



AUSTRALIAN MINES LIMITED
ABN 68 073 914 1917

ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2018

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CORPORATE DIRECTORY

DIRECTORS

Michael Ramsden, Chairman
Benjamin Bell, Managing Director
Michael Elias, Independent Non-Executive Director
Dominic Marinelli, Independent Non-Executive Director

COMPANY SECRETARY

Oliver Carton

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AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

The Directors present their report together with the financial statements of the Consolidated Group comprising Australian Mines Limited ("the Company" or "Australian Mines") and its controlled entities for the year ended 30 June 2018, and the auditor's report thereon.

1. DIRECTORS

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

Michael Ramsden – Independent Non-Executive Chairman appointed 9 March 2011
BEC, LLB, FFIN

Michael Ramsden is a lawyer with more than 25 years' experience as a corporate advisor. He has been involved with all forms of finance, including money markets, futures trading, lease finance, trade finance and foreign exchange. Mr Ramsden is the Managing Director of Terrain Capital Limited in Australia, and has previously worked for international companies including CIBC Australia, JP Morgan and Scandinavian Pacific Investments Limited. He is also a director of the Victoria Racing Club Ltd, Chairman of Cremore Capital Ltd and formerly Chairman of Terrain Australia Ltd and Director of D&D Tolhurst Ltd. Mr Ramsden is a member of the Company's Remuneration Committee and Audit and Risk Committee.

Benjamin Bell – Managing Director appointed 23 January 2012
BSc, MMET, MBA

Benjamin Bell is an experienced company executive, with a career in the Australian exploration and mining sector spanning more than two decades. He is a qualified geologist and geophysicist, with significant management and on-the-ground experience working for listed companies, government agencies and as a respected industry consultant.

Mr Bell was appointed Chief Executive Officer of Australian Mines Limited in November 2011, before subsequently being appointed Managing Director in January 2012. In 2016 he oversaw the relaunch of Australian Mines as an emerging global leader in cobalt, nickel and scandium supply through the acquisition of the Sconi and Flemington Projects in eastern Australia.

Michael Elias – Independent Non-Executive Director appointed 1 July 2005
BSc(Hons), FAusIMM, CPGeo

Michael Elias has more than 35 years' of extensive, international experience in all aspects of nickel resource development in both laterites and sulphides, from project generation and evaluation, exploration planning and management, development studies, open cut and underground mine geology, resource/reserve estimation, and resource economics. He has been a Principal Consultant with mining consultancy CSA Global Pty Ltd since 2001.

He previously held the positions of Chief Geologist – WA Nickel Operations and Chief Geologist – Nickel Resource Development at WMC Resources Ltd and was a director of Silver Swan Group Ltd until his resignation on 19 November 2012. Mr Elias holds a Bachelor of Science (Honours) in Geology from the University of Melbourne and is a Fellow of the Australasian Institute of Mining and Metallurgy.

Dominic Marinelli – Independent Non-Executive Director appointed 9 March 2011
MBA, BEng, PGD Sc

Dominic Marinelli has over 20 years' of corporate fundraising and mergers and acquisitions experience covering a wide range of industries including resources and other emerging technologies. Mr Marinelli is a Director of Terrain Capital Limited in Australia and of unlisted explorer West Africa Coal Pty Ltd. He holds an MBA from the Melbourne Business School, a degree in Electrical and Computer Systems Engineering from Monash University and a diploma in Nanotechnology from Leeds University. Mr Marinelli is a member of the Company's Remuneration Committee and Chairman of the Audit and Risk Committee.

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

1. DIRECTORS (cont.)

*Neil Warburton – Non-Executive Director appointed 22 April 2003 – Resigned 31 December 2017
Associate Degree in Mining Engineering – WASM, AusIMM, FAICD*

Neil Warburton was a non-executive director at Australian Mines Limited, since April 2003. He resigned on 31 December 2017.

2. COMPANY SECRETARY

The Company Secretary of the Company during or since the end of the financial year is:

*Michael Ramsden – Resigned 1 January 2018
(See details above)*

Oliver Carton – appointed 1 January 2018

Oliver is a qualified lawyer with over 30 years' experience in a variety of corporate roles. He is currently a director or company secretary of a number of listed, unlisted and not for profit entities such as the Melbourne Symphony Orchestra. He currently runs his own consulting business and was previously a Director of the Chartered Accounting firm KPMG. Prior to that, he was a senior legal officer with ASIC.

3. 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		Audit & Risk Committee	
	Held	Attended	Held	Attended	Held	Attended
Michael Ramsden	8	8	3	3	2	2
Benjamin Bell	8	8	-	-	-	-
Michael Elias	8	8	3	3	2	2
Dominic Marinelli	8	8	3	3	2	2
Neil Warburton	5	4	-	-	-	-

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.

The Audit & Risk Committee is required to meet at least twice per year, review annual and half-year accounts, and report to the Board of Directors. The Audit & Risk Committee also oversees the Company's risk management systems and procedures.

4. PRINCIPAL ACTIVITIES

The consolidated entity's principal activity during the course of the financial year was the exploration and pre-development of the three battery metals projects located in eastern Australia.

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

5. OPERATING AND FINANCIAL REVIEW

As the world moves towards cleaner, more sustainable energy sources, Australian Mines is positioned to be at the forefront of this move through the development of world-class Sconi and Flemington cobalt-nickel-scandium projects in Queensland and New South Wales, Australia, respectively. The principal output of the projects is intended to be nickel and cobalt sulphates destined for battery manufacture to supply the burgeoning electric vehicle and related industries.

Over the past twelve months, Australian Mines has moved to acquire 100% ownership of all three of its battery metals projects and has done so with minimal dilution to the Company's shareholders.

Australian Mines' Sconi Cobalt-Nickel-Scandium Project is one of the most advanced cobalt projects in Australia, being development-ready with a Bankable Feasibility Study due for imminent release, and a long term off-take partner for 100% of the output already secured.

The Flemington Cobalt-Nickel-Scandium Project, was subject to a Preliminary Environmental Assessment during 2018 that indicated there were no significant impediments to developing this project into a mining and processing operation, is presently being fast-tracked by the Company to take advantage of on-going interest from potential off-take partners for any future cobalt produced from an operation constructed on this site.

Sconi Cobalt-Nickel-Scandium Project

Australian Mines' 100% owned Sconi Cobalt-Nickel-Scandium is on track to become Australia's first mining and processing plant in operation capable of producing battery-grade cobalt sulphate and nickel sulphate for the rapidly emerging electric vehicle market.

The Company's status as a leading player in this sector was given an enormous boost when, in March 2018, it announced that it had signed a binding off-take agreement for Sconi with Korean-headquartered SK Innovation, part of the SK Holdings industrial conglomerate. The agreement commits SK Innovation to buying all nickel and cobalt produced from Sconi for an initial seven-year period, extendable for a further six years at SK Innovation's election at a price linked to the London Metals Exchange (LME).

Following an initial 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.

At the time of writing, a Bankable Feasibility Study for the Sconi Project is pending release. This Study contemplates for a full-size processing plant for the Project capable of an average annual production consistent with the quantities required under the SK Innovation off-take agreement.

Recognising that the current Mineral Resource¹ at Sconi appears to only scratch the surface of the project's true potential, Australian Mines is presently undertaking a 50,000-metre (\$4 million) resource extension drilling campaign across the project area that is designed to deliver a significant increase in the Sconi Mineral Resource.

¹ The Mineral Resource Estimate for the Sconi Cobalt-Nickel-Scandium Project is reported under JORC 2012 Guidelines and was reported by Australian Mines Limited on 31 March 2017. The global Mineral Resource for Sconi, as announced on 31 March 2017 is: Measured 17Mt @ 0.80% Ni, 0.07% Co, Indicated 48Mt @ 0.58% Ni, 0.07% Co, Inferred, 24Mt @ 0.41% Ni, 0.06% Co. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 March 2017 announcement by Australian Mines.

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

5. OPERATING AND FINANCIAL REVIEW (cont.)

Given the likely enhanced economics of the Sconi Project following the updated Mineral Resource (due for release by April 2019), Australian Mines considers the current (Stage 1) Bankable Feasibility Study for the Sconi Project should represent a very conservative base-case scenario for the project, with a Stage 2 fully-optimised Feasibility Study based on the updated Mineral Resource to be finalised during the first half of the 2019 calendar year.

Project financing negotiations for the Sconi operation are well-advanced and Australian Mines anticipates providing an update to shareholders on this matter during its 2018 Annual General Meeting, currently scheduled to occur in Perth, Western Australia in late November.

Demonstration-scale cobalt-nickel-scandium processing plant

Australian Mines is the only ASX-listed resources company with an interest in a demonstration-scale production plant capable of processing raw laterite ore through to battery-grade cobalt sulphate and nickel sulphate, and high-purity scandium oxide without the use of a third-party / commercial laboratory.

As a result, earlier this year Australian Mines successfully exported the largest known shipment of battery-grade cobalt and nickel sulphates from Australian mined and processed ore when, in July 2018 it sent a shipment of these products to its off-take partner, SK Innovation in Korea.

This shipment naturally set a new benchmark for the Australian battery metals sector, and Australian Mines is scheduled to deliver additional, larger shipments to SK Innovation over the course of the coming year.

Australian Mines will also continue to export high-purity scandium oxide to its partners in the United Kingdom, Europe and India.

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

5. OPERATING AND FINANCIAL REVIEW (cont.)

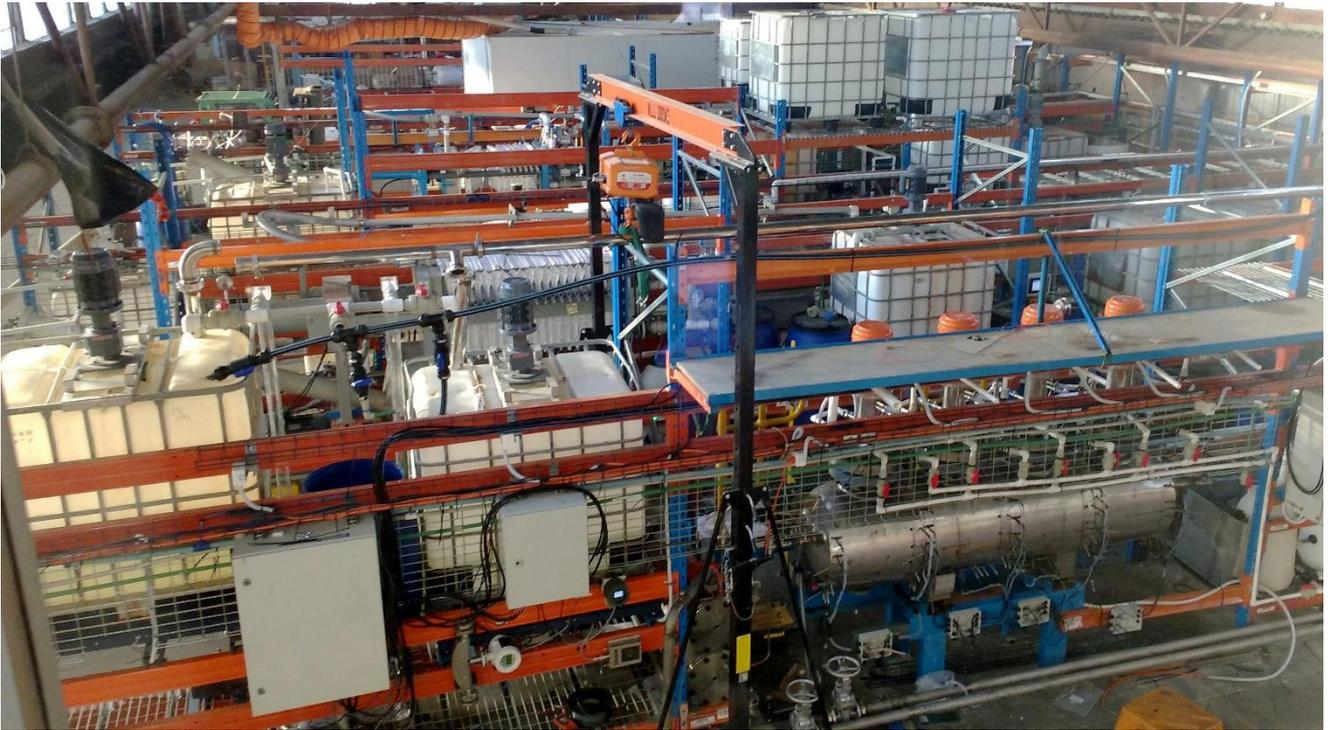


Figure 1: The demonstration plant constructed and successfully operated by Australian Mines at Simulus Laboratories facility in Perth, Western Australia.

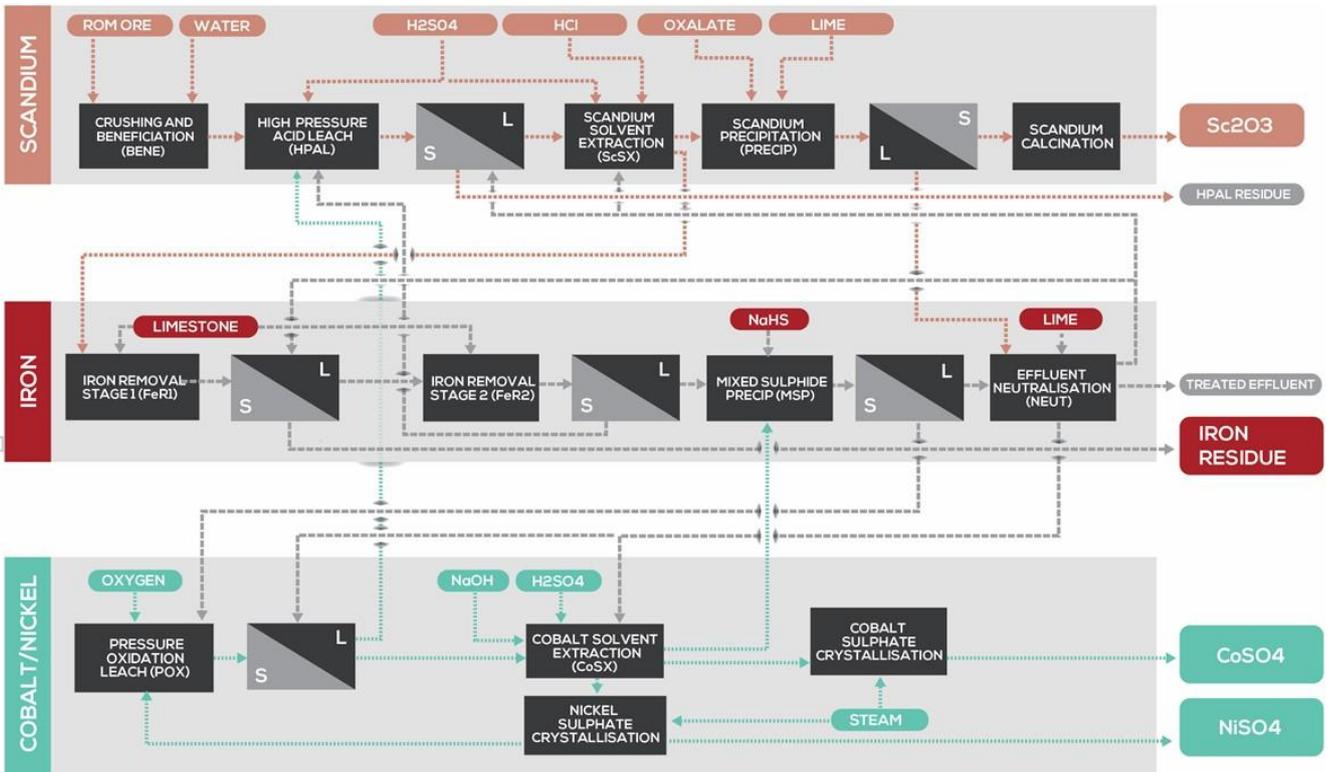


Figure 2: Processing plant flowsheet for the successfully operated demonstration plant constructed in Western Australia, which will be replicated in the full-scale plant to be constructed at the Sconi Project in Queensland.

