

**QUARTERLY REPORT ON ACTIVITIES
FOR PERIOD ENDED 30th SEPTEMBER 2009**

HIGHLIGHTS FOR THE QUARTER

REGIONAL EXPLORATION

- The company drilled 2 RC holes down plunge of the Woodline 1 gold orebody and intersected **12m @ 6.7g/t Au** in AMRC 131 and **3m @ 7.7g/t Au** in AMRC132.
- The company completed a broad spaced auger geochemical sampling program over recently granted tenements to the north of Woodline, which located a strong **+90 ppb** gold anomaly.
- An application was lodged for a group of four prospecting licences over a conceptual gold target at Balagundi North, and an application was lodged for an exploration licence on the western margin of the Golden Ridge tenements.
- The lease over **East Location 45**, which contains the Mt Martin gold mine and also the Goodyear nickel project, has been extended for another 10 years to 2021.
- **Mt Martin gold mine** data is now being analysed for the imminent return of the Mt Martin gold mine on 25 January 2010. The Company is preparing a remodelled ore resource and is planning an exploration program for this resource.

FINANCE AND CORPORATE

- After the completion of a successful restructure and a capital raising of \$5.6m (before costs), the company has been able to pay outstanding creditors and recommence its planned strategy of exploring for gold in the September 2009 quarter.
- During the September quarter, all trade creditors were paid in cash from the proceeds from the capital raising.
- The Company has re-emerged from suspension with its securities re-instated on ASX having no debt, with approximately **\$1.8m cash in hand** to pursue its new gold focus.

REGIONAL EXPLORATION

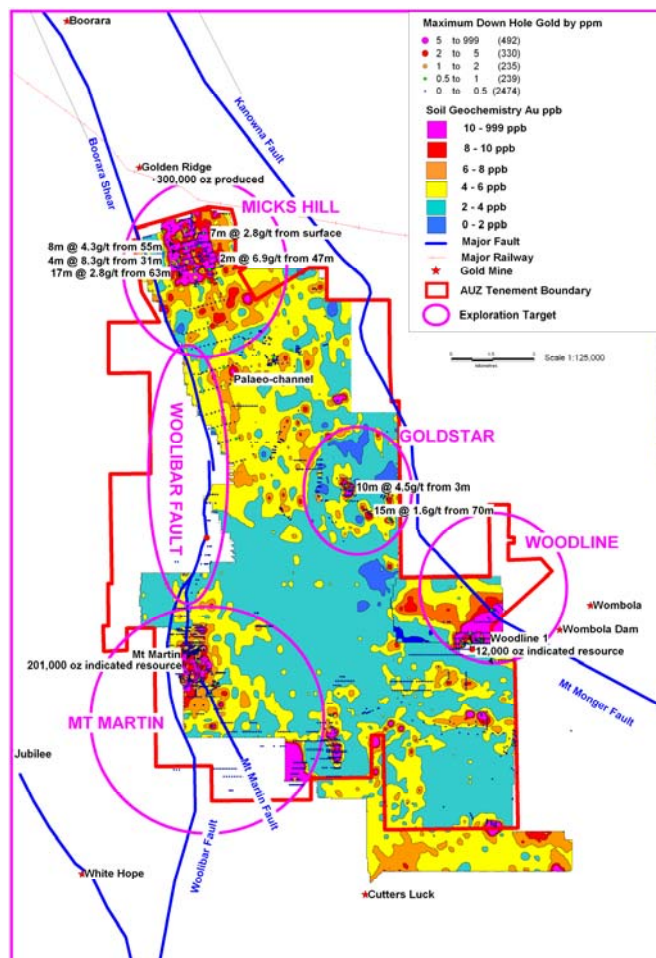
Gold Exploration at Golden Ridge and Location 45

Introduction

The Company's focus for the September 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).

Physical exploration activities were resumed during the quarter at the Woodline target area, and desk top studies were progressed at the Mt Martin target area.

During the quarter the company was granted a 10 year extension to the lease of East Location 45 with the option to extend for another 10 years after that, which secures the gold resources at Mt Martin and the nickel resources at Goodyear, as well as considerable nickel and gold exploration potential across the lease.



