

7 May 2019

Clarification of metal equivalents

The presentation released by Australian Mines Limited (“Australian Mines” or “the Company”) via the ASX Announcements Platform on 3 May 2019 contains references to *metal equivalents*. Australian Mines confirms that the metal equivalency calculation used for this presentation has not changed since the nickel equivalents were first reported by the Company on 14 February 2019. Specifically, nickel equivalent grades of the 14 February 2019 announcement, and the subsequent 3 May 2019 presentation were calculated according to the following formula:

$$NiEq = [(nickel\ grade \times nickel\ price \times nickel\ recovery) + (cobalt\ grade \times cobalt\ price \times cobalt\ recovery) / (nickel\ price \times nickel\ recovery)]$$

The formula was derived using the following commodity prices and recoveries:

Forex US\$:A\$ = 0.71,

Nickel – A\$27,946/t and 94.8% recovery,

Cobalt – A\$93,153/t and 95.7% recovery.

Prices and recoveries effective as at 10th February 2019.

Metal recovery data was determined by variability test work of nickel and cobalt solvent extraction during the inhouse pilot plant test work program. Results typically achieved between 90% and 99% from samples with nickel and cobalt grades aligned with expected mine grades as reported from the Mineral Resource model. Lower recoveries of between 85% and 90% were achieved from some lower-grade samples to determine economic cut off grades.

It is the opinion of Australian Mines that all the elements included in the metal equivalents calculation have a reasonable potential to be recovered and sold. Detail supporting the formula are provided within the Company’s 14 February 2019 announcement.

The Competent Person and Australian Mines believe there are reasonable prospects for eventual economic extraction of the Mineral Resources. Consideration was given to the relatively shallow depth of the mineralisation, existing infrastructure near to the project including sealed road access, power, labour and water, and positive results from the 2018 Feasibility Study.

This metal equivalency calculation should be read in conjunction with the Company’s 3 May 2019 presentation.

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