

QUARTERLY REPORT ON ACTIVITIES FOR PERIOD ENDED 31st MARCH 2008

HIGHLIGHTS FOR THE QUARTER

PRODUCTION

BLAIR MINE

- Production of 15,008 tonnes of ore at 2.84% nickel for 426 contained nickel tonnes was achieved in the March quarter. This represents the most productive quarter from Blair since the June 2005 quarter and a 47% increase on the preceding quarter
- The March quarter result reaffirms that nickel production rate is now at a sustainable high level that is expected to increase further in coming quarters.
- The monthly production for March of 5,108 tonnes at 3.03% nickel for 88.3 payable nickel tonnes was the highest individual monthly production since November 2005.
- Jumbo development at Blair totalled 494m for the March Quarter of which 137m was in the Main Decline.
- The major capital development program at the bottom of the mine continued during the quarter with the Main Decline now surpassing 1000 vertical metres, giving further access to the Blair Deeps resource.
- The quarter saw mining at the 960m RL & 978m RL on the BO1 shoot commence for the first time. This stoping horizon in the middle of the mine has opened up another independent mining level at Blair at a relatively shallow depth. The ore produced from this area is expected to increase as stoping continues upwards.
- For the quarter, 66% of the nickel production was sourced from the higher grade Blair Deeps area of the mine which has achieved a 14% over call for the March quarter in contained nickel metal relative to resources in the published 30 June 2007 Resource and Reserve Statement.
- The Blair Deeps resources consist mainly of the E03 and C01 shoots which have been mined during the quarter at grades above 3.18% and 4.87% respectively

BLAIR MINE EXPLORATION

- Blair Deeps resource drilling commenced late in the quarter with early success in the E03C and L03C shoots at depths up to 55m below the current deepest workings.

Downhole intersections returned to date are:

E03C

- **AMUG293** 11.85m @ 4.06% Ni
- **AMUG295** 5.10m @ 9.90% Ni

L03C

- **AMUG293** 5.40m @ 3.32% Ni
- **AMUG294** 5.17m @ 4.50% Ni
- **AMUG295** 5.50m @ 1.78% Ni

- **AMUG300** **9.90m @ 3.08% Ni**

N03C

- **AMUG303** **8.20m @ 1.97% Ni**

- Initial interpretation of the E03C drilling suggests the plunge of the shoot may be flattening below the bottom workings on the shoot. As such, the shoot may deliver an increase in tonnes of nickel metal per vertical metre.
- Strong stringer massive and matrix sulphides seen in the L03C shoot intersections indicate that the shoot may be strengthening at depth.
- **N10 Structure**
DHEM modelling has indicated a highly conductive 25m x 70m 10,000S plate on the N10 structure (approximately 250m north of Area57). The interpreted plate is to be tested by drilling.

REGIONAL EXPLORATION

- A maiden Inferred Resource estimate at the Goodyear Project on East Location 45 has been calculated after reinterpretation of previous drilling.
- The Goodyear Inferred Mineral Resource stands at: -

387,000 tonnes at 4.13% Ni for 16,000 Ni tonnes

FINANCE AND CORPORATE

- March quarter production achieved an unaudited EBITDA of \$2.3m and a Net Profit of \$0.7m after amortisation and depreciation.
- The company received a price of A\$14.34/lb (A\$15.22/lb Dec Qtr) including 90 day final price adjustments for the quarter.
- Direct operating cash costs were A\$10.20/lb (A\$13.72./lb Dec Qtr). Total mined costs (including capital) were A\$12.58/lb (\$16.38/lb Dec Qtr). This represents a 23% reduction in unit costs from the preceding quarter. Higher planned production over the coming quarters as the mine accesses higher grade ore in Blair Deeps will result in further reduced mined costs per lb.
- At the date of this report, ***mined production hedged is 149 tonnes at US\$30,837/t*** which represents 62% of March quarter production.

BLAIR MINE

Production and Development

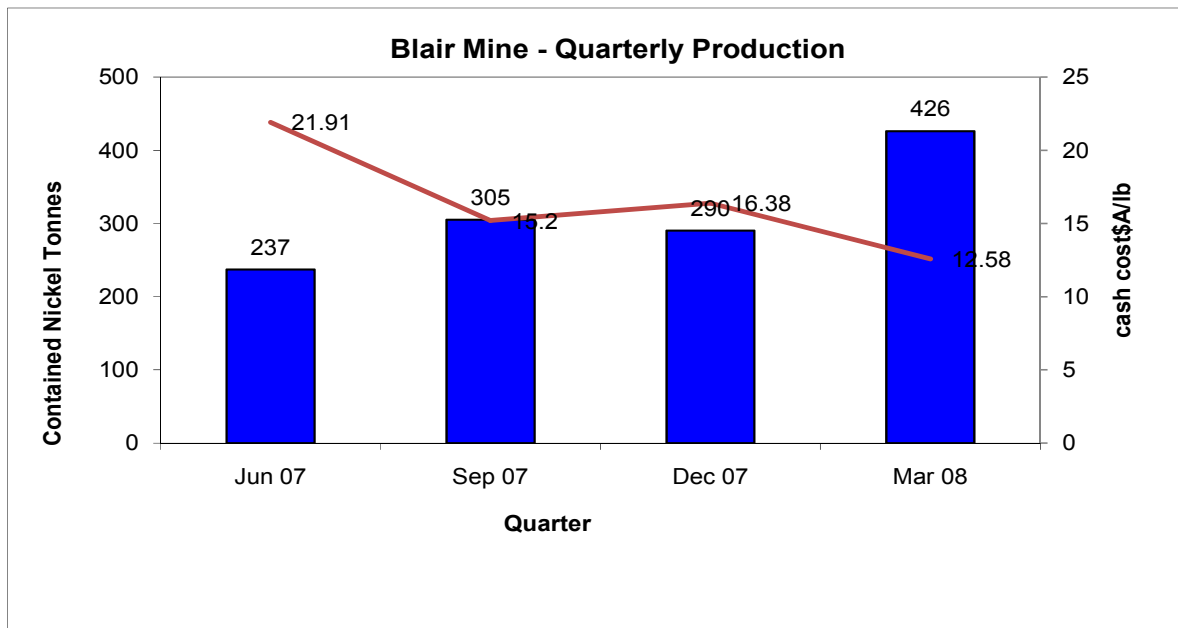
Production statistics for the Blair Mine are given below:

		Jun-07	Sep-07	Dec-07	Mar-08
Ore Mined	Tonnes	10,059	11,027	10,375	14,699
Cont Ni Mined	Tonnes	236	319	293	417
Ore Treated	Tonnes	10,039	10,788	10,545	15,008
Grade	% Ni	2.36	2.83	2.75	2.84
	% Cu	0.14	0.16	0.17	0.16
Contained Ni	Tonnes	237	305	290	426
Recovered Ni	Tonnes	200	267	252	374
Payable Ni	Tonnes	128	171	161	239
Payable Ni	Lbs	282,189	376,987	354,944	526,905
Nickel (Spot) Price (received)	A\$/lb	26.30	15.82	14.88	14.53
Final Price received incl 90 day adjustment**		26.50	10.22	15.22	14.34
Operating cash cost	A\$/lb	14.00	11.08	13.72	10.20
Total cost with capital development	A\$/lb	21.91	15.20	16.38	12.58

* Prior period unit costs have been recalculated to reflect the cost per tonne on Ni payable as per the Nickel West toll treatment agreement where a deduction is made from revenue for treatment. This therefore adds toll treating and cartage to the cash costs including state royalties and administration.

