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COMPANY HIGHLIGHTS

CORPORATE

- **Foothold secured in the Kambalda nickel district with the scrip-based purchase of a 100% interest in the Blair underground nickel mine from a private syndicate.**

- **Strategic Kambalda ground position consolidated** with the scrip-based purchase of a 100% interest in a highly prospective 95 km² tenement package surrounding the Blair mine lease from St Ives Gold Mines Pty Ltd (Subsidiary of Gold Fields of Australia), who becomes a significant shareholder in the Company.

- **Company's name changed to Australian Mines Limited** - reflects expansion of Company's nickel activities into the Eastern Goldfields of Western Australia.

- **Exploration alliance established with BHP Billiton in the West Musgrave region** - BHP Billiton contributing $1.0 million over two years towards jointly funded exploration program and becomes a significant shareholder in the Company.

- **Following the slump in share price in the first half of calendar 2003, which was in line with the ASX All Ordinaries Index, since year-end the Company's share has recovered to June 2002 levels and its market capitalisation doubled in the five months to September 2003.**

BLAIR NICKEL PROJECT

- **High-grade nickel hits from exploration in Area 57 target at Blair quickly define resource of 80,000 tonnes grading 3.9% nickel, including 51,000 tonnes grading 5.5%.**

- **Blair Resource inventory increased to almost 9,500 tonnes contained Ni metal.**

- **Blair decline shaft re-commissioned and rehabilitated to 700 metres depth.**

- **Feasibility in progress to re-establish 2-stage underground mining plan – the aim is for** Area 57 to provide ore feed for Stage 1 mine from March 2004, with Stage 2 ore feed from mining of deeper reserves in the mine commencing 3rd quarter 2004.

WEST MUSGRAVE PROJECT

- **Drilling commenced within 7 months of commencing exploration** in an area with no recent history of ground exploration, resulting in the discovery of copper/PGM mineralisation at the Voyager prospect.

- **Airborne EM survey completed over 450 km² area.**

CHAIRMAN'S LETTER

Dear Shareholder

It is my pleasure to present to you the 2003 Annual Report of Australian Mines Limited, detailing the significant progress in what has proved to be an exciting year for the Company.

Consistent with its primary objective of adding value for shareholders, the strategy to expand the Company's nickel business through the development of profitable mining ventures moved a major step closer with the acquisition of a 100% interest in the ***Blair underground nickel mine*** near Kambalda early in 2003. Located in the centre of Western Australia's main nickel producing province, this milestone purchase was quickly followed by the acquisition of a large (95 km^2) prospective package of tenements surrounding the Blair mine from a subsidiary of the major South African gold company, Gold Fields of Australia. Through these acquisitions the Company has moved to quickly establish itself as a strategic player in the Kambalda region - part of a positioning strategy designed to take advantage of the anticipated strong demand for nickel over at least the next two years and, in the process, add value for shareholders.

The Blair mine acquisition puts the Company on the threshold of cash flow from mining operations. Although decommissioned when purchased, the Blair mine was a consistent nickel producer over a 12-year period until its closure at the end of 2001 in a period of low nickel prices, and was seen as having the capacity to be brought back into profitable production in the short term. Following acquisition the Company lost no time in advancing exploration at Blair to identify sufficient ore reserves to justify production at the earliest opportunity, and was rewarded with the discovery of the ***Area 57*** high-grade shoot close to the existing mine decline at the first target tested. Mine re-commissioning has commenced with the re-establishment of the primary ventilation system and rehabilitation of the decline to a vertical depth of 700 metres. At time of writing a feasibility study into an initial two-stage mining plan that anticipates ore production and cash flow from Area 57 commencing in the first quarter 2004, is nearing completion. The Company is currently finalising a toll treatment/off take agreement with WMC, who operate a treatment facility at Kambalda just 35 km from Blair, and is negotiating project financing alternatives with three parties. Assuming financing is completed by early November 2003, it is planned to initiate mine development to access the Area 57 in the December 2003/January 2004 and produce ore by the end of the first (March) quarter 2004. Development of the deeper ore reserves that form the stage 2 mining plan is scheduled to commence early in 2004, with stage 2 ore production set to commence from the third (September) quarter 2004.

It is anticipated that mine life will be significantly extended beyond the currently planned 15 months through the definition of extensions to the open-ended Blair ore bodies and the discovery of additional reserves from targets located close to the decline and within the surrounding tenements. These tenements also have the potential to generate cash flow from gold production, and a secondary focus will be the definition of shallow gold resources amenable to ready extraction and treatment at one of the regional treatment facilities.

A second milestone for the Company was the fianalisation of an ***exploration alliance with BHP Billiton*** in relation to the Company's large tenement holdings in the west Musgrave region. Under this agreement BHP Billiton is contributing $1 million over two years to a jointly funded exploration program managed by Australian Mines. The alliance has made significant progress in its first year, including the discovery of low-grade copper/platinum/palladium mineralisation east of the Cavenagh Range and the completion of an airborne EM survey targeting massive nickel sulphides within a large 450-km2 area.

Following the slump in share price in the first half of calendar 2003, which was in line with the ASX All Ordinaries Index, since year-end the Company's share has recovered to June 2002 levels and its market capitalisation doubled to $20 million in the five months to September 2003.

In conclusion I would like to thank the Company's staff, contractors and consultants for their contribution during the year and thank investors for their continuing support. There is an exciting and potentially very rewarding future ahead for the Company as it pursues the production and cash flow opportunities opening up on its tenements in the Kambalda district and the exploration opportunities in the west Musgrave region.

Yours sincerely

Keith Liddell
Chairman
Perth, Australia

MANAGING DIRECTOR'S OVERVIEW OF ACTIVITIES

OVERVIEW OF RESULTS AND OPERATIONS

The Company achieved a number of milestones during the year, but perhaps the most significant of these was the expansion of the Company's activities to secure a strategic foothold in the Kambalda nickel district in the Eastern Goldfields region of Western Australia.

The acquisition of the Blair nickel sulphide mine near Kambalda was closely followed by the purchase of a large package of surrounding tenements from St Ives Gold Mines Pty Ltd, and provided the Company with the capacity to achieve early cash flow from mining. The mine plan currently being finalised aims for underground development to commence by January 2004 and ore production to commence in March 2004.

The Company lost no time in commencing exploration at the Blair mine and this work has resulted in the definition of a resource of 80,000 tonnes grading 3.9% Ni (including a higher grade massive sulphide zone of 51,000 tonnes grading 5.5% Ni) at Area 57. There is potential to increase this resource with further drilling. This discovery increased in-mine resources by 35% to 325,000 tonnes grading 2.9% Ni. The Area 57 shoot is now being fast-tracked as the first stage of an initial 2-stage mining plan for the mine, the mining of deeper ore reserves in the 01 and 03 shoots in the mine forming the planned second stage. The Company is prioritising exploration for additional resource targets close to the existing decline with a view to expanding mine life beyond the presently planned 1.5 to 2 years based on current ore reserves. A number of excellent ore reserve targets have been highlighted close to the existing decline, including extensions to the open-ended 03 and 01 shoots amounting to some 127,000 tonnes grading 2.5% Ni included as Inferred Resources, and will be systematically evaluated over the coming months. In preparation for the re-commencement of development mining later in 2003, the decline has been rehabilitated to a vertical depth of 700 metres ahead of the planned start of the Area 57 access development later this year.

In addition to the potential for locating additional reserves within development range of the decline, a number of other nickel resource targets have been identified within the strategic 105 km² Blair project area for follow-up in the year ahead.

Exploration in the west Musgrave region was advanced during the year, with the completion of systematic airborne and ground-based programs in the southern part of the main project area and culminating in the drilling of several targets in late 2002. This drilling successfully intersected low-grade copper-PGM (platinum/palladium) mineralisation in a previously unexplored area just 7 months after the commencement of the Company's first field program. The discovery of PGM platinum mineralisation is particularly encouraging given that platinum prices are currently at historically high levels.

Following the securing of the exploration alliance with BHP Billiton late in 2002, the program in 2003 has targeted massive nickel sulphides, and a large (450 km²) survey was completed over the northern part of the main project area just prior to year's end. The Company's geophysical consultants are currently assessing this data.

OUTLOOK

The year ahead will be a busy but rewarding one as the Company completes the transition from being a pure exploration company to becoming a nickel producer. The Company is aiming to secure project finance, complete technical due diligence on the re-commencement of mining, and finalise a toll treatment/off take agreement with WMC by the end of October/early November 2003, with the aim of commencing Area 57 access development by the end of the calendar year and commence nickel ore production in March 2004. Area 57 has a planned mine life of seven months but may be extended if ore extensions are confirmed in drilling.

Development of the stage 2 mine will include the dewatering of the lowest mine levels and completion of access development to the ore reserves in the 01 and 03 shoots, with stage 2 ore mining planned to commence in the third quarter 2004. The ore reserves in the 01 and 03 shoots are open-ended and it is anticipated that further drilling will expand these reserves and extend stage 2 mine life.

REVIEW OF DEVELOPMENT PROJECTS

BLAIR UNDERGROUND NICKEL MINE, WESTERN AUSTRALIA

(Australian Mines Ltd 100% through 100%-owned Blair Nickel Mine Pty Ltd)

Commodities Sought: Nickel (+copper, cobalt) in sulphides

Project Highlights

- 100% interest in granted Mining Lease 24/220 near Kalgoorlie/Kambalda, including the Blair underground nickel sulphide mine, acquired from private syndicate.
- Historical production from mine totalled 1 million tonnes grading 2.53% Ni (26,000 contained Ni tonnes) over 12 year production life. Mine was decommissioned in 2001 during a period of low nickel prices.
- Following acquisition, high-grade nickel hits from exploration in Area 57 massive sulphide target near the existing decline quickly defined resource of 80,000 tonnes grading 3.9% nickel, including 51,000 tonnes grading 5.5%.
- Blair mine resource inventory increased by 35% to almost 9,500 tonnes contained Ni metal.
- Blair decline shaft re-commissioned and rehabilitated to 600 metres depth and primary ventilation system re-established.
- Feasibility in progress to establish 2-stage underground mining plan, with access development for stage 1 mine set to commence in December 2003/ January 2004, and first ore production expected in March quarter 2004.
- Excellent potential to add to mine life through conversion of the existing 127,000 t @ 2.5% Ni in Inferred Resources to ore reserves and identifying new reserve targets within development range of the decline.

