

30 April 2018

## **Quarterly Activities Report**

Period ended 31 March 2018

### **HIGHLIGHTS**

#### **Sconi Cobalt-Nickel-Scandium Project**

- **Binding off-take agreement signed with battery manufacturer, SK Innovation**
  - **Off-take for 100% of the cobalt and nickel production from Sconi**
- **Project financing negotiations progressing**
- **Collaborative optimisation of Bankable Feasibility Study underway with off-take partners**

#### **Demonstration-size processing plant**

- **Commissioning of processing circuit completed**
- **Plant has played a critical role in de-risking the Sconi project ahead of finance negotiations, as Australian Mines begins transition to producer**

#### **Flemington Cobalt-Scandium-Nickel Project**

- **Detailed planning for resource expansion drilling program completed**
  - **drill rigs mobilising this coming quarter**

#### **Thackaringa Cobalt Project**

- **High-resolution Fixed Loop Electromagnetic survey completed over priority cobalt and base metal targets**
- **Detailed surface sampling program nearing completion over entire Thackaringa tenement area**



**Managing Director, Benjamin Bell commented,** *“Australian Mines continued to progress its enviable pipeline of high-quality battery material projects during the March quarter, with the signing of a significant off-take agreement with SK Innovations being the central highlight of the period.*

*“We secured a binding off-take agreement with global electric vehicle battery manufacturer SK Innovation<sup>1</sup> for 100% of the cobalt and nickel production from our flagship Sconi Cobalt-Nickel-Scandium Project in Queensland.*

*“The agreement signalled the beginning of the transition of Australian Mines from explorer to producer, as we near completion of the Bankable Feasibility Study on Sconi, following a collaborative optimisation process with SK Innovation that commenced in the quarter, including intensive inspections of the demonstration-size processing plant in Perth.*

*“With Sconi now well down the development path, and dedicated Study Manager Graeme Robinson<sup>2</sup> appointed in the quarter, we have continued to systematically evaluate the regional prospectivity of our potential second production source at the Flemington Cobalt-Scandium-Nickel Project in New South Wales, where we expect to be drilling in the June quarter to expand the existing Mineral Resource<sup>3</sup>.*

*“The opportunity exists for us to significantly increase the resource inventory at Flemington, with the current Mineral Resource area covering only a fraction of the prospective host geology within those tenements. With this in mind we have bolstered our technical resources with the appointment of Stuart Peterson<sup>4</sup> as Exploration Manager to take the lead on what will be a busy period of on-ground activity for Australian Mines, including the commencement of an environmental assessment and community engagement associated with the Company’s Pre-Feasibility Study on Flemington.*

*“Stuart will also take the lead on further evaluation of the highly-promising early stage Thackaringa Cobalt Project, to drive longer-term value for Australian Mines shareholders through our three-tiered project development pipeline. We identified several high priority bedrock conductors at Thackaringa<sup>5</sup> through a successful helicopter-borne electromagnetic survey, the results of which were released in the period.*

---

<sup>1</sup> Australian Mines Limited, Australian Mines reaffirms binding off-take agreement term sheet for Sconi Project, Queensland, released 6 March 2018

<sup>2</sup> Australian Mines Limited, Australian Mines appoints Study Manager, released 26 March 2018

<sup>3</sup> The Mineral Resource Estimate for the Flemington Project is reported under JORC 2012 Guidelines and was reported by Australian Mines Limited on 31 October 2017. The Mineral Resource for Flemington, as announced on 31 October 2017 is: Measured 2.5Mt @ 0.103% Co & 403ppm Sc, Indicated 0.2Mt @ 0.76% Co & 408ppm Sc. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 October 2017 announcement by Australian Mines.

<sup>4</sup> Australian Mines Limited, Technical team bolstered with appointment of Exploration Manager, released 4 April 2018

<sup>5</sup> Australian Mines Limited, High-priority bedrock conductors detected at Thackaringa Project, released 7 March 2018

*“We have subsequently completed a high-resolution ground-based Fixed Loop Electromagnetic (FLEM) survey over some of the higher priority targets at Thackaringa that demonstrated sulphide source characteristics, with final results pending, as well as continuing our detailed surface sampling program over the entire Thackaringa tenement package, which is now also nearing completion.”*

*“There has been a great deal of interest from global investors in the battery and technology metals space as a result of the burgeoning electric vehicle and energy storage sectors, and its reliance on commodities including cobalt and nickel. The signing of the off-take agreement with SK Innovation has put Australian Mines on the radar of international investors, leading to a decision to list on the OTCQB<sup>6</sup> market in North America in the quarter.”*

*“This is a landmark year for Australian Mines with a final investment decision on the Sconi Project due immediately after completion of a Bankable Feasibility Study in June, and, with a significant increase in corporate activities expected as a result, we moved to appoint Sophia Bolhassan<sup>7</sup> as Investor Relations Manager to provide additional support on this front and enhance the Company’s engagement with our supportive shareholder base.”*

### **Sconi Cobalt-Nickel-Scandium Project**

During this reporting period, the Company successfully secured a 100% off-take agreement with Korean-headquartered SK Innovation, a part of the SK Holdings industrial conglomerate. The agreement commits the parties to the sale and purchase of all cobalt and nickel product produced from the Sconi Cobalt-Nickel-Scandium Project in Queensland.

The agreement includes the following key commercial terms<sup>8</sup>:

- a) A seven-year contract term from the first shipment after commencement of commercial mining operations at the Sconi Project, with an option for SK Innovation to extend the agreement for a further six years at SK Innovation’s election.

Following an initial two-year ramp up, the indicative agreed annualised quantities are for the delivery of up to 12,000 tonnes of battery-grade cobalt sulphate and up to 60,000 tonnes of battery-grade nickel sulphate.

---

<sup>6</sup> Australian Mines Limited, Australian Mines trading on American OTCQB market, released 22 March 2018

<sup>7</sup> Australian Mines Limited, Australian Mines appoints Investor Relations Manager, released 12 March 2018

<sup>8</sup> Australian Mines Limited, Australian Mines reaffirms binding off-take agreement term sheet for Sconi Project, Queensland, released 6 March 2018

- b) The US dollar Base Price for product will be calculated at the average trading price for cobalt or nickel (as the case requires) as quoted on the London Metals Exchange (LME) in the quarter immediately preceding the product delivery, adjusted for the percentage of contained cobalt or nickel in the product, plus a commercially-confidential adjustment that takes into consideration a market premium for delivery of the metals in this preferred concentrate form.

SK Holdings (“SK”), which is listed on the Korean Stock Exchange under code 034730, is the 57<sup>th</sup> largest company in the world with annual revenues exceeding US\$120 billion<sup>9</sup>. In addition to being the largest energy and chemical company in Korea and second largest semiconductor manufacturer in the world, SK has a long history of successfully developing resource projects. To date, SK has developed 20 oil and gas projects across 11 separate countries as well as building and operating the world’s second largest single-site refinery (being the Ulsan Complex in Korea).

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 management personnel, is further exemplified by an option allowing SK Innovation to acquire up to 669,000,000 shares in Australian Mines’ ordinary shares at 12 cents per share, which equated to a 30% premium at the date of announcement<sup>10</sup>. This option agreement is subject to shareholder approval. If exercised, the cash investment by SK Innovation will further boost Australian Mines’ existing strong balance sheet 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.

