

**QUARTERLY REPORT ON ACTIVITIES
FOR PERIOD ENDED 31st DECEMBER 2009**

HIGHLIGHTS FOR THE QUARTER

REGIONAL EXPLORATION

- AUZ regained control of Mt Martin gold mine on 25 January 2010. The mine which has been under a sublease has been a significant producer for Dioro Exploration NL over the last 6 months producing in excess of 15,000 ounces of gold when mining ceased in the pit during January.
- An updated block model for Mt Martin is almost complete which will better define the gold resources available to AUZ from the deposit.
- A surface drilling program is planned to start in the first week of February 2010 to drill down-plunge extensions at Mt Martin and establish a new resource total. Mining optimisation work will also be undertaken.
- A large gold-in-soils anomaly has been discovered on a favourable structural trend at the Woolibar Fault Project.
- Gold-in-soils anomaly has been discovered at Woodline North within a known mineralised corridor.

FINANCE AND CORPORATE

- The Company successfully raised \$910,000 (before costs) through a private placement to clients of Patersons Securities Limited. The funds raised will be used for drilling Mt Martin depth and lateral extensions.
- The Company is debt free with approximately \$2m in the bank.

REGIONAL EXPLORATION

Gold Exploration at Golden Ridge and Location 45

Introduction

The Company's focus for the December quarter was on Golden Ridge and East Location 45 tenements which host the Mt Martin gold mine (which historically produced 180,000 ounces of gold), and the Woodline 1 open pit gold mine (which mined to date approximately 4,000 ounces from shallow oxide ore to a depth of 31 metres).



- A resource model was constructed for the Mt Martin gold orebody and drilling is planned to test below the 6 level workings.
- Infill auger sampling was conducted over a strong gold-in-soils anomaly north of Woodline 1.
- Reverse circulation drilling was undertaken at Woodline 1 to test for down plunge extension to the shallow oxide resource.

