

30 June 2003

AUSTRALIAN STOCK EXCHANGE LIMITED

Number of Pages: 10

Dear Sirs

REPORT ON ACTIVITIES – JUNE QUARTER 2003

Australian Mines Limited (“**Australian Mines**”) is pleased to provide the following report on activities for the three-month period ending 30 June 2003.

HIGHLIGHTS

Exploration- Blair Project

- Downhole EM (DHEM) surveys in the vicinity of historic Blair drillhole BLD 57 (7.15m @ 5.1% Ni) identified a number of strong anomalies requiring drill testing.
- Massive sulphides were intersected in 6 holes in a highly successful 7-hole program of follow-up surface diamond core drilling to test the target (designated “Area 57”). All assays have been received and high grade nickel intersections include:
 - 3.60 metres @ 6.20% Ni from 312.6 metres downhole depth
 - 2.65 metres @ 5.6% Ni from 343.1 metres downhole depth
 - 1.60metres @ 6.5% Ni from 334.0 metres downhole depth
- On the basis of the high nickel grade (+4%), potential size and proximity to both the existing decline and to the surface, Area 57 is regarded as a potential stage 1 mine project with the capacity (subject to a feasibility study) for mining to commence in the December quarter 2003, ahead of the anticipated start of mining of ore reserves deeper in the mine in 2004.
- As part of the new Area 57 study a 6-hole program of surface diamond core holes will be drilled in July to confirm the dimension and orientation of the massive sulphide zone and allow the estimation of ore reserves.
- Barminco has been contracted to carry out stage 1 recommissioning of the Blair mine including the grading of the decline and re-establishment of the ventilation system.

Exploration – West Musgrave Project

- Following the completion of a clearance survey, a regional-scale geological and geochemical survey has been completed over the Blackstone and Morgan Range tenement areas. A major airborne EM survey to test for massive nickel sulphide targets over the same area (approximately 450 km²) has commenced and will be completed in July.

Corporate

- Following on from the acquisition of the Blair nickel mine reported in the March quarter, Australian Mines Limited has acquired the Golden Ridge nickel-gold project from St. Ives Gold Mining Company Pty Ltd, a subsidiary of Gold Fields of Australia. The project surrounds and encompasses the Blair mine, effectively increasing the size of the Blair project to 105 square kilometres.
- The acquisition further consolidates the Company's position as a key participant in the ongoing development of the Kambalda nickel province and delivers a number of under-explored nickel sulphide and gold targets for systematic drill testing and evaluation.
- Consideration for the Golden Ridge acquisition is the issue to St. Ives Gold Mining Company Pty Ltd of 5 million fully paid ordinary shares in the Company plus 2.5 million options exercisable at 20 cents each prior to February 2006.
- \$875,000 in working capital was raised from the placement of 8.75 million ordinary shares at 10 cents/share to various professional investors.
- \$945,000 in working capital was raised from the placement of 7.88 million ordinary shares at 12 cents/share to various professional investors.
- An Extraordinary General Meeting of members held on 9 April approved the issue of 35 million shares and 35 million options to the vendors of Blair Nickel Mine Pty Ltd, the placement of 8.75 million shares to raise \$850,000 in working capital, and the change of the Company's name to Australian Mines Limited.
- Mr Keith Liddell was appointed non-executive Chairman and Mr Neil Warburton was appointed a non-executive Director. Mr Warburton is a qualified mining engineer and brings to the Board a wealth of experience gained from more than a 20 year involvement with mining operations in Australia.

Details are provided below.

A. CORPORATE ACTIVITIES

I. GOLDEN RIDGE ACQUISITION

Introduction

Australian Mines Limited has finalised a Heads of Agreement with St. Ives Gold Mining Company Pty Ltd (**SIGMC**) a subsidiary of Gold fields Australia (**GFA**) to acquire the Golden Ridge project located north of Kambalda in Western Australia.

Project Location & History

The Golden Ridge project is located approximately 30 kilometres north of the Kambalda mining centre in Western Australia. Nickel exploration by Amax and Anglo in the 1970's and later by WMC in the 1980's and early 1990's ultimately led to the discovery of the Blair nickel sulphide deposit on the adjacent tenement and then to the nickel sulphide discoveries at Duplex Hill, Anomaly 20 SW, and Duplex West and other nickel prospects within the project tenements.

