



QUARTERLY REPORT ON ACTIVITIES FOR PERIOD ENDED 30 JUNE 2005

HIGHLIGHTS FOR THE QUARTER

- Blair Nickel Mine performance improved greatly during the quarter with nickel production increasing by over 49% from the March 2005 quarter to 474 Ni tonnes contained.
- A total of 14,278 dry tonnes of ore was treated at an average grade of 3.32% Ni for 474 tonnes of dry contained nickel.
- An “In-Ore Decline Feasibility Study” was completed, received Board approval and development commenced late in the quarter. This study successfully highlighted that mining below the 480mRL using only airleg mining methods to access the Blair Deeps and developing partly in ore is profitable.
- Reserve confirmation drilling and modelling was completed for Blair Deeps and Area 57, which produced a Total Reserve of 49,345 tonnes at 3.32% for 1,637 Ni tonnes from a total Resource of 80,650 tonnes at 4.83% for 3,897 Ni tonnes.
- Cash costs decreased to A\$6.92 per pound and average nickel price received was A\$10.07 per pound for the quarter.
- 3D modelling has highlighted the possible source of the re-mobilised Area 57 Orebody. Drilling of these targets will commence in the September Quarter.
- Preliminary metallurgical studies on the oxide zone at Anomaly 11 indicate that a nickel concentrate may be extracted using a weak acid heap leach process. More definitive studies will be conducted in the September/December quarters.
- RAB drilling at Duplex Hill South failed to intersect the gold vein system due to drilling parallel to the dip of the lodes.
- Cash and Receivables at 30 June totalled \$880K and \$3.6M respectively.
- 2 for 1 fully underwritten entitlements issue at 1 cent to raise \$2.8M with majority of funds to go to exploration.

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BLAIR MINE

Production and Development

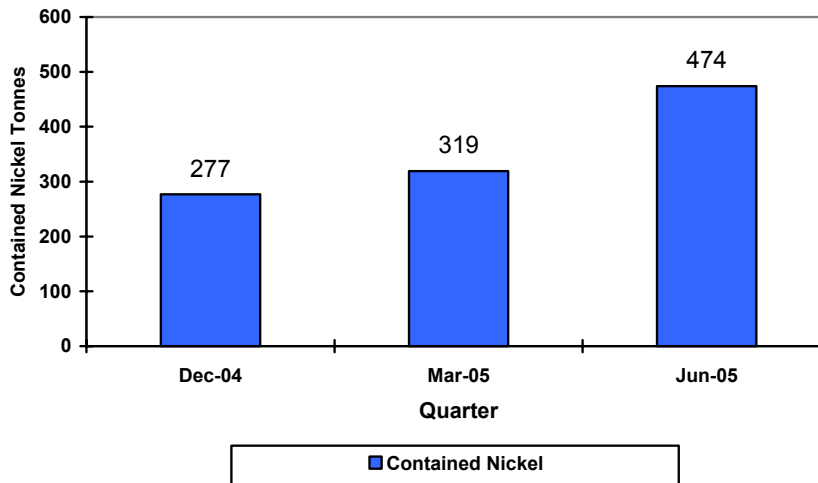
Production statistics for the Blair Mine are given below:

| Table 1: Quarterly Production Summary | | | | | | |
|--|--------|---------------|---------------|---------------|---------------|----------------|
| | | Sep-04 | Dec-04 | Mar-05 | Jun-05 | FY04/05 |
| Ore Mined | Tonnes | 16,543 | 10,920 | 9,985 | 13,945 | 51,393 |
| Contained Ni Mined | Tonnes | 441 | 317 | 309 | 467 | 1534 |
| Ore Treated | Tonnes | 17,682 | 9,860 | 10,477 | 14,278 | 52,297 |
| Grade | % Ni | 2.78 | 2.81 | 3.01 | 3.31% | 2.98 |
| | % Cu | 0.2 | 0.19 | 0.19 | 0.19% | 0.19 |
| Contained Ni | Tonnes | 491 | 277 | 319 | 474 | 1,561 |
| Recovered Ni | Tonnes | 427 | 242 | 281 | 421 | 1,371 |
| | | | | | | |
| Nickel (Spot) Price (received) | A\$/lb | 9.65 | 9.16 | 9.55 | 10.07 | 9.52 |
| | | | | | | |
| Operating cash cost | A\$/lb | 6.54* | 8.05* | 11.04 | 6.92 | 7.79 |
| Total cost with capital devt | A\$/lb | 7.40* | 11.44* | 12.5 | 6.92 | 9.03 |

* Prior period unit costs have been recalculated to reflect the cost per tonne on Ni payable as per the WMC toll treatment agreement where a deduction is made from revenue for treatment. This therefore adds toll treating to the cash costs.