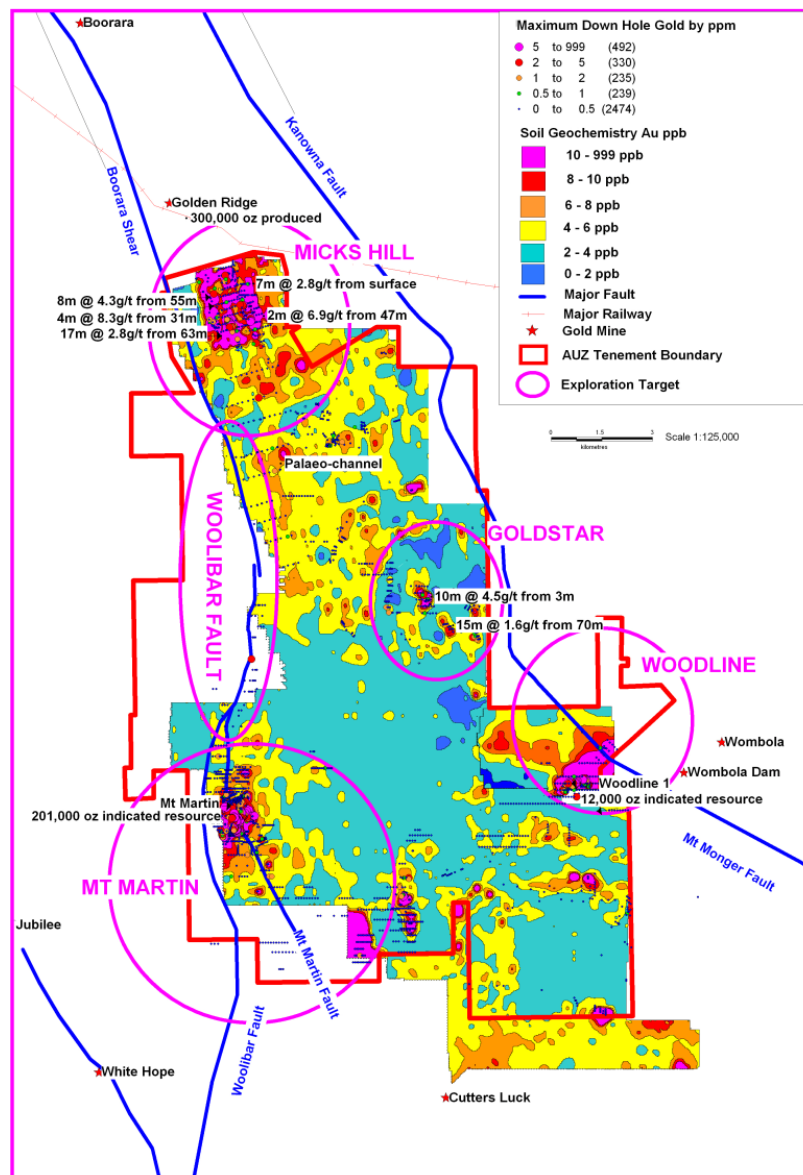


Figure 1: AUZ tenement outline with gold in soils overlain by regional faults and gold target areas.

1. Mt Martin Area

Introduction

The Mt Martin mine operated intermittently between 1923 and 1997, producing in excess of 180,000 ounces of gold from 2 million tonnes of ore from a combination of bulk open pit mining and high grade air leg stoping from three underground levels.

Considerable exploration effort was expended on the Mt Martin area in the period 1967 to 1971 by Great Boulder Mines, including extensive diamond drilling, shaft sinking and ore development driving at Mt Martin itself.

Gold mineralisation is associated with a series of stacked, northwest-plunging, strongly sulphidic quartz-carbonate lodes in altered mafics, within a package of variably sheared and altered ultramafics.

During 2009 Dioro Exploration extracted in excess of 15,000 ounces of gold by steepening the ramp and deepening the bottom of the pit.

Progress during the quarter

The company can now commence exploration at Mt Martin as the Dioro sublease expired on 25 January 2010, and to date the following preparatory work has been completed:

- (a) The company's geologist familiarised himself with the geology of the pit whilst mining was progressed by Dioro, and this detail was compared with historical pit mapping completed by Fractal Graphics in 1996;
- (b) Historical surface drilling and underground workings at Mt Martin were interpreted and modelled using Surpac mining software;
- (c) A drill programme to test the resource model was planned.

Database Review

The known gold system at Mt Martin is 900 meters long and a total of 807 RC and diamond holes have been drilled outside of the pit as follows:

Hole Type	Number
Surface RC	636
Surface diamond	17
Underground diamond	154
Total	807

The analysis of the database below is revealing as it shows that the great majority of the drilling at Mt Martin is in fact quite shallow and there is very little exploration at depth, plus there is a need to redrill where the sampling of historical holes is selective:



- A total of 64 holes have penetrated below 170 metres vertical depth;
- A total of 44 holes have penetrated below 200 metres vertical depth;
- A total of 18 holes have penetrated below 250 metres vertical depth;
- A number of the early diamond drill holes are sampled for nickel but not for gold;
- A proportion of the diamond holes have been selectively sampled for high grade gold, but the surrounding gold halo is not sampled;

Future Work

- The underground mining conducted in the past was at a time of low gold price, and the narrow vein hand held mining methods employed have only extracted a small portion of the available resource. This explains why there is a very significant tonnage of remnant resource above the 6 level workings which will require additional infill drilling.
- The company intends to complete a series of surface drilling programmes designed to confirm and extend the existing resource prior to completing mining prefeasibility studies.
- The first surface drill holes will target the resource model below the deepest workings on the 6 level, which is at 160 metres depth below the natural ground surface.

