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21 February 2018
Australian Securities Exchange
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ASX query

Australian Mines Limited ("**Australian Mines**" or the "**Company**") (AUZ: ASX) refers to the letter from ASX dated 19 February 2018 ("**ASX Letter**") and responds as follows.

Except to the extent otherwise stated, defined terms have the same meaning as in the ASX Letter.

The circumstances surrounding the announcement of the Company to MAP on 19 February 2018 and the Article are as follows.

1. The Company contacted ASX to initially request a trading halt at 8:58am AWST on Sunday 11 February 2018. The trading halt was released on the ASX platform at 6:18am AWST on Monday 12 February 2018. The reason for the trading halt was regarding an intended announcement concerning "*a binding off-take agreement related to the Company's 100%-owned Sconi Project in northern Queensland*".
2. At 9:54pm AWST on Tuesday 13 February 2018, the Company requested a voluntary suspension of its securities for the same reason. The suspension was released on the ASX platform at 6:17am AWST on Wednesday 14 February 2018.
3. At 10:12pm AWST on Thursday 15 February 2018, the Company forwarded to ASX an announcement entitled "*Binding off-take agreement term sheet with electric vehicle battery manufacturer for 100% cobalt and nickel production from Sconi Project*" for release on MAP (**Initial ASX Announcement**). The Initial ASX Announcement related to the trading halt request and subsequent suspension referred to above. The covering email to which the Initial ASX Announcement was attached requested the lifting of the suspension from the commencement of trading on Friday 16 February 2018.
4. At 7:03am AWST on Friday 16 February 2018, the Company contacted ASX and queried why the Company was still suspended from trading.
5. At 7:13am AWST on Friday 16 February 2018, the Company was contacted by ASX and a number of points were raised by ASX regarding the Initial ASX Announcement.
6. At 9:06am AWST on Friday 16 February 2018, the Company provided ASX with a revised announcement responding to ASX's comments on the Initial ASX Announcement (**Revised ASX Announcement**).

7. At 11:03am AWST on Friday 16 February 2018, the ASX contacted the Company regarding the Revised ASX Announcement and provided further comments.
8. At 1:15pm AWST on Friday 16 February 2018, a request for an extension of the voluntary suspension of its securities "*pending completion by ASX Limited of its review of the announcement regarding an off-take agreement signed between Australian Mines and SK Innovation*" was released to the market by the Company.
9. The terms of the Revised ASX Announcement were finalised with ASX on Monday, 19 February 2018 and the Company subsequently made the Revised ASX Announcement at 12.35pm AWST on Monday 19 February 2018 entitled "*Off-take agreement term sheet with electric vehicle battery manufacturer for 100% cobalt and nickel production from Sconi Project*" (short title released on ASX platform being "*AUZ partners with SK Innovation to develop Sconi Project*") resulting in the end of the voluntary suspension of its securities.

The Company reviewed the Initial ASX Announcement internally and had no reason to believe that when the Initial ASX Announcement was provided to ASX at the time stated in point 3 above, that the Initial ASX Announcement would not be released on MAP before the commencement of trading on Friday 16 February 2018.

Consistent with the above, the Company expected that its securities would re-commence trading on the morning of Friday 16 February 2018 and continued to hold this belief until contacted by ASX as outlined in point 5 above.

During the afternoon of Tuesday 13 February 2018, the Company received an unsolicited request for an interview from a journalist from *The West Australian* concerning the trading halt request referred to in point 1 above. The Company accepted the invitation to discuss the requests with the journalist, however postponed the interview until a later date.

On the afternoon of Thursday 15 February 2018, the journalist again contacted the Company regarding the trading halt and suspension requests. At the time of the second contact, the Company was well advanced with the preparation of the Initial ASX Announcement and its internal review. It was of the belief that the Initial ASX Announcement was compliant with ASX Listing Rules and would be provided to ASX for release to MAP later that day (as in fact it was – see point 3 above). In light of this, the Company provided a brief interview and certain information to the journalist regarding the request for trading halt and suspension and information in that regard. In doing so, the Company was of the understanding that the information would be released to MAP in the Initial ASX Release before the commencement of trade the following morning. At this time the suspension of the Company's securities would also be lifted and the ASX would be fully informed.

For the reasons set out above, the Initial ASX Announcement was not released on MAP before the commencement of trading on 16 February 2018 however when the Company discussed the announcement with the journalist, it believed that it would be made before trading on that date.

Accordingly, when the Article appeared on 16 February 2018, the Company believed that this would occur on the same day as the Initial ASX Announcement and the recommencement of trading in the Company's securities. Consistent with this the Article refers to the Company emerging from a trading halt "today" i.e. 16 February 2018.

With respect to the specific questions raised in the ASX Letter, the Company responds as follows (using the same numbering):

1. *Has AUZ, its officers or corporate advisers conveyed information to the media regarding the offtake and option agreements ("Agreements") the subject of the Announcement?*

Please refer to the above explanation of circumstances.

2. *Is there any explanation AUZ may have regarding how the details of the Agreements appeared in the Article?*

Please refer to the above explanation of circumstances.

