

24 January 2017

Quarterly Activities Report

Period ended 31 December 2016

HIGHLIGHTS

Sconi Scandium-Cobalt Project

- Executed a joint venture agreement to acquire up to 75% of Sconi Scandium-Cobalt Project located in northern Queensland.
- Commissioned SRK Consulting to commence initial work on Definitive Feasibility Study, with an infill drilling program to upgrade resource expected to start from March 2017

Flemington Scandium-Cobalt Project

- Signed an option agreement to acquire 100% of Flemington Scandium-Cobalt Project located in central New South Wales
- Commenced a Scoping Study, also being completed by SRK Consulting, which will define the project's economics and technical feasibility

Arunta West Copper-Gold Project

- Contracted a ground gravity survey to test North Dovers copper-gold prospect at start of 2017 field season
- Awarded \$200,000 grant by the Government of Western Australian to support co-funded drilling under the State's Exploration Incentive Scheme to test North Dovers

Corporate

- Raised \$840,000 in oversubscribed share placement to professional and sophisticated investors
- Paid "Option 2" fee to Jervois Mining in December in accordance with the option agreement for Australian Mines to acquire the Flemington Scandium-Cobalt Project

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Australian Mines Limited (“Australian Mines” or “the Company”; ASX: AUZ) is pleased to provide shareholders with its Quarterly Activities Report for the period ended 31 December 2016.

The Company continued to advance its strategy to become a global leader in the supply of scandium, following the execution of an agreement to acquire up to 75% of the Sconi Scandium-Cobalt Project in Queensland from Metallica Minerals Limited (ASX: MLM) and a second agreement to acquire 100% of the Flemington Scandium-Cobalt Project in New South Wales from Jervois Mining Limited (ASX: JRV).

The agreements were executed and announced on 10 October¹, with Australian Mines commencing early works on the Definitive Feasibility Study at the Sconi Scandium-Cobalt Project during the December quarter.

Work has also started on the Scoping Study being carried out on the Flemington Scandium-Cobalt Project. While evaluation and planning continued for further exploration at the highly prospective Doolgunna-Marymia project and an initial programme of work at the promising Arunta West project.

Managing Director, Benjamin Bell commented, “Australian Mines set a new strategic path in the December quarter to become a leading producer of the relatively rare and high-value commodity of scandium. We are pleased at the positive response we have received from our shareholders since announcing this strategy.”

“Work commenced immediately at the Sconi and Flemington scandium projects following the signing of those transactions in October, while we have also continued to review and plan the next steps to further evaluate other promising exploration targets within our diversified portfolio.”

¹ Australian Mines Limited, Strategic acquisitions position Australian Mines to fast-track into a leading global scandium company, released 10 October 2016

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Sconi Scandium-Cobalt Project

Australian Mines is acquiring up to a 75% interest in the Sconi Scandium-Cobalt Project, located near the historic mining centre of Greenvale in Queensland, from Metallica Minerals.

Sconi is arguably Australia's largest scandium project², as well as being one of the most advanced, with a previous offtake agreement in place with American-based solid oxide fuel cell manufacturer, Bloom Energy for up to 60 tonnes of scandium oxide per annum³.

While the Bloom Energy agreement is no longer in place, it provides clear evidence of an immediate global demand for high-quality scandium oxide, which significantly exceeds the volumes currently available to an emerging customer base.

During the December quarter, Australian Mines' Managing Director attended a number of meetings with prospective off-take partners in Europe and Asia. These meetings confirmed a significant latent demand for scandium oxide, particularly across the automotive and aerospace sectors, and resulted in requests by six companies for Australian Mines to supply them with a sample scandium oxide product during the coming year.

As a direct result of this customer interest, Australian Mines in consultation with Metallica Minerals, is presently in discussion with three existing pilot plant facilities to ascertain the most cost-effective and efficient manner to produce the requested scandium oxide.

These processing options include utilising the (Australian Mines / Metallica Minerals) joint venture's existing, purpose-built solvent extraction plant⁴, which was used with great success by Metallica Minerals during 2012 to produce a superior 99.99% scandium oxide final product⁵.

The simple metallurgy of the scandium ore at Sconi, however, means that an industry-standard >99.5% pure scandium oxide can be achieved via a typical off-the-shelf processing and beneficiation technology, which is available at most commercial assay and processing laboratories across Australia should such a route prove the most cost effective in the short-term.

In addition to scandium, Australian Mines has been in conversation with a large Asian-based steel refinery regarding a potential off-take agreement of the nickel (and cobalt) produced during the scandium oxide extraction process. These discussions are on-going and it should be noted that while the current discussions with the various potential off-take partners are indeed encouraging, they are in a very early stage and there is no guarantee that any of the discussions will result in any future binding off-take agreement.

² According to expected annual production capacity, as independently observed by Platina Resources Limited: Platina Resources Limited, Owendale Scandium Project, released 17 March 2015

³ Metallica Minerals Limited, Binding HOA Scandium Offtake - Bloom Energy, released 2 October 2012

⁴ Metallica Minerals Limited, Metallica Produces First High Purity Scandium Oxide, released 25 July 2012

⁵ Metallica Minerals Limited, Metallica Produces First High Purity Scandium Oxide, released 25 July 2012

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Since entering into the joint venture with Metallica Minerals in October 2016, Australian Mines has also commenced the final Definitive Feasibility Study (DFS) for the Sconi Scandium-Cobalt Project, which is programmed to be completed within two years.

Included in the DFS will be a mine design that optimises the extraction of both the scandium ore as well as cobalt ore, given that the latter is a co-product of the scandium mineralisation

Cobalt, like scandium, is anticipated to be a highly-prized technology metal in the coming decade due mainly to its application in the growing battery industry.

With a current JORC-compliant resource of 89 million tonnes at 0.06% Cobalt (or 600 ppm cobalt)⁶, the Sconi project already hosts more than twice the cobalt resource presently being targeted by dedicated cobalt companies like Cobalt Blue Holdings Limited⁷ – thereby providing Australian Mines shareholders with solid exposure to the rapidly developing cobalt market in addition to the attractive scandium market.

Moreover, within Sconi's cobalt resource is a higher-grade zone of 16.3 million tonnes at 0.12% Cobalt⁸. This resource grade puts Australian Mines' Sconi project in the same category as cobalt projects like Barra Resources' Mt Thirsty Project⁹ in Western Australia.

Even the Geological Survey of Queensland describes the Sconi project as a "significant cobalt resource" in their various publications¹⁰.

Australian Mines' current DFS process will ultimately determine the type and annual output of any saleable secondary products, such as a mixed cobalt and nickel sulphide precipitate, which will be produced in addition to high-purity scandium oxide at Sconi.

To ensure the project remains on track for first production in mid-2020, Australian Mines is scheduled to commence its on-ground activities at Sconi in March. The initial program will include a limited resource in-fill RC drill program designed to enable a JORC-compliant *Proved Ore Reserve* to be calculated for the Sconi Scandium-Cobalt ore body.

The Company will provide further information regarding its field and resource drilling programs closer to their commencement dates.

⁶ See Appendix 2 of this report

⁷ Cobalt Blue Holdings Limited, Cobalt Blue Replacement Prospectus, released 4 January 2017

⁸ See Figure 4 of this report

⁹ Barra Resources Limited, Annual General Meeting presentation, released 17 November 2016

¹⁰ https://www.dnrm.qld.gov.au/__data/assets/pdf_file/0016/238102/cobalt.pdf

(Greenvale, Bell Creek, Minnamoolka, Lucknow and Lucky Break are individual deposits that comprise the Sconi Project)

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Figure 1: The Sconi Project – a joint venture between Australian Mines and Metallica Minerals - is located in North Queensland, approximately 250 kilometres on sealed roads from Townsville. The Sconi Project hosts both scandium-cobalt rich lateritic deposits and cobalt-nickel deposits, which are all covered by granted mining leases.

