

6 September 2017

ASX: AUZ

Australian Mines to acquire 100% of its flagship Sconi Cobalt-Nickel-Scandium Project in northern Queensland

- The Sconi Cobalt-Nickel-Scandium Project is rated the most advanced project of its kind in Australia, with mining approvals in place and a Bankable Feasibility Study well advanced
- The Sconi Project is similar to Clean TeQ's Syerston Project in terms of their in-situ resource size & grade, geology, metallurgy and expected metal recoveries¹
- Consideration for the acquisition is to include \$3.5 million in cash and the issue of AUZ equities on completion of the BFS and commercial production
- Australian Mines now positioned to own 100% of both the Sconi Cobalt-Nickel-Scandium and the Flemington Cobalt-Scandium-Nickel Projects
- The Company has successfully raised \$3.5 million (before costs) via a placement at \$0.015 per share to assist in the initial cash payment

Australian Mines Limited ("Australian Mines" or "the Company") is pleased to announce it is acquiring 100% ownership of the Sconi Project - being the most advanced cobalt-nickel-scandium project in Australia² - after agreeing to terms under a new binding Sale and Purchase Agreement (SPA) with its joint venture partner on Sconi, Metallica Minerals (ASX: MLM).

The acquisition will supersede the previous farm-in agreement with Metallica Minerals announced to the market on 10 October 2016³, whereby Australian Mines was to acquire up to a 75% interest in this advanced project.

¹ Australian Mines investor presentation, released on 5 April 2017.

² Australian Mines, Quarterly Activities Report, released 28 July 2017

³ Australian Mines, AUZ positions to become world's largest scandium company, released 10 October 2016

Consideration for the 100% acquisition of Sconi in the SPA includes:

- a one-off cash payment of \$3.5 million to Metallica Minerals, payable upon satisfaction of transaction conditions precedent⁴;
- the issue of \$1.5 million of Australian Mines shares⁵ upon the earlier of completion of the Bankable Feasibility Study and 30 June 2018 (the BFS remains on schedule for April 2018); and
- a final issue of \$5 million of Australian Mines shares (or cash) to Metallica⁶ upon commercial production from Sconi (being production from the full-scale processing operation outlined in the Bankable Feasibility Study⁷).

Importantly for Australian Mines shareholders, the agreement does not include any residual royalty, claw back arrangement or any other commercial payments outside of the consideration outlined above⁸.

Furthermore, it means that Australian Mines is now positioned to own 100% of the Sconi Cobalt-Nickel-Scandium Project and the Flemington Cobalt-Scandium-Nickel Project⁹, as well as its emerging Thackaringa Cobalt Project.

Having full control of both the Sconi Project and the Flemington Project puts Australian Mines in a good position to continue its already advanced off-take discussions with international battery and vehicle manufacturers on the basis of selling 100% of the expected output from any future mining operations.

⁴ Completion of the acquisition is subject to conditions precedent including completion of a \$3.5 million capital raise for the purposes of making the first payment, assignment of third party agreements, Ministerial approval and (if required) Australian Mines' shareholder approval. The conditions precedent period under the SPA is 60 business days from signing the Sale and Purchase Agreement.

⁵ Calculated at a 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

⁶ 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

⁷ Extracting ore from Sconi for the purposes of bulk sampling, processing through the demonstration plant, producing products for potential off-take partner and the like, irrespective of tonnage, is not considered commercial production under this agreement and, as such, will not trigger this payment.

⁸ Metallica Minerals retains a mortgage over the tenements until the full consideration is paid

⁹ With Australian Mines making an Option payment to Jervois Mining on 1 September 2017, the Company has one final Option payment to make to Jervois Mining under its agreement with the Flemington Project before it has the right to acquire the project for a final payment. See Australian Mines announcement of 10 October 2016 for full terms of the Flemington Agreement with Jervois Mining.

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Australian Mines' Sconi Project has:

- ✓ Similar size Mineral Resource¹⁰ as the Syerston Project (89 million tonnes for Sconi vs 109 million tonnes for Syerston)
- ✓ Similar expected average feed grade as Syerston (0.11% cobalt & 0.80% nickel for Sconi vs 0.14% cobalt & 0.80% nickel for Syerston)
- ✓ Similar metal recovery grades reported by Pre-Feasibility Studies as at Syerston (93% cobalt & 93% nickel for Sconi vs 93% cobalt & 94% nickel for Syerston)
- ✓ Similar expected final commercial products as Syerston (battery-grade cobalt sulphate and nickel sulphate in both Sconi and Syerston)

As at Syerston¹¹, scandium production at Sconi is a 'sweetener', given that it is produced alongside the cobalt and nickel sulphate products for virtually no additional operating cost.

Accordingly, Australian Mines can offer its potential customers a reliable source of high-grade scandium oxide at a significantly discounted price to that being proposed by others operating (and seeking to operate) in this space and still adding considerable further revenue to the future mining operation at Sconi.

The Sconi acquisition was assisted by Terrain Capital who, acting as lead manager, secured the \$3.5 million related to this transaction via the placement of 233,333,333 fully paid ordinary shares at an issue price of \$0.015 per share. This placement was undertaken in accordance with Section 708 of the Corporations Act and Listing Rule 7.1 of the ASX Listing Rules.

Managing Director Benjamin Bell commented, "This represents a landmark acquisition for Australian Mines and reinforces our confidence in the future success of a long-term mining and processing operation in northern Queensland."

"We continue to deliver on our strategy, announced last October, of becoming a leading technology metals project developer and long term supplier of cobalt and nickel sulphates to the global battery materials market."

¹⁰ The Mineral Resource Estimate for the Sconi Cobalt-Nickel-Scandium Project is reported under JORC 2012 Guidelines and was reported by Australian Mines Limited on 31 March 2017. The global Mineral Resource for Sconi, as announced on 31 March 2017 is: Measured 17Mt @ 0.80% Ni, 0.07% Co, Indicated 48Mt @ 0.58% Ni, 0.07% Co, Inferred, 24Mt @ 0.41% Ni, 0.06% Co. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 March 2017 announcement by Australian Mines.

The Mineral Resource Estimate for the Syerston Cobalt-Nickel-Scandium Project was reported by Clean TeQ Holdings on 22 August 2016, stating as follows: Measured 52Mt @ 0.73% Ni, 0.11% Co, Indicated 49Mt @ 0.58% Ni, 0.10% Co, Inferred, 8Mt @ 0.54% Ni, 0.10% Co. Australian Mines is unaware of any Material Change or Re-estimation of the Mineral Resource since this 22 August 2016 announcement by Clean TeQ Holdings.

¹¹ Clean TeQ Holdings, Syerston nickel and cobalt Pre-Feasibility Study completed, released 5 October 2016

“In addition to pursuing production of the highly-demanded cobalt and nickel, Australian Mines is continuing to negotiate with interested parties for the commercial sale of scandium oxide from the Sconi Project, which represents significant upside to the future project economics and return to shareholders.”

“To shore up this initial interest from end customers, we have commenced construction of a demonstration-size processing plant in Perth that we will use to process ore sourced from Sconi, and subsequently Flemington, to produce commercially saleable samples of cobalt, nickel and scandium products before the end of this year.”

“The Bankable Feasibility Study on Sconi is advancing to schedule and is due for completion by April 2018. We are on track to reach a final investment decision given that we already have a Mining Lease and environmental approvals in place.”

*****ENDS*****

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