

31 October 2017

Quarterly Activities Report

Period ended 30 September 2017

HIGHLIGHTS

Sconi Cobalt-Nickel-Scandium Project

- **Acquiring 100% interest in the flagship Sconi Cobalt-Nickel-Scandium Project, which supersedes the previous joint venture agreement**
- **Completed trial mining campaign to produce 30 tonnes of ore from the Sconi Project for processing by the demonstration plant in Perth**
- **Advancing Bankable Feasibility Study ahead of a final investment decision on Australia's most advanced¹ cobalt-nickel-scandium project**

Demonstration-size Processing Plant

- **Approval of autoclave components by QA/QC inspectors at SGS**
- **Scheduled to process bulk sample of ore from Sconi Project to deliver premium cobalt sulphate, nickel sulphate and scandium oxide products to potential off-take partners**

Flemington Cobalt-Scandium-Nickel Project

- **Confirmed high-grade cobalt mineralisation present across Flemington Cobalt-Scandium-Nickel Project**
- **Better cobalt intercepts from drilling during the quarter included:**
 - **5 metres at 3,152 ppm Co from 4 metres (drill hole FMA17_151)**
 - **3 metres at 3,010 ppm Co from 4 metres (drill hole FMA17_224)**
 - **2 metres at 2,445 ppm Co from 7 metres (drill hole FMA17_227)**

¹ Australian Mines Limited, Environmental Licences granted for mining and processing operation at Sconi, released 2 March 2017

- **Secured permanent water allocation to support a future mining and processing operation at Flemington, which is presently estimated at more than 30 years²**

Thackaringa Cobalt Project

- **Commenced detailed helicopter-borne geophysical survey designed to map the geology potentially hosting cobalt mineralisation across the project area**

Managing Director, Benjamin Bell commented, *“Australian Mines continued to make considerable progress with its project development activities at its flagship Sconi Cobalt-Nickel-Scandium Project in northern Queensland during the quarter, as we focus on completing the Bankable Feasibility Study by April 2018.*

“Our corporate focus for the September quarter was very much on continuing our negotiations with potential offtake partners, who have all qualified their strong interest in receiving commercial product samples from Sconi.

“Operationally, the company was pleased to advise shareholders that we were able to complete a trial mining campaign at Sconi to produce a 30-tonne bulk sample of ore for processing through our demonstration-size plant, currently under construction in Perth.

“The commercial samples of cobalt sulphate and nickel sulphate, and scandium oxide, that will be produced have been allocated to our potential offtake partners to verify our production is fit for end-customer purpose. Whilst the construction of the demonstration plant is running a few weeks behind schedule, this has not had any adverse effect on the ongoing off-take discussions.

“Ahead of the trial mining campaign at Sconi, we were pleased to be acquiring 100% of the project for Australian Mines, superseding our previous joint venture agreement with Metallica Minerals. This reinforces our confidence in the future success of a long-term mining and processing operation at Sconi in northern Queensland.

“At our Flemington Cobalt-Scandium-Nickel Project in New South Wales, we were extremely pleased with the results announced this quarter from a resource extension drilling program, in particular, the tenor of cobalt results from this drilling, confirming our confidence in the Flemington ore body.

“The recent Flemington drilling also confirmed the relationship between Australian Mines’ Flemington mineralisation and the neighbouring Syerston project owned by Clean TeQ. It is clear Flemington and Syerston are the same deposit separated by a tenement boundary.

² Australian Mines Limited, Technical Reports, released 31 March 2017

“In early October, Australian Mines secured a permanent water licence for the Flemington Project from an existing water allocation purchased on the open market that will more than cover the current proposed scale and life of operations. This means that a future mining operation at Flemington will have no impact on the region’s total water usage and will minimise the project’s environmental footprint.”

“We know Flemington hosts a world-class deposit in its own right, able to produce cobalt sulphate, nickel sulphate and high-quality scandium oxide for global customers. We are, therefore, about to embark on what could be Australian Mines’ largest ever drill program, which is designed to test as much of the prospective cobalt-bearing geology within the Flemington Project as possible and in the shortest time possible.”

“The Preliminary Environmental Assessment report for Flemington that we recently submitted to the NSW State Government did not raise any red flags, which bodes well for the future development of this project.”

“The recent appointment of Chief Operating Officer, Tim Maclean, who has built and operated multi-billion-dollar laterite processing plants in the past similarly serves as confirmation of our plans to take the Sconi and Flemington projects through to a final investment decision.”

“We started on-the-ground exploration at our Thackaringa Cobalt Project in the quarter, a 100% owned greenfields exploration project for Australian Mines in a region that is developing an emerging recognition for mineral endowment, including cobalt. Even though it is very early stage, we are looking forward to analysing the results of the helicopter-borne electromagnetic and magnetic geophysical survey due in the New Year.”

Sconi Cobalt-Nickel-Scandium Project

Australian Mines’ Sconi Cobalt-Nickel-Scandium Project is, by any measure, the most advanced project of its type currently under evaluation in Australia.

In addition to having all prerequisite mining and environmental approvals already in place, and life-of-mine well in excess of 20 years³, the Sconi Project is ideally located within an established mining region that is already well-served by infrastructure including road, power and a current nickel and cobalt exporting port at the nearby city of Townsville.

Being situated within a long-established mining district, the Sconi Project also benefits from having access to a skilled workforce on its doorstep, which Australian Mines intends to utilise through preferentially employing personnel from the local area.

³ Australian Mines Limited, Technical Reports, released 31 March 2017



Having a similar size Mineral Resource⁴ as the better-known Syerston Project (being developed by Clean TeQ Holdings; ASX: CLQ, adjacent to Australian Mines' Flemington Project in New South Wales), the Sconi Project's resource tonnage of 89 million tonnes compares very favourably to the 101 million tonnes recently announced for Syerston⁵.

Australian Mines' Sconi Project in Queensland is also expected to have a similar average feed grade to Syerston, being 0.11% cobalt and 0.80% nickel for Sconi compared to apparent feed grade for Syerston at 0.13% cobalt and 0.59% nickel for Syerston⁶.

