

6 March 2018

Australian Mines reaffirms binding off-take agreement term sheet for Sconi Project, Queensland

Australian Mines Limited (“**Australian Mines**” or “the Company”) (ASX: AUZ) would like to address market speculation and provide further clarifying detail regarding aspects of its announcement of its Off-take Agreement Term Sheet¹ (“Announcement”) with leading global electric vehicle battery manufacturer **SK Innovation**.

The Company confirms that it has signed a binding Term Sheet with Korean-headquartered SK Innovation, committing the parties to the sale and purchase of all cobalt and nickel product produced from the Sconi Cobalt-Nickel-Scandium Project in Queensland.

The binding terms agreed and confirmed by Australian Mines and SK Innovation as stated in the Announcement include the following key commercial terms:

- (a) A (7) seven-year contract term from the first shipment after commencement of commercial mining operations at the Sconi Project, with an option for SK Innovation to extend the agreement for a further (6) six years at SK Innovation’s election.

Following an initial two year ramp up, the indicative agreed annualised quantities are for the delivery of up to 12,000 tonnes of battery-grade cobalt sulphate and up to 60,000 tonnes of battery-grade nickel sulphate.

- (b) The US dollar Base Price for product will be either calculated at the average trading price for cobalt or nickel (as the case requires) as quoted on the London Metals Exchange (LME) in the quarter immediately preceding the product delivery, adjusted for the percentage of contained cobalt or nickel and impurities in the product, plus a commercially-confidential adjustment that takes into consideration a market premium for delivery of the metals in this preferred concentrate form.

¹ Australian Mines Limited, Off-take agreement term sheet with electric vehicle battery manufacturer for 100% cobalt and nickel production from Sconi Project, released 19 February 2018

- (c) SK Innovation will be entitled to a modest commercial-in-confidence buyer discount on the base price, provided it exercises an option to subscribe for up to 19.9% Australian Mines' ordinary shares or equivalent level of asset investment for the Sconi Project within three (3) months following the release of the Bankable Feasibility Study (BFS) on the Sconi Project. (The BFS is now scheduled to be completed in June 2018).

The subscription option is subject to Australian Mines' shareholder approval and the requirements of the ASX and relevant laws.

- (d) The offtake is subject to an ongoing, industry-standard offtake condition that during the life of the offtake the specifications of the products contained within each shipment of cobalt sulphate and nickel sulphate received by SK Innovation from Australian Mines' operations are validated to be within agreed specifications and tolerances.

Currently, cobalt metal trades for approximately US\$82,000 (~AU\$105,000) per tonne with nickel metal trading around US\$13,500 (~AU\$17,000) per tonne on the London Metals Exchange².

The agreed conditions precedent, which are consistent with the resource industry's normal commodity off-take / sale agreements of this type, are:

- (a) execution of final long-form agreements to replace and expand upon the agreed terms for the offtake and the subscription option; and
- (b) Australian Mines obtaining financing for the development and construction of the Sconi Project before 31 December 2018 (or such later date as SK Innovation and Australian Mines may agree), and that mining commences before 31 December 2020 (or such later date as both the SK Innovation and Australian Mines may agree). The Company considers that the financing and mining commencement timelines stipulated in the conditions precedent are comfortably within the project development timelines being pursued by Australian Mines prior to the agreement.

The binding Term Sheet with SK Innovation confirms the Sconi Project's status as Australia's most advanced project of its type and Australian Mines as a leader in the Australian cobalt sector.