Project financing negotiations commenced during the quarter and are ongoing. This work is being assisted by London-based natural resources advisory firm, Medea Natural Resources Limited<sup>11</sup>, a specialist corporate and strategic advisory firm, with a particular emphasis on feasibility study financing, project financing and offtake negotiations. Medea Natural Resources was appointed during the reporting period<sup>12</sup> to advise on the off-take and project financing negotiations for the Sconi Project.

During this reporting period, Australian Mines has been in discussions with the prospective manufacturer of the titanium-lined autoclave for the proposed processing plant at Sconi. The Company has received confirmation that the cost per autoclave (each capable of a 1 million tonnes per annum throughput) is approximately US\$10 million and has a delivery time of 9 months after an order is placed. Australian Mines would be seeking to order two such autoclaves for an approximate cost of US\$20 million at the end of 2018, pending a positive final investment decision on Sconi and the finalisation of acceptable project financing terms, with these autoclaves to arrive on site (fully-certified) in Q3 2019.

---

<sup>9</sup> Further information on SK Innovation can be found at <http://eng.skinnovation.com/company/overview.asp>

<sup>10</sup> Australian Mines Limited, AUZ partners with SK Innovation to develop Sconi Project, released 19 February 2018

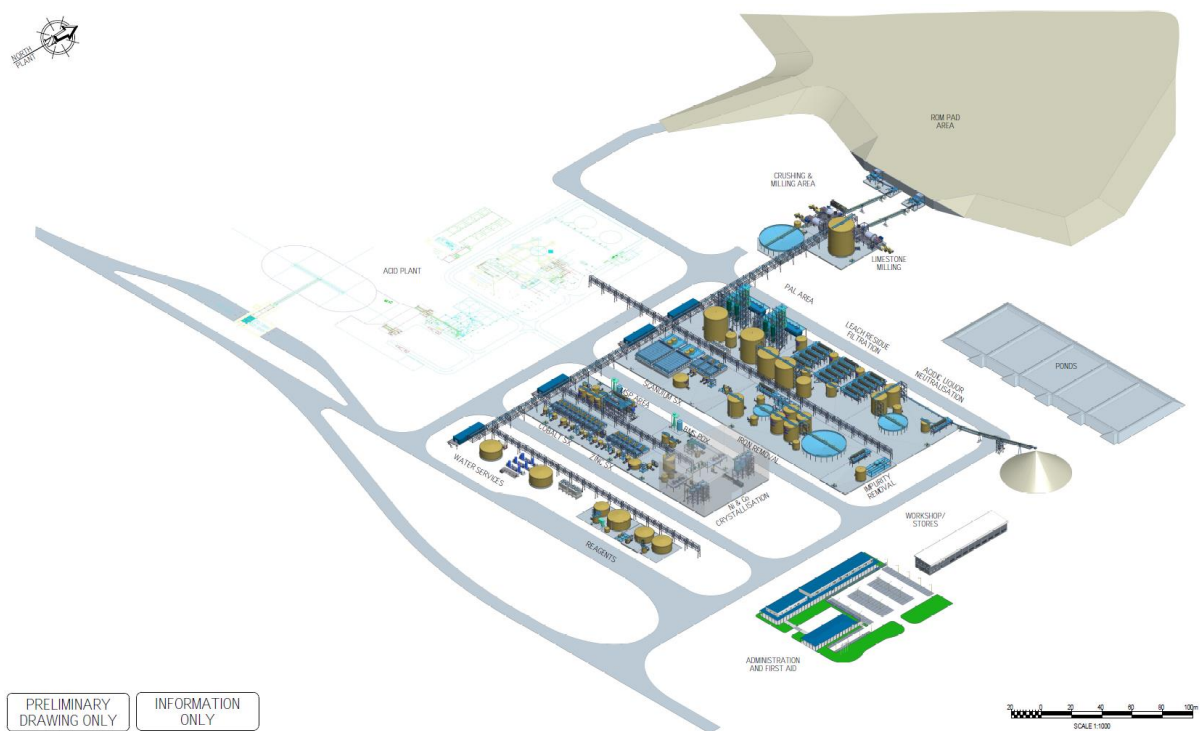
<sup>11</sup> Further information on Medea Natural Resources Limited can be found at: [www.mede-nr.com](http://www.mede-nr.com)

<sup>12</sup> Australian Mines Limited, Off-take and project finance advisors appointed, released 31 January 2018

The focus of Australian Mines' work program at the Sconi Project for the reporting period and current quarter is the completion and delivery of the Bankable Feasibility Study<sup>13</sup> (BFS), with the final investment decision phase to follow immediately thereafter.

With the granting of the regional exploration licences surrounding the Sconi Mining Leases now complete<sup>14</sup>, the Company has accelerated its regional exploration program at Sconi with the view of increasing the project's Mineral Resource to sustain a 20+ year mine life.

In addition to the geology team undertaking detailed mapping of the outcropping and sub-cropping cobalt-nickel mineralisation, Australian Mines' exploration group is preparing to expand the mineralisation footprint of the current ore bodies, which remain open along strike, via a comprehensive air core drill program.



**Figure 1:** Preliminary drawing, for information purposes only, of the proposed indicative design for the Sconi Project's 2 million tonne per annum cobalt-nickel-scandium full-size processing plant.

<sup>13</sup> Under Section 40 of the JORC Code 2012 Edition, terms such as "Bankable Feasibility Study", "Definitive Feasibility Study" and "Feasibility Study" are synonymous and therefore interchangeable.

<sup>14</sup> See Appendix 2 of this report



The work completed under supervision of the Company's newly-appointed Exploration Manager indicates that less than half of the prospective cobalt and nickel-bearing geology at Sconi has been drill tested at a spacing that allows it to be incorporated into the project's existing Mineral Resource<sup>15</sup>.

This includes the immediate extension of the Greenvale ore body<sup>16</sup> where previous drilling, that is not included in the current Mineral Resource, intersected:

#### Nickel

- 13 metres @ 1.46% Nickel from 21 metres (Drill hole GVM311),
- 17 metres @ 1.25% Nickel from 5 metres (Drill hole GVM336),
- 20 metres @ 1.11% Nickel from 29 metres (Drill hole GVM436),
- 11 metres @ 1.36% Nickel from 22 metres (Drill hole GVM633), and
- 20 metres @ 1.28% Nickel from 26 metres (Drill hole GVM402),

#### Cobalt

- 10 metres @ 0.17% Cobalt from 21 metres (Drill hole GVM311),
- 18 metres @ 0.17% Cobalt from 4 metres (Drill hole GVM336),
- 21 metres @ 0.13% Cobalt from 29 metres (Drill hole GVM436), and
- 10 metres @ 0.13% Cobalt from 22 metres (Drill hole GVM633),

The design of this resource drill program will seek to increase the project's current Measured and Indicated Mineral Resource such that any increase in this Resource can potentially be converted into an Ore Reserve.