5. OPERATING AND FINANCIAL REVIEW (cont.)



Figure 3: Cobalt and nickel sulphate samples produced from Australian Mines' demonstration plant in Perth.

Flemington Cobalt-Nickel-Scandium Project

Australian Mines' Flemington Project is located within 400 kilometres of Sydney, New South Wales and represents a potential second cobalt-nickel-scandium operation for the Company.

During the year, Australian Mines completed a resource drilling program that demonstrated that consistent high-grade cobalt mineralisation is present across the Flemington deposit².

This drilling also confirmed that this cobalt (and scandium) mineralisation either outcrops or is within a few metres of the surface indicating that any future mining operation at this site may only require a simple quarry-like mining method such as that proposed at the Company's Sconi Project in Queensland.

With the mineralisation at Flemington remaining open in multiple directions, and with only 1% of the prospective cobalt-nickel-scandium bearing geology current tested by drilling, Australian Mines has committed to undertaking a \$2 million resource expansion drill program across this project area later this calendar year, following which the Company will release an updated Mineral Resource³ for its 100% owned Flemington Project⁴.

Any update in the Mineral Resource may result in a substantial improvement in the already attractive economics of a mining operation at Flemington, which according to a Scoping Study, currently has the potential to generate an after-tax cash flow of \$677 million for the first 18 years of production⁵.

² The Mineral Resource Estimate for the Flemington Cobalt-Nickel-Scandium Project is reported under JORC 2012 Guidelines and was reported by Australian Mines Limited on 31 October 2017. The Mineral Resource for Flemington, as announced on 31 October 2017 is: Measured 2.5Mt @ 0.103% Co & 403ppm Sc, Indicated 0.2Mt @ 0.076% Co & 408ppm Sc. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 October 2017 announcement by Australian Mines.

³ The Mineral Resource Estimate for the Flemington Cobalt-Nickel-Scandium Project is reported under JORC 2012 Guidelines and was reported by Australian Mines Limited on 31 October 2017. The Mineral Resource for Flemington, as announced on 31 October 2017 is: Measured 2.5Mt @ 0.103% Co & 403ppm Sc, Indicated 0.2Mt @ 0.076% Co & 408ppm Sc. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 October 2017 announcement by Australian Mines.

⁴ Australian Mines Limited, Australian Mines to acquire 100% interest in Flemington Cobalt-Nickel-Scandium Project, New South Wales, released 27 August 2018.

⁵ Australian Mines Limited, Technical Reports, release 31 March 2017. Australian Mines confirms in the subsequent public report that all the material assumptions underpinning the forecast financial information derived from a

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

5. OPERATING AND FINANCIAL REVIEW (cont.)

In preparation for a mining and processing operation at Flemington, Australian Mines submitted a Mining Lease Application for the Project to the New South Wales Department of Trade and Investment (Resource and Energy Division) during the year. This Mining Lease Application, which assigned the new tenement number of MLA 538 by the NSW Government, not only covers the existing Mineral Resource but includes the entire Flemington tenement area, reflecting the Company's expectation that further cobalt, nickel and scandium mineralisation will be delineated across the project area over the course of the coming year.

A Preliminary Environmental Assessment (PEA) was prepared by the Company this year and was subsequently accepted by the New South Wales State Government.

Australian Mines is committed to its proposed future mining operation at Flemington and that any operation would adhere to world's best practice, including having minimal environmental impact, while delivering maximum social and economic benefit to the region. For this reason, the Company made the decision to source the water required for the plant's operation from existing allocations rather than apply to the NSW Government for a new water licence that would likely place strain on the region's valuable water resources.

In this case the permanent water allocation now owned by Australian Mines, being more than adequate to support the scale of mining and processing operation contemplated at Flemington across the entire life of operations, was purchased from a local farmer and was excess to their requirements but within the total existing allocation.

The Company is also presently investigating the application of renewable energy, including solar, to power a future mining operation at Flemington – again, to ensure that Australian Mines' activities does not place any undue strain on the region's electricity network.

production target, in the initial public report referred to in rule 5.17 continue to apply and have not materially changed.

5. OPERATING AND FINANCIAL REVIEW (cont.)

FLEMINGTON PROJECT TENEMENT MAP

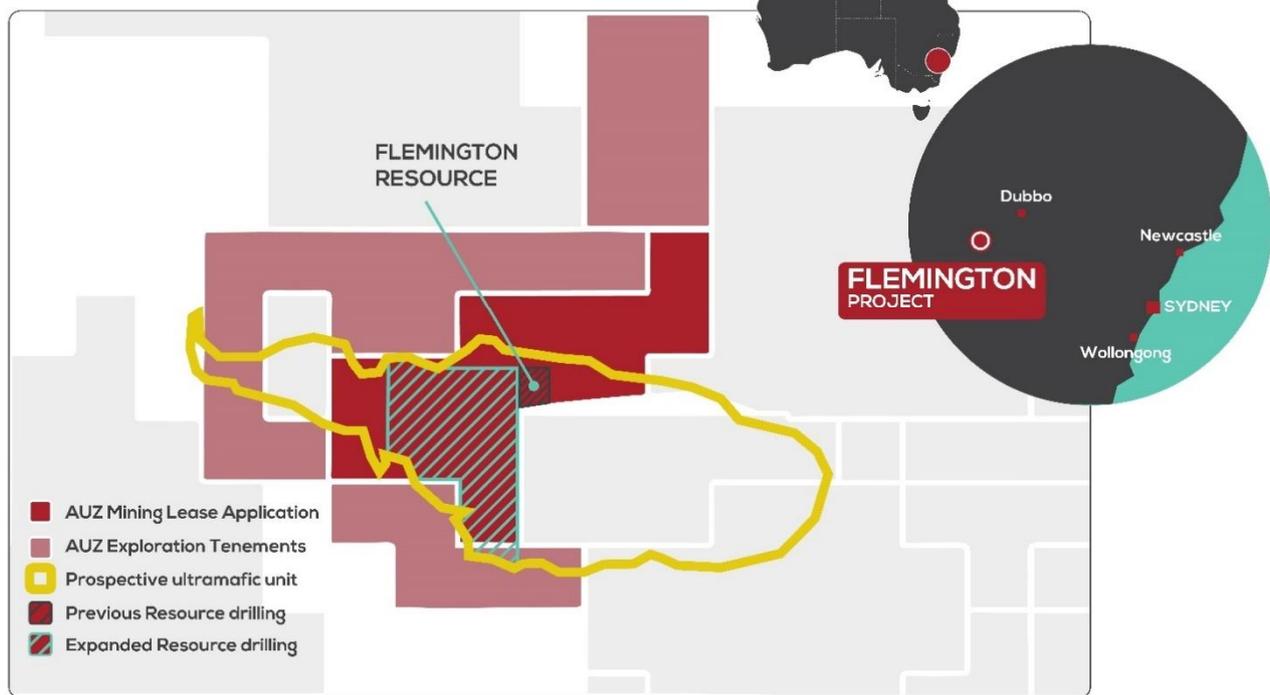


Figure 4: Australian Mines' Flemington Cobalt-Scandium-Nickel Project is located in central New South Wales near the town of Parkes, where the Company is planning to open a regional office to support field operations at both the Flemington Project and the Thackaringa Cobalt Project, further west in NSW near Broken Hill.

Thackaringa Cobalt Project

Australian Mines' 100% owned Thackaringa Cobalt Project is located within 25 kilometres of the regional mining town of Broken Hill in New South Wales.

The Company commenced its exploration program at the Thackaringa Project earlier this financial year when it commissioned a high-resolution helicopter-borne electromagnetic survey of the project area. This geophysical survey complemented the outcrop geological mapping undertaken by the New South Wales Geological Survey, which indicated that Australian Mines' Thackaringa Project may contain cobalt-bearing rocks that warrant further exploration.

In addition to the project's impressive cobalt potential, modelling of the helicopter-borne electromagnetic survey data acquired over the Thackaringa Project also identified a conductive body (notionally called BR_02_CC), which appears to have the geophysical characteristics of base metal (copper-silver-gold-lead-zinc) mineralisation. A follow-up ground-based fixed loop electromagnetic survey (FLEM) subsequently conducted over this conductive body by Australian Mines during the year re-affirmed the presence of a potential sulphide body at target BR_02_CC.

To ascertain whether this bedrock conductor may be the surface expression of the next "Cobar-style" polymetallic discovery within New South Wales, Australian Mines is scheduled to commence its maiden drilling campaign at Thackaringa within the coming months.

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

5. OPERATING AND FINANCIAL REVIEW (cont.)

THACKARINGA PROJECT Tenement MAP

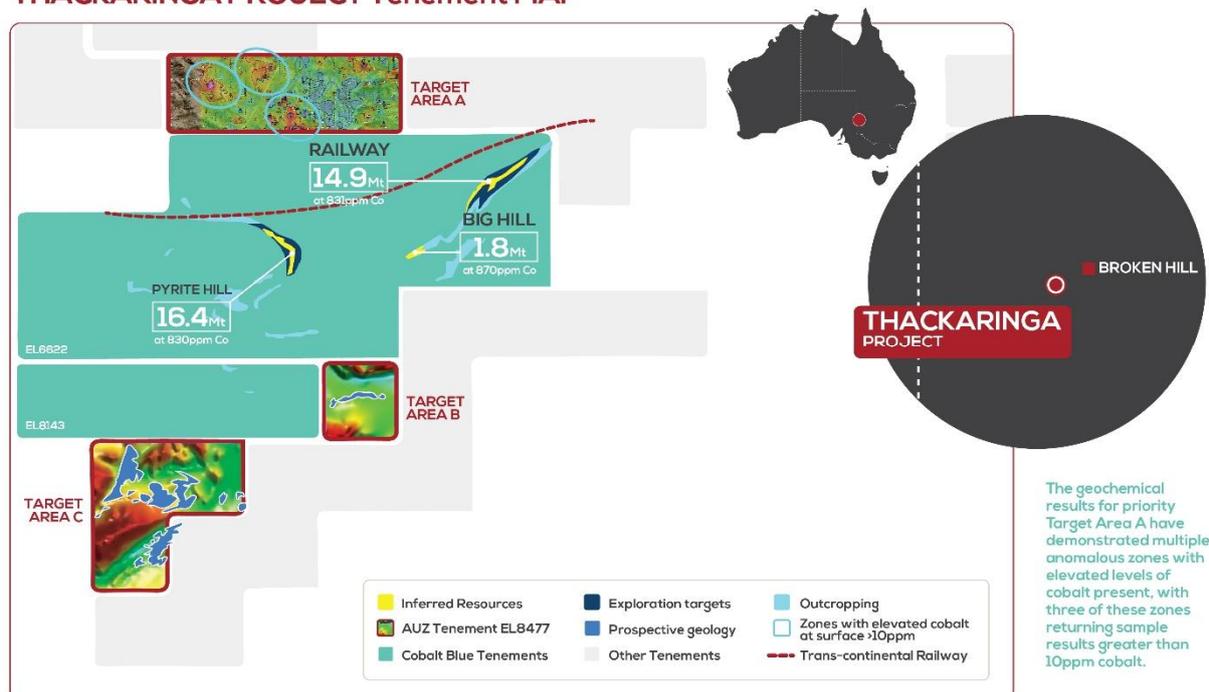


Figure 5: Australian Mines' greenfields Thackaringa Cobalt Project is located near the historic mining centre of Broken Hill, New South Wales, and takes in a highly strategic tenement holding in a proven cobalt-bearing geological setting.

GENERAL ECONOMIC CONDITIONS

The Consolidated Group made a loss for the year of \$5,322,775 (2017: loss \$1,675,932). There was no impairment of exploration assets during the year (2017: nil).

A comparison of the consolidated financial performance is included in the table below.

Financials	2018	2017
	\$	\$
Revenue from operating activities	-	-
Net Loss	(5,322,775)	(1,675,932)
Cash and cash equivalents	8,984,625	4,638,766

The company's financial results demonstrate a net loss due to the company's position of mineral explorer, rather than producer. At this point in the company's development, whilst it incurs expenditure through the ongoing exploration of tenements, no return has been generated as the company is yet to move into production, thus providing income.

6. DIVIDENDS

No dividends were paid or declared by the Company during the year (2017: nil).

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the financial year.

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

8. EVENTS SUBSEQUENT TO REPORTING DATE

In July 2018 the Company's Western Australian gold and base metal exploration assets were transferred to the Company's subsidiary, Norwest Minerals Pty Ltd. The subsidiary is seeking to complete an Initial Public Offering (IPO) to raise \$6.6 million by the end of October 2018. Seed funding of \$1 million has been raised and cornerstone investment agreements have been signed for an additional \$4 million. The balance of \$2.6 million is to be offered to the public with a priority offer to existing Australian Mines Limited shareholders. Post-listing, Australian Mines will retain a 28.6% interest in Norwest Minerals.

On 11 July 2018 the Company allotted \$1.5 million in shares to Metallica Minerals Limited in accordance with the Sconi sale and purchase agreement. A final issue of \$5 million Australian Mines shares or cash is payable upon commencement of commercial production.

In August 2018 the Company exercised the option to acquire 100% interest in the Flemington Project from Jervois Mining by paying an exercise fee of \$0.6 million. Total consideration is \$6 million with \$2 million already paid, plus the \$0.6m exercise fee, leaving a balance of \$3.4 million payable upon completion.

On 11 September 2018 the Company announced the execution of an investment agreement with Bergen Global Opportunity Fund II LLC (Bergen). Under the terms of the agreement Bergen made an initial up-front investment of \$4 million on the 17th September 2018, and subject to shareholder approval this is to be followed 120 days later by a second investment tranche of \$4 million. After another 120 days again with shareholder approval and by mutual consent, a third investment tranche of \$4 million will follow. Each tranche is by way of an unsecured interest-free convertible security with a 24-month maturity. Under the terms of the agreement Bergen was issued with Options and Ordinary shares to be utilised as collateral on 11 September 2018. The convertible securities in relation to the first tranche were issued on 14 September 2018.

On 31 July 2018 the Company issued a prospectus for the purposes of section 708A(11) of the Corporations Act, the sole purpose of which was to remove any trading restrictions on the sale of Shares issued by the Company prior to the Closing Date without disclosure under Part 6D of the Corporations Act. On 14 September 2018 the Company issued a Supplementary Prospectus the sole purpose of which was to extend the Closing Date of the Prospectus.

There have been no other events subsequent to reporting date.

9. LIKELY DEVELOPMENTS

Australian Mines is devoting its resources exclusively to developing its wholly-owned Sconi, Flemington and Thackaringa projects as efficiently as possible and, in doing so, the Company will continue to create value for its shareholders throughout the coming year. Australian Mines, therefore, has no intention to acquire additional projects unless they can clearly demonstrate that they represent a sound opportunity for shareholders.

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

10. DIRECTORS' INTERESTS

As at the date of this report, the number of shares and options in the Company held by each Director of Australian Mines Limited and other key management personnel of the Consolidated Group, including their personally-related entities, are as follows:

Specified Directors and Key Management Personnel	Shares	Listed Options	Unlisted Options
M Ramsden	68,367,958	-	-
B Bell	64,627,228	-	-
M Elias	17,801,777	-	-
D Marinelli	43,934,690	-	-
T Maclean	9,950,000	-	-

11. SHARE OPTIONS

Unissued shares under options

As stated in the ASX announcement dated 19 February 2018, the Company has entered into a binding offtake agreement with SK Innovation. A condition to the agreement is the issue of options to SK innovation which received shareholder approval on the 30 May 2018. The options will allow SK Innovation to acquire up to 669,000,000 shares for 1 share per option at \$0.12 per share, and if exercised SK Innovation will also be entitled to a modest commercial-in-confidence buyer discount on the base price of future offtake production. The options shall expire three (3) months after Australian Mines issues a Bankable Feasibility Study for the Sconi Cobalt-Nickel-Scandium Project.