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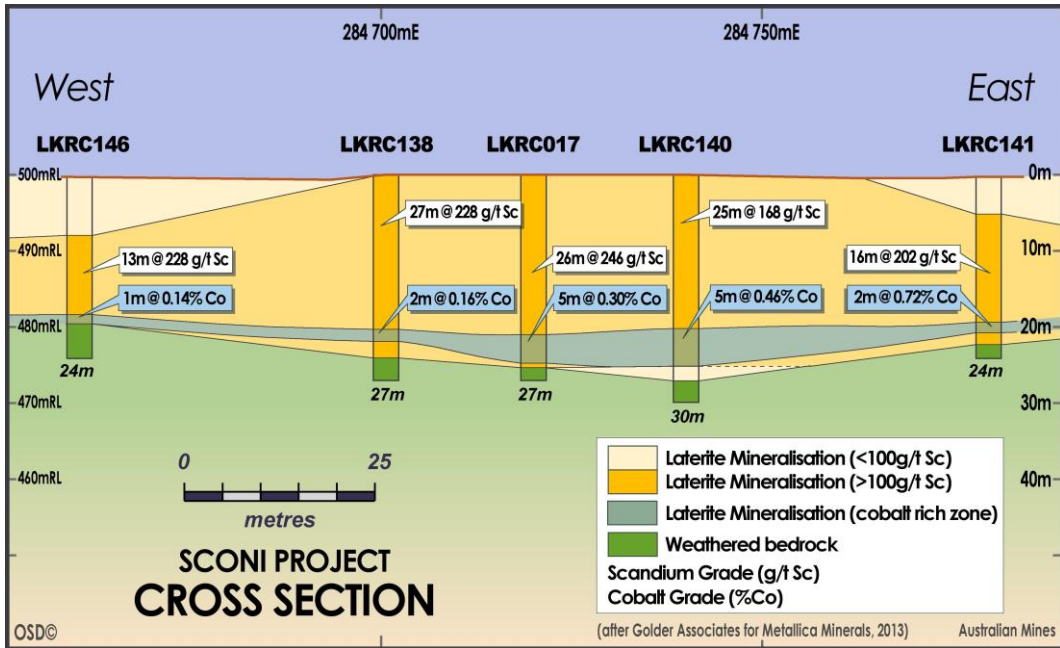


Figure 2: Schematic cross section of the Company's Sconi deposit in Queensland. The scandium mineralisation at Sconi, which is well defined by a 4.7-kilometre-long by 450-metre-wide lateritic profile and grades up to 1,580 ppm, predominantly occurs above higher grade cobalt mineralisation¹¹.



Figure 3: Aerial view of the Sconi scandium-cobalt deposit, showing the traverse lines for the upcoming resource drilling program, which is design to enable an Ore Reserve to be established.

¹¹ Modified from: Metallica Minerals Limited, Sconi Scandium Project – Positive Pre-Feasibility Study, released 28 March 2013

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| | | |
|---------------------|---------------------|--------------|
| Measured Resource: | 1.3 million tonnes | 0.17% Cobalt |
| Indicated Resource: | 11.7 million tonnes | 0.12% Cobalt |
| Inferred Resource: | 3.3 million tonnes | 0.10% Cobalt |
| Total Resource: | 16.3 million tonnes | 0.12% Cobalt |

Figure 4: Cobalt Mineral Resource for the Sconi Scandium-Cobalt Project¹².

Flemington Scandium-Cobalt Project

Australian Mines has executed an option agreement to acquire 100% of the Flemington Scandium-Cobalt Project near Fifield in New South Wales from Jervois Mining Limited (ASX: JRV).

The Flemington Scandium-Cobalt boasts an existing Mineral Resource of 3.14 million tonnes at 434 g/t scandium (including 2.67 million tonnes at 435 g/t scandium in the high confidence Measured Resource category¹³) making Flemington one of the highest-grade scandium deposits in the world¹⁴.

Upon signing the option agreement with Jervois Mining in October 2016, Australian Mines immediately commissioned internationally-recognised and independent consulting firm, SRK Consulting Pty Ltd, to undertake an economic and technical scoping study on the project.

Among other key findings, the SRK Consulting scoping study will outline the project's operating and capital costs, and determine a Net Present Value for the project.

Australian Mines expects to have results from the scoping study by the end of the March 2017 quarter, which is in line with the Company's plan to bring the high-grade Flemington project

¹² The Mineral Resource Estimate for the Cobalt deposit at Sconi is reported under JORC 2012 Guidelines and was first reported by Australian Mines' joint venture partner, Metallica Minerals Limited on 21 October 2013. There has been no Material Change or Re-estimation of the Mineral Resource since this 21 October 2013 announcement by Metallica Minerals Limited. The cut-off grade is as described in their 21 October 2013 announcement.

¹³ Jervois Mining Limited, EL7805 Syerston Updated Mineral Resource Estimate, released 20 August 2015

¹⁴ Jervois Mining Limited, Quarterly Report to 31 December 2015, released January 29 2016

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into production by 2022 – potentially taking Australian Mines' total annual production of scandium oxide to 100 tonnes.

In addition to scandium, the current scoping study is also considering the Flemington project's cobalt resource.

Cobalt co-exists with the scandium mineralisation at Flemington and, hence, cobalt (and nickel) will naturally be produced during any scandium processing operation.

With previous drilling at Flemington returning relatively thick intersections of cobalt mineralisation, such as 14 metres at 0.21% Cobalt from 6 metres (drill hole SY14)¹⁵ and 9 metres at 0.21% Cobalt from 10 metres (drill hole SY56)¹⁶, the Company anticipates releasing a mine development model that incorporates the project's cobalt mineralisation as well as the priority scandium ore in March 2017.

Following the completion of the current scandium and cobalt scoping study for Flemington, Australian Mines will propose to move immediately to commence a formal Pre-Feasibility Study (PFS) for the project, which the Company anticipates will be completed within 12 months.

The process of applying for a Mining License over the Flemington deposit was also started in the December quarter in anticipation of a positive scoping study result.

¹⁵ Jervois Mining Limited, EL7805 Syerston Drilling Results, released 2 October 2013

¹⁶ Jervois Mining Limited, Quarterly Activities Report to 30 June 2014, released 30 July 2014

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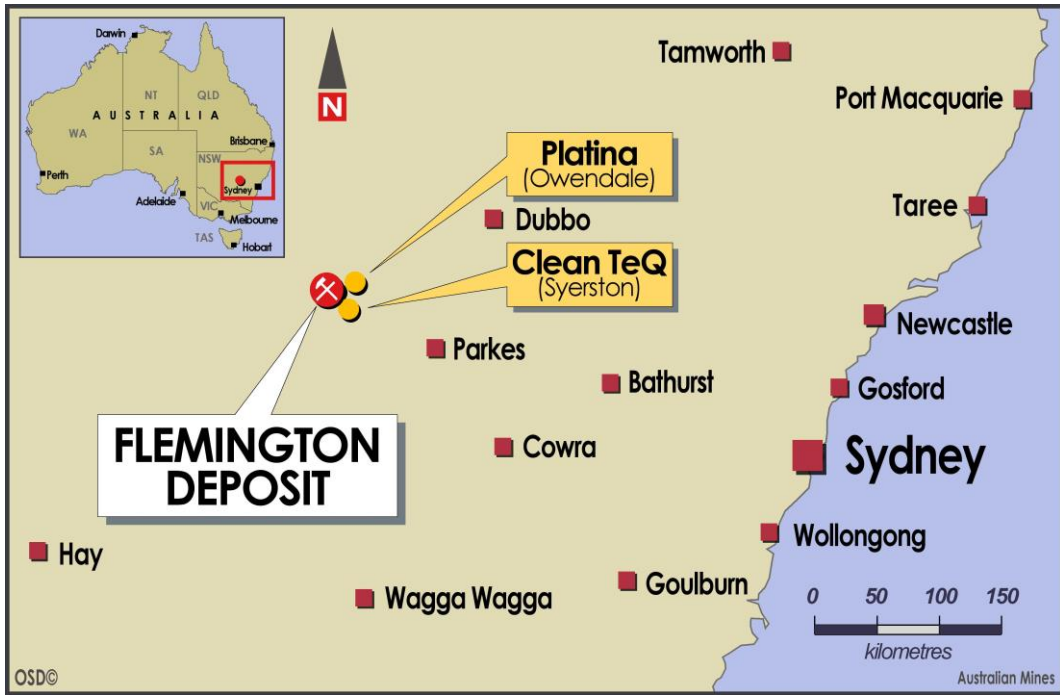


Figure 5: Australian Mines' Flemington Scandium-Cobalt Project is located approximately 500 kilometres west of Sydney in New South Wales.