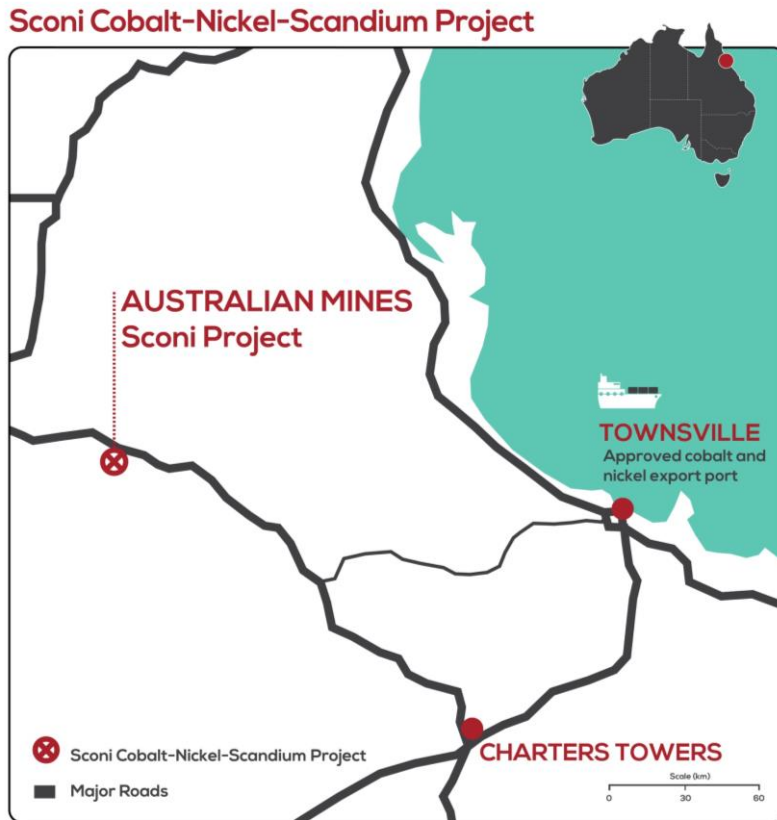
The Company is advancing its discussions with a range of European companies in regard to a separate off-take agreement for the scandium production that will result from mining and processing of ore from the Sconi Project.

---

<sup>15</sup> See Australian Mines Limited's announcement to the ASX dated 31 March 2017 for further details on the Sconi Project. 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.

<sup>16</sup> The Sconi Mineral Resource comprises three ore bodies of Greenvale, Lucknow and Kokomo.





**Figure 2:** The Sconi Project is located in North Queensland, approximately 250 kilometres on sealed roads from an existing nickel and cobalt export port at the regional centre of Townsville.

### **Demonstration-size Processing Plant**

The demonstration-size processing plant in Perth, Western Australia commenced operation in March 2018, and the Company is on-track to finalise the delivery of 160 kilograms of battery grade nickel sulphate and 20 kilograms of high-specification cobalt sulphate samples to SK Innovation in the coming weeks.

Australian Mines' plant, which was constructed by Simulus Engineering, is the largest test plant of its type operating in Australia and utilises a conventional, industry standard processing flow chart and construction design.

In fact, Australian Mines is only the second company in the world (after Vale at its Goro operation) to construct and operate a complete demonstration plant that is capable of processing raw laterite nickel-cobalt ore through to a final end product.

The processing plant is also producing high-purity scandium oxide for delivery to our potential European partners.

Australian Mines has also used the demonstration plant ore processing campaign to fine-tune the larger scale engineering studies, which will ultimately benefit the project economics of both Sconi and the secondary Flemington project, which has highly analogous mineralogy.



**Figure 3:** Australian Mines' demonstration plant at Simulus Laboratories Welshpool facility in Perth which commenced operations in March 2018.





**Figure 4:** Samples taken from the various stages of Australian Mines' demonstration plant in Perth, Australia. The top row is considered by Australian Mines as the 'front end' of the plant, with the bottom row considered the 'back end' of the plant.

The process commences with the crushed and screened raw cobalt-nickel-scandium ore from the Company's Sconi Project (top left-hand sample) being fed to the Company's high-pressure acid leach (HPAL) autoclave. High-purity scandium oxide is the first saleable product to be produced from the autoclave output by solvent extraction (SX).

Following this, a mixed sulphide precipitate (MSP) containing the cobalt and the nickel is produced from the pregnant liquor. MSP is itself a saleable product to refineries and commodity traders, and this product presently commands a price of around 80% of the contained metal (cobalt + nickel) content.

The so-called back end of Australian Mines' processing plant upgrades the MSP intermediate cobalt+nickel product into the final battery grade nickel sulphate and cobalt sulphate products for delivery to our off-take partner, SK Innovation. The market payable price of both these sulphate products is at a premium to the equivalent metal content price as quoted on the London Metals Exchange (LME).

The entire process from the initial crushing of the Sconi ore through to the production of the final cobalt sulphate and nickel sulphate products only takes 50 hours.

## **Flemington Cobalt-Scandium-Nickel Project**

Final detailed planning for a resource expansion drill program was completed in the March quarter at the Flemington Cobalt-Scandium-Nickel Project in central New South Wales, with newly appointed Exploration Manager Stuart Peterson completing a review of previous drill results and geological modelling ahead of rigs being mobilised in the June quarter.

Australian Mines remains on track to commence a Pre-Feasibility Study (PFS) on the Flemington Project by the end of this year, following results from the next round of drilling, which is targeting an upgrade to the existing cobalt Mineral Resource<sup>17</sup> on the project.

The maiden cobalt Mineral Resource identified at the Flemington Project from previous Australian Mines' drilling<sup>18</sup> was calculated to be 2.5 million tonnes at 0.103% cobalt<sup>19</sup>. SRK Consulting's modelling of the cobalt credentials of the Flemington Project (including cobalt grade, host geology and potential mineral resource tonnage), has confirmed these characteristics as being consistent with those of the neighbouring Sunrise Project.

The Company remains highly optimistic about significantly increasing the Mineral Resource inventory at the Flemington Project, as only 1% of the interpreted prospective host geology has been thoroughly evaluated to date.

Australian Mines also continued its regional field mapping and sampling campaign over the broader Flemington / Fifield district in the reporting period. As previously indicated, the Company's intention is to prepare a JORC-compliant *Exploration Target*<sup>20</sup> for the Flemington Project to provide guidance to Shareholders on the potential size (both grade and tonnage<sup>21</sup>) of the Mineral Resource that Australian Mines may achieve at Flemington as it moves into the PFS stage with the project.

Australian Mines progressed the establishment of a regional office in the nearby town of Parkes during the quarter to support its field operations at the Flemington Project, while also acting as a base for the further evaluation of the Thackaringa Cobalt Project, located further west near Broken Hill in New South Wales.

---

<sup>17</sup> Australian Mines Limited, Resource confirms Flemington's cobalt credentials, released 31 October 2017

