

AUSTRALIAN GOLD INVESTMENTS LIMITED

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FIRST QUARTER ACTIVITIES REPORT – SEPTEMBER 2010

Australian Gold Investments Limited (ASX: AGV) (AGV or the Company) presents the following report on activities for the three months ending 30 September 2010.

New Acquisition – Queensland Bauxite Projects

On the 25th June, the Company announced that it has reached binding agreement subject to shareholder approval, to acquire 80% interests in Queensland bauxite projects from Volcan Holdings Inc (Volcan).

Highlights

- Agreement reached to acquire 80% interests in highly prospective bauxite projects in Queensland
- Projects as close as 18 kms to port in region of excellent infrastructure and power availability
- A managing director with a focus on bringing the bauxite projects into production to be appointed

Description

The Company has agreed to acquire 80% of the South Johnstone bauxite province in Queensland and 80% of the Ravenshoe, Ravenshoe East and Atherton bauxite projects in Queensland (the Bauxite Projects), from Volcan a NASDAQ / OTCBB listed company. The Bauxite Projects are Exploration Licenses EPM18138, EPM18139, EPM18140, EPM18463 and EPM18464.

The directors strongly believe in the potential for these Bauxite Projects, and recognise the growing world demand for bauxite capable of producing alumina for the aluminium market. The Bauxite Projects are located as close as 18 kms from the Mourilyan Port in a region of excellent infrastructure and power availability, with direct rail link to the main project area. The combined area of the prospective bauxite terrain on the projects is 672 sq. kms (see **Figures 1, 2 & 3**).

A field visit has been completed by the Company to the South Johnstone province in Queensland to arrange access for a drilling program to test the previously reported bauxite occurrences.

There is no Native Title over the South Johnstone project area.

Although the Company has not yet done any drilling or testing of the project to report a bauxite ore resource on the South Johnstone tenements, previous exploration in the 1960's as held on file by the Queensland Department of Mines and Energy. Carpentaria Exploration Pty Ltd, a wholly owned subsidiary of Mt Isa Mines, reported bauxite within the South Johnstone and Ravenshoe East tenements following a drilling programme undertaken by that company. AGV intends to undertake drilling over the area drilled by Carpentaria that reported the bauxite following the upcoming shareholder meeting approving the announced transactions. On the

current field trip, the Company successfully located the drilling locations reported in the historical maps and reports, and also signed access agreements with the key landowners.

The Company understands that bauxite reported on the Queensland projects being acquired is anticipated to be gibbsitic. Gibbsite ore would be desirable because the cost in processing gibbsitic ore is significantly lower. Gibbsite rich bauxite is therefore highly sought after and commands a price premium.

Although samples of bauxite from South Johnstone have not yet been tested by the Company to assess its mineralogy or other characteristics, the Company currently infers that the tenements may contain gibbsite dominated bauxite on the basis of analogy with other bauxite provinces developed on basalts in Eastern Australia. Bauxites in the Inverell district have been assessed for Volcan Australia Corporation Pty Ltd by an independent bauxite expert as containing very little or negligible boehmite based on chemical analyses and calculation of gibbsite content, confirming the Company's earlier X-ray Diffraction work on samples from that region.

The Company believes that the many of the project areas the subject of these acquisitions are ideally placed close to infrastructure and available deep water port facilities to be suitable for a direct shipping operation of bauxite.

AGV intends to appoint an experienced Managing Director, focussed on bringing the bauxite projects into production.

Acquisition Process

The acquisition of the interests of the tenements from Volcan will be paid by AGV by issuing 65 million AGV shares and 65 million 5 year options exercisable at 5 cents, together with a royalty of \$1 per ton on production.

The Company will require shareholder approval to complete the acquisition as there are common directors across the AGV and Volcan boards and two of the common directors have shares in both companies.

A notice of meeting, explanatory materials and an independent expert report are currently being finalised, and will shortly be sent out to shareholders.

Due to the similarity of the terrain to the bauxite areas at Inverell NSW, and based on historic sampling and drilling on the South Johnstone and Ravenshoe tenements, the directors of AGV are hopeful that drilling the Bauxite Projects could lead to a significant resource.

CAPITAL RAISE

On 21st July the Company resolved to issue 29 million ordinary fully paid shares at an issue price of 7 cents per share to raise approximately \$2 million. Hartleys Limited was Broker to the Offer.

The placement shares were issued in one tranche following shareholder approval obtained at a general meeting of shareholders on 31 August 2010.

AGV thanks Hartleys Limited for their assistance in respect of the capital raising and for its advisory services.

The directors are very pleased with the strong response to the capital raising and are looking forward to quickly moving the bauxite projects forward.

An Appendix 3B in respect of AGV's proposed share issuances has been lodged on 21st July 2010.

