AUSTRALIAN STOCK EXCHANGE

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Australian Mines Limited

ABN 68 073 914 191

2ND June 2003

AUSTRALIAN STOCK EXCHANGE LIMITED **FACSIMILE: 1900 999 279**

Number of Pages: 3

Dear Sirs

SPECIAL RELEASE

KEITH LIDDELL APPOINTED CHAIRMAN FURTHER DIAMOND DRILLING TO COMMENCE AT AREA 57 TARGET AT BLAIR MINE

HIGHLIGHTS

- **In keeping with the Company's planned expansion into mine development and nickel production, Keith Liddell has been appointed non-executive Chairman and Dr. John Daniels has been appointed non-executive Deputy Chairman. Mr Liddell is an experienced engineer with a wealth of experience in the development of mining ventures in Australia and South Africa. He has been a Board member since 2001.**

- **Diamond drill-testing is set to resume at the high-grade Area 57 massive sulphide target adjacent to the existing Blair decline. This second round of drilling will focus on testing for extensions to the high grade zone intersected in the recent program to vertical depths of up to 300 metres.**

- **The Area 57 target is being viewed as a mine development opportunity to provide early cash flow.**

Further details are provided below.

1. APPOINTMENT OF CHAIRMAN

Consistent with the expansion of the Company's interests into nickel mine development and production, the Company is pleased to confirm the appointment of Keith Liddell as non-executive Chairman. Mr Liddell is a qualified metallurgical engineer with extensive experience in engineering of plant and equipment, project development, company management, and risk planning. He has been a non-executive Director of the Company since 2001.

Dr. John Daniels has been appointed non-executive deputy Chairman. Dr. Daniels is a geologist with extensive experience within Australia and overseas and has been Chairman of the Company since 2001. He has had specific experience in advancing the geological understanding of the West Musgrave region where the Company has extensive tenement holdings and an exploration alliance with BHP Billiton. Dr Daniels' guidance and experience will continue to prove invaluable as the Company's exploration programs gather pace.

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2. RESUMPTION OF DIAMOND DRILLING AT BLAIR MINE.

The Company plans to rapidly follow-up recent results from exploration diamond drilling and downhole EM (DHEM) surveys in the vicinity of the BLD 57 target (Area 57) near the existing Blair decline with a further round of diamond drilling (Figure 1).

The next phase will involve approximately 1,000 metres of pre-collared diamond drilling to test for extensions to the high–grade massive nickel sulphide intercepts recently reported from Area 57, including 1.6 metres @ 6.5% nickel in hole AMDD02. The latest geological interpretation suggests that the AMDD02 intersection and the historic nearby intersection of 7.15 metres @ 5.1% Ni in hole BLD 57 represent an accumulation of massive nickel sulphides within a previously unrecognised 'channel' developed at the basal contact of an ultramafic unit and footwall sediments.

The new drilling is the second stage of a multi-stage program that will test for lateral and depth extensions to this high-grade accumulation to vertical depths of up to 300 metres below surface. The recent drilling program extended the resource envelope surrounding the BLD 57 intersection and the Area 57 target is being viewed as an early mine development opportunity, necessitating a review of the current stage 1 feasibility study in progress.

The Area 57 target is particularly attractive given that it is shallow (within 300 metres of surface), has a high average grade of around 4.0% nickel, and lies close to existing decline development. Should a mineable ore-block be present this could be mined without dewatering of the lower sections of the decline, and provide early cash-flow for the potential reopening of the entire decline. The main ore bodies at Blair are open at depth and at present much of the mine's ore reserve lies below the present base of the decline 850 metres below surface.