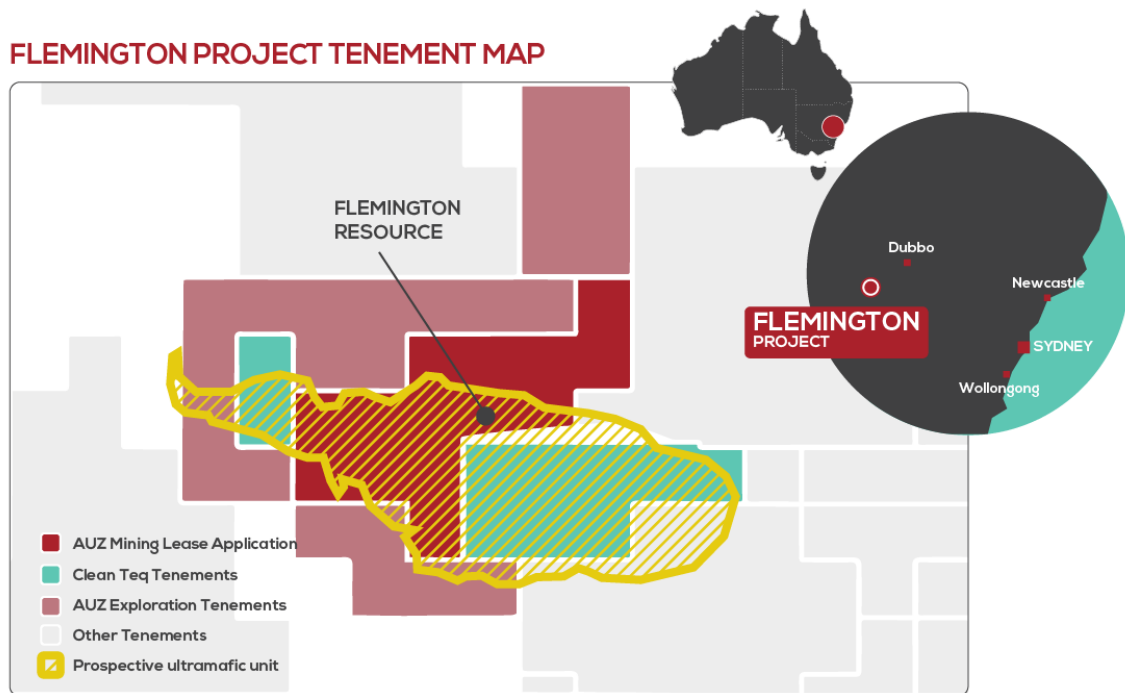
<sup>18</sup> Australian Mines Limited, Drilling doubles cobalt footprint, triples scandium footprint at Flemington, released 11 August 2017

<sup>19</sup> 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, as announced on 31 October 2017 is: Measured 2.5Mt @ 0.103% Co & 403ppm Sc, Indicated 0.2Mt @ 0.076% Co & 408ppm Sc. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 October 2017 announcement by Australian Mines

<sup>20</sup> Section 17 of the JORC Code, 2012 Edition deals with *Exploration Targets* from an ASX-listed company perspective

[http://www.jorc.org/docs/jorc\\_code2012.pdf](http://www.jorc.org/docs/jorc_code2012.pdf)

<sup>21</sup> *Exploration Targets*, as described under the JORC Code (2012 Edition) are quoted as a range of tonnes and a range of grades, rather than an absolute figure.



**Figure 5:** Australian Mines will recommence drill testing the full extent of the prospective Tout Complex (outlined in yellow in this image) in the June quarter.

### **Thackaringa Cobalt Project**

Australian Mines was active at the Thackaringa Cobalt Project in the March quarter, with modelling of the airborne electromagnetic (AEM) data acquired in late 2017<sup>22</sup> identifying a total of 18 anomalies, of which more than half were categorised as high priority targets warranting ground investigation to better define their potential prospectivity.

These AEM results included a cluster of conductive anomalies within the northern zone (Target Area A) of the project area, with at least one of the bodies identified as a Priority One target<sup>23</sup>, which had a response signature consistent with known occurrences of sulphides within the underlying bedrock in the region.

The Australian Mines' 100%-owned Thackaringa Project immediately adjoins Cobalt Blue's (COB: ASX) Pyrite Hill / Railway / Big Hill existing cobalt Mineral Resources in a highly prospective region near Broken Hill in New South Wales.

<sup>22</sup> Australian Mines, High-priority bedrock conductors detected at Thackaringa Project, released 7 March 2018

<sup>23</sup> Australian Mines, High-priority bedrock conductors detected at Thackaringa Project, released 7 March 2018

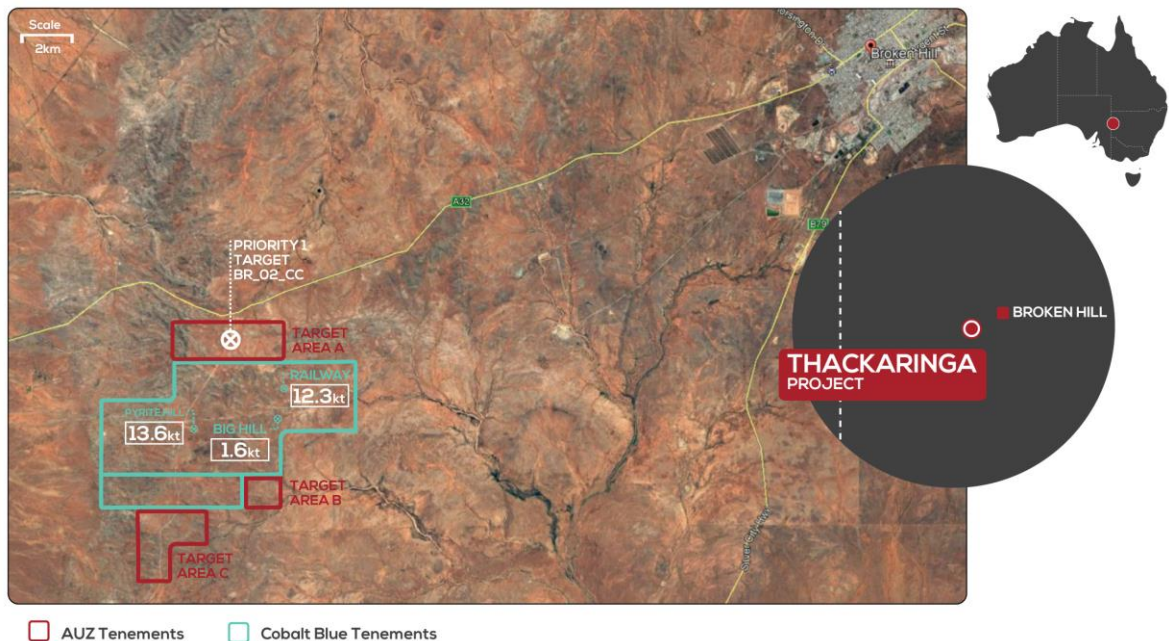
The Company commissioned a ground-based Fixed Loop Electromagnetic (FLEM) survey which was completed in the reporting period, to follow-up the Priority One (BR\_02\_CC) target at Thackaringa. Results of the FLEM survey, including the detailed modelling of any resulting anomaly, were imminent at the time of this report.

Following the analysis of results from the FLEM survey, in conjunction with results from a soil and surface sampling program completed over Target Area A (containing BR\_02\_CC), Australian Mines would then propose to undertake its maiden drill program at Thackaringa during the second half of 2018 to test the resulting coincident geophysical and geochemical anomalies (subject to landholder approval).

In addition to the ground-based FLEM geophysical survey in the period, Australian Mines completed its soil and surface sampling campaign across both Target Areas A and B in the March quarter, with the final sampling over Target Area C nearing completion in April.

Full details of this drill program, included the strike extent / magnitude of the intended cobalt targets will be released prior to the commencement of drilling.

### THACKARINGA PROJECT Tenement MAP



**Figure 6:** Australian Mines' Thackaringa Cobalt Project has delivered promising early exploration results, with a maiden drill program planned to test high priority targets in the second half of 2018, including the potential sulphide conductor identified as BR\_02\_CC.

### **Marymia Gold and Copper Project**

The Marymia Gold and Copper Project, located 900 kilometres north of Perth and within close proximity to Superior Gold's (TSX-V: SGI) Plutonic Gold Mine, is being explored under a joint venture agreement with Riedel Resources (ASX: RIE)<sup>24</sup>.

Having previously secured a 51% ownership of the Marymia Project, Australian Mines satisfied its exploration spending obligations in April 2018 and has, thus, earned an 80% interest in this project.