GOLD PROJECTS

The Company currently has four gold projects in Australia, comprising two principle gold exploration projects in Western Australia - the Broads Dam Gold Project near Kalgoorlie (**Figure 4**) and the Pilbara Gold Project in the south-west Pilbara (**Figure 5**), and two gold projects in New South Wales - the Tia River Gold Project (**Figure 6**) and the Lost River Gold Project, both in the New England Orogen (**Figure 7**).

This report outlines the results of gold exploration work carried out by the Company during the reporting period.

BROADS DAM GOLD PROJECT

The Broads Dam Gold Project covers approximately 3,000 hectares of the highly prospective Zuleika Shear Zone, located in the Eastern Goldfields Province of the Yilgarn Craton, Western Australia, approximately 40km north-west of Kalgoorlie. The Zuleika Shear Zone hosts a number of nearby, currently working, underground gold mines, including Barrick Gold's Raleigh and Bullant deposits, and La Mancha's Frog Leg mine.

AGV's Program of Work for the Broads Dam Northern Tenements:

In order to test the potential of the northern tenements of the Broads Dam project for Kundana style high-grade deposits, an RC drilling program is planned for the T1, T2 and T3 prospects (*the Alpha Group Prospects on Broads Dam tenements P16/2376, 2377 and 2380*). It is expected that approximately 1,750m of RC drilling will be carried out in an 11 hole program to test the down dip continuation of previously identified thin north-westerly striking near-vertical gold veins (Strike 045o/ Dip 80-90° towards 320°). It is hoped that this work will delineate a deeper gold-bearing system for further evaluation.

SRK Consulting, has finalized "leapfrog" 3D models of all exploration data within the northern tenement area. Leapfrog modelling allows the different historic exploration drilling and grade control data sets, together with soil geochemistry, aeromagnetic data, etc, to be overlain and modelled in 3D. The models show gold grades (at various cut-offs) lying within discrete geologic structures. SRK's interpretive report was used to refine the positions of hole collars in the above drilling program.

PILBARA GOLD PROJECT

The Pilbara Gold Project comprises Exploration Licence E47/1153 which covers the northern half of the Rocklea Dome and encompasses an area of approximately 200km².

Outcropping quartz "blows" and stockworks located along well developed east-west shear zones near the intrusion boundary between the Rocklea Dome monzogranite and Hardey Formation pelites and metasandstones are considered prospective for the discovery of gold.

Rock-chip sampling of these blows and stockworks are planned during the second half of 2010.

TIA RIVER GOLD PROJECT

The Tia Gold Project comprises Exploration Licence 7224 located within the New England Orogen, near Walcha, in north-eastern New South Wales.

A moderately-sized shallow (*i.e* <4m) Holocene alluvial gold target covering ~85 ha has been identified in the upper reaches of Swamp Creek and Agnes Creek. A 100-hole Calweld drill

program is planned to test the gold resource potential and minability in these valleys during the second half of 2010.

LOST RIVER DEEP-LEAD GOLD, RUBY, SAPPHIRE AND DIAMOND PROJECT

AGV holds a 94 unit exploration licence (EL 7409) over a 20 km long Cainozoic basalt-capped palaeovalley defined by inverted topography, near Nowendoc, NSW.

Historic records record a gold-bearing deep-lead system partly exposed along the eastern edge of the basalt cap in the licence area. Initial topographic inversion modelling indicates the existence of a buried palaeovalley whose axis appears to lie to the west of the exposed gold-bearing gravels cropping out along the eastern edge of the basalt cap. Gravity and magnetic surveys are currently being considered along the axis of the inverted topography to help aid in locating drill holes designed to test the width and depth of the deep lead beneath the basalt cap.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based" on information compiled by Dr Robert Coenraads (BA Hons, MSc, PhD). Dr Coenraads is a fellow of the Australasian Institute of Mining and Metallurgy.

Dr Coenraads is a full time employee of Australian Gemstone Mining which contracts services to AGV.

Dr Coenraads has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking and to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources or Ore Reserves".