Contained nickel metal production for the quarter was 474 tonnes, over 49% higher than the previous quarter (319 tonnes) due mainly to a site wide focus on minimising dilution and maximising recoveries using various airleg mining methods. This focus has meant that high grade nickel metal is being produced from the mine at lower overall ore tonnages. Added to this is the on-going work of reviewing remnant areas then, if economically viable re-accessing these areas, which add to our ore production in the following months.

Blair Mine - Quarterly Production



The direct mining costs also continued to improve for the quarter with cash costs of A\$6.92 per pound of nickel being a 37% reduction on the previous quarter (\$11.04 per pound nickel). The quarters result reflects the steady success of the focus to improve and then stabilise the production profile at Blair.

The production for the quarter was focussed on three main areas, firstly to continue to stope the 01 & 03 Surfaces below the 516 level, secondly to continue mining the remaining areas of the Area 57 orebody and finally to continue mining the remnant areas on the 01 Surface above the 516 level.

The ore from the E03/L03 ore shoots produced between 49% and 69% of the monthly contained nickel produced during the quarter with good tonnages at minimal dilution encountered from these areas. Another positive has been the overall reconciliation of the C01 shoot, which has produced better than expected tonnes and grade during the quarter. The C01 shoot combined with the performance of the E03/L03 shoot hold the mine in good stead as the mine progresses below the 480 level.

During the quarter there were changes in the airleg mining methods, which have quickly proved successful in terms of safe and efficient extraction of the high grade ore contained within the lower ore shoots. This success has formed the basis of the airleg mining methods for the mine going forward as it progresses mining below the 480 level.

During the quarter re-accessing via by-passes and stoping continued in the remnant areas of the mine. Significant resources have been exposed and developed which will add to the mine inventory over the coming months. Ongoing assessment of high grade remnant ore is highly likely to increase the mining reserves in these areas.

An "In-Ore Decline Feasibility Study" was completed, received board approval and development commenced late in the quarter. This study looked at continuing mining below the 480mRL using only airleg mining methods with part of the decline developed in the C01 orebody. A large number of the items required for this development have already been either located or ordered, which include manning, mobile equipment, booster ventilation fans, mono pumps and various smaller capital items. The mine life has now been extended to March 2007.

Safety

There were no Lost Time Injuries at the Blair Nickel Mine during the quarter. There were 4 injuries during the quarter which required medical treatment, where no time was lost.

Resources

The Company's resources at the 30th June 2005 are provided in Table 2. In addition to the nickel sulphide resources at Blair and Area 57, a number of exploration prospects also contain oxide resources (Table 2 and Table 5).

| TABLE 2 | | | | |
|---|-----------|------------|----------|---------------|
| GLOBAL RESOURCE ESTIMATE 30June 2005 | | | | |
| Location | Category | Ore tonnes | Nickel % | Nickel tonnes |
| Area 57 Sulphide Resource | | | | |
| | Measured | 4,144 | 2.88 | 119 |
| | Indicated | 1,983 | 2.87 | 57 |
| | Inferred | 0 | 0.00 | 0 |
| Total | | 6,127 | 2.87 | 176 |
| Blair 03 and 01 surfaces Sulphide Resources | | | | |
| | Measured | 23,365 | 5.12 | 1,197 |
| | Indicated | 30,303 | 5.23 | 1,585 |
| | Inferred | 20,850 | 4.50 | 939 |
| Total | | 74,518 | 4.99 | 3,721 |
| Grand Total Sulphide Resources | | 80,644 | 4.83 | 3,897 |
| Blair Exploration Leases Oxide Resources | | | | |
| | Measured | 0 | 0.00 | 0.00 |
| | Indicated | 0 | 0.00 | 0.00 |
| | Inferred | 1,654,507 | 0.63 | 10,441 |
| Total Oxide Resources | | 1,654,507 | 0.63 | 10,441 |