Under the Agreement, joint venture partner Riedel Resource will be required to contribute financially to the costs of holding, exploring or developing the Marymia Project in line with its 20% interest in the project. Should Riedel Resources choose not to contribute (for whatever reason), its interest in the project will decrease accordingly and if that interest falls below 10% it will automatically convert into a 1.5% net smelter royalty, with Australian Mines assuming 100% ownership of the Project.

The Marymia project appears prospective for orogenic gold (also called 'lode gold') and potentially DeGrussa-style copper mineralisation where the Jenkin Fault dissects the project area in the northern half of the Company's project area.

The Dixon Prospect represents the most advanced target at Marymia and was first drilled by Australian Mines in 2015 when testing a coincident gold and arsenic soil anomaly<sup>25</sup>. The Company's initial single-hole reverse circulation (RC) drill program successfully intersected 5 metres @ 11.07 grams per tonne of gold from 130 metres down hole (drill hole MMRC016)<sup>26</sup>.

Further drilling intersected additional bedrock-hosted gold and pointed to the mineralisation being hosted by quartz-pyrite-gold veins within the underlying Archaean greenstone. Modelling by Australian Mines subsequently indicated that the gold mineralisation at Dixon primarily occurs along the contact of a magnetic dolerite and low magnetic basalt unit.

Independent resource geology and mining consultants have since confirmed the gold-bearing potential of this dolerite - basalt contact<sup>27</sup>, which can be traced over a length of more than 6 kilometres. Until recently, only a few hundred metres of this prospective lithological contact had been drill tested.

---

<sup>24</sup> See Appendix 2 of this report

<sup>25</sup> Australian Mines Limited, High-grade gold intersected at Dixon prospect, released 26 October 2015

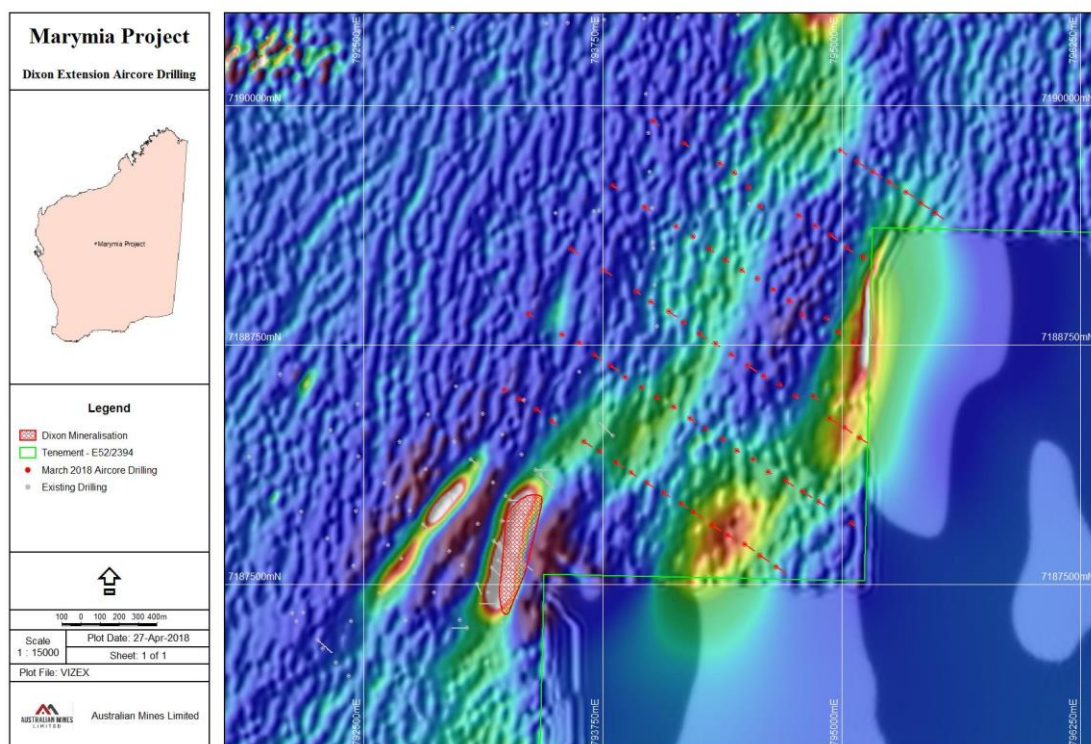
<sup>26</sup> Australian Mines Limited, High-grade gold intersected at Dixon prospect, released 26 October 2015

<sup>27</sup> CSA Global Pty Ltd – Independent Technical Assessment Report (draft) for Norwest Gold Pty Ltd - Report No. R106.2018



During the March quarter, Australian Mines completed an 89-hole air core program at Dixon that was designed to examine the distribution and grade of the supergene (oxide) gold mineralisation across the southern third of the dolerite – basalt contact zone. The assay results from this program were pending at the time of this report.

Any follow-up drilling will also test the gold mineralisation at depth to ascertain if, like Plutonic, the grade increases with depth<sup>28</sup>.



**Figure 7:** Location map of Australian Mines' recent air core drilling at its joint venture Marymia Project, near Meekatharra in Western Australia. The background of this figure is the aeromagnetic image with warmer colours representing areas of higher magnetic intensity, and cooler colours identifying areas / geology with lower magnetic intensity. The green-coloured zone in the centre of the image suggests that the high magnetic geology associated with the interpreted gold-bearing dolerite may be covered by transported soil in this location and, thus, may not exhibit a strong surface geochemical anomaly. The samples from this drill program are currently being assayed in Perth, with final results anticipated in four to six weeks.

<sup>28</sup> CSA Global Pty Ltd – Independent Technical Assessment Report (draft) for Norwest Gold Pty Ltd - Report No. R106.2018



## **Arunta West Copper-Gold Project**

The Arunta West Copper-Gold Project is located 600 kilometres west of Alice Springs in Western Australia (near the Northern Territory border) and is the continuation of the geological sequence hosting Independence Group's (ASX: IGO) neighbouring Lake Mackay Project.

The Company's Arunta West Project is, in part, a joint venture between Australian Mines and Jervois Mining (ASX: JRV), which takes in three tenements covering 345 square kilometres including tenement E80/4820 that hosts the North Dovers copper-gold target.

Australian Mines separately holds a 100% interest in two tenements adjoining the Arunta West joint venture area, covering an additional 1,100 square kilometres.

Post-period end, Australian Mines notified Jervois Mining that the Company had satisfied the Stage 1 requirement under the joint venture by spending more than \$350,000 on the tenements within the required period and, accordingly, Australian Mines has now earned a 51% interest in the joint venture tenements. (Australian Mines also continues to be the operator and manager of the project).

As previously reported<sup>29</sup>, Australian Mines recently completed a detailed gravity survey over the prospective North Dovers base metal target, with the resulting modelling indicating that its geophysical signature appears similar to that of the Olympic Dam iron-oxide copper-gold (IOCG) deposit<sup>30</sup> in South Australia.

To ensure optimal positioning of the planned reverse circulation (RC) and diamond core drill program, which is proposed to test the North Dovers geophysical (gravity) anomaly, earlier this quarter Australian Mines commissioned an aeromagnetic survey over the Arunta West joint venture area.

Once received, the data from this airborne survey should enable Australian Mines to plan its maiden North Dovers drilling program with increased accuracy and confidence when incorporated with the existing detailed ground gravity results and geological modelling.

