



Quarterly Activities Report

Period Ended 31 December 2018

For personal use only



Highlights

Sconi Cobalt-Nickel-Scandium Project

- Intersected high-grade cobalt and nickel mineralisation from Resource extension drilling,
 - includes intersections grading as high as 3.4% cobalt over individual metres
 - Other impressive intersections included¹:
 - 12 metres at 1.07% cobalt from 1 metre depth
 - 9 metres at 1.02% cobalt from 1 metre depth
 - 10 metres at 0.75% cobalt from 5 metres depth
 - 12 metres at 1.02% nickel from 1 metre depth
 - 13 metres at 1.11% nickel from surface
 - 16 metres at 1.00% nickel from 2 metres depth
- Expanded the mineralised envelope of the Sconi Project via recently completed Resource extension drilling far beyond its known historic footprint
- Commenced re-estimation of cobalt and nickel Mineral Resource
- Demonstrated the strong commercial case for developing the Sconi Project
 - Positive Bankable Feasibility Study released in November 2018²
 - 2 million tonne per annum processing plant supported
 - \$512 million average annual revenue
 - \$295 million average annual EBITDA
 - 5 year pack back period
 - 500 jobs created during the construction phase (2019 to 2021)
 - 300 full time positions created once the operation reaches steady-state
- Improving the already solid commercial case for Sconi through the optimised Bankable Feasibility Study process currently underway, incorporating the recent drill results, which is targeted to:
 - Increase the project's NPV, IRR and Life of Mine
 - Decrease the project's opex and payback period
- Sconi Project → On track to become a Top 10 global producer of cobalt

¹ Australian Mines Limited, Growth potential of Sconi Cobalt-Nickel Project continues, 21 January 2019

² Australian Mines Limited, Bankable Feasibility Study supports strong commercial case for developing Sconi Cobalt-Nickel Scandium Project, located in North Queensland, released 20 November 2018

Scandium Research & Development

- Funding innovative research in scandium-magnesium alloys as a next generation hydrogen storage technology through partnership with Amrita Centre for Research and Development
- Commenced Phase II R&D into manufacturing of aluminium - scandium master alloy in partnership with UK-headquartered metals and alloys technology company
- Delivered 632 kilograms of aluminium-scandium (2%) master alloy to research and potential off-take partners

Flemington Cobalt-Nickel-Scandium Project

- Acquired 100% interest in Flemington Project, located in central New South Wales
- Secured dominant landholding in prospective Flemington-Sunrise (Fifield) region of NSW
- Seeking to significantly increase the current Mineral Resource³ at Flemington over coming quarters by targeted drilling program
- Purchase of Flemington royalty by cobalt-focussed trading house seen as recognition of the commercial potential of Australian Mines' Flemington Project

Corporate

- Established corporate headquarters in Brisbane to better reflect the Company's focus on developing the Sconi Project in Queensland
- Appointed experienced financial professional in strategic Chief Financial Officer role
- Received \$1.9 million Research and Development tax rebate

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



Australian Mines Managing Director, Benjamin Bell, commented, *“It has been a sustained period of momentum building in the December quarter as the Company continues to transition our flagship Sconi Project from the study phase through to the project financing stage with full-scale development to follow.*

“Productive commercial-in-confidence discussions with our existing off-take partner SK Innovation continued across the three-month period, along with similar advanced negotiations with potential debt funding providers.

“Leading automotive manufacturers in Europe and the United States continue to believe global automotive fleets will eventually be dominated by electric vehicles, and it is this expanding range and volume of battery-powered vehicles that will continue to drive demand for cobalt and nickel sulphate battery precursor chemicals from sovereign-stable mining jurisdictions like Australia.

“Once in production, the Sconi Project in North Queensland is expected to be one of the 10 largest producers of cobalt in the world, which is a genuinely exciting prospect for our shareholders.

“Similarly, the regional economy around the Sconi Project will also directly benefit from the development of this project through employment opportunities and improved public infrastructure. The freehold land purchase in Greenvale marks our first step in delivering on our promise of employing local, living local, buying local.

“We completed our planned Resource expansion drilling program at Sconi during the period, which was designed to drill out under-explored and extensional areas of the mineralisation with the ultimate aim of boosting our Mineral Resources as well as further testing the overall extent of this highly endowed project area.

“With two rounds of positive assay results reported, it is clear that this Project has enormous potential to grow beyond the already strong commercial development case highlighted in November’s base case Bankable Feasibility Study.

“We are now is on incorporating these new results in a re-estimation of the Mineral Resource for the Sconi Project, which we hope to expedite for release by April 2019, which will then allow us to undertake what we believe will be a material optimisation of our existing development case for Sconi. We see huge potential upside in the Bankable Feasibility Study’s economic parameters and life of operation once the latest drilling results are factored in.

“Although not essential for Sconi’s development case, we continue to explore partnerships and market creation opportunities for our proposed scandium oxide production from the Project.

“Our partnership with the Amrita Centre in India has the potential to make a significant contribution to the scandium-magnesium alloys being considered as a high-performance alternative for the next generation of nickel metal hydride batteries. That research is also assessing the economics around metal hydride batteries providing a storage solution for hydrogen for use in electric-powered trucks and heavy haulage vehicles.



“The Company’s separate R&D partnership with UK-based Metalysis has progressed to Phase II and the fact that our scandium oxide product has been verified as meeting the specifications required to produce a master alloy puts us in an extremely strong position in our negotiations with potential scandium oxide off-take partners.”

