



**QUARTERLY REPORT ON ACTIVITIES
FOR PERIOD ENDED 31 MARCH 2011
HIGHLIGHTS**

CORPORATE

- AUZ's acquisition of Nigeria Gold Pty Ltd ("NGL") was approved by shareholders on 9 March 2011.
- Two new directors were appointed to the Board at the shareholders meeting. Michael Ramsden was appointed Chairman and Dominic Marinelli was appointed a Director.
- Neil Warburton has stepped down as Chairman of the Company but remains as a Director.
- Unrestricted cash on hand at 31 March 2011 was \$1.2m.

NIGERIA

- AUZ has control over a significant land holding in Nigeria in West Africa. NGL through its Nigerian subsidiary Mines Geotechniques Limited ("MGL") owns 2,170 km² of Exploration Licences (46 ELs) and 1,931 km² of approved Applications awaiting grant (18 ELAs).
- The Nigerian gold tenements have never been explored by modern exploration methods and have the potential to host million-ounce gold deposits.
- During the quarter further encouraging exploration results were received on several applications which are pending.
- Results included thirteen grab samples taken from outcrops and small pits over an area 600m long and 800m wide, of which eight returned greater than 1 g/t gold and all were anomalous (0.1-0.6 g/t). One sample returned nearly 140 g/t, another 21 g/t and a third 15 g/t gold. These samples, which were all taken from or close to the main active pit, also returned around 0.1% copper.
- Exploration drilling is planned on the high priority ELAs as soon as they are awarded.

AUSTRALIA

- During the quarter the Golden Ridge tenements were reviewed for further potential drilling at the northern end of the tenement boundary at the Mick's Hill Project.
- The Golden Ridge Nickel JV (GRJV) is completing a SQUID electromagnetic (EM) ground survey which was effective in locating a number of buried conductors. Further Fixed Loop EM is being assessed with the potential to identify drill targets for nickel sulphide orebodies.



GOLD EXPLORATION (AUZ 100%)

1. Nigeria Gold - Geology of Nigeria

The schist belts of Nigeria are considered highly prospective for gold and base metals. They have been compared to the better known Birimian schist belts of Ghana, Mali and Burkino Faso and are contained in the Basement Complex of Nigeria which occupies the western part of the Pan-African Mobile Belt. The Basement Complex occupies about half the surface area of Nigeria, with the remainder of the country being covered by sediment-filled troughs of younger age.

Commercial deposits of gold associated with other metallic minerals occur within the schist belts of the Basement Complex that host gold deposits of Ghana and areas in West Africa.

Nigeria Gold tenements

In 2006 the Ministry of Solid Minerals Development commenced reforming the country's mineral resources industry. It passed a new mining act and revived competition in its minerals industry.

Approximately 4,101km² of granted tenements (46 ELs) and applications awaiting grant (18 ELAs) acquired by Nigeria Gold Pty Ltd ('NGL') through its 100% owned subsidiary Mines Geotechniques Ltd ('MGL') are in the north-west part of the country, and mainly located along regional scale schist belts within the Basement Complex.

The tenement list includes numerous tenements under application with artisanal gold workings, and within these areas grass roots exploration has begun with mapping of the surface workings and geology with hand held GPSs, and then cross-referencing this mapping with aeromagnetic images so as to identify gross structural controls over mineralisation as a prelude to follow-up soil sampling and trench sampling.

Work programmes completed by Nigeria Gold in March 2011.

Nigeria Gold engaged the services of a consulting geologist with international exploration experience, who during 2010 and March 2011 conducted field visits to Nigeria to assess the tenements.

Tenement applications were reviewed and found to be progressing through the Cadastre office which regulates the granting of mineral concessions in Nigeria. There are five key areas which are still awaiting final grant, which AUZ considers as high priority. More detailed follow-up work conducted in four of these areas located in the Anka region of north-west Nigeria in November 2010 and March 2011 is described below.