There are no other unissued shares under options.

12. REMUNERATION REPORT – AUDITED

The directors present the Company's 2018 remuneration report outlining key aspects of our remuneration policy and framework, and remuneration awarded this year. The report includes the following:

- a) Key management personnel covered in this report
- b) Overview of remuneration policies
- c) Principals of compensation
- d) Directors and executive officers' remuneration
- e) Terms of equity settled share-based payment transactions
- f) Equity instruments held by key management personnel
- g) Remuneration consultants
- h) Voting and comments made at the company's 2017 Annual General Meeting
- i) Loans to key management personnel
- j) Other key management personnel transactions

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

12. REMUNERATION REPORT - AUDITED (cont.)

a) Key management covered in this report

Non-executive and executive directors and officers (see pages 4 to 5 for director details)

Michael Ramsden (non-executive chairman) Dominic Marinelli (non-executive director)

Benjamin Bell (managing director) Neil Warburton (non-executive director)
(Resigned 31 December 2017)

Michael Elias (non-executive director) Tim Maclean (chief operating officer)
(appointed 17 July 2017)

b) Overview of remuneration policies

The board remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide Executive Directors and Executives with a remuneration package that reflects the person's responsibilities, duties and personal performance. An employee option scheme for key Executives is in place.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the mining industry.

The Board has established a Remuneration and Nomination Committee (Remuneration Committee) responsible for making recommendations to the Board on remuneration arrangements for Directors and Executives of the Company.

Assessing performance and clawback of remuneration

The remuneration committee is responsible for assessing performance against Key Performance Indicators (KPI) and determining Short Term Incentives (STI) and Long Term Incentives (LTI) to be paid. To assist in this assessment, the committee receives detailed reports on performance criteria from BDO Reward (WA) Pty Ltd which are based on independently verifiable data such as financial measures, market capitalisation and data from independently run surveys.

In the event of serious misconduct or a material misstatement in the company's financial statements, the remuneration committee can cancel or defer performance-based remuneration and may also claw back performance-based remuneration paid in the previous financial years.

c) Principles of compensation

Remuneration of directors and executives is referred to as compensation throughout this report.

Compensation levels for key management personnel, and for relevant key management personnel of the Consolidated Group, are competitively set to attract and retain appropriately qualified and experienced directors and executives.

Fixed Compensation

Fixed compensation consists of base compensation as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the Remuneration Committee through a process that considers individual and overall performance of the Consolidated Group.

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

12. REMUNERATION REPORT - AUDITED (cont.)

c) Principles of compensation (cont.)

Performance-linked Compensation

The Company has a Long Term Incentive performance-based compensation scheme commencing 1 July 2017 to issue Performance Shares subject to various KPI's being achieved and subject to Shareholders Approval. No performance-based compensation was paid this year, or in the prior year.

Short term Incentive Bonus

The company has no scheme to pay discretionary bonuses based on short term performance. However, a bonus of \$100,000 was paid to Mr Benjamin Bell during the year (2017: \$50,000).

Long Term Incentive Bonus

On 24 November 2017 the Directors and key management personnel were invited to participate in a Loan Share Plan. Under the Plan, the Directors were granted Performance Shares issued at market value. A limited recourse loan was provided by the Group to allow the Directors to purchase the Performance Shares pursuant to the terms of the loan agreement.

The shares were purchased at a market rate of \$0.116 per share. The director's plan shares are divided into 2 tranches and subject to service period vesting conditions. The key management personnel plan shares are divided into 3 tranches and are subject to service period vesting conditions. As a result of the plan 69,550,000 shares were issued. The fair value of the shares was estimated at the date of grant using the Black Scholes model. Refer to note 18 for further details. Of the 69,550,000 shares, 33,116,666 shares have vested.

The Directors remuneration was revised, effective 1 July 2017, and includes long term incentive equity which was subject to shareholder approval, which was obtained on 13 November 2017.

Consequences of Performance on Shareholder Wealth

In considering the Consolidated Group's performance and benefits for shareholder wealth, the Remuneration Committee takes into account profitability and share price movements when setting the total amount of any bonuses. No performance bonuses were paid in the current financial year.

	2018	2017	2016	2015	2014
Loss for the year	\$5,322,775	\$1,675,932	\$1,023,221	\$2,573,585	\$993,419
Change in Share Price	493%	7%	133%	50%	33%

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

12. REMUNERATION REPORT - AUDITED (cont.)

c) Principles of compensation (cont.)

Service Contracts - Executive Director

The Company entered into a service agreement contract with Executive Director, Mr Benjamin Bell, effective from 1 July 2012. Mr Bell's contract was renewed effective 1 July 2017 and his fixed remuneration package was \$325,000 per annum including superannuation. Effective 1 July 2018 the package increases to \$400,000. The agreement includes an invitation to apply for Performance Share Benefits which are subject to shareholder approval. The contract has no defined term however either party may terminate this agreement by providing written notice in accordance with the agreement.

At any time, contracts of employment may be terminated by the Company forthwith if the Executive Director (amongst other items) breaches duties connected with the performance of services; enters bankruptcy; engages in misconduct; or is of ill health or unsound mind. Under such circumstances the Company will pay an amount equal to the aggregate of unpaid salary, annual leave and long service leave accrued to the date of termination.

The Company provides insurance for the Executive Director for any liability arising from statute or common law and public indemnity insurance in respect of shareholder or third-party actions.

The Remuneration Committee undertakes to review Directors' remuneration on an annual basis to take into account changes to the cost of living and changes in the scope of the Directors' roles and responsibilities. If warranted the Board may approve bonus payments up to a reasonable limit for exceptional performance to the Executive Director.

Service Contracts - Executive Officers

The Company has entered into an executive employment agreement with Tim Maclean as Chief Operating Officer effective 17 July 2017. Mr Maclean has been employed on a salary of \$273,750 per annum inclusive of superannuation. The agreement includes an invitation to participate in the Loan Share Plan whereby the executive can apply for shares. The contract has no defined term however either party may terminate this agreement by providing written notice in accordance with the agreement.

At any time, contracts of employment may be terminated by the Company forthwith if the Executive Officer (amongst other items) breaches duties connected with the performance of services; engages in misconduct; or becomes incapacitated. Under such circumstances the Company will pay an amount equal to the aggregate of unpaid salary, annual leave and long service leave accrued to the date of termination.

The remuneration of executive officers will be reviewed annually by the Company in conjunction with a performance review. If warranted the Company may approve bonus payments however they are under no obligation to pay a bonus each year.

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

12. REMUNERATION REPORT - AUDITED (cont.)

c) Principles of compensation (cont.)

Non-Executive Directors

Total remuneration for all Non-Executive Directors is not to exceed \$800,000 per annum, excluding options and other share-based incentives which are approved separately at a general meeting. Non-executive Directors' fees are set with reference to fees paid to other Non-Executive Directors of comparable companies and are presently \$60,000 (2017: \$40,000) per annum each. The Non-Executive Chairman received a fee of \$95,000 (2017: \$67,500) per annum. Non-Executive Director's fees for FY2019 have been increased to \$70,000 per annum and \$105,000 for the Chairman.

Directors' fees cover all main board activities and membership of committees. The directors have participated in the Employees Loan Share Plan and received an allotment of shares as detailed in note 18.

d) Directors' and executive officers' remuneration

Details of the nature and amount of each major element of the remuneration of each Director of the Consolidated Group and other key management personnel of the Consolidated Group are shown on the following table.

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

REMUNERATION REPORT – AUDITED (cont.)

Directors		SHORT TERM (C)			POST EMPLOYMENT			SHARE-BASED PAYMENTS	TOTAL	Proportion of remuneration based %	Value of share-based payments as a proportion of remuneration
		Non-Exec Directors' Fees	Executive Salaries	Bonus	Super-annuation Contribution	Termination and Retirement Benefits	Other Long-Term Benefits (A)	Shares Issued (B)			
Non-executive		\$	\$	\$	\$	\$	\$	\$	\$		
Mr M Ramsden	2018	86,758	-	-	8,242	-	-	183,064	278,064	66	66
	2017	61,644	-	-	5,856	-	-	3,830	71,330	5	5
Mr M Elias	2018	54,795	-	-	5,205	-	-	110,690	170,690	65	65
	2017	36,530	-	-	3,470	-	-	3,830	43,830	9	9
Mr D Marinelli	2018	54,795	-	-	5,205	-	-	110,690	170,690	65	65
	2017	36,530	-	-	3,470	-	-	3,830	43,830	9	9
Mr N Warburton (D)	2018	30,000	-	-	-	-	-	-	30,000	-	-
	2017	40,000	-	-	-	-	-	3,830	43,830	9	9
Executive											
Mr B Bell	2018		304,898	100,000	20,035	-	21,046	864,232	1,310,211	66	66
	2017		200,000	50,000	23,750	-	37,873	7,113	318,736	2	2
Total compensation: Directors	2018	226,347	304,898	100,000	38,688	-	21,046	1,268,675	1,959,655	65	65
	2017	174,704	200,000	50,000	36,546	-	37,873	22,433	521,556	4	4
Executive Officers											
Mr T Maclean (E)	2018	-	238,120	-	20,049	-	18,316	172,099	448,585	38	38
	2017	-	-	-	-	-	-	-	-	-	-
Total compensation Executive Officers	2018	-	238,120	-	20,049	-	18,316	172,099	448,585	38	38
	2017	-	-	-	-	-	-	-	-	-	-

(A) Other long term benefits include movement in the annual and long service leave provision.

(B) The estimated options value disclosed above is calculated at the date of grant using a Black-Scholes model. Share-based payments expense relates to the Performance Shares granted to Directors on 27 November 2017.

(C) No non-monetary benefits were provided as compensation during the 2018 and 2017 financial years.

(D) Payments made to Michlange Pty Ltd of which Mr N Warburton is a director and shareholder. Mr N Warburton resigned on 31 December 2017.

(E) Appointed 17 July 2017 as Chief Operating Officer.

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

12. REMUNERATION REPORT – AUDITED (cont.)

e) Terms of equity settled share based payment transactions

Directors and executives employment related shares granted on 24 November 2017 are vested in two tranches for Directors and three tranches for other Key Management Personnel. The details of the vesting plan are set out below. The fair values of all granted Performance Shares are included in remuneration over the vesting period from December 2017 to June 2020.

Director	Grant Date	Number Issued	Vesting Date	No. Vested	Share Value at Grant Date (\$)	Fair Value (\$)
M Elias	24/11/2017	2,600,000	1 June 2018	2,600,000	0.116	0.0306
M Elias	24/11/2017	2,600,000	1 June 2019	-	0.116	0.0306
B Bell	24/11/2017	20,300,000	1 June 2018	20,300,000	0.116	0.0306
B Bell	24/11/2017	20,300,000	1 June 2019	-	0.116	0.0306
M Ramsden	24/11/2017	4,300,000	1 June 2018	4,300,000	0.116	0.0306
M Ramsden	24/11/2017	4,300,000	1 June 2019	-	0.116	0.0306
D Marinelli	24/11/2017	2,600,000	1 June 2018	2,600,000	0.116	0.0306
D Marinelli	24/11/2017	2,600,000	1 June 2019	-	0.116	0.0306
T MacLean	24/11/2017	3,316,666	1 June 2018	3,316,666	0.116	0.0306
T MacLean	24/11/2017	3,316,667	1 June 2019	-	0.116	0.0306
T MacLean	24/11/2017	3,316,667	1 June 2020	-	0.116	0.0390
		<u>69,550,000</u>		<u>33,116,666</u>		

	Directors Shares	KMP
Share price at date granted	0.090c	0.090c
Risk free rate	1.78%	1.90%
Volatility factor	75%	75%
Exercise Price	0.116c	0.116c
Time to maturity	2 years	3 years
Expected dividend yield	0%	0%

The issue price was calculated as 1.3 times the 5-day volume weighted average price of the Company's shares up to the issue date.

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

12. REMUNERATION REPORT – AUDITED (cont.)

f) Equity instruments held by key management personnel

Movement in shares

The movement during the reporting period in the number of ordinary shares held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2017	Purchases	Sales	Held at 30 June 2018
Directors				
M Ramsden (i)	59,767,958	8,600,000	-	68,367,958
B Bell (ii)	24,027,228	40,600,000	-	64,627,228
N Warburton (iii)	20,670,140	-	-	20,670,140
M Elias (iv)	12,601,777	5,200,000	-	17,801,777
D Marinelli (v)	38,734,690	5,200,000	-	43,934,690
T Maclean	-	9,950,000	-	9,950,000

g) Remuneration consultants

The remuneration committee engaged BDO Reward (WA) Pty Ltd as independent remuneration consultants to provide Executive and Non-Executive Director Remuneration market study. BDO Reward (WA) Pty Ltd was paid \$15,125 (inc GST) during the year. BDO Reward (WA) Pty Ltd were also engaged in the prior year.

h) Voting and comments made at the company's 2017 Annual General Meeting

The Company received 94% "for" votes on its remuneration report for the 2017 financial year at the Annual General Meeting on 13 November 2017. The Company did not receive any specific feedback at the Annual General Meeting on its remuneration practices.

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

12. REMUNERATION REPORT – AUDITED (cont.)

i) Loans to key management personnel

A limited recourse loan has been provided to Directors to allow them to purchase performance shares pursuant to the terms of the Loan Share Plan, detailed in point (c). No interest is payable on the loan and repayment is due upon forfeiture or sale of the shares. Details of the shares and loans can be found below:

Name	Issue Date	Shares Issued	Issue Price	Loan Balance
Michael Ramsden	28 Nov 2014	7,000,000	\$0.007	\$49,000
Michael Elias	28 Nov 2014	7,000,000	\$0.007	\$49,000
Dominic Marinelli	28 Nov 2014	7,000,000	\$0.007	\$49,000
Neil Warburton (i)	28 Nov 2014	7,000,000	\$0.007	-
Benjamin Bell	28 Nov 2014	13,000,000	\$0.007	\$91,000
		<u>41,000,000</u>		<u>\$238,000</u>
Michael Ramsden	24 Nov 2017	8,600,000	\$0.116	\$997,600
Michael Elias	24 Nov 2017	5,200,000	\$0.116	\$603,200
Dominic Marinelli	24 Nov 2017	5,200,000	\$0.116	\$603,200
Benjamin Bell	24 Nov 2017	40,600,000	\$0.116	\$4,709,600
Tim MacLean	24 Nov 2017	9,950,000	\$0.116	\$1,154,200
		<u>69,550,000</u>		<u>\$8,067,800</u>

- (i) Per the loan agreement, Mr Warburton's loan was repaid upon resignation.

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

12. REMUNERATION REPORT – AUDITED (cont.)

j) Other key management personnel transactions

The terms and conditions of the transactions with key management personnel were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel were as follows:

Director(s)	Transaction	2018 \$	2017 \$
Mr M Ramsden	Reimbursements (i)	45,225	21,180
Mr M Ramsden and Mr D Marinelli	Underwriting Agreement (ii)	-	134,791
Mr M Ramsden and Mr D Marinelli	Placement & Management Fees (iii)	231,000	62,406
Mr M Ramsden and Mr D Marinelli	Advisory Fees (iv)	42,286	-

- (i) The group reimbursed Terrain Capital Unit Trust for Mr M Ramsden's travel costs associated with his role as a director of Australian Mines. No amounts were owing to Terrain Capital Unit Trust at 30 June 2018.
- (ii) The Group used Terrain Capital Markets Ltd as the underwriters for share issues. Mr M Ramsden is a director of Terrain Capital Markets Ltd and Mr D Marinelli received fees from Terrain Capital Markets Ltd. No amounts were owing to Terrain Capital Markets Ltd for underwriting services at 30 June 2018.
- (iii) The Group used Terrain Capital Unit Trust to assist with the placement of shares. Mr M Ramsden and Mr D Marinelli are Directors of Terrain Capital Ltd. No amounts were owing to Terrain Capital Ltd for placement services at 30 June 2018.
- (iv) The Group used Terrain Capital Unit Trust to provide corporate advisory services. Mr M Ramsden and Mr D Marinelli are Directors of Terrain Capital Ltd. No amounts were owing to Terrain Capital Ltd for corporate advisory services at 30 June 2018.