** The final price received from Nickel West on production adjusted for final 90 day price.

- Contained nickel metal in ore milled for the quarter was 426 tonnes, the most nickel produced from Blair since the June 2005 quarter. Stopping areas are now being sourced directly off the main decline down to the 350 level, significantly reducing the rehandling of ore before delivery to the surface.
- Average mined grade for the quarter was 2.84% Ni, the highest recovered grade from Blair since December 2006. As a higher proportion of nickel production is expected to come from the Blair Deeps area into 2008, the grade is expected to increase significantly.
- The Main Decline has now reached the 350mRL and the lowest ore source is now the 350 C01 stope, 1010 vertical metres below the surface.



The direct operating cash costs for the quarter were A\$10.20/lb of nickel payable (Dec quarter A\$13.72/lb). Unit cash costs are lower as mining progresses to higher-grade sections of the mine and nickel production increases.

Total costs including the capital costs associated with the main decline development were A\$12.58/lb of nickel payable (Dec quarter A\$16.38/lb).

Once again, the majority of nickel production in the March quarter came from the E03 and C01 ore shoots in the Blair Deepes area, which continue to outperform current stated reserves (14% more contained nickel for the March Quarter against stated reserves).

Ore was also sourced from the B01C shoot for the first time at the 960m RL and 978m RL. So far, the ore recovered from these stoping areas has performed well against reserve and is expected to improve further as the stoping area progresses upwards.

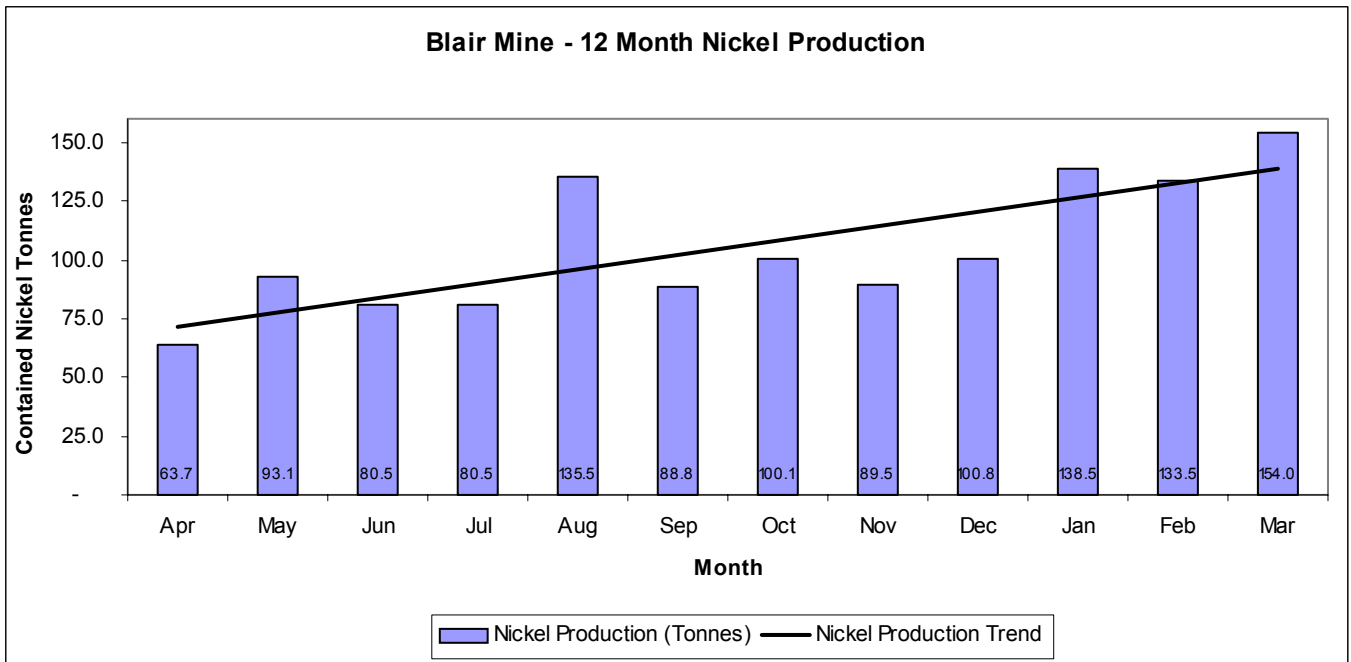
The L01C orebody, accessed from the 860m RL, also outperformed stated reserves (27% more contained nickel for the March Quarter against stated reserves). Whilst the stope is expected to reach the extent of its original design in the June 2008 Quarter, it is likely that stoping will continue vertically upwards to recover additional nickel ore.

Area 57 continued to produce ore from the 1047 stope and the 1025 stope. This area is approaching the end of its mine life and will be mined out by the end of the June 2008 Quarter.

Approximately 66% of the quarter's production was sourced from Blair Deepes, 28% from the B01C and L01C and the remaining 6% from Area 57.

The increase in mined grade for the quarter is indicative that the Blair Deepes ore shoots are improving with depth and that mining is progressing past the generally less strongly mineralised zones that were mined over the last six months. All mining in C and E shoots for the quarter resulted in average ore grades of 4.87 % and 3.18% respectively

Current quarterly nickel production is forecast to improve, as further working levels are developed in Blair Deepes in line with the trend for nickel production for the past 12 months.



As at the end of March, the Main Decline had reached approximately 350m RL following completion of 137.2 metres of decline-only development during the quarter.

The two boom jumbo and single boom jumbo completed 310.6m and 183.8m respectively for a total of 494.4m of jumbo development during the quarter.

The underground diamond drill program is planned to continue in the June quarter to extend current known reserves below the 300m RL on the Blair Deeps ore shoots.

Safety

There were no Lost Time Injuries (LTI) recorded at the Blair Nickel Mine during the quarter.

There was one (1) injury sustained during the quarter which required medical treatment, where no time was lost.

The site target is to reduce the severe injury frequency rate (SIFR) from 121 in September 2007 to 60 and this will require at least four successive months without an LTI or medically treated injury (MTI). The Current SIFR stands at 78.

Blair Nickel Mine 12 Month Rolling Safety Performance - FREQUENCY RATES													
Average Number of Employees	Man Hours	Number of LTI's	Number of MTI's	Number of MI's	Number of Incidents	LTI FR	LTI IR	SI FR	SI IR	MI FR	MI IR	I FR	I IR
59	140585	2	9	31	86	14	3	78	16	221	44	612	122

ACCIDENT STATISTICS – 12 MONTH ROLLING AVERAGE.

MINE EXPLORATION

BLAIR MINE EXPLORATION (AUZ 100%)

Introduction

Exploration diamond drilling for the early part of the quarter was concentrated in the upper levels of the mine testing for local extensions to known ore shoots and, towards the end of the quarter, shifted to the bottom of the mine to commence the 2008 Blair Deeps ore resource drilling. Fifteen underground diamond drill holes for 1,705m were completed in the March quarter:

Area 57

Two holes were drilled testing for remnant mineralisation down plunge of the 1047/1033 producing stope. Narrow mineralisation was intersected that does not warrant development at this stage.