Reserves

The Company's Reserves at the 30th June 2005 are tabled below:

| TABLE 3 SULPHIDE ORE RESERVE ESTIMATE 30 June 2005 | | | | |
|---|----------|------------|----------|---------------|
| Location | Category | Ore tonnes | Nickel % | Nickel tonnes |
| Area 57 | | | | |
| | Proven | 595 | 4.09 | 24 |
| | Probable | 2,569 | 1.67 | 43 |
| Total | | 3,164 | 2.12 | 67 |
| Blair 03 and 01 surfaces | | | | |
| | Proven | 21,052 | 4.41 | 775 |
| | Probable | 25,130 | 3.54 | 795 |
| Total | | 46,181 | 3.40 | 1,570 |
| TOTAL | | 49,345 | 3.32 | 1637 |

Mine Exploration

Blair Deeps

A single diamond hole was successfully drilled into the C01C shoot, as a continuation of the resource definition programme which was commenced in the March quarter.

| Table 4 Underground diamond drilling – June quarter 2005 | | | | | | | | |
|---|----------------------------|---------------------------|---------------------------|----------------------|-----------------|-----------------|--------|---------|
| Hole ID | Northing (mine grid) | Easting (Mine grid) | Mine RL (mine grid) | Depth from (m) | Depth To (m) | Interval (m) | Ni (%) | Surface |
| AMUG148 | 6578954 | 376823 | 432 | 127.8 | 131.2 | 3.50 | 4.0 | C01C |

Notes:

1. Nickel was analysed using ICP with a mixed acid digest on geologically controlled intervals, generally not greater than 1.0m and not less than 0.3m
2. Ni% has been SG weighted.

Area 57

The area 57 is a particularly attractive exploration target for the following reasons:

- The primary source of the remobilised A57 orebody has yet to be discovered;
- a strong down hole conductor is located immediately above the Area 57 orebody;
- the Area 57 has shallow fixed loop electro-magnetic ("FLEM") conductors vertically above and for some 200 metres to the South within an area that has no drilling (see Figures 1 and 2); and
- new reserves at Area 57 could be rapidly brought into production.

New geophysics technology has been employed to locate conductive bodies at Area 57 for the first time and during the reporting period the Area 57 orebody and regional faults were modelled in 3D in preparation for drill targeting for the primary nickel channel, as well as drill testing of shallow FLEM Conductors to the south of Area 57.

