



**26 August 2010**

**ASX Announcement**

**MT MARTIN AND GOLDEN RIDGE EXPLORATION UPDATE**

**Australian Mines Limited (ASX:AUZ)** is pleased to announce developments with Mt Martin gold mine in respect to potential for underground gold resources.

In addition further drilling has commenced on its exploration projects at its highly prospective Golden Ridge tenements which are located 30 kilometres from Kalgoorlie in Western Australia.

**Mt Martin underground potential**

The company believes that there is potential to establish underground mining reserves at Mt Martin on the East Shear below the deepest old workings that could be accessed via a decline from the current pit.

The two phases of diamond drilling that targeted the East Shear at Mt Martin have been previously announced with the following results: -

- The first phase of diamond drill testing of the East Shear at Mt Martin in April - May 2010 intersected a block of ore which is interpreted to be a faulted offset of the East 1 ore shoot. The new block of ore has been named the East 2 Shoot.

Intersections on the East 2 shoot included:

AUZD1	<b>18.35m @ 1.66g/t, including 2.45m @ 4.32g/t</b>
AUZD2	<b>10.35m @ 2.73g/t, including 4.6m @ 3.63g/t</b>
AUZD3	<b>10.0m @ 7.58g/t</b>

The company believes that there is potential to establish underground mining reserves on the East 2 shoot, and additional diamond drilling is planned to extend this resource.

- The second phase of diamond drill testing of the East Shear in June -July 2010 intersected strong gold mineralization on the East 1 Shoot in a position down plunge of the existing stopes.

A single hole pierced the East 1 shoot as follows:

AUZD14	<b>12.0m @ 3.2g/t.</b>
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Additional diamond drilling is planned to follow up this intersection.

The revised Mt Martin resources model was announced on 25 June containing Indicated and Inferred Resources of 4.7m tonnes at 2.19g/t for 328,000 ozs of Au.



The Company also announced on 21 July that the Mt Martin resource model has been optimised for a cut back to the current open pit on the current gold price, various treatment and haulage costs and indicates it is very profitable at the current gold price of A\$1,300/oz producing approximately 50 – 60,000 ozs of gold.

The Company continues reviewing options for maximising the value of the Mt Martin gold mine.