- **AMUG290** **1.60m @ 1.99% Ni**
- **AMUG291** **0.30m @ 0.72% Ni**

A single hole (AMUG288) was drilled into the N10 sediment/ultramafic contact structure below an intersection of 0.97m @ 5.35% Ni in a surface hole (GOD79) drilled by WMC in 1993. AMUG288 returned a downhole intersection of 0.50m @ 2.22% Ni from the sediment/ultramafic contact. DHEM in GOD79 has generated a very strong edge hit anomaly intersecting GOD79 at ~269m downhole coincident with intersected nickel sulphides. Modelling indicates a 25m x 70m steeply westerly dipping plate of high conductance (~10,000S) to the south and above AMUG288 coincident with the N10 structure. This plate is to be tested by drilling upon completion of the 2008 resource drilling programme.

Blair Deeps

2008 resource drilling commenced at Blair Deeps in early March with significant early success from E03C, L03C and N03C shoots, as reported to the ASX on 25 March, 31 March, 2 April and 22 April. Resource drilling will continue into the June quarter.

E03C

Strong intersections of massive sulphide have been returned from E03C shoot up to 55m below the current deepest workings on the shoot. Initial interpretations of the drill results indicate the plunge of the shoot may be flattening below the bottom workings on the shoot. If this interpretation is correct the shoot may deliver an increase in tonnes of nickel metal per vertical metre.

Downhole intersections returned from E03C shoot thus far are:

- **AMUG293** **11.85m @ 4.06% Ni**
- **AMUG295** **5.10m @ 9.90% Ni**

L03C

Significant intersections have been returned from L03C shoot up to 50m below the current deepest workings on the shoot. These intersections suggest the shoot has faulted to the south and from the presence of stringer massive and matrix sulphides in the intersections, may be strengthening at depth. Downhole intersections returned from L03C shoot to date are:

- **AMUG293** **5.40m @ 3.32% Ni**
- **AMUG294** **5.17m @ 4.50% Ni**
- **AMUG295** **5.50m @ 1.78% Ni**
- **AMUG300** **9.90m @ 3.08% Ni**

N03C

The first intersection returned from the programme shows N03C shoot continuing below the current workings with mineralisation widths and grades as expected.

Downhole intersection returned from N03C shoot is:

- **AMUG303** **8.20m @ 1.97% Ni**

B01C

One hole has been drilled to test for the down dip extension of mineralisation developed on the 380 level. A narrow seam of massive sulphide has been intersected and the area of the intersection is to be examined by development in the June quarter.

Downhole intersection returned from B01C is:

- **AMUG296A** **0.60m @ 1.81% Ni**

Planned Work for the June 2008 Quarter.

Blair Deeps Resource Drilling

Resource drilling of Blair Deeps will continue into the quarter to extend the resources to at least the 200mRL, a depth of 170m below the deepest current working level.

Area 57

Drill testing of the DHEM plate generated above and to the south of AMUG288.

Hole Number	Northing (m)	Easting (m)	RL (m)	Azi deg	Dip deg	EOH Depth (m)	From (m)	To (m)	Intercept (m)	Ni (%)
AMUG293	6578945	376823	379	275	-24	121.6	61.2	66.6	5.4	3.32
							77.5	89.35	11.85	4.06
AMUG294	6578944	376823	379	272.5	-38.2	131	62.6	67.77	5.17	4.50
AMUG295	6578944	376823	379	267.4	-34.8	138	72.5	78.0	5.50	1.78
							110	115.1	5.10	9.91
AMUG296A	6578937	376828	378.97	200.4	-39.4	53.7	38.4	39.0	0.6	1.81
AMUG288	6579327	376937	986.7	242.1	30	196.3	187.9	188.4	0.5	2.22
AMUG290	6578889	376947	1028.7	103.3	19.1	74.5	56.4	58.0	1.6	1.99
AMUG291	6578890.4	376945	1029.3	123.6	-2	69.8	50	50.3	0.3	0.725
AMUG303	6578946.33	376824	380.45	319	12.6	41.8	28.6	36.8	8.2	1.97
AMUG300	6578944.45	376823	378.92	264	-32.4	140.3	88.2	98.1	9.9	3.08
							110.7	111.2	0.5	6.78

Table 1: Blair mine - Drill Intercept Table, March Quarter 2008

REGIONAL EXPLORATION

MARRIOTT'S NICKEL PROJECT (AUZ 100%)

Introduction

The Marriott's Nickel Project, located 65 km from BHP Billiton's Leinster nickel operation, is Australian Mines' most advanced nickel project outside of the Blair Nickel Mine. Australian Mines acquired the project from BHP Billiton in March 2007 and has to date drilled 38 diamond drillholes and completed metallurgical testwork on 24 ore composites from varying depths.

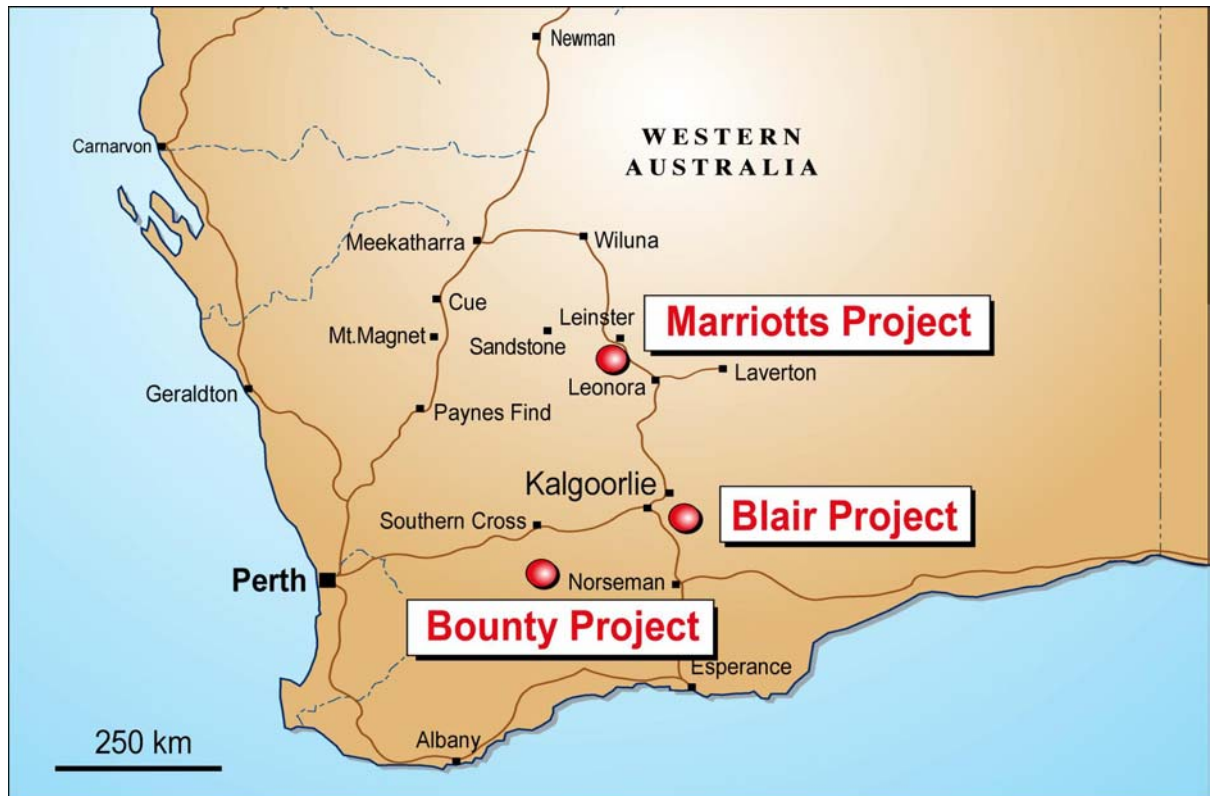


Fig 2: Location Plan – Australian Mines Ltd. Exploration Projects

Progress in the March 2008 Quarter:

No further drilling was undertaken at Marriott's during the quarter but metallurgical and mining studies were progressed as follows:

Re-assay of core

All of the ore intercepts were re-assayed, to determine the relative proportions of nickel contained within sulphide minerals versus nickel contained within nonsulphide minerals. This work enables the company's consultant metallurgist to calculate a flotation recovery curve.