Based on the quoted feed grades and today's metal prices of USD60,000 per tonne of cobalt and USD12,000 per tonne of nickel⁷, the metal value per tonne of ore at Sconi is therefore approaching 10% higher than that of Syerston, with both projects having similar metal recovery rates of 94% and planning on producing identical final products of cobalt sulphate and nickel sulphate.

As at Syerston⁸, scandium production at Sconi would simply add to the economics of the project, rather than be reliant on it, given that it is produced alongside the cobalt and nickel sulphate products for minimal additional operating cost.

Australian Mines is currently completing a Bankable Feasibility Study (BFS) on Sconi, which is expected to be completed by April 2018, with a final investment decision on a full-scale mining and processing operation to follow.

A major development to occur at the Company's flagship Sconi Cobalt-Nickel-Scandium Project in the September quarter was the move by Australian Mines to acquire 100% of the project from previous joint venture partner Metallica Minerals (ASX: MLM)⁹ and the subsequent completion of a trial mining program¹⁰ to source a 30-tonne bulk sample of ore from the project and deliver it to the demonstration-size plant in Perth¹¹.

⁴ 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.

⁵ Clean TeQ Holdings Limited, Syerston Project – Updated Mineral Resource, released 9 October 2017

⁶ Australian Mines Limited, Technical Report, released 31 March 2017

⁷ As at 27 October 2017,

<https://www.lme.com/metals/minor-metals/cobalt/#tabIndex=0>,

<https://www.lme.com/metals/non-ferrous/nickel/#tabIndex=0>

⁸ Clean TeQ Holdings, Syerston nickel and cobalt Pre-Feasibility Study completed, released 5 October 2016

⁹ Australian Mines Limited, Australian Mines is acquiring 100% of the Sconi Cobalt-Nickel-Scandium Project from Metallica Minerals Limited, announced on 6 September 2017.

¹⁰ Australian Mines Limited, Trial mining commenced at Sconi Project, released 28 September 2017.

¹¹ 30 tonne shipment comprises an initial 20 tonne shipment and a further 10 tonnes of ore on a second truck.



The acquisition of the Sconi Project by Australian Mines superseded the previous farm-in agreement with Metallica Minerals announced to the market on 10 October 2016¹², whereby the Company was to acquire up to a 75% interest in this advanced project.

Consideration for the 100% acquisition of Sconi in the agreement includes¹³:

- a one-off cash payment of \$3.5 million to Metallica Minerals, payable upon satisfaction of transaction conditions precedent;
- the issue of \$1.5 million of Australian Mines shares upon the completion of the Bankable Feasibility Study; and
- a final issue of \$5 million of Australian Mines shares (or cash) to Metallica Minerals upon commercial production from Sconi (being production from the full-scale processing operation outlined in the Bankable Feasibility Study).

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 above.

Having full control of both the Sconi and the Flemington Projects 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.

¹² Australian Mines, AUZ positions to become world's largest scandium company, released 10 October 2016

¹³ See Australian Mines' announced dated 6 September 2017 to full details of the Sconi transaction

Sconi Cobalt-Nickel-Scandium Project

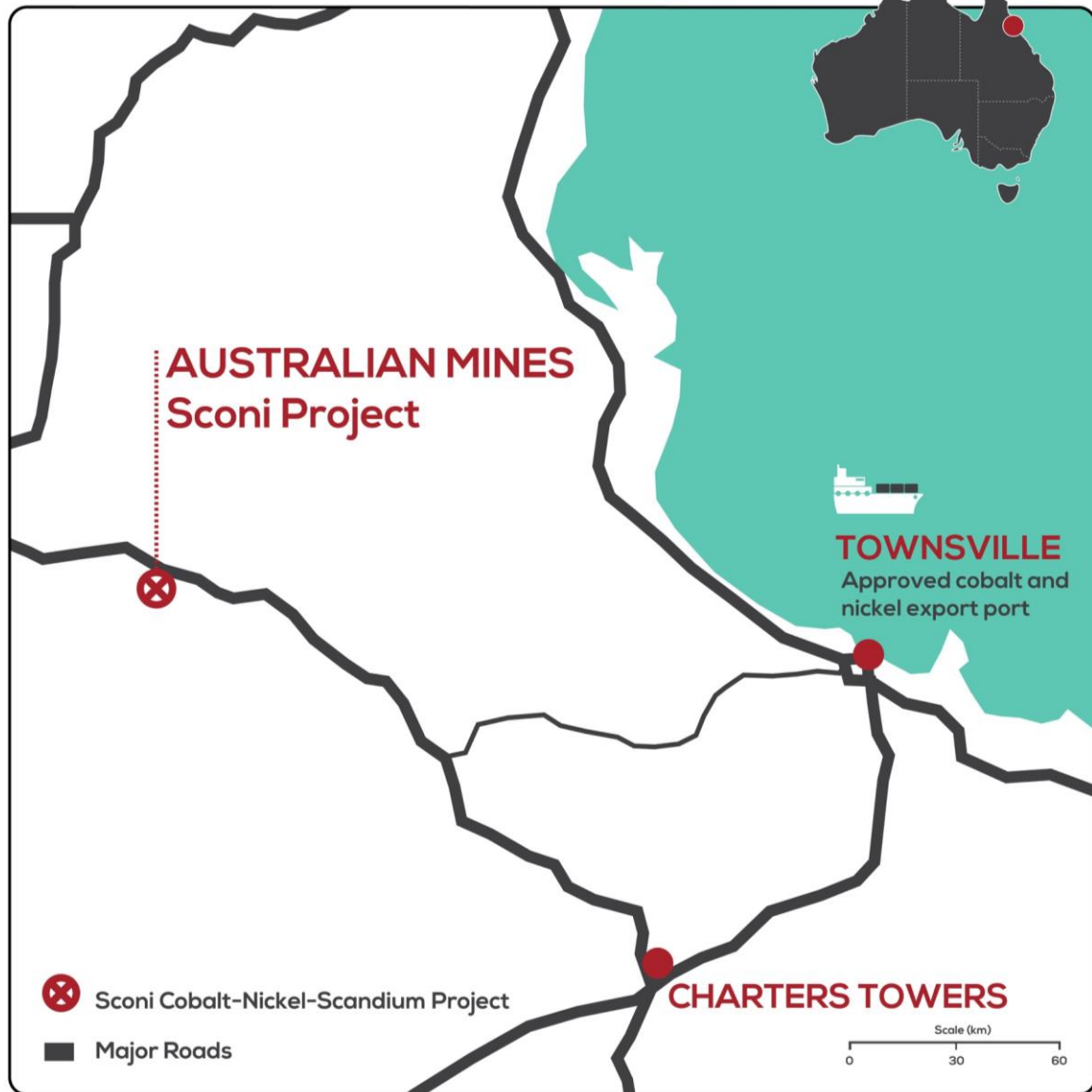


Figure 1: The Sconi Project is located in northern Queensland, approximately 250 kilometres on sealed roads from Townsville.



