AUSTRALIAN MINES LIMITED

CONSOLIDATED INTERIM FINANCIAL REPORT

HALF YEAR ENDED 31 DECEMBER 2018

CONTENTS

DIRECTORS' REPORT

The Directors present their report together with the Consolidated Interim Financial Report of Australian Mines Limited ("the Company" or "Australian Mines") and its controlled entities ("the Group" or "AUZ") for the six months ended 31 December 2018.

DIRECTORS

The Directors of the Company at any time during or since the end of the interim period are:

Michael Ramsden – Chairman, Non-Executive Director

Benjamin Bell – Managing Director

Mick Elias – Non-Executive Director

Dominic Marinelli – Non-Executive Director

Oliver Carton – Company Secretary

REVIEW OF EVENTS

Highlights

The six months to 31 December 2018 was a period of significant progress for Australian Mines as it advanced its 100%-owned Sconi Cobalt-Nickel-Scandium Project towards a Final Investment Decision through the release of Bankable Feasibility Study on the Project in November 2018 as well as subsequent update in the Sconi Mineral Resource Estimate.

SCONI COBALT-NICKEL-SCANDIUM PROJECT

Australian Mines continued to build momentum with pre-development work in the reporting period, as the Company prepares to transition its flagship Sconi Project from the study phase through the project financing stage, with full-scale development to follow.

The Company continued productive commercial-in-confidence discussions with Korean-headquartered SK Innovation, along with negotiations with potential debt funding providers.

Australian Mines' Sconi Project is expected to be one of the most competitive cobalt-producing nickel projects in the world, according to an independent Market Study[1] by CRU International.

Australian Mines achieved Prescribed Project status for the Sconi Project[2] in January 2019, which will assist in the streamlining of any remaining development approvals, while the Company also moved to acquire freehold land[3] in Greenvale in a first step towards delivering on its promise of employing local, living local and buying local.

A Resource expansion drilling program was completed at Sconi in the second half of 2018, which was designed to drill out under-explored and extensional areas of the mineralisation as well as further testing the overall extent of mineralisation. This drilling program returned high-grade intersections of cobalt and nickel mineralisation[4], significantly boosting the scale of mineral endowment within the Company's tenement package.

With the publishing of a Bankable Feasibility Study (BFS) on Sconi in November 2018[5], Australian Mines demonstrated the strong commercial case for the development of a central 2 million tonne per annum processing plant to be fed by open pit mining operations at Sconi.

[1] Australian Mines Limited, Study places Sconi as low-cost cobalt and nickel producer, released 12 February 2019
[2] Australian Mines Limited, Queensland Government provides Sconi Prescribed Project status, released 25 January 2019
[3] Australian Mines Limited, Land acquisition reinforces AUZ's commitment to Sconi, released 22 January 2019
[4] Australian Mines Limited, Growth potential of Sconi Cobalt-Nickel Project continues, released 21 January 2019
[5] Australian Mines Limited, BFS supports strong commercial case for developing Sconi, released 20 November 2018

DIRECTORS' REPORT

Key financial metrics modelled in the BFS included: $512 million average annual revenue; $295 million average annual EBITDA; and a 5.2-year payback period. Detailed modelling of the proposed development also indicated 500 jobs would be created during the construction phase at Sconi followed by 300 full time positions once the operation reached steady-state.

Australian Mines continues to operate its demonstration-size processing plant in Perth, Western Australia, where it set a benchmark in July 2018 with the largest sample of cobalt sulphate and nickel sulphate exported from Australia, which was produced from the plant using Sconi ore[1].

OTHER PROJECTS AND CORPORATE ACTIVITY

Australian Mines' project portfolio includes the Flemington Cobalt-Nickel-Scandium Project in central New South Wales, where the Company completed the acquisition of 100% interest in the Project in December 2018[2]. This dominant landholding in the prospective Flemington-Sunrise (Fifield) region of NSW provides an opportunity to significantly increase the current Mineral Resource at Flemington over the coming quarters by a targeted drilling program.