“We also moved in the period to bolster our senior executive ranks, with the appointment of Marcus Hughes as the Company’s Chief Financial Officer.

“Marcus’ immediate past experience is an ideal fit for Australian Mines, and his specific skills in the implementation of project financing and equity raisings will be invaluable as he takes on a lead role finalising negotiations and executing a suitable financing package for the construction of the Sconi Project.”

Australian Mines Limited (“**Australian Mines**” or “**the Company**”) (Australia ASX: AUZ; USA OTCQB: AMSLF; Frankfurt Stock Exchange: MJH) is pleased to provide its Quarterly Activities Report for the period ending 31 December 2018.

Australian Mines’ activities in the reporting period prioritised the progression of the Company’s 100%-owned Sconi Cobalt-Nickel-Scandium Project in North Queensland towards a final investment decision following the release of a base case Bankable Feasibility Study on the Project in November 2018⁴, which clearly indicated that the project is commercially viable.

Senior personnel from both SK Innovation and Australian Mines continue to work collaboratively on the drafting of the long form off-take agreement with the shared goal of finalising and executing this agreement during the March 2019 quarter.

Sconi Cobalt-Nickel-Scandium Project

From the outset, Australian Mines was confident that the footprint of the cobalt-nickel mineralisation of the Sconi Project was far greater than that indicated by the Mineral Resource⁵ the Company acquired in 2016.

The Company’s positive view of the project was first confirmed in September 2018⁶ when initial assays from its Resource expansion drilling program intersected thick zones of nickel mineralisation beyond the existing Mineral Resource and then again in January 2019⁷, when Australian Mines received further outstanding assays from its Resource expansion drilling

⁴ Australian Mines Limited, Bankable Feasibility Study supports strong commercial case for developing Sconi Cobalt-Nickel Scandium Project, located in North Queensland, released 20 November 2018

⁵ The Ore Reserve Estimate for the Sconi Cobalt-Nickel-Scandium Project is reported under JORC 2012 Guidelines and was reported by Australian Mines Limited on 20 November 2018. The global Ore Reserve for Sconi, as announced on 20 November 2018 is: Proven 6.93Mt @ 0.79% Ni, 0.10% Co, Probable 26.97Mt @ 0.63% Ni, 0.10% Co. There has been no Material Change or Re-estimation of the Mineral Resource or Ore Reserve since this 20 November 2018 announcement by Australian Mines.

⁶ Australian Mines Limited, Drilling extends nickel-cobalt resource potential at Sconi Project, released 14 September 2018

⁷ Australian Mines Limited, Growth potential of Sconi Cobalt-Nickel Project continues, 21 January 2019



program that delineated high-grade cobalt and nickel zones across the project area with cobalt grades rarely seen that high anywhere in the world⁸.

Importantly, in addition to the impressive grades, it was the consistency of these cobalt and nickel intersections amongst drill holes that suggests to the Company's technical team that a material upgrade in the Sconi Project's Mineral Resource may be possible and reinforces Sconi's status as a truly world-class cobalt and nickel project⁹.

As a result, Australian Mines is currently in the process of re-estimating the Mineral Resource for the Sconi Project, with the updated Resource statement expected to be announced by April 2019.

Naturally, any increase of the cobalt grade in a revised Mineral Resource re-estimation stemming from this recently completed drill program may have a positive impact on the economics of an operation at Sconi, which has already been shown to be commercially viable as demonstrated by the base case Bankable Feasibility Study released on 20 November 2018¹⁰.

The release of a base case Bankable Feasibility Study (BFS)¹¹ during the reporting period was the most significant milestone at the Sconi Project to date. Prepared by independent global engineering and construction firm Ausenco, the BFS verified the cobalt, nickel and scandium deposits at Sconi could be extracted and processed on commercially attractive terms through the development of open pit mining operations and a central processing plant to be built at the site.

According to the base case BFS, the Sconi Project will generate combined revenue from production averaging \$512 million per year over the projected 18 years of processing operations, resulting in a project payback period (post tax) of a little over 5 years.

The financial and investment metrics for Sconi, under the existing development scenario announced in November, include an average annual EBITDA of \$295 million, post-tax IRR of 15% and post-tax project Net Present Value (NPV) of \$697 million (at an 8% discount rate).

The BFS contemplates the construction of accommodation at Greenvale, which is within 10 kilometres of proposed mine and processing site, and the operation of a workforce on a drive-in, drive-out basis for approximately 80% of the operational workforce requirements, supplemented by a limited fly-in, fly-out resourcing model from Townsville to source the remaining personnel required for the Project.

Modelling to date indicates construction of the project would create up to 500 jobs from 2019 to 2021, followed by more than 300 full time positions once the mine, processing plant and associated infrastructure are in steady-state operation.

⁸ Australian Mines Limited, Growth potential of Sconi Cobalt-Nickel Project continues, 21 January 2019

⁹ ASX-listed (Australia-listed) and TSX-listed (Canadian-listed) cobalt-focussed companies typically refer to any cobalt grade above at or above 1,000ppm (0.1%) as being "high-grade"

¹⁰ Australian Mines Limited, Bankable Feasibility Study supports strong commercial case for developing Sconi Cobalt-Nickel Scandium Project, located in North Queensland, released 20 November 2018

¹¹ Australian Mines Limited, Bankable Feasibility Study supports strong commercial case for developing Sconi Cobalt-Nickel Scandium Project, located in North Queensland, released 20 November 2018



At the beginning of the reporting period, Australian Mines announced that the Northern Australia Infrastructure Facility (NAIF) Board had indicated it will move to investigate the potential to provide NAIF support¹² for the Sconi Project.