Resource Modelling versus Flotation Recovery Modelling

The modelling to date shows that of a total Indicated and Inferred resource of 9,400 nickel tonnes, ore containing some 6,500 nickel tonnes is amenable to flotation, as demonstrated below :

Total Resource = 830,000 tonnes @ 1.13 % nickel for 9,400 nickel tonnes
 Recoverable Resource = 653,000 tonnes @ 1.00% nickel for 6,500 nickel tonnes

Metallurgical Studies

Metallurgical studies were completed to determine nickel recovery parameters, and to this effect the company is investigating a number of process options for Marriott's ore including flotation and heap leaching.

(a) Flotation tests

At a sulphide nickel grade of 0.6% and above, over 90% of the total sulphide nickel is potentially recoverable by flotation.

(b) Heap Leach tests

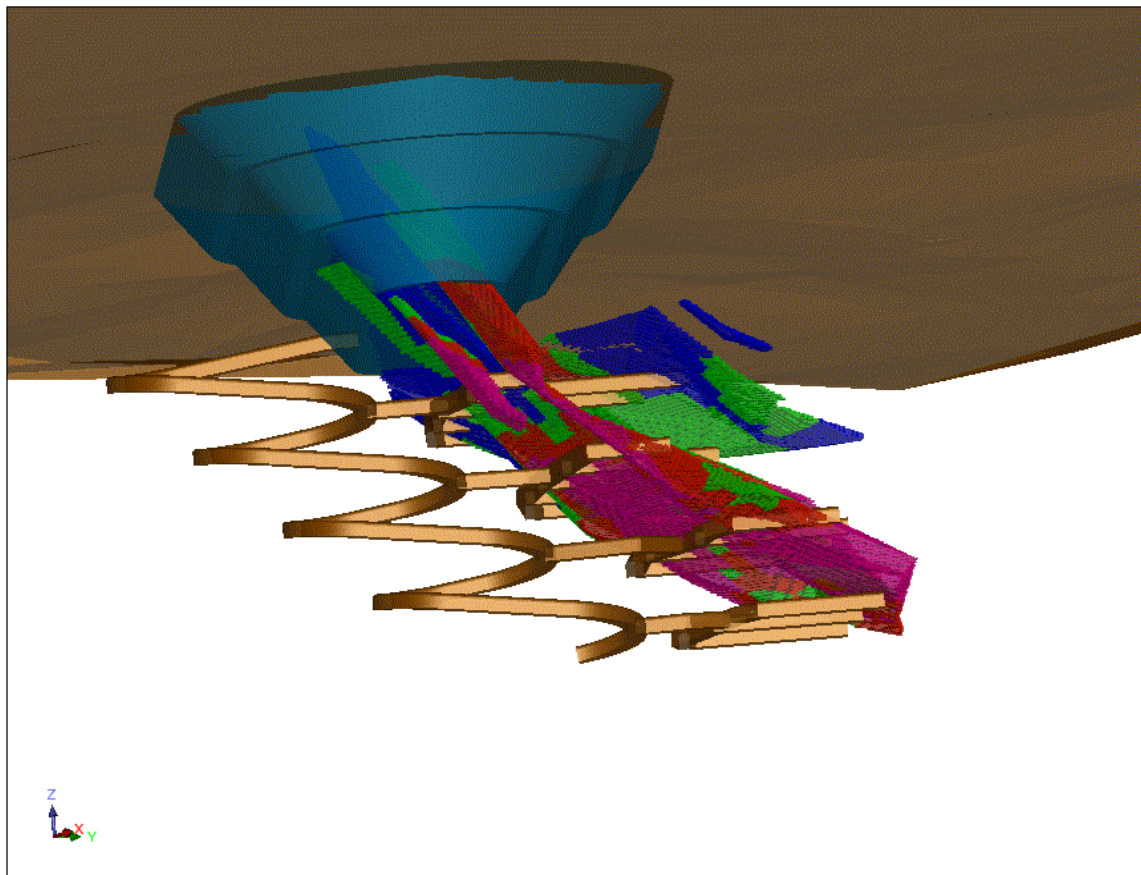
The company has commenced tests to see if it is viable to heap leach Marriott's ore with significant non-sulphide nickel on site.

To date a single vat leach test has been completed, recovering 93% of the total nickel. The very encouraging yield has led to more comprehensive vat leach tests commencing which, if successful, will advance the programme to column leach tests.

Mining studies

After incorporating recoverable nickel figures, the updated Marriott's model is currently undergoing mining engineering studies to determine comparative economics of open pit and underground mining.

Fig 3: Schematic diagram highlighting a potential small pit with a planned underground mine accessing the higher grade portion of the orebody.



Marriott's – conceptual mine plan to a depth of 160 metres

Work planned for the June 2008 Quarter

- (a) Further laboratory leach trials will be conducted on Marriott's ore
- (b) Mining optimisation studies and preliminary design work will be completed.