Figure 2: Excavation work as part of the trial mining campaign of ore from the Sconi Project.

Company	Mining Lease Granted	Environmental Approval	Mine Study Completed	Av. Cobalt Feed Grade	20+ year Mine Life
Australian Mines Sconi Project	✓	✓	✓	0.11%	✓
Metals X Wingellina Project	✗	✓	✓	0.08%	✓
Clean TeQ Holdings Syerston Project	✗	✓	✓	0.14%	✓
GME Resources NiWest Project	✓	✓	✗	--	✗
Ardea Resources Kalgoorlie Nickel Project	✓	✗	✓	0.07%	✓
Cassini Resources West Musgrave Project	✓	✗	✗	--	✗
Cobalt Blue Holdings Thackaringa Project	✓	✗	✗	--	--
Hammer Metals Millenium Project	✓	✗	✗	--	--
Barra Resources Mt Thirsty Project	✗	✗	✗	--	--
Aeon Metals Walford Creek Project	✗	✗	✗	--	✗
Corazon Mining Mount Gilmore Project	✗	✗	✗	--	--
Platina Resources Owendale Project	✗	✗	✗	--	✗

Figure 3: Australian Mines finds itself uniquely positioned as the only Australian cobalt deposit able to go into immediate production ¹⁴.

¹⁴ Australian Mines Limited, Environmental Licences granted for mining and processing operation at Sconi, released 2 March 2017

Demonstration-size Processing Plant

Key components for the demonstration-size plant currently under construction¹⁵ in the Perth suburb of Welshpool continue to arrive and be installed by one of Australia's leading hydrometallurgical and processing consultancies, The Simulus Group.

The Company is pleased to advise that it received notice by SGS Inspectors that the plant's autoclave has passed inspection and is now on route to Perth.

As a result of the short delay related to the QA/QC approval process of this pressure vessel, Australian Mines now anticipates the demonstration scale plant to be fully-operational within 5 weeks and the Company has already shipped 30 tonnes of cobalt-, nickel- and scandium-rich ore from the Sconi Project to the Welshpool facility in preparation for the plant's commissioning.

Based on the pilot-scale processing work previously undertaken by Australian Mines, the Company's initial processing run of 30 tonnes of ore is expected to produce up to 1,000 kilograms of battery grade nickel sulphate, 120 kilograms of commercial grade cobalt sulphate and at least 10 kilograms of high-purity scandium oxide.

The entire output from this initial run has already been allocated to potential international off-take partners to progress their on-going negotiations with Australian Mines. In fact, the demand for samples by battery and technology metal manufacturers has been so high that Australian Mines will produce additional product to enable the Company to satisfy these requests.



Figure 4: Bulk sample bags of ore from the Sconi Project being loaded ahead of transport to the demonstration-size plant in Perth.

¹⁵ Australian Mines Limited, Construction commences on demonstration-size processing plant, released 15 May 2017



Figure 5: Inspection of the autoclave vessel bound for the demonstration-size processing plant in Perth, which has the capacity to process 2,200 kilograms of cobalt-nickel-scandium ore per day, producing up to 67 kilograms of cobalt sulphate, 500 kilograms of nickel sulphate and 8 kilograms of scandium oxide per week (when run on a continuous basis)¹⁶.

¹⁶ See Appendix 2 of this report for further details on the demonstration plants throughput assumptions and calculations.

Flemington Cobalt-Scandium-Nickel Project

Australian Mines announced assay results from its 239-hole resource extension drilling program at the Flemington Cobalt-Scandium-Nickel Project in the September quarter¹⁷.

In addition to demonstrating consistent high-grade cobalt grades are present across the deposit¹⁸, the resource extension drill program likewise confirmed that this cobalt (and scandium) mineralisation either outcrops or is within a few metres of the surface.

Intersections returned from the resource extension drilling program included¹⁹:

- 13 metres @ 2,060 ppm (or 0.20%) Cobalt from 7 metres (drill hole FMA17_148);
- 5 metres @ 3,152 ppm (or 0.31%) Cobalt from 4 metres (drill hole FMA17_151);
- 19 metres @ 1,748 ppm (or 0.17%) Cobalt from 7 metres (drill hole FMA17_208);
- 3 metres @ 3,010 ppm (or 0.30%) Cobalt from 4 metres (drill hole FMA17_224);
- 2 metres @ 2,445 ppm (or 0.24%) Cobalt from 7 metres (drill hole FMA17_227);
- 4 metres @ 2,097 ppm (or 0.20%) Cobalt from 18 metres (drill hole FMA17_253);
- 8 metres @ 3,017 ppm (or 0.30%) Cobalt from 5 metres (drill hole FMA17_282);
- 9 metres @ 2,476 ppm (or 0.24%) Cobalt from 12 metres (drill hole FMA17_286);
- 8 metres @ 2,013 ppm (or 0.20%) Cobalt from 9 metres (drill hole FMA17_288); and
- 11 metres @ 2,020 ppm (or 0.20%) Cobalt from 18 metres (drill hole FMA17_289).

This drilling confirmed beyond doubt that the Australian Mines' Flemington and Clean TeQ's (ASX: CLQ) Syerston mineralisation are part of the same ore body, which is divided in two as a result of the positioning of the two companies' common tenement boundary²⁰.