Sconi is still under consideration by NAIF for possible financial assistance and has progressed through the Enquiry, Preliminary Assessment, and Strategic Assessment Stages and is currently in the Due Diligence Phase.

NAIF has not made any decision to offer finance or made any commitment to provide any financial investment and there is no certainty that an agreement will be reached between the parties.

Australian Mines also advanced project financial discussions over the December quarter with a range of interested parties and the Company will provide an update on these discussions at the appropriate time and in accordance with the relevant Listing Rules.

Post-period, Australian Mines was very pleased to report that the Sconi Project had been declared a Prescribed Project by the Government of Queensland¹³. This status is recognition by Queensland Premier Annastacia Palaszczuk and Minister for State Development, Manufacturing, Infrastructure and Planning Cameron Dick of the significant positive benefits the project will bring to North Queensland.

The Prescribed Project status will also assist greatly in streamlining Sconi's progress through the final stages of regulatory approvals and fast-track its future development.

| Drill Hole | Intersection | Sub-Sections |
|------------|------------------------------|---|
| LKM1271 | 6m @ 1.02% Co from 16m depth | 3m @ 1.80% Co from 17m depth 1m @ 3.40% Co at 18m depth |
| | 5m @ 0.88% Ni from 17m depth | 2m @ 1.27 % Ni from 18m depth |
| LKM1138 | 22m @ 0.69% Co from surface | 8m @ 1.03% Co from 3m depth & 2m @ 1.39% Co from 3m depth |
| LKM1459 | 20m @ 0.61% Co from surface | 12m @ 0.89% ppm Co from 5m depth 4m @ 1.10% Co from 5m depth & 3m @ 1.04% Co from 14m depth |
| | 20m @ 0.93% Ni from surface | 13m @ 1.11% Ni from surface 3m @ 1.30% Ni from 6m depth & 3m @ 1.26% Ni from 15m depth |
| LKM1140 | 23m @ 0.68% Co from surface | 8m @ 0.85% ppm Co from 11m depth 2m @ 1.28% ppm Co from 17m depth |

¹² Australian Mines Limited, Sconi Project in Due Diligence Phase for NAIF funding, released 15 October 2018

¹³ Australian Mines Limited, Queensland Government provides Sconi *Prescribed Project* status, released 25 January 2019



| | | |
|----------------|-------------------------------|--|
| LKM1476 | 19m @ 0.67% Co from surface | 12m @ 0.95% Co from 1m depth 9m @ 1.02% Co from 1m depth 4m @ 1.40% Co from 6m depth |
| | 12m @ 1.02% Ni from 1m depth | 4m @ 1.24% Ni from 6m depth |
| LKM1478 | 13m @ 0.53% Co from 9m depth | 5m @ 0.76% Co from 12m depth 1m @ 1.00% Co at 12m depth & 1m @ 1.39% Co at 16m depth |
| LKM1483 | 6m @ 0.82% Co from surface | 5m @ 0.80% Co from surface 2m @ 1.09% Co from surface |
| LKM1464 | 5m @ 0.81% Co from surface | 5m @ 0.81% Co from surface 3m @ 1.07% Co from 1m depth |
| | 5m @ 1.06% Ni from surface | 3m @ 1.31% Ni from 2m depth |
| LKM1300 | 17m @ 0.51% Co from surface | 10m @ 0.75% Co from 5m depth 4m @ 0.95% Co from 8m depth 2m @ 1.03% Co from 10m depth 1m @ 1.03% Co at 8m depth |
| | 16m @ 1.00% Ni from 2m depth | 4m @ 1.30 % Ni from 13m depth |
| LKM1296 | 9m @ 0.51% Co from 1m depth | 5m @ 0.78% Co from 3m depth 2m @ 1.09% Co from 3m depth |
| | 7m @ 1.03% Ni from 1m depth | 4m @ 1.25% Ni at 3m depth |
| LKM1097 | 11m @ 0.46% Co from 2m depth | 6m @ 0.62% Co from 6m depth 1m @ 1.55% Co at 9m depth |
| | 9m @ 1.00% Ni from 2m depth | 2m @ 1.10% Ni at 8m depth |
| LKM1429 | 20m @ 0.33% Co from 2m depth | 10m @ 0.50% Co from 8m depth 4m @ 0.64% Co from 9m depth |
| | 20m @ 0.87% Ni from 2m depth | 10m @ 1.13% Ni at 8m depth 5m @ 1.33% Ni at 9m depth |
| LKM1308 | 10m @ 0.36% Co from 1m depth | 3m @ 0.71% Co from 8m depth 1m @ 1.29% Co at 9m depth |
| LKM1227 | 13m @ 0.32% Co from surface | 10m @ 0.40% Co from surface 5m @ 0.52% Co from 5m depth |
| LKM1029 | 12m @ 0.30% Co from 13m depth | 8m @ 0.42% Co from 17m depth 6m @ 0.50% Co from 17m depth 4m @ 0.65% Co from 18m depth |