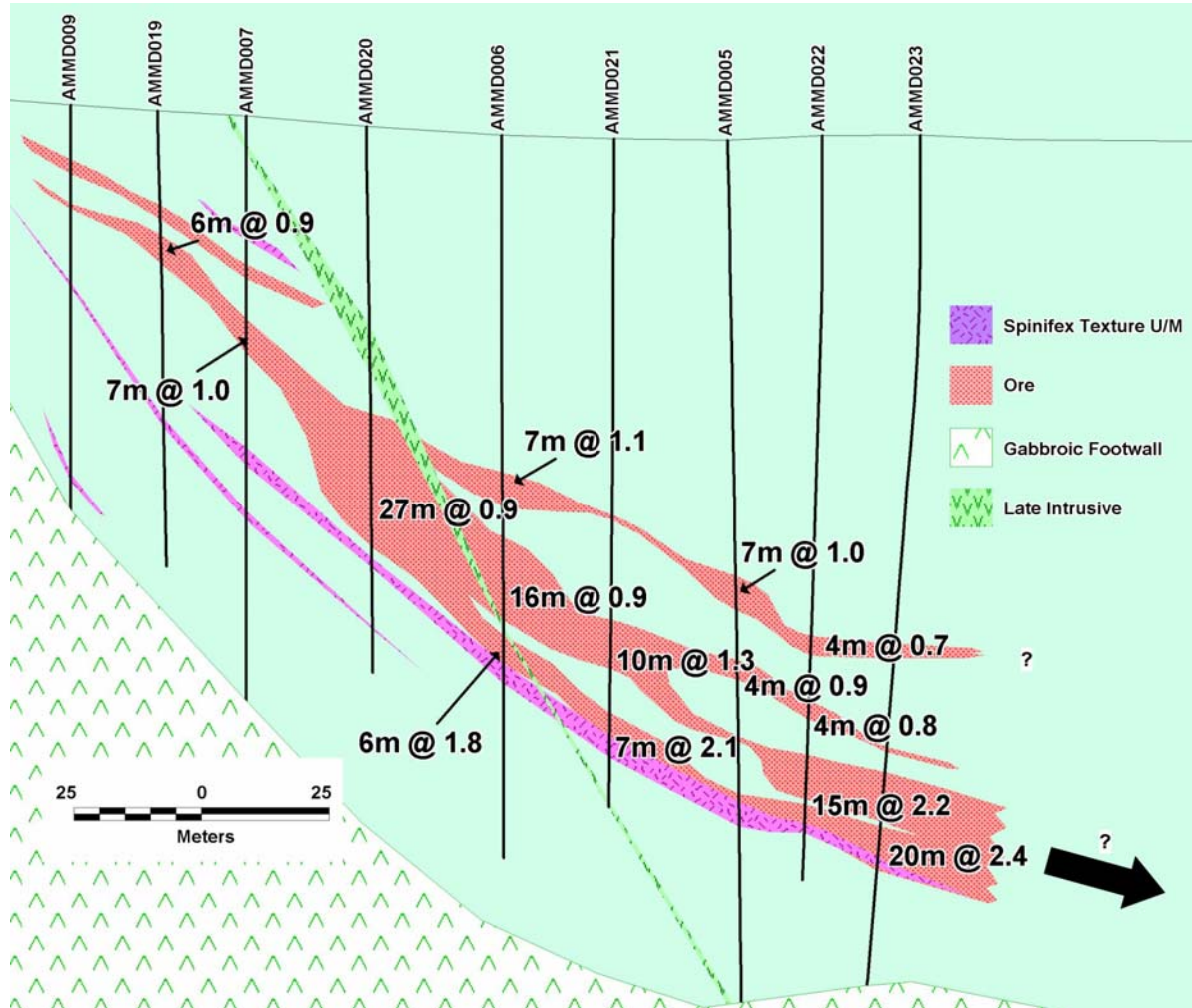


Fig 4: Marriott's Project - Interpreted drill Section 3 showing projected high grade trend (Intercepts are abbreviated as follows, 20m @ 2.4 = 20m @ 2.4% Ni)

NICKEL EXPLORATION

GOLDEN RIDGE JV (*Pioneer Nickel Pty.Ltd. 51%, Australian Mines Limited 49%*)

Introduction

The GRJV has access to 100 km² of tenements that cover the very prospective Golden Ridge Ultramafic Unit, host to the Blair Nickel Mine and nickel mineralisation at Blair South, Area 20A, Marshall and Duplex Hill. The Blair Mine is excluded from the JV.

Progress during the March 2008 quarter:

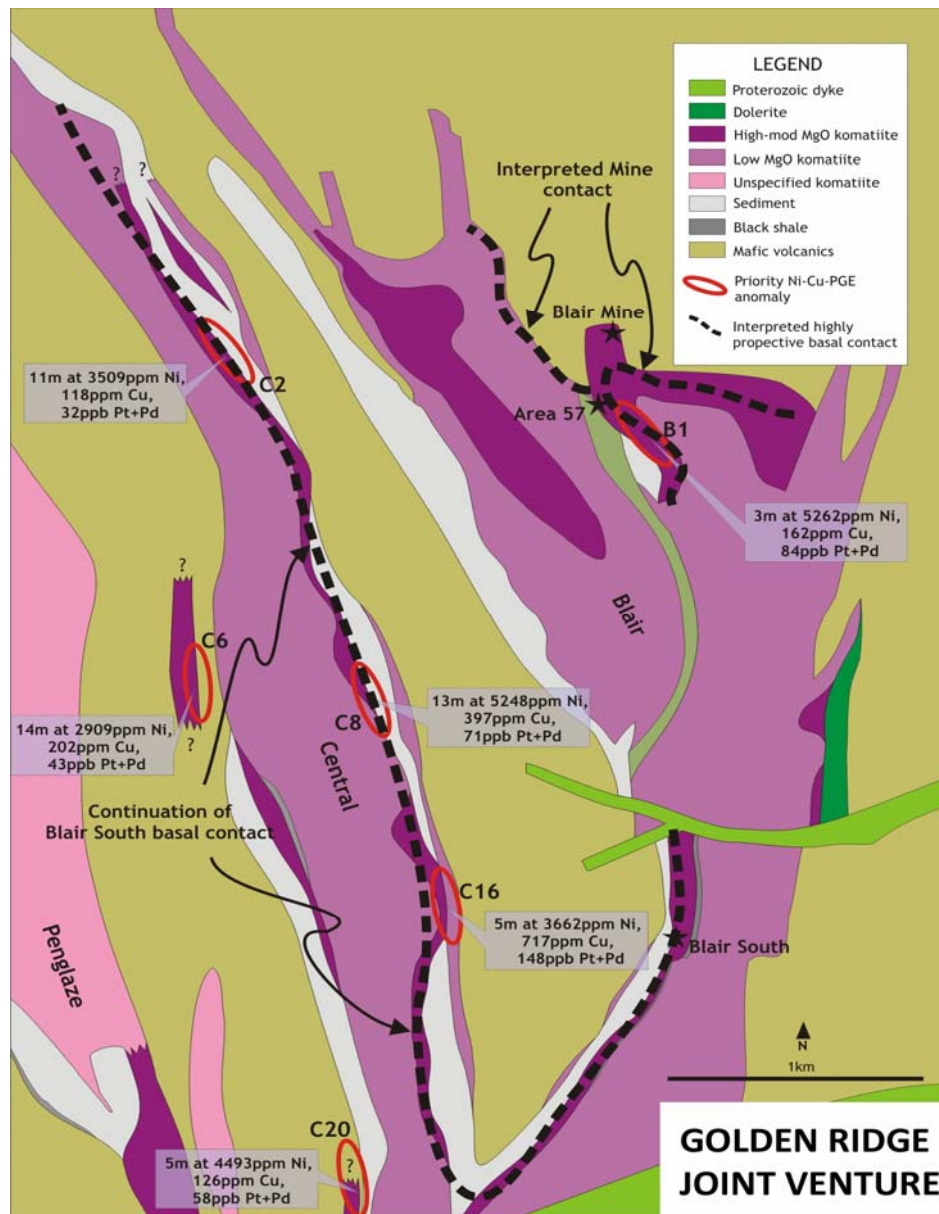
Following several programs totalling 450 new reconnaissance RAB and aircore drill holes for 26,000 metres drilled, a thorough review of the data generated is being undertaken. Key outcomes of the program include:

- Generation of a working geological map, including areas under alluvial cover;

- Recognition of a major structural repeat of the fertile Blair South ultramafic sequence, referred to as the Central Unit. This is currently identified over a 5km strike, but remains open to the north;
- Identification of high magnesian “lava channels” at the base of the Central Unit. Thinning and truncation of lower stratigraphic sedimentary beds may be indicative of thermally eroded channels at the base of the Central Unit;
- Anomalous Ni-Cu-PGE mineralisation associated with the basal contact.
- Significant nickel mineralisation has been recognised for the first time at the Leo Dam Ultramafic Unit where aircore drilling returned **47m at 0.62%Ni and 327ppm Cu** in hole GRA0233

Work planned for the June 2008 quarter:

Three targets at the basal contact of the Central Unit, which meet the key criteria, will be the priority focus for forthcoming programs of work. Two other targets meet some of the criteria and also warrant testing. The revised geological map showing priority targets is included below:



GRJV – plan view showing priority drill targets along the Blair Mine contact.