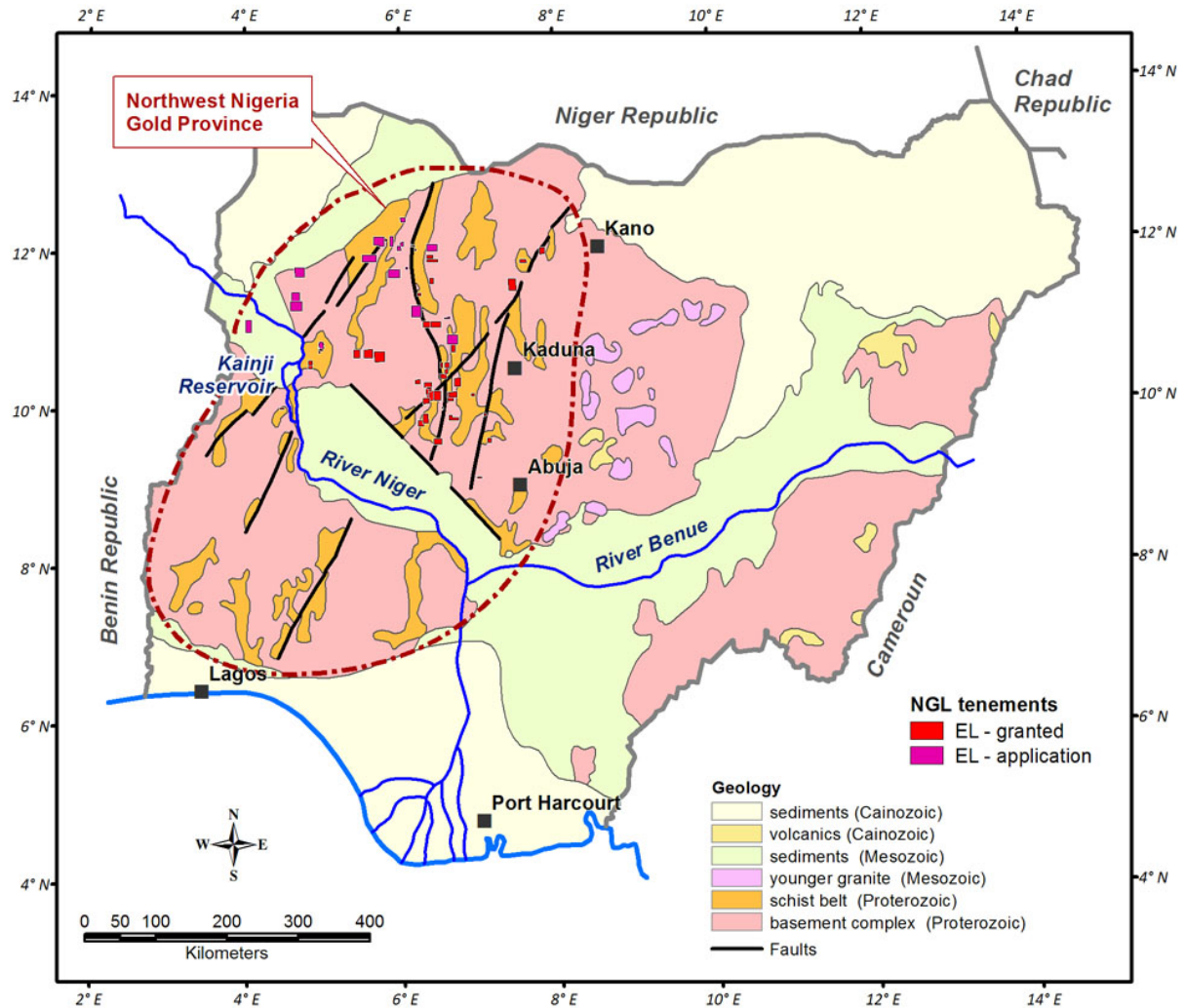


Figure 1 Nigeria Gold – simplified geology map overlain by tenement groups

Application area number 1

In November 2010, thirteen grab samples were taken from outcrops and small pits over an area 600m long and 800m wide, of which eight returned greater than 1 g/t gold and all were anomalous (0.1-0.6 g/t gold). One sample returned nearly 140 g/t, another 21 g/t and a third 15 g/t gold. These samples, which were all taken from or close to the main active pit, also returned around 0.1% copper.