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

1. Woodline Area

Introduction

The Kalgoorlie Mining Syndicate that acquired the right to mine the Woodline resource from AUZ for \$900,000 has successfully completed the first stage of mining of the Woodline 1 pit during the quarter. The mining rights have now reverted back to AUZ. Exploration activities on the project have recommenced with the aim of extending the resource down plunge.

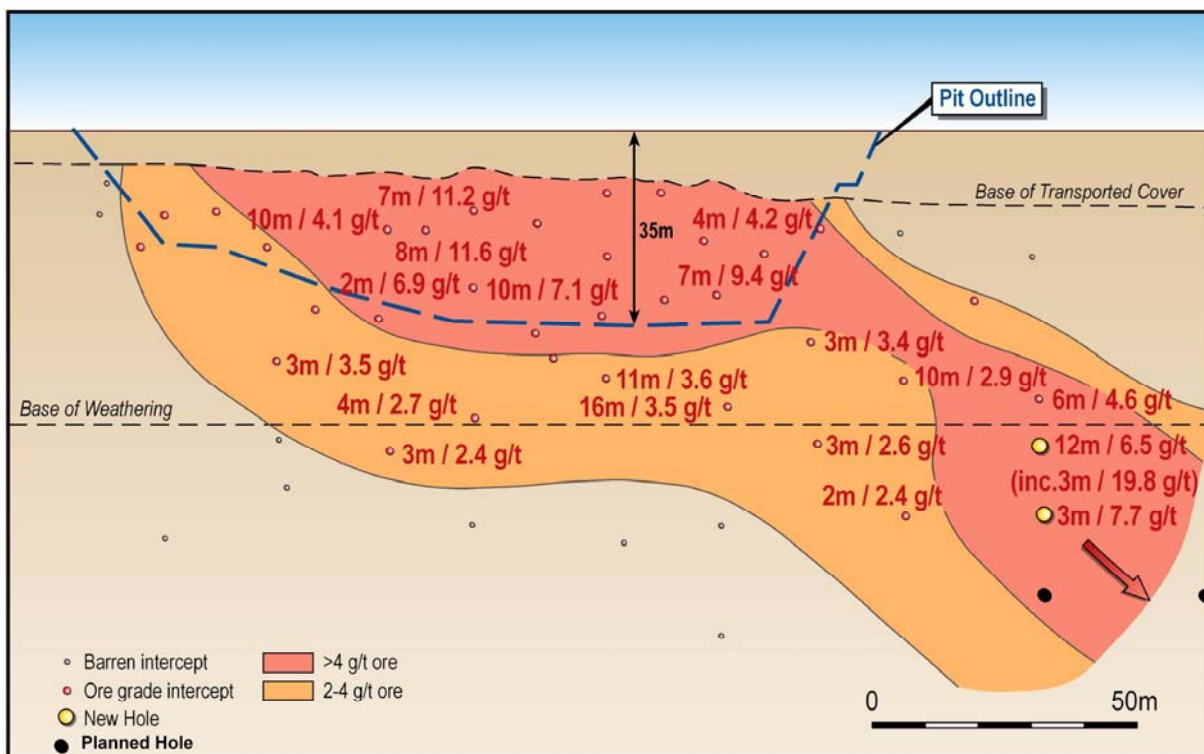
Progress during the quarter

The exploration effort involved RC drilling at Woodline 1 and auger geochemical sampling of the recently granted tenements to the north.

RC Drilling

A two-hole RC drilling program successfully tested for down-plunge ore at Woodline 1 by producing intercepts of **12m @ 6.7g/t Au** in AMRC131 and **3m @ 7.7g/t Au** in AMRC132.

Additional holes targeting down-plunge extensions have been planned and it is anticipated that a rig will drill the holes early November.



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

Auger Geochemistry

A geochemical auger sampling program which was drilled during the quarter was highly successful in defining a strong surface gold anomaly on the company's tenements.