GOODYEAR NICKEL PROJECT (AUZ 100%)

Introduction

In May 2007, Australian Mines acquired the minerals rights to East Location 45 and two adjoining mining leases, thereby adding 86 square kilometres of highly prospective ground to the company's exploration portfolio near Kalgoorlie in WA .

As well as large areas of unexplored ultramafics, the tenements contain nickel resources at Mt Martin and Goodyear, which are both within 15 kilometres of the Blair Nickel Mine, and to date the company has focussed on the highly ranked Goodyear Project:

Progress during the March 2008 quarter:

Geology

Australian Mines has an information sharing agreement with the holders of the adjoining tenement M26/47 on which a continuation of the Goodyear resource occurs, and by combining the two data sets a better understanding of geological controls over mineralisation has emerged. This has resulted in Australian Mines developing an optimistic view of the economic potential of Goodyear.

The historic drilling has defined contact ore at the base of the first ultramafic flow, as well as hangingwall' ore at the base of the second ultramafic flow, and both ore zones have been cut by a late dolerite dyke.

The contact mineralisation is interpreted to comprise a pair of parallel ore shoots with remobilisation of nickel occurring along the edges of the dolerite dyke.

Resource Modelling

Following a detailed review of the project, which included re-interpretation of the historical drilling and subsequent resource block modelling, the company is pleased to announce a maiden Inferred Mineral Resource for Goodyear as follows:

ORE ZONE	TONNES	GRADE (% NI)	NICKEL TONNES
Contact 1	33,000	1.35 % Ni	450
Contact 2	82,000	4.36 % Ni	3,570
Contact 3	224,000	4.22 % Ni	9,450
Contact 4	48,000	5.25 % Ni	2,530
Total Inferred	387,000	4.13 % Ni	16,000

Notes:

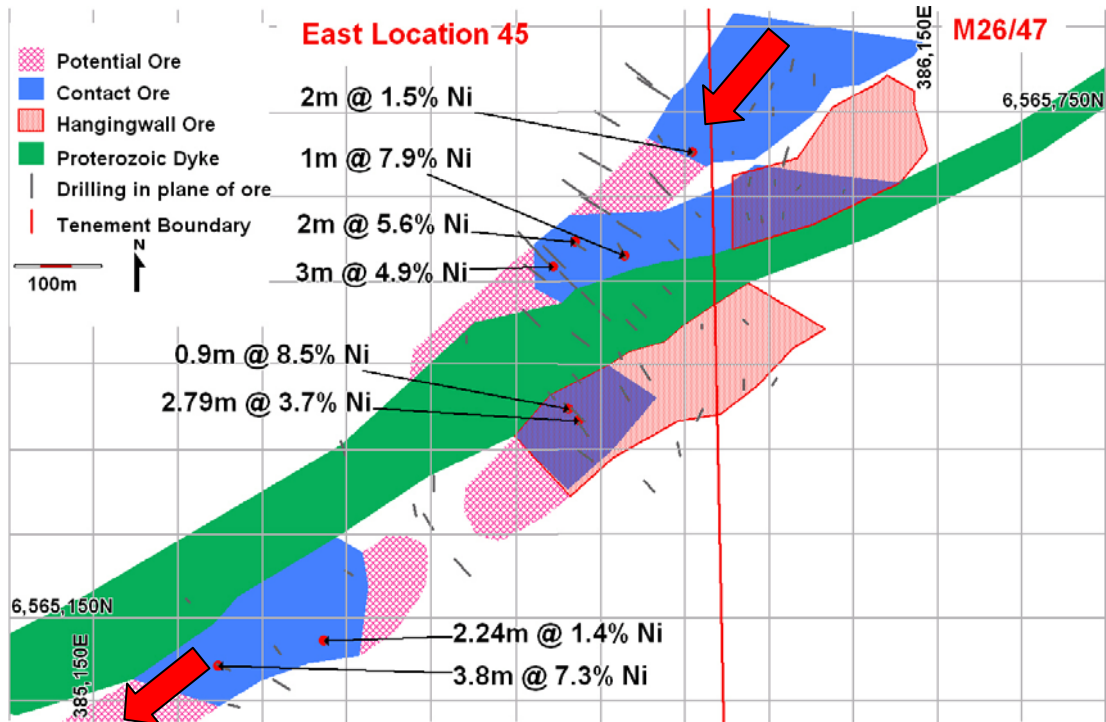
1. Cut-off grade is 1% Ni
2. Specific gravity used was by regression curve derived for Blair Nickel Mine
3. Resource abuts boundary with M26/47. Figures in table relate only to resources on East Location 45.

Work planned for the June 2008 quarter:

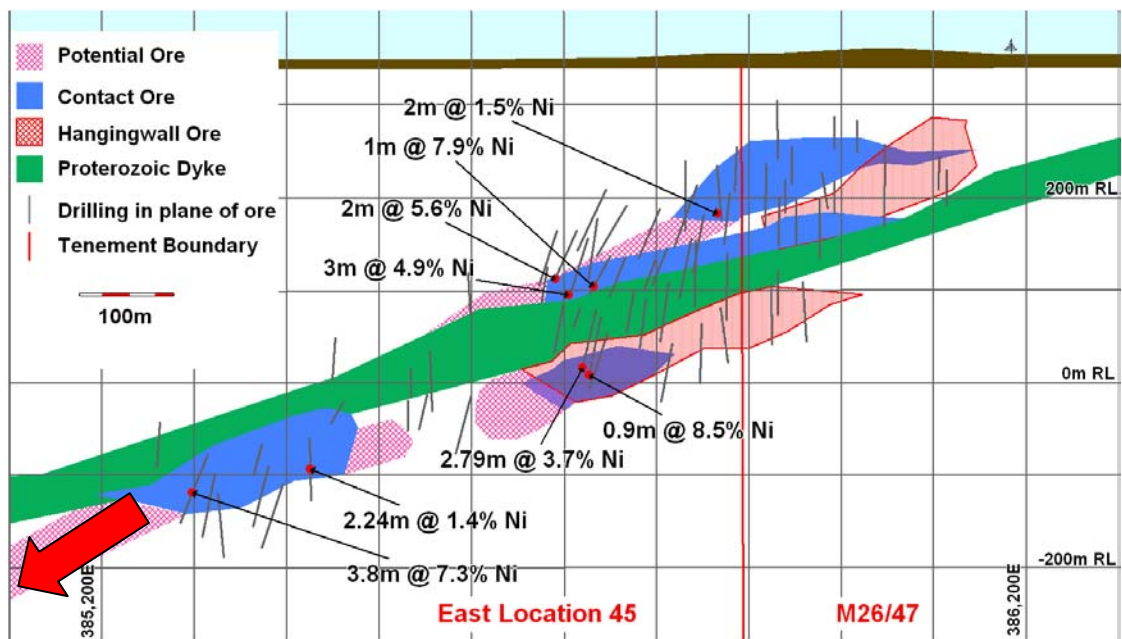
The Goodyear ore shoots on East Location 45 have been intersected by previous explorers with a total of 9 surface RC holes and 15 surface diamond holes. Australian Mines has taken a conservative approach in publishing the Goodyear resource in the Inferred category and will commence a programme focussed on moving Inferred resource into the Indicated category, while testing for extensions to the existing resource.

- A programme of diamond drilling will commence to test for extensions to the existing resource.