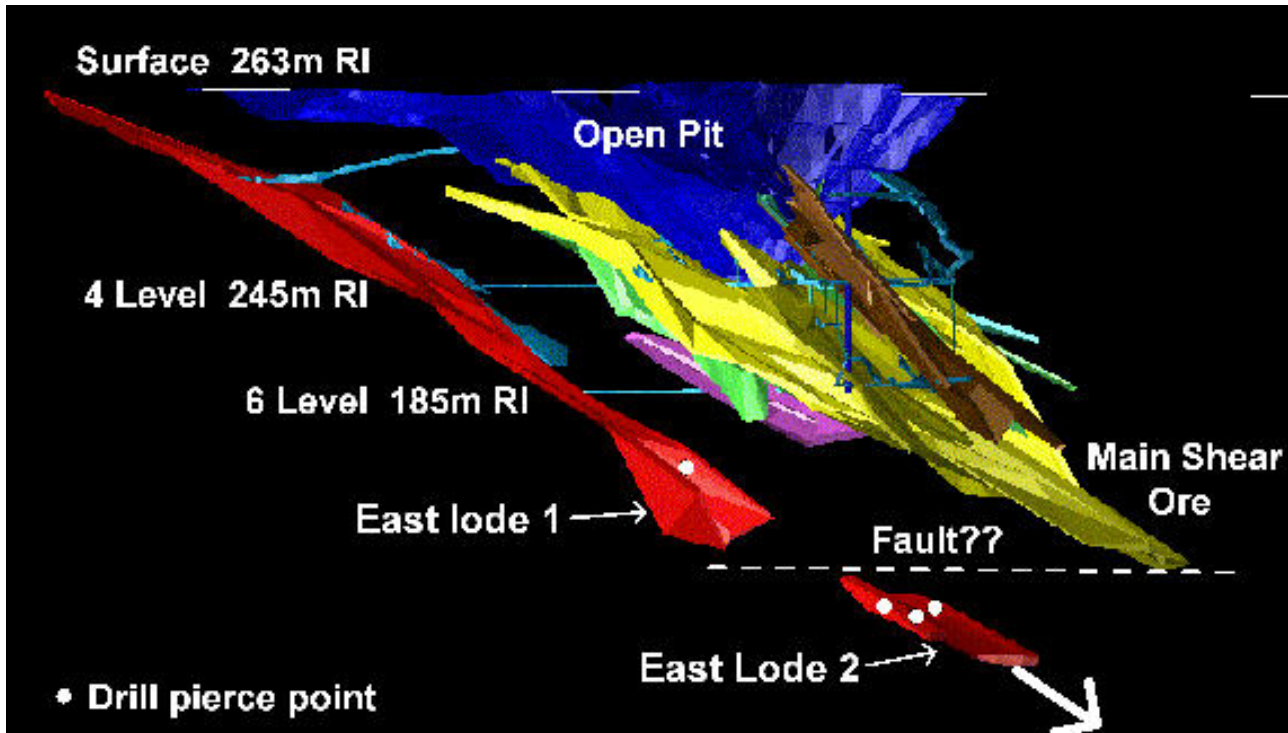


Figure 1: Mt Martin looking south, showing interpreted East 1 and East 2 Lodes

## Golden Ridge gold exploration

Drilling targets have been identified and are shown below in Figure 2. Gold exploration work undertaken on these targets by AUZ during past years has been limited because the Company was primarily focussed on nickel mining.

## Current exploration drilling

- First pass RAB drilling has been completed at '464 South' south of East Location 45 to test a magnetic feature which trends through the surface scrapings on an adjoining lease, which is being worked by a local gold prospector.
- RAB drilling at 'Commando' to the south east of Goldstar will test a strong gold-in-soil anomaly located on a splay off the Mt Monger Fault.
- A strong gold-in-soil anomaly at Goldstar is in a favourable structural setting on the Mt Monger fault system. The anomaly has been partially tested by RAB drilling and the current programme will follow up on an historic intersection of 15 metres at 1.32 g/t as portrayed in the cross section below (figure 3).