The auger holes were drilled every 80 metres along 320 metre spaced east- west lines. 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 surface gold anomaly may represent a buried gold system and the next phase of exploration will be to infill drill to a pattern of approximately 50 metres by 70 metres over the most anomalous area, which has a peak value of 90 ppb gold directly across the boundary from a 255 ppb soil sample on the neighbouring tenement owned by Cortona Resources Limited (ASX: CRC).

The north-west trending soil anomaly presents on the adjoining tenements as a series of outcropping gold reefs (hosted in dolerite) on elevated ground at the Wombola Dam pit, for which Cortona Resources has published an Indicated and Inferred Resource of 557,000 tonnes at 3.0g/t gold. At Wombola Dam North there are shallow RC intersections such as 6m @ 6.25g/t and 3m @ 3.6g/t gold under transported cover (hosted in dolerites and porphyries in shale).

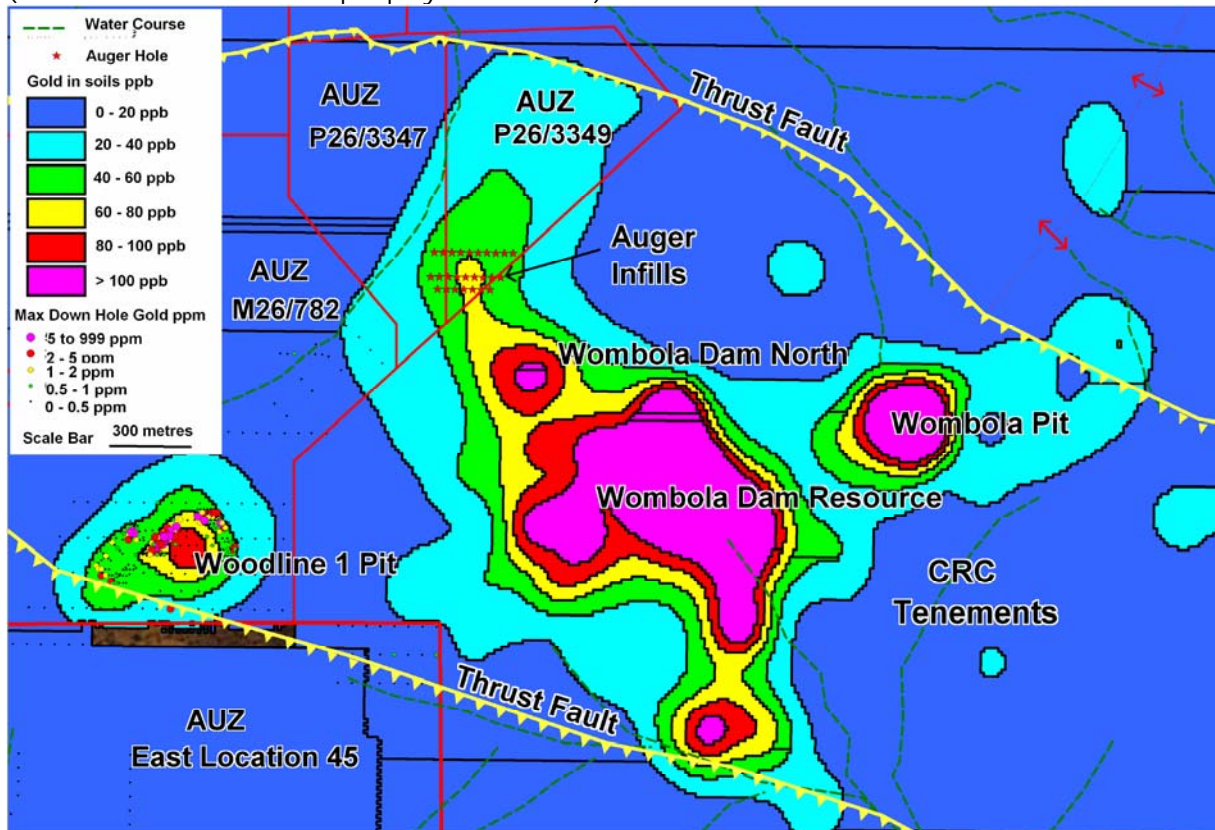


Figure 1: Geochemical auger anomaly on P26/3347 and P26/3349

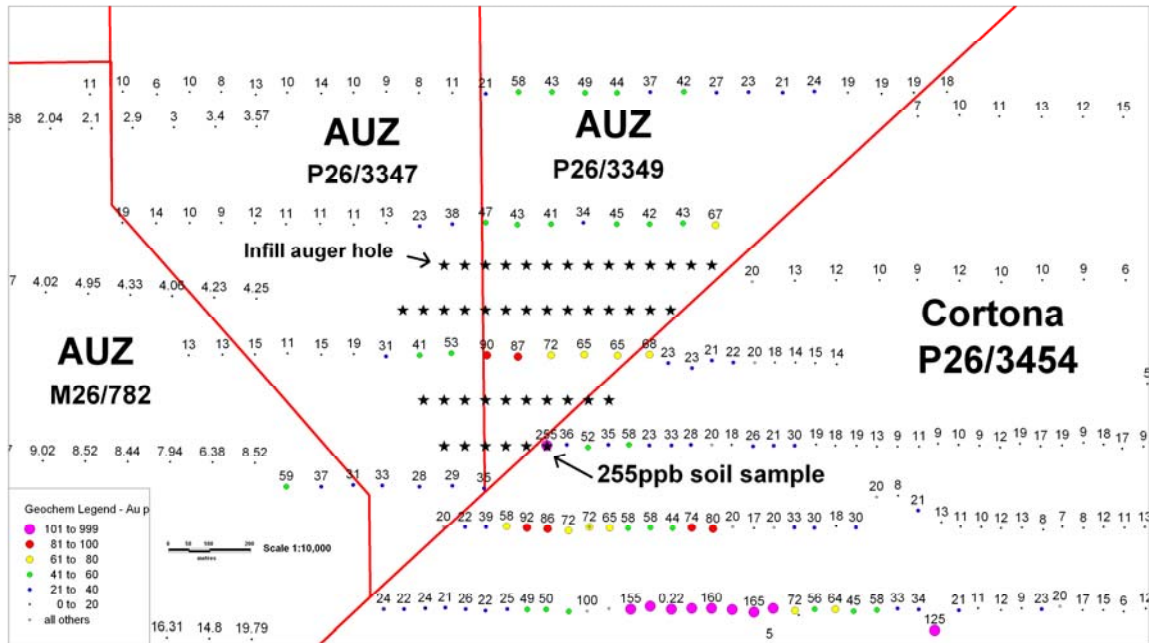


Figure 2: Infill auger geochemical program for P26/3347 and P26/3349

Future work

An infill auger program will be drilled on P26/337 and P26/3349 to define a bedrock drilling target.

RC drilling will continue to expand the resource base at Woodline 1 after which a preliminary mining optimization study will be completed.

2. Mt Martin Area

Introduction

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 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.

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.

Dioro Exploration NL(ASX:DIO) has subleased Mt Martin gold mine until 25 January 2010. During the quarter Dioro was active in mining ore from the floor of the existing open pit, but they did not undertake any cut back of the existing pit walls.