In March 2011, active new workings were found 20m from where a 9 g/t sample had been taken in November 2010. This sample site was 420m west of the main workings, in an area where there was no sign of any previous activity. These rapidly expanding workings had exposed several parallel, 0.15-0.5m wide quartz veins. More extensive reconnaissance mapping was carried out, resulting in the location of many more areas of relatively small-scale, but significant workings, extending the strike length of the mineralised zone from 600m to 1250m and the width to 900m. This zone is open-ended in all directions.

The locations of the various workings clearly show that there are many parallel mineralised structures right across this zone. One set of workings, which was quite



overgrown and clearly much older than the others, was reputed to be historic British workings. A 1000m long, N-S orientated base line was established using hand-held GPS. Some soil sampling was carried out to orientate the MGL sampling crew. A large soil grid will be sampled covering all of the workings so far located.

This mineralised zone falls within a regional-scale shear zone, which is clearly visible on both the SPOT (satellite imagery) and TMI (aeromagnetic) maps, extending for more than 30km north to the Anka tenements. This shear zone is very wide, extending across the entire eastern half of the ELA. A major zone of intersection between the shear zone and the NNE orientated Anka schist belt, occurs between 2 and 5km SE of the main workings.

Application area number 2

During the November 2010 visit, the large, historic British Anka Mine was located in the SW corner of this tenement. Several zones of artisanal workings were also found, extending to the north and south of the Anka Mine. These workings delineated a mineralised zone extending along strike for about 600m N-S and 170m E-W. Nine grab samples were taken from the various artisanal workings. Apart from a 16 g/t Au assay from the deepest artisanal pit, most of the samples were anomalous to low-grade (2 g/t). Nevertheless, this mineralised zone appears highly prospective, showing signs of multiple, parallel mineralised structures.

During the March 2011 visit, a 1000m long N-S orientated base line was established using hand-held GPS. 100m from the northern end of the base line, another British 'Anka' mine was encountered near the crest of a ridge. While the individual workings are smaller than at the main Anka Mine 450m to the south-east, the workings are quite large and they extend over a bigger area. At least three parallel structures have been mined, across at least 120m width.

Reconnaissance mapping immediately east of the main artisanal workings, located five parallel sets of historic British workings extending over 170m width. Additional artisanal workings were also located in the southern half of the base line, suggesting potential extension of the main mineralised zone to the south.

Extensive, active eluvial and shallow bedrock artisanal workings were encountered 300m south of the base line. These workings delineate a zone at least 150m long and 50-70m wide across a 10° slope. As there are no workings above or below this well-defined zone, it is likely to be related to bedrock mineralisation, probably within a broad shear zone.

A sample of quartz float, collected from this same spot in November 2010, returned 1.9 g/t Au. At the time, this was considered to be an isolated sample, not necessarily related to the major workings further north. However, given the presence of newly located artisanal workings between the main mine area and these southern workings, it is now believed they are in fact part of one extensive mineralised zone, which is at least 1400m long (N-S) and 300m wide.

This zone is open to the south and west, where the ground also appears very prospective. Interpretation of the SPOT and TMI maps suggests that the regional-



scale shear zone that hosts this mineralised zone, extends through the entire western half of the tenement, suggesting that all of this area is highly prospective.

Application area number 3

During the November 2010 visit, several areas of artisanal workings were located, extending over a zone 800m long (N-S) and 250m wide. It is clear from the workings and from the very limited outcrop, that there is intense shearing and alteration of the bedrock within this zone. Workings tend to be smaller and more scattered than in nearby application area 2. This may reflect the almost complete lack of outcrop.