¹⁷ Australian Mines Limited, Drilling doubles cobalt footprint at Flemington, released 11 August 2017.

¹⁸ ASX-listed (Australia-listed) and TSX-listed (Canadian-listed) cobalt-focussed companies typically refer to any cobalt grade above at or above 1,000ppm (0.1%) as being "high-grade". Thus, based on the assays return from this resource extension drill program, it would appear reasonable to view Flemington as a high-grade cobalt project

¹⁹ **All holes were drilled vertically, and as the laterite sequence is close to flat-lying, the intersected widths of cobalt mineralisation approximate true widths.**

See Australian Mines' announcement dated 11 August 2017 for full details of this drill program.

²⁰ SRK Consulting, an international mining consultancy with no links or association with Australian Mines, had already concluded in their March 2017 Scoping Study of the Flemington Cobalt-Scandium-Nickel Project that the Flemington deposit and neighbouring Syerston mineralisation constitute the same ore body (see Australian Mines announcements of 15 March 2017 titled *Flemington Scoping Study advances project to Pre-Feasibility Study phase* and the Company's 31 March 2017 announcement titled *Technical Reports*). Australian Mines is in no doubt, following this drill program, that the Flemington and Syerston deposits are indeed the two parts of the same ore body.

The geological and geochemical data acquired by an independent geological consulting firm, Rangott Mineral Exploration, during the Company's resource extension drilling program at Flemington served to re-affirm the interpretation that if it were not for the EL7805 (Australian Mines) – EL4573 (Clean TeQ) tenement boundary, then these two cobalt-scandium-nickel deposits would, without question, be treated by the project holder as a single deposit.



With drilling to date covering only about 1% of the prospective Tout Complex present within Australian Mines' Flemington Project²¹, the maiden cobalt Mineral Resource²² recently announced by the Company potentially represents a mere fraction of the project's total mineral endowment.

Australian Mines is, therefore, working to significantly expand its resource drilling program at Flemington by bringing in multiple drill rigs to reveal the full extent of the cobalt, nickel and scandium mineralisation present within its project area in the quickest time possible.

Throughout the planning and implementation of this program, the Company will naturally liaise continuously with the region's farmers and land owners to minimize the impact of Australian Mines' activities. To facilitate this, Australian Mines has committed to establishing a regional office in the nearby town of Parkes, which will be staffed by local employees.

In line with the Company's recruitment principles, Australian Mines will seek to fill these newly-created positions from within the local community wherever possible.

Australian Mines is committed to ensuring that its proposed future mining operation at Flemington follows world's best practice including having minimal environmental impact, whilst delivering maximum social and economic benefit to the region. For this reason, the Company made the deliberate decision to source the water required for the plant's operation from existing allocations rather than apply to the New South Wales Government for a new water licence that would likely place strain on the region's valuable water resource²³.

In this case the permanent water allocation now owned by Australian Mines, being more than adequate to support the scale of mining and processing operation contemplated at Flemington across the entire life of operations²⁴, was purchased from a local farmer and was excess to their requirements.

The Company is also presently investigating the application of renewable energy, including solar, to power a future mining operation at Flemington – again, to ensure that Australian Mines' activities does not place any undue strain on the region's electricity network.

Australian Mines also completed a Preliminary Environmental Assessment (PEA) of the Flemington project area this quarter. This report, which was prepared by an independent consulting firm based in Sydney and subsequently submitted to the New South Wales Government, did not identify any significant environmental issues over the 3,900 hectares that comprise the Company's Flemington Mining Lease Application²⁵.

²¹ Australian Mines announced on 10 October 2016 that the Company had entered into an Option Agreement with Jervois Mining to acquire 100% of the Flemington Cobalt-Scandium-Nickel Project near Fifield in New South Wales. Details of this Agreement are outlined in Appendix 1 of this report.

²² The Mineral Resource Estimate for the Flemington Cobalt-Scandium-Nickel Project is reported under JORC 2012 Guidelines and was reported by Australian Mines Limited on 31 October 2017. The Mineral Resource for Flemington, is: Measured 2.5Mt @ 0.10% Co and 403ppm Sc, Indicated 0.07% Co and 408 Sc. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 October 2017 announcement by Australian Mines.

²³ Australian Mines Limited, Water licence secured for Flemington Project, released 3 October 2017

²⁴ Australian Mines Limited, Technical Reports, released 31 March 2017

²⁵ Australian Mines Limited, Mining Lease application submitted over Flemington, released 3 April 2017

A more detailed Environmental Impact Assessment (EIA) of the Flemington project is scheduled to commence in early 2018 and will likewise be completed by an independent consulting firm in close collaboration with the relevant New South Wales Government departments.

It is Australian Mines' intention to produce cobalt sulphate, nickel sulphate and scandium oxide from a future operation at Flemington. The Company was, therefore encouraged by the results of its recently completed drill program that confirmed high-grade scandium outcrops across the project area. After all, the closer an ore body is to surface, the lower the mining costs associated with that project.

Scandium intersections returned from the recent drilling program included²⁶:

- 18 metres @ 472 ppm Scandium from surface (drill hole FMA17_123);
- 15 metres @ 478 ppm Scandium from surface (drill hole FMA17_155);
- 16 metres @ 556 ppm Scandium from surface (drill hole FMA17_220);
- 21 metres @ 577 ppm Scandium from surface (drill hole FMA17_221);
- 17 metres @ 547 ppm Scandium from surface (drill hole FMA17_222);
- 23 metres @ 459 ppm Scandium from surface (drill hole FMA17_228);
- 14 metres @ 477 ppm Scandium from surface (drill hole FMA17_280);
- 21 metres @ 485 ppm Scandium from surface (drill hole FMA17_283);
- 23 metres @ 543 ppm Scandium from surface (drill hole FMA17_286); and
- 14 metres @ 600 ppm Scandium from surface (drill hole FMA17_291).

Platinum mineralisation also appears to be elevated within the cobalt-rich zone across the Company's Flemington project area²⁷. However, as pressure acid leach processing is unable to extract platinum from a laterite ore, Australian Mines did not routinely analyse for platinum in samples from its recent resource extension drill program.