- A programme of down-hole gyro surveys will be conducted on historical holes that are in need of improved survey control.
- Down Hole Electro Magnetic (DHEM) surveys will be completed on strategic holes to better define the ore system at Goodyear



Goodyear – plan view of the resource model with current drilling and ore potential



Goodyear – long sectional view of the resource model with current drillholes and ore potential

BOUNTY NICKEL PROJECT (AUZ 100%)

Project Location

The Bounty Nickel Project is located on the northern portion of the Forrestania Greenstone Belt in WA, in a strategic position some 80km south of the town of Southern Cross. The 43 square kilometre Bounty tenement package contains a minimum of 24 strike kilometres of prospective ultramafic rocks.

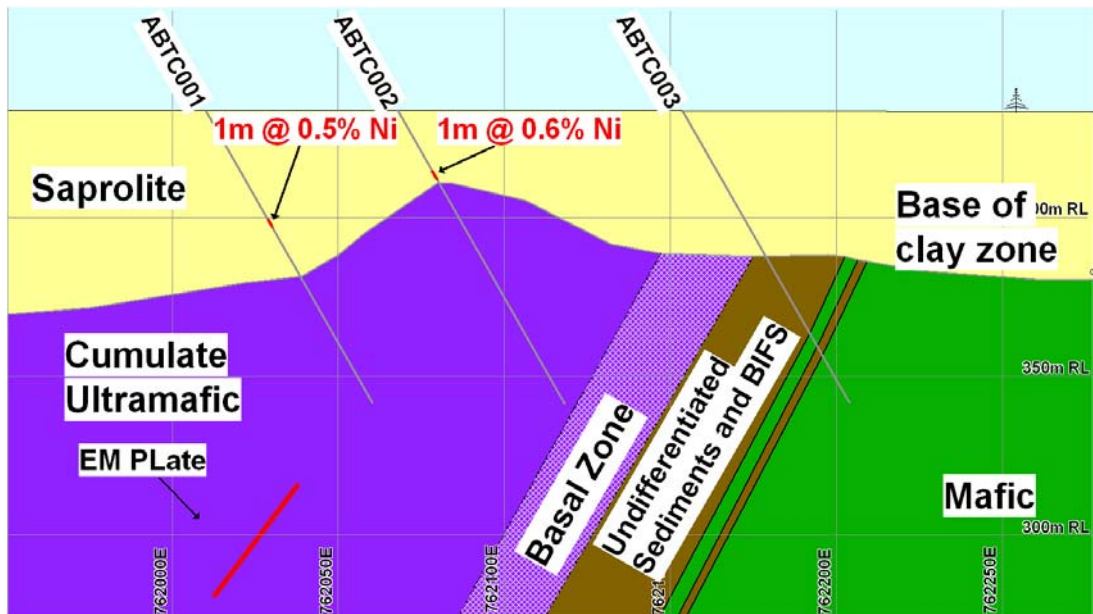
Exploration History

The Bounty tenements have been extensively explored for gold with only sporadic nickel exploration since 1971.

In 1999, an exploratory underground diamond drill hole intersected 3.2m @ 1.19% Ni in stringer nickel sulphides at the BIF-ultramafic contact alongside the Bounty gold pit, and subsequently MD106 intersected 0.45m @ 4.5% Ni in stringer ore adjacent to the contact.

Progress in the March 2008 quarter:

- Digital EM data was handed to the company’s consultant geophysicist to allow a full reinterpretation of the Bounty EM data. The final report received towards the end of the quarter showed a large number of EM plates that have to be evaluated with respect to the geology, surface geochemical data and regolith.
- Assays returned for 11 RC holes drilled in the December quarter have highlighted an EM conductor on section 6,447,590m North which is located below a zone of supergene nickel enrichment as portrayed in the image below:



Bounty- interpreted drill section 6,447,590m North

Work planned for the June 2008 quarter.

- Analyse EM data and prioritise targets
- Design additional drillholes to test prospective anomalies

DUPLEX HILL GOLD PROJECT (AUZ 100%)

Introduction

The Duplex Hill gold project is located 8 km southeast of the Blair nickel mine and some 2km west of the historic Wombola Gold Field, which mined a series of outcropping quartz reefs in dolerite host rocks intruded into the earlier ultramafic units.

Woodline 1 Resource

The Woodline 1 gold deposit has an Indicated and Inferred Resource to a depth of 60 metres of 135,000 tonnes at 2.6 g/t for 11,350 ounces.

Mining Plan

The company has been evaluating the concept of mining the top of the Woodline 1 deposit with a small “starter” pit producing approximately 4,900 ounces, with ore production commencing from a supergene blanket only 6-10 metres below surface. All statutory mining approvals are in place, as are custom milling arrangements at a local treatment plant.

Progress during the quarter

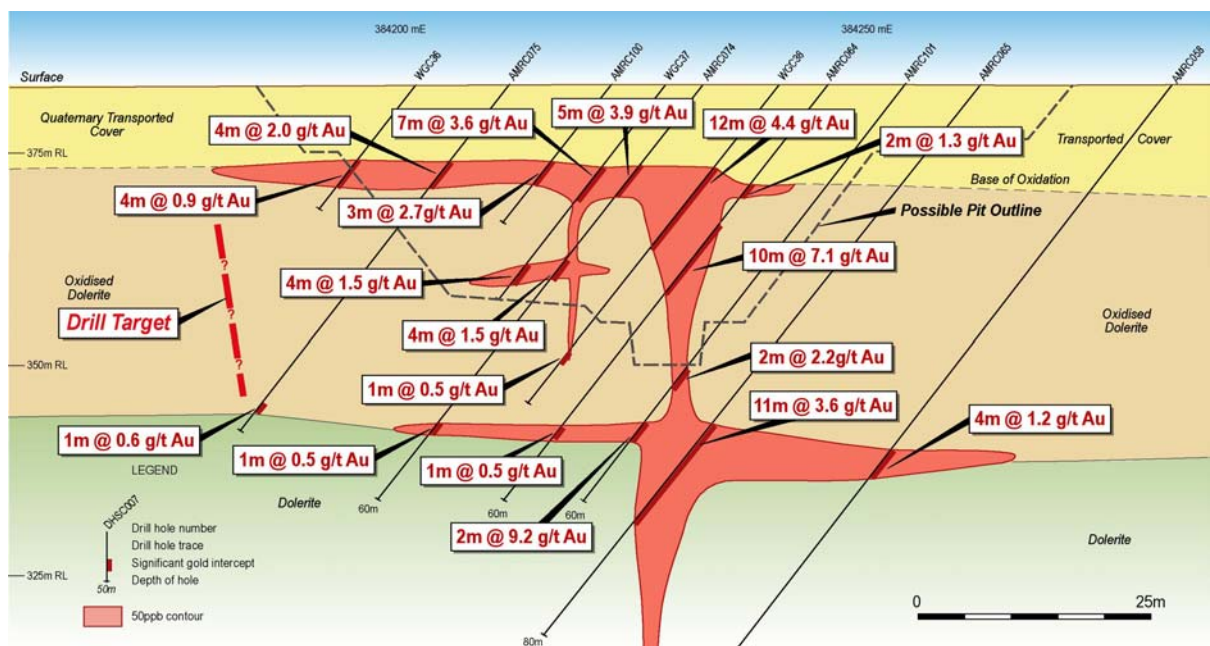
A final round of 26 RC grade control drilling for a total of 740 metres was completed at Woodline 1 in February 2008. The drilling was designed to complete the previous in-fill drilling program so that when mining commences at Woodline 1 it will not be interrupted by grade control.

Some of the better RC drill results from the latest grade control holes are listed below:-

- **WGC66 - 7 m @ 3.06 g/t from 10m**
- **WGC69 - 4 m @ 4.70 g/t from 10m**
- **WGC72 - 10 m @ 3.80 g/t from 11m**

Work planned for the June 2008 Quarter.