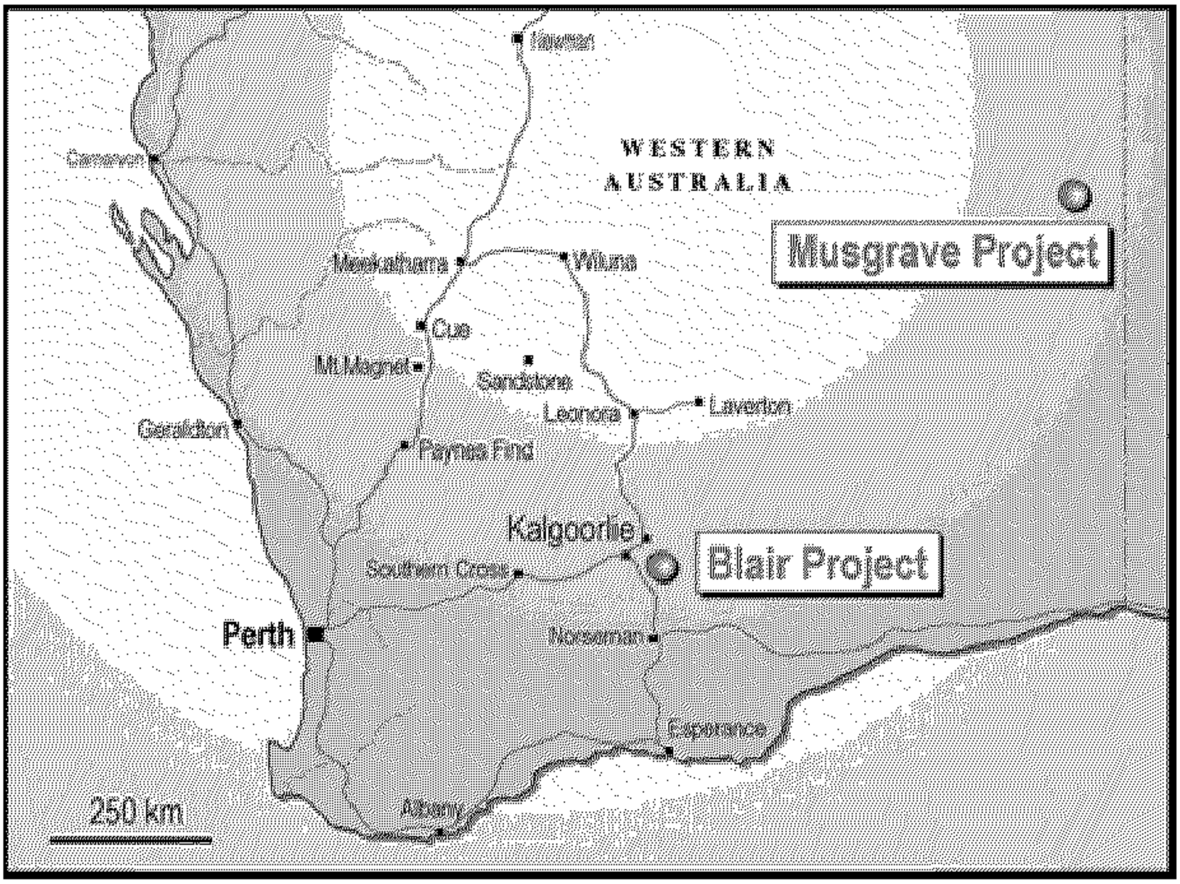

Figure 1: Location of Key Projects

STRATEGIC VALUE

The Company is well placed to capitalise on the strategic positioning of the Blair mine and its infrastructure within the Kambalda nickel district within Western Australia, an area that is rich in mine-related infrastructure.

The ready availability of an existing decline to 850 m vertical depth gives the Company considerable flexibility to add to its presently planned mine life through the potential for additional discoveries within development range of existing decline development. With the capacity to test such targets by drilling from the decline itself, and attracted by the short lead-time and relative low cost of the development of such discoveries, Australian Mines and is currently evaluating resource targets within 400 metres of the decline.

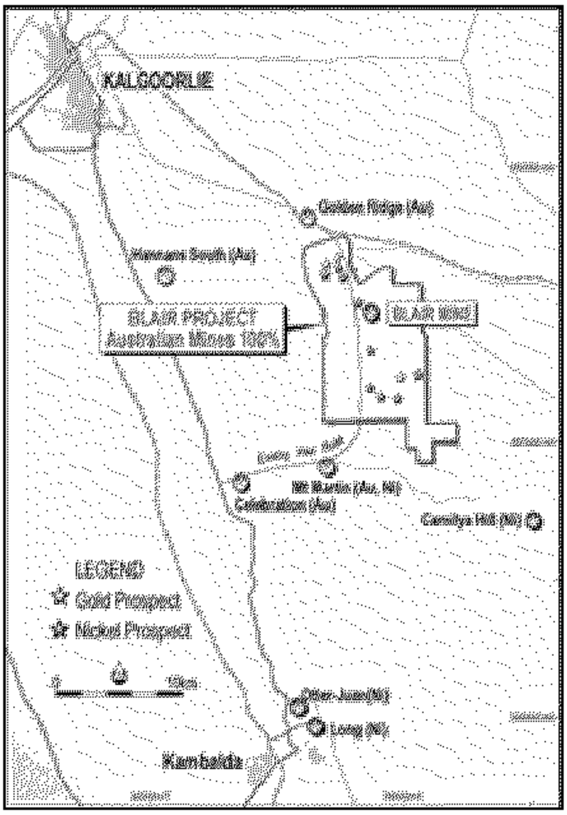

Figure 2: Blair Project Location

OVERVIEW

Resources & Reserves

Area 57 Resource

Independent consultants Golder Associates carried out a re-estimation of resources at the Area 57 deposit according to the JORC Code, based on all Area 57 diamond drilling completed to date. Based on a geological model generated by Australian Mines geological staff, massive and stringer zones were digitised and modelled in Vulcan software.

The results of the resource re-estimation by Golder Associates are tabulated in table 1.

TABLE 1

NEW RESOURCE ESTIMATE - AREA 57 (Stage 1 Mine area)

Location	Category	Ore tonnes	Nickel %	Nickel tonnes
Area 57 - Massive	Indicated	36,000	5.5	1,987
	Inferred	15,000	5.3	800
	Subtotal	51,000	5.5	2,787
Area 57 - Disseminated**	Indicated	29,000	1.1	325
	Subtotal	29,000	1.1	325
Area 57 - All	Total	80,000	3.9	3,112

** Excludes 6,000 tonnes grading 0.87% Ni in the Inferred category

The above estimate is a four-fold increase on the previous estimate for Area 57 of 18,000 tonnes grading 4% in the Inferred category. The mineralised zone remains open above and below current drilling levels.

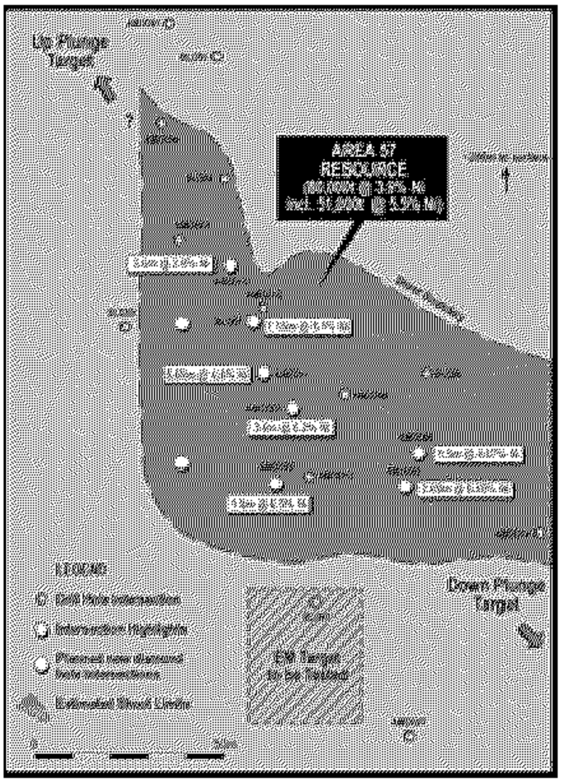

Figure 3: Area 57 Resource (Stage 1 Mine)

Resource Inventory For Blair Mine

The existing estimate of resources in the lower levels of N01 and N03 shoots within the mine (Stage 2 mine area) is tabulated in Table 2 below, and a combined estimate for all resources (including Area 57) is given in Table 3.

TABLE 2

RESOURCE TABLE - N01/N03 Shoots

Location	Category	Ore tonnes	Ni grade %	Ni tonnes
N01/N03 shoots	Measured	83,100	2.6	2,161
	Indicated	35,700	2.6	928
	Inferred*	126,700	2.5	3,142
N01/N03 - All	Total	245,500	2.5	6,231

TABLE 3
COMBINED RESOURCE TABLE - N01/N03 + Area 57

Location	Category	Ore tonnes	Ni grade %	Ni tonnes
N01/N03+Area 57	Measured	83,100	2.6	2,161
	Indicated	100,700	3.2	3,240
	Inferred	141,700	2.8	3,942
Combined	Total	325,500	2.9	9,342

The new resource estimate for Area 57 has increased the total nickel metal in the Blair inventory by approximately 35%.

Feasibility Study

Subsequent to year's end the Company embarked on a feasibility study into the mining of available ore reserves in two stages. Stage 1 will involve the extraction of reserves in recently outlined Area 57 shoot, with stage 2 involving the mining of deeper ore reserves within the 03 and 01 shoots. This study is scheduled for completion in late October/early November 2003.

Development & Production

Area 57 is being fast tracked as the first stage of underground mining at Blair with the aim, subject to the completion of the ongoing feasibility study, of commencing access development from the existing decline in December and commencing ore production in the first quarter of 2004.

Mine planning and scheduling of Stage 1 and Stage 2 mines is well advanced and discussions are being held with three parties over the provision of project finance. The existence of the decline and other mine infrastructure significantly reduces the quantum of capital required to re-commence mining to an estimated $3-$4 million.

It is proposed to access the Area 57 shoot by extending the existing decline 250 metres from two levels. Development will be preceded by underground diamond drilling to obtain geotechnical information along the alignment of the proposed decline extension.

The **Stage 2 mine** will be based on deeper ore reserves in the N01 and N03 shoots. To ensure continuity of ore supply it is planned to commence access development for Stage 2 from the existing decline in 2004, during the mining of stage 1 reserves from Area 57, with Stage 2 ore production planned to start in third quarter 2004.