| | | |
|----------------|-------------------------------|---|
| | | 2m @ 0.76% Co from 20m depth |
| LKM1276 | 22m @ 0.27% Co from 1m depth | 9m @ 0.51% Co from 1m depth 5m @ 0.78% Co from 1m depth 2m @ 1.09% Co from 3m depth |
| | 7m @ 1.03% Ni from 1m depth | 3m @ 1.31 % Ni from 3m depth |
| LKM1080 | 21m @ 0.25% Co from 6m depth | 9m @ 0.40% Co from 16m depth 6m @ 0.50% Co from 17m depth |
| | 9m @ 1.00% Ni from 16m depth | 5m @ 1.26% Ni from 19m depth |
| LKM1247 | 24m @ 0.21% Co from surface | 14m @ 0.30% Co from 6m depth 4m @ 0.50% Co from 6m depth 1m @ 0.58% Co at 6m depth 1m @ 0.65% Co at 8m depth |
| LKM1073 | 18m @ 0.20% Co from surface | 11m @ 0.31% Co from 2m depth 4m @ 0.41% Co from 2m depth 1m @ 1.04% Co at 2m depth |
| LKM1312 | 15m @ 0.28% Co from 6m depth | 5m @ 0.55% Co from 12m depth |
| | 16m @ 0.89% Ni from 6m depth | 6m @ 1.17% Ni from 14m depth |
| LKM1344 | 12m @ 0.24% Co from surface | 4m @ 0.40% Co from 3m depth |
| | 5m @ 0.83% Ni from 3m depth | 2m @ 1.17% Ni at 3m depth |
| LKM1021 | 14m @ 0.22% Co from 1m depth | 7m @ 0.32% Co from 3m depth 3m @ 0.54% Co from 3m depth 1m @ 0.96% Co from 3m depth |
| LKM1270 | 14m @ 0.20% Co from 4m depth | 3m @ 0.34% Co from 11m depth |
| | 7m @ 0.80% Ni from 12m depth | 1m @ 1.16% Ni at 13m depth |
| | 11m @ 0.98% Ni from 23m depth | 1m @ 1.26% Ni at 17m depth 1m @ 1.27% Ni at 30m depth |

Table 1: Selected assay results received from Australian Mines' Resource expansion drilling program, within the Company's 100%-owned Sconi Project in North Queensland¹⁴.

¹⁴ These assays represent the intersections from drill holes discussed in the body of Australian Mines/ January 2019 announcement. There were simply too many positive assay results from the 1,057-hole (28,665 metre) drill program over the Lucknow deposit at Sconi to summarise in a single announcement. In selecting the drill holes (and corresponding assays) for this report, Australian Mines identified holes that appeared representative of the larger drill program, thus enabling a reader to form a considered and balanced judgement of this report.



Scandium Research & Development

Australian Mines announced its second major scandium research partnership in the period, having agreed to collaborate with leading academic researchers at the Amrita Centre for Research and Development and the award-winning Amrita Vishwa Vidyapeetham¹⁵ on work being conducted around the use of scandium in the next generation metal hydride batteries and hydrogen storage applications.

This Australian Mines-funded research is assessing the potential for scandium-magnesium alloys as a new class of high-capacity ternary alloy to improve the energy storage capacity in the next generation of nickel metal hydride batteries for application in both the mainstream electric vehicle passenger market and, perhaps more importantly, storage of hydrogen to provide a practical solution to the increasing demand for such technologies for higher energy use applications in heavy transport¹⁶.

Australian Mines also continues its joint research with United Kingdom-based technology company Metalysis, to produce a cost-competitive aluminium-scandium alloy¹⁷ for use in the automotive manufacturing sector.

As part of this research, Australian Mines provided Metalysis with an initial quantity of scandium oxide with purity in excess of 99.9% (or 3N). The oxide has met all chemical and physical requirements to be ideal for use in an aluminium-scandium feedstock to support master alloy development and in the December quarter, Australian Mines and Metalysis mutually agreed to progress the R&D work to Phase II¹⁸ of the program.

The Phase II work program involves optimising product quality, scaling up test work, and further analyses to determine the alloy's compositional characteristics and performance.

The Company has a number of other confidential research projects in progress involving the application of aluminium-scandium alloys in various industrial sectors. In support of this research, Australian Mines produced 632 kilograms of aluminium-scandium (2%) master alloy during the December 2018 quarter with the assistance of a USA-based alloy company.

Australian Mines intends to continue to operate its demonstration-scale processing plant in Western Australia for the purpose of supplying high-purity scandium oxide (and aluminium-scandium master alloy) to the Company's research partners and potential off-take partners over the course of the year.

¹⁵ Amrita Vishwa Vidyapeetham is one of the fastest growing institutions of institutions of higher learning in India and was ranked No.1 Private University in India in the Times Higher Education Supplement

¹⁶ Niessen and Notten, *Electrochemical and Solid-State Letters* 8 (2005)

¹⁷ Australian Mines Limited, Australian Mines enters international research partnership to develop next-generation scandium alloy, released 11 June 2018

¹⁸ Australian Mines Limited, Australian Mines' scandium oxide verified by Metalysis for Phase II development of next-generation scandium alloy, released 7 November 2018