---

<sup>29</sup> Australian Mines Limited, Quarterly Activities Report for the period ended 31 December 2017, released 31 January 2018

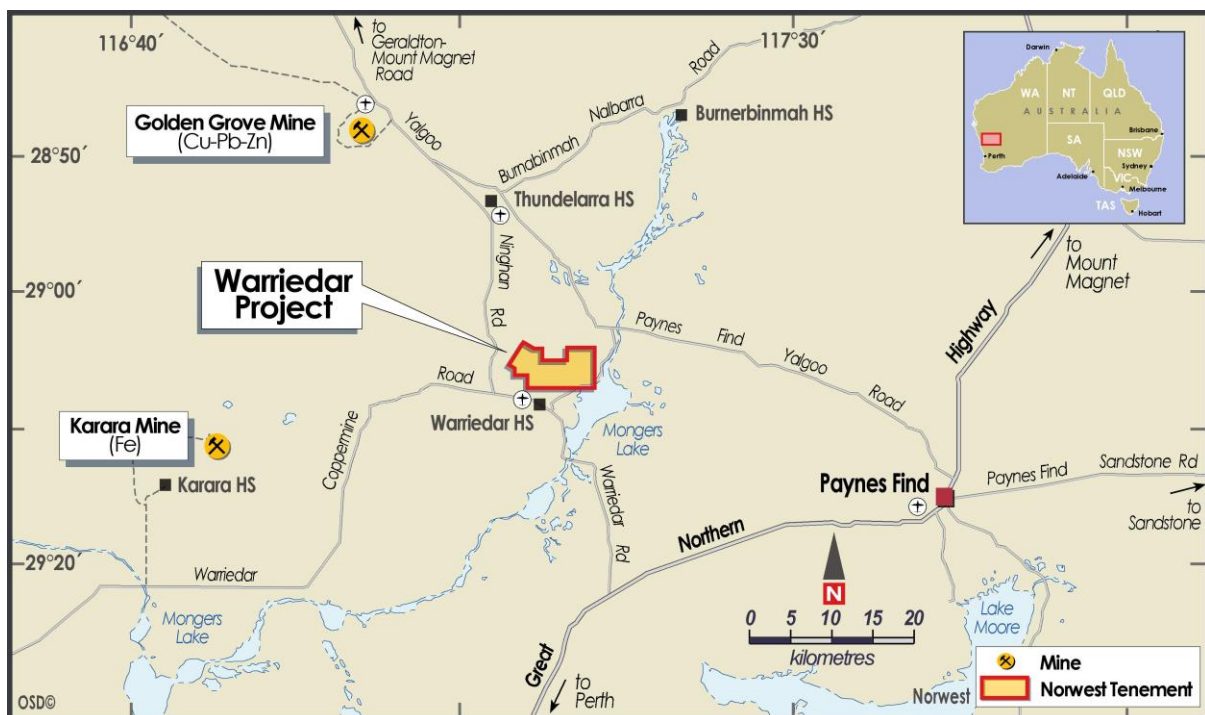
<sup>30</sup> Olympic Dam, owned by BHP Billiton, is a Gawler Craton iron-oxide copper-gold (IOCG) ore body

**Warriedar Gold Project**

Australian Mines’ 100%-owned Warriedar Gold Project, located 125 kilometres southwest of Mount Magnet in Western Australia, represents a near-term production opportunity for the Company’s wholly-owned subsidiary (Norwest Gold Pty Ltd) with the project’s historic Reid’s Ridge Gold Mine previously operating with a head grade of 16 grams per tonne gold<sup>31</sup>.

Work completed by the Company during this reporting period indicates that the gold mineralisation at Warriedar may be associated with the Banded Iron-Formation (BIF) geology not unlike the gold mineralisation at the Hill 50 gold mine, which has produced 2.1 million ounces of gold to date. This greatly enhances the mineral potential of the Warriedar project where gold mineralisation is already known to extend for more than 1 kilometre<sup>32</sup>.

With a granted Mining Lease now in place at Warriedar, Australian Mines (via its Norwest Gold subsidiary) is aiming to advance towards producing a maiden mineral resource for this project in addition to exploring for further repetitions of the potential Hill 50-style gold mineralisation at Warriedar.



**Figure 8:** Exploration at Australian Mines’ Warriedar Gold Project this quarter indicates that the gold mineralisation within this project (which has a strike length in excess of 1 kilometre) appears to have similar characteristics to the Hill 50 deposit that has produced 2.1 million ounces of gold to date.

<sup>31</sup> CSA Global Pty Ltd – Independent Technical Assessment Report (draft) for Norwest Gold Pty Ltd - Report No. R106.2018

<sup>32</sup> CSA Global Pty Ltd – Independent Technical Assessment Report (draft) for Norwest Gold Pty Ltd - Report No. R106.2018

### **Ashburton (Bali) Copper Project**

The Ashburton Copper Project, also previously known as the Bali Copper Project, is located 75 kilometres west of Paraburdoo in Western Australia.

Australian Mines, through its wholly-owned subsidiary Norwest Gold Pty Ltd, has entered into an option agreement to acquire a 100% interest in this promising copper project, which appears to have similar structural controls and geological setting to Sandfire Resources (ASX: SFR) DeGrussa and Monty ore bodies.

Copper mineralisation is confirmed to be present within the project area, including at the Bali Lo and Bali Hi prospects where the mineralisation is 240 metres long and 280 metres long respectively<sup>33</sup>.

Historic drilling has similarly returned positive results including<sup>34</sup>:

- 9 metres @ 2.14% Copper & 9.8 g/t silver (Drill hole CL4),
- 3 metres @ 3.75% Copper & 18.3 g/t silver from 5 metres downhole (Drill hole CL1A)
- 6 metres @ 7.17% Copper & 27.3 g/t silver from 17 metres downhole (Drill hole CL1A).

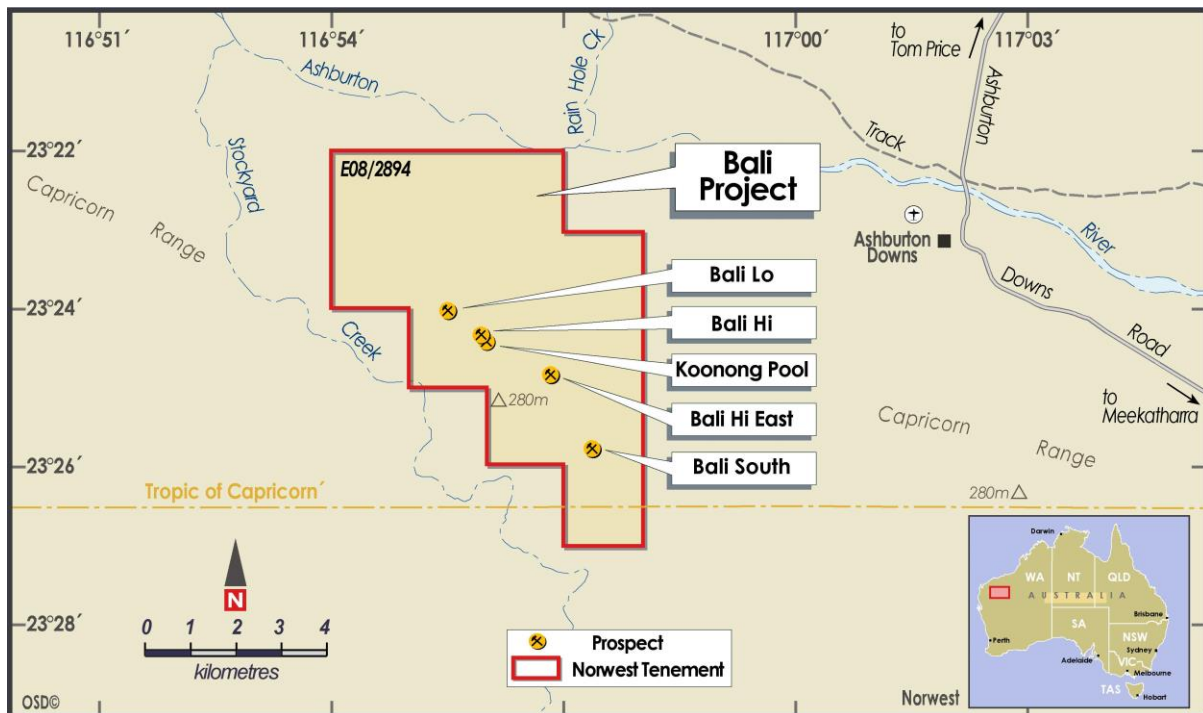
Channel sampling of the Bali East prospect has returned very encouraging results with assays ranging up to 20.6% copper. Sampling of the Bali South prospect has, similarly, returned promising assays that ranged from 0.98% up to 11.3% copper.