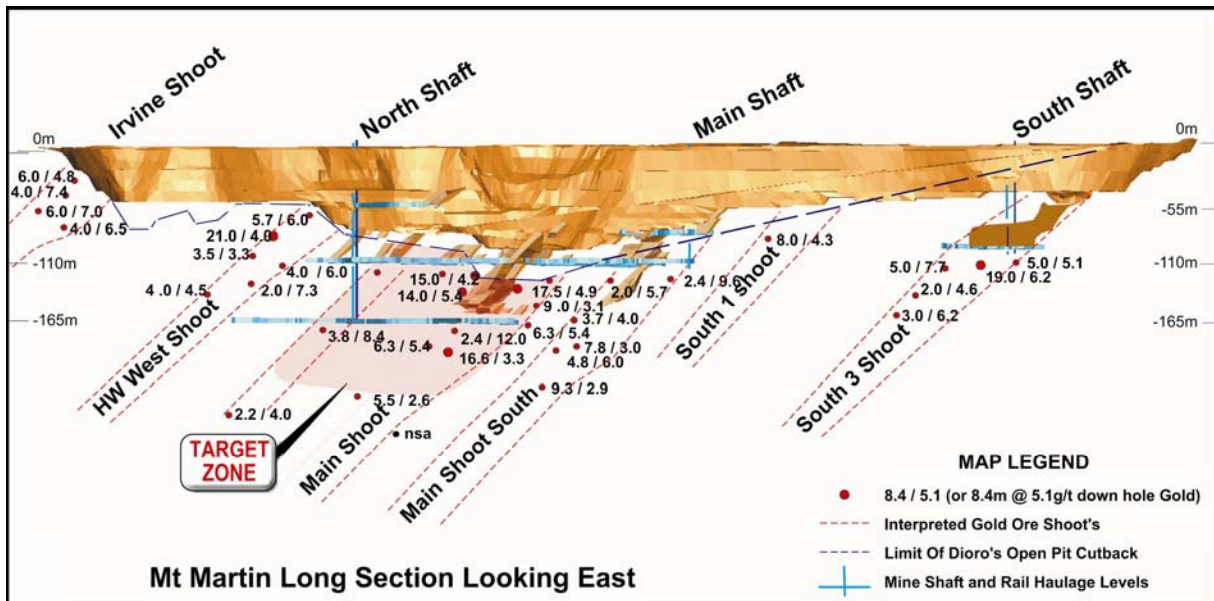


Figure 2: Planned drill holes over the pit outline, interpreted gold shoots and select drill intercepts.

2. Woodline Area

Introduction

The Woodline area is proximal to the Wombola Goldfield on the eastern edge of the company's tenement holding. AUZ has successfully explored by extrapolating the known gold corridors into the company's ground. Initial exploration at Woodline was successful in establishing a resource of 12,000 ozs Au. An initial section of this resource was mined successfully by a Kalgoorlie syndicate producing 4,000 ozs of gold.

Progress during the quarter

The remaining oxide gold resource at Woodline 1 was extended down plunge from the current open pit into fresh rock by RC drilling and an open pit optimisation study was completed indicating some further potential for a cutback on the remaining resource.

Infill auger sampling was completed over a strong gold in soils anomaly to the north of Woodline.

RC Drilling

RC drilling was successful in increasing the gold resource but the last hole drilled was not encouraging and the current interpretation shows that the orebody may be stoped out at depth by an intermediate intrusive. No further drilling is planned at this point in time.