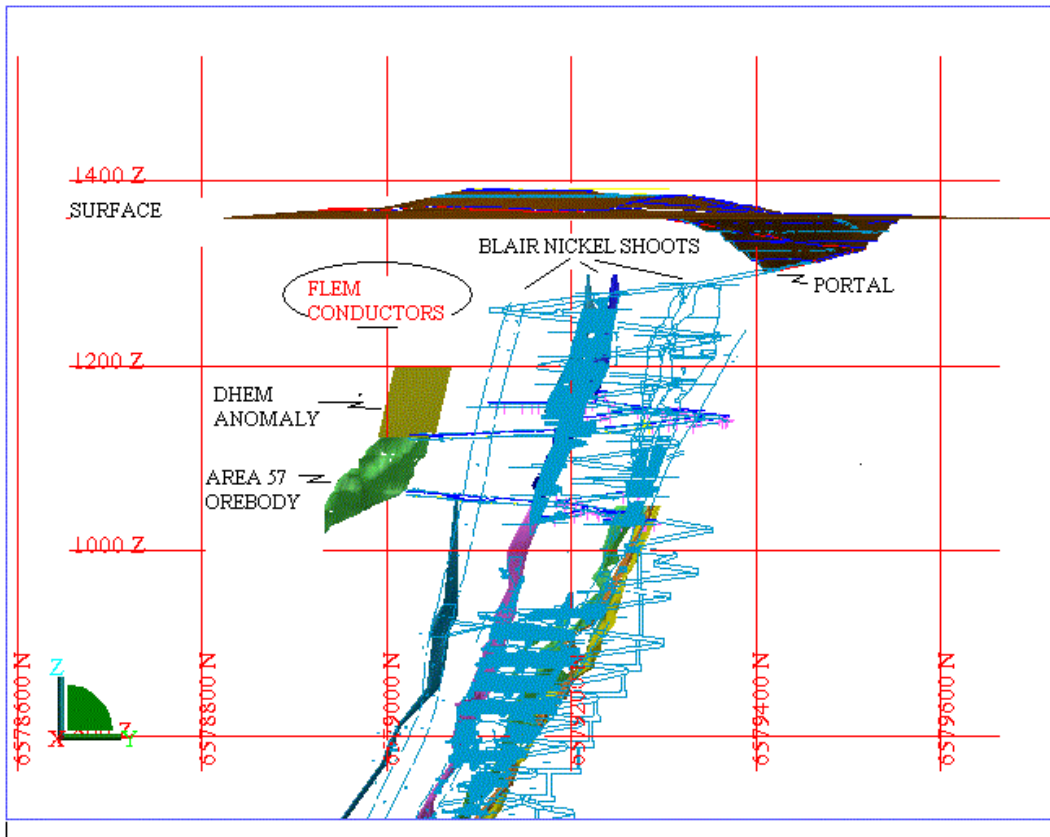


Figure 1: S-N Long section of Blair Mine showing Area 57 and conductor targets from both FLEM and DHEM surveys.

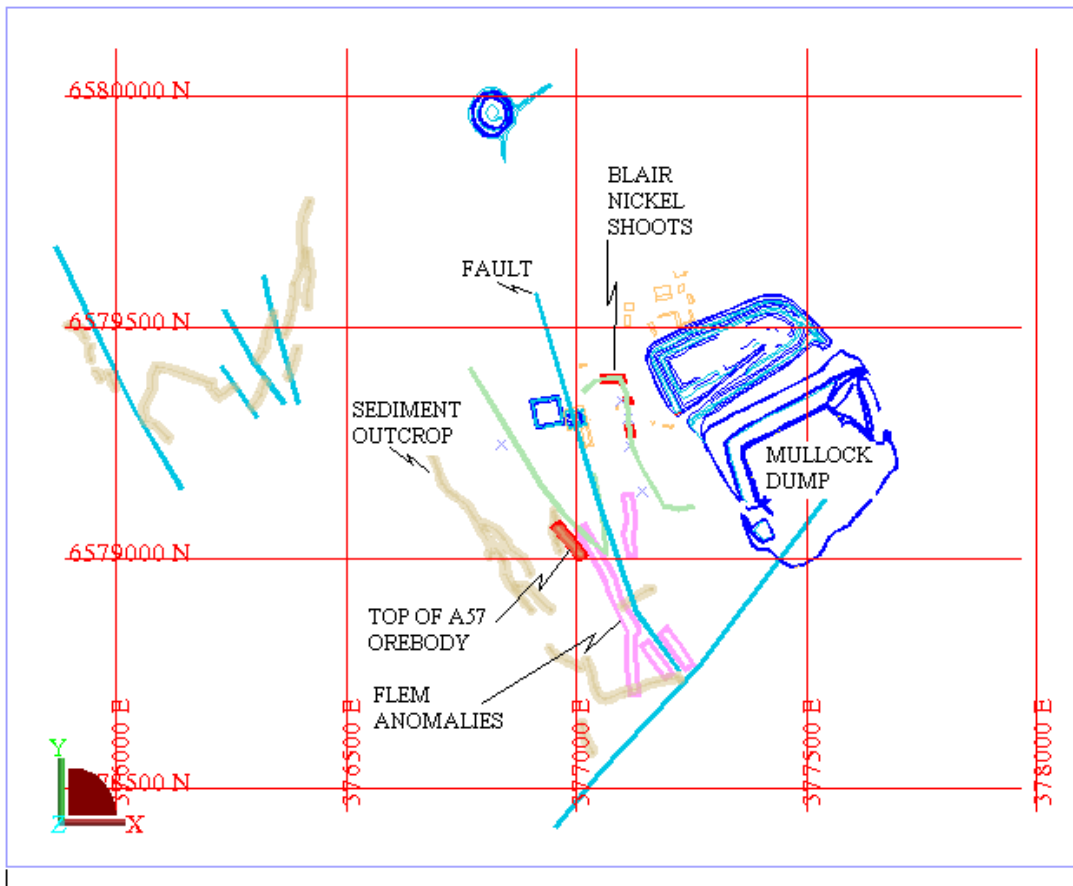


Fig 2: Plan View of Area 57 showing the location of shallow FLEM conductors.

REGIONAL EXPLORATION

See Appendix 1 for a prospect location plan

Blair Project – Nickel

Anomaly 11 oxide exploration

Metallurgical test work has indicated that fresh RC drill cuttings from low grade oxidised material at Anomaly 11 has approximately 48% of the total nickel in a water soluble form, and preliminary costings for a heap leach and metal extraction process have indicated that it may be profitable to produce a concentrate containing nickel and cobalt.

The company plans to drill one or more RC traverses through the anomaly so as to provide fresh samples for 'column' leach testing.

