



Level 1,83 Havelock St
West Perth WA 6005

+61 8 9481 5811

+61 4 6777 0016

bbell@australianmines.com.au

27 June 2018
Australian Securities Exchange
Exchange Plaza
2 The Esplanade
PERTH WA 6000

Email: tradinghaltsperth@asx.com.au
ben.secrett@asx.com.au

Response to query letter

Australian Mines Limited (the “Company”) (AUZ) refers to the letter from ASX’s letter dated 20 June 2018 (“ASX Letter”) and received by Australian Mines’ Company Secretary on 11:02am (Sydney time) on the same day, and the emails from the ASX dated 22 and 26 June 2018, and responds as follows:

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

Background

Under the binding terms sheet agreement between the Company and SK Innovation dated 9 February 2018, SK Innovation has committed to purchasing up to 12,000 tonnes of cobalt sulphate and 60,000 tonnes of nickel sulphate per annum from the Sconi Project (which approximately equates to 2,650 tonnes of contained cobalt metal and 13,200 tonnes of contained nickel metal per year). The price paid by SK Innovation under binding terms sheet agreement is linked to the London Metal Exchange (LME) trading price for cobalt and nickel, and contemplates a market premium related to the fact that Australian Mines is supplying the product to SK Innovation in the form of a sulphate.

Furthermore, under the binding terms sheet agreement SK Innovation has agreed to assist in the development / construction and/or financing of the Sconi Project by recommending a financial adviser to assist on equity and debt raising, including project financing required to develop the Project.

SK Innovation has also agreed to support activities associated with construction financing carried out by the financial adviser.

Consistent with the above:

- SK Innovation do not have an obligation to fund construction of the Project; and
- SK Innovation has not committed to financing the Project but has agreed to support activities associated with construction financing; and
- it is not a condition to the off-take agreement that SK Innovation fund the Project.

Further details regarding the status of ongoing discussions with SK Innovation is set out with respect to the response to question 3 below.

Furthermore, the Company acknowledges that it does not have a “reasonable basis” consistent with the requirements of ASIC Regulatory Guide 170 and Information Statement 214 for the Forecast Financial Information Comments.

The Opex Comments are based on the current understanding of management of the range of likely operational costs based on an independent review of actual opex costs of lateritic cobalt-nickel projects around the world that currently utilise the same high-pressure acid leach technology being proposed by Australian Mines at its Sconi Project in northern Queensland.

The Presentation states a range in this regard and the comments were referenced as approximate.

As noted in the Presentation, final details on operational and capital costs will be provided in the bankable feasibility study, expected to be released to the ASX by 30 September 2018.

Specific ASX questions

In terms of the specific questions in the ASX Letter, the Company responds as follows.

- 1. When did Mr Bell give the Presentation? In answering this question, please detail the date and time.**

The Presentation was given at 12:30pm London time on Thursday 17 May 2018

- 2. Did the Presentation (including the Comments) contain any information that a reasonable person would expect to have a material effect on the price or value of AUZ’s securities? If the answer to this question is “yes”, please detail that information and advise when AUZ became aware (including the date and time) of the relevant information.**

No

- 3. If the answer to question 2 is “no”, please advise the basis for that view.**

The Company is in on-going discussions with SK Innovation regarding the associated financing for the Project in accordance with the off-take term sheet agreement.

Australian Mines is also in discussions with various other parties regarding financing the Project, either separately to or in conjunction with SK Innovation. The terms of these discussions remain incomplete and confidential.

The Company will provide further information to the ASX with respect to the discussions with SK Innovation and other parties as and when such information is available and in any event in accordance with the requirements of Listing Rule 3.1.

To the extent that the Presentation contains comments regarding SK Innovation participation in the financing of the Project, these comments should be considered in light of the above position.