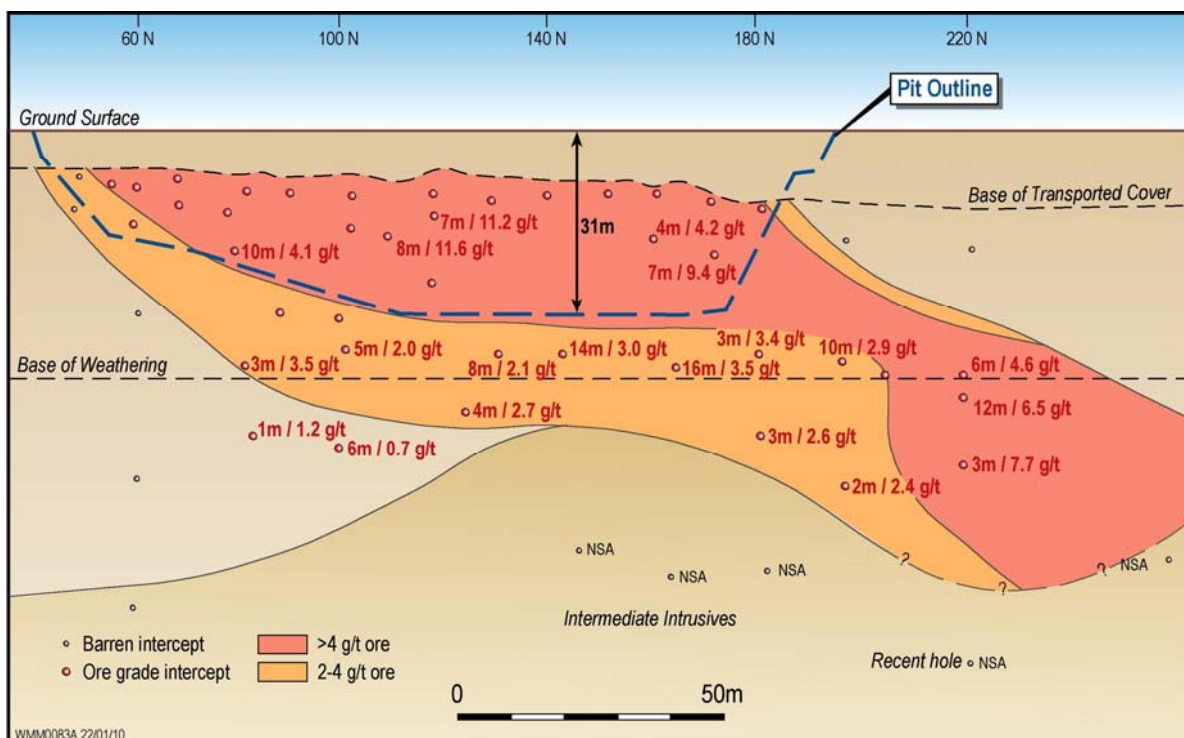


Figure 3: Long section of the interpreted Woodline1 orebody with current pit outline and drill intercepts.

Auger Geochemistry

An infill auger sampling program completed during the quarter was successful in further defining the peak area of a strong surface gold anomaly extending under cover into the company's tenements.

The gold anomaly is within the structural corridor which includes the resource at Wombola Dam (+50,000 ounces), and the known mineralisation at Wombola North.