Table 5 summarises the company's oxide resources on the various prospects.

| TABLE 5 | | | |
|--|--------------------|----------------|---------------------|
| Oxide Resources on the Blair Exploration Leases- 30 June 2005 | | | |
| Oxide | Inferred Resources | | |
| Prospect | Ore tonnes | Grade % nickel | Contained Ni tonnes |
| Anomaly 11 | 498,485 | 0.57% | 2,841 |
| Anomaly 20SW | 422,870 | 0.69% | 2,918 |
| BSA | 626,192 | 0.64% | 4,008 |
| Marshall | 106,960 | 0.63% | 674 |
| Total | 1,654,507 | 0.63% | 10,441 |

Anomaly 11 sulphide exploration

A fixed loop surface EM survey was completed over Anomaly 11 in the March Quarter using the new B-Field EM technology.

The survey was completed over a 450m strike length of the highly prospective sediment/ultramafic contact and several close spaced, moderate strength EM responses were detected. Initial interpretation suggests the conductors are shallow, starting between 60 and 100m below the surface with considerable depth extent, and ranging in length from 120 to 250m. (see Appendix 2)

The conductive bodies at Anomaly 11 will be drill tested in the next quarter.

Blair Project - Gold

Duplex Hill South

Selected 5m composite samples from 3rd quarter RAB drilling were re-sampled as 1m splits so as to better identify the higher grade structures. (see Appendix 3 for intercepts such as 20m@5.42g/t and 7m@1.92g/t and 3m@3.26g/t).

Interpretation of the sections from Duplex Hill South indicated that the March quarter drilling had intersected a series of mineralised quartz veins striking approximately parallel to the drill holes, and so a follow up programme of RAB holes at right angles was undertaken in the June quarter.

Although the June quarter RAB was successful at highlighting a significant supergene zone of enrichment at the base of weathering (Appendix 4) it failed to intersect any mineralised reefs, which suggests that the reefs are striking at 050 degrees and dipping at 55 degrees toward 140 degrees, and therefore the next plan is to drill in the opposite direction and test the intersect of the gold veins both above and below the base of oxidation.

Goldstar

No drilling was undertaken at Goldstar during the quarter but the 3rd quarter drilling was resampled into more appropriate intervals so as to better identify the high grade structures. (See appendix 3 for intercepts such as 14m@1.56g/t and 2 m@2.17g/t).

Interpretation of the assay results suggests that gold mineralisation was related to minor quartz veining and shearing within an oxidised gabbro, and further drilling is warranted at Goldstar since the mineralisation is open both along strike and at depth.

Musgrave Project

The Musgrave Project is in a remote location near the West Australia -South Australia border and any form of exploration has been found to be prohibitively expensive.

The company believes that shareholders will be better served if gold and nickel discoveries were made on the highly prospective leases surrounding the Blair Nickel Mine, which is located some thirty kilometres from Kalgoorlie. The company's preference is to divest its interest in the Musgrave leases.

Exploration proposed for the September 2005 Quarter

1. RC and diamond drilling to target conductors above and to the South of Area 57.
2. Diamond drilling to locate the primary source of the re-mobilised orebody at Area 57.
3. RC drilling to further define the near surface oxide potential at Anomaly 11 and to provide metallurgical samples for leach testing of soluble nickel. (Preliminary scoping work suggests that it may be profitable to extract soluble nickel from the Anomaly 11 oxide ore by heap leaching)
4. RC drilling to further define the plunge potential at Anomaly 11 and to drill test surface EM targets. Possible diamond drilling to define orientation of structures and mineralisation.
5. RC follow up of RAB drilling at Duplex Hill South.

CORPORATE

There has been a significant improvement in the cash position of the Company with the better performance from the mine during the quarter. The Company has improved its liquidity position from the March quarter with cash at bank and on deposit as at 30 June of \$880K.

The cash costs for the quarter were significantly lower in the June quarter due to the cost cutting measures, new mining strategies and increased production taking effect. The Company has received an average price of A\$22,198 per tonne of Ni for the quarter or A\$10.07 per lb. Cash costs were A\$6.92 per lb being a significant improvement on March quarter of A\$11.04.

The Company has successfully completed a fully underwritten 2 for 1 entitlements issue at 1 cent to raise \$2.8M to be used partly for repaying the previous mining contractor and exploration on several advanced nickel and gold targets. Funds from the entitlements issue will flow to the company in late July.