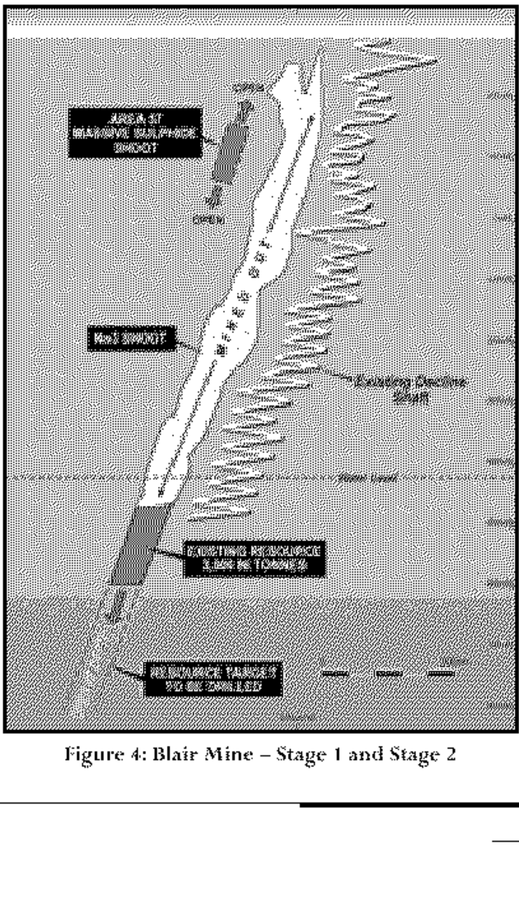

Figure 4: Blair Mine – Stage 1 and Stage 2

Treatment of ore from the Blair mine will be handled offsite. The Company is currently finalising life-of-mine arrangements for toll treatment and concentrate purchase with WMC, who operate a treatment facility at Kambalda located 35 km by road from Blair.

Exploration Potential

In-mine and near-mine targets already identified and earmarked for follow-up evaluation include the following:

(a) ***Depth Extensions to existing ore reserves:***

Stage 1 Mine (Area 57): Extensions to Area 57 shoot up and down plunge - underground drilling to commence from planned decline extension.

Stage 2 Mine (03/01 shoots): Depth extensions to the 03 and 01 shoot ore reserves – current resources have been assessed fairly conservatively, with Inferred Resources being limited to within 30 metres of ore reserve blocks defined by underground diamond drilling, despite the continuity of the ore shoots over 850 metres down plunge from surface. Underground infill drilling of exiting resources and extensional drilling for resource extensions will commence from the decline following dewatering of the lowest mine levels in the first half of 2004.

(b) ***Resources in lodes adjacent to Stage 2 Mine Reserves (B and L lodes within the 01 shoot)*** - previous underground drill intersections in the L lode include **3.5m @ 5.5% Ni** and geophysical (EM) targets require follow-up. Underground drilling to commence early in 2004 to convert Inferred Resources to reserves and test for resource extensions up and down plunge.

(c) ***02 Structure*** – WMC partially tested this north-south structure that lies between the 03 and Area 57 shoots with surface diamond drilling, resulting in **a number of ore grade intersections.** Cost-effective drill testing will be planned from the new cross cuts accessing Area 57

(d) ***N10 Contact (previously 'Blair West')*** - lies within 400 metres from Area 57 and is likely to be an extension of the same mineralised horizon. Historic diamond intersections **include 1m @ 5.3% Ni plus a number of thin intersections in the range of 2.5 – 9% Ni.** Diamond drilling to define resource potential is planned to follow evaluation of surface and downhole EM (DHEM) data.

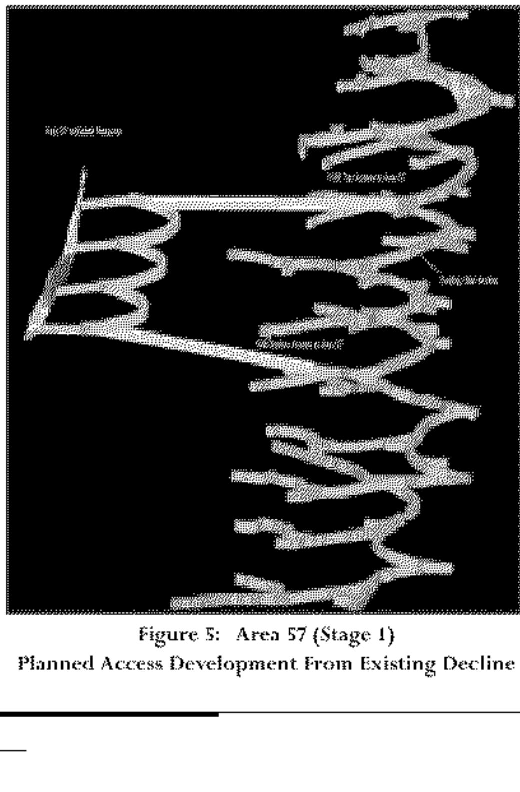

Figure 5: Area 57 (Stage 1)
Planned Access Development From Existing Decline

REVIEW OF EXPLORATION ACTIVITIES

BLAIR REGIONAL PROJECT, WESTERN AUSTRALIA

(Australian mines 100% through 100%-owned Blair Nickel Mine Pty Ltd)

Commodities Sought: (1) Nickel (+copper, cobalt) in sulphides; (2) Gold

Project Highlights

- 100% interest in 95-km2 tenement package acquired from St Ives Gold Mines Pty Ltd (Subsidiary of Gold Fields of Australia).
- Tenement package encompasses 10 km2 Blair mine lease, consolidating a key 105 km2 tenement package.
- The project area contains a number of known nickel sulphide and shallow, attractive gold targets yet is significantly under-explored.

STRATEGIC VALUE

The consolidation of the Blair mine lease and surrounding tenements has created a valuable 100%-owned strategic nickel holding in the heart of Australia's premier nickel province at a key time in the nickel cycle.

The Company's Blair tenement package is considered to be one of the most prospective in the Kambalda region, with numerous under-explored nickel sulphide prospects lying within a prospective sequence that can be traced for 30 km within the Blair project area.

OVERVIEW

NICKEL POTENTIAL

Systematic exploration over the past 3 decades has highlighted the nickel potential of the project area. As a result, a number of resource targets have been identified from the project's extensive database, and it is expected that further drill targets will be identified as assessment of the database proceeds.

Blair South

Located 2.3 km south of the Blair mine, nickel sulphides grading 1.5 to 2.5 % Ni have been intersected in five exploratory diamond core holes at widths of up to 4 m, in addition to **oxide values up to 4% Ni** in shallow reconnaissance drilling. DHEM surveys have been conducted in several holes and follow-up EM surveys and drilling programs are planned.

Marshall

Located 4 km to the northwest (and possibly along strike from) of Blair mine, **past drilling results include 4.0 m @ 2.55% Ni** from 78 metres depth (beneath an outcropping gossan) plus a number of +1% Ni intersections. The geological setting is attractive for nickel sulphides, and drilling to follow-up earlier intersections and **untested EM targets** is planned.

Area 20 South West

Located 5km south of the Blair mine, this is one of several under-explored nickel sulphide prospects within a 3 km long section of prospective stratigraphy. **Previous intersections include 14.0m @ 1.13% Ni** from 54m depth plus a number of other + 1% Ni intersections, and follow-up drilling is planned.

GOLD POTENTIAL

BACKGROUND

While the Company is clearly focused on developing an early cash flow from underground nickel mining at the Blair mine, and on expanding the mine life, the Board and management are also mindful of the cash flow potential of gold resources within the Blair project area. The Company is particularly well placed to take advantage of satellite gold mining opportunities that may be identified from the excellent shallow gold resource targets already identified within the project area, by virtue of the existence of local and regional mine infrastructure. This infrastructure includes the Blair mine itself, the existence of granted mining tenure, haul road, grid power and proximity to gold processing facilities.

GOLD RESOURCE TARGETS

The Blair 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 (Flying Ant & Goat/18 Footer prospects), and the Duplex gold prospect south east of the Blair mine. A preliminary review of historical data has already confirmed three under-explored resource targets as follows.

Duplex (Au 3 Target) 10m @ 4.54 g/t from 3m depth
1m @ 5.1 g/t g/t (end of hole)

Flying Ant:	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
Goat / 18 Footer:	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

The shallow, open-ended nature and elevated tenor of the mineralisation in all three targets lends itself to cost-effective follow-up drill testing.

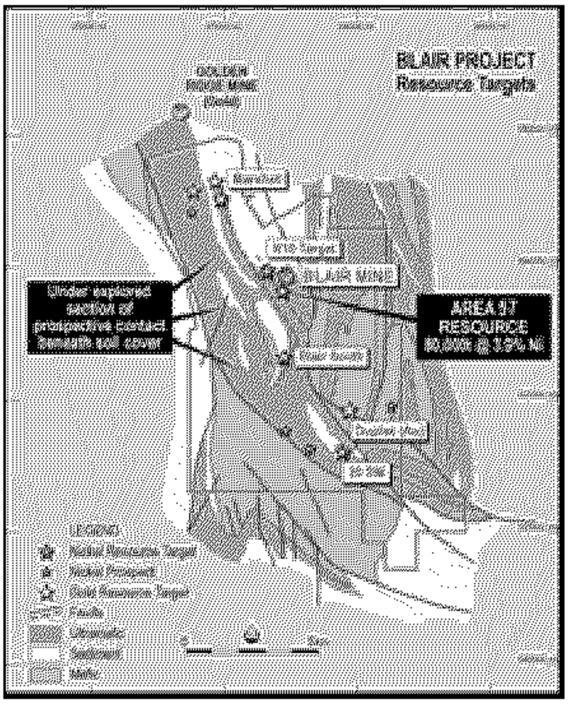

Figure 6: Blair Regional exploration Resource Targets

WEST MUSGRAVE PROJECT

(WMM 51%-100%)

Commodities Sought: Nickel (+Cu, Co, PGM) in sulphides

Project Highlights

- First-stage follow-up RC drilling of ground and airborne geophysical targets at Voyager II prospect in the Cavenagh Range resulted in discovery of low-grade copper-PGM mineralisation.
- Exploration alliance established with BHP Billiton - BHP Billiton contributing $1.0 million over two years towards jointly funded exploration program.
- Detailed 450 km2 airborne EM survey completed over Blackstone Range/Morgan Range areas.

OVERVIEW

ALLIANCE WITH BHP BILLITON

In December 2002 the Company formally entered into an alliance agreement with BHP Billiton in relation to the Company's tenement interests in the west Musgrave region.

The alliance operates as an exploration joint venture to carry out jointly funded "greenfields" exploration on existing AUZ project tenements (currently totaling 1,560 square km) and new projects generated within the Area of Mutual Influence (AMI), for the purpose of discovering substantial base and precious metal mineralisation amenable to commercial development.

- The exploration joint venture has an initial life of two years, which may be extended.
- AUZ is appointed manager and operator of exploration within the AMI.
- AMI covers 7,630 km2.
- The exploration joint venture will have a budget of at least $2,000,000 over two years, with BHP Billiton's $1,000,000 committed contribution coming via equity placements in AUZ at a 10% premium to market price.