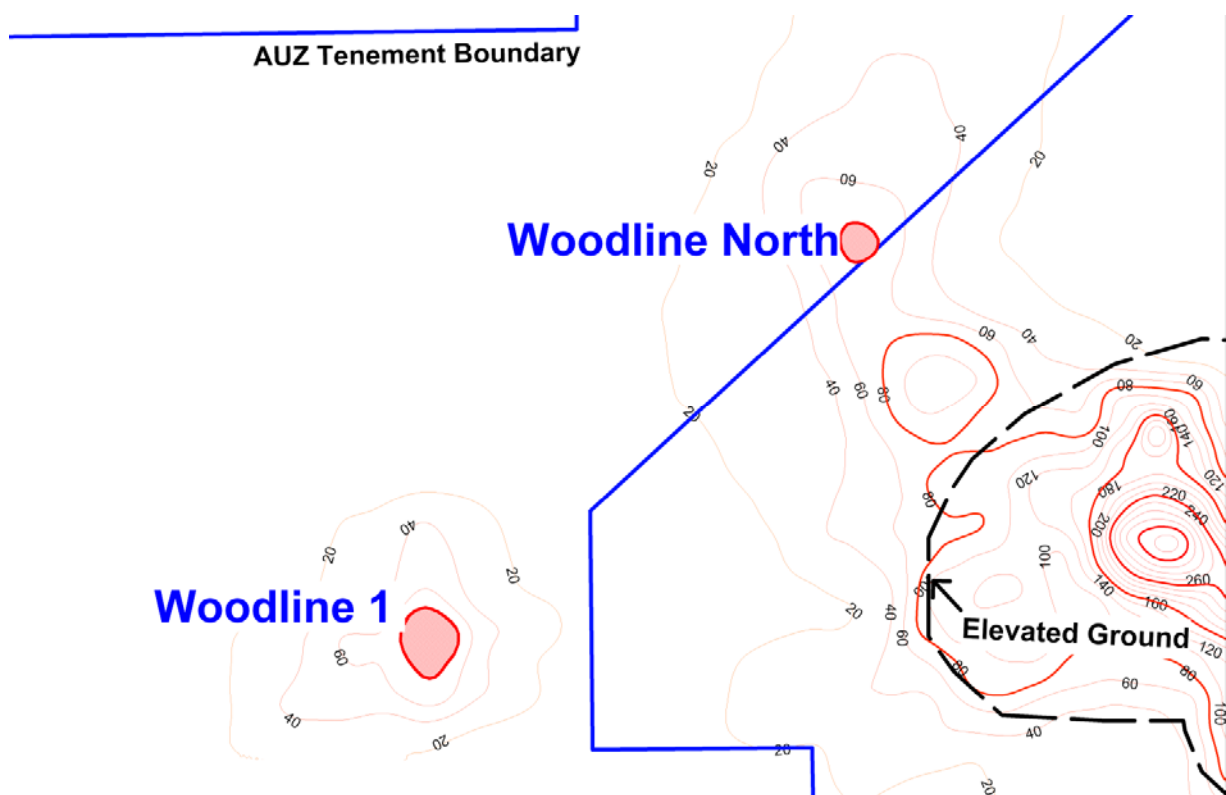


Figure 4: Woodline North prospect with contoured gold in auger assays in 10ppb increments.

Future work

The mining optimisation study at Woodline 1 indicates that an open pit cutback might be feasible at the current gold price, dependent on milling arrangements, and the company will now consider how best to get a return from the project.

The next phase of exploration over the northern soil anomaly will involve an aircore drilling programme to test for regolith anomalism, prior to bedrock testing with RC.

3. Woolibar Fault

Introduction

The Woolibar fault is considered to be a regional feeder fault for gold mineralisation such as the 390,000 ounce Mt Martin camp, which is localised along the second order Mt Martin Fault.

The area north of Mt Martin where the Woolibar fault changes direction was selected as being in a favourable structural setting with suitable host rocks, and this has been confirmed by the discovery of a large gold in soil anomaly.

A geochemical auger sampling programme which was drilled in three phases during the quarter has been highly successful in defining a strong north-west trending surface gold anomaly on the company's tenements in an area with no exploration drilling. The auger holes were drilled to a depth of 1.5 metres into transported cover and the geochemical sample was taken from the most carbonate-rich horizon.

The auger programme over the peak anomalous area is currently drilled at 40 metre spacing along 100 metre spaced east-west lines, and the area of phase 1 exploration coverage has been extended to the north and the east. (Assays are awaited from the January 2010 augers)

Future Work

The soil anomalies do not appear to be transported, but there is a total absence of historic exploration drilling over the area, and depending on the results of the awaited assays the company will drill aircore holes to search the regolith for evidence of primary bedrock mineralisation

