

6 November 2019

Company Update

Advanced battery materials development company Australian Mines Limited (“Australian Mines” or “the Company”) (Australia ASX: AUZ; USA OTCQB: AMSLF; Frankfurt Stock Exchange: MJH) announces a business update in advance of the Company’s upcoming Annual General Meeting.

Commitment to the electric vehicle market

Australian Mines is confident the successful development of Sconi will position it at the forefront of the battery materials industry and allow the Company to take advantage of the global demand for nickel and cobalt, which are required commodities used by electric vehicle (“EV”) battery makers and in the storage and delivery of clean, sustainable energy sources.

Australian Mines believes its profile as a potential low cost, long term supplier of battery grade materials, operating in a low risk jurisdiction and producing ethically derived cobalt and nickel sulphate is an attractive proposition to global car makers and EV battery makers. The board believes Australian Mines is well positioned to be a leading supplier into this market by using industry standard technology that builds on the knowledge gained through the construction and operation of a number of high-pressure acid leach (“HPAL”) plants by various companies around the world.

Despite some short-term headwinds in the battery metals sector, Australian Mines is committed to the EV sector and its anticipated growth over the medium and longer term.

As estimated by Global Mining Research, more than 60% of the world’s annual nickel supply currently comes from laterite nickel projects like our flagship Sconi Cobalt-Nickel-Scandium Project (“Sconi”) in north Queensland. This heavy reliance by the global nickel market on laterite projects is estimated to have grown from approximately 40% ten years ago, with the trend expected to continue¹.

¹ Global Mining Research - HPAL: Upping the Pressure presentation March 2018 - <https://www.slideshare.net/RebekahWebb1/global-mining-research-hpal-upping-the-pressure>

In addition, Australian Mines has been working with a number of companies around the world on R & D projects to broaden scandium's industrial applications, in order to expand the current market size for that mineral, which is estimated to be approximately 15 tonnes per year due to supply limitations.

Development of the Sconi Project

Financial Year 2019 Sconi Milestones

The achievement of several key milestones at Sconi in 2019 Financial Year ("FY2019") gives Australian Mines the confidence to pursue the financing and offtake agreements needed to develop Sconi into a globally significant exporter of cobalt, nickel and scandium. The milestones include:

- Delivery of a robust Bankable Feasibility Study ("BFS") that supports the development of the project
- Updated Mineral Resource
- A revised 30+ year mine plan²
- Successful continued operation of the Company's demonstration processing plant
- Production of battery chemicals (cobalt sulphate and nickel sulphate) from the Sconi ore via the Company's demonstration-scale processing plant
- Confirmation of the processing flow sheet
- Delivery of an updated Feasibility Study that reflects the project's increased Life-Of-Mine

The release of the Sconi Bankable Feasibility Study in FY2019 clearly demonstrates the commercial case for developing what is a Tier 1 cobalt, nickel and scandium asset.³

Key highlights^{4,5} of the Sconi project are:

- Estimated to deliver \$5 billion in free cash flow the first 30 years
- Expected total revenue of \$13.27 billion
- Average annual revenue from production (life of mine) of \$512 million
- Average annual EBITDA (life of mine) of \$295 million
- Project payback period 5.2 years

² Australian Mines Limited, Sconi to generate \$5 billion in free cashflow over 30-year mine life, released via the ASX Announcement platform 13 June 2019

³ Australian Mines Limited, Bankable Feasibility Study Announcement, released via the ASX Announcement platform 20 November 2019

⁴ Australian Mines Limited, Sconi to generate \$5 billion in free cashflow over 30-year mine life, released via the ASX Announcement platform 13 June 2019

⁵ Australian Mines Limited, Bankable Feasibility Study Announcement, released via the ASX Announcement platform 20 November 2019

- The Total Mineral Resource for Sconi is estimated at 75.71 million tonnes delivering an estimated:^{6,7}
 - 1,405,000 tonnes of nickel sulphate
 - 209,000 tonnes of cobalt sulphate
 - 1,441 tonnes of scandium
- Independently assessed as a first quartile, low cost producer⁸

Financial Year 2020 Sconi Priorities

The primary focus for Australian Mines during the 2020 financial year (“FY2020”) will be securing a binding offtake agreement and project finance for the Sconi Project.

Our priorities for the development of Sconi in FY2020 include pre-construction work on shared-used infrastructure and further investment in the local communities in north Queensland.

Regular liaison with representatives of the Queensland Government will be continued to maximize the benefits of Sconi having ‘Prescribed Project’ status, which will facilitate the smooth and methodical development of the mine site.

Following two years of test work, Australian Mines has a firm understanding of the processing flowchart for the Sconi Project, as evidenced by the Company making the largest known shipment of battery grade nickel and cobalt sulphate crystals from Australian mined and processed ore⁹ at our Perth-based demonstration plant. Consequently, no further runs of the processing plant are scheduled for 2020 unless additional samples are requested by a future offtake party.