The exploration focus within the project area switched to gold in the 1990's, targeting strike extensions of lines of old gold workings beneath soil cover, resulting in the delineation of potential resource targets along strike from the Golden Ridge mine (Flying Ant, Goat/18 Footer, Mick's Hill) and at the Duplex gold prospect.

Acquisition Details

The Company's wholly owned subsidiary, Blair Nickel Mine Pty Ltd (BNMPL) (owner of the Blair mine) has acquired the project tenements from SIGMC together with an extensive and valuable database of previous exploration results, subject to execution of Deeds of assignment and novation with third parties and receipt of statutory approvals by 30 June 2003. Consideration for the acquisition is the issue to SIGMC (or nominee) of 5 million fully paid ordinary shares and 2.5 million 20-cent February 2006 options. The share issue will represent around 4% of the estimated expanded issued share capital of the Company at the time of allotment. The issue of securities does not require shareholder approval but shareholders will be asked to ratify the share issue at an Extraordinary General Meeting of members to be held on 10 July 2003.

The Deeds to be executed with various third parties relate to the assignment of SIGMC's rights and obligations to BNMPL in respect to Miscellaneous Licences affecting the project tenements.

As a consequence of an earlier agreement between SIGMC and WMC Resources Ltd (WMC) the project tenements are subject to certain rights in favour of WMC. WMC has a pre-emptive right to either enter into a toll-treatment-concentrate purchase agreement on nickel production from the project, or to receive a 1% gross royalty on nickel production.

Morgan Stanley Dean Witter Australian Finance Limited and Morgan Stanley Capital Group Inc are entitled to a royalty on gold production from the project above an agreed threshold of 250,000 ounces of gold production. The Morgan Stanley royalty is based on a 4% net smelter return plus a price participation royalty of 10% of each A\$ for the amount above A\$600 per ounce.

Project Tenements

The project comprises granted tenements and tenement applications held by SIGMC with a combined area of 95.37 km² (Figure 1). Granted Mining Leases comprise 75% of the project area. The project tenements completely encompass the Blair mine lease already 100% owned by BNMPL to form a single contiguous block of tenements with a total area of 105.37 km².

Exploration & Resource Potential

Nickel Sulphide Potential

Previous exploration within the project area has identified a number of nickel sulphide prospects, including four with >1%Ni drill intercepts.

Nickel Prospects (Refer to Figure 2 for location.)

<u>Prospect Name</u>	<u>Drill Intersection</u>
Duplex Hill	4.0m @ 1.54% Ni from 30m depth 6.0m @ 1.58% Ni from 44m depth
Anomaly 20SW	14.0m @ 1.13% Ni from 54m depth
Duplex West	6.1m @ 1.32% Ni from 32 m depth 6.0m @ 1.15% Ni from 106m depth
Marshall	0.65m @ 1.62% Ni from 204m depth 2.0m @ 1.07% Ni from 32m depth 2.0m @ 1.12% Ni from 78 m depth

These prospects, together with the Blair and Blair South occurrences on the adjacent Blair mine lease, typically occur at the basal contact of ultramafic rock types with underlying basalt or sediment, although exploration of the prospective contact zone is hindered in many places by soil cover. Systematic nickel exploration (geological mapping, geochemistry, geophysics, drilling) has been carried out over parts of the project by previous explorers and the results

have been compiled into an extensive database that has been acquired by the company. A preliminary evaluation of this database indicates that exploration is incomplete, with a number of excellent sulphide targets inadequately tested. It is anticipated that additional drill targets will be generated from a thorough evaluation of the database and from ongoing exploration.

Gold Potential

The project covers an 18-km long section of the prospective NNW trending Boorara-Woolibar fault zone, host to the Boorara-Golden Ridge and Mt Martin gold mining centres. The Golden Ridge mine operated by Harmony Gold, with an endowment of 500,000 ounces, lies immediately north of and along strike from the project area.