CREATION OF SPECIAL PROJECT

- BHP Billiton's contribution to the exploration joint venture will not result in it acquiring an interest in AUZ's existing projects, but BHP Billiton may elect to sole-risk exploration of one or more Special Projects identified within the AMI by the exploration joint venture. BHP Billiton may elect to earn a 51% interest in a Special Project by spending $4,000,000 within 2 years on each Special Project, and may elect to increase this interest to 70% by completion of a definitive feasibility study.
- On completion of a definitive feasibility study on a Special Project a contributing joint venture is formed between the parties, with BHP Billiton having a 70% interest.

EXPLORATION PROGRAM

During the year the Company carried out a staged program of exploration comprising a combination of airborne and ground-based techniques.

Ground-based regional-scale ground surveys were carried out over portions of the Cavenagh Range, Blackstone Range, and Morgan Range tenements to define areas for more detailed follow-up in subsequent programs. These surveys involve a combination of geological, geochemical and gravity surveys on widely spaced traverse lines, with soil (magnetic lag or 'maglag') samples and gravity readings being taken at regular intervals on broadly spaced lines.

A reconnaissance program of 11 declined RC (reverse circulation) drillholes totalling 1,669 m of drilling tested targets at ***Voyager I***, ***Voyager II*** and ***Rosetta*** prospects defined from earlier ground geophysical (Induced Polarisation) and geochemical surveys. Three holes were drilled at ***Voyager I***, six holes at ***Voyager II***, and two at ***Rosetta***. The holes were planned to test targets varying in downhole depth from 40 metres to 140 metres, with final hole depths in the range of 48 to 195 metres. In addition 2 vertical water bores were completed totalling 68m.

Broad zones of copper/PGE (Pt+Pd+Au) mineralisation intersected in separate holes at Voyager I and Voyager II – downhole intersections include 14m @ 0.27 g/t PGE, 0.05% Cu at Voyager II (Inc. 1m @ 0.61 g/t PGE), and 28m @ 0.1 g/t PGE, 0.1% Cu at Voyager I (inc. 2m @ 0.31 g/t PGE, 0.19% Cu). The mineralised intersections are believed to be the most significant PGE results reported to date in the West Musgrave region outside of WMC's project areas.

The results are regarded as very encouraging for a first drilling program, and validate the Company's exploration regime in the region.

Subsequent to year's end a helicopter-borne airborne EM survey using the **GEOTEM** system was successfully completed over a 450-km2 portion of the Blackstone Range and adjacent Morgan Range project areas. The Company's geophysical consultants are assessing the results.

OUTLOOK

Provision is being made for the completion of follow-up ground-based surveys and (if warranted) drill testing of targets generated from the airborne EM survey of the Blackstone Range and Morgan Range projects.

The prospectivity of the 100%-owned Mt Muir and Jameson North project areas is being assessed in light of the regional detailed airborne survey data acquired from the Department of Industry and Resources.

TABLETOP PROJECT WESTERN AUSTRALIA

(WMM Option, Remington Resources 100%)

The Company elected to withdraw from its option agreement following a review of geochemical and geophysical data.

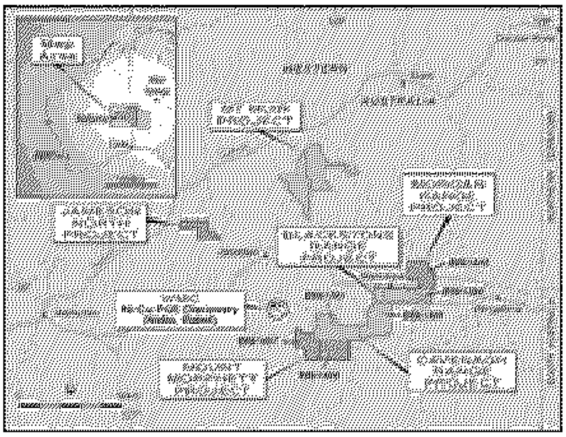

Figure 7:

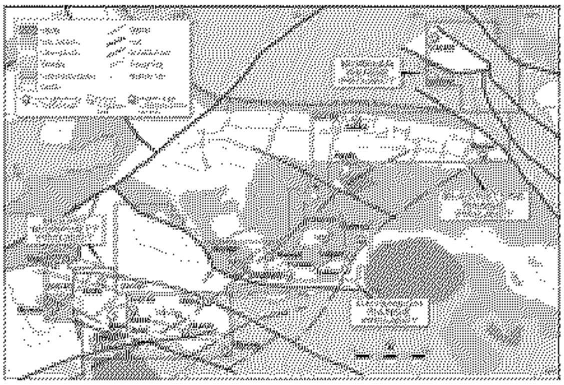

Figure 8:

TENEMENT SCHEDULE

Tenement No.	Project Name	West Musgrave Mining's Interest
E69/1455	Morgan Range	100%
E69/1456	Mt. Morphett	100%
E69/1457	Mt. Morphett	100%
E69/1389	Cavenagh Range	51%, earning 80%
E69/1390	Blackstone Range	51%, earning 80%
E69/1391	Cavenagh Range	51%, earning 80%
E69/1658	Mt Muir	100%
E69/1659	Ngaturn	100%
E69/1835	Jameson North	100%

Tenement No.	Project Name	Blair Project Interest
M26/220	Blair Mine	100%
M26/219	Blair Project	100%
M26/221 to M26/223	Blair Project	100%
M26/225	Blair Project	100%
M26/284 to M26/289	Blair Project	100%
M26/384	Blair Project	100%
E26/46	Blair Project	100%
P26/2403	Blair Project	100%

DIRECTOR'S REPORT

The Directors present their report together with the financial report of Australian Mines Limited ("the Company" or "Australian Mines") and its controlled entities ("the consolidated entity") for the year ended 30 June 2003 and the auditor's report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Keith S. Liddell – Non-Executive Chairman appointed 2 June 2003 (as Director on 24 May 2001)

BSc, MSc CP (Metallurgy) & CP (Management) (Australia), C Eng (UK), Pr Eng (South Africa) FIE Aust, FSAIMM, MIMM

Keith Liddell is an experienced metallurgical engineer and resource company manager, having worked exclusively in the minerals industry for 20 years. His technical expertise includes engineering of plant and equipment, process development, project management, and risk planning. He has particular experience with the development of resource projects for platinum group metals, base metals, gold, diamonds and industrial minerals. He holds a number of patents in his name.

Mr Liddell has extensive experience in the management of resource companies, including the formulation and implementation of corporate strategy, managing stakeholder relationships, and in arranging corporate project finance. He is the former Managing Director of Aquarius Platinum Limited , a leading platinum mining company that successfully developed the Kroondal Platinum Mine in South Africa under his direction. .

He is also a Chairman of Sally Malay Mining Limited, Avon Resources and Mineral Securities Limited and a non executive Director of African Minerals Limited.

John L. Daniels – Non-Executive Deputy Chairman appointed 2 June 2003 (as Chairman 30 May 2001)

BSc(Hons), MSc, PhD, FGS

Dr John Daniels is an experienced geologist and company director.

He was responsible for the first regional mapping of the remote West Musgrave region in the 1960's, later becoming Supervisor in charge of the Regional Geological Mapping Division of the Geological Survey of Western Australia.

Dr Daniels was the first person to undertake detailed investigations of the Giles complex, in Western Australia which hosts the recent discovery in the West Musgrave region, and showed that the complex is composed of a series of independent layered gabbroic complexes. This entailed some months of traversing this remote area often alone and on foot and led to the publication of what is regarded as the definitive geological publication on the geology of the region.

He was formerly Chairman of Gilt-Edged Mining NL before it was taken over by Goldfields Limited in May 2000. He remains Chairman of the Toronto-listed diamond exploration company, Caldera Resources Inc.

D. Don Boyer – Managing Director appointed 1 September 2000

BSc(Hons), CPGeo, FAIMM, MAIG, MAICD

Don Boyer is a geologist and resource company manager with 32 years varied experience in gold and base metals exploration and in management of resource projects in Australia and overseas. He has held management positions in various companies including MIM's exploration division, Afmeco Pty Ltd (subsidiary of the French group COGEMA), and a number of listed Australian resource companies.

Mr Boyer is also non-executive Chairman of Western Areas NL and Midas Resources Limited, and a Director of Blair Nickel Mine Pty Ltd.

Anthony (Tony) W. Fairweather – Non-Executive Director appointed 12 June 2001

B. Juris LLB

Tony Fairweather has practised as a solicitor in Western Australia for more than 10 years. He is a foundation partner of the commercial law firm, Fairweather & Lemonis. He holds Bachelor of Jurisprudence and Bachelor of Laws degrees from the University of Western Australia.

Mr Fairweather has had extensive experience in providing corporate advisory services to public and private sector entities including resource companies. He also conducts litigation for corporate and resource clients in the superior courts.

Neil Warburton – Non-Executive Director appointed 22 April 2003

Associate Mining Engineering - AIMM

Mr Warburton is a qualified mining engineer with more than 20 years experience in the development of gold and nickel projects.

He has held executive positions with a number of Australian resource companies including as Managing Director of Coolgardie Gold NL during the period 1991 to 1996.

Mr Warburton is a Member of the Australasian Institute of Mining and Metallurgy.

Craig McGown – Non-Executive Director

Resigned 28 February 2003

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

The principal activities of the Company during the course of the financial year have been as follows.

- In July 2002 the Company settled on the acquisition of a 51% controlling interest in the Viper Tenements, in the Westwest Musgrave region of Western Australia, and initiated the second stage earn-in to increase its interest to 80%. Subsequent re-negotiation of the terms of the Viper Agreement resulted in the Company acquiring the 51% interest in the Viper Tenements at an 18.7% ($560,000) reduction in the total consideration payable. In addition, the earn-in expenditure required to increase the Company's interest to 80% was reduced by 33.3% ($750,000). By agreement this earn-in expenditure was later reduced by a further $135,000.
- In December 2002 the Company entered into a formal agreement with BHP Billiton to form an exploration alliance in the west West Musgrave region. This jointly funded exploration alliance will explore all of the Company's current West Musgrave projects within a 7,630 km2 area of mutual interest, with an initial 2 year budget of $2 million. BHP Billiton's committed $1 million contribution to this exploration budget is to be funded by equity placements in the Company at a 10% premium to the prevailing market price. The Company is the manager and operator of the exploration joint venture. BHP Billiton may elect to earn an interest of up to 70% in selected areas of special interest by sole funding $4 million of exploration expenditure and completing a definitive feasibility study on each special project.
- In April 2003 the Company acquired all the shares in Blair Nickel Mine Pty Ltd, owner of the decommissioned Blair underground nickel mine near Kalgoorlie. Since acquisition, the Company has initiated a program of exploration at the Blair mine aimed at defining sufficient nickel sulphide ore reserves to justify the re-opening of the underground mine.
- In May 2003 the Company entered into an agreement to acquire the Golden Ridge nickel-gold project near Kalgoorlie from St Ives Gold Mining Company Pty Ltd. This 95 km2 tenement package surrounds the Blair nickel mine.
- In the West Musgrave region the Company has advanced its exploration activities on both its 100%-owned tenements and the Viper joint venture tenements. Exploration during the year included airborne EM surveys, ground-based geological, geophysical and geochemical surveys, and reverse circulation drilling of several targets.