*****ENDS*****

² As at 23 February 2018
USD : AUD = 1 : 0.78
<https://www.lme.com/metals/minor-metals/cobalt/>
<https://www.lme.com/metals/non-ferrous/nickel>

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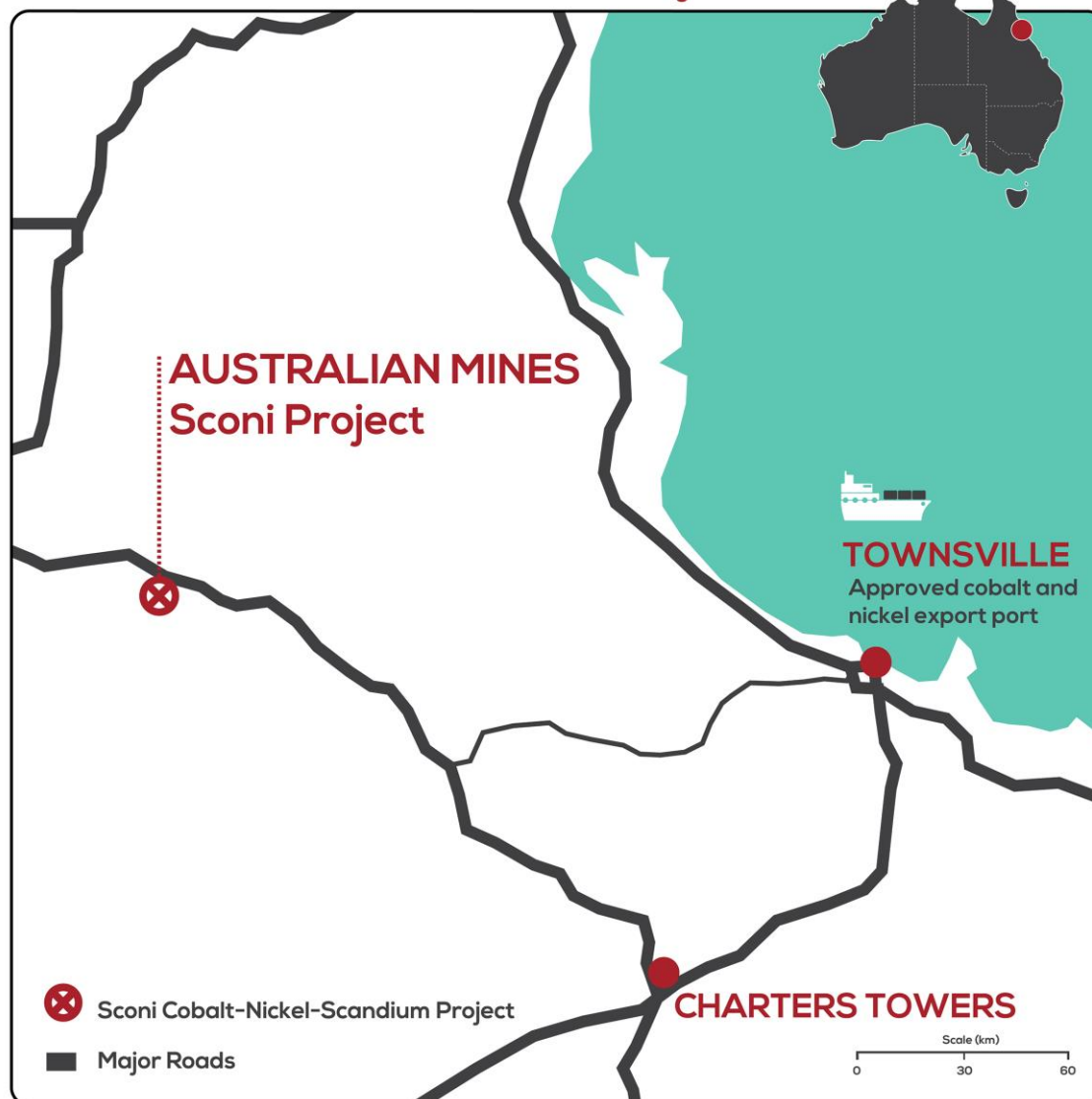
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Australian Mines' Projects: The Sconi Cobalt-Nickel-Scandium Project located in northern Queensland; the Flemington Cobalt-Scandium-Nickel Project in central New South Wales; the greenfields Thackaringa Cobalt Project in western New South Wales.

Sconi Cobalt-Nickel-Scandium Project



Sconi Cobalt-Nickel-Scandium Project: Australian Mines' 100% owned Sconi Cobalt-Nickel-Scandium Project, located in northern Queensland, is the most advanced project of its type currently under development in Australia.