Previous exploration within the project has focused on two lines of historic gold workings over a 3-km long zone along strike from the Golden Ridge mine (Figure 2). This location includes the Flying Ant prospect (400m strike length) and the Goat/18 footer prospect (1,000m strike length) which are seen as having potential for deposits in the 50,000 oz. - 100,000 oz. class.

Better drill intersections include:

<u>Flying Ant:</u>	8m @ 4.29 g/t from 55m depth
	4m @ 8.33 g/t from 31m depth (inc. 2m @ 14.0 g/t)
	17m @ 2.82 g/t from 63m (EOH)
	5m @ 3.93 g/t from 72m
<u>Goat/18 Footer:</u>	7m @ 2.81 g/t from surface
	6m @ 3.05 g/t from 54m depth
	6m @ 2.72 g/t from 30m depth
	2m @ 6.88 g/t from 47m depth

Along strike to the south east the Boorara-Woolibar fault zone lies under soil cover but recent reconnaissance drilling on broadly spaced drill traverses returned several encouraging gold intercepts.

Away from the Boorara-Woolibar fault zone previous exploration has highlighted other under-explored gold targets including the Duplex gold prospect (intersections include 10m @ 4.54 g/t Au from 3m depth).

2. PLACEMENTS

\$875,000 in working capital was raised from the placement of 8.75 million ordinary shares at 10 cents/share to various professional investors. A further placement of 7.88 million shares at 12 cents per share to various experienced and sophisticated investors was completed in June raising \$945,000. These funds will be applied to the Blair project and for general working capital purposes.

3. EXTRAORDINARY GENERAL MEETING

At an EGM held on 9 April 2003 members approved the following resolutions:

- The issue of 35 million ordinary shares and 35 million options to acquire ordinary shares exercisable at 20 cents/share by 1 February 2006 to various Blair mine vendors, pursuant to the agreement for AUZ to acquire all the shares in Blair Nickel Mine Pty Ltd. (The securities were issued on 28 April 2003).
- The placement of 8.75 million fully paid ordinary shares at 10 cents per share to various professional investors to raise \$875,000 before costs of the issue.
- The change of the Company's name to "Australian Mines Limited". The ASX codes for the Company's listed securities are 'AUZ' (shares) and 'AUZO' (options).

4. BOARD APPOINTMENTS

In keeping with the Company's move towards mine development and production in the near term, there have been several Board changes. Mr Keith Liddell, who has been a director of the Company since 2001, has been appointed non-executive Chairman, Dr John Daniels has been appointed non executive Deputy Chairman and Mr Neil Warburton has been appointed a non-executive Director. Mr Warburton is a qualified mining engineer and brings to the Board a wealth of experience gained from more than a 20 year involvement with mining operations in Australia.

B EXPLORATION ACTIVITIES

1. DIAMOND DRILLING PROGRAM - AREA 57, BLAIR MINE

Introduction

A first-pass two-stage program of diamond core drilling has been completed to test for extensions to the high-grade massive sulphide intercept of 7.15m @ 5.1% Ni in historic diamond hole BLD 57. The program included the drilling of 7 pre-collared holes for a total advance of 2,327 metres of drilling – a average down hole depth of 332 metres. The highly successful program tested for lateral and depth extensions to the Area 57 high-grade shoot to vertical depths of up to 300 metres below surface.

Drilling Results

Assay results for the drilling program to date are summarised in Table 1 below.

Table 1
Diamond Drilling Results– Area 57, Blair Mine – June Quarter 2003

Hole ID	AMG coordinates		Dip	Azimuth	Final Depth	Downhole Intersection (>1% Ni)			
	Northing	Easting				From	To	Lgth	Ni (%)
AMDD01*	6579049	376875	-60	90	261.2	192.20	192.54	0.34	1.28
AMDD02*	6579020	376765	-60	90	372.8	332.40	333.00	0.60	6.74
						333.00	333.85	0.85	7.12
						333.85	334.00	0.15	1.72
						Average	332.40	334.00	1.60
AMDD03**	6579018	376794	-60	90	330.7	309.00	309.60	0.60	1.79
						309.60	310.60	1.00	6.85
						310.60	311.60	1.00	6.83
						311.60	312.60	1.00	6.68
						Average Incl	309.00	312.60	3.60
AMDD04*	6579045	376825	-60	90	330.8	249.20	249.70	0.50	3.50
						254.56	255.28	0.72	3.12
AMDD05**	6578988	376769	-60	90	372.6	343.10	344.60	1.50	5.49
						344.60	345.75	1.15	5.86
						Average	343.10	345.75	2.65
AMDD06**	6578988	376745	-60	90	258.7	226.40	226.75	0.35	5.15
						226.75	227.90	1.15	0.18
						227.90	228.15	0.25	4.49
						Average	226.40	228.15	1.75
AMDD07	6579050	376835	-60	90	400.0	No sulphides			

Notes: * Ni intersections length weighted only.