The process to spin-out and list Australian Mines' previous gold and copper assets in Western Australia on the ASX was successfully implemented[3] in the period, with official quotation of Norwest Minerals Limited's ordinary fully paid shares commencing on 29 November 2018 (ASX Code: NWM). The Company is currently the largest shareholder in Norwest, holding 18 million NWM shares, which equates to a 28.63% stake that is escrowed for 24 months to 27 November 2020.

REVIEW OF OPERATIONS

The Group made a loss for the six months ended 31 December 2018 of $5,561,253. This compares with a loss of $1,539,319 for the six months ended 31 December 2017.

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

FINANCIALS	Six months ended 31 December 2018 $000	Six months ended 31 December 2017 $000
Revenue from operating activities	-	-
Net loss	(5,561)	(1,539)
Cash and cash equivalents	587	16,078

[1]Australian Mines, AUZ to export largest sample of battery-grade material from Australia, released 2 July 2018
[2]Jervois Mining Limited, NSW government approval to transfer Flemington to AUZ, released 6 December 2018
[3]Australian Mines Limited, Norwest Minerals Spin-off and listing implemented, released 29 November 2018

DIRECTORS' REPORT

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration required under Section 307C of the Corporation's Act 2001 is set out on page 4 and forms part of the director's report for the six months ended 31 December 2018.

Signed in accordance with a resolution of Directors

Benjamin Bell

Benjamin Bell

Managing Director
Perth

Dated: 13 March, 2019

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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF AUSTRALIAN MINES LIMITED

As lead auditor for the review of Australian Mines Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd

Perth, 13 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Notes	31 December 2018 $000	31 December 2017 $000
Personnel expenses		(844)	(319)
Share based payment expense	14	(444)	(208)
Exploration expenditure	9	(103)	(97)
Depreciation and amortisation		(26)	(4)
Corporate overheads and indirect expenses	10	(1,535)	(914)
Covertible notes finance charges	18	(2,613)	-
Results from operating activities		**(5,565)**	**(1,542)**
Finance income		4	3
Net finance income		**4**	**3**
Loss before income tax		**(5,561)**	**(1,539)**
Income tax		-	-
Loss after income tax from continuing operations		**(5,561)**	**(1,539)**
Total comprehensive loss for the period		**(5,561)**	**(1,539)**
Basic loss per share (cents)		(0.1904)	(0.0666)
Diluted loss per share (cents)		(0.1904)	(0.0666)

The notes on pages 9 to 18 are an integral part of the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Notes	Issued Capital $000	Accumulated Losses $000	Share Option Reserve $000	Share Based Payment Reserve $000	Total Equity $000
Opening balance at 1 July 2018		**67,076**	**(41,820)**	**168**	**2,845**	**28,269**
Total comprehensive income for the period:						
(Loss) for the period		-	(5,561)	-	-	(5,561)
Transactions with owners, recorded directly in equity:						
Shares issued during the period		6,307	-	-	-	6,307
Transaction costs from issue of shares		(38)	-	-	-	(38)
Share based payment transactions		-	-	-	445	445
Convertible Notes	18	-	-	326	-	326
Closing balance at 31 December 2018		**73,345**	**(47,381)**	**494**	**3,290**	**29,748**

	Issued Capital $000	Accumulated Losses $000	Share Option Reserve $000	Share Based Payment Reserve $000	Total Equity $000
Opening balance at 1 July 2017	**45,062**	**(36,497)**	**168**	**1,404**	**10,137**
Total comprehensive income for the period:					
(Loss) for the period	-	(1,539)	-	-	(1,539)
Transactions with owners, recorded directly in equity:					
Shares issued during the period	23,500	-	-	-	23,500
Transaction costs from issue of shares	(1,456)	-	-	-	(1,456)
Share based payment transactions	-	-	-	257	257
Closing balance at 31 December 2017	**67,106**	**(38,037)**	**168**	**1,662**	**30,899**

The notes on pages 9 to 18 are an integral part of the consolidated interim financial statements.