Ten grab samples were taken from workings and sheared outcrops. Samples from two of the larger pits returned 3.1 g/t and 1.6 g/t gold. Only two other samples were anomalous. While the assay results from the limited sampling are not overly impressive, this area is still considered to be highly prospective because of the intense shearing which is apparent at every bedrock exposure. The area is also within the regional-scale shear zone mentioned in the previous two sections.

During the March 2011 visit, a 1200m long, N-S orientated base line was established using hand-held GPS. Some additional artisanal workings were encountered along the baseline, suggesting that the mineralisation occurs in multiple parallel zones. It is likely that many more sets of workings will be encountered during the soil sampling phase.

The regional-scale shear zone mentioned in the previous sections, covers the entire eastern half of the ELA. There are high-grade artisanal workings 3.5km south of the tenement within this shear zone. A road, which extends diagonally down the eastern half of the tenement, was traversed and the country was found to be composed of numerous quartz ridges with intervening low points, devoid of outcrop. There are active artisanal workings along this route, and the entire eastern half of the tenement is considered to be highly prospective.

Application area number 4

During the November 2010 field visit, significant workings were found at four locations within the tenement and at additional locations to the north and south of the tenement.

Assays from fourteen grab samples from workings within the tenement, showed that both the quartz veins and the surrounding bedrock are significantly mineralised, with assays up to 8 g/t Au from the veins and 1.3 g/t Au from the bedrock. Six of the samples returned greater than 1 g/t gold and two were highly anomalous (0.7 & 0.5 g/t). Two grab samples from E-W orientated workings 3.5 km north of the tenement, returned 37 g/t Au from the vein material and 4 g/t Au from the sheared host rock.

During the March 2011 visit, a large increase was noted in the level of activity of the artisanal miners, including the establishment of a new village in the far SW corner of the tenement. There had also been an increase in the numbers and activity in the main miners' camp in the south-western part of the tenement. Two new sets of major workings were operating, extending SW and SE from this camp. Parts of both of these workings were more than 15m deep. This was a significant development in



a period of less than four months. The large area of superficial workings that had been encountered in November near the main camp, was now found to be 600m long and more than 150m wide. Many operators were active in this area.

A 1600m long base line was established orientated at 330° T using hand-held GPS. A large soil grid covering all of the workings in the vicinity of the main miners' camp will be sampled. Sampling was initiated in order to orientate the MGL sampling team.

A significant zone of workings has been established at the historic British workings in the far SW corner of the tenement. At least four mineralised zones have been extensively worked. From the size of the dumps and the general appearance of the workings, they probably extend close to 20m deep in places. Most of the workings are on the east flank of the ridge, below the massive quartz vein that forms the crest. To the south, some pits extend out onto the flat ground.

Another ridge 2-300m further south also has extensive new workings. This suggests that this major mineralised zone extends at least that far south. It is likely that the zone also extends to the north of the ridge. All of the bedrock exposed on the dumps is white or pink clay, clearly demonstrating the presence of a major, very intense shear zone. The zone on the east flank is at least 50m wide in three separate lines of pits. Workings had also commenced on the western side of the ridge.

The immediate mineralised zone delineated by these workings is approximately 400m long and 80m wide. However, given the intensity of the alteration, the shearing of the rock and the magnitude of the workings, this zone of mineralisation is likely to be more extensive. The entire envelope outlined by all of these groups of workings, is some 3.5km long and 1.2km wide. At this stage, the new 'quartz vein' workings described above must be treated as a separate occurrence. However, extending the reconnaissance mapping to include the area between these and the main camp workings, could well locate sufficient density of workings between the two zones to be able to consider this entire envelope as one very large mineralised zone.

2. KALGOORLIE – GOLDEN RIDGE – MICK'S HILL

During the quarter, AUZ engaged a consulting geologist to review previous exploration and assess potential drill targets at the Mick's Hill prospect on M26/222. The prospect is located about 3km southwest of the completed Golden Ridge open cut gold mine, which produced about 250,000 oz of gold.