3. *In light of the fulsome information regarding the Agreements appearing in the Article (including similar and at times identical wording between the Article and the Announcement), what enquiries has AUZ undertaken to ensure its compliance with Listing Rule 15.7?*

As noted above, the Initial ASX Announcement was provided to MAP on the evening of Thursday 15 February 2018 and it was of the view that this would be released by ASX on the morning of Friday 16 February 2018. At that stage it had no knowledge of the ASX concerns raised on Friday 16 February 2018 which resulted in the substantive information not being released to MAP until Monday 19 February 2018 pursuant to the Final ASX Announcement.

The Company acknowledges that it had a discussion with a journalist earlier on Thursday, 15 February 2018 but notes that:

- This conversation was not initiated by the Company but rather a consequence of the earlier trading halt announcement/suspension request made by the Company;
 - At the time of the above conversation the Company anticipated making the Initial ASX Announcement to ASX later that day and consistent with this, it did so;
 - At the time of lodgement of the Initial ASX Announcement, the Company believed the announcement complied with the ASX Listing Rules and had no reason to believe the Initial ASX Announcement would not be made before opening of trade on Friday 16 February 2018;
 - The Company only became aware of issues associated with the Initial ASX Announcement before trade commenced on Friday 16 February 2018 and sought to address these as quickly as possible; and
 - At the time of the conversation with the journalist, the Company was in trading halt/voluntary suspension and remained in trading halt/suspension until Monday 19 February 2018 after the Revised ASX Announcement had been made to MAP.
4. *If the current arrangements are inadequate or not being enforced, what additional steps does AUZ intend to take to ensure compliance with Listing Rule 15.7?*

AUZ has taken the following steps:

1. As announced to the market on 29 December 2017, AUZ has made and will make a number of appointments to bolster its executive team, including the appointment of an independent experienced Company Secretary;
2. The Company Secretary has been tasked with reviewing the Corporate Governance framework of the Company, and has made a number of suggested changes to the Continuous Disclosure and Shareholder Communication Policy, including as follows:
 - a. The Company Secretary should be nominated as the Responsible Person for communications with ASX;

- b. Announcements to ASX should be approved by the Board, or if urgent by at least two of the Chairman, Managing Director and Company Secretary (Disclosure Committee);
 - c. All media communications must be reviewed and cleared for continuous disclosure purposes by the Managing Director and one of the Chairman or Company Secretary;
 - d. All media communications must be made by the Managing Director or, in his absence, the Chairman.
3. Current obligations under the policy, such as including a standing Agenda item at each Board meeting confirming compliance with Continuous Disclosure obligations, will remain.
 4. All of these recommendations have been agreed by the Board and will be implemented.
5. *Please confirm that AUZ is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.*

AUZ is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

6. *Please confirm that AUZ's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AUZ with delegated authority from the board to respond to ASX on disclosure matters.*

AUZ's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy.

Yours faithfully



Oliver Carton
Company secretary



19 February 2018

Oliver Carton
Australian Mines Limited
Level 1, 83 Havelock Street
WEST PERTH WA 6005

By email

Dear Mr Ramsden

AUSTRALIAN MINES LIMITED (“AUZ”): ASX QUERY

ASX Limited (“ASX”) refers to the following.

- A. AUZ’s request for a trading halt released on the ASX Market Announcements Platform (“MAP”) at 09:18 am AEDT on 12 February 2018, requesting a trading halt for its securities pending the release of an announcement regarding “a binding off-take agreement related to the Company’s 100%-owned Sconi Project in northern Queensland.”
- B. AUZ’s request for voluntary suspension of its securities released on MAP at 9:17 am AEDT on 14 February 2018, requesting a voluntary suspension of its securities pending “completion and release of an announcement regarding a binding off-take agreement related to the Company’s 100%-owned Sconi Project in northern Queensland”.
- C. The article appearing on page 55 of *The West Australian* newspaper on 16 February 2018 entitled ‘Australian Mines get South Korean giant onside’ (“Article”), reporting the following.

“Australian Mines is set to sign up a South Korean energy and chemicals giant as an offtake and funding partner for its flagship Sconi nickel-cobalt-scandium project in Queensland.

The Benjamin Bell-led company is expected to emerge from a trading halt today to announce that SK Innovation will take 100 per cent of its nickel and cobalt production from Sconi over an initial seven years with a six year extension option.

The binding deal covers 12,000tpa of cobalt sulphate and 60,000tpa of nickel sulphate, with prices to be linked to the London Metal Exchange.

WestBusiness understands the agreement provides an option for SK to buy a 19.9 per cent stake in Australian Mines for an investment of about \$65 million.

Australian Mines’ new partner will provide input into the company’s bankable feasibility study for Sconi, which is expected to be completed by the middle of the year.

Australian Mines’ products are destined for SK’s newly developed electric vehicle battery manufacturing plants in Hungary and Korea, which will provide units for premium German car makers.