Apart from the details disclosed in the Remuneration Report, no director has entered into a contract with the Consolidated Group since the end of the previous financial year and there were no contracts involving directors' interests existing at year end.

This is the end of the audited Remuneration Report

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

13. CORPORATE GOVERNANCE

The Consolidated Group's corporate governance policies and practices are set out in pages 74 to 83.

14. ENVIRONMENTAL REGULATIONS

The Consolidated Group conducts mining and exploration activities on mineral tenements. The right to conduct these activities is granted, subject to environmental conditions and requirements and as such is governed by a range of environment legislation. The Directors have considered the requirements of the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. As the Company has not yet commenced construction of the Sconi Cobalt-Nickel-Scandium Project, the Company is not yet subject to the public reporting requirements of the NGER Act. The Consolidated Group aims to ensure a high standard of environmental care is achieved and, as a minimum, to comply with relevant environmental regulations. To the best of the Directors knowledge, the Company has adequate systems in place to ensure compliance with the requirements of the applicable legislation and is not aware of any material breach of those requirements during the financial year and up to the date of the Directors' Report.

15. FINANCIAL REPORTING

The Directors have declared, in writing to the Board that the Company's financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

16. INDEMNIFICATION AND INSURANCE OF OFFICERS

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 \$10,523 (2016: \$6,883) in respect of liability for any current and future Directors, Company Secretary, executives and employees of the Company.

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

17. NON-AUDIT SERVICES

BDO Reward (WA) Pty Ltd, was appointed to provide independent market study in relation to Executive and Non-Executive Directors Remuneration. Refer to Note 6 for auditor's remuneration. A BDO Reward (WA) Pty Ltd were paid \$13,750 (2017: \$13,750) for these services.

The board has established, subsequent to year-end, certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001. These procedures include:

- Non-audit services are subject to the corporate governance procedures adopted by the Company and will be reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- Ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the consolidated Group, acting as an advocate for the Consolidated Group or jointly sharing risks and rewards.

18. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 26 and forms part of this Directors' Report for the year ended 30 June 2018.

19. ROUNDING OFF

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the Directors.



Benjamin Bell
Managing Director
Dated: 28th September 2018

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF AUSTRALIAN MINES LIMITED

As lead auditor of Australian Mines Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Mines Limited and the entities it controlled during the period.



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 28 September 2018

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AUSTRALIAN MINES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$000	2017 \$000
Personnel Expenses	4	(2,190)	(521)
Depreciation and amortisation	5	(15)	(12)
Corporate overheads and indirect expenses	5	(3,123)	(1,150)
Results from operating activities		<u>(5,328)</u>	<u>(1,683)</u>
Finance income	7	5	7
Net finance income		5	7
Loss before income tax		(5,323)	(1,676)
Income tax	8	-	-
Loss after income tax		<u>(5,323)</u>	<u>(1,676)</u>
Total comprehensive loss for the period		<u><u>(5,323)</u></u>	<u><u>(1,676)</u></u>
Loss per share attributable to the ordinary equity holders of the Company			
Basic loss per share (cents)	9	(0.21)	(0.12)
Diluted loss per share (cents)	9	(0.21)	(0.12)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

AUSTRALIAN MINES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

		Issued Capital	Accumulated Losses	Share Option Reserve	Share Based Payment Reserve	Total Equity
		\$000	\$000	\$000	\$000	\$000
	Notes					
Contributions by and distribution to members						
Opening balance at 1 July 2017		45,062	(36,497)	168	1,404	10,137
Total comprehensive income for the period:						
(Loss) for the year		-	(5,323)	-	-	(5,323)
Other comprehensive (loss)/income	19	-	-	-	-	-
Total comprehensive loss for the period		-	(5,323)	-	-	(5,323)
Transactions with owners, recorded directly in equity						
Share based payment transactions	19	-	-	-	1,441	1,441
Shares issued during the year	19	23,500	-	-	-	23,500
Transaction costs from issue of shares	19	(1,486)	-	-	-	(1,486)
Total transactions with owners, recorded directly in equity		22,014	-	-	1,441	23,455
Closing balance at 30 June 2018		67,076	(41,820)	168	2,845	28,269

The Consolidated Statement of Changes in Equity is to be read
in conjunction with the accompanying notes.

AUSTRALIAN MINES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

		Issued Capital	Accumulated Losses	Share Option Reserve	Share Based Payment Reserve	Total Equity
		\$000	\$000	\$000	\$000	\$000
	Notes					
Contributions by and distribution to members						
Opening balance at 1 July 2016		37,243	(34,821)	168	1,382	3,972
Total comprehensive income for the period:						
(Loss) for the year		-	(1,676)	-	-	(1,676)
Other comprehensive (loss)/income	19	-	-	-	-	-
Total comprehensive loss for the period		-	(1,676)	-	-	(1,676)
Transactions with owners, recorded directly in equity						
Share based payment transactions	19	-	-	-	22	22
Shares issued during the year	19	8,376	-	-	-	8,376
Transaction costs from issue of shares	19	(558)	-	-	-	(558)
Total transactions with owners, recorded directly in equity		7,818	-	-	22	7,841
Closing balance at 30 June 2017		45,062	(36,497)	168	1,404	10,137

The Consolidated Statement of Changes in Equity is to be read
in conjunction with the accompanying notes.

AUSTRALIAN MINES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2018 \$000	2017 \$000
CURRENT ASSETS			
Cash and cash equivalents	10	8,985	4,639
Trade and other receivables	12	388	41
Assets classified as held for sale	13	3,704	-
TOTAL CURRENT ASSETS		13,077	4,680
NON-CURRENT ASSETS			
Exploration and evaluation assets	14	18,551	5,580
Property, plant and equipment	15	121	15
TOTAL NON-CURRENT ASSETS		18,672	5,595
TOTAL ASSETS		31,749	10,275
CURRENT LIABILITIES			
Trade and other payables	16	3,388	98
Employee benefits	17	92	40
TOTAL CURRENT LIABILITIES		3,480	138
TOTAL LIABILITIES		3,480	138
NET ASSETS		28,269	10,137
EQUITY			
Contributed equity	19	67,076	45,062
Reserves	19	3,013	1,573
Accumulated losses	20	(41,820)	(36,497)
TOTAL EQUITY		28,269	10,137

The Consolidated Statement of Financial Position is to be read
in conjunction with the accompanying notes.

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AUSTRALIAN MINES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

		Consolidated	
	Notes	2018 \$000	2017 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments to suppliers and employees		(3,778)	(1,505)
Interest received		5	7
Net cash (used in) operating activities	11	<u>(3,773)</u>	<u>(1,498)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation		(8,364)	(3,077)
Payments for exploration acquisitions		(5,411)	-
Payments for property, plant and equipment		(120)	(15)
Net cash (used in) investing activities		<u>(13,896)</u>	<u>(3,092)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue (net of costs)		22,014	7,712
Net cash provided by financing activities		<u>22,014</u>	<u>7,712</u>
Net increase/(decrease) in cash held		4,346	3,122
Cash at the beginning of the financial year		4,639	1,517
Cash at the end of the financial year	10	<u>8,985</u>	<u>4,639</u>

The Consolidated Statement of Cash Flows is to be read
in conjunction with the accompanying notes.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. REPORTING ENTITY

Australian Mines Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 66 St Georges Terrace, Perth, Western Australia. The consolidated financial statements of the Company for the financial year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the 'Consolidated Group') and the Consolidated Group's interest in jointly controlled entities.

The Consolidated Group is a for-profit entity and is primarily involved in the exploration for cobalt, nickel and scandium in Australia.

The consolidated financial statements were authorised for issue by the directors on 28th September 2018.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') (including interpretations) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Consolidated Group.

(c) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: available-for-sale financial assets and non-derivative financial instruments measured at fair value through profit or loss.

Certain comparative amounts have been reclassified to conform to current year presentation.

(d) Use of judgements and estimates

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Consolidated Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2. BASIS OF PREPARATION (cont.)

(d) Use of judgements and estimates (cont.)

Judgements made by management that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3(m).

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

(e) Going Concern

For the year ended 30 June 2018, the Company has incurred a net loss of \$5,322,775 (2017: net loss of \$1,167,932) and has net cash outflows from operating and investing activities of \$17,668,280 (2017: \$4,590,186).

The ability of the Company to continue as a going concern is dependent on the Company's ability to successfully raise the necessary funding through equity to continue to fund its operational and exploration activities. As disclosed within note 14 and note 22, the Company has significant commitments to complete the acquisition of the Flemington Cobalt-Scandium-Nickel Project, and complete upcoming drilling programs to enable the successful exploration and subsequent exploitation of the Company's tenements.

These conditions indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the Company is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business. The Directors believe the Company will be successful in raising the necessary funding through equity to enable successful exploration and subsequent exploitation of the Company's tenements. The rationale for this is as follows:

- The Company has entered into a Convertible Securities Subscription Deed with Bergen for up to \$12 million as set out in Section 8 of the Directors' Report;
- The Company has issued options to SK Innovation described in Note 19 which if exercised will raise in excess of \$80 million;
- The Company has a history of raising capital as required and its shares are highly liquid;
- The Company can adjust its business plans and thereby adjust its capital requirements to suit its cash in-flow as required.

Should the Company not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation.

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates at the dates the fair value was determined.

(c) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see note 3(f)). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Mining property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable and subsequent costs to develop the mine to the production phase.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

AUSTRALIAN MINES LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(c) Property, plant and equipment (cont.)

(ii) Leased assets

Leases in terms of which the Consolidated Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy note 3(f)). Lease payments are accounted for as described in accounting policy note 3(i).

(iii) Subsequent costs

The Consolidated Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Consolidated Group and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income as an expense as incurred.

(iv) Depreciation

With the exception of freehold land and mining property and development assets, depreciation is charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the estimated life of the asset, using rates per annum as set out below:

	2018	2017
Buildings	33%	33%
Plant & equipment	33%	33%
Leased plant & equipment	25%	25%

Land is not depreciated, while buildings on mining tenements are given a short life. Exploration and development costs for reserves not yet in production are not amortised.

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(d) Exploration and evaluation assets

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Consolidated Group has obtained the legal rights to explore an area are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(d) Exploration and evaluation assets (cont.)

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment note, accounting policy note 3(f)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation assets to mining property and development assets within property, plant and equipment.

(e) Financial instruments

(i) Non-derivative financial assets

The Consolidated Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Consolidated Group becomes a party to the contractual provisions of the instrument.

The Consolidated Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Consolidated Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Consolidated Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Consolidated Group has the following non-derivative financial assets: loans and receivables, and cash and cash equivalents.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(e) Financial instruments (cont.)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see note 3(f)).

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Consolidated Group in the management of its short-term commitments.

(ii) Non-derivative financial liabilities

The Consolidated Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Consolidated Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Consolidated Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise trade and other payables.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

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AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

(f) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Consolidated Group on terms that the Consolidated Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Consolidated Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Consolidated Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Consolidated Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(f) Impairment (cont.)

The recoverable amount of an asset or CGU unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Employee benefits

(i) Long-term service benefits

The Consolidated Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the reporting date which have maturity dates approximating to the terms of the Consolidated Group's obligations.

(iii) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(iv) Share-based payment transactions

The Share Loan Plan allows Consolidated Group directors and key management personnel to acquire shares of the Company. The fair value of shares granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and recorded over the period during which the employees become unconditionally entitled to the shares. The fair value of the shares granted is measured using a Black - Scholes model, taking into account the terms and conditions upon which the shares were granted.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(g) Employee benefits (cont.)

(v) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

(h) Provisions

A provision is recognised in the Statement of Financial Position when the Consolidated Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Leases

(i) Operating lease payments

Payments made under operating leases are recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Profit or Loss and Other Comprehensive Income as an integral part of the total lease expense and spread over the lease term.

(ii) Finance lease payments

A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

(j) Finance income and expenses

Finance income comprises interest income on funds invested and fair value gains on financial assets at fair value through profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

(k) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(k) Income tax (cont.)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Tax consolidation

The Company and its wholly-owned Australian resident entity, Blair Nickel Mine Pty Ltd, formed a tax-consolidated group with effect from 9 April 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Australian Mines Limited. The following companies are currently part of the tax consolidated group:

Company	Date Joined
Australian Mines Limited	9 April 2004
Blair Nickel Mine Pty Ltd	9 April 2004
Nigeria Gold Pty Ltd	29 June 2012
Flemington Mining Operations Pty Ltd	20 September 2016
Sconi Mining Operations Pty Ltd	20 September 2016
Auzrnd Pty Ltd	27 July 2017
Norwest Minerals Pty Ltd	21 November 2017

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(k) Income tax (cont.)

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable/(payable) is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(l) Goods and services tax

Revenue, 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 taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part 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 which are recoverable from, or payable to, the ATO are classified as operating cash flows.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(m) Accounting estimates and judgments

Management discussed with the Board the development, selection and disclosure of the Consolidated Group's critical accounting policies and estimates and the application of these policies and estimates.

Note 21 contains detailed analysis of the interest rate and liquidity risk of the Consolidated Group.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The significant estimates and judgements are as follows:

(i) Fair Value of Share Based Payment Transactions

The fair value of the employee option plan and loan share plan are measured using the Black Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instrument, risk-free interest rate.

(ii) Impairment of exploration and evaluation assets

The ultimate recoupment of the value of exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale, of the underlying mineral exploration properties. The Consolidated Group undertakes at least on an annual basis, a comprehensive review for indicators of impairment of those assets. Should an indicator of impairment exist, there is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key issues that are considered in this review include:

- Recent drilling results and reserves and resources estimates;
- Environmental issues that may impact the underlying tenements;
- The estimated market value of assets at the review date;
- Independent valuations of the underlying assets that may be available;
- Fundamental economic factors such as the cobalt, scandium and nickel price, exchange rates and current and anticipated operating costs in the industry; and

Information used in the review process is rigorously tested to externally available information as appropriate. In addition, an allocation of the costs of acquired mineral rights to individual projects was performed during the year. This allocation process required estimates and judgement as to the value of these projects acquired.

The fair value of exploration assets is based on fair value less costs to sell, using a multiples of exploration method. The impairment of mining tenements is assessed in accordance with accounting policy note 3(f).

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(m) Accounting estimates and judgments (cont.)

(iii) Asset acquisition

As the acquisition of the Sconi Cobalt-Nickel-Scandium Project does not meet the definition of a business combination, the transaction has been accounted for as an asset acquisition.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

(n) Segment reporting

An operating segment is a component of the Consolidated Group that engages in business activities of which it may earn revenue and incur expenses. Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

(o) Assets held for sale

Non-current assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale the assets are re-measured in accordance with the Consolidated Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, assets are not amortised or depreciated.

(p) New and amended standards adopted by the Group

There have been no new and amended accounting standards adopted by the Group for the first time for the financial year beginning 1 July 2017 or any prior periods.

AUSTRALIAN MINES LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(q) New accounting standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They have not been applied in preparing this financial report.