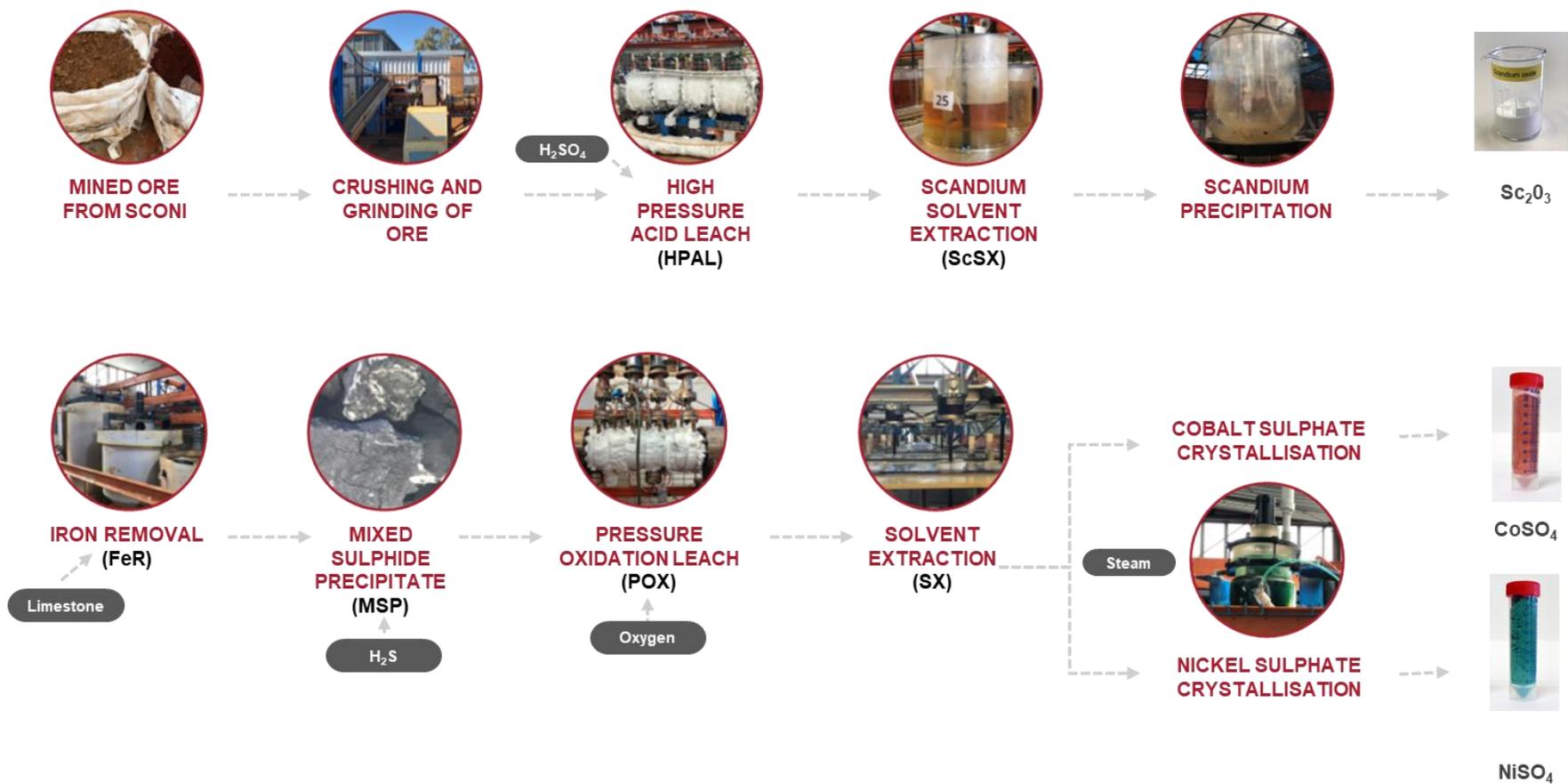


Figure 1: Australian Mines' proposed process flow diagram for the 2 million tonne per annum HPAL and SX plant for Sconi. This process will be a replica of that optimised through the development and operation of the demonstration-size plant in Western Australia.

Photos taken at Australian Mines' demonstration size processing plant in Perth, Australia.



Flemington Cobalt-Nickel-Scandium Project

Australian Mines' 100%-owned Flemington Cobalt-Nickel-Scandium Project located 370 kilometres west of Sydney (New South Wales) contains an initial Mineral Resource of 2.5 million tonnes at 0.103% cobalt and 403ppm scandium in the Measured category; and 0.2 million tonnes at 0.076% cobalt and 408ppm scandium in the Indicated category¹⁹.

Australian Mines believes significant potential remains to materially expand the current Mineral Resource, given that only 1% of the prospective geology at Flemington has been comprehensively tested to date²⁰.

The fact that Canadian (TSX-V)-listed Cobalt 27 Capital Corp^{21,22}, a boutique cobalt-focused trading house, recently purchased the 1.5% gross sales royalty on any future production from Flemington is a strong indication to Australian Mines that its confidence in the commercial potential of the project is shared by others.