The Korean company's parent SK Holdings is the 57th biggest company in the world with annual revenue of more than US\$120 billion. Shares in Australian Mines, which last changed hands for 9.1c, are expected to emerge from a trading halt this morning."

- D. AUZ's announcement entitled "Off-take agreement term sheet with electric vehicle battery manufacturer for 100% cobalt and nickel production from Sconi Project" intended to end the suspension from trading of its securities, released on MAP at 3:35 pm AEDT on 19 February 2018 (the "Announcement"), disclosing, amongst other things, the following.

"Australian Mines Limited ("Australian Mines" or "the Company") (AUZ: ASX) is pleased to announce that the Company has signed an off-take agreement term sheet (Agreement) with SK Innovation for 100% of the expected cobalt sulphate and nickel sulphate production from the Sconi Project for an initial period of 7 years, with an option exercisable by SK Innovation to extend this commodity supply agreement for a further 6 years."

"The quantities of the agreed offtake volumes pursuant to the Agreement is up to 12,000 tonnes per year of cobalt sulphate and 60,000 tonnes per year of nickel sulphate¹, with the sale prices linked to the corresponding London Metal Exchange (LME) cobalt and nickel metals price².

Australian Mines is now working to optimise the Sconi Project's mining production profile and engineering plans for the processing plant in line with the above offtake volume. As a result, the timeframe for the delivery of the project's Bankable Feasibility Study (BFS)³ has been extended to the end of June 2018 to accommodate this Agreement with SK Innovation.

SK Holdings ("SK"), which is listed on the Korean Stock Exchange under code 034730, is the 57th largest company in the world with annual revenues exceeding US\$120 billion⁴."

"SK Innovation has indicated that the cobalt sulphate and nickel sulphate off-take from Sconi appears destined for their newly developed battery manufacturing plant in Hungary and Korea, which services German premium car makers.

Beyond their off-take agreement term sheet, SK Innovation's confidence in Australian Mines, both in its cobalt-nickel-scandium assets as well as the Company's personnel, is further exemplified by an option allowing SK Innovation to acquire up to 19.99% of Australian Mines' ordinary shares at 12 cents per share at the date of this announcement, being 669,000,000 shares⁶. This option agreement is subject to shareholder approval.

If exercised⁷, the cash investment by SK Innovation will further boost Australian Mines' existing strong balance sheet⁸ with the additional cash ear-marked to fund the initial construction phase of the full-scale processing plant at the Sconi Project, including the purchase of longer lead-time components such as the autoclave vessels."

"Australian Mines Managing Director Benjamin Bell commented: "As such, we have modified the scope of the BFS to align with SK Innovation's requirements for 12,000 tonnes of cobalt sulphate and 60,000 tonnes of nickel sulphate per year. This work, which will commence immediately, will include a modified mining pit shell and production schedule that optimises the extraction of the nickel and cobalt in keeping with the volumes specified in the off-take agreement."



- E. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- F. Listing Rule 15.7, which requires that an entity must not release information which is for release to the market to any person (including the media, even on an embargoed basis) until it has given the information to ASX and received an acknowledgment that ASX has released it to the market.
- G. Listing Rule 18.6, which requires that on admission to the official list, an entity must comply with the Listing Rules.
- H. AUZ's "Continuous Disclosure and Shareholder Communication Policy" summarised on page 79 of AUZ's 2017 annual report (but not available on its website, contrary to AUZ's "Appendix 4G" released on MAP on 27 September 2017), stating (amongst other things):

"The Managing Director has been nominated as the person responsible for communication with Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing, in conjunction with the Directors, information disclosure to the ASX, analysts, brokers, shareholders, the media and the public."

Listing Rule 15.7 prohibits an entity from releasing information which is for release to the market to any person (including the media, even on an embargoed basis) until it has given the information to ASX and received an acknowledgment that ASX has released it to the market.

As an article appeared in *The West Australian* newspaper prior to any announcement being released to ASX, it appears that AUZ may be in breach of listing rules 3.1 and/or 15.7.

Having regard to the above, ASX asks AUZ to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market in accordance with Listing Rule 18.7A.

1. Has AUZ, its officers or corporate advisers conveyed information to the media regarding the offtake and option agreements ("Agreements") the subject of the Announcement?
2. Is there any explanation AUZ may have regarding how the details of the Agreements appeared in the Article?
3. In light of the fulsome information regarding the Agreements appearing in the Article (including similar and at times identical wording between the Article and the Announcement), what enquiries has AUZ undertaken to ensure its compliance with Listing Rule 15.7?
4. If the current arrangements are inadequate or not being enforced, what additional steps does AUZ intend to take to ensure compliance with Listing Rule 15.7?
5. Please confirm that AUZ is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
6. Please confirm that AUZ's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AUZ with delegated authority from the board to respond to ASX on disclosure matters.



When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, **by not later than 4.00pm AWST on Wednesday, 21 February 2018**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in AUZ's securities under Listing Rule 17.3.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at tradinghaltspert@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Please contact me if you have any queries about this matter.

Yours sincerely

[sent electronically without signature]

Ben Secrett
Senior Adviser, Listings Compliance