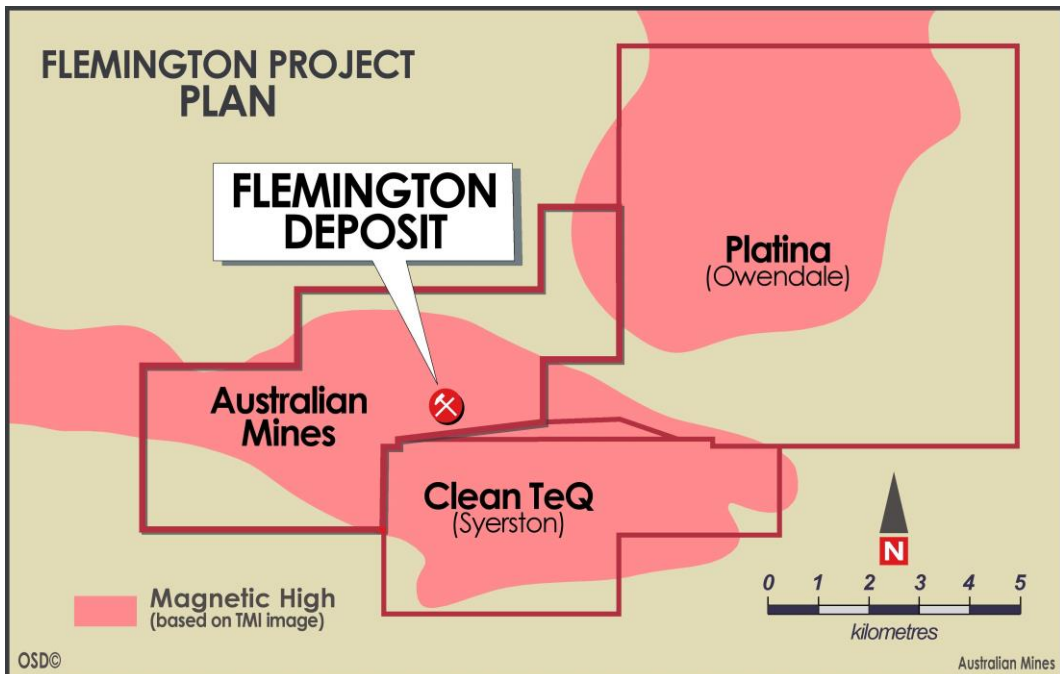


Figure 6: Australian Mines' Flemington Scandium-Cobalt Project represents the continuation of Clean TeQ's Syerston nickel-cobalt-scandium ore body.

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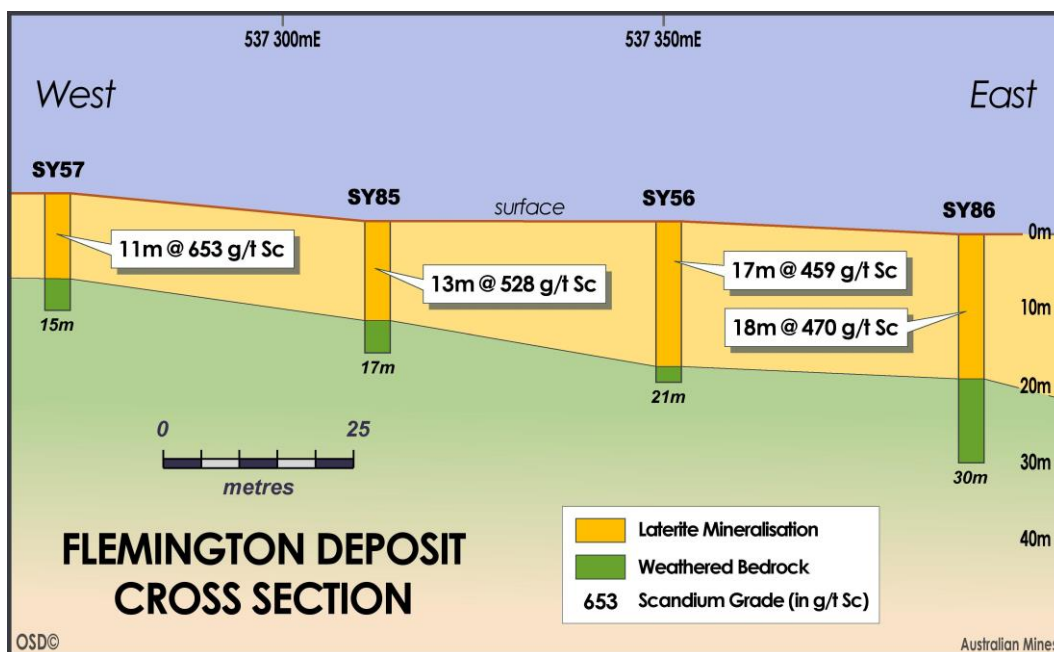


Figure 7: Schematic cross section of the Company's Flemington deposit in New South Wales. The Scandium mineralisation at Flemington occurs from surface. Averaging 434 g/t Scandium across the deposit, the grades reported from this project are significantly higher than those encountered at existing mining operations¹⁷.

Arunta West Copper-Gold Project

Australian Mines progressed its plans during the period to commence on-the-ground evaluation of identified prospects within its Arunta West project at the start of the 2017 field season.

The Arunta West Copper-Gold Project is a joint venture between Australian Mines and Jervois Mining Limited (ASX: JRV), which takes in three tenements covering 345 square kilometres in the proven Lake Mackay district of Western Australia. Australian Mines separately holds a 100% interest in two tenements adjoining the Arunta West JV area, covering an additional 1,100 square kilometres.

During the December quarter, the Company engaged geophysical contractor, Haines Surveys, to carry out a 400 metre by 200 metre ground gravity survey as soon as conditions allow, targeting the priority North Dovers copper-gold prospect, as well as completing further reconnaissance of the secondary Mantati base metal prospect.

¹⁷ Modified from: Jervois Mining Ltd, EL7805 Syerston Project updated Mineral Resource estimate, released 20 August 2015

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According to published reports¹⁸, it was the potential for large-scale iron-oxide copper-gold (IOCG) mineralisation along the lines of BHP Billiton's Olympic Dam ore body in South Australia or Glencore's Ernest Henry deposit in Queensland that attracted BHP Billiton to the Arunta West region in the 1990s.

Following initial reconnaissance exploration across the area, BHP Billiton subsequently concentrated their activities on the North Dovers prospect with the results suggestive of IOCG mineralisation being present. This included:

- ✓ Co-incident gravity and magnetic anomaly
- ✓ Probable electromagnetic conductor associated with the buried gravity feature
- ✓ Subtle gold-in-soil anomaly

Despite the favourable exploration results and apparent geological and geophysical similarities to Olympic Dam and Ernest Henry, BHP ultimately never drill tested the North Dovers copper-gold target, which now lies wholly within the Australian Mines/Jervois Mining joint venture area.

Recent exploration undertaken by Independence Group NL / ABM Resources Limited at their neighbouring Lake Mackay Joint Venture Project lends support to BHP Billiton's assessment that the western Arunta district has the potential to host sizable base metal ore bodies. Drilling results announced by this joint venture in late 2016 from their initial reverse circulation (RC) campaign included encouraging intersections at the Grapple prospect of 9 metres at 3.2% copper plus 1.8 g/t gold, 49.1 g/t silver, 3.6% zinc, 1.1% lead and 0.26% cobalt from 85 metres downhole (16GRRC003)¹⁹.

The prospectivity of the North Dovers target specifically was recognized by the Western Australian Department of Mines and Petroleum last month, when they agreed to contribute up to \$200,000 towards Australian Mines' maiden drill program at North Dovers via the State Government's competitive Exploration Incentive Scheme²⁰.

This drill program is currently earmarked for mid-2017, following the completion of upcoming ground gravity survey.

During the December quarter, Australian Mines also executed a Mineral Exploration and Land Access Deed of Agreement with the Tjambu Tjambu (Aboriginal Corporation) RNTBC who manage the land covered by the Company's Arunta West Copper-Gold Project. This Agreement opens up the ability for Australian Mines to conduct exploration programs (including drilling) across its 1,500 square kilometre Arunta West tenement holding.

¹⁸ Exploration and Discovery Services Pty Ltd, Preliminary data review for the West Arunta Project, internal report for Australian Mines Limited, dated May 2016

¹⁹ ABM Resources NL, drilling discovers mineralisation at the Grapple Prospect on Lake Mackay JV, released 14 November 2016

²⁰ http://www.dmp.wa.gov.au/Documents/Geological-Survey/R14_Successful_List.pdf

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Australian Mines would like to take this opportunity to thank the Tjamu Tjamu, the Ngaanyatjarra Land Council and Central Desert Native Title Services for their assistance during this process.