Mick's Hill has been drilled by AUZ and previous operators, though there are gaps in the coverage that warrant infill along strike to better assess and target deeper drilling. Alternatively, deeper RC percussion beneath the prospect below the current best intercepts would be an alternative. However, to undertake deeper drilling at Micks Hill there should be some level of expectation that better and more continuous mineralisation can be identified.



Therefore further analysis of drill data and also investigative work will be undertaken before a decision to drill is made.

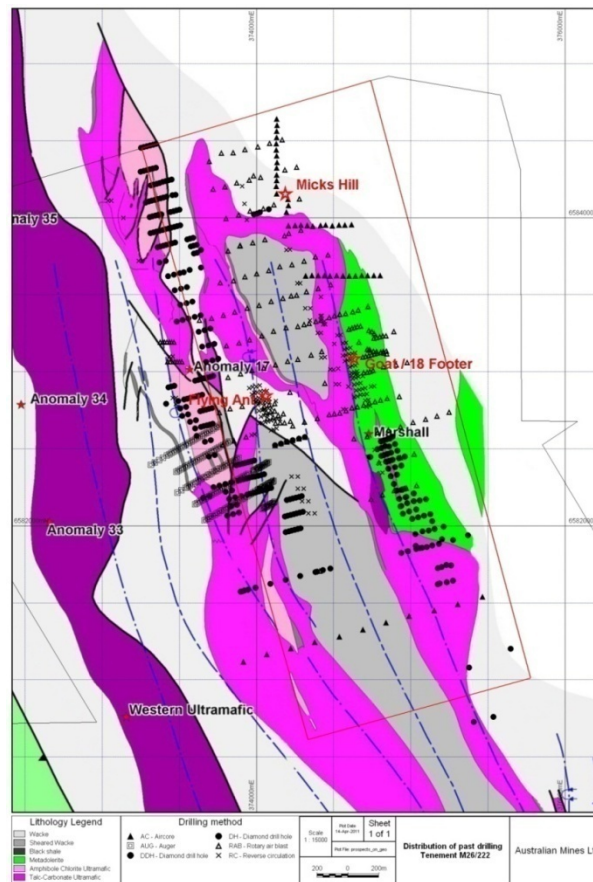


Fig 2. Distribution of drilling with geology for M26/222

NICKEL EXPLORATION - GOLDEN RIDGE JV (Pioneer Resources 56% AUZ 44%)

Background and work completed

The Golden Ridge JV Project covers certain AUZ leases prospective for nickel sulphide deposits such as the Blair Nickel Mine which was closed in December 2008.

An extensive program of moving loop and fixed loop electromagnetic ("EM") surveys was undertaken in the previous quarter, which tested for the presence of conductive bodies which may include lenses of massive nickel sulphides. In all, 30 line kilometres of EM readings covering 13 prospective locations were taken. Ground EM is considered well suited to this area as an exploration tool for nickel sulphide mineralisation.

Three anomalies of significance were identified, which, from the information to hand, project onto sediment-free ultramafic rock contacts. The locations of conductors, including the three priority anomalies, B-1, A36-38_6 and A20_2, are shown on the accompanying map (see Figure 3).



The three anomalies were modelled as discrete, late-time, strongly conductive responses. Other anomalies were also modelled correlated with known sulphidic black shale sediments, and are therefore considered non-prospective.

Work Completed during the Quarter

Detailed EM surveys have just been completed covering six anomalies. Previously reported surveys completed late in the December quarter 2010 located three priority conductive bodies on ultramafic surfaces interpreted to be free of conductive sediments, and another 3 conductors in prospective geological locations.

The present surveys were designed to better resolve the depth and orientation of targets before drill testing.

The highest priority target is located east of, and on the same ultramafic contact as, the Blair Nickel Mine, which closed in December 2008.