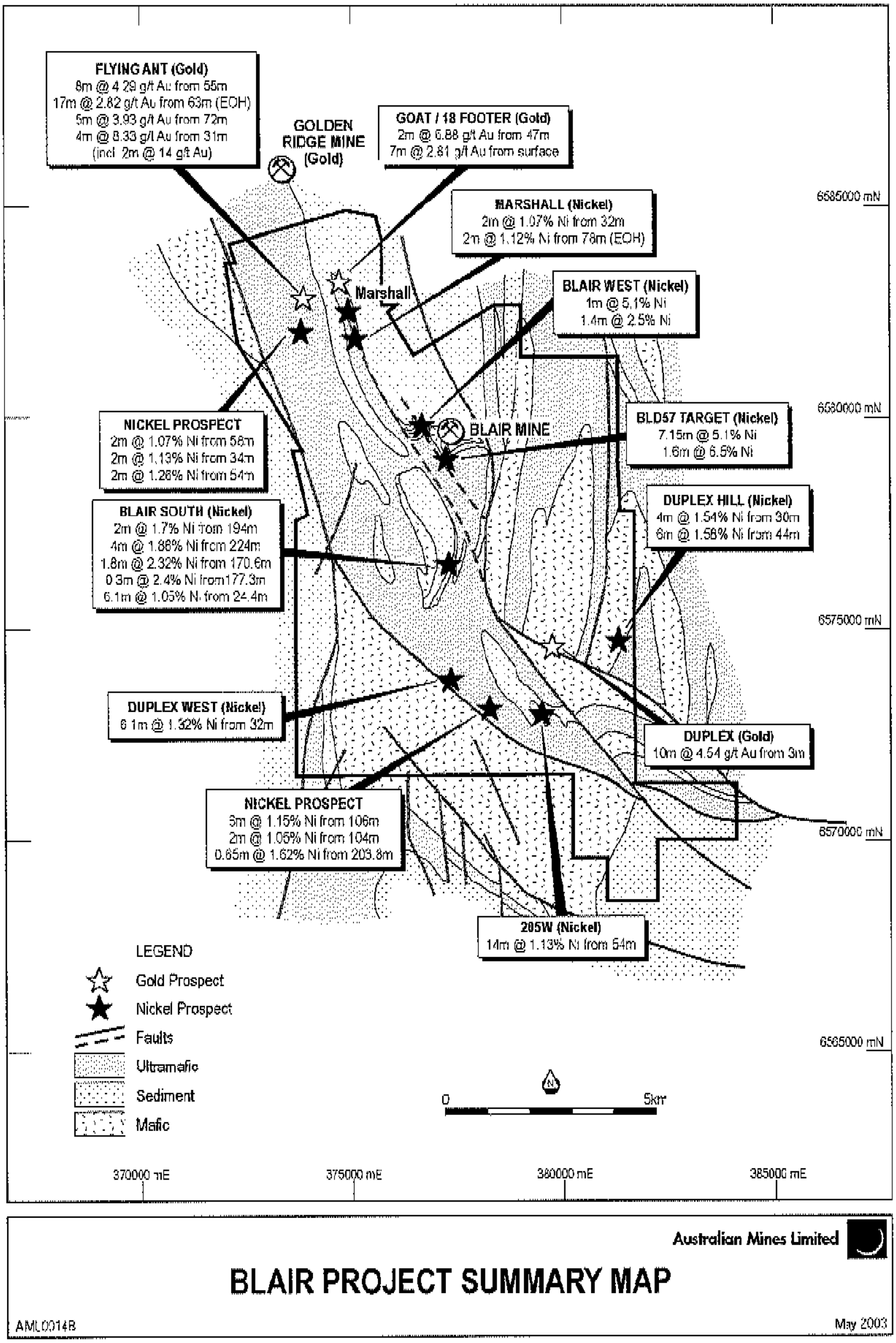
Diamond drilling is expected to commence within a week.

Yours faithfully

D.D. BOYER CPGeo, FAusIMM
Managing Director

Mr D Boyer, CPGeo, FAusIMM, an executive director of Australian Mines Limited, compiled the technical aspects of this report. Mr Boyer has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being reported on to qualify as a Competent Person as defined in the Australasian Code for Reporting of Mineral Resources and Ore Reserves. Mr Boyer consents to the inclusion in the report of the matters in the form and context in which it appears.

FIGURE 1



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