Offtake partnerships and project finance

In parallel to developing the production and processing capacity at Sconi, Australian Mines will work to identify offtake partners for Sconi. It is expected our selected partners will make a meaningful financial commitment to the project financing of Sconi, as part of any offtake agreement. Australian Mines will seek to continue to engage with its potential project

⁶ Refer to Australian Mines’ announcement released on 29 April 2019 for further information on the nickel and cobalt tonnages referred to on this page. The Mineral Resource for the Sconi Project is reported under JORC 2012 Guidelines and was reported by Australian Mines on 14 February 2019. The Mineral Resource for the Sconi Project, as outlined in the 14 February 2019 report is: Measured 8.27Mt @ 0.75% Ni & 0.09% Co; Indicated 49.24Mt @ 0.60% Ni & 0.08% Co; Inferred 18.2 Mt @ 0.54% Ni & 0.05% Co. There has been no Material Change or Re-estimation of the Mineral Resource since this 29 April 2019 announcement the Company

⁷ Released to the market by Australian Mines via the ASX platform on 20 November 2018 and 13 June 2019. Australian Mines confirms in the subsequent public report that all the material assumptions underpinning the production target in the initial public report referred to in rule 5.17 continue to apply and have not materially changed.

⁸ Compared to other existing and proposed analogous operations globally (see Australian Mines Limited, Independent market study places Sconi in the 1st quartile of cost curve for global cobalt sulphate and nickel sulphate production, released 12 February 2019)

⁹ Australian Mines Limited, Australian Mines to set benchmark with largest sample of battery-grade cobalt and nickel sulphate ever exported from Australia, released via the ASX platform 2 July 2018

financiers to ensure that all due diligence conditions are satisfied to allow discussions to progress beyond the current stage into formal contracts.

The timetable for confirming offtake partners and project financing is a function of negotiations, which are uncertain and bound by strict non-disclosure agreements. Any agreements reached will be communicated to the market at that time.

Portfolio development

Our focus on the successful development of the Sconi opportunity will result in the work across our other portfolio assets being limited to targeted, low cost, test drilling at our 100% owned Thackaringa Cobalt Project in New South Wales in early to mid-2020. As outlined in the Company's 2019 Annual Report, at least one of the bodies being targeted by the upcoming drilling at Thackaringa has been independently classified as a Priority One target, meaning that, in the opinion of the consulting geologist, this body has the geophysical characteristics of massive sulphide mineralisation.

The results from the ore beneficiation work on our satellite Queensland project Bell Creek and Minnamoolka Nickel-Cobalt prospects were mixed leading to a decision not to commence further follow up test work during the 2020 calendar year.

The results of Mineral Resource expansion drilling program at our 100% owned Flemington Project were highly encouraging and confirmed a significant, continuous zone of high-grade cobalt and scandium mineralization. The Flemington Project has the potential to host a nationally important cobalt resource.

The resource expansion drilling commenced at Flemington in October 2019¹⁰ has now concluded. Assay results from this program are anticipated to be received during the March 2020 quarter and will be released to the market in accordance with the Company's continuous disclosure obligations.

We are not anticipating undertaking any additional work at Flemington during the 2020 calendar year to allow the Company to maintain its focus on the successful development of Sconi. A recognition of this focus on our north Queensland operations is the closure of our regional office in Parkes in New South Wales during 2020.

¹⁰ Australian Mines Limited, Resource extension drilling commences at Flemington Cobalt-Nickel-Scandium Project, New South Wales, released 2 October 2019

Corporate

Funding

Following the successful completion of a Share Purchase Plan in July 2019 which raised \$5.8 million, the Company's presently proposed activities are funded beyond the current financial year. In addition, Australian Mines continues to reduce its corporate overheads as the Company prioritises offtake and project financing activities. As a result, subject to commencing any new pre-construction capital works, or the Company varying the scope / nature of any currently proposed exploration programs or other such activities, the board has no intention at this time to raise or re-organise its capital during the current financial year.

The board notes that an equity issue or capital re-organisation may be a requirement by potential financiers of the Sconi Project and, if required, will be announced at the time in accordance with Australian Mines' continuous disclosure obligations.

Senior Management Changes

Australian Mines advises of the resignation of its Chief Financial Officer, Mr Marcus Hughes, and Investor Relations Manager, Ms Sophia Bolhassan, for personal reasons. The Company has commenced a formal search process for a new Chief Financial Officer and Investor Relations Manager and expects to make an announcement regarding these roles during the first half of the 2020 calendar year.

During this time, the Company will continue to pursue offtake agreement(s) regarding its 100%-owned Sconi Cobalt-Nickel-Scandium Project with interested third parties, and project finance discussions with potential financiers including banks and export credit agencies.

The board thanks Marcus and Sophia for their contributions since their respective appointments in late 2018.