Dr Coenraads consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

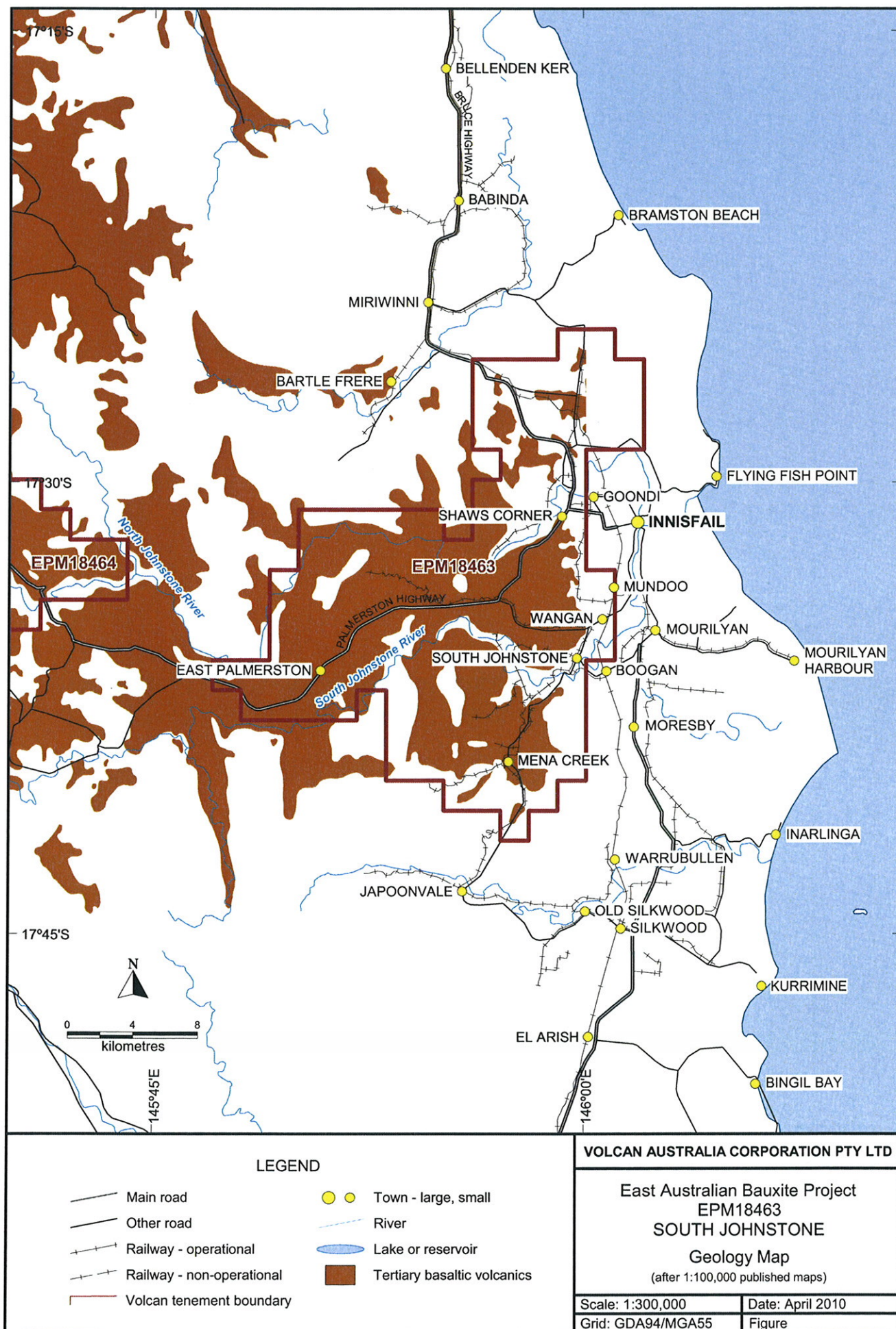


Figure 1. South Johnstone Volcanic Bauxite Project Tenement

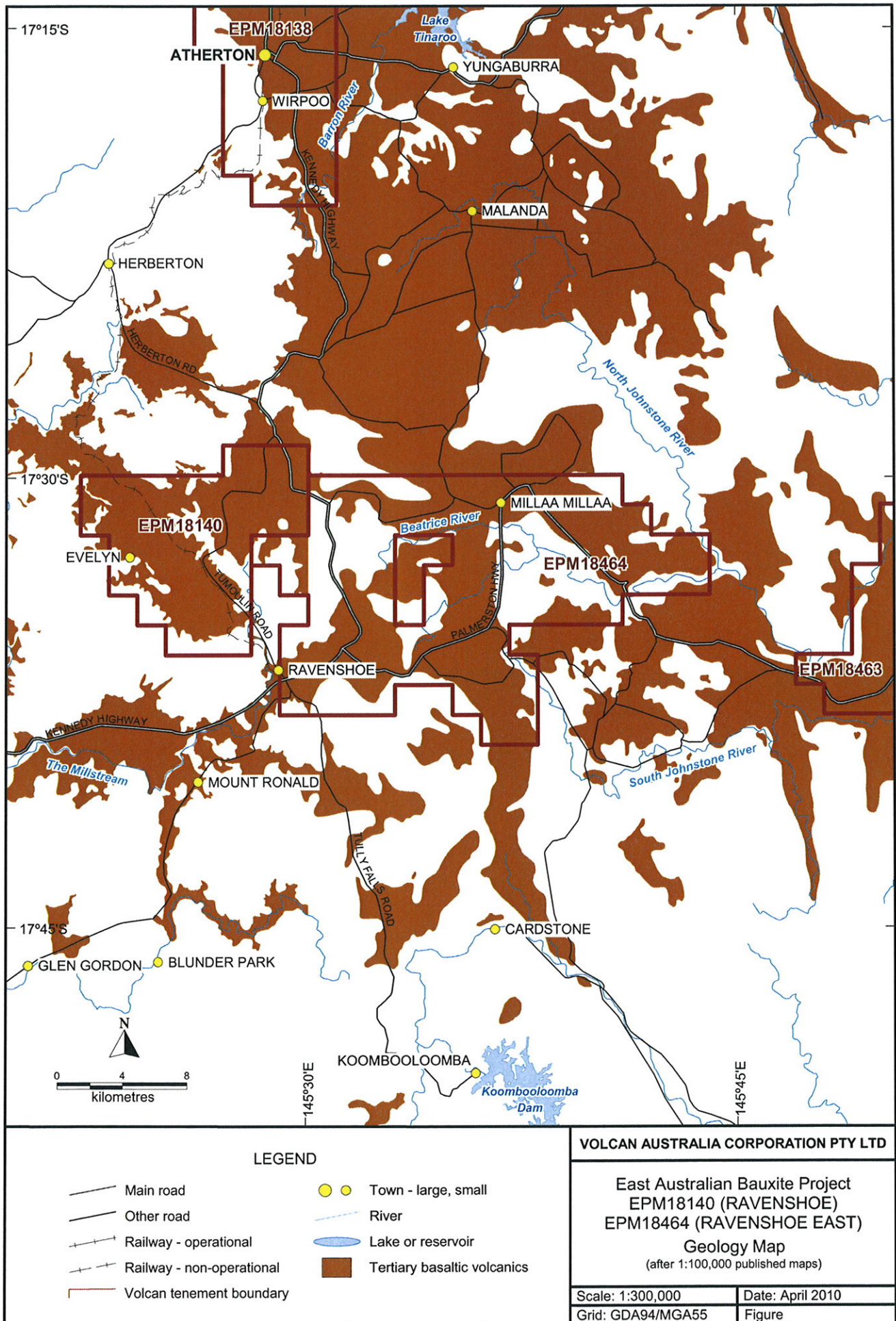


Figure 2. Ravenshoe & Ravenshoe East Volcanic Bauxite Project Tenement.

