Australian Mines Limited
ABN 68 073 914 191

Level 1, 681 Murray Street, West Perth, Western Australia 6005
Tel: 08-9481 5811 Fax: 08-9481 5611 Email: admin@australianmines.com.au

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AUSTRALIAN STOCK EXCHANGE LIMITED
Via Electronic Lodgement

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Dear Sirs

UPDATE ON UNDERGROUND DRILLING AT BLAIR MINE

The Company is pleased to provide the following update on the program of underground diamond drilling currently being conducted at its 100%-owned Blair nickel mine near Kambalda.

Underground Hole BU 7-27

This 269.2 metre long drill-hole has been drilled from the 1048 level in the decline, approximately 300 metres below surface. It was drilled to obtain geotechnical information along the alignment of the proposed cross-cut access that will link the existing decline with the stage 1 mine development at Area 57, and to confirm in-situ nickel grades within the Area 57 ore reserve.

Hole BU7-27 intersected the Area 57 mineralised zone as planned at a point below AMDD008 (0.4 metres @ 4.2% Ni) and north of AMDD009 (1.5 metres @ 4.07% Ni). BU7-27 intersected a 2.3 metre wide sulphide zone downhole, comprising 1.7 metres of massive sulphide plus 0.6 metres of adjacent stringer sulphide, and appears consistent with or better than the adjacent intersections. The massive sulphide intersection is visually similar to adjacent intersections, although nickel grades cannot be confirmed until assays are received.

The core will be assayed once the Company's consultants have completed geotechnical assessment in the next few days.

Underground Hole BU 7-28

A second underground diamond hole with a planned length of 125 metres is in progress from the 1048 level in the decline to test the first of a number of ore targets identified within a portion of the adjacent 01 ore surface known as L shoot, and should be completed shortly. The projected intersection lies 50 metres above an ore reserve block within L shoot and is aimed at identifying ore reserve extensions for follow-up drilling. L shoot is projected to extend the full 850-metre vertical depth of the present decline, and represents a potentially mineable resource readily accessible from the decline, although completely unmined to date.

Assay results for both holes will be released when confirmed.

Yours faithfully

DD Boyer
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 has been undertaken to qualify as a Competent Person as defined in the 1999 Edition of 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.