Annual General Meeting

Australian Mines Annual General Meeting is scheduled for 12:30pm (Queensland time) on 19 November 2019 at the Sofitel Brisbane Central. The Company looks forward to providing shareholders with an update on its activities at this time.

The board advises that Resolutions 5 to 8 have been withdrawn from the 2019 Notice of Annual General Meeting. These resolutions pertain to the approval for the issue of director options under the Company's Employee Securities Plan (ESP) other than for the proposed new director. In withdrawing the resolutions, the board recognises feedback received from certain investors that, given the prevailing share price, their preference is that the Company not issue options to directors at this time.

A resolution approving the issue of securities under the ESP will be put to shareholders however Australian Mines notes that:

- This cannot result in directors being issued securities unless shareholders specifically approve that issue under the ASX Listing Rules; and
- The Board can impose vesting hurdles on any issue under the ESP and intends to make securing finance for the Sconi Project a hurdle for future issues.

The withdrawal of Resolutions 5 to 8 will not affect the validity of the proxy form attached to the 2019 Notice of Annual General Meeting or any proxy votes already submitted.

Investor Relations

Australian Mines remains committed to providing shareholders with regular updates regarding its activities, subject to the Company's commercial and confidentiality restraints, to enable them to understand the status of the Company's operations and financial performance. In addition, more detailed information regarding its operations will be included in its Quarterly Activities Reports. In line with ASX listing rules requirements, these disclosures will be first made to the ASX Company Announcements platform prior to being available at the investor relations section of the Company's website: australianmines.com.au/asx-announcement

Australian Mines welcomes interactions with its shareholders, including any questions seeking further information regarding existing ASX announcements. Given Australian Mines' shareholder base of more than 10,000 holders and its lean head office management structure, the Company requests any and all shareholder enquiries be sent to its dedicated investor relations email address: investorrelations@australianmines.com.au, to ensure queries are captured and recorded correctly.

Senior management will seek to address enquiries sent to this email address either directly or within a subsequent ASX release, as soon as is reasonably practical and within the bounds of its ASX disclosure requirements. In accordance with ASX listing rules, the Company cannot provide shareholders with material information that is not already released to the market, including the date of any future ASX release.

For and on behalf of the Board

Benjamin Bell

Benjamin Bell
Managing Director and Chief Executive Officer

For further information,
please email investorrelations@australianmines.com.au



Appendix 1: Competent Persons' Statement

Sconi Cobalt-Nickel-Scandium Project, Queensland

The information in this report that relates to Mineral Resources is based on, and fairly reflects, information compiled by Mr David Williams, a Competent Person, who is an employee of CSA Global Pty Ltd and a Member of the Australian Institute of Geoscientists (#4176). Mr Williams has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources, and Ore Reserves (JORC Code). Mr Williams consents to the disclosure of information in this report in the form and context in which it appears.

Flemington Cobalt-Nickel-Scandium Project, New South Wales

Information in this report that relates to Flemington Project's Exploration Results is based on information compiled by Mr Mick Elias, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Elias is a director of Australian Mines Limited. Mr Elias has sufficient experience relevant to this style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Elias consents to the inclusion in this report of the matters based on his information in the form and context in which is appears.

Thackaringa Cobalt Project, New South Wales

The information in this report that relates to the Thackaringa Cobalt Project's Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr 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.



Appendix 2: Forward Looking Statements

This announcement contains forward looking statements. Forward looking statements can generally be identified by the use of forward looking words such as, 'expect', 'anticipate', 'likely', 'intend', 'should', 'could', 'may', 'predict', 'plan', 'propose', 'will', 'believe', 'forecast', 'estimate', 'target', 'outlook', 'guidance', 'potential' and other similar expressions within the meaning of securities laws of applicable jurisdictions.

There are forward looking statements in this document relating to the outcomes of the Sconi Project Bankable Feasibility Study and ongoing refinement work as outlined in this report. Actual results and developments of projects and the market development may differ materially from those expressed or implied by these forward-looking statements. These, and all other forward-looking statements contained in this announcement are subject to uncertainties, risks and contingencies and other factors, including risk factors associated with exploration, mining and production businesses. It is believed that the expectations represented in the forward looking statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to price fluctuations, actual demand, currency fluctuations, drilling and productions results, resource estimations, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory changes, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

Any forward-looking statement is included as a general guide only and speak only as of the date of this document. No reliance can be placed for any purpose whatsoever on the information contained in this document or its completeness. No representation or warranty, express or implied, is made as to the accuracy, likelihood or achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this document. Australian Mines does not undertake to update or revised forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this announcement, except where required by applicable law and stock exchange listing requirements. To the maximum extent permitted by law, Australian Mines Limited and its Associates disclaim all responsibility and liability for the forward-looking statements, including, without limitation, any liability arising from negligence. Recipients of this document must make their own investigations and inquiries regarding all assumptions, risks, uncertainties and contingencies which may affect the future operations of Australian Mines Limited or Australian Mines Limited's securities.