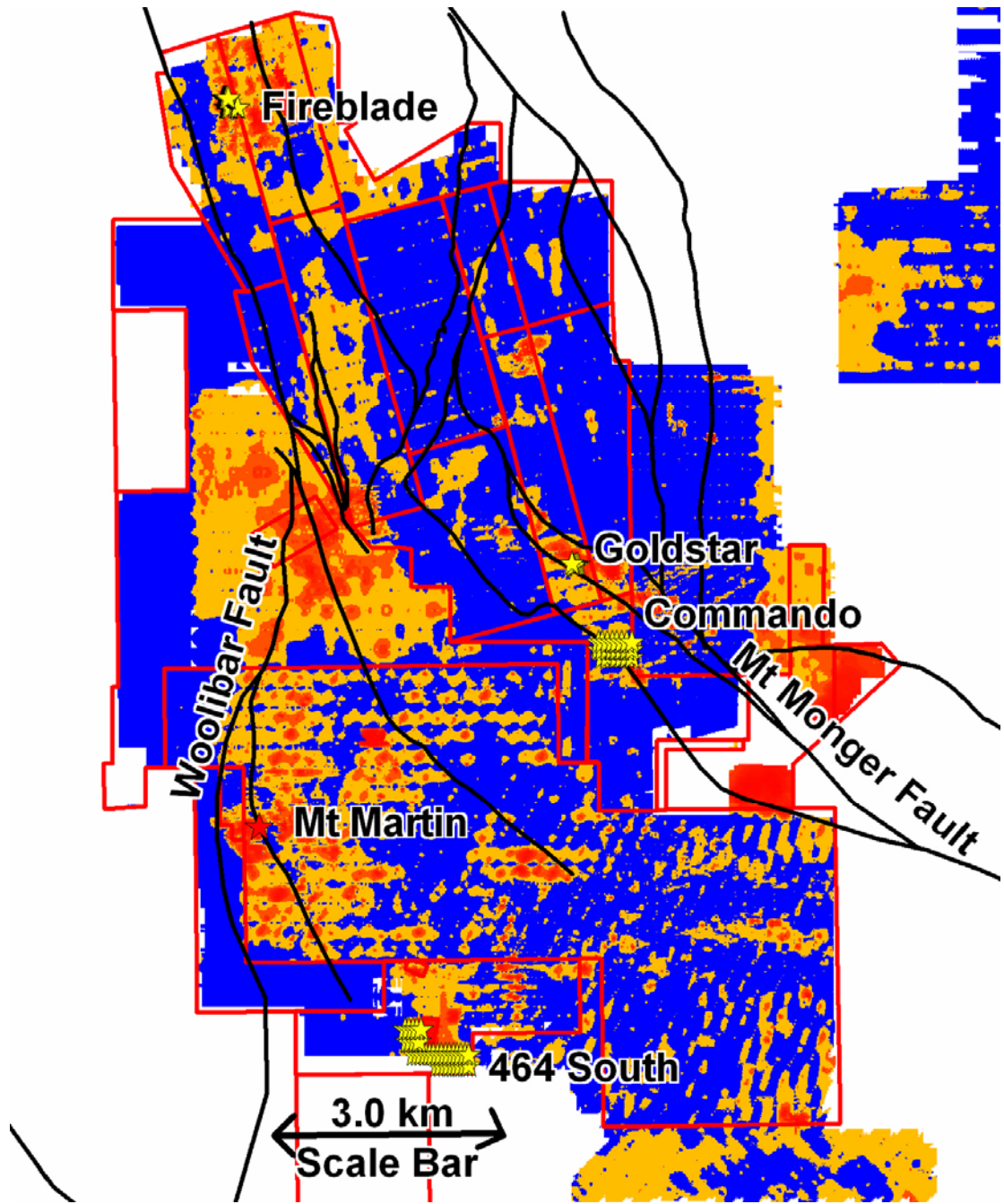


Figure 2 Priority gold targets identified by AUZ

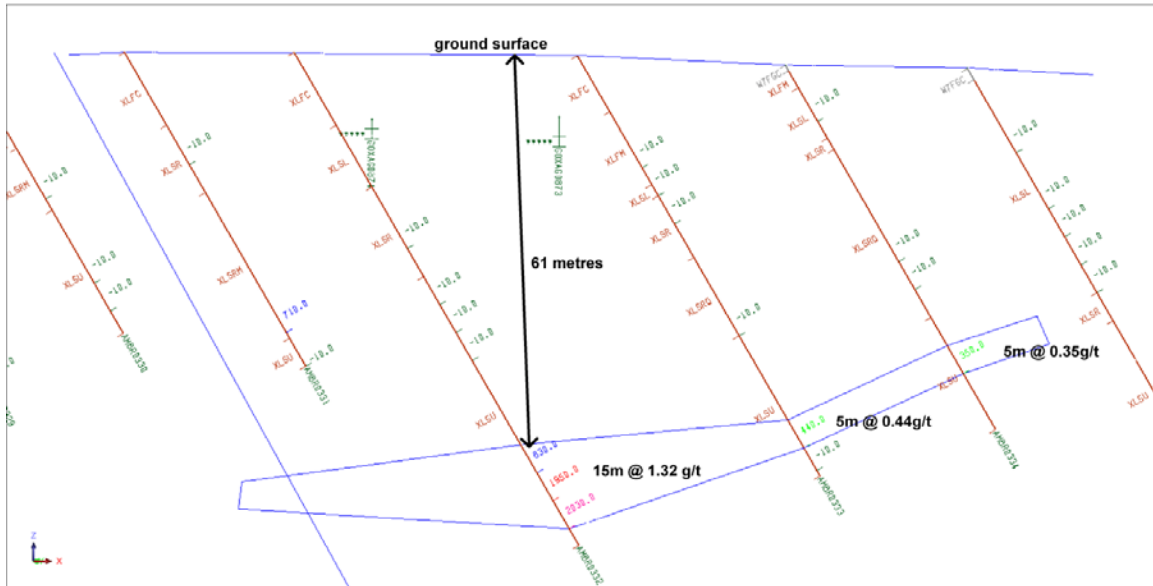


Fig 3: Goldstar cross-section 1- RAB holes with interpreted structure

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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.*