



QUARTERLY REPORT ON ACTIVITIES FOR PERIOD ENDED 30th JUNE 2010

HIGHLIGHTS

- During the June quarter the company worked extensively on the Mt Martin gold project with some exploration work undertaken on Woolibar fault flexure and Woodline North.
- New Mt Martin Indicated and Inferred Resources reported of 4.7m tonnes at 2.19g/t for 328,000 ozs of Au at a cut off grade of 0.5 g/t.
- Preliminary Mt Martin open pit optimisation studies indicate a profitable cutback producing in excess of 50,000 ozs of Au at A\$1,300/oz under various treatment and haulage options.
- The company is reviewing all options to maximise shareholder value from Mt Martin gold assets.
- All nickel assets have been retained for future exploration.
- Cash at bank at 30 June was \$1.3m.

GOLD EXPLORATION (AUZ 100%)

(a) MT MARTIN PROJECT

- A recently completed optimisation study has indicated that an open pit cutback would make a significant profit under various treatment options and haulage costs producing 50,000 - 60,000 ozs of gold at A\$1,300/oz.
- AUZ recently released an upgrade to its Mt Martin resources with its latest model now containing combined Indicated and Inferred Resources of 4.7m tonnes at 2.19g/t for 328,000 ozs of Au at a cut off grade of 0.5 g/t, as shown below:

Resource Category	Resource Tonnes	Gold Grade (g/t)	Gold Ounces
Indicated	3,180,000	2.00	204,000
Inferred	1,490,000	2.59	124,000
Total	4,670,000	2.19	328,000

- 1,691metres of surface diamond drilling were completed at the Mt Martin gold mine.

Best down-hole drill intercepts were announced on 25 May and 21 July 2010 and were as follows:-

- AUZD 3 - **7 metres @ 3.6 g/t** on a Main Shear surface;
- AUZD 3 - **10 metres @ 7.6 g/t** on the East Shear;
- AUZD 6 - **6 metres @ 5.5g/t** on the East Shear; and
- AUZD 14 - **12 metres @ 3.2 g/t** on the East Shear.



- 278 metres of surface RC drilling were completed and near surface gold was intersected on the East Shear within an area of historic diggings.

Best down-hole drill intercepts were announced on 9 July 2010 and were as follows:

- AUZRC 20 - **4 metres @ 7.5g/t** from a vertical depth of 9 metres;
- 3 metres @ 5.6g/t** from a vertical depth of 17 metres;
- AUZRC 6 - **2 metres @ 3.5g/t** from a vertical depth of 9 metres.