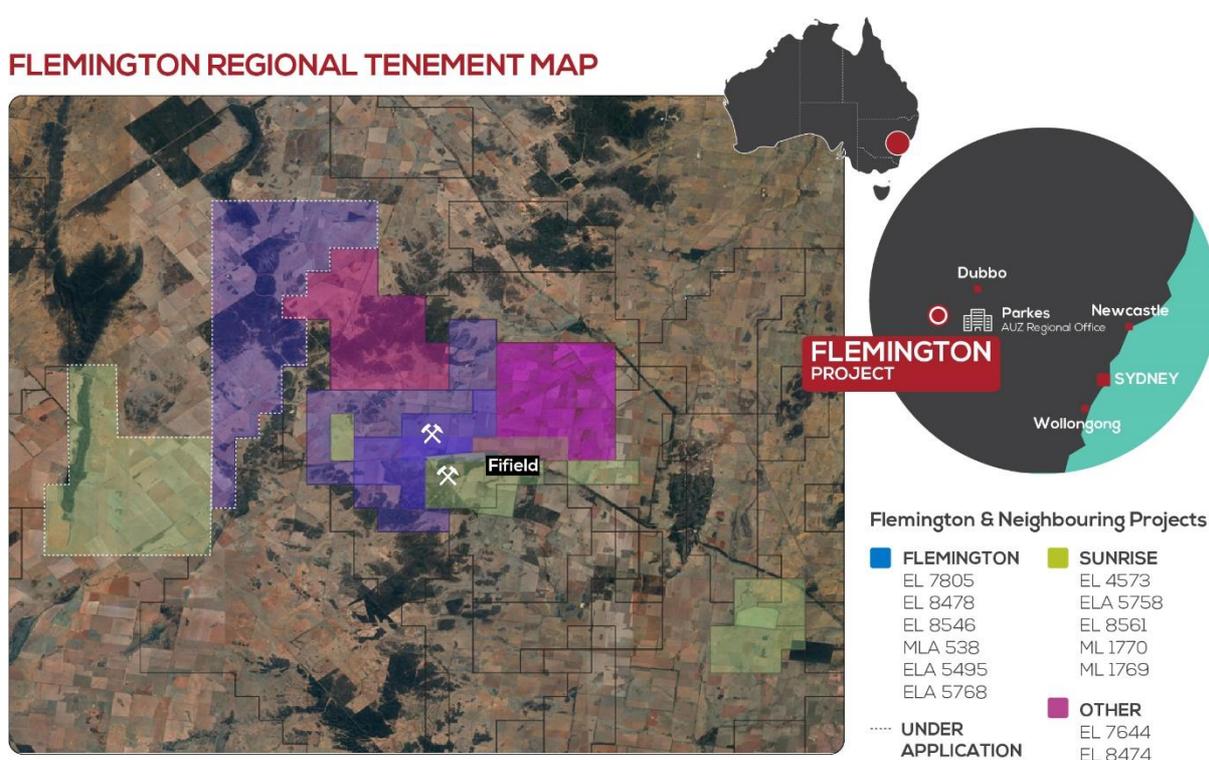


Figure 2: Map showing Australian Mines' strategic landholding at the Flemington Cobalt-Nickel-Scandium Project in New South Wales and the neighbouring tenement positions of other Cobalt focused companies in this highly prospective district.

¹⁹ The Company is not aware of any new information or data that materially affects the information included in the market announcement released by the Company on 31 October 2017 in respect of the Flemington Project and all material assumptions and technical parameters underpinning the mineral resource estimates in that announcement continue to apply and have not materially changed

²⁰ Australian Mines Limited, Maiden Mineral Resource confirms Flemington Project's cobalt credentials, released 31 October 2017

²¹ Cobalt27 (TSXV: KBLT), Corporate Presentation, January 2019

²² Jervois Mining Limited, Jervois Mining finalises agreement for US\$4.5 million royalty sale to Cobalt 27, released 29 June 2018

Thackaringa Cobalt Project

Australian Mines' 100%-owned Thackaringa Project is a pure cobalt exploration play that immediately adjoins Cobalt Blue Holdings' Pyrite Hill / Railway / Big Hill Project located near Broken Hill in New South Wales.

With the Company's exploration team focused on resource expansion drilling for its flagship Sconi Project, limited field work was consequently undertaken over the Thackaringa Project during the December quarter.

The focus of a future drilling program at Thackaringa will be the multiple potential cobalt targets identified in the north of the project area²³. This would include *Target Area A* (see Figure 3), where at least one of the bodies has been independently confirmed as a *Priority One* target²⁴.