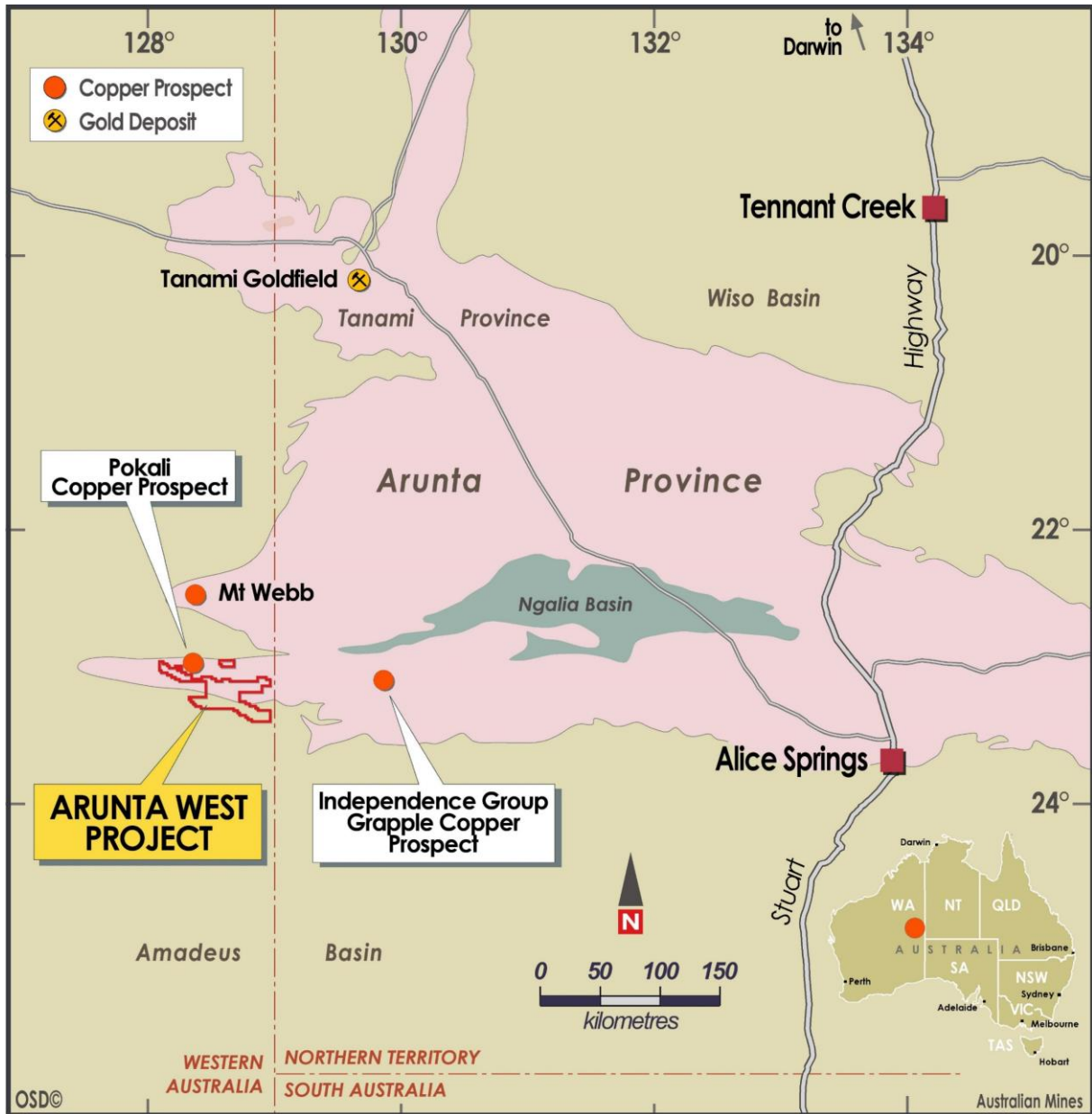


Figure 8: The Arunta West Project area, situated approximately 600 kilometres west of Alice Springs, covers an area of 1,500 square kilometres in a region that is rapidly becoming Australia's next copper province.

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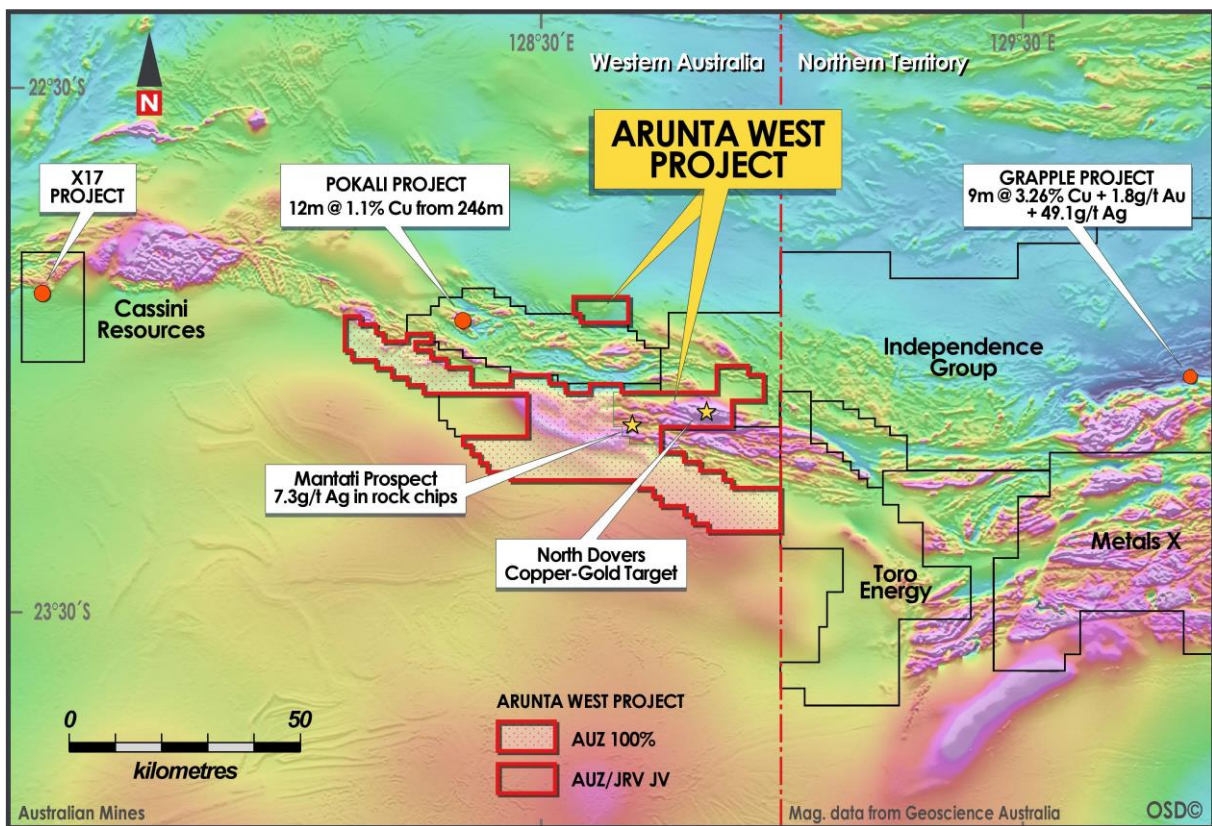


Figure 9: The regional aeromagnetic (reduced-to-pole) image of the western Arunta region. Australian Mines' North Dovers prospect is primarily defined by a strong (1,000nT) magnetic anomaly covering a large area of approximately 8 kilometres by 4 kilometres and located immediately south of a major crustal structure. For reference, the Olympic Dam deposit also produces a 1,000nT magnetic anomaly²¹.

Doolgunna-Marymia Gold Project

The Doolgunna-Marymia Gold Project is situated approximately 900 kilometres north of Perth and within 50 kilometres of the 5-million-ounce Plutonic Gold Mine²².

The Project is being explored under a joint venture agreement with Riedel Resources Limited (ASX: RIE), with Australian Mines on track to satisfying its exploration spending obligations to earn an 80% interest in the project by May 2018.