Reference	Title	Summary	Application date	Expected Impact
AASB 15	<i>Revenue from Contracts with Customers</i>	This Standard establishes principles (including disclosure requirements) for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.	Financial years beginning on or after 1 January 2018	No expected impact
AASB 2016-1	<i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Tax Losses</i>	<p>Clarifies four issues with respect to recognising deferred tax assets (DTAs) for unrealised tax losses:</p> <ul style="list-style-type: none"> • If all other recognition criteria are met, DTAs must be recognised for the deductible temporary difference between the fair value and tax base on fixed rate debt instruments that are not deemed to be impaired. • Deductible temporary differences must be compared to taxable profits of the same type (e.g. capital or revenue profits) to determine whether there are sufficient taxable profits against which the deductible temporary differences can be utilised. • When comparing deductible temporary differences against the amount of future taxable profits, the calculation of future taxable profits must exclude tax deductions resulting from the reversal of those deductible temporary differences. • The estimate of future taxable profits can include recovery of certain assets at amounts more than their carrying amount if there is enough evidence that it is probable that the entity will recover the asset for more than its carrying amount. Examples would include: <ul style="list-style-type: none"> ○ Property measured using cost model for which an external valuation has been conducted ○ Fixed rate debt instruments held to maturity. 	Financial years beginning on or after 1 January 2017	No expected impact
AASB 2016-3	<i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	<p>Clarifies AASB 15 application issues relating to:</p> <ul style="list-style-type: none"> • Identifying performance obligations • Principal vs. agent considerations • Licensing • Practical expedients 	Financial years beginning on or after 1 January 2018	No expected impact

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Reference	Title	Summary	Application date	Expected Impact
AASB 9	<i>Financial Instruments</i>	<p>AASB 9 (December 2014) is a new standard which Replaces AASB 139. This new version supersedes AASB issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.</p>	Financial years beginning on or after 1 January 2018	No expected impact
AASB 16	<i>Leases</i>	<p>AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases.</p> <p>There are some optional exemptions for leases with a period of 12 months or less and for low value leases.</p> <p>Lessor accounting remains largely unchanged from AASB 117.</p>	Financial years beginning on or after 1 January 2019	No expected impact
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions [Amendments to IFRS 2]	<p>This standard amends to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <ul style="list-style-type: none"> • The effects of vesting and non-vesting conditions on the measurement of cash settled share-based payments • Share-based payment transactions with a net settlement feature for withholding tax obligations <p>A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled</p>	1 January 2018	No expected impact

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(r) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest. Where this fair value is determined for disclosure purposes the market rate of interest is that at reporting date. Where this fair value is determined when acquired in a business combination, the market rate of interest is that at the date of acquisition.

(ii) Share-based payment transactions

The fair value of the employee share options and loan share plan are measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(s) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(t) Compound interest instruments

Compound financial instruments issued by the Company comprise convertible notes that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of the compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$000	\$000
4 PERSONNEL EXPENSES		
Wages and salaries	829	315
Salary Recharges	(471)	(46)
Non-executive directors' fees	252	174
Other associated personnel expenses	32	2
Contributions to superannuation funds	79	43
Increase in leave liability	78	10
Employee share-based payment expenses (note 18)	1,392	22
	<u>2,190</u>	<u>521</u>
5 OTHER EXPENSES		
Depreciation and amortisation of:		
Plant and equipment	15	12
	<u>15</u>	<u>12</u>
Corporate overheads and indirect expenses		
Insurance	20	13
Travel and Accommodation	382	120
Exploration	456	87
Legal Fees	239	153
Accounting, Tax and Audit Services	354	126
Share Registry Services	133	119
Conferences	129	87
Public Relations Fees	235	73
Advisors and Consultants	575	68
Recruitment	205	-
Other Fees and Services	226	172
General Administration	169	131
	<u>3,123</u>	<u>1,150</u>

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FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
		\$	\$
6	AUDITOR'S REMUNERATION		
	Audit services		
	BDO Audit (WA) Pty Ltd - Audit and review of financial reports	39,084	28,223
	Non-Audit services		
	BDO Reward (WA) Pty Ltd - Remuneration advice	13,750	13,750
	Total for year	<u>52,834</u>	<u>41,973</u>
		2018	2017
		\$000	\$000
7	FINANCE INCOME AND FINANCE COSTS		
	Interest income	5	7
	Finance income	<u>5</u>	<u>7</u>
8	INCOME TAX EXPENSE		
	Current tax expense/(benefit)		
	Current year	(1,176)	(454)
	Adjustment for prior periods	-	-
		<u>(1,176)</u>	<u>(454)</u>
	Deferred tax expense/(benefit)		
	Origination and reversal of temporary differences	-	-
	Recognition of previously unrecognised tax losses	-	-
	Current year losses for which no deferred tax asset was recognised	1,176	454
		<u>1,176</u>	<u>454</u>
	Total income tax in statement of profit or loss and other comprehensive income	<u>-</u>	<u>-</u>

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	2018	2017
	\$000	\$000
INCOME TAX EXPENSE (cont.)		
Numerical reconciliation between tax expense and pre-tax profit		
Loss for the period	(5,323)	(1,676)
Income tax benefit using the domestic corporate tax rate of 30% (2017: 27.5%)	(1,597)	(461)
Increase in income tax expense due to:		
Non-deductible expenses	420	7
Tax losses not brought to account	1,176	454
Income tax expense	-	-
	<u> </u>	<u> </u>
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	7,789	6,612
	<u> </u>	<u> </u>
The deductible temporary differences and tax losses do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Consolidated Group can utilise the benefits from.		
Recognised deferred tax assets and liabilities		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Exploration	(6,677)	(1,534)
Capital raising costs	465	107
Property Plant & Equipment	2	2
Provisions	28	11
Accruals	15	11
Tax losses	6,168	1,403
Net deferred tax assets	-	-
	<u> </u>	<u> </u>
Movements in temporary differences		
Exploration	5,142	664
Capital raising costs	(357)	(76)
Property Plant & Equipment	-	(1)
Provisions	(17)	1
Accruals	(3)	(7)
Total movement in temporary differences	4,765	581
	<u> </u>	<u> </u>

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	2018	2017
LOSS PER SHARE		
Loss per share from total operations		
Loss after income tax attributable to the ordinary shareholders of the Company	(5,323)	(1,676)
Basic loss per share (cents)	(0.21)	(0.12)
Diluted loss per share (cents)	(0.21)	(0.12)

The calculation of basic loss per share at 30 June 2018 was based on the operating loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2018 of 518,192,005 (2017: 1,399,164,199), calculated as follows:

Number of ordinary shares		
Issued ordinary shares at 1 July	2,139,626,217	1,101,986,521
Share Placement	538,177,455	562,101,018
Conversion of Convertible Notes	-	475,538,678
Issued ordinary shares at 30 June	2,677,803,672	2,139,626,217
Weighted average number of ordinary shares for year ending 30 June	2,514,883,580	1,399,164,199

Diluted Earnings per Share

The calculation of diluted earnings per share at 30 June 2018 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year ended 30 June 2018 of 2,514,883,580 (2017: 1,399,164,199). There were no options that were considered dilutive.

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		2018	2017
		\$000	\$000
10	CASH AND CASH EQUIVALENTS		
	Bank balances	8,985	4,639
	Cash and cash equivalents in the statement of cash flows	8,985	4,639

Refer to note 20 for Financial Risk Management

11	RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES		
	Cash flows from operating activities:		
	Net (loss)	(5,323)	(1,676)
	Add/(less) items classified as investing/financing activities:		
	Depreciation and amortisation	15	12
	Exploration expenditure not capitalised	-	87
	Share-based payment expense	1,441	22
	Movement in operating assets and liabilities:		
	Decrease/(increase) in receivables	(347)	1
	Increase/(decrease) in payables	389	56
	Increase/(decrease) in employee leave provisions	52	(1)
	Net cash used in operating activities	(3,773)	(1,498)

12	TRADE AND OTHER RECEIVABLES		
	Current		
	Prepayments - corporate overheads and indirect expenses	388	41
		388	41

No trade receivables in the current or prior financial years have been impaired or are past due.

Refer to note 21 for Financial Risk Management.

13	ASSETS CLASSIFIED AS HELD FOR SALE		
	Opening balance	-	-
	Reclassified as assets held for sale	3,704	-
	Assets classified as held for sale	3,704	-

As disclosed in note 25, this balance represents exploration and evaluation assets that were sold to Norwest Minerals Pty Ltd in July 2018.

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	2018	2017
	\$000	\$000
14 EXPLORATION AND EVALUATION ASSETS		
Exploration and evaluation		
Opening balance	5,580	2,902
Acquisition of assets(i)	8,031	1,328
Expenditure incurred for year	9,100	1,437
Expenditure expensed	(456)	(87)
Reclassified as assets held for sale	(3,704)	-
Exploration costs carried forward	18,551	5,580

- (i) Acquisitions comprise tenement purchases of \$1.3 million for Flemington, \$6.6 million for Sconi and \$120,000 for Norwest.

During the year the Company acquired 100% interest in the Sconi Cobalt-Nickel-Scandium Project from Metallica Minerals Ltd, which supersedes the previous joint venture agreement. The transaction included cash payments totalling \$4.5 million. A further \$1.5 million in Australian Mines Limited shares are payable upon completion of its Bankable Feasibility Study and this has been recognised in the accounts as a liability as at 30 June 2018. An additional \$1million was paid in accordance with the agreement extension. A final issue of \$5 million Australian Mines Limited shares (or cash at the option of Metallica Minerals Ltd) is payable to Metallica Minerals Ltd upon commercial production from the Sconi Cobalt-Nickel-Scandium Project. This has not been recognised as a liability as it is contingent upon commencement of full-scale commercial production which, at this point in time, is only a possible obligation. It is considered that the acquisition of Sconi Cobalt-Nickel-Scandium Project is not a business combination, but rather an acquisition of assets.

The fair value of the identifiable assets and liabilities of Sconi Cobalt-Nickel-Scandium Project as at the date of acquisition are:

Purchase consideration	\$000
Completion date payment	3,500
Agreement extension	1,000
Fully paid ordinary shares	1,500
Stamp Duty	561
Total Consideration	6,561
Net assets acquired	\$000
Tenements	6,561
Fair value of identifiable net assets	6,561

Subsequent to the reporting date the Company signed an option agreement to acquire 100% of the Flemington Project from Jervois Mining Limited for a total consideration of \$6 million. Refer to note 25 for additional information.

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14 EXPLORATION AND EVALUATION ASSETS (cont.)

The Company satisfied its stage 2 expenditure requirements during the year to increase its interest in the Marymia Gold and Copper Project to 80%.

The 2016 research and development tax offset was received during the year.

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.

Refer to the Directors' Report for detailed information on the progress of the individual projects.

		2018	2017
		\$000	\$000
15	PROPERTY, PLANT AND EQUIPMENT		
	Plant and equipment		
	At cost	211	143
	Accumulated depreciation	(137)	(128)
		74	15
	Motor Vehicles		
	At cost	52	-
	Accumulated depreciation	(5)	-
		46	-
	Total property, plant and equipment	121	15
	Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
	Plant and equipment		
	Carrying amount at beginning of year	15	12
	Additions	68	15
	Disposals	-	-
	Depreciation	(9)	(12)
	Carrying amount at the end of year	74	15
	Motor Vehicles		
	Carrying amount at beginning of year	-	-
	Additions	52	-
	Disposals	-	-
	Depreciation	(5)	-
	Carrying amount at the end of year	46	-

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		2018	2017
		\$000	\$000
16	TRADE AND OTHER PAYABLES		
	Current (unsecured)		
	Trade creditors and accruals	3,363	73
	Other creditors and accruals	25	25
		3,388	98
		3,388	98
17	EMPLOYEE BENEFITS		
	Current		
	Liability for annual leave	92	40
		92	40
		92	40

18 SHARE BASED PAYMENTS

On 24 November 2017 the Directors' and Key Management Personnel were invited to apply for plan shares under the loan share plan. A limited recourse loan was provided to allow the Directors' and Key Management Personnel to purchase the shares for \$0.116 per share. The director's plan shares are divided into 2 tranches and subject to service period vesting conditions. The key management personnel plan shares are divided into 3 tranches and are subject to service period vesting conditions.

The Plan aims to recognise long-term performance by rewarding the Directors with Performance Shares which will allow them to share in the growth in the value of the Company.

Each Performance Share is an ordinary share in Australian Mines Limited however the shares are subject to vesting conditions. The terms of the Plan are as follows:

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	Directors	Key Management Personnel
Grant Date	24 November 2017	24 November 2017
Number of Shares	59,600,000	9,950,000
Share Price at Grant Date	\$0.116 The issue price was calculated as 1.3 times the 5-day volume weighted average price of the Company's shares up to the issue date.	\$0.116 The issue price was calculated as 1.3 times the 5-day volume weighted average price of the Company's shares up to the issue date.
Vesting Conditions	The Performance Shares are divided into 2 tranches and subject to the following vesting conditions: (i) 1/2 for service to the Company as an Eligible Person until 1 June 2018 (ii) 1/2 for service to the Company as an Eligible Person until 1 June 2019	The Performance Shares are divided into 3 tranches and subject to the following vesting conditions: (iii) 1/3 for service to the Company as an Eligible Person until 1 June 2018 (iv) 1/3 for service to the Company as an Eligible Person until 1 June 2019 (v) 1/3 for service to the Company as an Eligible Person until 1 June 2020
Lapse of Performance Shares	Performance Shares will be forfeited in the following circumstances: <ul style="list-style-type: none"> • Employment, office or contractual relationship with the Company ceases; • Relevant vesting conditions are not satisfied by the relevant time; • The Director acts fraudulently or dishonestly or in breach of their obligations to the Group; or • They become insolvent. If the Performance Shares are forfeited and sold pursuant to the Plan Rules, the proceeds will first be applied against the respective loan and any surplus applied in accordance with the Plan Rules.	Performance Shares will be forfeited in the following circumstances: <ul style="list-style-type: none"> • Employment, office or contractual relationship with the Company ceases; • Relevant vesting conditions are not satisfied by the relevant time; • The Director acts fraudulently or dishonestly or in breach of their obligations to the Group; or • They become insolvent. If the Performance Shares are forfeited and sold pursuant to the Plan Rules, the proceeds will first be applied against the respective loan and any surplus applied in accordance with the Plan Rules.
Loan Arrangements	Under the Loan Agreement, the Group will lend the Directors' the funds required to purchase the Performance Shares. No interest will be payable on the loan and it is a limited recourse loan.	Under the Loan Agreement, the Group will lend the Key Management Personnel the funds required to purchase the Performance Shares. No interest will be payable on the loan and it is a limited recourse loan.

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18 SHARE BASED PAYMENTS (cont.)

Shares issued pursuant to Loan Share Plan

Name	Grant Date	Shares Issued	Issue Price	Loan Balance
Michael Ramsden	24-Nov-17	8,600,000	\$0.116	\$997,600
Michael Elias	24-Nov-17	5,200,000	\$0.116	\$603,200
Dominic Marinelli	24-Nov-17	5,200,000	\$0.116	\$603,200
Benjamin Bell	24-Nov-17	40,600,000	\$0.116	\$4,709,600
Tim MacLean	24-Nov-17	9,950,000	\$0.116	\$1,154,200
		<u>69,550,000</u>		<u>\$8,067,800</u>

The fair value of the Loan Share Plan was calculated using the Black Scholes pricing model per the table below. The value of the shares has been expensed on a proportionate basis for each period from grant date to vesting date. The proportion of the value of the shares that has been expensed during the year to 30 June 2018 and accounted for in the share-based payment reserve is \$1,647,162.

Tranche	Grant Date	Number Issued	Value Per Right (\$)	Probability	Condition	Total Value (\$)	Vesting Period (Years)	Value Vested Current Period (\$)	Value Not Vested (\$)
Directors Shares									
1	24/11/2017	29,800,000	\$0.03055	100%	Service Period	910,422	0.5	910,422	-
2	24/11/2017	<u>29,800,000</u>	\$0.03055	100%	Service Period	<u>910,422</u>	1.5	<u>358,253</u>	<u>552,169</u>
		<u>59,600,000</u>				<u>1,820,844</u>		<u>1,268,675</u>	<u>552,169</u>
Key Management Personnel Shares									
1	24/11/2017	3,316,666	\$0.03061	100%	Service Period	101,533	0.5	101,533	-
2	24/11/2017	3,316,666	\$0.03061	100%	Service Period	101,533	1.5	39,953	61,580
3	24/11/2017	<u>3,316,666</u>	\$0.03895	100%	Service Period	<u>129,191</u>	2.5	<u>30,613</u>	<u>98,578</u>
		<u>9,949,998</u>				<u>332,257</u>		<u>172,099</u>	<u>160,158</u>

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18 SHARE BASED PAYMENTS (cont.)