Currently the hedging position of the Company is 100 tonnes of payable Ni covering production from months from July and August at a delivery price of A\$20,000/tonne. There are 100 tonnes of sold Nickel calls due to expire in September and October at a strike price of A\$19,000/tonne.

The Directors welcomed Mr. Mick Elias to the board as non-executive Director. Mr Brett Young, formerly Chief Financial Officer, has been appointed as Chief Operating Officer of the Company, following the departure of Mr Barry Cahill.

SUMMARY AND OUTLOOK

The Blair Mine has seen an improvement for the quarter with the production of 474 Ni tonnes. An updated reserve statement identifies 1637 contained Ni tonnes. A mine plan has been implemented to progress the decline to access these reserves. The company is currently preparing to put in place a life of mine feasibility to support the business case and enable mining to continue out to possibly February 2007.

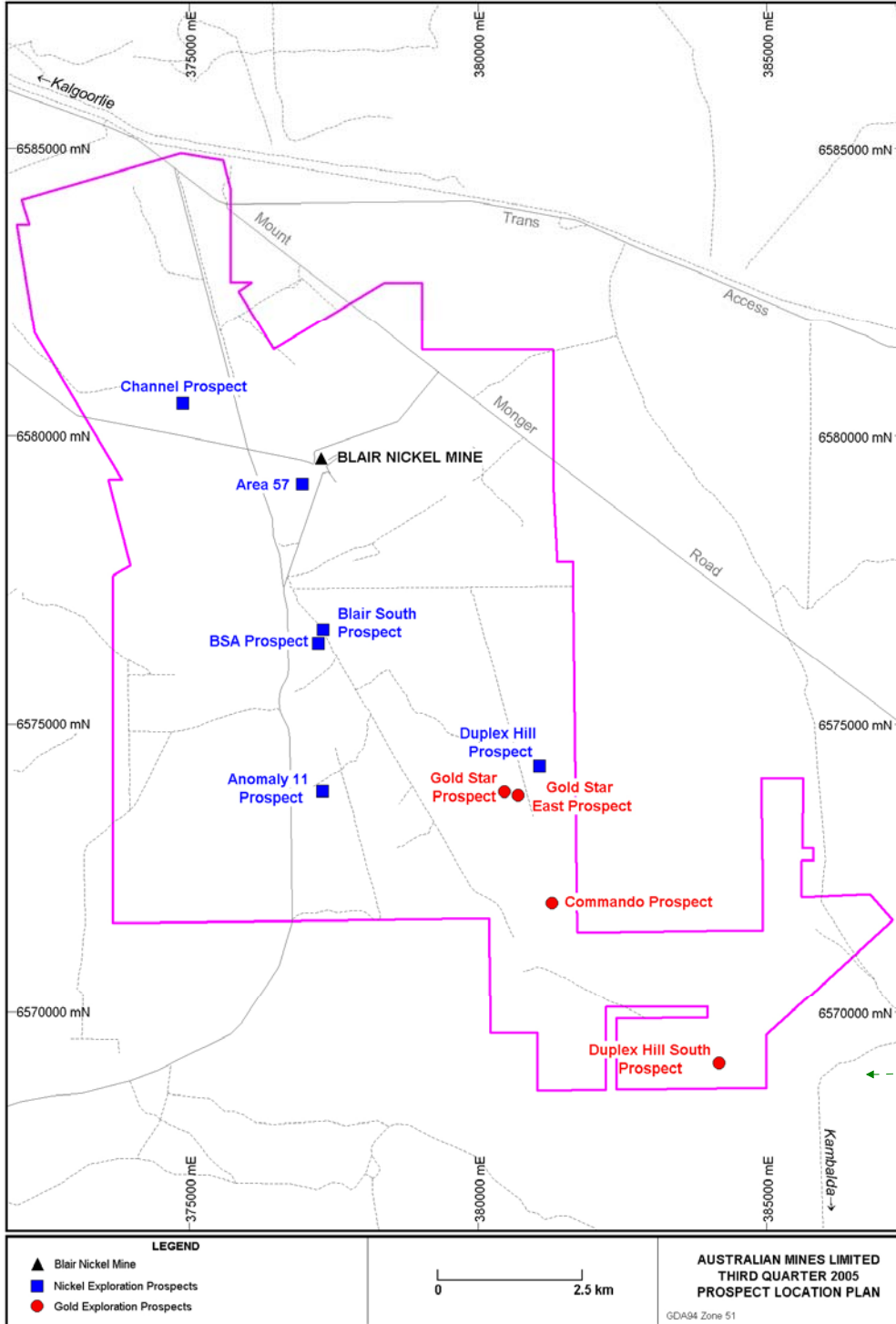
The entitlement issue funds will be available to progress the Company's exploration program in the September quarter and beyond with promising targets such as near mine targets at Blair Mine at Area 57. Regional exploration targets include Anomaly 11 (nickel) and Duplex Hill South (gold) and are scheduled for drilling in September.