The final report for this work is expected to be received during May 2011 and from this follow-up drilling can be planned.



Figure 3: Golden Ridge JV Project, showing areas of EM surveys, conductive sediments (black) and priority EM targets (solid red)



RESOURCES

GOLD MINERAL RESOURCES (UNDILUTED)

The gold mineral resources are located on the Golden Ridge Project tenements, some 30 km south-east of Kalgoorlie in Western Australia.

Location	Category	Resource Tonnes	Gold g/t	Gold Ounces
Woodline 1	Measured	-	-	-
	Indicated	90,000	2.19	6,300
	Inferred	2,000	2.12	150
	Sub-total	92,000	2.19	6,450
Mt Martin Mine	Measured	-	-	-
	Indicated	2,847,500	1.90	176,500
	Inferred	1,194,500	2.30	88,000
	Sub-total	4,042,000	2.00	264,500
Swift	Measured	-	-	-
	Indicated	130,000	2.56	10,700
	Inferred	-	-	-
	Sub-total	130,000	2.56	10,700
	Total	4,264,000	2.02	281,650

Table 1: Gold resources above a cut-off grade of 0.5g/t gold, as at March 31st 2011.

NICKEL MINERAL RESOURCES (UNDILUTED)

The nickel sulphide resources are located at Blair Mine and the Goodyear Project on the Golden Ridge Project tenements, and also at the Marriott's Project some 80 km south of Leinster in Western Australia.

Location	Category	Resource Tonnes	Nickel %	Nickel Tonnes
Blair Mine – Ni sulphide Resource	Measured	33,000	4.2	1,400
	Indicated	28,000	4.1	1,100
	Inferred	52,000	3.5	1,800
	Sub-total	113,000	3.8	4,300
Marriott's – Ni Sulphide Resource	Measured			
	Indicated	460,000	1.12	5,100
	Inferred	370,000	1.15	4,300
	Sub-total	830,000	1.13	9,400
Goodyear – Ni Sulphide Resource	Measured			
	Indicated			
	Inferred	390,000	3.78	14,700
	Sub-total	390,000	3.78	14,700
Ni Sulphide Resource	Total	1,332,000	2.13	28,400

Table 2: Nickel sulphide resources above a cut-off grade of 1.0% (Blair and Goodyear) and 0.5% nickel (Marriott's) as at March 31st 2011.



CORPORATE

AUZ has completed the first tranche of the acquisition of Nigeria Gold Pty Ltd with the issue of 180m shares to the shareholders of Nigeria Gold Pty Ltd. The next tranche will be issued on 31 July 2011 depending on the results of the award of the high priority NGL tenements and also AUZ achieving certain commercial milestones with Mt Martin.

Two new Directors were elected to the Board by Shareholders on 9 March 2011. Michael Ramsden was appointed as Chairman and Dominic Marinelli was appointed Director. Both have extensive corporate experience at senior levels and have been instrumental in establishing Nigeria Gold Pty Ltd.

Due to other work commitments, Neil Warburton has stepped down as Chairman, a position he has held since 2005. However, he remains as a Non Executive Director. During his time as Chairman he has made an invaluable contribution to the Company.

A placement at the end of January 2011 to sophisticated investors raised approximately \$1.1m by placing shares at 2.3 cents per share. These funds, along with Nigeria Gold funds of approx \$350K, will contribute to exploration in Nigeria.

The Kalgoorlie assets could provide further funding options. There is interest in the Mt Martin resources and Golden Ridge project especially with the gold price at record levels of US\$1,500/oz at the date of this report.

Unrestricted cash on hand and at the end of the March 2011 quarter was \$1.2m.

SUMMARY AND OUTLOOK

The Nigeria Gold acquisition is an exciting opportunity with its large land holding in an underexplored region with potential to host million-ounce plus gold deposits.

The recent visit to Nigeria by the consulting geologist has highlighted the potential of Nigeria. Progress to date has been encouraging with preliminary exploration results. The high priority areas are still awaiting award from the Minister in Nigeria. Once awarded AUZ will concentrate on the high priority ELAs.