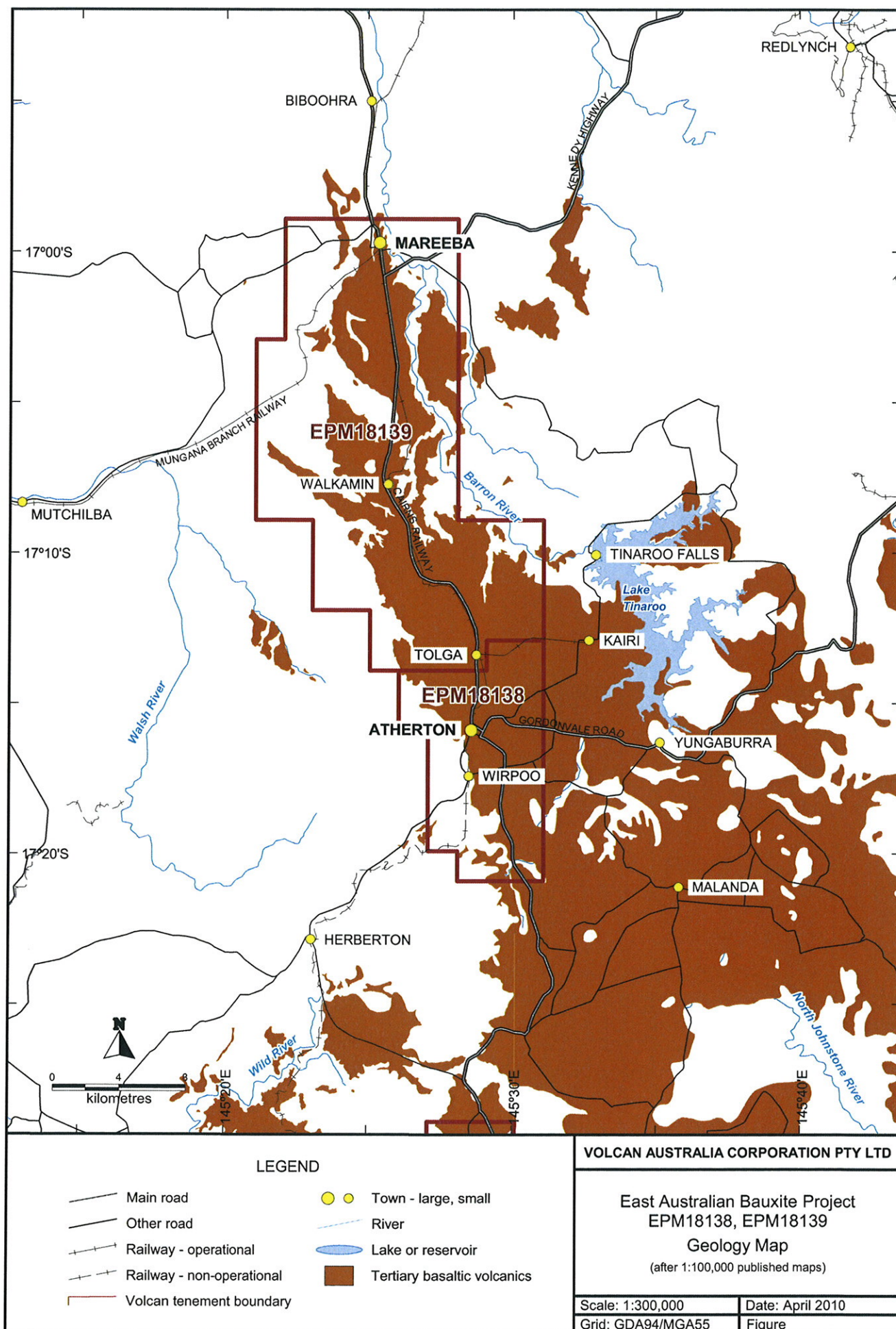


Figure 3. Atherton Volcanic Bauxite Project Tenement.

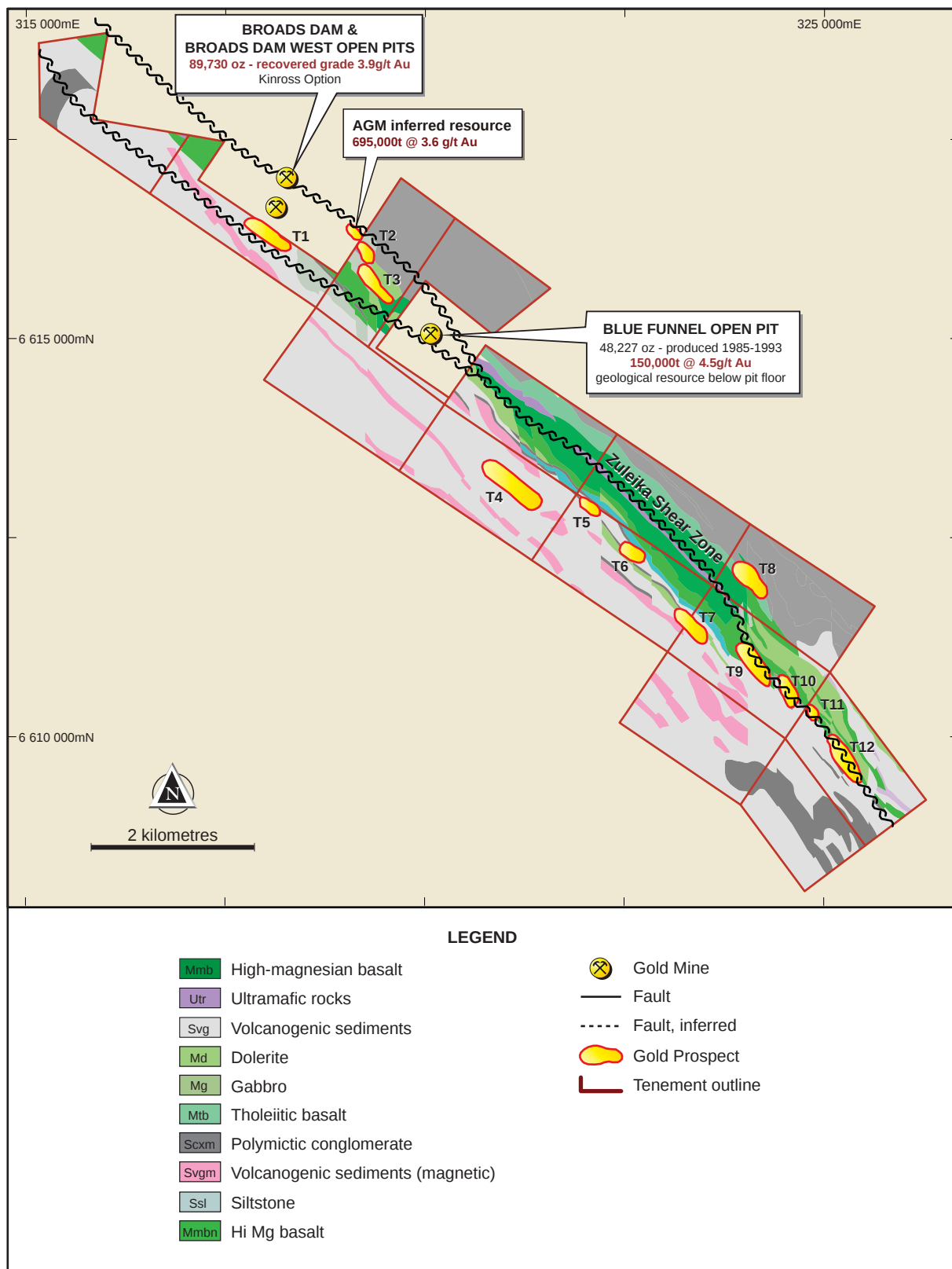


Figure 4. Broads Dam Gold Project – Historic Gold Deposits, Gold Targets, Geology and Zuleika Shear Zone