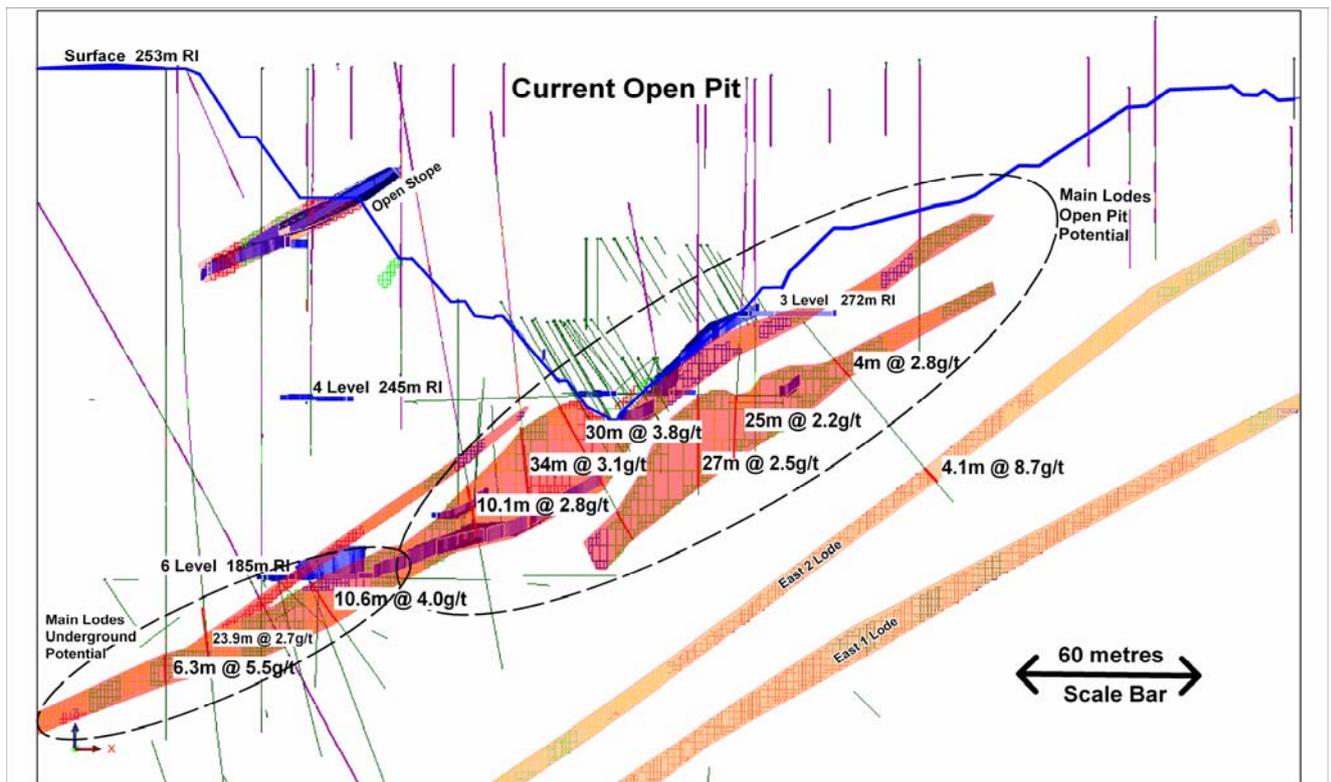


Figure 1: Mt Martin interpreted cross-section 6,568,140 North (+/- 10 metres) with drill holes, underground stopes and current pit outline.

(b) WOOLIBAR FAULT FLEXURE

- Auger drilling continued to define a very large gold-in-soils anomaly in an area of fault splays off the Woollibar fault, and RAB drilling will commence to test the most anomalous areas in September quarter 2010.

(c) WOODLINE NORTH

- Additional auger holes were drilled on a large soil anomaly at Woodline North within a known mineralised corridor, and air-core drilling will test for gold in the regolith in September quarter 2010.