THACKARINGA PROJECT Tenement MAP

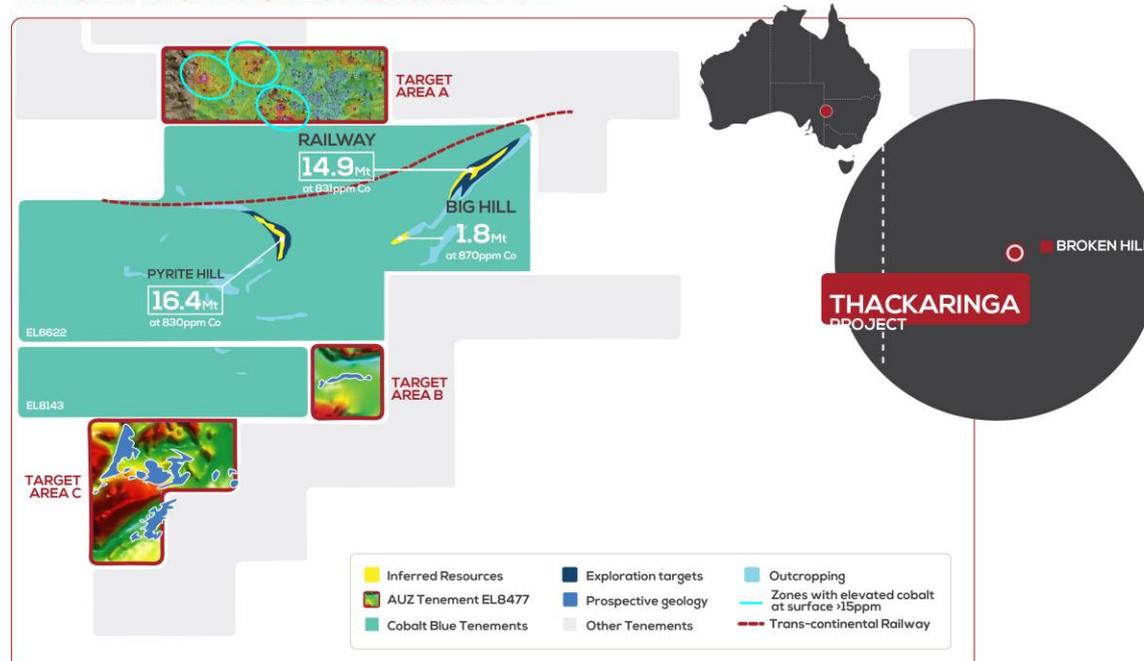


Figure 3: Australian Mines' Thackaringa project in central New South Wales, Australia showing the location of priority target areas within *Target Area A* where a close-spaced geochemical sampling program by the Company identified zones of highly elevated cobalt levels.

²³ Australian Mines Limited, Large-scale cobalt-in-soil anomalies at Thackaringa, released 29 May 2018

²⁴ This classification is due to the anomaly having a similar surface geochemical signature and geophysical response as that observed across areas of known mineralisation in neighbouring tenements
For more information on the target and the rationale behind the classification system, please refer to:
Australian Mines Limited, High-priority conductors detected at Thackaringa Project, released 7 March 2018

Corporate Activity

CFO appointment

Highly experienced public company finance professional, Mr Marcus Hughes, was appointed to the position of Chief Financial Officer (CFO) during the quarter²⁵.

With more than 20 years of relevant experience in a listed company environment including 8 years as a Finance Group Manager with major iron ore producer Fortescue Metals Group, Marcus is well-credentialed in project financing.

2017-18 R&D tax rebate

The Company received a rebate from the Australian Taxation Office of \$1,911,075 in the period in relation to the Company's research and development (R&D) expenditure during the 2017-18 financial year²⁶.

This rebate is in addition to the \$295,765 R&D tax rebate received in October 2018 and relates to continued development work completed at Australian Mines' demonstration-scale High-Pressure Acid Leach (HPAL) and solvent extraction (SX) plant²⁷ located in Perth, Western Australia, in conjunction with Simulus Group's laboratories.

Australian Mines continues to conduct work at the demonstration plant based in Welshpool, which is owned by the Company and operated in conjunction with Simulus Laboratories under the management of our Chief Operating Officer.

The demonstration plant continues to attract interest from other battery materials project developers seeking to process their own lateritic ore with the HPAL + SX circuit. Australian Mines views this interest from other ASX-listed resource companies as confirmation that the Company is pursuing the most appropriate processing flowchart for its Sconi Project.

²⁵ Australian Mines Limited, AUZ appoints highly credentialed Chief Financial Officer, released 16 November 2018

²⁶ Australian Mines Limited, \$1.9 million received from Commonwealth Government, released 15 January 2019

²⁷ Australian Mines Limited, Construction commences of processing plant, released 15 May 2017



Spin-out of Norwest Minerals

The process to spin-out and list Norwest Minerals Limited²⁸ on the Australian Securities Exchange was successfully implemented during the reporting period, with official quotation of Norwest's ordinary fully paid shares commencing on 29 November 2018 (ASX Code NWM).

Australian Mines is currently the largest shareholder in Norwest, holding 18 million NWM shares, which equates to a 28.63% stake in the copper and gold focused company.

The Company's NWM shares are escrowed for 24 months to 27 November 2020.

Establishment of new corporate headquarters

Australian Mines made the decision to relocate the registered office address of the Company to Brisbane²⁹ in the December quarter to better reflect the current focus on developing the Sconi Project, located near Greenvale in North Queensland.

The Company's headquarters are now located at Level 34, 1 Eagle Street in Brisbane. Australian Mines also anticipates that a regional operational office will be opened in the Greenvale / Townsville / Charters Towers area during the course of the coming year.

*****ENDS*****

For further information:

Shareholders contact:

Sophia Bolhassan

Investor Relations Manager

Ph: +61 488 022 944

E: sbolhassan@australianmines.com.au

Media contact:

Michael Cairnduff

Cannings Purple

Ph: + 61 406 775 241

E: mcairnduff@canningspurple.com.au



²⁸ Australian Mines Limited, Norwest Minerals Spin-off and listing implemented, released 29 November 2018

²⁹ Australian Mines Limited, Change of registered office address, released 23 November 2018

Appendix 1: Mineral Resource Estimates and Ore Reserves

Sconi Cobalt-Nickel-Scandium Project – Mineral Resource (Effective 20 November 2018)

| Classification | Tonnes (million tonnes) | Nickel equivalent (%) | Nickel (%) | Cobalt (%) |
|----------------|----------------------------|-----------------------------|---------------|---------------|
| Measured | 4.80 | 0.99 | 0.85 | 0.07 |
| Indicated | 9.71 | 0.87 | 0.77 | 0.05 |
| Inferred | 7.11 | 0.62 | 0.53 | 0.04 |
| TOTAL | 21.61 | 0.82 | 0.71 | 0.05 |