The Directors have also been keen to progress the oxide nickel potential and have compiled an updated resource for the nickel oxides. Further drilling is warranted to develop these resources and will be undertaken in this financial year.

Yours faithfully
Australian Mines Limited

Keith Liddell
Chairman

Appendix 1: Location Plan of Blair Projects



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Appendix 3: Assay results from re-sampling of 3rd quarter RAB drilling into more appropriate geological intervals.

| Hole ID | MGA North (m) | MGA East (m) | RL (m) | Azimuth (mag) | Dip | Hole Depth (m) | From (m) | To (m) | Interval (m) | Au (g/t) |
|--------------------------|------------------|-----------------|-----------|------------------|-----|-------------------|-------------|-----------|-----------------|--------------|
| Duplex Hill South | | | | | | | | | | |
| AMBR0265 | 6569106 | 384659 | 392 | 225 | -60 | 53 | 11 | 15 | 4 | 1.41 |
| AMBR0266 | 6569098 | 384646 | 392 | 225 | -60 | 52 | 12 | 13 | 1 | 2.07 |
| AMBR0269 | 6569195 | 384572 | 392 | 45 | -60 | 55 | 51 | 52 | 1 | 1.51 |
| AMRB0275 | 6569305 | 384523 | 392 | 225 | -60 | 52 | 10 | 11 | 1 | 3.71 |
| AMBR0277 | 6569279 | 384498 | 392 | 225 | -60 | 58 | 11 | 18 | 7 | 1.92 |
| | | | | | | <i>including</i> | 11 | 14 | 3 | 3.26 |
| AMBR0278 | 6569263 | 384488 | 392 | 225 | -60 | 50 | 15 | 16 | 1 | 3.05 |
| AMBR0279 | 6569262 | 384472 | 392 | 225 | -60 | 52 | 44 | 45 | 1 | 2.00 |
| AMBR0280 | 6569242 | 384465 | 392 | 225 | -60 | 56 | 48 | 49 | 1 | 1.09 |
| AMBR0281 | 6568908 | 383953 | 392 | 45 | -60 | 66 | 50 | 51 | 1 | 2.29 |
| AMBR0294 | 6569124 | 384180 | 392 | 45 | -60 | 63 | 42 | 43 | 1 | 1.42 |
| AMBR0295 | 6569143 | 384193 | 392 | 45 | -60 | 65 | 10 | 14 | 4 | 2.1 |
| | | | | | | <i>including</i> | 10 | 12 | 2 | 3.34 |
| | | | | | | <i>and</i> | 47 | 48 | 1 | 1.02 |
| AMBR0296 | 6569155 | 384216 | 392 | 45 | -60 | 62 | 11 | 13 | 2 | 3.15 |
| | | | | | | | 45 | 48 | 3 | 1 |
| AMBR0297 | 6569167 | 384232 | 392 | 45 | -60 | 59 | 10 | 13 | 3 | 2.2 |
| | | | | | | | 46 | 52 | 6 | 1.31 |
| AMBR0298 | 6569180 | 384252 | 392 | 45 | -60 | 60 | 12 | 15 | 3 | 2 |
| | | | | | | | 46 | 50 | 4 | 2.49 |
| AMBR0300 | 6569213 | 384271 | 392 | 45 | -60 | 60 | 47 | 48 | 1 | 2.36 |
| AMBR0303 | 6569192 | 384071 | 392 | 225 | -60 | 77 | 46 | 49 | 3 | 1.5 |
| | | | | | | | 46 | 47 | 1 | 3.2 |
| | | | | | | | 65 | 68 | 3 | 1.6 |
| AMBR0304 | 6569180 | 384059 | 392 | 225 | -60 | 76 | 10 | 12 | 2 | 3.48 |
| | | | | | | <i>and</i> | 54 | 74 | 20 | 5.41 |
| | | | | | | <i>including</i> | 56 | 60 | 4 | 15.04 |
| Goldstar | | | | | | | | | | |
| AMBR0314 | 6573412 | 381342 | 401 | 75 | -60 | 71 | 50 | 51 | 1 | 1.25 |
| AMBR0318 | 6573481 | 381225 | 396 | 75 | -60 | 98 | 95 | 98 | 3 | 1.33 |
| AMBR0319 | 6573495 | 381268 | 397 | 75 | -60 | 78 | 47 | 48 | 1 | 1.34 |
| AMBR0324 | 6573599 | 381266 | 395 | 75 | -60 | 87 | 67 | 69 | 2 | 0.78 |
| AMBR0329 | 6573600 | 380470 | 393.5 | 75 | -60 | 58 | 31 | 32 | 1 | 1.41 |
| AMBR0332 | 6573617 | 380544 | 395 | 75 | -60 | 88 | 71 | 85 | 14 | 1.56 |
| | | | | | | <i>including</i> | 79 | 83 | 4 | 2.67 |
| AMBR0333 | 6573637 | 380584 | 394.5 | 75 | -60 | 75 | 65 | 67 | 2 | 1.94 |
| AMBR0336 | 6573704 | 380509 | 392.5 | 75 | -60 | 60 | 34 | 36 | 2 | 2.17 |