AUSTRALIAN MINES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	31 December 2018 $000	30 June 2018 $000
CURRENT ASSETS			
Cash and cash equivalents	11	587	8,985
Trade and other receivables	11	2,538	388
Assets classified as held for sale		-	3,704
TOTAL CURRENT ASSETS		**3,125**	**13,077**
NON-CURRENT ASSETS			
Exploration and evaluation assets	9	25,358	18,551
Property, plant and equipment		224	121
Investments In Associates	12	3,177	-
Intangibles		5	-
TOTAL NON-CURRENT ASSETS		**28,764**	**18,672**
TOTAL ASSETS		**31,889**	**31,749**
CURRENT LIABILITIES			
Trade and other payables	11	470	3,388
Loans and Borrowings	18	1,480	-
Employee benefits		146	92
TOTAL CURRENT LIABILITIES		**2,096**	**3,480**
NON-CURRENT LIABILITIES			
Employee Benefits		45	-
TOTAL NON-CURRENT LIABILITIES		**45**	**-**
TOTAL LIABILITIES		**2,141**	**3,480**
NET ASSETS		**29,748**	**28,269**
EQUITY			
Contributed equity	13	73,345	67,076
Reserves		3,784	3,013
Accumulated losses		(47,381)	(41,820)
TOTAL EQUITY		**29,748**	**28,269**

The notes on pages 9 to 18 are an integral part of the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Notes	31 December 2018 $000	30 June 2018 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments to suppliers and employees		(3,322)	(1,873)
Interest received		4	3
Net cash used in operating activities		**(3,318)**	**(1,870)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation		(8,984)	(8,732)
Payments for property, plant and equipment		(59)	(3)
Net cash used in investing activities		**(9,043)**	**(8,735)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		3,963	22,044
Net cash provided by financing activities		**3,963**	**22,044**
Net increase/(decrease) in cash held		**(8,398)**	**11,439**
Cash at the beginning of the period		**8,985**	**4,639**
Cash at the end of the period		**587**	**16,078**

The notes on pages 9 to 18 are an integral part of the consolidated interim financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

1 REPORTING ENTITY

Australian Mines Limited (the "Company", "AUZ") is a company domiciled in Australia. The address of the Company's registered office is Level 34, 1 Eagle Street, Brisbane, Queensland 4000 Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2018 comprises the Company and its subsidiaries (together referred to as the "Group").

The Group is a for-profit entity and is primarily involved in the exploration for gold and base metals in Australia.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2018 is available upon request from the Company's registered office or at www.australianmines.com.au

2. GOING CONCERN

The Consolidated Entity has incurred a net loss for the period of $5,561,252 and had net cash outflows from operating activities of $3,318,036.

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.

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:

- On 27 February 2019 the Company announced it had raised $5 million at a price of $0.029 per share.
- 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.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

3. STATEMENT OF COMPLIANCE

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2018. The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2018.

This consolidated interim financial report was approved by the Board of Directors on 13 March 2019.

4. SIGNIFICANT ACCOUNTING POLICIES

Investment in associates

Interests in associates are accounted for using the equity method. Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Groups share of the profit or loss of the associate.

All other accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2018, except for those discussed in Note 5 below.

5. CHANGES IN ACCOUNTING POLICY

New and amended standards adopted by the Company

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2019 annual report as a consequence of these amendments.

AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)

The Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

5. CHANGES IN ACCOUNTING POLICY (CONT.)

The adoption of AASB 9 does not have a material impact on the Group's financial instruments.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).

This Standard has replaced the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 has applied to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard requires retrospective restatement, as well as enhanced disclosures regarding revenue.

The adoption of AASB 15 does not have a material impact on the Group's revenue recognition and disclosures.

Impact of standards issued but not yet applied by the entity

There were no new standards issued since 30 June 2018 that have been applied by the Company. The 30 June 2018 annual report disclosed that the Company anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2018.

6. ESTIMATES

The preparation of the consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2018.

7. JUDGEMENTS

Asset acquisitions

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

7. JUDGEMENTS (CONT.)

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.