Australian Mines has stored the samples from this drilling and, should an economically viable method of extracting platinum (or any other precious metal) from laterite ore via an acid leaching

²⁶ **All holes were drilled vertically, and as the laterite sequence is close to flat-lying, the intersected widths of cobalt mineralisation approximate true widths.**

See Australian Mines' announcement dated 11 August 2017 for full details of this drill program.

²⁷ Platinum grades of >0.3 g/t, for example, are not uncommon at Flemington as per Jervois Mining's announcement of 10 September 2012

or alternative processing method become available, the Company will resubmit these samples for precious metal analysis with the view to estimating a Mineral Resource²⁸ for these metals.

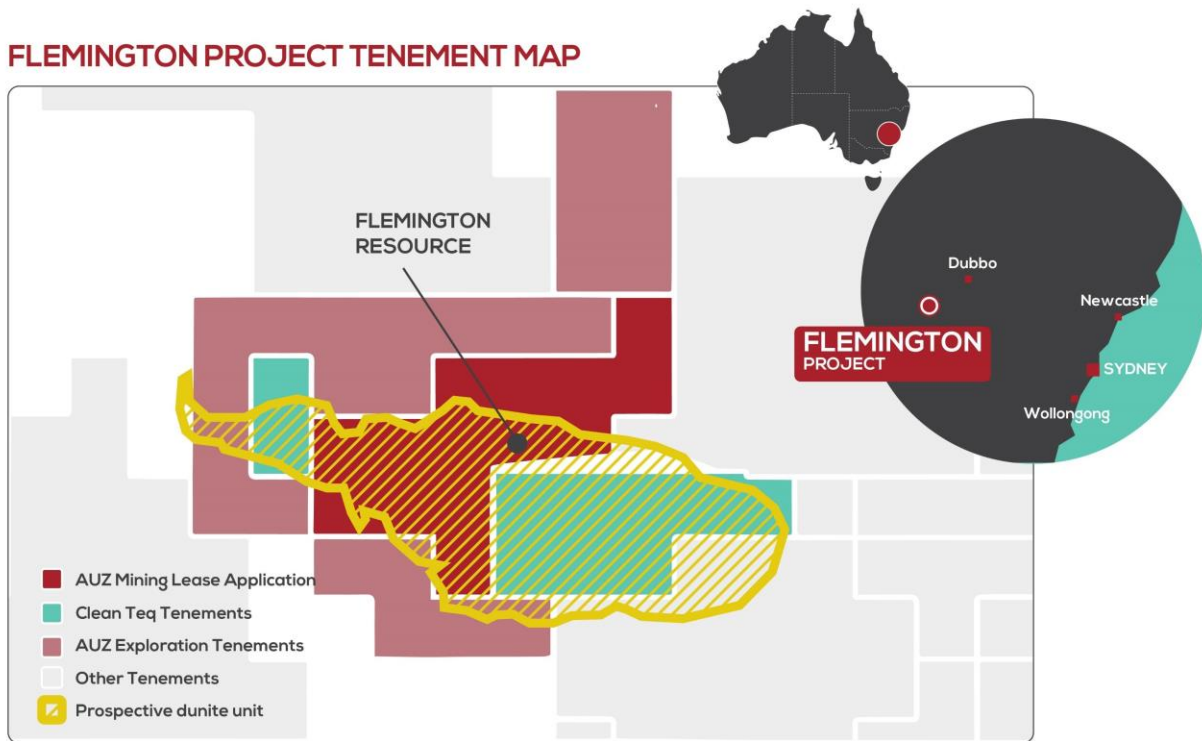


Figure 6: Located in central New South Wales, 370 kilometres west of Sydney, the Flemington Project is a direct continuation of Clean Teq’s Syerston ore body, separated by a tenement boundary. Australian Mines is proposing to use multiple drill rigs to comprehensive test the full extent of the prospective Tout Complex (outlined in yellow in this image) in the shortest practicable time.

²⁸ To date, no platinum or gold Mineral Resource Estimate has been calculated for the Flemington Cobalt-Scandium-Nickel Project.

Thackaringa Cobalt Project

The Australian Mines' Thackaringa Cobalt Project immediately adjoins Cobalt Blue's (ASX: COB) Pyrite Hill / Railway / Thackaringa Cobalt Project in New South Wales.

Australian Mines holds a 100% interest in its Thackaringa Project with no royalty or any other payments attached to the tenements.

Last month, the Company commenced its greenfields cobalt exploration program at the Thackaringa when it commissioned a helicopter-borne electromagnetic and magnetic geophysical survey of the project area²⁹.

This survey, which is being conducted in collaboration with two of Australian Mines' neighbouring resource companies³⁰ and covers the Company's entire Thackaringa project area, is designed to map the sulphide-bearing geology being the host of the region's known cobalt mineralisation.

The results from this survey, which are expected to be received by the Company in early 2018, will guide Australian Mines' on-going exploration program at Thackaringa.