4. **If the answer to question 2 is “yes”, has AUZ made any announcement which disclosed the relevant information? If so, please provide details. If not, please explain why the relevant information was not released to the market at an earlier time, commenting specifically on when you believe AUZ was obliged to release the relevant information under Listing Rules 3.1 and 3.1A and what steps AUZ took to ensure that the relevant information was released promptly and without delay.**

Not applicable

5. **Has AUZ finalised an agreement or arrangement with SK Innovation pursuant to which SK Innovation has committed to funding the construction cost of the Project’s plant? If the answer to this question is “yes”, please advise the date that this information was released to the market or, if it has not been released to the market, provide comprehensive details of that agreement or arrangement.**

No. Please refer to the Background section and the answer to question 3 above

6. **With reference to the Offtake Agreement and AUZ’s response to question 5, what is the basis for the Funding Comments?**

Please refer to the Background section and the answer to question 3 above.

7. **Has AUZ completed the bankable feasibility study for the Project? If the answer to this is “yes”, please advise the date that results of the bankable feasibility study were released to the market or, if it has not been released to the market, provide comprehensive details of the results of the bankable feasibility study.**

No. The Company is in the process of completing the bankable feasibility study and anticipates that this will be released to ASX before 30 September 2018.

8. **With reference to the Retraction and AUZ’s response to question 7, what is the basis for the Forecast Financial Information Comments? In answering this question, please detail whether the board of directors of AUZ authorised the retracted information to be repeated in the Forecast Financial Information Comments.**

The Company refers to the Forecast Financial Information Comments, namely that the Projects revenue is expected to be about \$400 million per year for a total value of the deal with SK Innovation of \$5 billion.

The inclusion of the Forecast Financial Information Comments is not consistent with the ASX Listing Rules and the JORC Code and the Company retracts that information.

Investors should not rely on the retracted information as a basis for an investment decision concerning the Company.

The Company acknowledges that it does not have a “reasonable basis” consistent with the requirements of ASIC Regulatory Guide 170 and Information Statement 214 for the Forecast Financial Information Comments.

The Board of Directors did not authorise the retracted information to be repeated in the Forecast Financial Information.

9. With reference to AUZ’s response to question 7, what is the basis for the Opex Comments?

The Opex Comments are based on the current understanding of management of the range of likely operational costs based on an independent review of actual opex costs of lateritic cobalt-nickel projects around the world that currently utilise the same high-pressure acid leach technology being proposed by Australian Mines at its Sconi Project in northern Queensland.

The Presentation states a range in this regard and the comments were referenced as approximate.

As noted in the Presentation, final details on operational and capital costs will be provided in the bankable feasibility study, expected to be released to ASX by 30 September 2018.

10. Please confirm that AUZ is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

Yes

11. 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.

Yes

Yours faithfully

A handwritten signature in black ink, appearing to read 'jbell', written in a cursive style.

Benjamin Bell
Managing Director



20 June 2018

Oliver Carton

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

By email

Dear Mr Carton

Australian Mines Limited (“AUZ”): query letter

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

- A. The presentation given by AUZ’s managing director, Mr Benjamin Bell, at the 121 Mining Investment London conference held in May 2018, a video of which has been published on YouTube (“Presentation”). In the Presentation, Mr Bell makes comments, amongst others, about AUZ’s Sconi cobalt-nickel-scandium project (“Project”) to the following effect (“Comments”).
- That:
 - SK Innovation Co Ltd (“SK Innovation”) are funding construction of the Project’s plant;
 - SK Innovation are committed to financing the plant; and
 - it is a condition of the offtake agreement between AUZ and SK Innovation that SK Innovation has to fund the plant (“Funding Comments”).
 - That the Project’s revenue is expected to be about \$400,000,000 per year, for a total value of the deal with SK Innovation of \$5,000,000,000 (“Forecast Financial Information Comments”).
 - That the expected operating cost of the Project is around 220 to 250 per pound of nickel (“Opex Comments”).
- B. AUZ’s announcement entitled “Quarterly Activities Report” released on the ASX Market Announcements Platform (“Platform”) on 30 April 2018 (“Quarterly Report”) which, amongst other things, contains the following statements (footnotes excluded).

