of the geophysical and satellite maps clearly indicates that this tenement has excellent potential. Two branches of the prolific Anka schist belt, which pass through the licence, were the targets of two traverses made during the June field trip by Greg Ryan.



The first traverse crossed the central northern part of the licence where granite crops out extensively, coinciding with a magnetic anomaly. AUZ's workings were located on and immediately south of the contact between the granite and schist belt rocks.

There are several zones of bedrock workings within an area 450m long (NW-SE) and 500m wide. In the east of this area, there are NW-trending workings within basalt over 220m length.

The depth of the workings is limited to 6m due to groundwater issues and the inability of artisanal miners with their limited pumping technology. The rich zone is reputed to continue at depth and also laterally under cover.

Further west, there are three sets of workings at similar orientations (315°-340°) in a variety of altered and weathered rock types. One set includes a couple of deep shafts located within a shear zone accessing deeper bedrock workings.

It is important to note that while this traverse covered ground which appears highly prospective and located many workings over a substantial area, only a very small fraction of the eastern half of the licence was covered. The remainder of the eastern half of the licence appears to be predominantly underlain by schist belt rocks, thus has greater potential than the ground covered to date.

The second traverse covered the NW corner of the licence, which consists of very flat country with several significant waterways. Substantial workings were located in the central part of the licence, approximately 1 km from the western boundary. Two specific sets of workings were visited, within a 1 km long zone of highly prospective ground. This zone trends at 030°, approximately parallel to the schist belt.

The first workings at the NE end of the zone comprise 2 shafts within a 340° orientated shear zone in highly altered phyllite. The entire area is blanketed with intense superficial workings, the result of 13 years of artisanal operations. The vein being mined in the shafts varies from 15cm to a few millimetres in width and is reputed to be very rich.

The second workings are in an area 1 km to the SW which has been intensely worked with at least 3 parallel lines of shafts to significant depth. The entire area is blanketed by deep quartz rubble. Anecdotal reports refer to extremely high grade gold ore returned from these workings.

Several other sets of workings extend up to 2 km to the ENE. 1250m ENE from the first workings, there is a 200m long line of shallow pits trending NW. These pits follow intense shear zones containing shattered quartz veins conformable with the highly altered bedrock. There are also smaller workings following very intense shear zones with quartz veinlets, which cross cut the main trend (Photo 1). Another two groups of workings are found 600m further east.



Photo 1 Yargarma workings in intensely sheared and altered rock with quartz veinlets

The traverse over the central western side of the licence located workings extending over an area 2km long and 1km wide. The traverse in the central eastern part of the licence located workings over an area 600m long and 600m wide.

Both of these areas of workings are reputed to contain rich gold and the workings to extend to considerable depth. However, as only a small part of this large licence has so far been visited, and schist belt rocks crop out extensively, it is expected that more mineralised areas are to be found as the rest of the licence is covered.

## **Damsaralan (located to the south in the Anka block)**

A reconnaissance traverse of the newly granted Damsaralan located a large, intense hydrothermal alteration zone on the flanks of a hill, with extensive outcrop of magnetite on the summit. Review of the satellite and magnetic maps, suggests that the rocks containing this magnetite zone could crop out over several square kilometres. More fieldwork will be required to confirm the extent of the magnetite-bearing rocks and to assess the overall potential of this licence, which is relatively close to the regional centre of Gusau.



## Application areas

No further significant work has been carried out on any of the licences under application, pending clarification of the tenement situation. However, AUZ spent one day in the SW corner of application area number 4 (as described in the March 2011 quarterly report), mapping the overall outline of the major area of workings, which has more than doubled in length since March. There are now continuous workings over a zone 900m long and varying from 40-150m wide, with up to 5 sub-parallel lines of pits in places.

These workings are known to extend to at least 24m depth and grades are said to be very high, with high-grade envelopes of bedrock mineralisation reported in places.

West of and parallel to the zone of workings there is a long, broad drainage with widespread, intensive shallow workings, which may mask a mineralised shear zone beneath the drainage. Clearly this is an outstanding drill target with excellent potential for expansion through additional exploration.

## Immediate Exploration Program

This work confirms the Company's view that Yargarma and Kasele both have great potential for producing significant gold deposits. Damsaralan has potential to host magnetite deposits, and its gold potential is yet to be confirmed by more extensive field reconnaissance.

Completed assays results received from previous visits will be plotted up in the coming weeks on our digital data base, contoured and then drill targets selected and prioritised based on the results received.

It is expected more assay results will be released shortly.