Share based payments

In calculating the value of the share-based payment in note 14, the expiry date applied to the director and key management personnel share loan plan of 2 years, 3 years and 4 years is a significant judgement made by the directors based on the vesting periods and volatility of the shares.

Investment in associates

In absence of control, the Group will use equity account for Norwest Minerals Limited. The Group has 28% of voting rights in Norwest and has only one common board member. As such it has been determined that control can not be exercised.

Convertible Note

Due to the short-term nature and subsequent termination of the convertible note agreement the face value of outstanding notes as at 31 December 2018 approximates the fair value of the instrument.

8. SEGMENT INFORMATION

The Company only operates in a single reportable geographical segment. As a result, no additional segment information provided.

9. EXPLORATION AND EVALUATION ASSETS

Reconciliations of the carrying amounts for each class of exploration and evaluation expenditure are set out below:

	31 December 2018	30 June 2018
	$000	**$000**
Exploration and evaluation		
Opening balance July	18,551	5,580
Acquisition of tenements	4,000	8,031
Expenditure incurred	4,946	9,100
Expenditure expensed	(103)	(456)
Reclassified as assets held for sale	-	(3,704)
R&D Refund	(2,036)	-
Exploration costs carried forward	**25,358**	**18,551**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

9. EXPLORATION AND EVALUATION ASSETS (CONT.)

In the 2018 financial year, the Company acquired 100% interest in the Sconi Cobalt-Nickel- Scandium Project from Metallica Minerals Ltd. The transaction included cash payments totalling $4.5 million. A further $1.5 million in Australian Mines Limited shares were issued upon completion of its Bankable Feasibility Study. 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.

During the period the Company paid the final tranche of $3.4 million to Jervois mining to acquire 100% in Flemington Cobalt-Nickel-Scandium Project. The acquisition of this project has been treated as an asset acquisition, please refer to note 7.

Various other tenement purchases have been made during the year and further details are available in the Directors Report.

The 2017 research and development tax offset was received during the period and 2018 R&D tax offset has been lodged (Refer to Note 15 – Events occurring after the reporting period for more details).

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.

10. CORPORATE OVERHEADS AND INDIRECT EXPENSES

	31 December 2018 $000	31 December 2017 $000
Insurance	29	8
Travel and Accommodation	156	78
Legal Fees	88	62
Accounting, Tax and Audit Services	142	148
Share Registry Services	86	75
Conferences	89	12
Public Relations Fees	250	88
Advisors and Consultants	271	125
Recruitment	54	-
Other Fees and Services	265	241
General Administration	105	78
	1,535	**914**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

11. FINANCIAL INSTRUMENTS

The fair values of the financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position are as follows:

	Carrying Amount $000	Fair Value $000
Financial Assets		
Cash and cash equivalents	587	587
Trade and other receivables	2,538	2,538
	3,125	**3,125**
Financial Liabilities		
Trade and other payables	470	470
Convertible note (Refer note 18)	1,480	1,480
	1,950	**1,950**

Recurring fair value measurements

The Company does not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

Fair values of financial instruments not measured at fair value

Due to their short-term nature, the carrying amount of current receivables, current trade and other payables and current interest-bearing liabilities is assumed to approximate their fair value.

12. INVESTMENTS IN ASSOCIATES

Investments in Associates	$000
Investments in Associates – Norwest	3,600
Share of associate loss	(423)
Total Investments in Associates	**3,177**

On 26 November 2018, Norwest Minerals Limited issued new shares via an IPO which reduced Australian Mines Limited's shareholding to 28.63%. As a result, Australian Mines Limited has lost control of Norwest Minerals Limited and is now treated as an investment in associates.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

13. SHARE CAPITAL

Reconciliation of issued capital	31 Dec 2018 $	31 Dec 2018 No.	30 June 2018 $	30 June 2018 No.
Balance at 1 July	67,075,806	2,677,803,672	45,061,669	2,139,626,217
Costs of capital raising	(37,165)	-	(1,485,863)	-
Share placement @ $0.00 (i)	-	14,800,000	-	-
Convertible notes @ $0.046 (i)	4,446,667	96,666,667	-	-
Share placement @ $0.015	-	-	3,500,000	233,333,337
Share placement @ $0.085	-	-	20,000,000	235,294,118
Share placement @ $0.0892	1,500,000	16,811,916	-	-
Share placement @ $0.059 (i)	360,000	6,101,695	-	-
Director & Key Employee Share Plan	-	-	-	69,550,000
Balance at end of period	**73,345,307**	**2,812,183,950**	**67,075,806**	**2,677,803,672**

(i) Refer to note 18 for further information on equity issued per the Bergen Agreement.