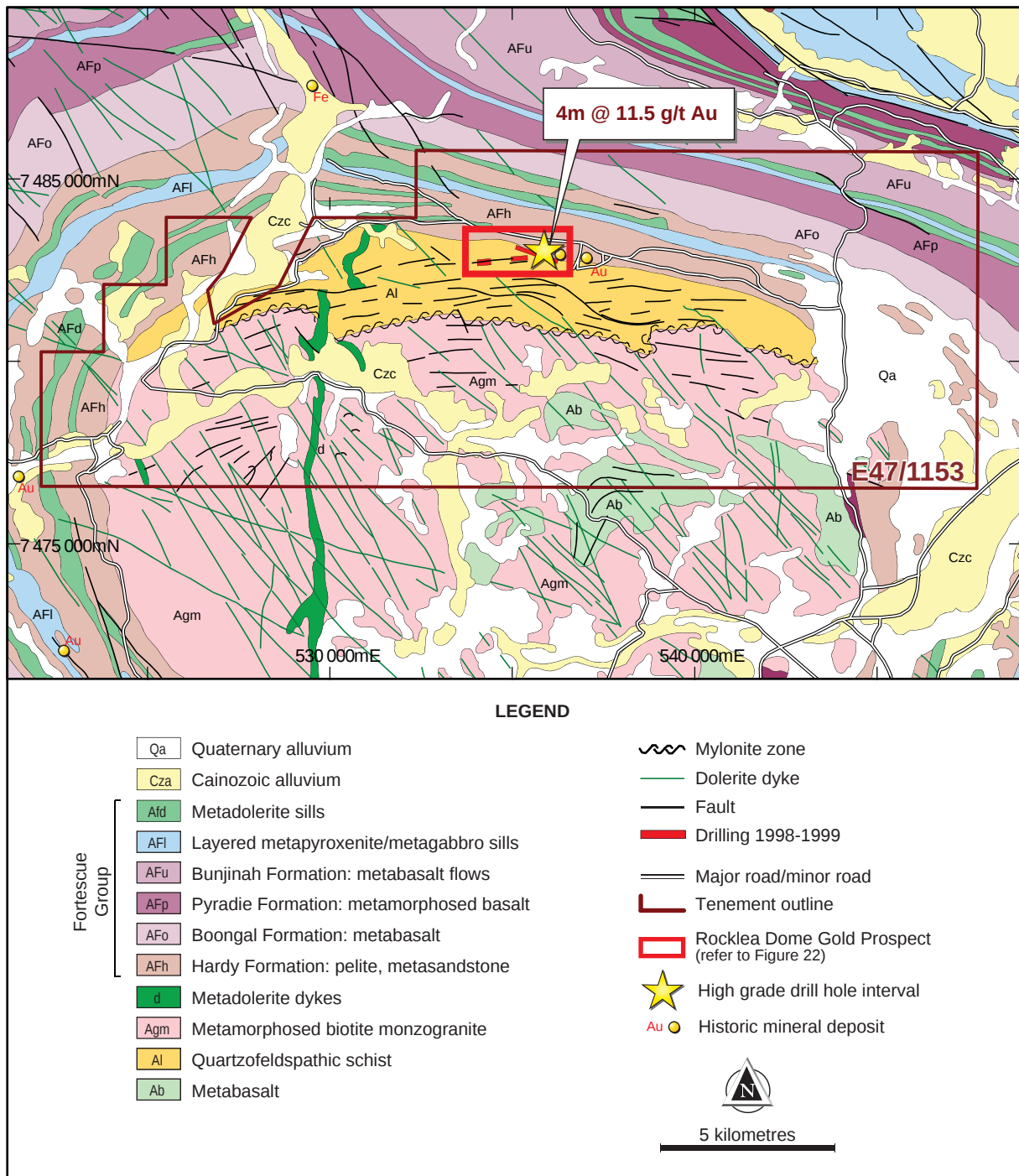


Figure 5. Pilbara Gold Project – Geology and Exploration Targets

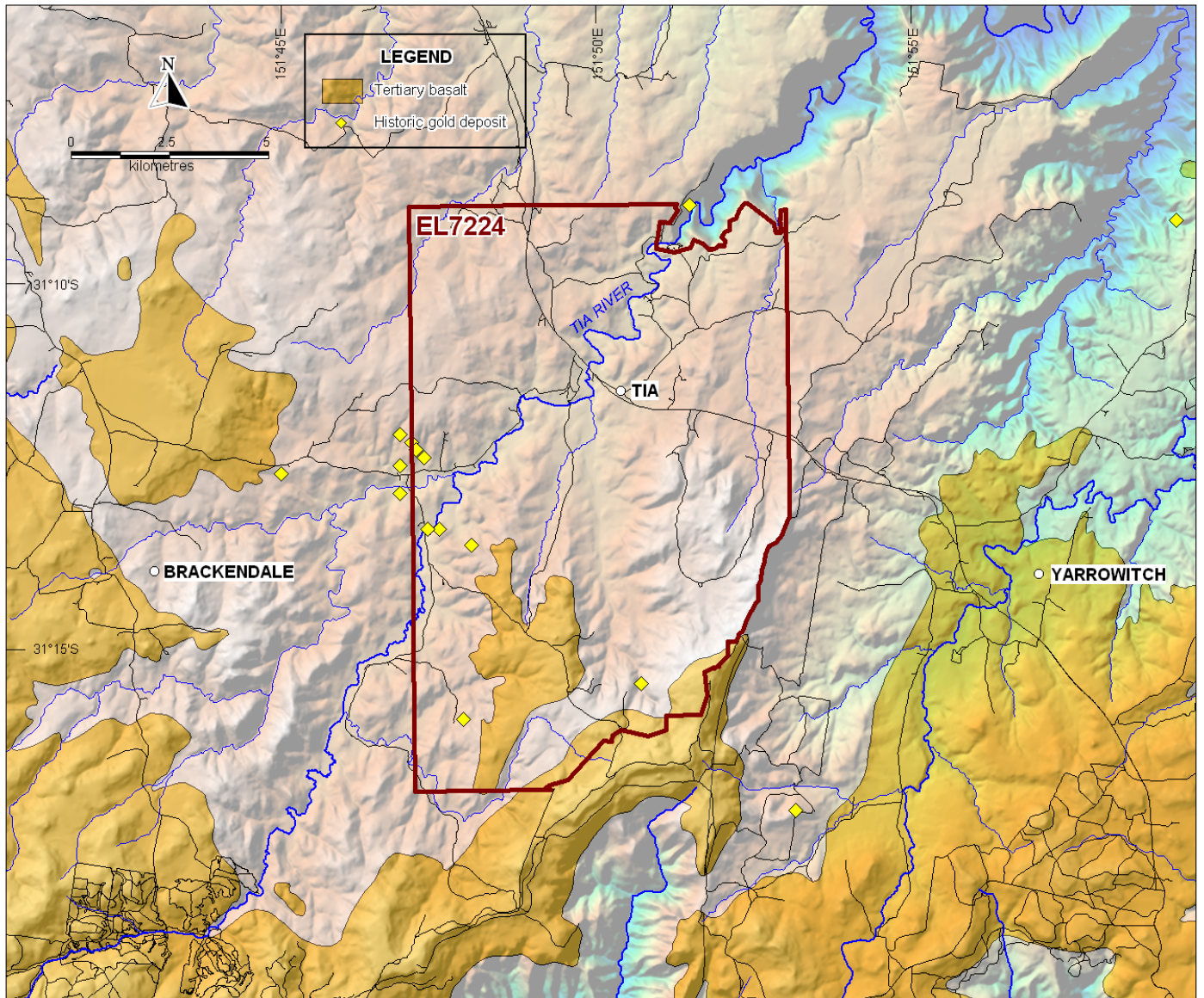


Figure 6. Location of Tia River exploration licence area E.L.7224 with respect to geology and 3D landform. Tertiary basaltic lava flows (shown in orange) cover deep-lead sediments (some gold bearing). These basalts have been topographically inverted so that they now occupy the position of ridge tops. Historic gold deposits are shown as yellow diamonds.