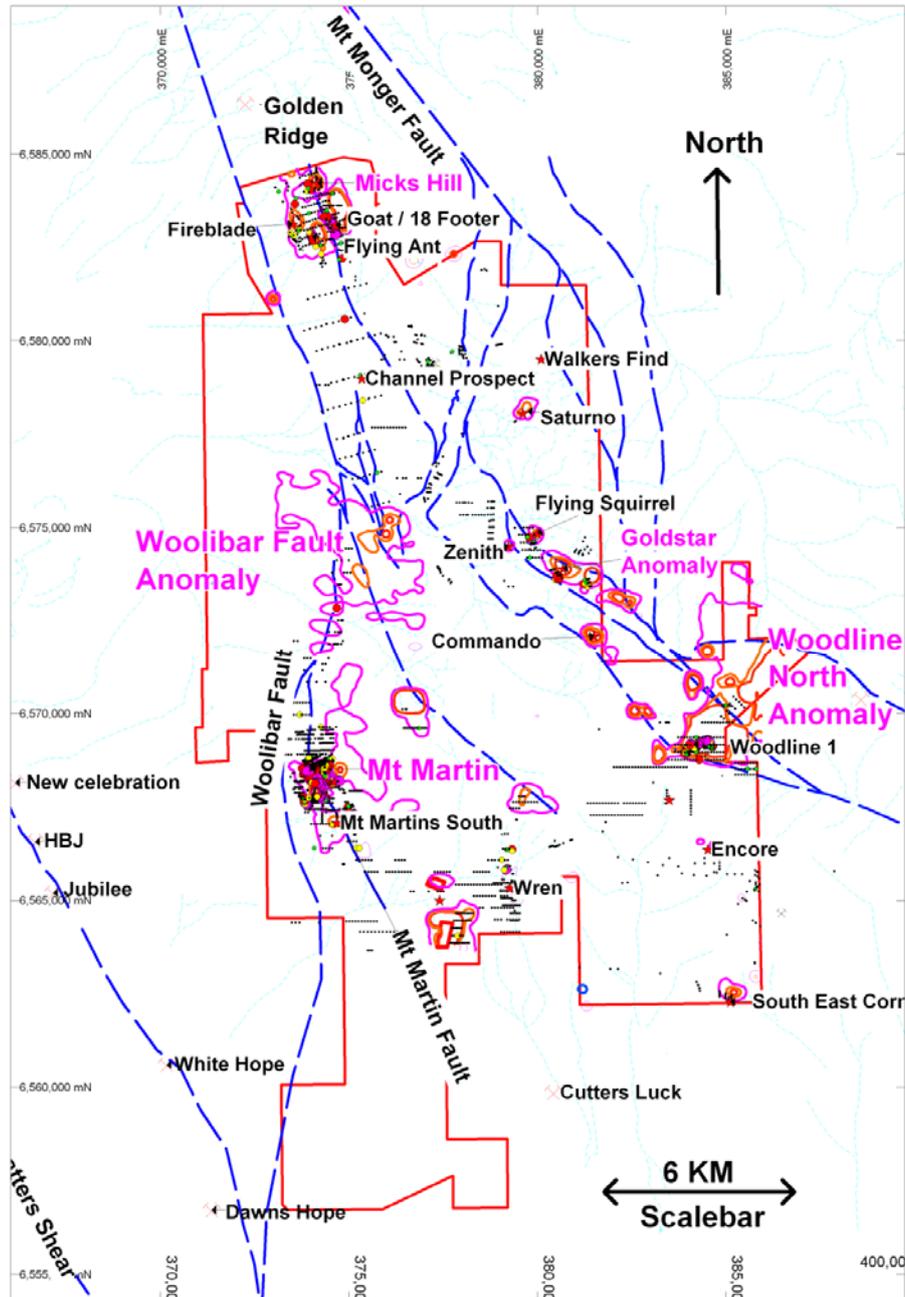


Figure 2: AUZ tenement outline with 10ppb gold in soils contours overlain by drainage, regional faults, drill hole collars and gold target areas.

NICKEL EXPLORATION

GRJV (ASX: Pioneer Resources PIO 56%, AUZ 44% contributing)

- The JV's opinion is that the Golden Ridge project remains very prospective for the discovery of nickel sulphides. The JV has committed funds to complete a series of moving loop and fixed loop EM surveys with a SQUID receiver that will cover areas near the Blair Mine, at anomalies 11 and 20SW (where disseminated nickel sulphides occur) and new targets along the Central Ultramafic Unit.

LEVEL 1, 681 MURRAY STREET, WEST PERTH, 6005

PO BOX 883, West Perth, WA 6872

Tel: (08) 9481 5811 Fax: (08) 9481 5611

Email: office@australianmines.com.au



CORPORATE

At the end of the June quarter AUZ has cash at bank of approx \$1.3m and no debt.

Cash expenditure for the June quarter included exploration expenditure of \$331K.

SUMMARY AND OUTLOOK

Mt Martin gold mine is ideally located near toll milling treatment facilities, and it was therefore pleasing to report that the Company was successful in increasing the resource by diamond drilling.

Additionally the recently completed preliminary open pit optimisation study indicated that an open pit cutback at Mt Martin would be profitable under various treatment and haulage options producing 50,000 – 60,000 ounces of gold at a gold price of A\$1,300/oz Au from outside the current pit shape.

RC drilling was also successful in discovering shallow gold resources on the East Shear at Mt Martin near an area of historical diggings.

A decision will be made in the September quarter on how best to maximise shareholder value from the Mt Martin assets.