RESULT OF OPERATIONS

The Company made a loss for the year of $711,311 (2002: loss $435,111.)

DIVIDENDS

No dividends were paid or declared by the Company during the year.

STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year were as follows.

- In August 2002 the Company issued 5,200,000 for the acquisition of the Viper tenements.
- In December 2002 the Company executed formal agreements with BHP Billiton to form an exploration alliance in the West Musgrave region.
- In December 2002, the Company raised $500,000 pursuant to the Heads of Agreement with BHP Billiton, resulting in the issue of 2.43 million fully paid ordinary shares in the Company to BHP Billiton.
- In April 2003, the Company acquired all the shares in Blair Nickel Mine Pty Ltd, owner of the Blair nickel mine near Kalgoorlie. The purchase consideration was 35,000,000 fully paid ordinary shares in the Company and 35,000,000 options exercisable at 20 cents and expiring on 1 February 2006.

- In April and June 2003 the Company placed a total of 16,625,100 ordinary shares to raise $1,820,012 for project acquisition and working capital requirements.
- In May 2003 the Company entered into an agreement to acquire the Golden Ridge nickel-gold project near Kalgoorlie from St Ives Gold Mining Company Pty Ltd. The purchase consideration was 5 million fully paid ordinary shares in the Company and 2.5 million options exercisable at 20 cents and expiring on 1 February 2006.

EVENTS SUBSEQUENT TO BALANCE DATE

- On 30 July 2003, a restricted cash term deposit of $475,000 under a deposit retention deed was released as part settlement for the Viper Tenements pursuant to the Viper Agreement.
- On 28 August 2003, the Company completed the acquisition of the Golden Ridge Project with the issue and allotment to St Ives Gold Mining Company Pty Ltd of 5,000,000 ordinary fully paid shares and 2,500,000 options with exercise price of 20 cents and expiring on 1 February 2006.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

LIKELY DEVELOPMENTS

Information relating to likely development in the operations of the consolidated entity is contained in the review of the operations.

The Company will continue exploration work on the respective tenements during the financial year, and other activities consistent with its primary objectives.

ENVIRONMENTAL REGULATIONS

The Company has conducted exploration activities on mineral tenements. The right to conduct these activities is granted, subject to environmental conditions and requirements. The Company aims to ensure a high standard of environmental care is achieved and, as a minimum, to comply with relevant environmental regulations.

OPTIONS

During or since the end of the financial year, the Company granted options over unissued ordinary shares to the following Directors, or parties associated with the Directors:

Directors	Number of options granted	Exercise price	Expiry date
Mr N Warburton[#]	11,333,333	$0.20	1 February 2006
Mr D Boyer[##]	2,000,000	Various	31 December 2005

[#] The 11,333,333 unlisted options in which Mr Neil Warburton has an interest are owned by Michlange Pty Ltd, a company of which Mr Warburton is a Director. These options were granted as part settlement for the acquisition of Blair Nickel Mine Pty Ltd.

[##] The Options granted to Mr Boyer and details of the exercise price and conditions are as follows:

Number of Options	*Performance criteria to be satisfied for options to become exercisable*	*Exercise price of options*	*Expiry date*
500,000	The share price is at or above 30 cents for 5 consecutive trading days	27.5 cents	31 December 2005
500,000	The share price is at or above 40 cents for 5 consecutive trading days	35.0 cents	31 December 2005
500,000	The share price is at or above 50 cents for 5 consecutive trading days	42.5 cents	31 December 2005
500,000	The Company completes a capital raising so that at least $2,000,000 is received by the Company by 30 June 2003	40.0 cents	31 December 2005

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of shares
31 March 2004	$0.20	17,500,000
31 December 2005	$0.20	18,346,351
1 February 2006	$0.20	37,500,000

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the Company at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares		
		Expiry 31 March 2004	Expiry 31 December 2005	1 February 2006
Dr J L Daniels	102,000	-	446,350	-
Mr D Boyer	869,700	262,700	2,000,000	-
Mr K S Liddell	15,900,000	-	7,750,000	-
Mr Neil Warburton	11,400,000	-	-	11,333,333
Mr A W Fairweather	-	-	250,000	-

Included in the shares and options in which K S Liddell has a relevant interest, 14,300,000 shares and 7,500,000 options are owned by Mineral Securities Limited, and Goodwest Pty Ltd a, companyies of which Mr Liddell is a Directorthe Chairman. The balance of 1,600,000 shares is held in a Liddell Investment Trust in which Mr K S Liddell has a beneficial interest.

The 11,400,000 shares in which Mr Neil Warburton has a relevant interest are owned by Michlange Pty Ltd, a company of which Mr Warburton is a Director. 11,000,000 of these shares were issued to Michlange Pty Ltd as part settlement for the acquisition of Blair Nickel Mine Pty Ltd.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year is as follows.

Director	Board Meetings		Remuneration Committee	
	Held*	Attended	Held	Attended
Dr John Daniels	12	12	2	2
Don Boyer	12	12	-	-
Keith Liddell	12	10	2	2
Neil Warburton	3	3	-	-
Tony Fairweather	12	11	-	-
Craig McGown	8	7	2	2

* Number of meetings held during the time the director held office.

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

* Number of meetings held during the time the director held office.

DIRECTORS' REMUNERATION

Details of the nature and amount of each major element of the remuneration of each Director of the Company are as follows.

Directors	Directors' fees	Consulting Services	Superannuation contributions	Options Issued (A)	Total
Dr J L Daniels	38,150	4,635	-	-	42,785
Mr D D Boyer	30,000	191,670	1,800	64,600	288,070
Mr A W Fairweather	25,000	-	1,500	-	26,500
Mr K S Liddell	27,000	15,000	-	-	42,000
Mr C J McGown	18,000	-	-	-	18,000
Mr N Warburton	-	-	-	-	-

Certain director related entities have also been paid other amounts by the consolidated entity as disclosed in Note 16.

(A) The ability to exercise the options is conditional on the consolidated entity achieving certain performance hurdles. The estimated value disclosed above is calculated at the date of grant using a Black-Scholes model. Further details of options granted during the year are set out under "Options" above.

This value has been ascertained using the Black-Scholes valuation method and is based upon the following inputs and assumptions:

- a current share price of 17.5 cents being the latest recorded sale price of ordinary shares on 17 October 2002;
- option exercise prices as noted elsewhere in this explanatory statements;
- a risk free rate of 5.27%;
- a volatility factor of 49.5% which has been determined with reference to the historical trading of the Company's shares on ASX; and
- a term to expiry of 37 months (31 December 2005).

INDEMNIFICATION OF OFFICER AND AUDITORS

Indemnification

The Company has entered into Director and Officer Protection Deeds (Deed) with each Director and the Company Secretary (officers). Under the Deed, the Company indemnifies the officers to the maximum extent permitted by law and the Constitution against legal proceedings, damage, loss, liability, cost, charge, expense, outgoing or payment (including legal expenses on a solicitor/client basis) suffered, paid or incurred by the officers in connection with the officers being an officer of the Company, the employment of the officer with the Company or a breach by the Company of its obligations under the Deed.

Also pursuant to the Deed, the Company must insure the officers against liability and provide access to all board papers relevant to defending any claim brought against the officers in their capacity as officers of the Company.

The Company has paid insurance premiums during the year of $24,549 in respect of liability for any current and future Directors, Company Secretary, executives and employees of the Company.

Signed for and on behalf of the Board of Directors

D Boyer
Managing Director

Perth

Dated: 24 September 2003

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003

		Consolidated	Australian Mines	
	Note	2003	2003	2002
	$	$	$	$
Revenue from ordinary activities	2	65,602	65,602	93,221
Expenses from ordinary activities				
Marketing expenses		(34,893)	(34,893)	(18,365)
Legal, Directors' and professional fees		(356,649)	(356,649)	(305,079)
Insurance expenses		(24,550)	(24,550)	(20,411)
Occupancy expenses		(26,802)	(26,802)	(15,685)
Administrative expenses		(213,660)	(213,660)	(168,792)
Exploration expenses and exploration write offs		(120,359)	(120,359)	-
Loss from ordinary activities before related income tax	3	(711,311)	(711,311)	(435,111)
Income tax benefit relating to ordinary activities	4	-	-	-
Net loss	14	(711,311)	(711,311)	(435,111)
Basic (loss) earnings per share	23	(1.09 cents)	-	(0.93 cents)

The consolidated entity's potential ordinary shares are not dilutive and accordingly diluted earnings per share is the same as basic earnings per share.

This statement of financial performance is to be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2003

		Consolidated	Australian Mines	
	Note	2003	2003	2002
	$	$	$	$
CURRENT ASSETS				
Cash assets	6	1,562,272	1,562,169	2,341,763
Receivables	7	39,953	39,953	40,493
TOTAL CURRENT ASSETS		1,602,225	1,602,122	2,382,256
NON CURRENT ASSETS				
Receivables	7	-	509,029	-
Other financial assets	8	-		5,457,401
-				
Mineral Properties	9	9,722,190	3,915,863	864,291
Property, plant and equipment	10	170,018	10,018	7,103
TOTAL NON CURRENT ASSETS		9,892,208	9,892,311	871,394
TOTAL ASSETS		11,494,433	11,494,433	3,253,650
CURRENT LIABILITIES				
Payables	11	447,344	447,344	99,285
TOTAL CURRENT LIABILITIES		447,344	447,344	99,285
TOTAL LIABILITIES		447,344	447,344	99,285
NET ASSETS		11,047,089	11,047,089	3,154,365
EQUITY				
Contributed equity	12	11,353,560	11,353,560	3,864,926
Reserves	13	1,115,401	1,115,401	-
Accumulated losses	14	(1,421,872)	(1,421,872)	(710,561)
TOTAL EQUITY		11,047,089	11,047,089	3,154,365

This statement of financial position is to be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated 2003	Australian Mines 2003	Australian Mines 2002
	$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received		65,602	65,602	93,221
Payment to suppliers		(341,441)	(341,545)	(497,958)
Net cash used in operating activities	19(a)	(275,839)	(275,943)	(404,737)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for exploration expenditure		(1,531,587)	(1,022,557)	(728,302)
Payments for tenement acquisitions		(596,529)	(596,529)	-
Payment into restricted term deposit		(475,000)	(475,000)	-
Payment for controlled entity (net of cash acquired)		(141,896)	(141,896)	-
Acquisition of property, plant and equipment		(7,274)	(7,274)	(6,083)
Net cash used in investing activities		(2,752,286)	(2,243,256)	(734,385)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments for loans to controlled entities		-	(509,029)	-
Proceeds from issue of shares		2,320,012	2,320,012	3,500,000
Payments for costs of capital raising		(71,378)	(71,378)	(277,101)
Net cash provided by financing activities		2,248,634	1,739,605	3,222,899
Net increase/(decrease) in cash held		(779,491)	(779,594)	2,083,777
Cash at the beginning of the financial period		2,341,763	2,341,763	257,986
Cash at the end of the financial period		1,562,272	1,562,169	2,341,763

This statement of cash flows is to be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies, which have been adopted in the preparation of this financial report, are:

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of assets.