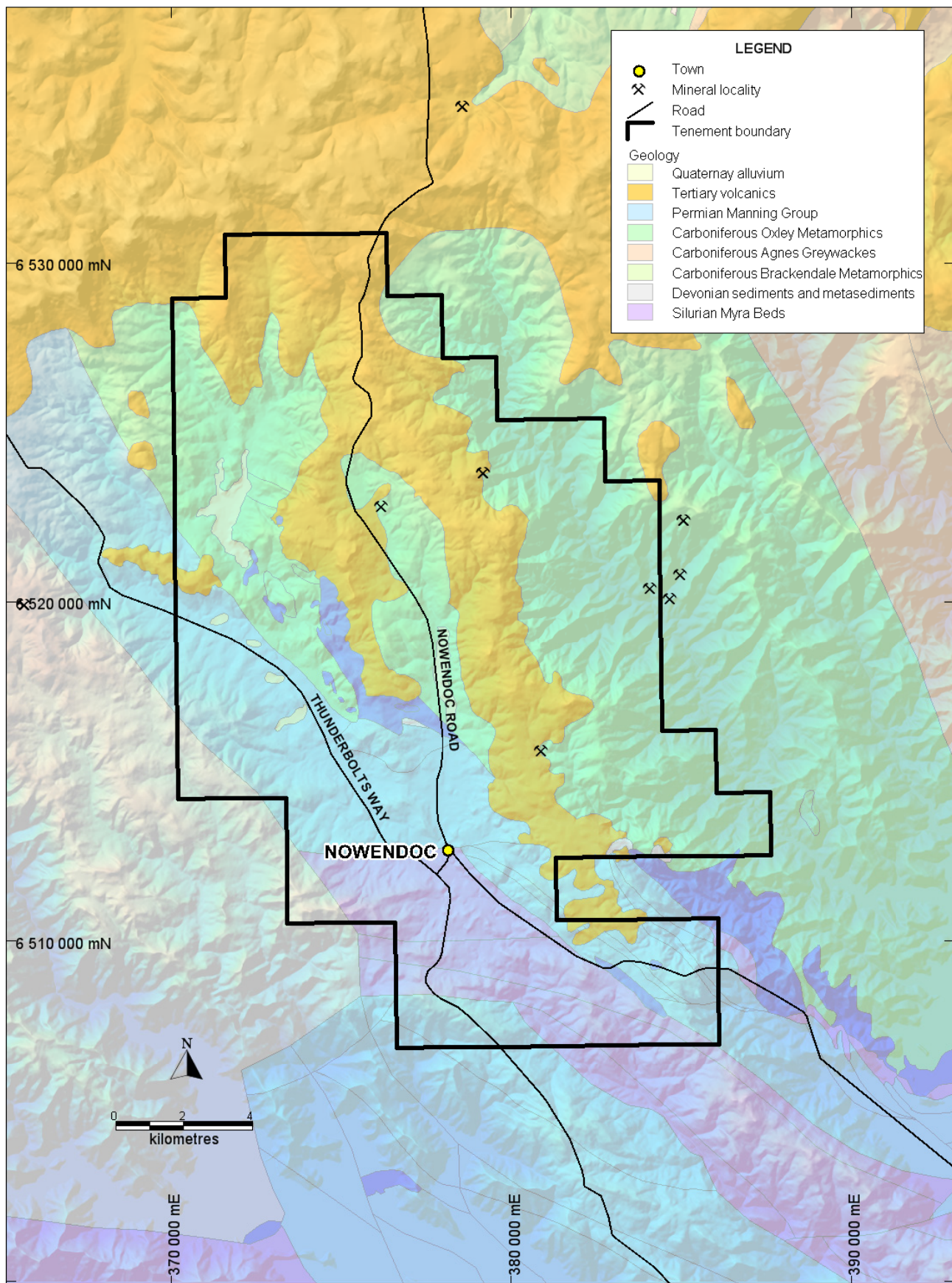


Figure 7. Location of Lost River exploration licence area E.L.7409 with respect to geology and 3D landform. Tertiary basaltic lava flows (shown in orange) cover deep-lead sediments (some gold bearing). These basalts have been topographically inverted so that they now form long ridge tops. Historic gold deposits are shown as crossed picks.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Australian Gold Investments Limited

ABN

18 124 873 507

Quarter ended ("current quarter")

30 Sept 2010

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'ooo	Year to date (3 months) \$A'ooo
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	-228 -526	-228 -526
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	3	3
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material) Reimbursement of Exploration Expense		
	Net Operating Cash Flows	-751	-751
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets		
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10	Loans from other entities	60	60
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows	60	60
1.13	Total operating and investing cash flows (carried forward)	-691	-691

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	-691	-691
1.14	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,874	1,874
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	1,874	1,874
	Net increase (decrease) in cash held	1,183	1,183
1.20	Cash at beginning of quarter/year to date	176	176
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,359	1,359

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	464
1.24	Aggregate amount of loans from the parties included in item 1.10	60

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On approval of shareholders at the general meeting held on the 31 August 2010, 15,000,000 shares were issued to Zenix Nominees Pty Ltd in consideration for consulting services provided to the company.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

+ See chapter 19 for defined terms.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	220
4.2 Development	
4.3 Production	
4.4 Administration	300
Total	520

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,199	16
5.2 Deposits at call	160	160
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,359	176

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

6.2	Interests in mining tenements acquired or increased	EPM18138	(1)	Nil	80%
		EPM18139	(1)	Nil	80%
		EPM18140	(1)	Nil	80%
		EPM18463	(1)	Nil	80%
		EPM18164	(1)	Nil	80%
		(1)	Subject to shareholder approval		

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	120,791,763	120,791,763		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	20,750,000 29,000,000	20,750,000 29,000,000	\$0.00 \$0.07	\$0.00 \$0.07
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	45,291,763 5,000,000 Performance Options 5,000,000 Performance Options	Nil Nil Nil	<i>Exercise price</i> \$0.20 \$0.20 \$0.30	<i>Expiry date</i> 31/12/2012 31/12/2012 31/12/2012
7.8	Issued during quarter				

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 29 October 2010
(Company secretary)

Print name: Sholom Feldman

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

+ See chapter 19 for defined terms.

- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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