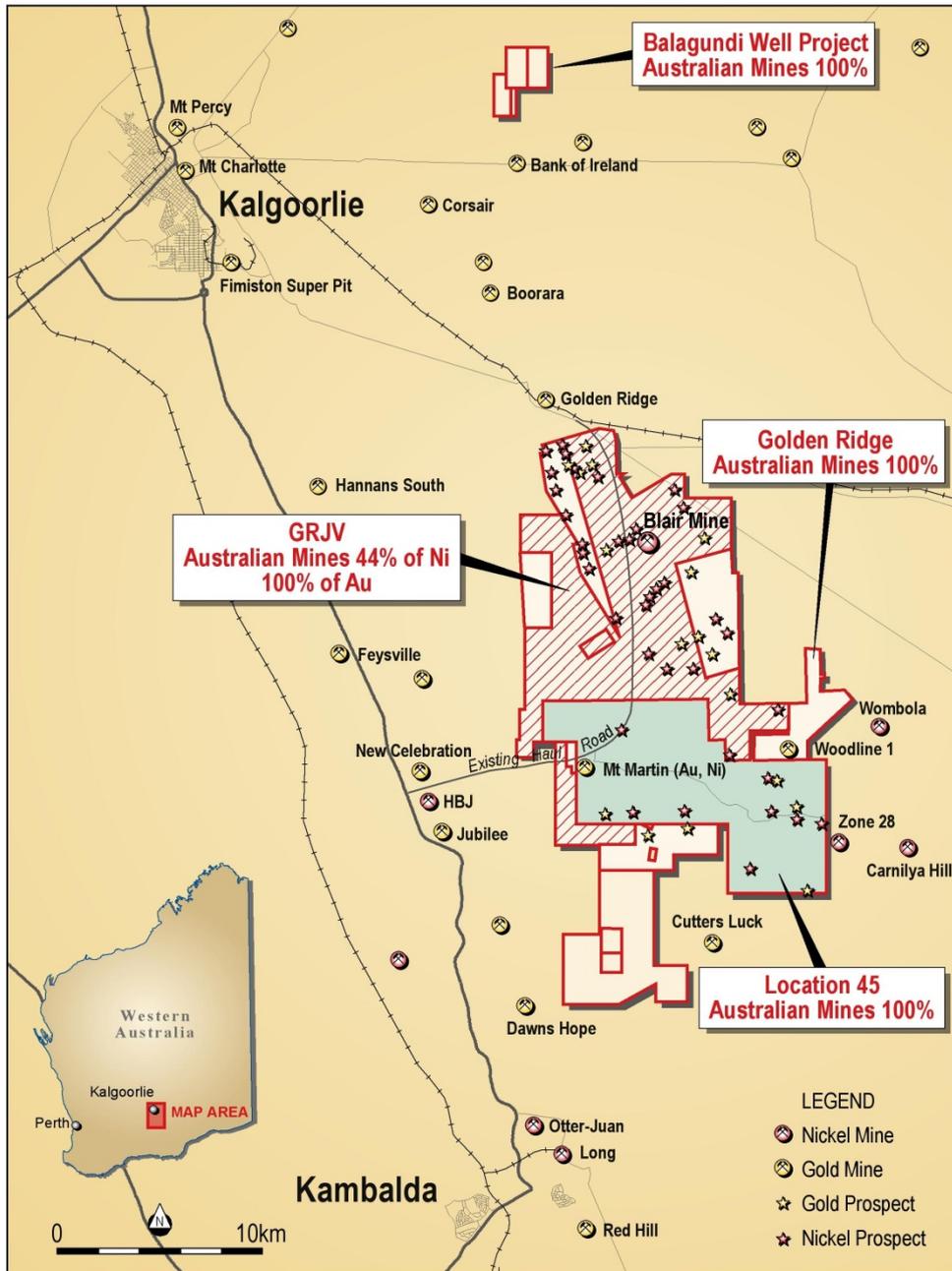
The company has been active in defining new gold-in-soil anomalies at Woodline North and Woolibar Fault, and these will be tested with bedrock drilling in the September quarter.

The Company has also noted an improvement in the nickel outlook with improving demand and nickel price. The GRJV has committed funds to conduct SQUID EM surveys on areas near the Blair mine. The company has retained all of its nickel assets for future exploration.

For further information contact:

Brett Young
Chief Operating Officer
Australian Mines Limited
Tel: 08 9481 5811

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.



Location plan detailing AUZ's tenement holding