1. All results are from single metre samples.
2. All samples digested with Aqua Regia with ICPMS finish
3. Quoted intervals use a >0.5g/t Au cut-off with a maximum internal dilution of 1m.

Appendix 4 : Duplex Hill South - Supergene Gold intersections from RAB drilling - June quarter 2005

| Hole ID | North (m) | East (m) | RL (m) | Azimuth (mag) | Dip | Depth (m) | From (m) | To (m) | Interval (m) | Au (g/t) |
|-----------|-----------|----------|--------|---------------|-----|-----------|----------|--------|--------------|----------|
| AMBR-0398 | 6569095 | 383990 | 392 | 225 | -60 | 61 | 50 | 54 | 4 | 0.568 |
| AMBR-0399 | 6569112 | 383974 | 392 | 225 | -60 | 61 | 53 | 58 | 5 | 0.269 |
| AMBR-0400 | 6569127 | 383956 | 392 | 225 | -60 | 57 | 49 | 56 | 7 | 1.34 |
| AMBR-0401 | 6569132 | 383944 | 392 | 225 | -60 | 57 | 48 | 53 | 5 | 0.168 |
| AMBR-0402 | 6569162 | 384031 | 392 | 225 | -60 | 65 | 55 | 59 | 4 | 0.483 |
| AMBR-0403 | 6569182 | 384014 | 392 | 225 | -60 | 74 | 65 | 72 | 7 | 0.681 |
| AMBR-0404 | 6569189 | 383998 | 392 | 225 | -60 | 54 | 47 | 53 | 6 | 0.283 |
| AMBR-0405 | 6569171 | 384032 | 392 | 225 | -60 | 73 | 61 | 66 | 5 | 0.622 |
| AMBR-0406 | 6569193 | 384114 | 392 | 225 | -60 | 68 | 54 | 59 | 5 | 0.115 |
| AMBR-0407 | 6569203 | 384100 | 392 | 225 | -60 | 63 | 58 | 62 | 4 | 0.528 |
| AMBR-0408 | 6569221 | 384004 | 392 | 225 | -60 | 66 | | | | NSA |
| AMBR-0409 | 6569243 | 384075 | 392 | 225 | -60 | 66 | | | | NSA |
| AMBR-0410 | 6569247 | 384063 | 392 | 225 | -60 | 57 | 52 | 56 | 4 | 0.178 |
| AMBR-0411 | 6569031 | 383951 | 392 | 225 | -60 | 56 | | | | NSA |
| AMBR-0412 | 6569039 | 383940 | 392 | 225 | -60 | 54 | 37 | 40 | 3 | 0.115 |
| AMBR-0413 | 6569052 | 383925 | 392 | 225 | -60 | 54 | 44 | 49 | 5 | 1.52 |
| AMBR-0414 | 6569066 | 383908 | 392 | 225 | -60 | 51 | 45 | 50 | 5 | 0.177 |
| AMBR-0415 | 6569076 | 383895 | 392 | 225 | -60 | 52 | | | | NSA |
| | | | | | | | | | | |
| | | | | | | | | | | |

1. Gold was analysed using ICP-MS with an Aqua Regia Digest 5m composited intervals except where indicated otherwise by *.
2. >0.5g/t Au cut off has been applied.