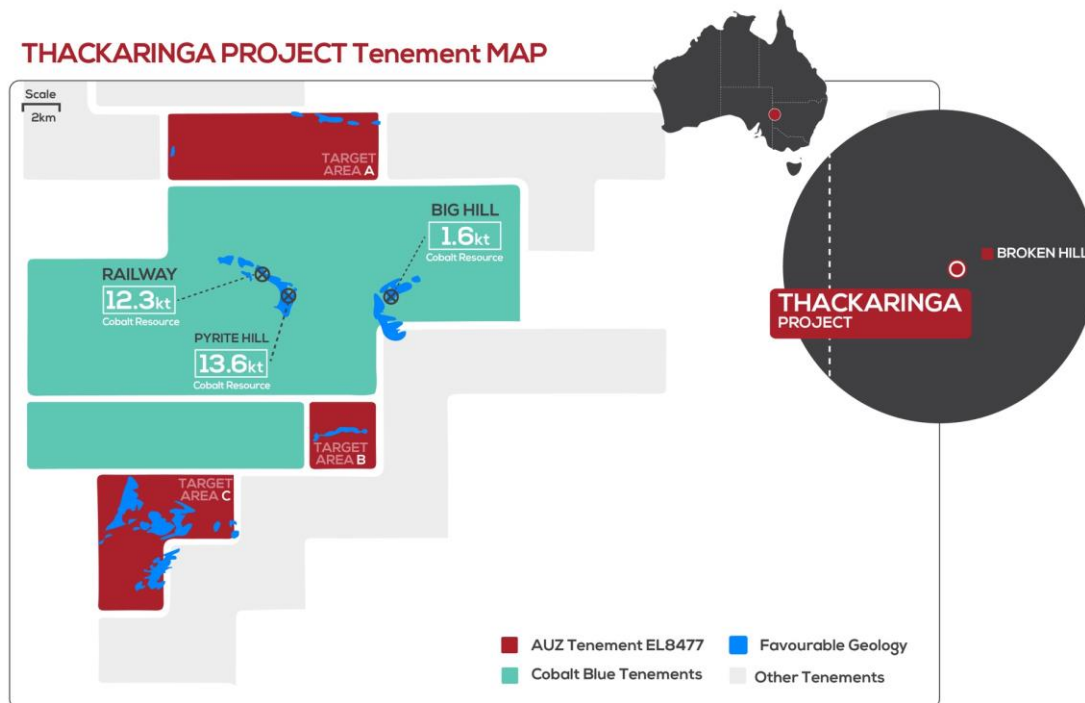


Figure 6: Australian Mines' Thackaringa Cobalt Project, which immediately adjoins Cobalt Blue's (ASX: COB) Pyrite Hill and Railway cobalt projects in central New South Wales, offers the Company's shareholders significant exploration upside and complements Australian Mines' world-class cobalt-nickel-scandium deposits at Sconi (Queensland) and Flemington (New South Wales)

²⁹ Australian Mines Limited, Exploration commenced at Thackaringa Cobalt Project, released 29 September 2017

³⁰ Cobalt Blue Holdings Limited, Thackaringa Cobalt Project Major Geophysical Survey, released 3 July 2017.

Arunta West Copper-Gold Project

The Arunta West Copper-Gold Project³¹ is located 600 kilometres west of Alice Springs in Western Australia and near the Northern Territory border.

This project possesses the apparent continuation of the geological sequence hosting Independence Group's (ASX: IGO) Lake Mackay Project, where Independence Group (in joint venture with ABM Resources; ASX: ABU) have recently announced some significant gold and base metal intersections³², with further positive results anticipated as the IGO-ABU exploration joint venture continues to gather pace just across the border in the Northern Territory.

Australian Mines commenced on-ground exploration at its Arunta West Project during the September quarter with experienced geophysical contractor, Haines Surveys, completing a detailed ground gravity survey over the priority North Dovers copper-gold target - a target first identified by BHP Billiton in the 1990s but one, which to date, has never been drill tested.

The principal objective of the Company's gravity survey is to enable Australian Mines to optimally position a future drilling program at North Dovers and the nearby Mantati gold + base metal prospects.

Final results of the ground gravity survey, and full details of the subsequent drill program are expected to be available for release in the first quarter of 2018.

Doolgunna-Marymia Gold Project

The Doolgunna-Marymia Gold Project is situated approximately 900 kilometres north of Perth and within 50 kilometres of Superior Gold's (TSX-V: SGI) Plutonic Gold Mine.

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

³¹ The Arunta West Copper-Gold Project is a joint venture between Australian Mines and Jervois Mining (ASX: JRV), which takes in three tenements covering 345 square kilometres in the proven Lake Mackay district of Western Australia. Under the joint venture agreement, Australian Mines can earn up to an 80% interest in these tenements. See Appendix 1 of this report for full details of the terms of the AUZ - JRV Arunta West joint venture. Australian Mines separately holds a 100% interest in two tenements adjoining the Arunta West JV area, covering an additional 1,100 square kilometres.

All tenements are granted with Land Access Agreements in place to enable on-ground exploration by Australian Mines across the Arunta West project area.

³² ABM Resources Limited, Lake Mackay JV – Grapple prospect drilling update, released 18 September 2017

The Company remains firmly of the view that this project potentially hosts Bombora-style³³ gold mineralisation within the 6-kilometre long Dixon dolerite unit located towards the south of Australian Mines' project area³⁴.

Work completed by the Company across the Doolgunna-Marymia Project during the quarter suggests that a significant drill program testing along strike and down dip for additional zones of mineralisation as well as extensions to existing zones at Dixon and Baumgarten would refine the mineralisation model of both gold prospects and, in turn, support a future resource estimation study³⁵.

This work, undertaken by resource consulting firm, Apex Geoscience, similarly identified two primary copper target areas coincident with the Jenkin Fault in the north of the tenement area, that, in their opinion, warrant further testing.

Australian Mines has, therefore, commissioned a detailed sampling program over these two prospective copper targets within its Doolgunna-Marymia Project, which is scheduled to be completed by early 2018³⁶.

Marriotts Nickel Project

Australian Mines' 100%-owned Marriotts Nickel Project is located 15 kilometres southwest of Talisman Resources' (ASX: TLM) Sinclair nickel processing plant in Western Australia³⁷.

No activity was undertaken across the Marriotts Project during the September quarter and the Company has no plans to commence exploration or development activities at Marriotts in the immediate future.

³³ Breaker Resources (ASX: BRB) Bombora gold deposit located in the Eastern Goldfields of Western Australia is hosted in fractionated dolerites with multiple phases, oriented north-south with moderate dips. Both Australian Mines' Dixon prospect and Breaker Resources' Lake Bombora deposit share similar geological characteristics including host rock lithology, alteration styles (potassic) and sulphide alteration (pyrite and pyrrhotite). The Lake Roe and Dixon gold prospects likewise have both experienced a number of late cross faults responsible for offsetting the corresponding geological units.

See Australian Mines announcement dated 28 April 2017 for full details.