Table 2: Greenvale Mineral Resource

Lower cut-off grade: Nickel equivalent 0.45%³⁰

| Classification | Tonnes (million tonnes) | Nickel equivalent (%) | Nickel (%) | Cobalt (%) |
|----------------|----------------------------|-----------------------------|---------------|---------------|
| Measured | 1.61 | 0.90 | 0.54 | 0.12 |
| Indicated | 4.51 | 0.91 | 0.46 | 0.15 |
| Inferred | 1.39 | 0.73 | 0.47 | 0.09 |
| TOTAL | 7.51 | 0.87 | 0.48 | 0.13 |

Table 3: Lucknow Mineral Resource

Lower cut-off grade: Nickel equivalent 0.40%

| Classification | Tonnes (million tonnes) | Nickel equivalent (%) | Nickel (%) | Cobalt (%) |
|----------------|----------------------------|-----------------------------|---------------|---------------|
| Measured | 1.62 | 1.17 | 0.73 | 0.15 |
| Indicated | 19.37 | 0.83 | 0.57 | 0.09 |
| Inferred | 7.48 | 0.70 | 0.53 | 0.07 |
| TOTAL | 28.47 | 0.81 | 0.57 | 0.09 |

Table 4: Kokomo Mineral Resource

Lower cut-off grade: Nickel equivalent 0.45%

³⁰ The breakeven cut-off grade was determined to be between 0.5% to 0.6% nickel equivalent using the formula $\rightarrow \text{Nickel equivalent (\%)} = [(\text{Ni grade} \times \text{Ni price} \times \text{Ni recovery}) + (\text{Co grade} \times \text{Co price} \times \text{Co recovery})] \div (\text{Ni price} \times \text{Ni recovery})$ Where: nickel price = 23,516 AUD, cobalt price = 88,185 AUD, Nickel Recovery = 90%, Cobalt Recovery = 90%.



For personal use only

Sconi Cobalt-Nickel-Scandium Project – Ore Reserve (Effective 20 November 2018)

| Classification | Ore (million tonnes) | Nickel (%) | Cobalt (%) | Scandium (ppm) |
|----------------|-------------------------|-------------|-------------|----------------|
| Proven | 6.93 | 0.79 | 0.10 | 45 |
| Probable | 26.97 | 0.63 | 0.10 | 42 |
| Total | 33.89 | 0.67 | 0.10 | 42 |

Table 5: Sconi Project Ore Reserve summary³¹.

Approximately 20% of the Ore Reserves are classified as Proven and 80% are classified as Probable.

³¹ The Mineral Resource Figures in Tables 2 to 4 are inclusive of the Ore Reserve figures in Table 6. It should be noted that the Proven and Probable Reserves detailed in Table 6 are inclusive of allowance for mining dilution and ore loss.

For personal use only



Appendix 2: Competent Persons' Statements

Sconi Cobalt-Nickel-Scandium Project

The Mineral Resource and Ore Reserve for the Sconi Cobalt-Nickel-Scandium Project contained within this document is reported under JORC 2012 Guidelines. This Mineral Resource and Ore Reserve was first reported by Australian Mines Limited on 20 November 2018. There has been no Material Change or Re-estimation of the Mineral Resource or Ore Reserve since this 20 November 2018 announcement by Australian Mines Limited.

The information in this report that relates to Mineral Resources is based on, and fairly reflects, information compiled by Mr David Williams, a Competent Person, who is an employee of CSA Global Pty Ltd and a Member of the Australian Institute of Geoscientists. Mr Williams has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources, and Ore Reserves (JORC Code). Mr Williams consents to the disclosure of information in this report in the form and context in which it appears.

The information in this report that relates to Ore Reserves is based on, and fairly reflects, information compiled by Mr Jake Fitzsimons, a Competent Person, who is an employee of Orelogy Consulting Pty Ltd and a Fellow of the Australian Institute of Mining and Metallurgy. Mr Fitzsimons has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources, and Ore Reserves (JORC Code). Mr Fitzsimons consents to the disclosure of information in this report in the form and context in which it 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 Limited.

Information in this report that relates to Flemington 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.



For personal use only

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.

For personal use only



Appendix 3: Tenement Information

Mining tenements held at end of the quarter

| 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% |



For personal use only

| | | | | |
|-----------------|-------------|-----------|---------|------|
| Queensland | Sconi | EPM 26577 | Granted | 100% |
| Queensland | Sconi | EPM 26578 | Granted | 100% |
| Queensland | Sconi | EPM 26579 | Granted | 100% |
| Queensland | Sconi | EPM 26559 | Granted | 100% |
| New South Wales | Flemington | EL 7805 | Granted | 100% |
| New South Wales | Flemington | EL 8546 | Granted | 100% |
| New South Wales | Flemington | EL 8478 | Granted | 100% |
| New South Wales | Flemington | MLA 538 | Pending | - |
| New South Wales | Flemington | ELA 5495 | Pending | - |
| New South Wales | Thackaringa | EL 8477 | Granted | 100% |

Mining tenements acquired and disposed of during the quarter

| Location | Project | Tenement | Status | Interest | Comments |
|-----------------|----------------|-----------------|---------------|-----------------|-----------------|
| - | - | - | - | - | - |



Beneficial percentage interests held in farm-in or farm-out agreements at end of the quarter

| Location | Project | Agreement | Parties | Interest | Comments |
|-----------------|----------------|------------------|----------------|-----------------|-----------------|
| - | - | - | - | - | - |

Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the quarter

| Location | Project | Agreement | Parties | Interest | Comments |
|-----------------|----------------|------------------|----------------|-----------------|-----------------|
| - | - | - | - | - | - |

For personal use only

