

19 November 2019

Chairman's Address

2019 Annual General Meeting

Throughout the 2019 financial year, Australian Mines made significant progress in achieving its strategic goals. While we will outline these later in my address and in more detail in Mr Bell's presentation, I feel it is important to begin my address by reviewing the work done to establish offtake partners and financing for our flagship Sconi project.

Sconi Offtake Agreement

Your company is committed to developing the Sconi Project, which remains one of the most advanced cobalt-nickel projects of its type in Australia. Australian Mines believes the successful development of Sconi will position it as a low cost, long term supplier of ethically derived, battery grade cobalt and nickel sulphate.

Demand for cobalt and nickel sulphate is expected to increase over the medium to longer term as they are the required materials used by electric vehicle battery manufacturers and for the delivery of clean, sustainable energy sources.

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

As you may be aware, Australian Mines signed an offtake term sheet agreement with SK Innovation in 2018, which was successfully negotiated into the long-form offtake contract in August this year.

This agreement followed the release of the Sconi Bankable Feasibility Study, which clearly demonstrated the commercial case for developing this Tier 1 asset.

The offtake contract with SK Innovation was subject to conditions precedent around securing financing for Sconi and SK Innovation completing its due diligence on the project.

SK Innovation and Australian Mines further agreed that, if SK Innovation issued an agreed pre-payment / finance letter to Australian Mines by 31 October 2019, the parties would proceed to negotiate and finalise the formal documentation with respect to that support by 31 January 2020. The offtake Agreement would remain effective pending such formal documentation being finalised and signed.

Disappointingly, SK Innovation did not issue an acceptable pre-payment / finance letter to Australian Mines by the due date and consequently, we announced, on 1 November 2019, the offtake agreement with SK Innovation was therefore terminated.

While we acknowledge this outcome is frustrating to us and our shareholders, and has set back our intended timetable for Sconi development, we remain absolutely confident in the quality of the Sconi project and its ability to generate significant value for shareholders over its life.

The projected growth of the electric vehicle market will drive demand for the ethically derived battery materials Australian Mines produces. This increasing demand for our cobalt and nickel sulphates gives us great confidence in our ability to identify new offtake partners that we will sign binding offtake agreements with.

Simultaneously, we are continuing project finance discussions with potential financiers including banks and export credit agencies.

While the timetable for confirming new offtake partners and project financing is a function of negotiations, I confirm we are absolutely committed to delivering the best outcome for shareholders. Further, we expect our selected partners will make a meaningful financial commitment to the project financing of Sconi, as part of any offtake agreement.

And I re-emphasise, given the quality of Sconi Project, we remain confident in securing offtake and financing partners for this project, that will deliver value to shareholders.

2019 Milestones

Turning now to the many milestones achieved in Financial Year 2019, the release of the Sconi Bankable Feasibility Study was significant and clearly demonstrates the commercial case for developing this Tier 1 asset.

The feasibility study confirmed that when fully developed, Sconi is expected to have a mine life in excess of 30 years, deliver revenues in the order of \$500 million a year and generate free cash flow in excess of \$5 billion over the life of the mine.

The study also demonstrated a Net Present Value for the Sconi project of \$1.47 billion pre-tax and \$817 million post-tax, with a post-tax payback period of 5.8 years.

During 2019, Sconi was given Prescribed Project status by the Queensland Government, which will assist in facilitating and expediting the smooth and methodical development of the mining operation. Australian Mines is actively engaging with representatives of the Queensland Government to maximize the benefits of Sconi being a 'Prescribed Project'.

The Company also completed its acquisition of 100% of the Flemington Cobalt-Nickel-Scandium Project this year, which also remains on track to become a strategic source of ethically-derived cobalt and nickel sulphate for electric vehicle manufacturers. Subsequent exploration has given early indication of the potential for an expanded mineralisation footprint.

At our 100% owned Thackaringa Cobalt Project a Priority One target conductive body has been independently identified. This means that, in the opinion of the consulting geologist, this body has the geophysical characteristics of massive sulphide mineralisation.

Financial Position

Another success during the year was the Share Purchase Plan that raised \$5.8 million, which means the Company's operations are fully-funded beyond the current financial year. As a result, subject to commencing any new significant pre-construction capital works, the board has no intention at this time to raise or re-organise its capital during the current financial year.

Board and Management

Your board is committed to ensuring that it has the relevant skills and experience as the company's operations evolve and we progress towards the production phase of the company's lifecycle.

To support this board evolution, on 18 October this year, we announced the appointment of Les Guthrie as a non-executive director. Along with an impressive CV, Les brings to the board significant additional skills and experience around major project delivery, which will complement those of the existing board members.

I'm delighted Les chose to join the board and we are looking forward to his contributions as we execute our corporate strategy.

Resolutions

Finally, as we announced on 6 November, the board has decided to withdraw Resolutions 5 to 8 from consideration at today's Annual General Meeting.

These resolutions pertain to the approval for the issue of director options under the company's Employee Securities Plan.

In withdrawing the resolutions, the board recognises the feedback from certain shareholders that, given the prevailing share price, it is their preference that the Company not issue options to directors at this time.

Conclusion

In conclusion, I would like to thank our shareholders for their continued support and also all the members of the Australian Mines' team for their continuing commitment to growing the company into a globally significant supplier of battery materials.

Thank you.