Progress during the quarter

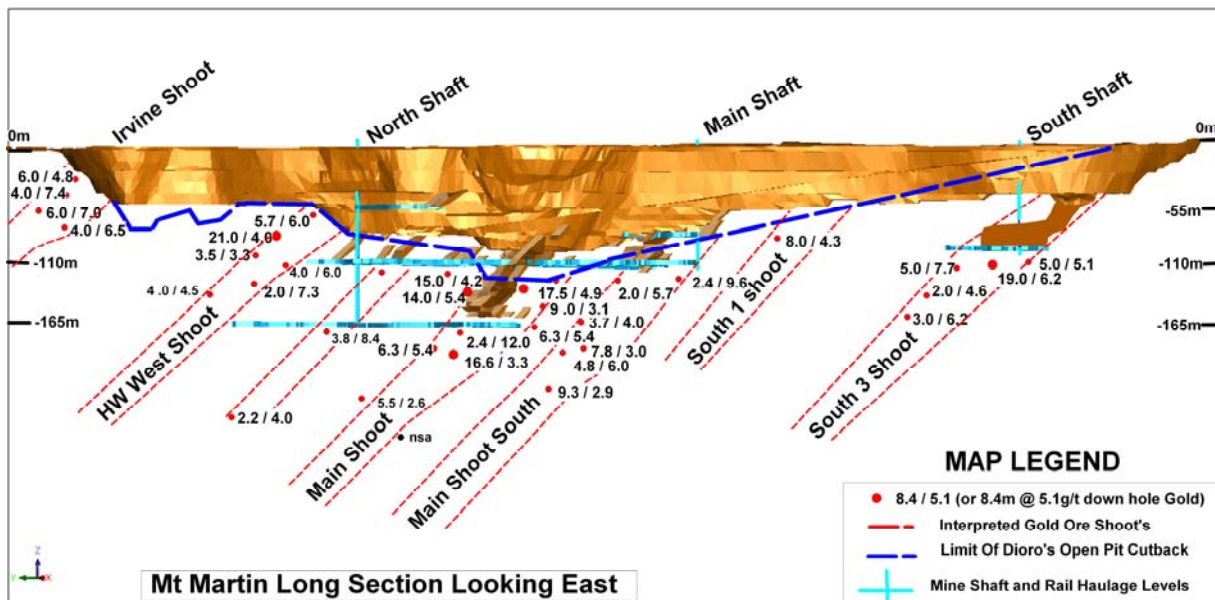
The company intends to restart exploration at Mt Martin when the Dioro sublease expires, and to date the following preparatory work has been completed:

- (a) The nearby Swift Resource was remodelled for an Indicated Resource of 130,000 tonnes at 2.56 g/t gold and down-plunge drilling was planned. The drilling is planned to commence when E26/139 (containing the Swift resource) is granted.
- (b) The historical surface drilling and underground workings at Mt Martin were interpreted and modelling of the orebody below the Dioro working bench commenced. Historic survey control underground is inconsistent and further work will be necessary to produce an accurate model.

Future work

Once the drill hole database and the underground working files are remodelled a surface diamond drilling program to test the down-plunge projection of the known ore shoots will be planned. Exploration drilling is expected to commence in the March quarter.

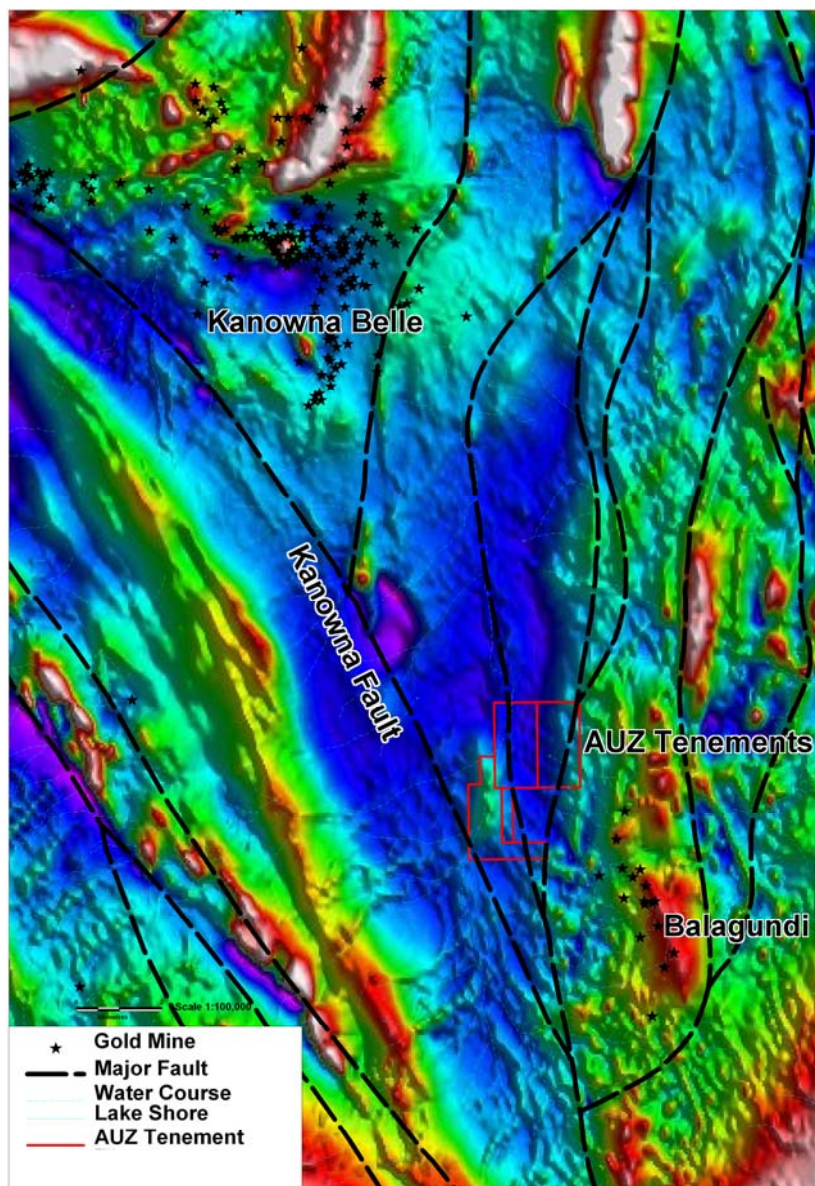
The Dioro pit design with existing underground stopes and select diamond drill intercepts is presented below:



3. Balagundi North Project

An application was lodged for four prospecting licences at Balagundi North which is located 35 kilometres due east of Kalgoorlie in an area covered by quaternary sediments.

The tenements cover a conceptual bedrock target which presents as a magnetic high proximal to a change in strike of the Kanowna Fault, which is recognized as a key regional feeder fault. Physical exploration on the ground will commence when the tenements are granted.



Balagundi North tenements over aeromagnetics, regional faults and gold mines.

CORPORATE

Recapitalisation

During the September 2009 quarter the Company has completed a restructure plan as detailed below.

Originally, the Company negotiated an underwritten entitlements issue to shareholders and also a settlement with trade creditors.

Subsequently the proposed strategy was revised. The proposed issue of shares in settlement of outstanding liabilities to creditors was changed to a placement of shares to sophisticated investors of Patersons Securities Limited, part proceeds of which, together with part proceeds of the entitlement issue, would be immediately directed towards satisfying creditors' liabilities. This was completed on 12 August 2009 along with the entitlements issue to shareholders and resulted in \$5.6m before costs being raised.

The Company was able to satisfy all compliance issues and reporting obligations and was subsequently reinstated on the ASX on 13 August 2009.

Settlement of Outstanding Liabilities to Creditors

During the quarter the Company paid all outstanding liabilities to trade creditors from the recapitalisation on 18 August 2009 and has cash on hand of \$1.8m at the end of the September quarter..

Renewal of Lease on East Location 45

The head lease on East Location 45 was renegotiated in September 2009 for a further 10 year period to 25 January 2021. This gives the Company security over the 90 km² of valuable gold and exploration ground where the company has announced gold resources at both Mt Martin gold mine and nickel resources at the Goodyear Project.

SUMMARY AND OUTLOOK

The company is looking to explore and develop its gold interests which have been underexplored for gold while the tenements have been in the hands of nickel miners.

The gold interests include the Golden Ridge tenements in near proximity to the Golden Ridge Mine which historically produced 250,000 ounces, East Location 45 which contains the Mt Martin gold mine (currently sub-leased to Dioro Exploration NL until 25 January 2010) which historically produced 180,000 ounces of gold and, as reported by Dioro, hosts an Indicated Mineral Resource containing approximately 200,000 ounces of gold. Additionally, the Company has also previously reported resources containing 12,000 ounces of gold at the Woodline Project.

The Company has also retained all its nickel assets (containing some 28,500 tonnes of Ni) and, as the nickel price recovers, the Company will review the options of these assets to maximise the return to shareholders.

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 M Elias who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Elias is employed by CSA Global Pty Ltd and is a Non-Executive Director of AUZ. Mr Elias 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 Elias has consented to the inclusion of the information in the form and context in which it appears