Drilling to date has focused on just a few hundred metres of an identified 6-kilometre-long target zone, centred around the Company's maiden drill hole (MMRC106), which returned a

²¹ J. Austin and C. Foss (2012). "Rich, attractive and extremely dense: A geophysical review of Australian IOCGs" 22nd International Geophysical Conference and Exhibition, 26-29 February 2012 - Brisbane, Australia

²² Northern Star Resources NL, Plutonic Acquisition Presentation, released 23 December 2013

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very encouraging 10 metres @ 8.79 g/t gold from 130 metres downhole in late 2015 at its Dixon prospect²³.

As the gold mineralisation at the nearby Plutonic and Marymia ore bodies reportedly increase at depth, the Company announced in July 2016 its intention to test the project's potential to host a significant gold deposit via an 1,800 metre reverse circulation (RC) and 760 metre diamond core drill program. This program, part of which is being co-funded by the Government of Western Australia through competitive Exploration Incentive Scheme, was initially scheduled to be carried out in the previous quarter.

While this RC plus diamond drill program remains slated for completion in 2017, the Company's immediate focus at its Doolgunna-Marymia Project is to test the prospectivity of the broader 6-kilometre-long fractionated dolerite unit, before honing in on individual anomalies like Dixon again for closer evaluation.

Due to the nature of shallow transported cover encountered across the Doolgunna-Marymia Project, Australian Mines is unable to conduct traditional soil sampling techniques to identify priority areas. The Company will, instead, utilise shallow air core drilling to test the continuity of the oxide / supergene gold known to occur above the higher-grade bedrock-hosted gold mineralisation at Doolgunna-Marymia with the results then used to guide future RC and diamond drilling.

This is a strategy that has been applied with much success in analogous scenarios across the Eastern Goldfields^{24,25} and Australian Mines has recently obtained approval from the Western Australian Department of Mines and Petroleum (DMP) to undertake this exploration program, which comprises a total of 120 air core holes for an estimated 7,185 metres of drilling.

As with all exploration drilling programs conducted across Western Australian, the Company may be required to complete a heritage survey prior to the commencement of its drilling at Doolgunna-Marymia.

Australian Mines submitted a formal heritage survey request to the appropriate native title representative during the December quarter, and the Company will continue to keep shareholders updated on the progress of this request, and the subsequent air core drilling program at Doolgunna-Marymia.

²³ Australian Mines Limited, High-grade gold zone extended at Dixon prospect, released 6 November 2015

²⁴ Breaker Resources NL, RC drilling underway to test potentially major gold discovery at Lake Roe Project in WA, released 15 February 2016

²⁵ Dampier Gold Limited, Prospectus, released 19 July 2010

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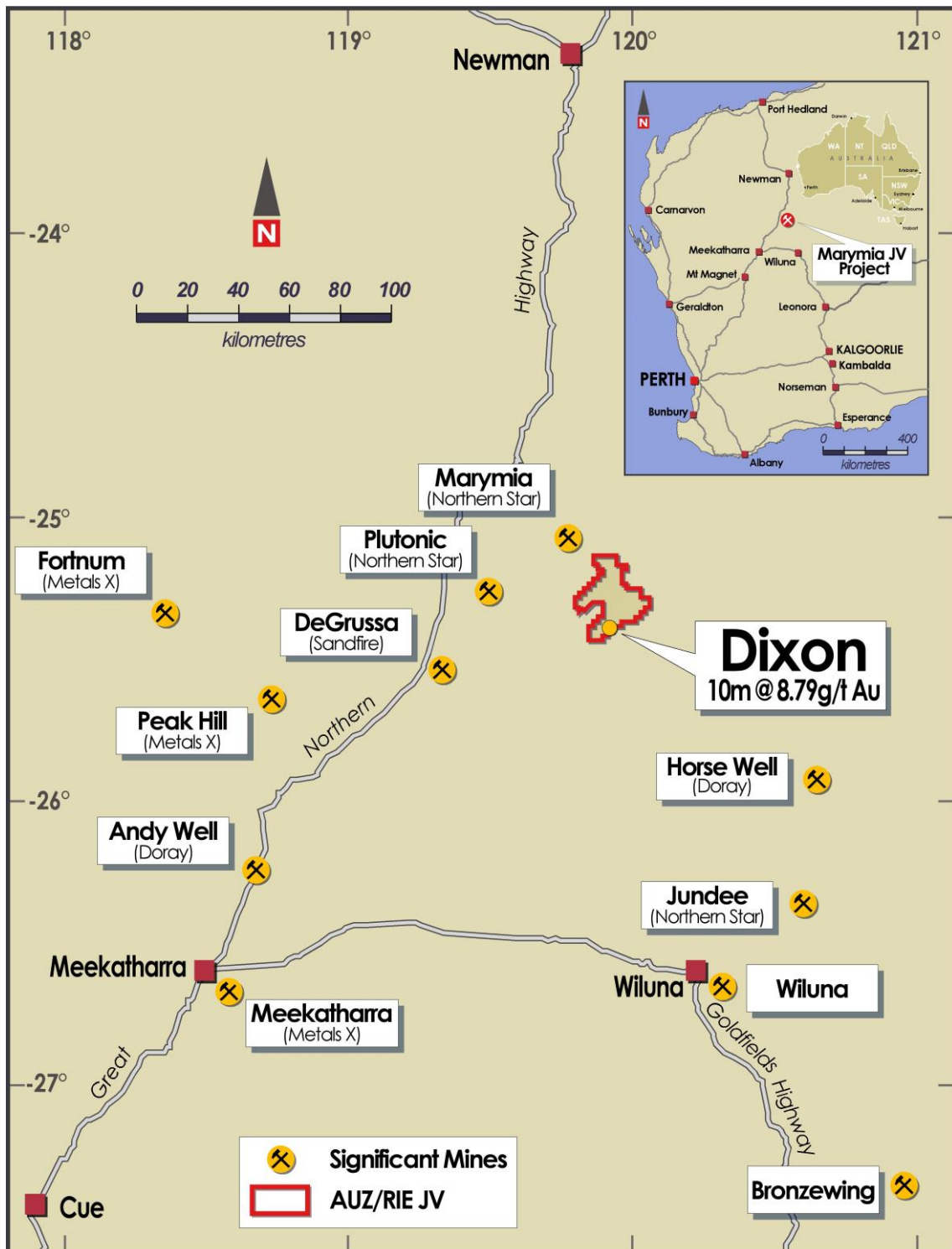


Figure 10: The Doolgunna-Marymia Gold Project is situated within 50 kilometres of the Plutonic Gold Mine in Western Australia. Recent exploration by Australian Mines across this project area intersected high-grade gold mineralisation within a fractionated dolerite at the Company's Dixon prospect, which warrants further exploration in 2017.