14. SHARE BASED PAYMENT RESERVE

	31 December 2018 No.	30 June 2018 No.
Plan Shares		
Granted 27 Nov 2017, expiring 1 June 2018 (i)	33,116,667	33,116,667
Granted 27 Nov 2017, expiring 1 June 2019 (i)	33,116,667	33,116,667
Granted 27 Nov 2017, expiring 1 June 2020 (i)	3,316,666	3,316,666
Granted 03 Dec 2018, expiring 3 Dec 2019 (ii)	2,500,000	-
Granted 03 Dec 2018, expiring 3 Dec 2020 (ii)	2,500,000	-
Granted 03 Dec 2018, expiring 3 Dec 2021 (ii)	2,500,000	-
Granted 03 Dec 2018, expiring 3 Dec 2022 (ii)	2,500,000	-
Total Plan Shares	**79,550,000**	**69,550,000**

(i) During the 2018 financial year, 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.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

14. SHARE BASED PAYMENT RESERVE (CONT.)

(ii) Issued subsequent to period-end, the Key Management Personnel were invited to apply for plan shares under the loan share plan. A limited recourse loan was provided to allow the Key Management Personnel to purchase the shares for $0.042 per share. The key management personnel plan shares are divided into 4 tranches and are subject to service period vesting conditions.

The Group measures the cost of share based payments to employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of these plan shares were determined by using the Black Scholes pricing model taking into account the terms, conditions and probability upon which the instruments were granted.

Tranche	Grant Date	Number Issued	Volatility	Value Per Right	Probability	Condition	Total Value	Vesting Period (Years)	Expected Life of Loan	Value Vested Current Period	Value Not Vested
Director Shares											
1	27/11/2017	29,800,000	75%	$0.03055	100%	Service Period	$910,423	0.5	27/11/19	$0	$0
2	27/11/2017	29,800,000	75%	$0.03055	100%	Service Period	$910,423	1.5	27/11/19	$302,378	$249,791
		59,600,000					$1,820,846			$302,378	$249,791
Key Management Personnel Shares											
1	27/11/2017	3,316,666	75%	$0.03061	100%	Service Period	$101,533	0.5	27/11/19	$0	$0
2	27/11/2017	3,316,667	75%	$0.03061	100%	Service Period	$101,533	1.5	27/11/19	$33,723	$27,858
3	27/11/2017	3,316,667	75%	$0.03895	100%	Service Period	$129,191	2.5	27/11/20	$25,838	$72,740
		9,950,000					$332,258			$59,561	$100,598

Details of the vesting conditions of the plan shares are detailed below:
Tranche 1: Service to the Company as an eligible person until 1 June 2018
Tranche 2: Service to the Company as an eligible person until 1 June 2019
Tranche 3: Service to the Company as an eligible person until 1 June 2020

Tranche	Grant Date	Number Issued	Volatility	Value Per Right	Probability	Condition	Total Value	Vesting Period (Years)	Expected Life of Loan	Value Vested Current Period	Value Not Vested
Key Management Personnel Shares											
1	3/12/2018	2,500,000	86.2%	$0.01967	100%	Service Period	$49,173	1.0	03/12/19	$3,772	$45,400
2	3/12/2018	2,500,000	86.2%	$0.02340	100%	Service Period	$58,508	2.0	03/12/20	$2,241	$56,266
3	3/12/2018	2,500,000	86.2%	$0.02626	100%	Service Period	$65,650	3.0	03/12/21	$1,677	$63,973
4	3/12/2018	2,500,000	86.2%	$0.02854	100%	Service Period	$71,355	4.0	03/12/22	$1,368	$69,987
		10,000,000					$244,685			$9,058	$235,627