The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(b) Revenue recognition

Interest revenue

Interest is recognised as it is accrued.

(c) Taxation

The controlled entity adopts the liability method of tax-effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences that arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

The tax effect of capital losses is not recorded unless realisation is virtually certain.

(d) Principles of consolidation

Controlled entities

The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

Joint ventures

A joint venture is either an entity or operation that is jointly controlled by the consolidated entity.

Joint venture operations

The consolidated entity's interests in unincorporated joint ventures are brought to account by including its proportionate share of joint ventures' assets, liabilities and expenses and the consolidated entity's revenue from the sale of its share of output on a line-by-line basis, from the date joint control commences to the date joint control ceases.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Unrealised gains resulting from transactions with joint ventures, including those relating to contributions of non-monetary assets on establishment, are eliminated to the extent of the consolidated entity's interest. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence a recoverable amount impairment.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (continued)

(e) Mineral properties

Acquisition costs of tenements and mining information, and exploration and evaluation expenditure are accumulated in respect of each separate area of interest. These costs are carried forward where right to tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or where activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the year the decision is made.

(f) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received. Accounts payable are normally settled within 60 days.

(g) Receivables

Receivables are carried at amounts due. The collectability of debts is assessed throughout the year and specific provision is made for any doubtful accounts.

(h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

(i) Recoverable amount of non-current assets

The carrying amounts of all non-current assets other than mineral properties are reviewed at least annually to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

(j) Property, plant and equipment

Acquisition

Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below.

Subsequent additional costs

Costs incurred on property, plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Where those costs represent separate components they are accounted for as separate assets and are separately depreciated over their useful lives.

Costs incurred on property, plant and equipment that do not meet the criteria for capitalisation are expensed as incurred.

Depreciation and amortisation

Items of property, plant and equipment, including buildings and leasehold property, but excluding freehold land, are depreciated/amortised using the straight-line method over their estimated useful lives.

The depreciation rates used for each class of asset for the current and previous year are as follows:

- plant and equipment 15-37.5%

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

(k) Investments

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. Refer to Note 1(i).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (continued)

(l) Acquisitions of Assets

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is better indication of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

(m) Employee benefits

Wages, salaries, annual leave and sick leave

Provision for employee entitlements to wages, salaries, annual leave and sick leave represent the amount which the consolidated entity has an obligation to pay resulting from employees' services provided up to the balance date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related costs.

Long service leave

Provision for employee entitlements to long service leave represent the value of the estimated future cash outflows resulting from employees' services provided up to balance date.

The provision is calculated using estimated future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government securities at balance date which most closely match the terms of maturity of the related liabilities.

	Consolidated	Australian Mines	
	2003	2003	2002
	$	$	$
2. REVENUE FROM ORDINARY ACTIVITIES			
Interest revenue	65,602	65,602	93,221
3. LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE			
Loss from ordinary activities before income tax expense has been arrived at after charging the following items:			
Depreciation of plant and equipment	4,359	4,359	1,049
Exploration expenditure written off	62,390	62,390	-
4. INCOME TAX			
Prima facie income tax (benefit) calculated at 30% (2002: 30%) on the loss from ordinary activities	(213,393)	(213,393)	(130,533)
Adjusted for the tax effect of permanent differences:			
Non deductible expenses (legal and entertainment)	255	255	9,510
Future income tax benefit not brought to account	213,138	213,138	121,023
Income tax benefit attributable to operating loss	-	-	-

The potential future income tax benefit arising from tax losses and timing differences has not been recognised as an asset because recovery is not virtually certain. The cumulative amount of potential future income tax benefit (tax effected) that has not been recognised as an asset to date in the consolidated entity is $1,141,510 (2002: $486,906). This includes $684,972 (2002: $243,506) in tax effected exploration and evaluation expenditure.

These potential future income tax benefits will only be obtained if:

(i) the Company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised in accordance with Section Division 170 the Income Tax Assessment Act 1997;

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (continued)

4. INCOMETAX (Continued)

(ii) the Company continues to comply with the conditions for deductibility imposed by the law; and
(iii) no changes in tax legislation adversely affect the Company in realising the benefit.

During the financial year, legislation was enacted to allow groups, comprising of a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes. The legislation, which includes both elective and mandatory elements, is applicable to the Australian Mines Group.

As at 30 June 2003, the Directors of the Company and its controlled entities have not made a decision to elect to be taxed as a single entity. In accordance with UIG 39 "Effect of Proposed Tax Consolidation Legislation on Deferred Tax Balances", the financial effect of the legislation has not been brought to account in the financial statements for the financial year ended 30 June 2003.

		Consolidated	Australian Mines	
		2003	2003	2002
		$	$	$
5. AUDITORS' REMUNERATION				
Auditors of the Company:				
- Audit and review of financial reports		19,000	19,000	12,000
Other services:				
- Taxation services		5,700	5,700	6,650
- Other assurance services related to initial public offering	-	-	15,000	
- Accounting assistance		1,200	1,200	-
		25,900	25,900	33,650
6. CASH ASSETS				
Cash at bank and on hand		1,562,272	1,562,169	2,341,763
7. RECEIVABLES				
Current				
Other debtors		11,593	11,593	8,290
GST refundable		28,360	28,360	32,203
Restricted term deposit (i)		475,000	475,000	-
Less: Acquisition cost payable (i)		(475,000)	(475,000)	-
		39,953	39,953	40,493

(i) As part of the terms for settlement of the Viper Acquisition the Company placed $475,000 on term deposit for the purpose of meeting the final instalment due in July 2003. This term deposit is restricted and can only be used to meet this final instalment. Since there is a legal right of set-off between this term deposit and the liability for the final instalment, these two items have been offset for the purpose of presentation in the statement of financial position.

Non Current				
Loan to controlled entity (i)	-	509,029	-	

(i) The loan to the controlled entity is unsecured, interest free and without formal terms of repayment.

8. OTHER FINANCIAL ASSETS				
Investment in controlled entities				
Blair Nickel Mine Pty Ltd	-	5,457,401	-	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (continued)

	Consolidated	Australian Mines	
	2003	2003	2002
	$	$	$
9. MINERAL PROPERTIES			
Exploration and evaluation phase			
Tenement acquisition costs	7,438,950	2,141,548	52,604
Exploration and evaluation expenditure	2,283,240	1,774,315	811,687
	9,722,190	3,915,863	864,291

The ultimate recoupment of costs carried forward for mineral properties in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

	Consolidated 2003 $	Australian Mines 2003 $	Australian Mines 2002 $
10. PROPERTY, PLANT AND EQUIPMENT			
Buildings			
At cost	40,000	-	-
Plant & Equipment			
At cost	135,752	15,752	8,478
Less: Accumulated depreciation	(5,734)	(5,734)	(1,375)
	130,018	10,018	7,103
	170,018	10,018	7,103
Reconciliations			
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:			
Buildings			
Carrying amount at beginning of year	-	-	-
Additions	40,000	-	-
Depreciation	-	-	-
Carrying amount at end of year	40,000	-	-
Plant and equipment			
Carrying amount at beginning of year	7,103	7,103	2,069
Additions	127,274	7,274	6,083
Depreciation	(4,359)	(4,359)	(1,049)
Carrying amount at end of year	130,018	10,018	7,103
11. PAYABLES			
Current (unsecured)			
Trade creditors and accruals	436,209	436,209	99,285
Other creditors and accruals	11,135	11,135	-
	447,344	447,344	99,285

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (continued)

	Consolidated	Australian Mines	
	2003	2003	2002
	$	$	$
12. CONTRIBUTED EQUITY			
Issued and paid up capital			
110,395,341 (2002: 51,133,000) ordinary shares fully paid	11,353,560	11,353,560	3,864,926
Reconciliation of contributed equity			
Balance at beginning of year	3,864,926	3,864,926	682,277
Issue of 17,500,000 ordinary shares at $0.20 in September 2001 pursuant to Initial Public Offering	-	-	3,500,000
Costs of capital raising	-	-	(317,351)
Issue of 5,200,000 ordinary shares at $0.20 in August 2002 for the acquisition of the Viper tenements	1,040,000	1,040,000	-
Issue of 2,437,241 ordinary shares at $0.205 in December 2002 for cash	500,000	500,000	-
Issue of 35,000,000 ordinary shares at $0.12 in April 2003 for the acquisition of Blair Nickel Mine Pty Ltd	4,200,000	4,200,000	-
Issue of 8,750,000 ordinary shares at $0.10 in April 2003 for cash		875,000	875,000 -
Issue of 7,875,100 ordinary shares at $0.12 in June 2003 for cash	945,012	945,012	-
Costs of capital raisings	(71,378)	(71,378)	-
Contributed equity at end of year	11,353,560	11,353,560	3,864,926

Terms and conditions

Holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up, ordinary shares rank after creditors.

The Company has on issue the following options over ordinary shares as at 30 June 2003.

Expiry date	Exercise price	Number of shares
31 March 2004	$0.20	17,500,000
31 December 2005	$0.20	18,346,351
1 February 2006 (i)	$0.20	35,000,000

(i) This issue was made as part consideration for the Blair Nickel Mine Pty Ltd.

	Consolidated	Australian Mines	
	2003	2003	2002
	$	$	$
13. RESERVES			
Option premium reserve	1,115,401	1,115,401	-

The movement in the option premium reserve is the fair value of options issued as part consideration for the acquisition of the Blair Nickel Mine Pty Ltd.

Nature and purpose

The option premium reserve represents the fair value of unexercised options issued by Australian Mines Limited for the acquisition of assets. Fair value is estimated using the Black and Scholes option pricing model.

14. ACCUMULATED LOSSES			
Balance at beginning of period	(710,561)	(710,561)	(275,450)
Net loss for the year	(711,311)	(711,311)	(435,111)
Accumulated losses at end of period	(1,421,872)	(1,421,872)	(710,561)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (continued)

15. COMMITMENTS

Exploration expenditure commitments

	Consolidated 2003 $	Australian Mines 2003 $	Australian Mines 2002 $
In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These annual obligations are not provided for in the financial report and are payable:			
Within one year	559,380	459,380	427,500
One year or later and no later than five years	-	-	27,000
	559,380	459,380	454,500

The Company can apply for exemption from compliance with the minimum expenditure requirements.