In Western Australia, AUZ has engaged consultant geologists to review the data on Mick's Hill. The project is immediately south of the Golden Ridge open pit which has a history of gold production.

A review is also being undertaken of a further drilling program at Mt Martin Gold Mine. The Mt Martin resource model contains an Indicated and Inferred Resource of 4.0m tonnes at 2.0g/t Au for 264,500 ozs Au. Interest is being received for the Mt Martin mine.

Nickel exploration is continuing under the GRJV following up significant SQUID EM surveys on areas near the Blair nickel mine. It is expected that several drill targets will be identified.



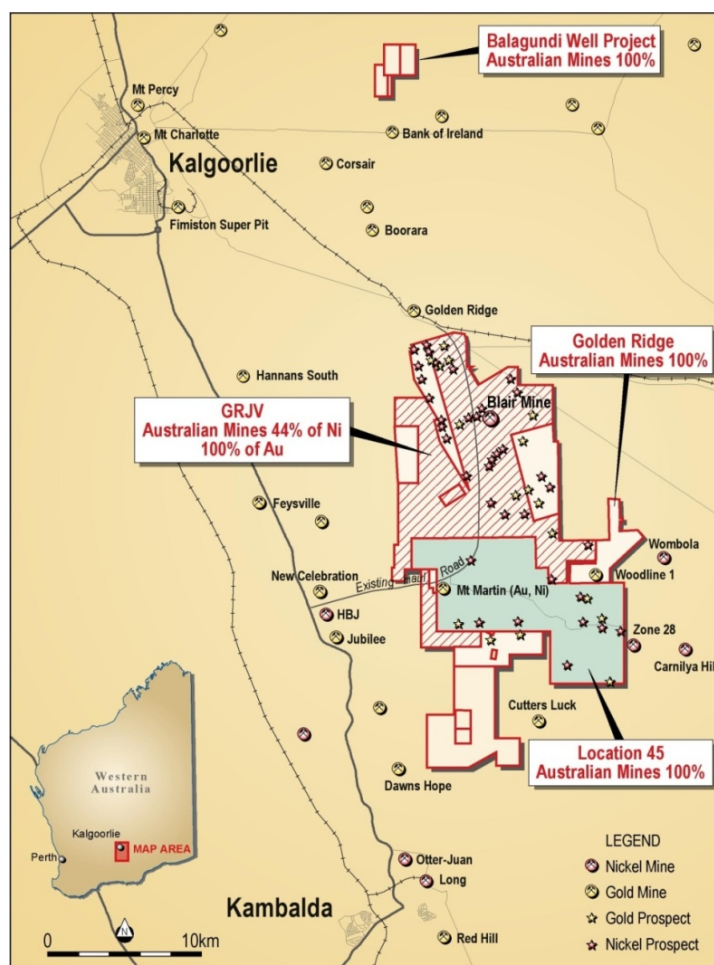
The Company has retained all of its nickel assets for future exploration especially with improving nickel prices.

More details can be found on the Company website www.australianmines.com.au.

For further information contact:

Michael Ramsden	Brett Young
Chairman	Chief Operating Officer
Australian Mines Limited	Australian Mines Limited
Tel: 03 9665 2444	Tel: 08 9481 5811

The information in this report that relates to Exploration Results in Nigeria is based on information compiled by Mr G Ryan who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Ryan is employed by NZ Exploration Limited, a New Zealand based geological consulting company. The information in this report that relates to Exploration Results and Mineral Resources in Australia is based on information compiled by Mr M Elias who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Elias is a Non-Executive Director of AUZ. Both Mr Ryan and Mr Elias have sufficient experience, which is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral resources and Ore Reserves'. Mr Ryan and Mr Elias consent to the inclusion in the report of the matters based on their information in the form and context in which they appear.



Location plan detailing AUZ's tenement holding