Details of the vesting conditions of the plan shares are detailed below:
Tranche 1: Service to the Company as an eligible person until 03 December 2019
Tranche 2: Service to the Company as an eligible person until 03 December 2020
Tranche 3: Service to the Company as an eligible person until 03 December 2021
Tranche 4: Service to the Company as an eligible person until 03 December 2022

In accordance with his employment agreement, Marcus Hughes was issued 1,750,000 ordinary shares as a sign on bonus with a value of $0.042 per share being the closing share price on 3 December 2018.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

15. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Company advised in January 2019 that they have terminated the convertible facility with Bergen Global Opportunity Fund.

Bergen Global Opportunity fund has exercised their option to acquire 14,800,000 Collateral shares at $0.031 per share. The payment was made on 7th February 2019 totalling $458,800.

In January 2019 the Company acquired 13 acres of freehold land within the town of Greenvale, Queensland. The land will be used to construct housing and community social infrastructure to support a predominantly residential workforce.

The 2018 Research and Development refundable offset of $1.9 million was received in January 2019.

On 27 February 2019 the Company announced it had raised $5 million at a price of $0.029 per share.

There have been no other material events subsequent to 31 December 2018.

16. 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 Group'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 Group.

There have been no other changes to contingencies in the six months ended 31 December 2018 other than the deferred consideration for the Sconi asset acquisition disclosed in note 9.

17. RELATED PARTIES

During the half year period, Australian Mines Limited reimbursed Terrain Capital Unit Trust for various Director expenses. Non-executive Directors, Mr M Ramsden and Mr D Marinelli, are Directors of Terrain Capital Limited. Total expense incurred for the period was $8,085 (incl GST).

Australian Mines Limited has made share based payments to Marcus Hughes as per note 14 above and recognise him as Key Management Personnel of the group.

All other related parties are consistent to 30 June 2018.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

18. LOANS & BORROWINGS

The Group executed an investment agreement with Bergen Global Opportunity Fund II, LLC in September 2018. Under the terms of the agreement, Bergen made an initial up-front investment of $4 million followed by a second investment of $4 million and by mutual consent, a third investment of $4 million, each by way of an unsecured interest free convertible security with a 24-month maturity.

The Company paid a commencement fee of $360,000 which was satisfied by way of issuance of 6,101,695 shares. The Company was also required to issue 14.8 million additional "collateral shares" to Bergen.

The Company granted Bergen 19.8 million two-year options, with an exercise price of 130% of the average of the daily volume weighted average prices of the Company's shares for the 20 trading days prior to the date of execution of the agreement.

Convertible note	31 December 2018 **$000**
Gross proceeds from issue of convertible note	4,000
Options issued (i)	(326)
Commencement shares issued (ii)	(360)
Conversion of notes (iii)	(4,447)
Finance charges	2,613
Carrying amount of liability	**1,480**

(i) Options issued were valued at $0.0165 per option using the Black-scholes model.

(ii) On the 11 November 2018 6,101,695 ordinary shares were issued at $0.059 each on execution of the convertible note agreement.

(iii) On 23 November 2018, ordinary shares were issued in exchange for convertible notes with a face value of $2,900,000. The fair value of these notes at conversion amounted to $4,446,667 and were satisfied by the way of issue of 96,666,667 ordinary shares at $0.046 each. Alternatively refer to note 13.

DIRECTORS' DECLARATION

In the opinion of the Directors of Australian Mines Limited ("the Company"):

(a) the financial statements and notes disclosed on pages 9 to 18 are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance, for the six months ended on that date; and

  (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors

On behalf of the Directors

Benjamin Bell

Benjamin Bell

Managing Director
Perth

Dated: 13 March, 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australian Mines Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Australian Mines Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 2 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 conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134

BDO

Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

Phillip Murdoch
Director

Perth, 13 March 2019

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