** Ni intersections weighted for length and SG

Further comment is provided below (refer also to Figure 3 for hole locations).

Holes AMDD01, AMDD04, AMDD06

These holes partially tested a significant DHEM conductor. Each hole intersected ore grade nickel in horizons up to 0.7 metres thick. AMDD01 and AMDD04 appear to have intersected the edge of the main sulphide zone above of BLD 57. The AMDD06 intersection, although thin, does not preclude the continuation of the main zone closer to surface. The source of the DHEM conductor may partially reflect barren sulphides within the sediments that form the immediate footwall to the massive nickel sulphides.

Hole AMDD02, AMDD03, and AMDD05

These holes all intersected robust wide zones of massive nickel sulphides 1.6 to 3.6 metres wide and consistently grading 5.6% to 6.5% Ni to the south of BLD 57, suggesting continuity of the main sulphide zone down plunge of BLD 57.

Hole AMDD07

Located 20 metres below AMDD05 and apparently down plunge of AMDD02, this extensional hole did not intersect significant sulphide mineralisation. Possible depth extensions to the AMDD02 and AMDD05 intersections to the north and south of AMDD07 will require testing by further drilling.

2. RECOMMISSIONING OF THE BLAIR DECLINE

Recommissioning of the Blair decline has commenced. This work involves re-establishing primary ventilation, re-grading of decline floor, check-scaling and progressive reconnection of mine services.

Negotiations regarding purchase of grid power and of toll treatment/concentrate offtake are advanced.

3. AREA 57 FEASIBILITY STUDY

A preliminary evaluation of the drill results from Area 57 indicates that it has the potential to support a mining operation based on the extraction of higher grade (4% Ni) ore from stopes located within 200-300 metres below surface and within 400 metres of existing decline development.

The attractions of such an operation, assuming a satisfactory conclusion to the ongoing Stage 1 mine feasibility, include:

- higher cash flows from the mining of ore grading around 4% Ni compared to the historic mine head grade of 2.5% Ni;
- early start to mining due to proximity to existing decline, perhaps as early as the December quarter 2003;
- lower than average operating and capital costs associated with proximity to the decline and to the surface; and
- the capacity for surplus cash flows to be directed towards the funding of ongoing exploration and development at Blair and elsewhere.

4. FUTURE PROGRAM

Diamond Core Drilling

The next phase of drilling at Area 57 will focus on extensional and infill drilling to confirm the boundaries and orientation of the massive sulphide zone between 150m RL and 050m RL, ahead of a recalculation of mineral resources at Area 57 to a standard adequate for input into the Stage 1 mine feasibility study. The 6-hole, 2,000 metre program of pre-collared extensional drilling has commenced and is scheduled for completion end of July 2003.

Downhole EM (DHEM)

DHEM surveys are planned for holes AMDD05 and AMDD07 in early July to assist in the positioning of future drilling down plunge of AMDD05.

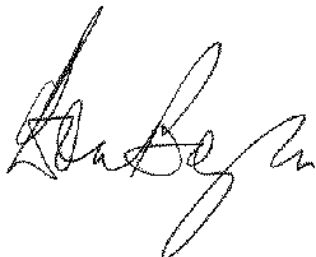
B. WEST MUSGRAVE PROJECT

I. AIRBORNE ELECTROMAGNETIC (EM) SURVEY

A major airborne EM survey to test for massive nickel sulphide targets over the Blackstone and Morgan Range project areas, a combined area of approximately 450 square kilometres, commenced in late June. The GeoTEM survey will involve 1,700 line km of flying at a line spacing of 300 metres and take approximately one week to complete.