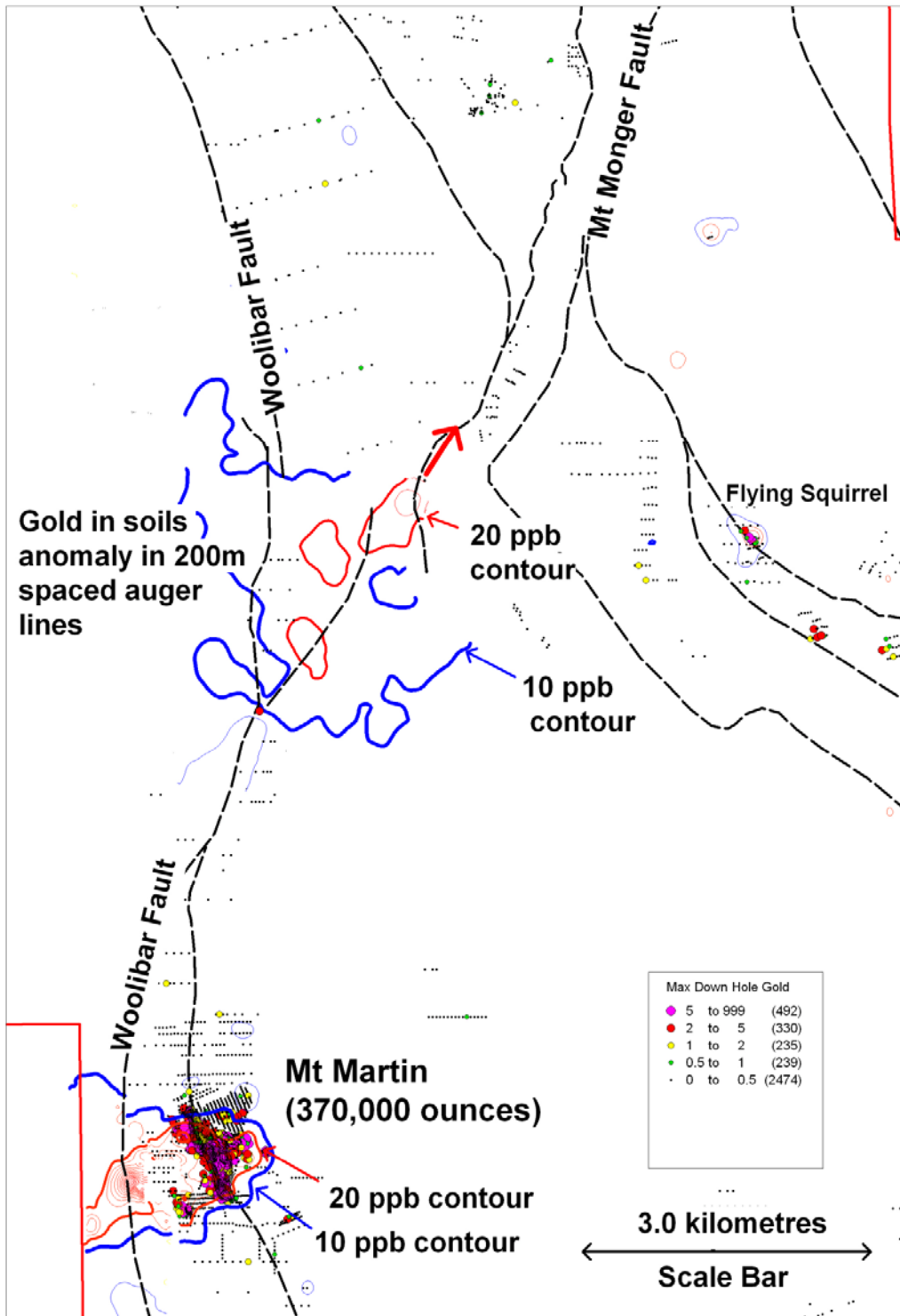


Figure 5: Geochemical auger anomalism at the Woollibar Fault project with 10ppb contour lines and exploration drillholes

4. Tenement Acquisition

The company lodged an application (E26/145) for an exploration licence over 19 km² on the southern margin of the Golden Ridge tenement holdings which now brings the total contiguous area of the company’s Golden Ridge Project to 235 km².

The application covers prospective ground parallel to a prominent flexure in the Boulder Lefroy Fault, which is the recognised feeder fault to the world class gold fields of Kalgoorlie and Kambalda. A preliminary review of the historical data to date has highlighted at least one large gold-in-soils anomaly within application E26/145. Physical exploration on the ground will commence when the tenement is granted.