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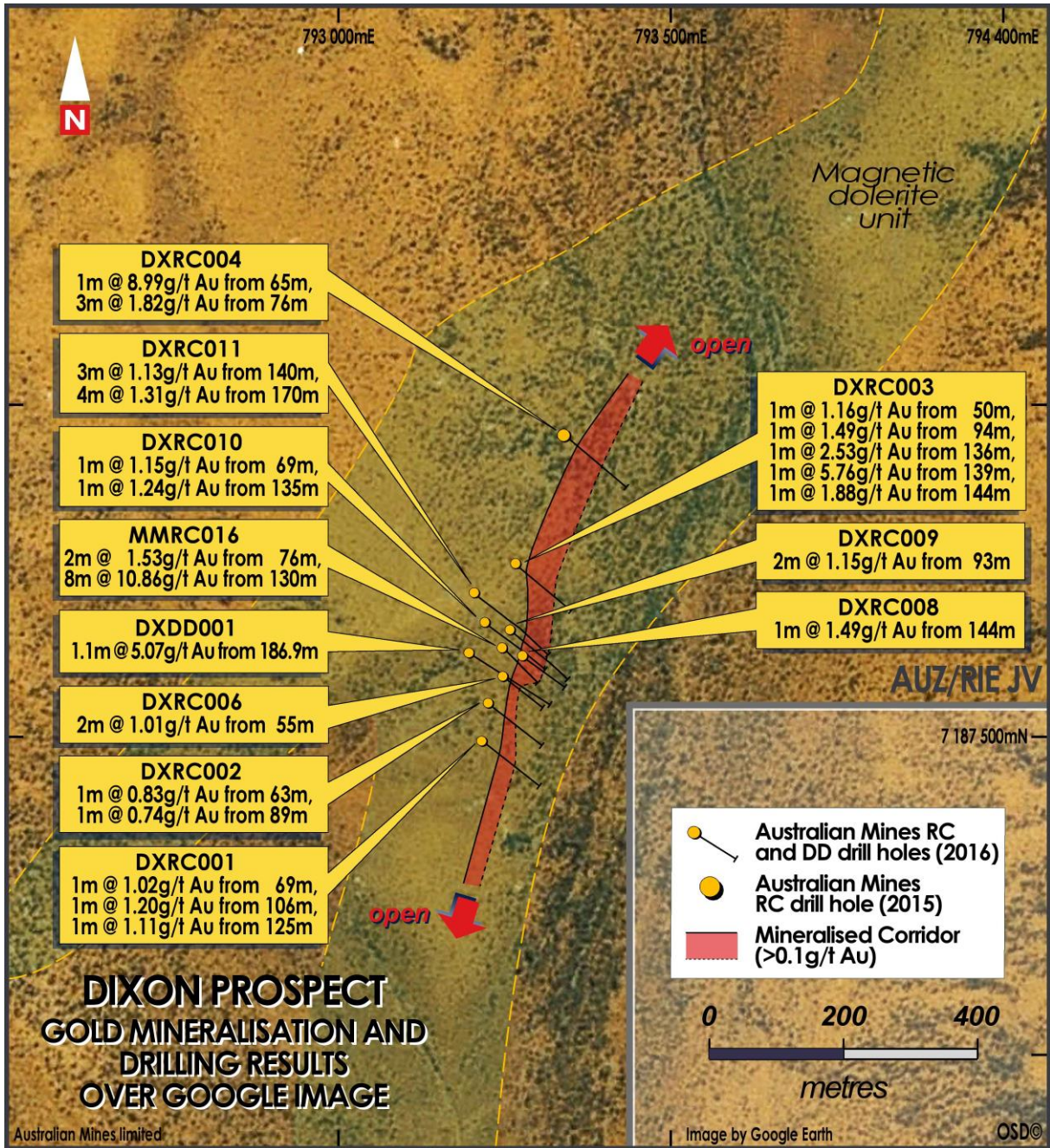


Figure 11: Schematic image showing the interpreted gold mineralised corridor (>0.1 g/t Au) at Dixon as based on Australian Mines' RC and diamond core drill programs^{26,27}.

²⁶ Australian Mines Limited, RC drill results received from Dixon gold prospect, released 18 April 2016

²⁷ Australian Mines Limited, RC drill results reveal controls of mineralisation at Dixon ahead of Government co-funded diamond drilling, released 28 June 2016

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Marriotts Nickel Project

No activity was undertaken on Australian Mines' 100%-owned Marriotts Nickel Project during the December quarter and the Company has no immediate plans to commence further exploration or development activities at Marriotts in 2017.

Australian Mines believes potential remains to increase the existing Mineral Resource at Marriotts and given the right economic environment, the project could potentially be fast-tracked into production by leveraging existing infrastructure within the region.

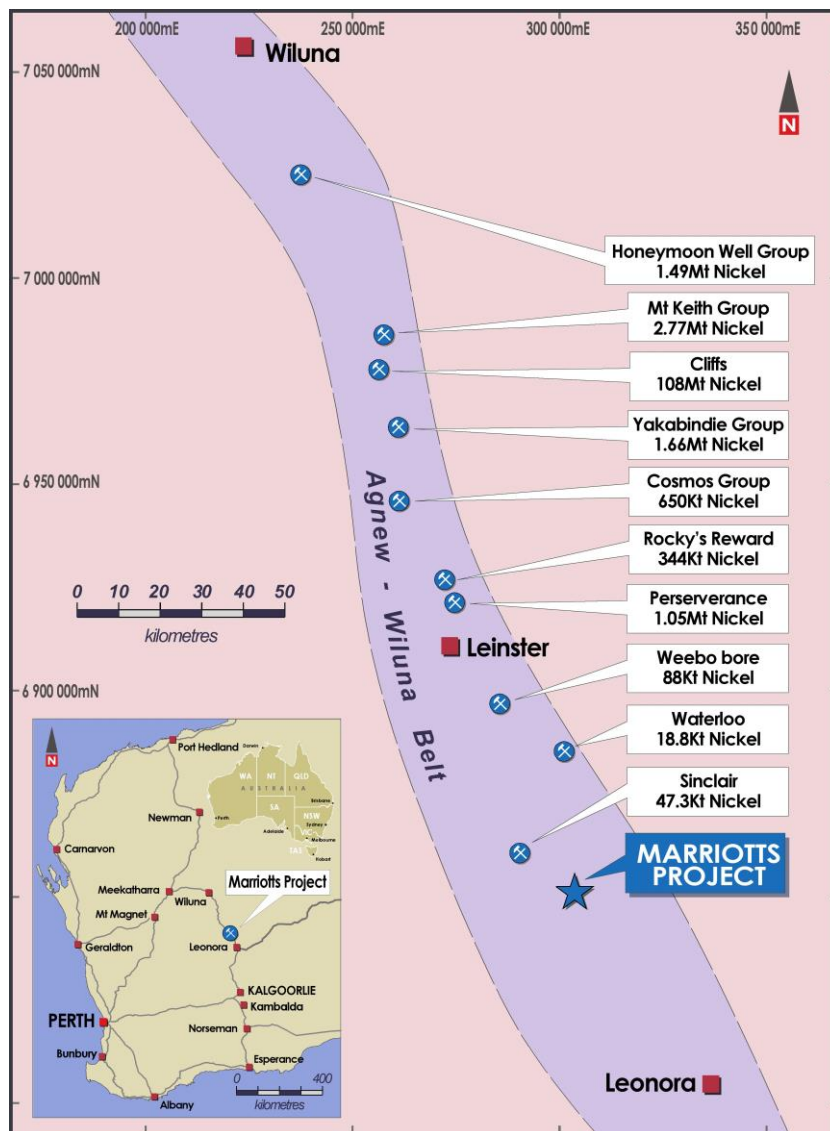


Figure 12: Location of Australian Mines' Marriotts Nickel Project in relation to regional geology, production centres and reported contained nickel of the Agnew-Wiluna Belt in Western Australia²⁸.

²⁸ Modified from – Talisman Mining Limited, Talisman to acquire Sinclair Nickel Project, released 20 October 2014

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Corporate Activity

Capital Raising

Australian Mines successfully completed a capital raising in October²⁹ to fast track the progress of its scandium-cobalt assets and to fund ongoing work on its diversified exploration portfolio. This placement to sophisticated and professional investors was oversubscribed and raised \$840,000 before costs.

Scandium Asset Agreements

Australian Mines executed a joint venture agreement with Metallica Minerals Limited during the December quarter to farm-in to the Sconi Scandium Cobalt Project near Greenvale in Queensland.

As such, the Company made the initial payment \$250,000 to Metallica on execution of the agreement. To earn a 50% interest in Sconi, Australian Mines must complete a Definitive Feasibility Study, or have expended \$10 million on the DFS, within four years of the agreement.

Australian Mines also executed an option agreement with Jervois Mining Limited in the December quarter to acquire the Flemington Scandium Cobalt Project near Fifield in New South Wales, paying the initial "Option 1" fee of \$250,000.

The agreement includes a series of rolling options for a maximum period of two years, subject to ongoing payment of the agreed option fees of up to \$2 million in total. If the option is exercised, the total purchase price of the project will be \$6 million less the total amount paid to the date of exercise in option fees.

The Company made the "Option 2" payment of \$250,000 to Jervois Mining in late December 2016, ahead of the January due date. The next option payment of \$500,000 is payable by Australian Mines on or before April 6 2017.

Annual General Meeting

The Company held its Annual General meeting on 22 November where all resolutions were passed, and Managing Director Benjamin Bell took the opportunity to update shareholders in attendance on the strategic switch in focus by Australian Mines to pursue the scandium assets as a priority.

Among the resolutions passed was a special resolution to approve the future issue of equity securities totaling up to 10% of the issued capital of the Company, in accordance with ASX Listing Rule 7.1A.

²⁹ Australian Mines Limited, Successful capital raising to underpin Australian Mines' scandium strategy, released 14 October 2016

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Internationally-recognised nickel-cobalt laterite expert, Mr Michael Elias was also re-elected as a Director of Australian Mines at the meeting, after retiring under Clause 7.3 of the Company's Constitution.