Shares issued pursuant to Loan Share Plan

The above fair value calculation was based on the following inputs:

	Directors Shares	KMP
Share price at date granted	0.090c	0.090c
Risk free rate	1.78%	1.90%
Volatility factor	75%	75%
Exercise Price	0.116c	0.116c
Time to maturity	2 years	3 years
Expected dividend yield	0%	0%

	2018		2017	
	\$	No.	\$	No.
19 CAPITAL AND RESERVES				
Issued and paid up capital				
Ordinary shares, fully paid	67,075,806	2,677,803,672	45,061,669	2,139,626,217
Reconciliation of contributed equity				
Balance at beginning of year	45,061,669	2,139,626,217	37,243,377	1,101,986,521
Shares issued during the year:				
Share placement @ \$0.02	-	-	106,258	5,312,914
Share placement @ \$0.011	-	-	840,101	76,372,837
Share placement @ \$0.0063	-	-	807,528	128,179,029
Share placement @ \$0.008	-	-	2,482,474	310,309,216
Share placement @ \$0.015	3,500,000	233,333,337	-	-
Share placement @ \$0.085	20,000,000	235,294,118	-	-
Convertible Notes(i)	-	-	3,804,309	475,538,678
Non-Cash Placements @ \$0.008	-	-	335,416	41,927,022
Director & Key Management Personnel Loan Share Plan	-	69,550,000	-	-
Costs of capital raising	(1,485,863)	-	(557,794)	-
Balance at end of year	67,075,806	2,677,803,672	45,061,669	2,139,626,217

The Company does not have authorised capital or par value in respect of its issued shares.

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19 CAPITAL AND RESERVES (cont.)

- (i) The Convertible Notes were unsecured, non-interest bearing and had a maturity date of 20 February 2019. Shareholder approval was required to convert the Convertible Notes into shares at the issue price of \$0.008. The mandatory conversion date was the date in which the Company's share price closed at \$0.012 or above for any twenty consecutive trading days during the period from issue date (20 February 2017) to maturity date.

The terms of the Convertible Notes were met and conversion was approved at a General Meeting held on 11 April 2017.

	2018	2017
	\$000	\$000
Share Option Reserve		
Balance at beginning of year	168	168
Options issued to SK Innovation (i)	-	-
Balance at end of year	168	168
Share Based Payments Reserve		
Balance at beginning of year	1,404	1,382
Share based payment employees/directors transactions	1,441	22
Balance at end of year	2,845	1,404
Total Reserves	3,013	1,573

The Share Option Reserve represents the cost of options issued to shareholders.

- (i) As stated in the ASX announcement dated 19 February 2018, the Company has entered into a binding offtake agreement with SK Innovation. A condition to the agreement is the issue of options to SK innovation which received shareholder approval on the 30 May 2018. The options will allow SK Innovation to acquire up to 669,000,000 shares for 1 share per option at \$0.12 per share, and if exercised SK Innovation will also be entitled to a modest commercial-in-confidence buyer discount on the base price of future offtake production. The options shall expire three (3) months after Australian Mines issues a Bankable Feasibility Study for the Sconi Cobalt-Nickel-Scandium Project.

For accounting purposes, the options are issued in consideration for the funds to be received when it is exercised, and hence will be a capital raising cost at the point of exercise. When the option is exercised, the value of the option will offset against share capital and the issue will have a nil impact on the equity of the group. Hence at 30 June 2018, no value has been assigned to the options above.

The Share Based Payment Reserve represents the fair value of share options granted. The estimate of fair value of the services received is based on the Black-Scholes model. The calculated fair value is based on parameters as set out in note 18.

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		2018	2017
		\$000	\$000
20	ACCUMULATED LOSSES		
	Balance at beginning of year	(36,497)	(34,821)
	Net (loss) for the year	(5,323)	(1,676)
	Accumulated losses at end of year	(41,820)	(36,497)

21 FINANCIAL RISK MANAGEMENT

Overview

The Consolidated Group has exposure to the following risks from its use of financial instruments:

- Interest rate risk
- Liquidity risk
- Credit risk

This note presents information about the Consolidated Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk of the management framework. The Board is responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Consolidated Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Group's activities.

The Consolidated Group does not enter into financial instruments for trade or speculative purposes. However, in the normal course of its business, it is exposed to interest rate and liquidity risks, credit risk and foreign currency risk.

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21 FINANCIAL RISK MANAGEMENT (cont.)

(a) Interest rate risk

The Consolidated Group does not have a policy in place to hedge interest rate risks.

The Consolidated Group'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:

	Weighted Average Interest Rate	6 Months or Less	6 – 12 Months	1 to 5 Years	Non- interest Bearing	Total
2018		\$000	\$000	\$000	\$000	\$000
<i>Financial assets</i>						
Cash and cash equivalents	1.5% (variable)	8,985	-	-	-	8,985
Trade and other receivables		-	-	-	388	388
		<u>8,985</u>	<u>-</u>	<u>-</u>	<u>388</u>	<u>9,373</u>
<i>Financial liabilities</i>						
Trade and other payables		-	-	-	3,388	3,388
		<u>-</u>	<u>-</u>	<u>-</u>	<u>3,388</u>	<u>3,388</u>
2017		\$000	\$000	\$000	\$000	\$000
<i>Financial assets</i>						
Cash and cash equivalents	1.5% (variable)	4,639	-	-	-	4,639
Trade and other receivables		-	-	-	41	41
		<u>4,639</u>	<u>-</u>	<u>-</u>	<u>41</u>	<u>4,680</u>
<i>Financial liabilities</i>						
Trade and other payables		-	-	-	105	105
		<u>-</u>	<u>-</u>	<u>-</u>	<u>105</u>	<u>105</u>

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21 FINANCIAL RISK MANAGEMENT (cont.)

(a) Interest rate risk

Sensitivity analysis for variable rate instruments

A change in interest rates at the reporting date would have resulted in the following impact on profit or loss, assuming the amounts of variable rate instruments at 30 June were constant throughout the preceding year. A change in interest rates does not impact equity.

	2018	2017
	\$000	\$000
Net financial assets subject to variable interest rates	8,985	4,639
Decrease in loss resulting from a 1% pa increase in variable interest rates	90	46
(Increase) in loss resulting from a 1% pa decrease in variable interest rates	(90)	(46)

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Group will encounter difficulty in meeting the obligations associated with its financial liabilities. The Consolidated Group manages its liquidity risk by monitoring cashflows using monthly cashflow forecasts and by paying creditors on 30 day terms.

The following are the Consolidated Group's contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount \$000	Contractual cash flows \$000	6 months or less \$000	6 to 12 months \$000	1 to 5 years \$000
2018					
Trade and other payables	3,388	3,388	3,388	-	-
	3,388	3,388	3,388	-	-
2017					
Trade and other payables	98	98	98	-	-
	98	98	98	-	-

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21 FINANCIAL RISK MANAGEMENT (cont.)

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, and it arises principally from the Group's cash held at banks and trade receivables. The Consolidated Group lodges its cash deposits with international banks of good standing.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at reporting date was as follows:

	Carrying Amount 2018	Carrying Amount 2017
	\$000	\$000
Cash at bank	8,985	4,639
Other Debtors	388	41
	9,373	4,680
<i>Credit Rating</i>	2018	2017
<i>Cash at Bank</i>	\$000	\$000
Standard & Poor's rating AA-	8,985	4,639

(d) Currency risk

The Consolidated Group is exposed to currency risk on receivables and borrowings that are denominated in a currency other than the Australian Dollar. The Group minimises this risk by limiting funds held in overseas bank accounts and paying creditors promptly. As at 30 June 2018 there were no funds or borrowings in a foreign currency (2017: nil).

(e) Capital management

The Consolidated Group monitors its capital performance and reviews its adequacy at regular intervals to ensure it is achieving a reasonable return on capital. There are no externally imposed capital requirements. The directors monitor the market capitalisation and net assets of the Consolidated Group to ensure performance is maintained for shareholders.

(f) Fair values

The fair values of significant financial assets and liabilities approximates the carrying amounts shown in the Statement of Financial Position.

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22 COMMITMENTS

	2018	2017
	\$000	\$000
Lease of offices		
Within one year	156	23
Between 12 months and 5 years	559	-
	715	23
Exploration expenditure commitment		
Within one year	5,284	3,890
Between 12 months and 5 years	5,134	1,640
	10,418	5,530

In August 2018 the Company exercised the option to acquire 100% interest in the Flemington Project from Jervois Mining by paying an exercise fee of \$0.6 million. Total consideration is \$6 million with \$2 million already paid, plus the \$0.6m exercise fee, leaving a balance of \$3.4 million payable upon completion which is estimated to occur in October 2018.

23 CONTINGENT LIABILITIES

In accordance with the agreement with Jervois Mining Ltd for the Flemington project, a royalty of 1.5% of gross sales is payable on all proceeds from the sale of products. At this time it is not possible to quantify the value of this royalty.

Upon commercial production from the Sconi Cobalt-Nickel-Scandium Project a final issue of \$5 million Australian Mines Limited shares (or cash at the option of Metallica Minerals Ltd) is payable to Metallica Minerals Ltd. This has not been recognised as a liability as it is contingent upon commencement of full-scale commercial production which, at this point in time, is only a possible obligation.

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.

There are no other contingent liabilities.

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24 CONSOLIDATED ENTITIES

	Country of Incorporation	Ownership interest	
		2018	2017
Parent entity			
Australian Mines Limited	Australia		
Subsidiaries			
Blair Nickel Mine Pty Ltd	Australia	100%	100%
Nigeria Gold Pty Ltd	Australia	100%	100%
Auz Mining Ltd	Nigeria	100%	100%
Flemington Mining Operations Pty Ltd	Australia	100%	100%
Sconi Mining Operations Pty Ltd	Australia	100%	100%
Auzrnd Pty Ltd	Australia	100%	-
Norwest Minerals Pty Ltd	Australia	100%	-

25 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 11 July 2018 the Company allotted \$1.5 million in shares to Metallica Minerals Limited in accordance with the Sconi sale and purchase agreement. A final issue of \$5 million Australian Mines shares or cash is payable upon commencement of commercial production.

In July 2018 the Company's Western Australian gold and base metal exploration assets were transferred to the Company's subsidiary, Norwest Minerals Pty Ltd. The subsidiary is seeking to complete an Initial Public Offering (IPO) to raise \$6.6 million by the end of October 2018. Seed funding of \$1 million has been raised and cornerstone investment agreements have been signed for an additional \$4 million. The balance of \$2.6 million is to be offered to the public with a priority offer to existing Australian Mines Limited shareholders. Post-listing, Australian Mines will retain a 28.6% interest in Norwest Minerals.

In August 2018 the Company exercised the option to acquire 100% interest in the Flemington Project from Jervois Mining by paying an exercise fee of \$0.6 million. Total consideration is \$6 million with \$2 million already paid, plus the \$0.6m exercise fee, leaving a balance of \$3.4 million payable upon completion.

On 11 September 2018 the Company announced the execution of an investment agreement with Bergen Global Opportunity Fund II LLC (Bergen). Under the terms of the agreement Bergen will make an initial up-front investment of \$4 million on the 17th of September 2018, and subject to shareholder approval this is to be followed 120 days later by a second investment tranche of \$4 million. After another 120 days and with shareholder approval and by mutual consent a third investment tranche of \$4 million will follow. Each tranche is by way of an unsecured interest-free convertible security with a 24-month maturity. Under the terms of the agreement Bergen was issued Options and Ordinary shares to be utilised as collateral and options were issued on 11 September 2018. to secure the Convertible Securities Subscription Agreement. The convertible securities in relation to the first tranche were issued on 14 September 2018.

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AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

25 EVENTS OCCURRING AFTER THE REPORTING PERIOD (cont.)

On 31 July 2018 the Company issued a prospectus for the purposes of section 708A(11) of the Corporations Act, the sole purpose of which was to remove any trading restrictions on the sale of Shares issued by the Company prior to the Closing Date without disclosure under Part 6D of the Corporations Act. On 14 September 2018 the Company issued a Supplementary Prospectus the sole purpose of which was to extend the Closing Date of the Prospectus.

There have been no other events subsequent to reporting date.

26 SEGMENT INFORMATION

The Company operates in one reportable segment, being mining in Australia. The Board of Directors review internal management reports on a regular basis that is consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result, no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

Management has determined based on the reports reviewed by the Board of Directors and used to make strategic decisions, that the Group operates in one single reportable geographical segment being Australia. Such structural organisation is determined by nature of risks and returns associated with each business segment and define management structure as well as the internal reporting system. As a result, no additional segment information is provided.

27 PARENT ENTITY DISCLOSURES

	2018	2017
	\$000	\$000
Australian Mines Limited	\$000	\$000
 STATEMENT OF FINANCIAL POSITION		
Current Assets	9,367	4,680
Non-Current Assets	20,671	3,226
Total Assets	30,038	7,906
Current Liabilities	1,740	138
Non-Current Liabilities	-	-
Total Liabilities	1,740	138
Net Assets	28,299	7,768
 EQUITY		
Contributed equity	67,076	45,062
Share option reserves	3,220	1,573
Accumulated losses	(41,997)	(38,866)
TOTAL EQUITY	28,299	7,768
 Profit/(Loss) attributable to equity holders of the Company	 4,418	 (3,131)

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AUSTRALIAN MINES LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2018

27	PARENT ENTITY DISCLOSURES (cont.)	2018	2017
		\$000	\$000

COMMITMENTS

Lease of offices

Within one year	123	23
Between 12 months and 5 years	407	-
	530	23

Exploration expenditure commitment

Within one year	-	260
Between 12 months and 5 years	-	1,040
	-	1,300

CONTINGENT LIABILITIES

In accordance with the agreement with Jervois Mining Ltd for the Flemington project, a royalty of 1.5% of gross sales is payable on all proceeds from the sale of products. At this time, it is not possible to quantify the value of this royalty.

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.

There are no other contingent liabilities

28 RELATED PARTIES

The following were key management personnel of the group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Non-Executive Directors

Mr M Ramsden - Chairman

Mr M Elias

Mr D Marinelli

Mr N F Warburton (resigned 31 December 2017)

Executive Directors

Mr B Bell - Managing Director

Key Management Personnel

Tim Maclean (appointed 17 July 2017)

The key management personnel compensation included in 'personnel expenses' (see Note 4) is as follows:

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AUSTRALIAN MINES LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2018

28 RELATED PARTIES (cont.)

	2018	2017
	\$000	\$000
Short-term employee benefits	869	425
Post-employment benefits	59	37
Long term benefits	77	38
Share based payments	1,441	22
	2,446	522

Individual directors and executives compensation disclosures

Information regarding individual directors and executives' compensation and some equity instruments disclosures are permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report section of the Directors' report.