³⁴ Apex Geoscience Limited, Lake Roe Gold Project Overview and Comparison to Dixon Prospect, Western Australia, internal company report, dated 18 September 2016

³⁵ Apex Geoscience Limited, Desktop Review of the Marymia Project, Western Australia, internal company report, dated 31 August 2017

³⁶ At a total cost of \$30,000, this proposed detailed sampling program at the Company's Doolgunna-Marymia represents a very economical approach to advancing this project whilst at the same time ensuring Australian Mines does not divert its resources or funds away from its key Sconi and Flemington projects.

³⁷ Marriotts Mineral Resource: Indicated 0.46Mt @ 1.12% Nickel; Inferred 0.37Mt @ 1.15% Nickel for total Mineral Resource of 0.83Mt @ 1.13% Nickel. There has been no Material Change or Re-estimation of the Mineral Resource since this 15 November 2007 announcement by Australian Mines.

See Australian Mines announcement dated 15 November 2007 for full details of the Marriotts Mineral Resource.



Corporate Activity

Corporate Appointment

At the beginning of the quarter, Australian Mines appointed Mr Tim Maclean to the newly created role of Chief Operating Officer.

Mr Maclean is a highly experienced engineer with over 25 years designing, building and operating processing plants around the world for international mining houses including Rio Tinto, Alcoa and Vale. This experience includes Chief Operating Officer at Vales' Mineração Onca Puma nickel laterite processing plant in Brazil where he oversaw the construction, start-up and operation of the US\$3 billion (capex) project and its 1,900 workforce³⁸.

Mr Maclean's decision to join Australian Mines as its Chief Operating Officer is taken as a strong endorsement of the Company's ability to bring the Sconi and Flemington projects into production from a one of the world's leading builders of nickel laterite processing plants.

His employment complements Australian Mines' existing technical expertise that includes Mr Mick Elias, who is without question, a leading international expert on laterite nickel-cobalt ore bodies.

Promotional Activities

Australian Mines' promotional activities during the September quarter included significant face-to-face meetings and negotiations with potential offtake partners in Asia and Europe.

In addition to attending the Diggers & Dealers Mining Forum in Kalgoorlie in August, Managing Director Benjamin Bell also presented at the 1-2-1 Mining Investment Conference in Hong Kong in October and is exhibiting at the Aluminium USA conference and Fuel Cell Seminar in North America in November.

The Company will also be presenting to institutional investors and fund managers in London, New York, Hong Kong, Melbourne and Sydney over the next six weeks.

A copy of the corporate presentation to be used during this upcoming international and Australian investor road show will be released to the market via the ASX platform prior to its commencement.

Australian Mines is also presently finalising the construction of its updated website. The previous version of the website was intentionally removed by the Company as it is being updated to assist in advancing the Company's cobalt sulphate and nickel sulphate off-take negotiations - particularly those discussions with some of Asia's leading battery makers, whom have recently completed (or due to complete this coming month) tours of Australian Mines' demonstration plant

³⁸ Australian Mines Limited, Chief Operation Officer appointed to support project development activities, released 24 July 2017.

(under construction in Perth) as well as an on-ground site visit of the Company's Sconi Cobalt-Nickel-Scandium Project in northern Queensland.

Whilst Australian Mines remains actively engaged with two leading automotive manufacturers regarding the introduction of aluminium-scandium alloys into their supply chain, the Company's new website, which is due to go 'live' in November, has been designed to better reflect Australian Mines' position as Australia's pre-eminent future supplier of cobalt sulphate and nickel sulphate to the burgeoning battery and electric vehicle market, in addition to reflecting its ongoing relationship with global automotive groups to potentially supply them with a premium-quality scandium oxide and/or aluminium-scandium master alloy (in collaboration with our North American-based aluminium partner).

*****ENDS*****

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Competent Persons' Statements

Sconi Cobalt-Nickel-Scandium Project

The Mineral Resource for the Sconi Cobalt-Nickel-Scandium Project contained within this document is reported under JORC 2012 Guidelines. This Mineral Resource was first reported by Australian Mines on 31 March 2017. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 March 2017 announcement by Australian Mines.

Flemington Cobalt-Scandium-Nickel Project

The Mineral Resource for the Flemington Cobalt-Scandium-Nickel Project contained within this document is reported under JORC 2012 Guidelines. This Mineral Resource was first reported by Australian Mines Limited on 31 October 2017. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 October 2017 announcement by Australian Mines.

Information in this report that relates to Flemington Cobalt-Scandium-Nickel 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 it appears.

Thackaringa Cobalt Project

This report does not contain any Exploration Results, Mineral Resources or Ore Reserves related to the Company's Thackaringa Cobalt Project.

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.

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.



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 is appears.

This document contains Mineral Resources of the Marriotts Nickel Project that are reported under JORC 2004 Guidelines. This Mineral Resource was first reported by Australian Mines on 15 November 2007. There has been no Material Change or Re-estimation of the Mineral Resource since this 15 November 2007 announcement by Australian Mines or since the introduction of the JORC 2012 Code. Future estimates of the Marriotts Nickel Project resource will be completed to JORC 2012 Guidelines.

Appendix 1: Tenement Information

Mining tenements held at end of the quarter

Location	Project	Tenement	Status	Interest
AUSTRALIA				
Queensland	Sconi	ML 10366	Granted	0% (a)
Queensland	Sconi	ML10342	Granted	0% (a)
Queensland	Sconi	ML10324	Granted	0% (a)
Queensland	Sconi	ML 10332	Granted	0% (a)
Queensland	Sconi	ML 20549	Granted	0% (a)
Queensland	Sconi	ML 10368	Granted	0% (a)
Queensland	Sconi	MDL 515	Granted	0% (a)
Queensland	Sconi	MDL 387	Granted	0% (a)
Queensland	Sconi	EPM 25834	Granted	0% (a)
Queensland	Sconi	EPM 25865	Granted	0% (a)
Queensland	Sconi	EPM 25833	Granted	0% (a)
Queensland	Sconi	ML 10366	Granted	0% (a)
Queensland	Sconi	ML10342	Granted	0% (a)
Queensland	Sconi	EPM 26559	Pending	0%
Queensland	Sconi	EPM 26575	Pending	0%