In addition the Company has commitments to pay compensation to the Ngaanyatjarra Land Council ("NLC") for access to the agreement area and for land disturbance in respect of the tenements in the West Musgrave region of Western Australia it owns directly, and in joint venture with Viper Resources Pty Ltd, Blackstone Minerals Pty Ltd and Peachlands Pty Ltd.

In respect of the tenements owned directly (E69/1455-1457) the value of these commitments is;

- $60,000 per annum annual compensation for the duration of the title.
- In addition the Company must pay to the NLC 5% of the exploration expenditure incurred on these tenements, to the extent that 5% of the exploration expenditure exceeds the stated annual compensation .

In respect of the tenements owned via joint venture (E69/1389-1391) the value of these commitments is;

- $55,000 per annum annual compensation for the duration of the title.
- In addition the Company must pay to the NLC 5% of the exploration expenditure incurred on these tenements, to the extent that 5% of the exploration expenditure exceeds the stated annual compensation .

Non-cancellable operating lease expense commitments

	Consolidated 2003 $	Consolidated 2002 $
Future operating lease commitments not provided for in the financial statements and payable:		
Within one year	17,600	14,400
One year or later and no later than five years	18,200	4,800
	35,800	19,200

16. RELATED PARTIES

The names of the Directors holding office during the year were:

Dr J L Daniels	appointed 30 May 2001
Mr D Boyer	appointed 1 September 2000
Mr A W Fairweather	appointed 12 June 2001
Mr K S Liddell	appointed 24 May 2001
Mr N. Warburton	appointed 22 April 2003
Mr C I McGown	resigned 28 February 2003

Directors' holdings in shares and options

	2003 Number Held	2002 Number Held
The aggregate number of shares and options of the Company held by Directors and their Director related entities at year end:		
Ordinary shares	28,271,700	22,773,367
Options over ordinary shares exercisable at $0.20 each, expiring on 1 February 2006	11,333,333	-
Options over ordinary shares exercisable at $0.20 each, expiring on 31 December 2005	10,446,350	12,490,795
Options over ordinary shares exercisable at $0.20 each, expiring on 31 March 2004	1,387,700	1,892,700

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (continued)

16. RELATED PARTIES (Continued)

Mr K S Liddell is Chairman of Mineral Securities Limited and Director ofGoodwest Pty Ltd which collectively owns 14,300,000 ordinary shares and 7,500,000 31 December 2005 options in the Company. These holdings are included in the totals of Directors' interests above.

For the current year, these shareholdings include 1,125,000 31 March 2004 listed options (2002:1,125,000) held by Mrs S J Liddell, the wife of Mr K S Liddell. Accounting Standard 1017 Related Party Transactions requires the inclusion of these holdings although Mr K S Liddell does not hold a relevant or beneficial interest in these shares or options.

	2003 Number of Shares	2002 Number of Shares
Directors' transactions in shares during the year		
Relevant interest acquired by a director pursuant to Blair Nickel acquisition	11,000,000	5,500,000
Relevant interest in shares acquired pursuant to the Initial Public Offering in September 2001	-	802,700
Shares acquired on market subsequent to IPO	-	65,000
Acquisition of shares	400,000	-
Disposal of shares	(658,000)	-
Relevant interest of resigning director	(5,243,667)	-
Total movement in share holdings	5,498,333	6,367,700

Director's transactions in options during the year

During the year 11,333,333 options exercisable at $0.20 expiring 1 February 2006 were issued to an entity related to Mr N Warburton pursuant to the Blair Nickel acquisition. In addition, a further 20,000 options were acquired exercisable at $0.20 expiring on 31 March 2004 by a director related entity. A further 525,000 and 2,044,445 options expiring 31 March 2004 and 31 December 2005 respectively were held by a director who resigned during the year.

During the prior year the Company granted 14,393,495 options over ordinary shares to Directors and Director-related entities. This reflects the options granted after the cancellation of options approved at a meeting of shareholders on 18 July 2001 and options issued pursuant to the Initial Public Offering in September 2001 upon the subscription to the offer.

Transactions with Directors and director related entities

The Company has paid Boyer Exploration & Resources Management Pty Ltd atf BERM Trust (BERM), a company associated with Mr D Boyer, a fee of $16,667 (2002: $12,500) per month for management and geological consultancy services (pursuant to a Management Services Agreement approved at the Company's Annual General Meeting held 29 November 2002) since the Company became listed on ASX. The total paid or payable during the year is:

	2003 $	2002 $
The aggregate amount paid to Boyer Exploration & Resources Management Pty Ltd atf BERM Trust (BERM):		
Management services	95,000	75,500
Geological consultancy	96,670	60,670
	191,670	136,170

In addition, the Company has paid BERM a company associated with Mr D Boyer, a total of $178,706 (2002: $35,481) for the provision of geological and bookkeeping personnel and administration services.

The Company has paid Dr J Daniels $4,635 (2002:$nil) for consulting services.

The Company has paid Mineral Securities Limited, a company associated with Mr K Liddell, $15,000 for corporate advice during the year (2002 : $nil).

The Company has paid Bennett & Co, a firm formerly associated with Mr T Fairweather, $76,399 (2002 : $19,224) for legal services in relation to the Company's business operations in the reporting period.

Director & Officer Protection Deeds

Australian Mines Limited has entered into Director and Officer Protection Deeds with each of the Directors and the company secretary wherein the Directors and officers are indemnified against certain liabilities incurred as a Director or officer and requires the Company to maintain Directors' and officers' liability insurance.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (continued)

17. REMUNERATION OF DIRECTORS AND EXECUTIVES

Directors' income

The number of Directors whose income from the Company or related bodies corporate falls within the following bands:
Australian Mines

	Australian Mines	
	2003	2002
	No	No
$ 0 - $ 9,999	1	1
$10,000 - $19,999	1	1
$20,000 - $29,999	2	4
$30,000 - $39,999	2	-
	$	$
Total income received, or due and receivable by all Directors from the Company	141,450	110,100

The remuneration bands are not consistent with the emoluments disclosed in the directors' report as the basis of calculation differs due to the differing requirements of the Corporations Act 2001 and the Accounting Standards.

Amounts paid to BERM pursuant to a Management Services Agreement and to, Dr J Daniels, Mineral Securities Ltd and Bennett & Co as disclosed in Note 16, pursuant to a Management Services Agreement have been excluded from the above remuneration.

Executives income

The consolidated entity has no executives other than executive directors referred to above.

18. CONTROLLED ENTITIES

During the financial year, the Australian Mines Limited purchased 100% of the voting shares of Blair Nickel Mine Proprietary Limited. Details of the acquisition are as follows:

	2003
	$
Consideration	
Issues of shares	4,200,000
Issue of options over shares	1,115,401
Cash	142,000
	5,457,401
Fair value of net assets of entity acquired	
Buildings	40,000
Plant & Equipment	120,000
Mineral Properties	5,297,401
	5,457,401

	2003
	$
Outflow of cash to acquire entity	
Cash consideration	142,000
Less balances acquired	
Cash acquired	(104)
Outflow of cash	**141,896**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (continued)

19. NOTES TO STATEMENT OF CASH FLOWS

	Consolidated	Australian Mines	
	2003	2003	2002
	$	$	$
(a) Reconciliation of loss after income tax to net cash provided by operating activities:			
Operating loss after income tax	(711,311)	(711,311)	(435,111)
Add back non cash expenses:			
Depreciation	4,359	4,359	1,049
Exploration expenditure written off	62,930	62,930	-
Movement in operating assets and liabilities:			
(Increase)/decrease in receivables	540	540	(27,091)
Increase/(decrease) in payables	367,643	367,539	56,416
Net cash used in/by operating activities	(275,839)	(275,943)	(404,737)

(b) Non-cash financing and investing activities

In July August 2002, the Company issued 5,200,000 ordinary shares as part consideration pursuant to the Viper Agreement. Under the terms of the Viper Agreement, a deed of escrow was executed to hold the shares in escrow until 27 September 2003.

In April 2003, the Company purchased 100% of the issued capital of Blair Nickel Mine Pty Ltd. Consideration for the acquisition was the issue of 35,000,000 ordinary shares at a fair value of 12 cents per share and 35,000,000 options with an exercise price of 20 cents and expiry date of 1 February 2006 with a fair value of $0.03186 per option.

20. FINANCIAL INSTRUMENTS

(a) Interest rate risk exposures

The Company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Weighted average interest rate	Floating interest rate $	Non-interest bearing $	Total $
2003					
Financial assets					
Cash assets	6	3.4%	1,562,169272	-	1,562,169272
Receivables	7	-	-	39,953	39,953
			1,562,169272	**39,953**	**1,602,122225**
Financial liabilities					
Payables	11		-	447,344	447,344
			-	**447,344**	**447,344**
2002					
Financial assets					
Cash assets	6	4.6%	2,341,763	-	2,341,763
Receivables	7	-	-	40,493	40,493
			2,341,763	**40,493**	**2,382,256**
Financial liabilities					
Payables		11	-	99,285	99,285
			-	**99,285**	**99,285**

(b) Net fair values

The financial assets and liabilities included in current assets and current liabilities in the balance sheet are carried at amounts that approximate net fair values.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003 (continued)

21. SEGMENT INFORMATION

The Company operates predominantly in one industry segment, being mining and exploration and in one geographical segment being Western Australia.

22. CONTINGENT LIABILITIES

The Company's mining tenements are subject to native title applications. At this stage it is not possible to quantify the impact (if any) that native title may have on the operations of the Company

If the Management Services Agreement with BERM is terminated by Australian Mines Pty Ltd, other than for cause, the Company shall pay to BERM $200,000 or if that amount exceeds the amount permissible under Section 237(6) of the Corporations Law, such lesser amount as is permitted under that section.

23. EARNINGS PER SHARE

The consolidated entity only has ordinary shares on issue. Options on issue are not considered to be 'dilutive potential ordinary shares' at balance date, therefore diluted EPS has not been calculated or disclosed. The weighted average number of shares used in the calculation of basic earnings per share is 65,188,107.

24. INTEREST IN JOINT VENTURES

The Company holds a 51% interest in a joint venture interest in respect of the Viper tenements including the Cavenagh Range E69/1389 and E69/1391 and the Blackstone Range E69/1390 tenements, and is currently funding exploration expenditure to increase this interest to 80%.

Included in the assets of the consolidated and parent entity are the following items, which represent the consolidated and parent entities' interest in the assets, employed in the joint venture recorded in accordance with the accounting policies described in Note 1(d).