Other key management personnel transactions

The terms and conditions of the transactions with key management personnel were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel were as follows:

		2018	2017
		\$	\$
Director(s)	Transaction		
Mr M Ramsden	Reimbursements (i)	45,225	21,180
Mr M Ramsden and Mr D Marinelli	Underwriting Agreement (ii)	-	134,791
Mr M Ramsden and Mr D Marinelli	Placement & Management Fees (iii)	231,000	62,406
Mr M Ramsden and Mr D Marinelli	Advisory Fees (iv)	42,286	-

- (i) The group reimbursed Terrain Capital Unit Trust for Mr M Ramsden's travel costs associated with his role as a director of Australian Mines. No amounts were owing to Terrain Capital Unit Trust at 30 June 2018.
- (ii) The Group used Terrain Capital Markets Ltd as the underwriters for share issues. Mr M Ramsden is a director of Terrain Capital Markets Ltd and Mr D Marinelli received fees from Terrain Capital Markets Ltd. No amounts were owing to Terrain Capital Markets Ltd for underwriting services at 30 June 2018.
- (iii) The Group used Terrain Capital Unit Trust to assist with the placement of shares. Mr M Ramsden and Mr D Marinelli are Directors of Terrain Capital Ltd. No amounts were owing to Terrain Capital Ltd for placement services at 30 June 2018.
- (iv) The Group used Terrain Capital Unit Trust to provide corporate advisory services. Mr M Ramsden and Mr D Marinelli are Directors of Terrain Capital Ltd. No amounts were owing to Terrain Capital Ltd for corporate advisory services at 30 June 2018.

Apart from the details disclosed in the Remuneration Report, no director has entered into a contract with the Consolidated Group since the end of the previous financial year and there were no contracts involving directors' interests existing at year end.

AUSTRALIAN MINES LIMITED
DIRECTORS' DECLARATION

- 1 In the opinion of the Directors of Australian Mines Limited ('the Company'):
- (a) the consolidated financial statements and notes and the remuneration disclosures contained in the Remuneration report in the Directors' report, as set out in section 12, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Consolidated Group as at 30 June 2018 and its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian accounting interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements.
 - (b) the consolidated financial report also complies with International Reporting standards as disclosed in note 2(a).
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declaration required by Section 295A of the Corporations Act 2001 from the Chief Operating Officer for the financial year ended 30 June 2018.

Dated at Perth the 28th day of September 2018.

Signed in accordance with a resolution of the directors:



Benjamin Bell
Managing Director

INDEPENDENT AUDITOR'S REPORT

To the members of Australian Mines Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australian Mines Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2(e) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for Exploration and Evaluation Expenditure

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 30 June 2018 the Group held a significant carrying value of Exploration and Expenditure as disclosed in Note 14.</p> <p>As the carrying value of these Exploration and Evaluation Assets represents a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount.</p> <p>Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources. In particular:</p> <ul style="list-style-type: none"> • Whether the conditions for capitalisation are satisfied; • Which elements of exploration and evaluation expenditures qualify for recognition; and • Whether facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment. 	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and director's minutes; • Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Verifying, on a sample basis, evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of AASB 6; • Considering whether any facts or circumstances existed to suggest impairment testing was required; and • Assessing the adequacy of the related disclosures in Note 3(d) and Note 14 to the financial report.

Accounting for the Acquisition of Sconi

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 14, the Group acquired 100% interest in the Sconi Cobalt-Nickel-Scandium Project from Metallica Minerals Ltd.</p> <p>The Group treated the transaction as an asset acquisition, rather than a business combination, as disclosed in Note 3(m) of the financial report.</p> <p>Accounting for these transactions is complex and requires management to exercise judgement to determine the appropriate accounting treatment, including whether the acquisition should be classed as an asset acquisition or business combination, estimating the fair value of net assets acquired and the purchase consideration. As a result, this is considered a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the transaction, including an assessment of whether the transaction constituted an asset acquisition or business combination; • Reviewing the sale and purchase agreement to understand key terms and conditions; • Assessing management's determination of the fair value of consideration paid and agreeing the consideration to supporting documentation; and • Assessing the adequacy of the related disclosures in Note 3(m) and Note 14 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 23 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Australian Mines Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 28 September 2018

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AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2017 – 2018

Australian Mines Limited (“The Company”) and its Board are committed to achieving and demonstrating high standards of corporate governance. This statement sets out the main corporate governance practices of the Company during the financial year, providing disclosure in accordance with the Corporate Governance Principles and Recommendations as published by the ASX Corporate Governance Council. All these practices, unless otherwise stated, were in place for the entire year. Disclosure is made at the end of this statement of areas of non-compliance with the recommendations.

On 25 July 2018, following the end of the Period, the Company adopted a new suite of Corporate Governance practices and policies. As this occurred following the end of the Period, this Corporate Governance Statement is based on previously existing policies and procedures, with some comments on new policies and procedures where appropriate. Further details of the new charters, policies, codes and procedures that document the Company’s corporate governance practices are set out in the Company’s website at www.australianmines.com.au.

The Board of Directors and Management.

The Board has adopted a formal statement of its roles, functions and responsibilities.

The Board’s primary role is the optimisation of Company performance and protection and enhancement of shareholder value. Its functions and responsibilities include:

- setting policy and strategic direction and adopting a corporate strategy;
- monitoring Company and management’s performance against this strategy;
- overseeing control and accountability systems;
- identifying the principal risks and opportunities of the Company’s business;
- ensuring appropriate risk management systems are established and reviewed;
- ensuring there are sufficient resources to meet objectives and strategies;
- approving and monitoring financial reporting, capital management and compliance;
- appointing senior management, monitoring senior management’s conduct and performance and overseeing remuneration, development and succession;
- adopting procedures to ensure the business of the Company is conducted in an honest, open and ethical manner consistent with Company values;
- approving all significant business transactions;
- ensuring the Company meets its continuous disclosure obligations and that its shareholders have available all information reasonably required to make informed assessments of the Company’s prospects;
- overseeing the Company’s commitment to sustainable development, the environment, health and safety of employees, contractors, customers and the community;
- ensuring that the Board remains appropriately skilled to meet Company needs;
- implementing an induction and continuing education program for directors;
- reviewing and approving corporate governance systems; and
- delegating authority to management where appropriate.

This statement is included on the Company’s website and is to be reviewed annually to ensure it remains appropriate to the needs of the Company given its size, complexity and ownership structure and the skills of directors and managers.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2017 – 2018

The Board of Directors and Management (cont.)

The Board is also governed by the Company's Constitution and its various policies, as described elsewhere in this Statement.

A strategic balance is maintained between the responsibilities of the Board and the Managing Director.

Board Members

The Company currently has four directors, Michael Ramsden, Michael Elias, Dominic Marinelli, and Benjamin Bell. Details of these directors, including their skills, experience and terms of office are set out in the Company's annual report.

The Board has adopted a materiality threshold relating to a director's current or former association with a supplier, professional adviser or consultant to the Company. From the Company's viewpoint, material is more than 5% of the Company's total consolidated expenses for the relevant financial year. From the director's viewpoint when assessing an association, material is more than 5% of the total revenue of the supplier, adviser or consultant as the case may be.

Mr Ramsden, and his personally-related entities, currently holds 2.55% of the Company. He is a principal of Terrain Capital Limited which provides corporate finance services to the Company however the supply is not considered to be material. Thereby in accordance with guidelines adopted by the Board he is considered an independent non-executive director.

Mr Elias owns approximately 0.66% of the shares of the Company. Thereby in accordance with guidelines adopted by the Board he is considered an independent non-executive director.

Mr Marinelli, and his personally-related entities, currently holds 1.63% of the Company. He is a director of Terrain Capital Limited which provides corporate finance services to the Company however the supply is not considered to be material. Thereby in accordance with guidelines adopted by the Board he is considered an independent non-executive director.

Mr Bell was appointed Managing Director on 23 January 2012, and is associated with a current holding of 2.41% of the Company. Thereby in accordance with guidelines adopted by the Board he is not considered independent.

The Board considers the make-up of the Board is appropriate given the Company's size and operations. The effectiveness of the Board is achieved through knowledge and experience specific to the business and the industry in which it operates.

The Company does not have an Nominations Committee however nominations for directorship are overseen by the Board as a whole and appropriate checks are to be implemented before any person is put forward for election as a director.

Details of the members of the Board, their skills, experience, qualifications, term of office and independence status are set out in the Directors' Report under the heading "information on directors".

The company secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board. The current company secretary is a long-standing professional company secretary and has direct contact with all directors as and when required.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2017 – 2018

The Board of Directors and Management (cont.)

Directors' Independence

The Board has also adopted procedures intended to ensure that independent decision making occurs. All directors are entitled to seek independent professional advice, at the Company's cost, in carrying out their duties, subject to the chairperson's prior approval of the expenditure, which will not be unreasonably withheld. Further, in accordance with the *Corporations Act 2001* (Cth) and policies adopted by the Company, each member of the Board is required to keep the Board advised on an ongoing basis of any potential conflict of interest which may exist with the Company. If a conflict does exist, the director concerned must absent themselves from any Board discussion in relation to the relevant item and not vote upon such an item. Non-executive directors are also encouraged to confer on a needs basis without management in attendance.

The Chairman of the Company is an independent director and not the CEO.

Term of Office

The Company's Constitution specifies that one-third of all directors, other than the Managing Director, rounded down to the nearest whole number, must retire at each AGM. Where eligible, retiring directors may stand for re-election.

Responsibilities of Management

The Managing Director is accountable to the Board for management of the Company and its subsidiaries within authority levels reviewed and approved by the Board each year, has authority to approve capital expenditure within predetermined limits set out by the Board, and is subject to the supervision of the Board. Material strategic and policy decisions are made by the Board.

The Managing Director is responsible for maintaining financial control across the Company and its subsidiaries. This includes management reporting to the Board, statutory accounting, auditing, taxation and insurance. Financial performance is monitored against financial control guidelines.

The Board adopted its formal statement and its various policies in June 2005. As stated, it adopted a revised Board Charter on 25 July 2018.

Independent Professional Advice

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Indemnification and insurance of Directors and Officers

The Company, to the extent permitted by law, indemnifies each Director, alternate Director, or executive officer (and any person who has previously served in any such capacity) against any liability or cost incurred by the person as an officer of the Company, or a related body corporate of the Company, including but not limited to liability for costs incurred in defending proceedings in which judgment is given in favour of the person or in which the person is acquitted. The indemnity may be extended to other employees at the discretion of the Directors.

Performance assessment

No assessment of the Board's performance was conducted during the year given the size of the Board.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2017 – 2018

The Board of Directors and Management (cont.)

The annual performance of the Managing Director was carried out by the Remuneration Committee in determining remuneration issues relating to him.

The performance of senior executives is assessed by the Managing Director. The assessment involves an annual review of performance and development and the results of the review are formally documented.

Remuneration Committee

A Remuneration Committee was established by the Board prior to the 2004 – 2005 year. A majority of the members of the Committee are required to be non-executive directors and the Committee is required to be chaired by the non-executive Chairman.

The names of the members of the Remuneration Committee are Michael Elias, Michael Ramsden and Dominic Marinelli. Their attendance at Remuneration Committee meetings during the 2017 – 2018 year is set out in the Directors' Report.

During the 2017 – 2018 year the Committee was chaired by Michael Ramsden, the non-executive Chairman due to his experience and expertise in the areas in which the Company operates and his non-executive status, the Board considers that he is suitably skilled to perform the role of chair of the Remuneration Committee. The Committee consisted of a majority of independent directors.

Each member of the senior executive team signs an employment contract at the time of their appointment covering a range of matters, including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. This job description is reviewed by the Remuneration Committee on an annual basis and, where necessary, is revised in consultation with the relevant employee.

Further information on directors' and executives' remuneration is set out in the Remuneration Report.

Executive remuneration and other terms of employment are reviewed annually by the Committee having regard to personal and corporate performance, contribution to long term growth, relevant comparative information and independent expert advice. As well as a base salary and compulsory superannuation, remuneration packages may include retirement and termination entitlements, performance-related bonuses and fringe benefits. Non-executive directors and executives are eligible to participate in the Share Loan Plan which provides for a loan allowing the purchase of shares in the Company under a loan. Any allotment of shares to directors must be approved by shareholders at a general meeting.

Details of the qualifications of directors of the remuneration committee and their attendance at Committee meetings are set out in the Directors' Report.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2017 – 2018

Audit Committee

The Company recognises the importance of an Audit Committee and has established an Audit and Risk Committee.

The role of the Audit and Risk Committee includes:

- to recommend engagement and monitor performance of the external auditor;
- to review the effectiveness of management information and internal control;
- to review all areas of significant financial risk and risk management;
- to review significant transactions not a normal part of the Company's business;
- to review financial information and ASX reporting statements; and
- to monitor the effectiveness of risk management, internal controls and accounting compliance.

The Audit Committee is required to meet at least twice per year, review annual and half-year accounts, and report to the Board of Directors. The Audit Committee also oversees the Company's risk management systems and procedures.

External Auditors Policy

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditors is reviewed annually by the Audit and Risk Committee and applications for tender of external services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. The Corporations Act 2001 requires the rotation of the audit engagement partner every five years.

Analysis of fees paid to external auditors, including a break-down of fees for non-audit services, is provided in the Annual Report at Note 6 to the financial statements. The external auditors are required to provide an annual declaration of their independence to the Board and to the Audit Committee. The external auditor is required to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Nomination Committee

The Company recognises the importance of a nomination committee. However, currently there is no nomination committee in place. See comments made in the non-compliance statement.

Risk Assessment and Management

The Company has in place a risk assessment and management policy, which sets out the Company's systems for risk assessment and management. The key aspects of the policy are that:

- the Audit and Risk Committee oversees the establishment and implementation of risk management systems and control frameworks, and in the absence of a separate audit committee has the responsibility to establish, implement and maintain these systems and frameworks; and
- the Company's senior management is delegated the tasks of management of operational risk and the implementation of risk management strategies with the Managing Director having ultimate responsibility to the Board for the risk management and control framework

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2017 – 2018

Risk Assessment and Management (cont.)

The Audit and Risk Committee reviews the Company's risk management systems and control frameworks, and the effectiveness of their implementation, annually. The Board also considers the management of risk at its regular meetings. The Company's risk profile, which is assessed and determined on the basis of the Company's business in commercial mining and mineral exploration, is reviewed annually upon advice from management including, where appropriate, as a result of regular interaction with management and relevant staff from across the Company's business.

The Audit and Risk Committee or the Company's senior management may consult with the Company's external accountants on external risk matters as required.

The Company's risk management systems and control frameworks for identifying, assessing, monitoring and managing its material risks, as established by the Board in conjunction with management, include:

- the Audit and Risk Committee's ongoing monitoring of management and operational performance;
- a comprehensive system of budgeting, forecasting and reporting to the Board;
- approval procedures for significant capital expenditure above threshold levels;
- regular review of all areas of significant financial risk and all significant transactions not part of the Company's normal business activities;
- regular presentations to the Audit and Risk Committee by management on the management of risk;
- comprehensive written policies in relation to specific business activities;
- comprehensive written policies in relation to corporate governance issues;
- regular communication between directors on compliance and risk matters; and
- consultation and review processes between the Board and external accountants.

The Board requires each major proposal submitted to the Board for decision be accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies. The Company has in place an insurance program which is reviewed periodically by the Board. The Board receives regular reports on budgeting and financial performance. A system of delegated authority levels has been approved by the Board to ensure business transactions are properly authorised and executed.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2017 – 2018

Environment, Health and Safety

The Company recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance. To help meet this objective the board facilitates the systematic identification of environment and OH&S issues and ensures they are managed in a structured manner. This system allows the Company to:

- monitor its compliance with all relevant legislation;
- continually assess and improve the impact of its operations on the environment;
- encourage employees to actively participate in the management of environment and OH&S issues;
- work with trade associations representing the entity's business to raise standards;
- use energy and resources efficiently; and
- encourage the adoption of similar standards by the entity's principal suppliers, contractors and distributors.

To manage OH&S issues, the Board has approved a number of procedure documents including a Safety Management Plan and an Emergency Response Plan. It is a condition of employment for all employees to follow these procedures. Reporting on OH&S issues is a standard agenda item at Board Meetings.

Code of Conduct

The Company adopted, in 2002, the Australian Institute of Company Directors' Code of Conduct ("AICD Code") to set appropriate standards of ethical and professional behaviour for its directors. In June 2005, the Company adopted a "Code of Conduct for Directors and Key Executives", which affirmed the Company's adoption of the AICD Code as appropriately setting the standards of ethical behaviour for directors. The Board will review compliance with this Code of Conduct every 12 months.