- The pit is ready for mining and the outstanding tasks to be completed included awarding contracts for both haulage and mining.



Woodline 1 - Cross-section 6569140 North showing interpreted geology and planned pit.

CORPORATE

Revenue for the March quarter was \$7.7m (\$2.2m higher than the previous quarter) due to higher nickel production. The net profit for the quarter was \$0.7m (unaudited).

December Quarter 2006 Key Financial Data	A\$M audited	A\$M (unaudited)	A\$M (unaudited)	A\$M (unaudited)
	Jun Qtr	Sept Qtr	Dec Qtr	Mar Qtr
Gross Revenue	6.6	6	5.5	7.7
Net Cash Costs	4.0	4.4	4.8	5.4
EBITDA for Qtr	2.6	1.6	0.7	2.3
Net Profit after depn & amort for Qtr	0.4	0.5	(0.5)	0.7

Operating cash costs (excluding capital) were A\$10.20/lb Ni payable (Dec quarter A\$13.72/lb). The total cash costs for the quarter (including capital development) were A\$12.58/lb Ni payable (Dec quarter A\$16.38/lb).

The Company received an average spot price of A\$32,027 per tonne of Ni payable or A\$14.53/lb for the March quarter (Dec quarter A\$32,802 or A\$14.88/lb). After hedging and 90 day final price settlements received from BHPB against December quarter production, the realised price was A\$14.34/lb Ni payable (Dec quarter A\$15.22/lb).

At the date of this report, nickel production hedged was 149 tonnes at US\$30,837/t which represents 62% of March quarter production (Dec quarter 158 tonnes at US\$30,304).

The Company generated a positive cash flow from operations of \$1.2m for the March quarter. After capital development, exploration and lease payments of \$2.1m and receipts from bank borrowings of \$0.8m, cash flow was a negative \$0.2m. Cash at bank was A\$0.9m at 31 March 2008 (Dec quarter was \$1.0m). The Company has mine equipment HP liabilities of approximately \$4m and \$1.7m bank debt.

SUMMARY AND OUTLOOK

MINING

Blair mine production continues to improve as development accesses the higher grade ore from Blair Deepes.

The Company advanced the main decline and developed new levels in the middle of the mine during the quarter. The twin and single boom jumbos completed 310.6 m and 183.8 m respectively for a total of 494.4m of jumbo development.

The underground diamond drill program is planned to continue in the June quarter to extend current known reserves below the 300 m RL.

Forecast production increases mean the unit costs of the mine will decrease resulting in higher cash flow.

Marriott's Nickel Project with Indicated and Inferred Resources of **830,000 tonnes @ 1.13% nickel for 9,400 nickel tonnes** is being evaluated by a mining engineer to determine whether open pit mining or underground mining is the preferred mining option. The mining studies are yet to be completed.

EXPLORATION

East Location 45 exploration will focus on upgrading the nickel resource at Goodyear where DHEM, down-hole gyro surveys and surface diamond drilling will be undertaken.

The Golden Ridge Joint Venture has highlighted drill targets with coincident Ni-Cu-PGE anomalism and high MgO ultramafic which are also favourably located on the 'mine contact' - drill testing of these targets will commence in the June quarter.

The Bounty Nickel Project is in a strategic position, some 80km south of the town of Southern Cross. Further EM processing will be undertaken.

The Duplex Hill South Gold Project progresses towards an open pit mine that could produce 4,500 ounces in relatively quick time.

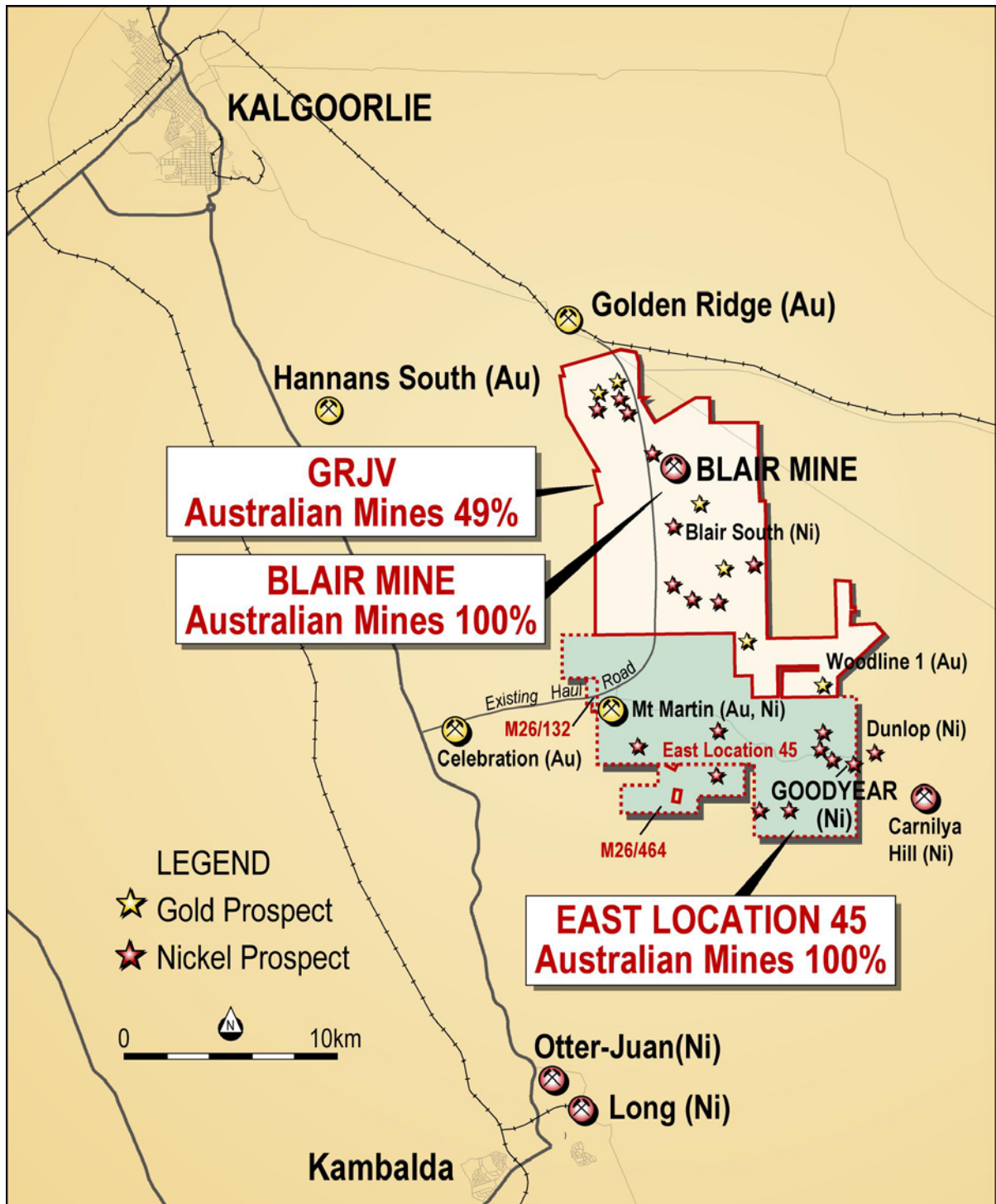
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The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr E Poole who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Poole is an employee of Australian Mines Limited. 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.'



Appendix 1 Location Plan of Blair Prospects