	Consolidated	Australian Mines	
	2003	2003	2002
	$	$	$
Non-current assets			
Exploration expenditure carried forward in respect of the following areas of interest	3,127,782	3,127,782	428,909

25. SUBSEQUENT EVENTS

- On 30 July 2003, a restricted cash term deposit of $475,000 under a deposit retention deed was released paid as part settlement for the Viper Tenements pursuant to the Viper Agreement.
- On 28 August 2003, the Company completed the acquisition of the Golden Ridge Project with the issue and allotment to St Ives Gold Mining Company Pty Ltd of 5,000,000 ordinary fully paid shares and 2,500,000 options with an exercise price of 20 cents and expiring on 1 February 2006.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

DIRECTOR'S DECLARATION

In the opinion of the Directors of Australian Mines Limited:

(a) the financial statements and notes, set out on pages 9 to 31, are in accordance with the Corporations Act 20022001, including:

(i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed for and on behalf of the Board:

D Boyer
Director

Dated: 24 September 2003

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF AUSTRALIAN MINES LIMTED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Australian Mines Limited (the "Company") and the Consolidated Entity, for the year ended 30 June 2003. The Consolidated Entity comprises both the company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Australian Mines Limited is in accordance with:
the Corporations Act 2001, including:
giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2003 and of their performance for the financial year ended on that date; and
complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
other mandatory professional reporting requirements in Australia.

KPMG

KPMG

T R HART
Partner
Perth

26 September 2003

KPMG, an Australian Partnership, is a member of KPMG International, a Swiss association.

STATEMENT OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2003

This statement outlines the main Corporate Governance practices that were in place throughout the financial year.

Role of the Board

The Board's primary role is the protection and enhancement of shareholder value.

To fulfill this role, the Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, management framework including a system of internal control, establishing goals for management and monitoring the achievement of these goals.

As part of being proactive concerning corporate governance and ensuring the highest ethical and professional standards, The Board during the year adopted the Australian Institute of Company Directors Code of Conduct.

Board processes and Audit Committee

The Company is not of a size that justifies having a separate Audit Committee. The full Board therefore considers and deals with matters that would otherwise be attended to by an Audit Committee including:

- recommending and supervising the engagement of the external auditor and monitor auditor performance;
- reviewing the effectiveness of management information and other systems of internal control;
- reviewing all areas of significant financial risk and arrangements in place to contain those to acceptable levels;
- reviewing significant transactions that are not a normal part of the consolidated entity's business;
- reviewing the year end and interim financial information and ASX reporting statements;
- monitoring the internal controls and accounting compliance with Corporations Act and ASX Listing Rules, reviewing external audit report reports and ensuring prompt remedial action; and
- reviewing the consolidated entity's financial statements (including interim reports) and accounting procedures.

Where considered appropriate, the external auditors will be invited to attend meetings.

The Board has also established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The Board holds scheduled monthly Board meetings, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings contains as standing items; the Managing Director's Report, financial reports, strategic matters, corporate governance and continuous disclosure.

Composition of the Board

The names of the directors in office at the date of this statement are set out in the Directors' Report.

Election of Board members is substantially the province of the Company's shareholders in general meeting. In this regard, Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter directors (other than the Managing Director) are subject to re-election at least every three years.

The Company commits to the following principles:

- A Board comprising Directors with a blend of skills, experience and attributes appropriate for the Company and its business;
- The principle criteria for the appointment of Directors being their ability to add value to the Company and its business.

Conflict of interest

In accordance with the Corporations Act and the consolidated entity's constitution, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the consolidated entity. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entity transactions with the consolidated entity are set out in Note 16 to the financial statements.

Director dealings in Company Shares

The Company has adopted a policy that imposes certain restrictions on Directors and employees trading in the Company's securities. The restrictions have been imposed to prevent trading in contravention of the insider trading provisions of the Corporations Act.

The key aspects of the policy are;

- all Directors and employees are to formally notify the Company Secretary of their beneficial security holdings in the Company and any changes to this within 3 days of such change occurring. The Company Secretary will maintain a register of interests in the Company held by Directors and employees;
- no Director or employee or any entities controlled by them is allowed to trade securities in the Company without notifying the Managing Director;
- no Director or employee or any entities controlled by them is allowed to engage in the business of active dealing in the Company's securities; and

- a Director, employee or any entities controlled by them must not trade at any time when he or she is in possession of price sensitive information which if generally available would materially affect the price or value of the Company's securities or at any time for a period of two (2) trading days following a public announcement in relation to the matter.

Independent professional advice and access to Company information

Each director has the right of access to all relevant company information and subject to prior consultation with the Chairman, may seek independent professional advice at the consolidated entity's expense. A copy of the advice received by the director will be made available to all other members of the Board.

Remuneration Committee

To assist in execution of its responsibilities, the Board has established a Remuneration Committee. Members of the Remuneration Committee during the year were:

Mr Keith Liddell – Non-Executive Chairman

Dr John Daniels – Non-Executive Deputy Chairman

Mr Craig McGown (until 28 February 2003) – Non-Executive Director

The role of the Remuneration Committee is to review and make recommendations to the Board on remuneration packages and policies applicable to the Managing Director, senior executives and directors themselves. It also plays a role in evaluation of the performance of the Managing Director and management succession planning. This role also includes responsibility for share option schemes, incentive performance packages, superannuation entitlements, and retirement and termination entitlements.

Remuneration levels are competitively set to attract and retain the most qualified and experienced directors and senior executives.

Total remuneration of all non-executive Directors approved by shareholders is not to exceed $165,000 per annum.

Further details of Directors' remunerations are set out in the Directors' report and Note 17 to the financial statements.

Internal control framework and business risk management

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility the Board has instigated an internal control framework that includes the following.

- Financial reporting – there is a comprehensive budgeting and forecasting system, with updates provided to the Board at each board meeting. Monthly actual results are reported to the Board. Quarterly, half yearly and annual financial reports are prepared in accordance with Corporations Act and ASX requirements.
- Capital expenditure policies and procedures have been implemented with Board approval required above certain size.
- Continuous disclosure – the Company's policy is that all shareholders and investors have equal access to the Company's information and has procedures to ensure that all price sensitive information is disclosed to ASX in accordance with its continuous disclosure requirements.
- The Company has comprehensive written policies covering;
  - Environmental principles,
  - Resource development on or near aboriginal land,
  - Health, safety and the environment,
  - Environmental management and monitoring,

  There is also an Occupational Health & Safety Guide and Induction Handbook.

Ethical standards

The Board adopts a proactive approach to promoting the practice of high ethical standards. All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity, in the following main areas.

- Professional conduct,
- Dealings with suppliers, advisors and regulators,
- Dealings with the community, and specifically in dealings with traditional landholders,
- Dealings with other employees.

The adoption by the Board of the Australian Institute of Company Directors' Code of Conduct has helped enshrine such standards.

Role of Shareholders

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the consolidated entity's state of affairs. Information is communicated to shareholders as follows.

- The Annual Report (containing the annual financial report) and the Half Yearly Report,
- Notices of all shareholder meetings including comprehensive explanatory statements as required,
- All documents that are released publicly are made available on the Company's internet web site at **www.australianmines.com.au**

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. Information regarding share and option holdings is current as at 30 September 2003.

a) Ordinary shareholders

Twenty largest holders of ordinary shares	Number of shares	% held
Mineral Securities Limited *1	14,300,000	12.39%
Michelange Pty Ltd *1	11,400,000	9.88%
Kingslane Pty Ltd *1	11,000,000	9.53%
David Quinlivan *1	6,666,666	5.78%
Jeune Pty Ltd	5,157,607	4.47%
Ionikos Pty Ltd	5,157,607	4.47%
St Ives Gold Mining Company Pty Ltd	5,000,000	4.33%
Borden Holdings Pty Ltd	4,333,334	3.76%
GDM Services Pty Ltd	3,507,257	3.04%
BHPB Minerals Pty Ltd	2,437,241	2.11%
Minotaur Nominees Pty Ltd	2,000,000	1.73%
The Liddell Investment Account	1,600,000	1.39%
London Wall Investments Pty Ltd	1,067,500	0.93%
Citicorp Nominees Pty Ltd	1,000,000	0.87%
Alexander George Pty Ltd	1,000,000	0.87%
Trudy Ellen Newman	1,000,000	0.87%
Neil Edward Newman	1,000,000	0.87%
Blackstone Minerals Pty Ltd	1,000,000	0.87%
Commonwealth Custodial Services Limited	1,000,000	0.87%
BERN 132 Nominees Pty Ltd	900,000	0.78%

*1 denotes substantial shareholders.

Each fully paid ordinary share entitles the holder to one vote at general meetings of shareholders, and is entitled to dividends when declared.

The total number of shares on issue is 115,395,341 and there is no current on market buy back.

Distribution of ordinary shareholders

Category of shareholding	Number of shareholders
1 – 999	3
1,000 – 5,000	51
5,001 – 10,000	142
10,001 – 100,000	428
100,001 and over	101
Total	725

b) Option holders

Twenty largest holders of listed options	Number of options held	% held
Shelagh Jane Liddell	1,125,000	6.43%
Commonwealth Custodial Services Limited	1,000,000	5.71%
M & K Korkidas Pty Ltd	836,000	4.78%
Galtrad Pty Ltd	825,000	4.71%
Executive Seminars Pty Ltd	815,000	4.66%
London Wall Investments Pty Ltd	525,000	3.00%
Mrs Naomi Anne Aboud	500,000	2.86%
Ronald George Martin	500,000	2.86%
GDM Services Pty Ltd	367,500	2.10%
Mr Timothy Duncan Mortimer	346,000	1.98%
Fogbell Nominees Pty Ltd	304,000	1.74%
MS Elizabeth Helen Sharp	259,000	1.48%
Tenax Corporation Limited	250,000	1.43%
Mr Simon Chin	200,000	1.14%
Connaught Place Investments	200,000	1.14%
Barminco Pty Ltd	200,000	1.14%
Gail Margaret Nish	200,000	1.14%
Philippe Steiner	200,000	1.14%
Troon Securities Pty Limited	169,777	0.97%
Priordown Pty Ltd	162,223	0.93%

The terms of the options are disclosed in Note 12 of the financial statements.

Distribution of ordinary shareholders

Category of option holding	Number of option holders
1 – 1,000	0
1,001 – 5,000	20
5,001 – 10,000	107
10,001 – 100,000	173
100,001 and over	34
Total	334

c) Unquoted securities

The Company has the following unquoted securities on issue:

Unlisted options expiring 31 December 2005 exercisable at $0.20 each	18,346,350
Unlisted Options expiring 1 February 2006 exercisable at $0.20 each	37,500,000