Queensland	Sconi	EPM 26577	Pending	0%
Queensland	Sconi	EPM 26578	Pending	0%
Queensland	Sconi	EPM 26579	Pending	0%
New South Wales	Flemington	EL 7805	Granted	0% (b)
New South Wales	Flemington	EL 8546	Granted	0% (b)
New South Wales	Flemington	EL 8478	Granted	100%
New South Wales	Flemington	MLA 538	Pending	0%
New South Wales	Flemington	ELA 5495	Pending	0%
New South Wales	Thackaringa	EL 8477	Granted	100% (c)
Western Australia	Arunta West	E80/5031	Granted	100%
Western Australia	Arunta West	E80/5032	Granted	100%
Western Australia	Arunta West	E80/4820	Granted	0% (d)
Western Australia	Arunta West	E80/4986	Granted	0% (d)
Western Australia	Arunta West	E80/4987	Granted	0% (d)
Western Australia	Doolgunna-Marymia	E52/2394	Granted	51% (e)
Western Australia	Doolgunna-Marymia	E52/2395	Granted	51% (e)
Western Australia	Marriotts	M37/096	Granted	100%



(a) Sconi Cobalt-Nickel-Scandium Project

The acquisition of 100% of the Sconi Cobalt-Nickel-Scandium Project announced on 6 September 2017, superseding the previous farm-in agreement with Metallica Minerals Limited (ASX: MLM) announced to the market on 10 October 2016, whereby Australian Mines was to acquire up to a 75% interest in this advanced project.

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 precedent;
- the issue of \$1.5 million of Australian Mines shares 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 Metallica upon commercial production from Sconi (being production from the full-scale processing operation outlined in the Bankable Feasibility Study).

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 above.

(b) Flemington Cobalt-Scandium-Nickel 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 Cobalt-Scandium-Nickel Project near Fifield in New South Wales.

The Flemington Project comprises the granted tenements EL7805 and EL8546 (previously pending exploration tenement ELA5370, which was subsequently granted by the New South Wales Department of Trade and Investment, Resources and Energy Division on 30 March 2017).

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 fee which Australian Mines paid in April 2017 for the option period to 3 October 2017;
- Option 4: a non-refundable fee which Australian Mines paid in September 2017 for the option period to 31 March 2018; and
- Option 5: a non-refundable \$500,000 fee payable by Australian Mines upon expiry of Option 4 (being 31 March 2018) for a further 6 months.



The total purchase price of the Flemington Cobalt-Scandium-Nickel 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.

Australian Mines is the operator and manager of the Flemington Project.

Australian Mines submitted a tenement renewal application to the New South Wales Government's Department of Planning and Environment for exploration licence 7805 during the quarter. Whilst this renewal is currently pending, the Company has received written advice from the Department that this tenement will be renewed for a further 3 years by which time it is anticipated that Australian Mines' Mining Lease Application 538 (which covers 100% of exploration licence 7805) would be granted.

(c) Thackaringa Cobalt Project

Australian Mines submitted a tenement renewal application to the New South Wales Government's Department of Planning and Environment for exploration licence 8477 during the quarter. Whilst this renewal is currently pending, the Company is confident that this tenement will be renewed for a further 3 years given that the Company met its expenditure commitments for this tenement and kept it in good standing with the Department of Planning and Environment throughout its first term.

(d) Arunta West Copper- Gold Project

Under the Arunta West joint venture agreement, Australian Mines has the right to farm into Jervois Mining's (ASX: JRV) three exploration licences of E80/4820 (granted), E80/4896 (granted) and E80/4897 (granted), 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.

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

(e) Doolgunna-Marymia Gold Project

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 Doolgunna-Marymia Project.

Mining tenements acquired and disposed of during the quarter

Location	Project	Tenement	Status	Interest	Comments
Queensland	Sconi	ML 10366	Acquired	0%	Announced 6 September 2017
Queensland	Sconi	ML10342	Acquired	0%	Announced 6 September 2017
Queensland	Sconi	ML10324	Acquired	0%	Announced 6 September 2017
Queensland	Sconi	ML 10332	Acquired	0%	Announced 6 September 2017
Queensland	Sconi	ML 20549	Acquired	0%	Announced 6 September 2017
Queensland	Sconi	ML 10368	Acquired	0%	Announced 6 September 2017
Queensland	Sconi	MDL 515	Acquired	0%	Announced 6 September 2017
Queensland	Sconi	MDL 387	Acquired	0%	Announced 6 September 2017
Queensland	Sconi	EPM 25834	Acquired	0%	Announced 6 September 2017
Queensland	Sconi	EPM 25865	Acquired	0%	Announced 6 September 2017
Queensland	Sconi	EPM 25833	Acquired	0%	Announced 6 September 2017
Western Australia	Arunta West	E80/5031	Granted	100%	-
Western Australia	Arunta West	E80/5032	Granted	100%	-

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

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

Location	Project	Agreement	Parties	Interest	Comments
-	-	-	-	-	-

Appendix 2: Estimated Production Achievable from Demonstration-Size Processing Plant

		Cobalt	Nickel	Scandium
Feed rate	kg/day	2200	2200	2200
Feed grade	ppm			370
Feed grade	%	0.11%	0.81%	0.04%
Leach extraction	%	94%	94%	94%
Wash recovery	%	99%	99%	99%
Iron removal loss	%	2%	2%	0%
SX recovery	%	99%	99%	99%
Precipitation recovery	%	99.50%	99.50%	99.50%
Overall recovery from leach feed to product	%	90%	90%	92%
Metal production rate	kg/day	2.17	16.01	0.75
Molecular weight (metal)	g/mol	59	59	45
Product form		Cobalt Sulphate (CoSO ₄ .7H ₂ O)	Nickel Sulphate (NiSO ₄ .6H ₂ O)	Scandium oxide (Sc ₂ O ₃)
Molecular weight (product)	g/mol	262.93	262.69	137.92
End product production rate	kg/day	9.70	71.65	1.14
End product production rate	kg/week	67.90	501.57	8.01

* when run of a continuous basis