“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 Limited¹¹, 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 period¹² to advise on the off-take and project financing negotiations for the Sconi Project.”

“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 Study¹³ (BFS), with the final investment decision phase to follow immediately thereafter.”

- C. AUZ’s announcement entitled “Retraction of ASX Release of 21 February 2018” released on the Platform on 28 February 2018 (“Retraction”) which contained, amongst others, the following statements.

“Following discussions with the ASX regarding compliance with the JORC Code 2012, Australian Mines Limited (“Australian Mines” or “the Company”) (ASX: AUZ) wishes to retract certain information in its RIU Explorer’s Conference Presentation of 21 February 2018.

Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

GPO Box D187
Perth WA 6840

Customer service 13 12 79
asx.com.au

The RIU Presentation contained extrapolated forecast financial information (slide 3 and 4 of the presentation).

This financial information referenced the value of offtake under the Company's binding cobalt sulphate and nickel sulphate off-take term sheet agreement with SK Innovation for the Company's Sconi CobaltNickel-Scandium Project in Queensland. This information was based on life-of-contract financial figures.

Inclusion of this information is not consistent with the JORC Code and the Company retracts that information.

Investors should not rely on the retracted information as a basis for an investment decision about Australian Mines' shares."

The information the subject of the Retraction is the same as some of the Forecast Financial Information Comments.

- D. "The executed Sconi Offtake Agreement Term Sheet between AUZ and SK Innovation dated 9 February 2018 ("Offtake Agreement"), a copy of which has been given to ASX by AUZ.
- 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. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity"

and section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B* "When does an entity become aware of information".

- G. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

"3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- *It would be a breach of a law to disclose the information;*
- *The information concerns an incomplete proposal or negotiation;*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed."

- H. ASX's policy position on the concept of "confidentiality", which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:

"Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule."

Having regard to the above, ASX asks AUZ to respond separately to each of the following questions and requests for information:

1. When did Mr Bell give the Presentation? In answering this question, please detail the date and time.
2. Did the Presentation (including the Comments) contain any information that a reasonable person would expect to have a material effect on the price or value of AUZ's securities? If the answer to this question is "yes", please detail that information and advise when AUZ first became aware (including the date and time) of the relevant information.
3. If the answer to question 2 is "no", please advise the basis for that view.
4. If the answer to question 2 is "yes", has AUZ made any announcement which disclosed the relevant information? If so, please provide details. If not, please explain why the relevant information was not released to the market at an earlier time, commenting specifically on when you believe AUZ was obliged to release the relevant information under Listing Rules 3.1 and 3.1A and what steps AUZ took to ensure that the relevant information was released promptly and without delay.
5. Has AUZ finalised an agreement or arrangement with SK Innovation pursuant to which SK Innovation has committed to funding the construction cost of the Project's plant? If the answer to this question is "yes", please advise the date that this information was released to the market or, if it has not been released to the market, provide comprehensive details of that agreement or arrangement.
6. With reference to the Offtake Agreement and AUZ's response to question 5, what is the basis for the Funding Comments?
7. Has AUZ completed the bankable feasibility study for the Project? If the answer to this question is "yes", please advise the date that results of the bankable feasibility study were released to the market or, if it has not been released to the market, provide comprehensive details of the results of the bankable feasibility study.
8. With reference to the Retraction and AUZ's response to question 7, what is the basis the Forecast Financial Information Comments? In answering this question, please detail whether the board of directors of AUZ authorised the retracted information to be repeated in the Forecast Financial Information Comments.
9. With reference to AUZ's response to question 7, what is the basis for the Opex Comments?
10. Please confirm that AUZ is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
11. 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 7.00am AWST on Thursday, 21 June 2018.**

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.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to AUZ's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that AUZ's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, providing the information requested in this letter.

Further, if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, AUZ's obligation is to disclose the information "immediately".

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

Ben Secrett

Senior Adviser, Listings Compliance (Perth)