Given the presence of high-grade copper across the project area coupled with its interpreted similar geological setting with the DeGrussa and Monty copper ore bodies (held by Sandfire Resources), Australian Mines is of the opinion that the use of modern exploration techniques across its Ashburton project area may result in the discovery of a significant base metal deposit.

---

<sup>33</sup> CSA Global Pty Limited – Independent Technical Assessment Report (draft) for Norwest Gold Pty Ltd - CSA Global Report No. R106.2018

<sup>34</sup> Artemis Resources, 2013. Final Surrender Report for the period 6th October 2004 to the 4<sup>th</sup> November 2013. Bali Hi E08/1372. Annual report to the Department of Mines and Petroleum (A100405).



**Figure 9:** Five zones of copper mineralisation have already been identified across the Ashburton (Bali) Copper Project. The mineralisation at the Bali Hi prospect, for example, extends for 280 metres. It is envisaged that the initial exploration plans at Ashburton by Norwest Gold (Australian Mines' wholly-owned subsidiary) would include completing a ground-based electromagnetic (EM) survey to detect any primary copper-lead-zinc-silver mineralisation, which would, in turn, inform a follow-up reverse circulation (RC) drilling program and detailed downhole EM surveying thereafter.

### **Marriotts Nickel Project**

The Company's 100%-owned Marriotts Project hosts an existing nickel sulphide Mineral Resource of 662,000 tonnes at 1.3% nickel for 8,700 tonnes of contained nickel metal, all within the Inferred resource category<sup>35</sup>.

Whilst Australian Mines has no immediate plans to develop this project given its focus on the Company's technology metals portfolio in Australia's eastern states, Australian Mines is cognisant that the Marriotts nickel deposit is located within trucking distance of existing nickel processing plants in an established production region and that nickel prices are currently at a 3-year high on the London Metals Exchange (LME)<sup>36</sup>.

<sup>35</sup> Australian Mines Limited, Marriotts nickel resource reviewed in-line with 2012 Edition of JORC Code, announced 31 January 2018

<sup>36</sup> [http://www.kitcometals.com/charts/nickel\\_historical\\_large.html](http://www.kitcometals.com/charts/nickel_historical_large.html)





## **Corporate Activity**

### **OTCQB Listing**

Australian Mines' shares are now trading on the OTCQB<sup>37</sup> Market in the United States of America under the code *AMSLF*.

The OTCQB is a regulated market where companies must, amongst other requirements, undergo an annual verification and management certification process. Trading on the OTCQB has opened the door for increased investment in Australian Mines from North American investors by providing them with greater accessibility to the Company's shares via this highly liquid market place.

### **Proposed Portfolio Consolidation**

Australian Mines is continuing to progress previously announced<sup>38</sup> plans to consolidate its portfolio in order to focus wholly on its technology metals projects in Australia's eastern states as well as unlock the underlying value of its non-core assets for AUZ shareholders.

These non-core assets include the Marymia Gold and Copper Project, and the Arunta West Copper-Gold Project. Australian Mines enjoyed early success with its gold exploration program at the Marymia Project and has drill ready targets identified at the Arunta West Project.

The current plan under consideration remains a spin-off of these non-core assets into a dedicated Western Australian-focused gold and copper exploration company, with the Board considering combining the Marymia and Arunta West projects with the existing assets of Norwest Gold Pty Ltd, a wholly-owned subsidiary of Australian Mines Limited. If this were to occur, it is intended the combined entity would be listed on the ASX.

In addition to Australian Mines assets, the proposed listing would incorporate Norwest Gold's existing tenement portfolio, including the Warriedar Gold Project and Ashburton Copper Project, both of which are located in Western Australia.

---

<sup>37</sup> Australian Mines Limited, Australian Mines trading on American OTCQB market, released 22 March 2018

<sup>38</sup> Australian Mines Limited, Quarterly Activities Report (December), released 31 January 2018



## Appointments

**Study Manager** – Graeme Robinson has been appointed<sup>39</sup> in the role of Study Manager with the role of managing the Sconi Bankable Feasibility Study. Mr. Robinson is a qualified Engineer and highly experienced Feasibility Study and Project Manager, with more than 35 years of industry experience, which includes senior management roles at Vale’s \$5 billion Goro nickel laterite project in New Caledonia from Feasibility Study through to commissioning.

Mr. Robinson joins Australian Mines after serving as Study and Execution Manager with Gina Rinehart’s Hancock Prospecting Pty Ltd, which included overseeing Hancock’s Alpha Coal Project in Queensland and execution management roles for their \$10 billion Roy Hill iron ore operation in Western Australia.

**Exploration Manager** – Stuart Peterson has been appointed<sup>40</sup> to the newly-created role of Exploration Manager. Mr. Peterson is a qualified geologist and experienced Exploration Manager with more than 15 years of industry experience, including exploration of nickel-cobalt mineralisation, working across both Australian and international project portfolios.

Mr. Peterson joins Australian Mines after serving as Exploration Manager at ASX-listed Lithium Power International, where he was tasked with the development of the emerging producer’s assets across Australia.

**Investor Relations Manager** – Sophia Bolhassan has been appointed<sup>41</sup> as the Company’s Investor Relations Manager. Prior to joining Australian Mines, Ms. Bolhassan was Vice President in Corporate and Investment Banking for Citibank in London covering the bank’s European, Middle East and African markets. Ms. Bolhassan joined Citi in 2008 and has extensive experience across investment banking, strategic planning and business development, as well as previous experience in equity capital market transactions support.

\*\*\*ENDS\*\*\*

---

<sup>39</sup> Australian Mines Limited, Australian Mines appoints Study Manager, released 26 March 2018

<sup>40</sup> Australian Mines Limited, Technical team bolstered with appointment of Exploration Manager, released 4 April 2018

<sup>41</sup> Australian Mines Limited, Australian Mines appoints Investor Relations Manager, released 12 March 2018



**For further information:**

**Shareholders contact:**

Sophia Bolhassan

Investor Relations Manager

Ph: +61 488 022 944

E: [sbolhassan@australianmines.com.au](mailto:sbolhassan@australianmines.com.au)

**Media contact:**

Michael Cairnduff

Cannings Purple

Ph: +61 406 775 241

E: [mcairnduff@canningspurple.com.au](mailto:mcairnduff@canningspurple.com.au)



## **Appendix 1: 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.

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 is appears.

### **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 is appears.

### **Thackaringa Cobalt Project**

The information in this report that relates to the Thackaringa Cobalt 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.