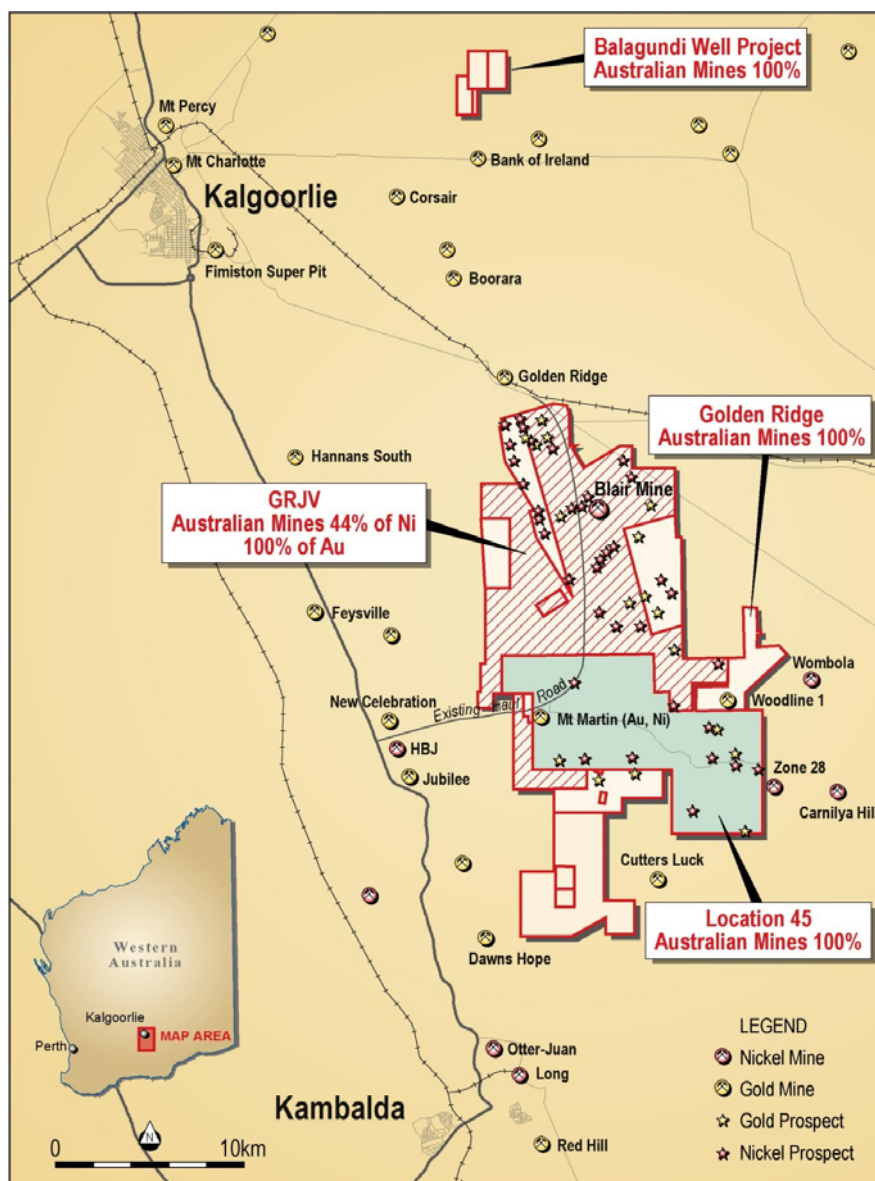


Figure 6: Location plan of the Company’s Golden Ridge tenements.



CORPORATE

AUZ has cash at bank of approx \$2m and no debt. Cash flow for the quarter included sales of the final mine equipment assets totalling \$350K and the final equipment hire purchase contract payments of \$605K.

Funds received also included an instalment for the sale of Woodline gold resources of \$135K with a further \$365K expected in the March 2010 quarter.

Exploration expenditure for the quarter was \$231K.

AUZ has successfully completed a capital raising in December that will supplement further definition and extension drilling of the current resource at the Mt Martin goldmine. The amount that was raised totalled \$911K before costs (\$876K after costs).

SUMMARY AND OUTLOOK

By regaining control of Mt Martin gold mine, AUZ has taken the first step towards its ambition of producing gold from the Mt Martin region which is located 40 km from Kalgoorlie and is ideally located near to the largest gold mining centre in Australia and toll milling treatment facilities.

The Mt Martin mine has historically produced ~200,000 ounces of gold and AUZ has previously announced that the mine has some 213,000 ounces of gold resources across two deposits, Mt Martin and the adjacent Swift deposit.

Mt Martin would now become the primary focus for the company going forward. The AUZ goal is to further upgrade the current resource and extend the resource along strike and down plunge in the near term and complete mining optimisation studies using the improved gold price.

Mt Martin already has a JORC-compliant gold resource, as well as several ready-to-drill targets which will expedite exploration activities.

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.