Promotional Activities

Australian Mines' promotional activities during the December quarter included exhibiting and presenting at the Low Emissions and Technology Minerals Conference, held in Perth on November 15 and 16, as well as exhibiting at Aluminium 2016 – 11th World Trade Fair & Conference in Düsseldorf, Germany on November 29 to December 1, positioning the Company with potential scandium customers.

The Company will continue its proactive market positioning in the March quarter, having committed to exhibit at the RIU Explorers Conference to be held in Fremantle, Western Australia on February 22 and 23.

Looking beyond the current period, Australian Mines also has plans to attend international aluminium events throughout the year to continue its engagement with downstream scandium customers, following a positive reception to its production plans and timeline at similar events in 2016.

*****ENDS*****

For further information:

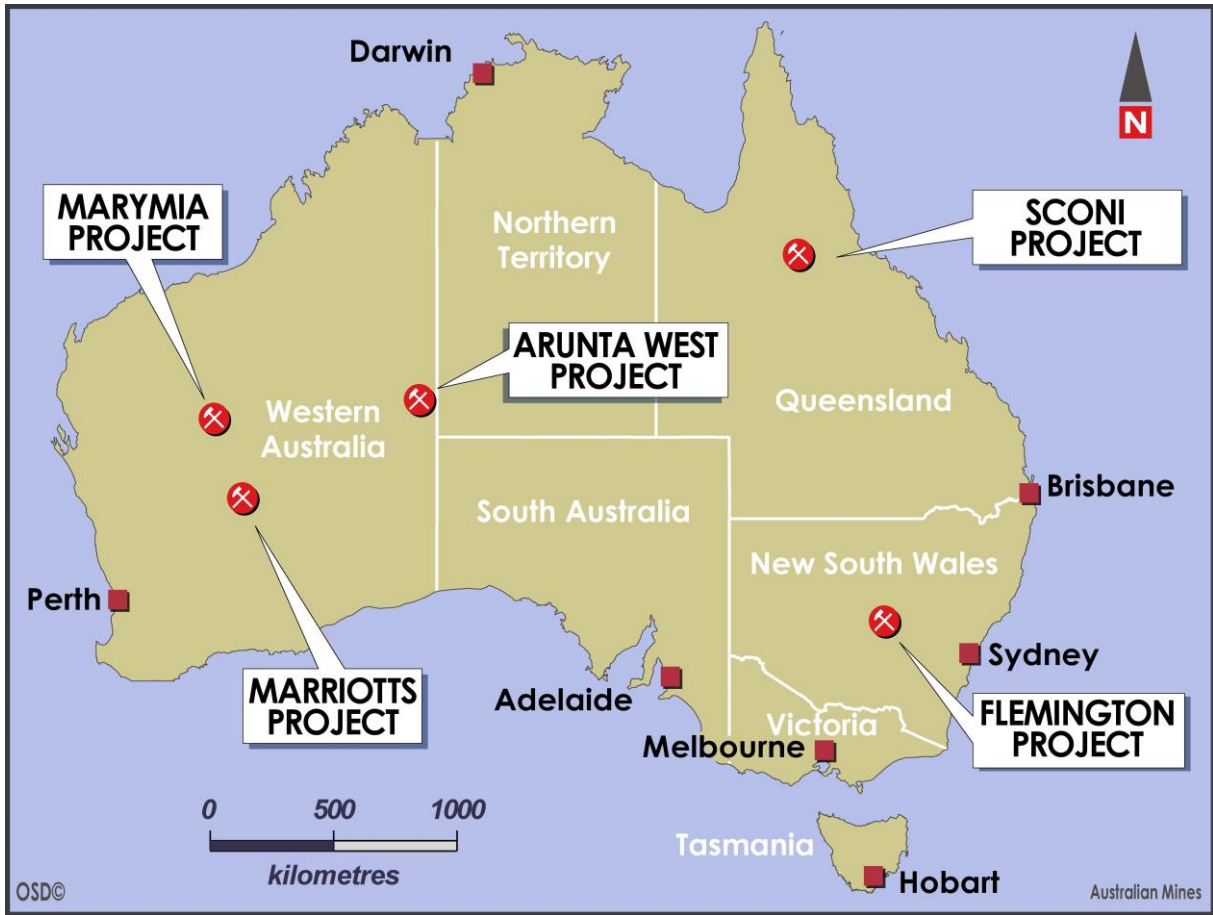
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E: mcairnduff@canningspurple.com.au

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Location map of Australian Mines' development and exploration projects across Australia.

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Competent Persons Statements

Flemington Scandium-Cobalt Project

The Mineral Resource for the Flemington Scandium-Cobalt Project contained within this document is reported under JORC 2012 Guidelines. This Mineral Resource was first reported by Jervois Mining Limited on 20 August 2015. There has been no Material Change or Re-estimation of the Mineral Resource since this 20 August 2015 announcement by Jervois Mining Limited.

Sconi Scandium-Cobalt Project

The Mineral Resource for the Sconi Scandium-Cobalt Project contained within this document is reported under JORC 2012 Guidelines. This Mineral Resource was first reported by Australian Mines' joint venture partner, Metallica Minerals Limited on 21 October 2013. There has been no Material Change or Re-estimation of the Mineral Resource since this 21 October 2013 announcement by Metallica Minerals Limited.

Doolgunna-Marymia Gold Project

Information in this report that relates to Doolgunna - Marymia Gold 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.

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 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.

Marriotts Nickel Project

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. This document contains Mineral Resources of the Marriotts Nickel Project that are reported under JORC 2004 Guidelines, as there has been no Material Change or Re-estimation of the Mineral Resource since the introduction of the JORC 2012 Code. Future estimates of the Marriotts Nickel Project resource will be completed to JORC 2012 Guidelines.

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Appendix 1: Tenement Information

Mining tenements held at end of the quarter

| Location | Project | Tenement | Status | Interest |
|-------------------|-------------|----------|---------|----------|
| AUSTRALIA | | | | |
| Western Australia | Marriotts | M37/096 | Granted | 100% |
| Western Australia | Arunta West | E80/5031 | Pending | 0% |
| Western Australia | Arunta West | E80/5032 | Pending | 0% |
| New South Wales | Flemington | EL7805 | Granted | 0% |
| New South Wales | Flemington | ELA5370 | Pending | 0% |

Purchase Agreement – Flemington Scandium-Cobalt Project

Australian Mines announced on 10 October 2016 that the Company had entered into an Option Agreement with Jervois Mining Limited (ASX: JRV) to acquire 100% of the Flemington Scandium-Cobalt Project near Fifield in New South Wales. The Flemington Scandium-Cobalt Project comprises the granted tenement EL7805 and the pending exploration tenement ELA5370.

Under the terms of this Agreement, Australian Mines has been granted a series of options to enable the Company to purchase 100% of the Flemington Scandium-Cobalt Project:

- Option 1: a non-refundable fee which Australian Mines paid upon execution of the Agreement for the option period to 7 January 2017;
- Option 2: a non-refundable fee which Australian Mines paid in December 2016 for the option period to 7 April 2017;
- Option 3: a non-refundable \$500,000 fee payable by Australian Mines upon expiry of Option 2 (being 7 April 2017) for a further 6 months;
- Option 4: a non-refundable \$500,000 fee payable by Australian Mines upon expiry of Option 3 (being 7 October 2017) for a further 6 months; and
- Option 5: a non-refundable \$500,000 fee payable by Australian Mines upon expiry of Option 4 (being 7 April 2018) for a further 6 months.

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The total purchase price of the Flemington Scandium-Cobalt Project will be \$6 million, minus the total of all option fees paid. The Agreement with Jervois Mining also includes a 1.5% gross sales royalty on all proceeds from the sale of products derived from the Flemington assets.

Australian Mines has the right to withdraw from this acquisition at any time.

Mining tenements acquired and disposed of during the quarter

| Location | Project | Tenement | Status | Interest | Comments |
|------------------|------------|----------|---------|----------|---------------------------------|
| AUSTRALIA | | | | | |
| New South Wales | Flemington | EL7805 | Granted | 0% | Announced 10 October 2016 |
| New South Wales | Flemington | ELA5370 | Pending | 0% | Announced 10 October 2016 |

Option Agreement – Flemington Scandium-Cobalt Project

Australian Mines announced in the December quarter that the Company has entered into an option agreement with Jervois Mining Limited (ASX: JRV) to acquire 100% of the Flemington Scandium-Cobalt Project in central New South Wales.

