

8 December 2017

Australian Mines completes Sconi Project transaction for 100% ownership

- **Transaction completed:**
 - ✓ **Australian Mines now owns 100% of the Sconi Cobalt-Nickel Scandium Project in northern Queensland**
 - ✓ **No residual royalties or claw-backs**
 - ✓ **Enables far greater flexibility during the current off-take and project financing discussions**
- **Demonstration-size plant in Perth is nearing completion with autoclave expected this month**
- **Engineers from potential off-take partners agree with Australian Mines' cobalt sulphate and nickel sulphate processing flow-chart**

Australian Mines Limited (“Australian Mines” or “the Company”) is pleased to announce that it has completed the transaction to acquire 100% of the Sconi Cobalt-Nickel-Scandium Project in northern Queensland from its previous joint venture partner Metallica Minerals (ASX: MLM).

The transaction included the payment of \$3.5 million in cash to Metallica Minerals¹. The Company will also issue \$1.5 million worth of Australian Mines shares² to Metallica Minerals on completion of its Bankable Feasibility Study (which remains on track for delivery by April

¹ To expedite the transaction, Australian Mines agreed to pay Metallica Minerals a further \$1 million in cash for Metallica Minerals to waive and agree to the removal of the remaining Conditions Precedent, thereby enabling Australian Mines to accelerate its current off-take discussions with some globally-significant battery manufacturers.

² Calculated at the deemed issue price equal to the volume weighted average price of AUZ shares for the 30 trading days prior to the release of the Bankable Feasibility Study. Australian Mines intends to issue these shares to Metallica Minerals under Listing Rule 7.1.

2018) plus a final issue of \$5 million of Australian Mines shares (or cash³) to Metallica Minerals once the Sconi Project is in full-scale commercial production.

Australian Mines Managing Director Benjamin Bell commented: *“Securing 100% ownership of the advanced Sconi Cobalt-Nickel-Scandium Project in northern Queensland is a major strategic milestone for Australian Mines, and progresses our plans to become a significant supplier of cobalt to the emerging electric vehicle sector within the next few years.*

“Importantly for our shareholders, who continue to strongly support the Company’s positioning as a near-term producer of strategic technology metals, our acquisition of the Sconi Project has no residual royalty payments or value-depleting claw-back measures.

“Controlling 100% of the expected cobalt sulphate and nickel sulphate production from Sconi provides Australian Mines with far greater scope and flexibility during our current off-take discussions, which are now at an advanced stage, as well as project financing discussions as the Company can now ‘speak’ for the full annual production of these highly sought-after battery metals.

“Australian Mines’ focus for the remainder of 2017 and the first quarter of 2018 is on delivering the Bankable Feasibility Study on the Sconi Project, in line with its previously announced completion timing of April 2018. Recent work as part of the Bankable Feasibility Study has supported the view that the expected average feed grade at the Sconi Project to be 0.11% cobalt and 0.81% nickel for at least the first 20 years of the operation⁴.

“The Company has also made significant progress on finalising the total capital expenditure required to build the proposed open pit mine and full-scale processing facility at Sconi, as well as the forecast operating costs for the life of mine. When available in April 2018, this will allow Australian Mines to take its current project financing discussions to the next level of certainty.

³ At Metallica Minerals’ discretion. If payable in shares the price will be calculated at a deemed issue price equal to the volume weighted average price of AUZ shares for the 30 trading days prior to the commercial production date. Australian Mines intends to issue these shares to Metallica Minerals under Listing Rule 7.1.

⁴ The expected average feed grade at the Sconi Project to be 0.11% cobalt and 0.81% nickel for at least the first 20 years of the operation as per Australian Mines’ announcement titled *Technical reports*, released via the ASX platform on 31 March 2017.

There are different methods for estimating an overall mineral resource grade and an expected feed grade. When estimating the size of a mineral resource, a deposit is considered to be a single ore body zone. For the Sconi Project, the Mineral Resource estimate was calculated based on the Sconi deposit as a whole. The deposit contains both nickel and cobalt, each in varying grade levels. Some areas of the deposit contain high-grade cobalt and some areas contain low-grade cobalt. The same applies for nickel. In practice however, a deposit is not mined as if it is a single ore body. While lower grade ore is stockpiled, it is the higher-grade ore material that is targeted, mined, treated and processed. When high-grade ore is processed, the material fed into the plant is of a higher grade than the estimated overall mineral resource grade, which includes the lower grade ore. As a result, the expected feed grade is a higher percentage than the overall Mineral Resource grade.

The Sconi Project contains two zones of high-grade cobalt which will be targeted and mined. While the mineral resource estimate for the Sconi Project is 0.06% cobalt, these zones contain average feed grade of 0.11% cobalt (and 0.81% nickel).



“Australian Mines notes that most the infrastructure required to support a mining and processing operation at Sconi is already in place including power, all-weather sealed roads, exporting port facilities, and accommodation for construction and subsequent mine / plant personnel. The presence of this existing infrastructure is expected to reflect positively on the final capital expenditure costs as well as reducing the anticipated build time of the mining and processing operation at Sconi.

“The Company is also pleased to report that the demonstration-size processing plant is nearing completion with the critical autoclave components expected to arrive in Perth this month. Once commissioned, this plant will allow for the production of commercial cobalt sulphate and nickel sulphate samples to be delivered to committed partners in early 2018.

“The processing flow chart being proposed by Australian Mines has being thoroughly reviewed by engineers from the various potential off-take partners, with each engineer signing off on the process as being an approved and acceptable approach for delivering battery-grade cobalt sulphate and nickel sulphate products”.

*****ENDS*****

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