## AUSTRALIA

**GOLDEN RIDGE NICKEL JV PROJECT:** *Pioneer 56%, Australian Mines Limited 44%. Each Company contributes to exploration expenditure on a pro-rata basis. The Golden Ridge Nickel JV Project is located 30km SE of Kalgoorlie and is prospective for nickel sulphide deposits.*

### EM surveys generate drill anomalies

The results from the recent SAMSON EM surveys at Golden Ridge were received. The work was completed to follow up specific EM targets identified from earlier surveys.

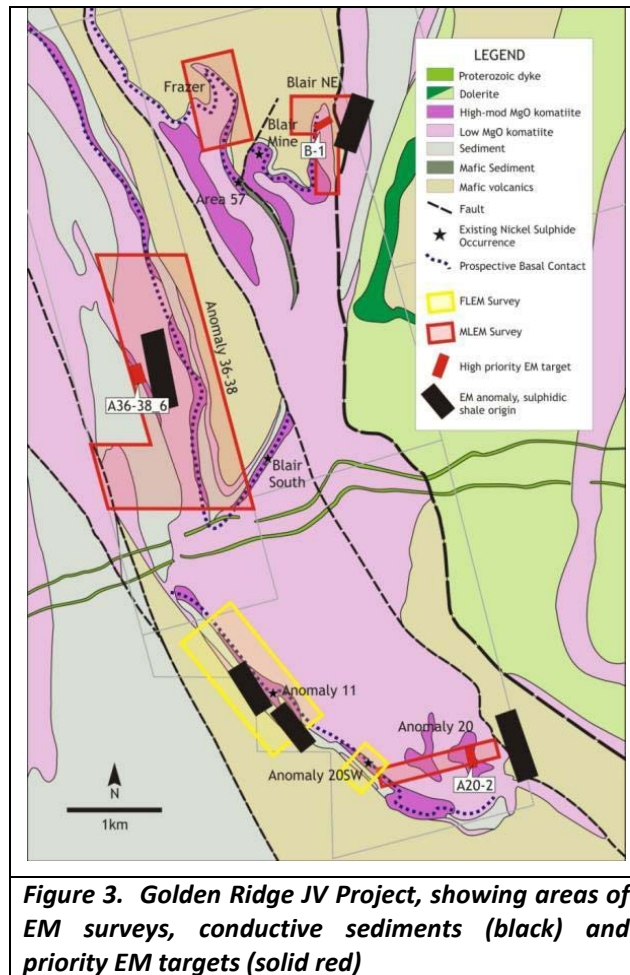
Key points from the interpretation include:

- The original priority B1 target, located along strike on the Blair Mine ultramafic surface, was not confirmed as a stand-alone conductor. The new Fixed Loop survey did, however, detect a relatively discrete late-time anomaly within a stratigraphic anomaly. The new anomaly is confined to an area of 200-300m, and may represent a highly conductive target sitting adjacent to the regional stratigraphic conductor.



- A Moving Loop survey across anomaly A36-38\_6 produced an interesting outcome in that there is a previously undetected conductive body that shows as a late-time response in the SAMSON slingram dataset, but is not evident in the earlier datasets.

Pioneer's consultant geophysicist has recommended drill holes to test these targets.





## CORPORATE

AUZ has actively sought commercial opportunities during the quarter for its Australian assets located in the eastern goldfields of WA.

Mt Martin is the major asset and AUZ has previously announced that 264,500 ozs of gold resources occur at Mt Martin. While a commercial cutback had been designed at Mt Martin to produce approximately 50,000 ozs of gold, it was decided to sell this asset to fund Nigerian exploration. At the date of this report AUZ has received several commercial approaches regarding Mt Martin.

More information will be released on the potential commercial opportunities with Mt Martin early in the September quarter.

## SUMMARY

AUZ has significantly progressed with its Nigerian project with minimal exploration work at present. Once AUZ completes the sale of assets in the Eastern Goldfields of WA, it plans to ramp up its exploration campaign in Nigeria over the coming months.

Presently the in-country exploration manager is in Anka assessing the area for drill targets.

\*\*\*ENDS\*\*\*

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*The information in this report that relates to Exploration Results in Nigeria is based on information compiled by Mr G Ryan who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Ryan is employed by NZ Exploration Limited, a New Zealand based geological consulting company. The information in this report that relates to Exploration Results and Mineral Resources in Australia is based on information compiled by Mr M Elias who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Elias is a Non-Executive Director of AUZ. Both Mr Ryan and Mr Elias have sufficient experience, which is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral resources and Ore Reserves'. Mr Ryan and Mr Elias consent to the inclusion in the report of the matters based on their information in the form and context in which they appear.*