Subject to the completion of clearance surveys, follow-up ground surveys have been planned for the September quarter and provision has been made for first-stage follow-up RC drilling of priority targets in the December quarter.

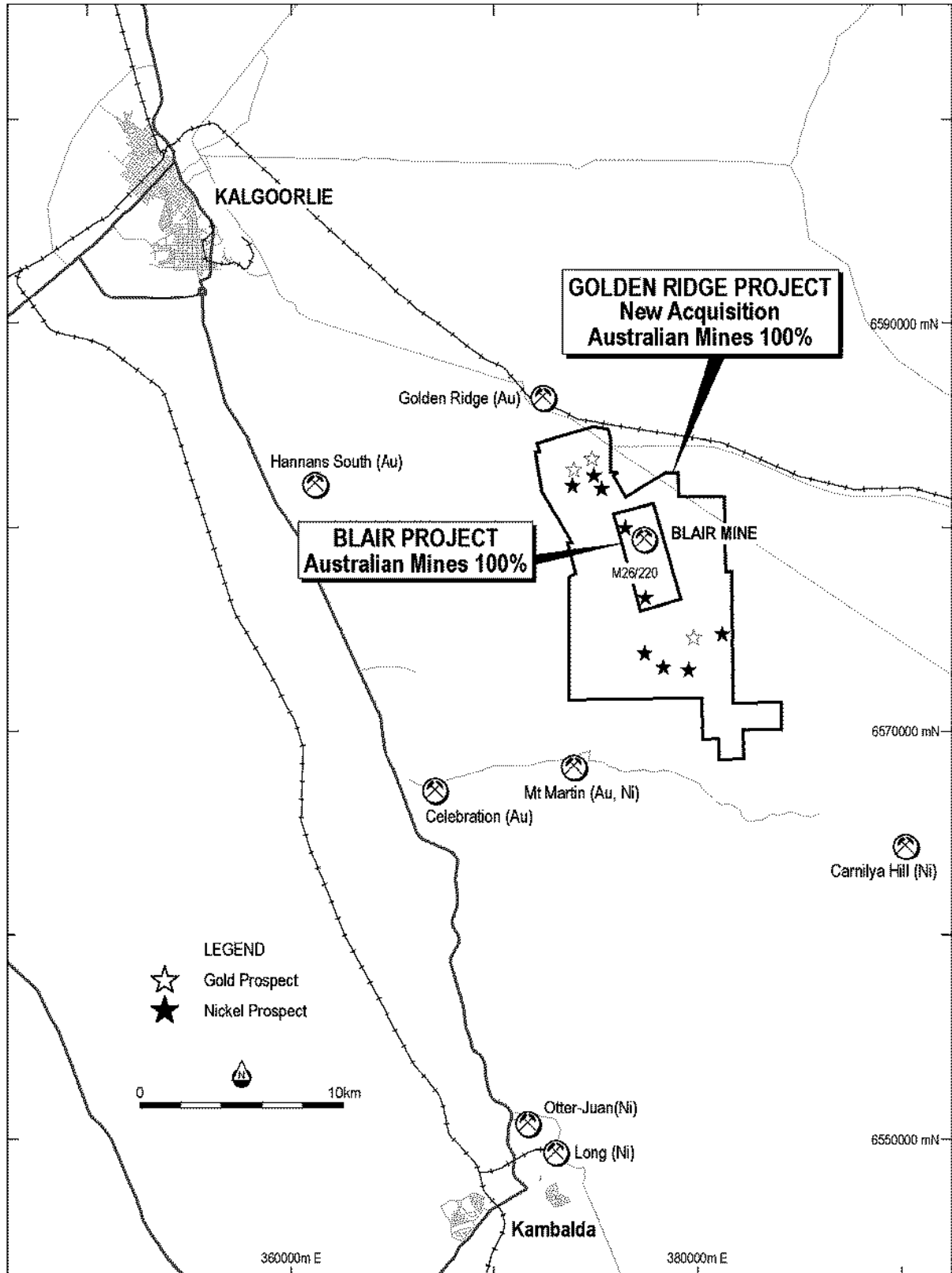
Yours faithfully




DD Boyer
Managing Director

<p>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 reported on in the form and context in which they appear.</p>