Details of this options and sales agreement are available in Australian Mines' announcement dated 10 October 2016 and titled *Strategic acquisitions fast-track Australian Mines into a global scandium company*.

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

| Location | Project | Agreement | Parties | Interest | Comments |
|-------------------|-------------------|-------------------------|---|----------|---|
| AUSTRALIA | | | | | |
| Western Australia | Doolgunna-Marymia | Heads of Agreement | Australian Mines and Riedel Resources | 51% | Announced 30 April 2014 and 29 May 2015 |
| Western Australia | Arunta West | Joint Venture Agreement | Australian Mines and Jervois Mining | 0% | Announced 23 May 2016 |
| Queensland | Sconi | Joint Venture Agreement | Australian Mines and Metallica Minerals | 0% | Announced 10 October 2016 |

Doolgunna – Marymia Joint Venture

Australian Mines currently holds a 51% interest in the Australian Mines – Riedel Resources (ASX: RIE) joint venture tenements of E52/2394 & E52/2395, with Australian Mines on track to satisfying its exploration spending obligations to earn an 80% interest in these tenements by May 2018.

Australian Mines is the operator and manager of the Project.

Arunta West Joint Venture

Under the Arunta West joint venture agreement, Australian Mines has the right to farm into Jervois Mining's three exploration licenses of E80/4820 (granted), E80/4896 (under application) and E80/4897 (under application), which cover a total area of approximately 345 square kilometres.

The key terms of this agreement include:

- Australian Mines must spend a minimum of \$350,000 on exploration by 23 May 2018 to acquire a 51% interest in the Arunta West Project.
- Following the acquisition of the initial 51%, Australian Mines may elect to acquire an additional 29% (taking the total to 80%) in the Arunta West Project by spending a further \$3.15 million on exploration within a further 24 month period.

Australian Mines is the operator and manager of the Project. Australian Mines remains on track to satisfy its exploration spending obligations and earn its initial 51% interest in these tenements by May 2018.

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Sconi Joint Venture

Australian Mines announced on 10 October 2016 that the Company had entered into a joint venture agreement with Metallica Minerals Limited (ASX: MLM) to earn up to a 75% interest in the advanced Sconi Scandium-Cobalt Project near the historic mining centre of Greenvale in northern Queensland.

The Australian Mines – Metallica Minerals Sconi joint venture agreement covers the following tenements:

| Tenement | Status | Commodity |
|-----------------|-------------------------------------|-------------------|
| ML 10366 | Granted Mining Lease | Scandium + Cobalt |
| ML10342 | Granted Mining Lease | Scandium + Cobalt |
| ML10324 | Granted Mining Lease | Scandium + Cobalt |
| ML 10332 | Granted Mining Lease | Scandium + Cobalt |
| ML 20549 | Granted Mining Lease | Nickel + Cobalt |
| ML 10368 | Pending Mining Lease | Nickel + Cobalt |
| MDL 515 | Granted Mineral Development License | Nickel + Cobalt |
| MDL 387 | Granted Mineral Development License | Nickel + Cobalt |
| EPM 25834 | Granted Exploration License | Scandium + Cobalt |
| EPM 25865 | Granted Exploration License | Scandium + Cobalt |
| EPM 25833 | Granted Exploration License | Scandium + Cobalt |

The key terms of the Sconi joint venture agreement include:

- Australian Mines can earn a 50% interest in the Sconi Scandium-Cobalt Project by completing a Definitive Feasibility Study (DFS) on the project by October 2020 (or by spending \$10 million on the project by this date – whichever occurs first).
- Australian Mines can earn an additional 25% (taking the total to 75%) in the Sconi Scandium Project by procure thing funding contemplated in the DFS no later than 18 months following completion of this study.

Australian Mines is the operator and manager of the Project. Australian Mines has the right to withdraw from this joint venture at any time.

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

| Location | Project | Agreement | Parties | Interest | Comments |
|------------|---------|-------------------------|---|----------|---------------------------|
| AUSTRALIA | | | | | |
| Queensland | Sconi | Joint Venture Agreement | Australian Mines and Metallica Minerals | 0% | Announced 10 October 2016 |

Sconi Scandium-Cobalt Project Joint Venture

Australian Mines announced in the December quarter it had entered into a joint venture with Metallica Minerals Limited (ASX: MLM) covering the Sconi Scandium-Cobalt Project.

Under this joint venture agreement, Australian Mines has the right to earn up to a 75% interest in the mining and exploration leases that comprise this advanced project.

Further details of this joint venture are available in Australian Mines' announcement dated 10 October 2016 and titled *Strategic acquisitions fast-track Australian Mines into a global scandium company*.

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Appendix 2: Mineral Resource Estimates

Mineral Resource for the Sconi Scandium-Cobalt Project³⁰

| | | |
|--|--------------------|-----------------------------------|
| Measured Resource: | 0.7 million tonnes | 208 g/t Scandium |
| Indicated Resource: | 6.5 million tonnes | 174 g/t Scandium |
| Total Resource: | 7.2 million tonnes | 177 g/t Scandium |
| Total Scandium Oxide (Sc ₂ O ₃)*: | 1,950 tonnes | (using a 100g/t Sc lower cut-off) |

| | | | |
|------------------------|---|--------------|--------------------------|
| Measured Resource: | 17 million tonnes | 0.80% Nickel | 0.07% Cobalt |
| Indicated Resource: | 48 million tonnes | 0.58% Nickel | 0.07% Cobalt |
| Inferred Resource: | 24 million tonnes | 0.41% Nickel | 0.04% Cobalt |
| Total Resource: | 89 million tonnes | 0.58% Nickel | 0.06% Cobalt |
| Total Contained Metal: | 514,000 tonnes of Nickel metal 54,500 tonnes of Cobalt metal | | Using a COG of 0.7% NiEq |

³⁰ The Mineral Resource Estimate for the Sconi Scandium-Cobalt Project is reported under JORC 2012 Guidelines and was first reported by Australian Mines' joint venture partner, Metallica Minerals Limited on 21 October 2013. There has been no Material Change or Re-estimation of the Mineral Resource since this 21 October 2013 announcement by Metallica Minerals Limited. The NiEq is similarly described in their 21 October 2013 announcement.

* Total contained scandium metal tonnage multiplied by 1.53 to convert to total Sc₂O₃, being the saleable scandium product

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Mineral Resource for the Flemington Scandium-Cobalt Project³¹

| | | |
|--|---------------------|------------------------------------|
| Measured Resource: | 2.67 million tonnes | 435 g/t Scandium |
| Indicated Resource: | 0.47 million tonnes | 426 g/t Scandium |
| Total Resource: | 3.14 million tonnes | 434 g/t Scandium |
| Total Scandium Oxide (Sc ₂ O ₃)*: | 2,085 tonnes | (using a 200 g/t Sc lower cut-off) |

Mineral Resource for the Marriotts Nickel Project³²

| | | |
|-------------------------------|---------------------|---------------------------------|
| Indicated Resource: | 0.46 million tonnes | 1.12% Nickel |
| Inferred Resource: | 0.37 million tonnes | 1.15% Nickel |
| Total Resource: | 0.83 million tonnes | 1.13% Nickel |
| Total Contained Nickel Metal: | 9,400 tonnes | (using a 0.5% Ni lower cut-off) |

³¹ The Mineral Resource Estimate for the Flemington Scandium-Cobalt Project is reported under JORC 2012 Guidelines and was first reported by Australian Mines' partner, Jervois Mining Limited on 20 August 2015. There has been no Material Change or Re-estimation of the Mineral Resource since this 20 August 2015 announcement by Jervois Mining Limited.

* Total contained scandium metal tonnage multiplied by 1.53 to convert to total Sc₂O₃, being the saleable scandium product

³² The information regarding Australian Mines' Mineral Resource Estimate for the Marriotts Nickel Project has been extracted from various Company announcements, which are available on the Australian Mines website (www.australianmines.com.au) or through the ASX website at www.asx.com.au (using ticker code "AUZ"). Australian Mines confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in that market announcement continue to apply and have not materially changed. Australian Mines confirms that the form and context in which the Competent Person's findings are presented have not materially modified from the original market announcement. The Marriotts Mineral Resources is reported under JORC 2004 Guidelines, as there has been no Material Change or Re-estimation of the Mineral Resource since the introduction of the JORC 2012 Code. Future estimates of the Marriotts Nickel Project resource will be completed to JORC 2012 Guidelines.

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