### **Marymia Gold and Copper Project**

Information in this report that relates to Marymia Gold and Copper 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.

### **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.

### **Warriedar Gold Project**

Information in this report that relates to Warriedar 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, and Director of Norwest Gold Pty Ltd. 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.

### **Ashburton (Bali) Copper Project**

Information in this report that relates to Ashburton (Bali) Copper 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, and Director of Norwest Gold Pty Ltd. 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 Mineral Resource for the Marriotts Nickel Project contained within this document is reported under JORC 2012 Guidelines. This Mineral Resource was first reported by Australian Mines Limited on 31 January 2018. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 January 2018 announcement by Australian Mines.

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 it appears.

## Appendix 2: Tenement Information

---

### Mining tenements held at end of the quarter

Location	Project	Tenement	Status	Interest
<b>AUSTRALIA</b>				
Queensland	Sconi	ML 10366	Granted	100% (a)
Queensland	Sconi	ML10342	Granted	100% (a)
Queensland	Sconi	ML10324	Granted	100% (a)
Queensland	Sconi	ML 10332	Granted	100% (a)
Queensland	Sconi	ML 20549	Granted	100% (a)
Queensland	Sconi	ML 10368	Granted	100% (a)
Queensland	Sconi	MDL 515	Granted	100% (a)
Queensland	Sconi	MDL 387	Granted	100% (a)
Queensland	Sconi	EPM 25834	Granted	100% (a)
Queensland	Sconi	EPM 25865	Granted	100% (a)
Queensland	Sconi	EPM 25833	Granted	100% (a)
Queensland	Sconi	ML 10366	Granted	100% (a)
Queensland	Sconi	ML10342	Granted	100% (a)
Queensland	Sconi	EPM 26575	Granted	100%
Queensland	Sconi	EPM 26577	Granted	100%

Queensland	Sconi	EPM 26578	Granted	100%
Queensland	Sconi	EPM 26579	Granted	100%
Queensland	Sconi	EPM 26559	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	51% (d)
Western Australia	Arunta West	E80/4986	Granted	51% (d)
Western Australia	Arunta West	E80/4987	Granted	51% (d)
Western Australia	Doolgunna-Marymia	E52/2394	Granted	80% (e)
Western Australia	Doolgunna-Marymia	E52/2395	Granted	80% (e)
Western Australia	Warriedar	M59/0755	Granted	100% (f)
Western Australia	Warriedar	E59/1692	Granted	100% (f)

Western Australia	Warriedar	E59/1723	Granted	100% (f)
Western Australia	Warriedar	E59/1966	Granted	100% (f)
Western Australia	Warriedar	P59/2070	Granted	100% (f)
Western Australia	Warriedar	E50/1692	Granted	100% (f)
Western Australia	Warriedar	E59/2080	Granted	100% (f)
Western Australia	Warriedar	E59/2103	Granted	100% (f)
Western Australia	Warriedar	E59/2104	Granted	100% (f)
Western Australia	Warriedar	P59/2060	Granted	100% (f)
Western Australia	Ashburton (Bali)	E08/2894	Granted	0% (g)
Western Australia	Marriotts	M37/096	Granted	100%

(a) Sconi Cobalt-Nickel-Scandium Project

The acquisition of the Sconi Cobalt-Nickel-Scandium Project was announced by Australian Mines on 6 September 2017.

Consideration for the 100% acquisition of Sconi in the sale and purchase agreement includes:

- the issue of \$1.5 million of Australian Mines shares to Metallica Minerals Limited (ASX: MLM) upon the earlier of completion of the Bankable Feasibility Study or 30 June 2018 (whichever occurs first), and
- a final issue of \$5 million of Australian Mines shares (or cash) to Metallica Minerals Limited 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 (JRV: ASX) to acquire 100% of the Flemington Cobalt-Scandium-Nickel Project.

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 Project. All options payments to Jervois Mining have been paid by Australian Mines (and accepted by Jervois Mining).

The Company has a final payment of \$4 million due before September 2018 at which point Australian Mines will hold 100% interest in the Flemington tenements.

The Agreement with Jervois Mining includes a 1.5% gross sales royalty on all proceeds from the sale of products derived from the Flemington assets.

The renewal of Flemington exploration licence 7805 is currently pending. The Company has received written advice from the New South Wales Department of Planning and Environment 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

During this period, the New South Wales Government's Department of Planning and Environment notified Australian Mines that its 100%-owned Thackaringa exploration licence 8477 was successfully renewed a further 3 years.

#### (d) Arunta West Copper- Gold Project

Under the Arunta West joint venture agreement, Australian Mines has the right to farm into Jervois Mining Limited'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.

Australian Mines formally notified Jervois Mining on 29 April 2018 that the Company had satisfied its exploration spending obligations under this Agreement. As such, Australian Mines has successfully earned its initial 51% interest in these joint venture tenements.

In the same formal notification letter dated 29 April 2018, Australian Mines also informed Jervois Mining that the Company has elected to proceed with the Stage 2 Earn-in whereby Australian Mines will increase its interest in the Arunta West joint venture tenements to 80% by spending a further \$3.15 million on these tenements by 28 April 2020.

Australian Mines is the operator and manager of the Arunta West Project.





(e) Marymia Gold and Copper Project

Australian Mines formally notified Riedel Resources Limited (AS: RIE) on 27 April 2018 that the Company had satisfied its exploration spending obligations under this Agreement. As such, Australian Mines has successfully earned its 80% interest in the Marymia exploration tenements of E52/2394 and E52/2395.

As per the Agreement, Australian Mines and Riedel Resources will form a joint venture (80% AUZ – 20% RIE), with each company contributing financially to the cost of all future exploration programs (and the administrative costs associated with managing these tenements) in line with their percentage interest in the project.

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

(f) Warriedar Gold Project

Australian Mines completed the acquisition of the Warriedar Gold Project in Western Australia during this period.

Australian Mines, through its wholly-owned subsidiary Norwest Gold Pty Ltd, holds 100% interest in the Warriedar tenements.

There are no residual royalties, claw back arrangements or any other commercial payments due by Australian Mines (or Norwest Gold) on these tenements.

(g) Ashburton (Bali) Copper Project

Australian Mines, through its wholly-owned subsidiary Norwest Gold Pty Ltd, has entered into an Option Agreement with TasEx Geological Services Pty Ltd to acquire 100% of the Ashburton (Bali) Copper Project in Western Australia, which comprises granted tenement E08/2894.

Under the terms of this Agreement, Australian Mines has been granted an option to enable the Company to purchase 100% of the Ashburton (Bali) Copper Project for a total purchase price of \$175,000 plus applicable GST payable by 30 September 2018.

**Mining tenements acquired and disposed of during the quarter**

Location	Project	Tenement	Status	Interest	Comments
Queensland	Sconi	EPM 26575	Granted	100%	-
Queensland	Sconi	EPM 26577	Granted	100%	-
Queensland	Sconi	EPM 26578	Granted	100%	-
Queensland	Sconi	EPM 26579	Granted	100%	-

**Beneficial percentage interests held in farm-in or farm-out agreements at end of the quarter**

Location	Project	Agreement	Parties	Interest	Comments
Western Australia	Marymia	Heads of Agreement	Australian Mines and Riedel Resources	80%	Announced 30 April 2014 29 May 2015 30 April 2018
Western Australia	Arunta West	Joint Venture Agreement	Australian Mines and Jervois Mining	51%	Announced 23 May 2016 30 April 2018

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

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