FIGURE 1

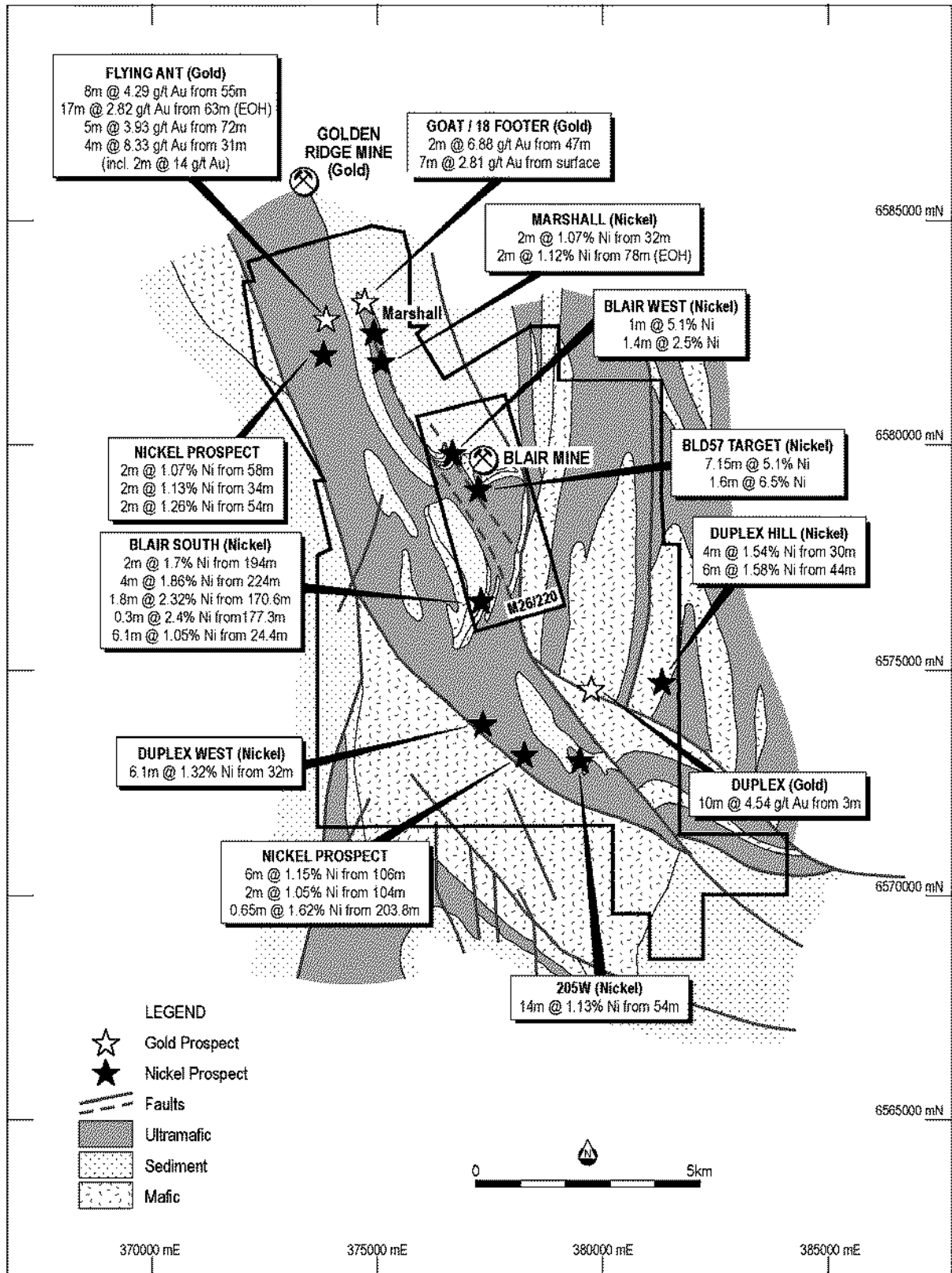


Australian Mines Limited 

**BLAIR PROJECT & GOLDEN RIDGE PROJECT
LOCATION MAP**

AML0015A May 2003

FIGURE 2



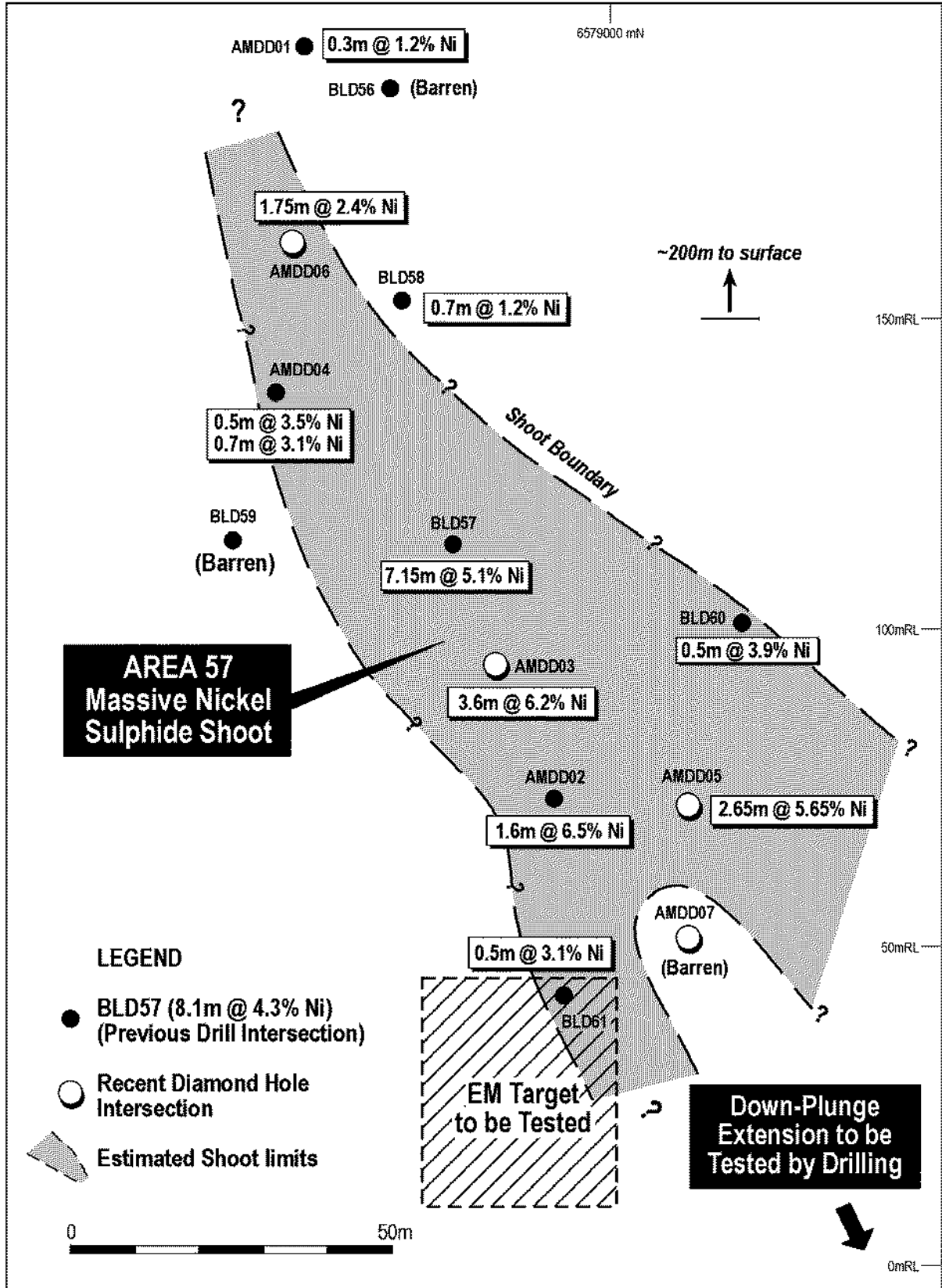
Australian Mines Limited 

GOLDEN RIDGE SUMMARY MAP

AML0014A

May 2003

FIGURE 3



**Area 57 Diamond Drilling Results
(Long Projection Looking East)**

Australian Mines Limited



AML0016A

June 2003