The Company's Code of Conduct for Directors and Key Executives prescribes standards including acting honestly and in good faith, exercising powers for a proper purpose, using due care and diligence, exercising independent judgment and avoiding a conflict of interest.

The Company has also adopted a "General Corporate Code of Conduct" ("General Code") which details the Company's commitment to appropriate corporate practices to its legitimate stakeholders and sets the standards expected of officers and employees in carrying out their duties.

The Company has in place a trading policy concerning trading in Company securities, a copy of which is provided to all officers and employees of the Company.

Code of Conduct (cont.)

The trading policy imposes certain restrictions on the Company's officers and employees trading in the Company's securities to prevent breaches of the insider trading provisions of the Corporations Act 2001 (Cth). The key aspects of the policy are that:

- trading in Company securities and other tradeable financial products is only permitted upon notification, in the case of employees, to the Company's Managing Director or, in the case of officers, to the Company's Chairman. If the Chairman wishes to trade he must notify the Company's Managing Director. Trading is only permitted for 2 weeks following notification and confirmation of trading must be provided to the Managing Director or Chairman (as the case may be);
- no trading is permitted at any time where an officer or employee is in possession of information which, if it was generally available, a reasonable person would expect to have a material effect on the price or value of the security or product, or for a period of 2 days following a public announcement by the Company in relation to the matter the subject of that information; and
- active dealing, being trading in a manner which involves frequent and regular trading, in the Company's securities is not permitted.

The trading policy is provided to all the Company officers and employees and compliance with it is reviewed at least annually. The Company's current trading policy was adopted in June 2005 but reflects the position adopted under its previous trading policies.

The implementation of and compliance with the Company's trading policy is dealt with in the procedures and mechanisms set out in the Company's risk assessment and management policy.

On 25 July 2018 the Company adopted an Anti-Bribery and Anti-Corruption Policy, and a Whistleblower Protection Policy.

Continuous Disclosure and Shareholder Communication

The Company has in place a continuous disclosure policy, a copy of which is provided to all Company officers and employees who may from time to time be in the possession of undisclosed information that may be material to the price or value of the Company's securities.

In addition, at each of its meetings, the Board discusses continuous disclosure issues as a standing item and a list of all recent Company announcements is presented.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2017 – 2018

Continuous Disclosure and Shareholder Communication (cont.)

The continuous disclosure policy aims to ensure compliance with the Company's continuous disclosure obligations under the Corporations Act 2001 (Cth) and the ASX Listing Rules. The aim of the policy is to:

- assess information and co-ordinate the timely disclosure to the ASX or the seeking of advice on the information;
- provide an audit trail of decisions regarding disclosure; and
- ensure officers and employees of the Company understand the obligation to bring relevant information to the attention of the chairperson.

The procedure adopted by the Company is essentially that any information which may need to be disclosed must be brought to the attention of the Chairman, who in consultation with the Board (where practicable) and any other appropriate personnel will consider the information and whether disclosure is required and prepare an appropriate announcement.

At least once in every 12-month period, the Board will review the Company's compliance with this continuous disclosure policy and update it from time to time, if necessary. This continuous disclosure policy was adopted in June 2005 and reflects the position adopted under its previous continuous disclosure policies.

The Managing Director has been nominated as the person responsible for communication with Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing, in conjunction with the Directors, information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website on the same day it is released to the ASX. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

On 25 July 2018 the Company adopted a revised Continuous Disclosure Policy, which included a requirement for training in continuous disclosure obligations across the organisation.

Diversity Policy

The Company believes that the promotion of diversity on boards, in senior management and within the organisation generally broadens the pool for recruitment of high-quality directors and employees; is likely to support employee retention; through the inclusion of different perspectives, is likely to encourage greater innovation; and is socially and economically responsible governance practice.

The Company is in compliance with the ASX Corporate Governance Council's Principles & Recommendations on Diversity. The Board of Directors is responsible for adopting and monitoring the Company's diversity policy. The policy sets out the beliefs and goals and strategies of the Company with respect to diversity within the Company. Diversity within the Company means all the things that make individuals different to one another including gender, ethnicity, religion, culture, language, sexual orientation, disability and age. It involves a commitment to equality and to the treating of one another with respect.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2017 – 2018

Diversity Policy (cont.)

The Company is dedicated to promoting a corporate culture that embraces diversity. The Company believes that diversity begins with the recruitment and selection practices of its board and its staff. Hiring of new employees and promotion of current employees are made on the bases of performance, ability and attitude.

Currently, 62% of the Australian Mines' workforce are female, although there are presently no females on the Australian Mines' board. Given the present size of the Company, there are no plans to establish measurable objectives for achieving gender diversity at this time. The need for establishing and assessing measurable objectives for achieving gender diversity will be re-assessed as the size of the Company increases.

Non-Compliance Statement

The Company has not followed all of the recommendations set out in Australian Securities Exchange Limited Listing Rule 4.10.3. The Recommendations that have not been followed and the explanation of any departure are as follows:

Nomination Committee

The Board has not established a nomination committee as, due to the Company's size and its operations, the Board considers a separately established committee is not warranted and its functions and responsibilities can be adequately and efficiently discharged by the Board as a whole. The Board assesses the experience, knowledge and expertise of potential directors before any appointment is made and adheres to the principle of establishing a board comprising directors with a blend of skills, experience and attributes appropriate to the Company and its business. The main criterion for the appointment of directors is an ability to add value to the Company and its business. All directors appointed by the Board are subject to election by shareholders at the following annual general meeting of the Company. Given the small size of the Board no skills matrix has been developed.

Board Performance Report

A formal board performance was not undertaken during the year. This year was a period of uncertainty for the directors and the Board numbers were kept to a minimum.

Internal audit function

The Company does not have an internal audit function. The Board manages internal control of risk as detailed above.

Limiting economic risk

The Company has an equity-based remuneration scheme but does not have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The scheme is based on providing a loan to acquire shares which must be repaid if the shares are disposed of, and which provides for vesting conditions. In these circumstances limiting the economic risk of participating in the scheme is considered unnecessary.

AUSTRALIAN MINES LIMITED
ADDITIONAL ASX 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 27 September 2018.

b) Substantial Shareholders

There are no shareholders holding more than 5% of the total number of shares.

b) Ordinary Shareholders

Twenty largest holders of ordinary shares.	Number of shares	% held
J P MORGAN NOMINEES AUSTRALIA	77,626,389	2.86
MR J REED	61,000,000	2.25
NATIONAL NOMINEES LIMITED	55,230,367	2.03
CITICORP NOMINEES PTY LIMITED	42,944,264	1.58
MR B BELL	40,600,000	1.50
PERSHING AUSTRALIA NOMINEES	34,400,000	1.27
BNP PARIBAS NOMINEES PTY LTD	31,263,753	1.15
HSBC CUSTODY NOMINEES	29,922,732	1.10
PORT BARRACK PTY LTD	28,000,000	1.03
MR J ZHENG	24,550,000	0.90
MR D MARINELLI	22,218,016	0.82
AMALGAMATED DAIRIES LIMITED	20,500,000	0.75
PACRIM INVESTMENT CONSULTANTS	18,960,182	0.70
EQUITAS NOMINEES PTY LIMITED	18,864,452	0.69
INVERNESS GOLD SPV LIMITED	18,812,711	0.69
MR C THOMPSON	17,236,663	0.63
METALLICA MINERALS LIMITED	16,811,916	0.62
BNP PARIBAS NOMS PTY LTD	15,678,342	0.58
MR F NAJJAR	15,365,000	0.57
MR M ELIAS	13,472,728	0.50

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AUSTRALIAN MINES LIMITED
ADDITIONAL ASX INFORMATION

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 2,715,517,283 and there is no current on-market buy back.

Distribution of ordinary shareholders at 26 September 2018:

Category of shareholding	Number of shareholders
1 – 1,000	162
1,001 – 5,000	596
5,001 – 10,000	1,313
10,001 – 100,000	5,094
100,001 and over	3,143
Total	10,308

c) Quoted Securities

The Company has the following quoted securities on issue:

2,715,517,283 ordinary shares

d) Unquoted Securities

SK Innovation Co. Ltd holds options to acquire up to 669,000,000 shares at \$0.12 per share, which shall expire three (3) months after Australian Mines issues a Bankable Feasibility Study for the Sconi Cobalt-Nickel-Scandium Project.

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AUSTRALIAN MINES LIMITED
TENEMENTS SCHEDULE

Location	Project	Tenement	Status	Interest
AUSTRALIA				
Queensland	Sconi	ML 10366	Granted	100%
Queensland	Sconi	ML10342	Granted	100%
Queensland	Sconi	ML10324	Granted	100%
Queensland	Sconi	ML 10332	Granted	100%
Queensland	Sconi	ML 20549	Granted	100%
Queensland	Sconi	ML 10368	Granted	100%
Queensland	Sconi	MDL 515	Granted	100%
Queensland	Sconi	MDL 387	Granted	100%
Queensland	Sconi	EPM 25834	Granted	100%
Queensland	Sconi	EPM 25865	Granted	100%
Queensland	Sconi	EPM 25833	Granted	100%
Queensland	Sconi	EPM 26575	Granted	100%
Queensland	Sconi	EPM 26577	Granted	100%
Queensland	Sconi	EPM 26578	Granted	100%
Queensland	Sconi	EPM 26579	Granted	100%

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Queensland	Sconi	EPM 26559	Granted	100%
New South Wales	Flemington	EL 7805	Granted	0% (a)
New South Wales	Flemington	EL 8546	Granted	0% (a)
New South Wales	Flemington	EL 8478	Granted	100%
New South Wales	Flemington	MLA 538	Pending	0%
New South Wales	Flemington	ELA 5495	Pending	0%
New South Wales	Thackaringa	EL 8477	Granted	100%
Western Australia	Arunta West	E80/5031	Granted	100%
Western Australia	Arunta West	E80/5032	Granted	100%
Western Australia	Arunta West	E80/4820	Granted	51% (b)
Western Australia	Arunta West	E80/4986	Granted	51% (b)
Western Australia	Arunta West	E80/4987	Granted	51% (b)
Western Australia	Marymia	E52/2394	Granted	80% (c)
Western Australia	Marymia	E52/2395	Granted	80% (c)
Western Australia	Warriedar	M59/0755	Granted	100%
Western Australia	Warriedar	E59/1692	Granted	100%
Western Australia	Warriedar	E59/1696	Granted	100%
Western Australia	Warriedar	E59/1723	Granted	100%

Western Australia	Warriedar	E59/1966	Granted	100%
Western Australia	Warriedar	P59/2070	Granted	100%
Western Australia	Warriedar	E59/2080	Granted	100%
Western Australia	Warriedar	E59/2103	Granted	100%
Western Australia	Warriedar	E59/2104	Granted	100%
Western Australia	Warriedar	P59/2060	Granted	100%
Western Australia	Ashburton (Bali)	E08/2894	Granted	0% (d)
Western Australia	Marriotts	M37/096	Granted	100%

(a) Arunta West Copper- Gold Project

Under the Arunta West joint venture agreement, the Company has the right to farm into Jervois Mining Limited's (ASX: JRV) three exploration licences of E80/4820 (granted), E80/4896 (granted) and E80/4897 (granted), which cover a total area of approximately 345 square kilometres.

Australian Mines (via its subsidiary, Norwest Minerals Limited) has successfully earned its initial 51% interest in these joint venture tenements and the Company informed Jervois Mining that it has elected to proceed with the Stage 2 Earn-in whereby Australian Mines will increase its interest in the Arunta West joint venture tenements to 80% by spending a further \$3.15 million on these tenements by 28 April 2020. Australian Mines (via its subsidiary, Norwest Minerals Limited) is the operator and manager of the Arunta West Project.

(b) Marymia Gold and Copper Project

Australian Mines has successfully earned its 80% interest in the Marymia exploration tenements of E52/2394 and E52/2395. As per the Agreement, Australian Mines (via its subsidiary, Norwest Minerals Limited) and Riedel Resources (ASX: RIE) will form a joint venture (80% AUZ – 20% RIE), with each company contributing financially to the cost of all future exploration programs (and the administrative costs associated with managing these tenements) in line with their percentage interest in the project. Australian Mines (via its subsidiary, Norwest Minerals Limited) is the operator and manager of the Marymia Project.

(c) Ashburton (Bali) Copper Project

Australian Mines, through its subsidiary Norwest Minerals Limited, has entered into an Option Agreement with TasEx Geological Services Pty Ltd to acquire 100% of the Ashburton (Bali) Copper Project in Western Australia, which comprises granted tenement E08/2894. Under the terms of this Agreement, Australian Mines (via its subsidiary, Norwest Minerals Limited) has been granted an option to enable the Company to purchase 100% of the Ashburton (Bali) Copper Project for a total purchase price of \$175,000 plus applicable GST payable by 30 September 2018.

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Competent Persons' Statements

Sconi Cobalt-Nickel-Scandium Project

The Mineral Resource for the Sconi Cobalt-Nickel-Scandium Project contained within this document is reported under JORC 2012 Guidelines. This Mineral Resource was first reported by Australian Mines on 31 March 2017. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 March 2017 announcement by Australian Mines.

Information in this report that relates to Sconi Cobalt-Nickel-Scandium Project Project's Exploration Results is based on information compiled by Mr Mick Elias, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Elias is a director of Australian Mines Limited. Mr Elias has sufficient experience relevant to this style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Elias consents to the inclusion in this report of the matters based on his information in the form and context in which is appears.

Flemington Cobalt-Nickel-Scandium Project

The Mineral Resource for the Flemington Cobalt-Nickel-Scandium Project contained within this document is reported under JORC 2012 Guidelines. This Mineral Resource was first reported by Australian Mines Limited on 31 October 2017. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 October 2017 announcement by Australian Mines.

Information in this report that relates to Flemington Cobalt-Scandium-Nickel Project's Exploration Results is based on information compiled by Mr Mick Elias, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Elias is a director of Australian Mines Limited. Mr Elias has sufficient experience relevant to this style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Elias consents to the inclusion in this report of the matters based on his information in the form and context in which is appears.

Thackaringa Cobalt Project

The information in this report that relates to the Thackaringa Cobalt Project Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Benjamin Bell who is a member of the Australian Institute of Geoscientists. Mr Bell is a full-time employee and Managing Director of Australian Mines Limited. Mr Bell has sufficient experience that is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Bell consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Marymia Gold and Copper Project

Information in this report that relates to Marymia Gold and Copper Project Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Charles Schaus who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Schaus is a full-time employee of Norwest Minerals Limited, being a subsidiary of Australian Mines Limited. Mr Schaus has sufficient experience that is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for

Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Schaus consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Arunta West Copper-Gold Project

Information in this report that relates to Arunta West Copper-Gold Project Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Charles Schaus who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Schaus is a full-time employee of Norwest Minerals Limited, being a subsidiary of Australian Mines Limited. Mr Schaus has sufficient experience that is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Schaus consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Warriedar Gold Project

Information in this report that relates to Warriedar Gold Project Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Charles Schaus who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Schaus is a full-time employee of Norwest Minerals Limited, being a subsidiary of Australian Mines Limited. Mr Schaus has sufficient experience that is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Schaus consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Ashburton (Bali) Copper Project

Information in this report that relates to Ashburton (Bali) Copper Project Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Charles Schaus who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Schaus is a full-time employee of Norwest Minerals Limited, being a subsidiary of Australian Mines Limited. Mr Schaus has sufficient experience that is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Schaus consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Marriotts Nickel Project

The Mineral Resource for the Marriotts Nickel Project contained within this document is reported under JORC 2012 Guidelines. This Mineral Resource was first reported by Australian Mines Limited on 31 January 2018. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 January 2018 announcement by Australian Mines.

The information in this report that relates to the Marriotts Nickel Project Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Mick Elias, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Elias is a director of Australian Mines Limited. Mr Elias has sufficient experience relevant to this style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Elias consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.