

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

AUSTRALIAN MINES LIMITED – AUZ

ABN

68 073 914 191

Quarter ended (“current quarter”)

30 September 2018

Consolidated statement of cash flows	Current quarter \$A	Year to date (3 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(2,588,809)	(2,588,809)
(b) development	(1,148,328)	(1,148,328)
(c) production	-	-
(d) staff costs	(482,559)	(482,559)
(e) administration and corporate costs	(1,498,316)	(1,498,316)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2,761	2,761
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	293,970	293,970
1.8 Other (provide details if material)	(4,859)	(4,859)
1.9 Net cash from / (used in) operating activities	(5,426,141)	(5,426,141)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(27,451)	(27,451)
(b) tenements (see item 10)	(610,000)	(610,000)
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A	Year to date (3 months) \$A
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(637,451)	(637,451)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	860,000	860,000
3.2	Proceeds from issue of convertible notes	4,500,000	4,500,000
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(424,556)	(424,556)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	4,935,444	4,935,444

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,984,625	8,984,625
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,426,141)	(5,426,141)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(637,451)	(637,451)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,935,444	4,935,444
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	7,856,477	7,856,477

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A	Previous quarter \$A
5.1 Bank balances	7,856,477	7,856,477
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details) – Security bond, restricted	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,856,477	7,856,477

6. Payments to directors of the entity and their associates	Current quarter \$A
6.1 Aggregate amount of payments to these parties included in item 1.2	165,129
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Executive and non-executive wages, director's fees and superannuation.

7. Payments to related entities of the entity and their associates	Current quarter \$A
7.1 Aggregate amount of payments to these parties included in item 1.2	71,256
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Advisory fees and reimbursement of travel expenditure paid to Terrain Capital, an entity potentially influenced by Mr D Marinelli. Australian Mines notes that Year to date total payments to Terrain Capital \$71,256.

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
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9. Estimated cash outflows for next quarter	\$A
9.1 Exploration and evaluation	-
9.2 Development	1,857,682
9.3 Production	-
9.4 Staff costs	382,090
9.5 Administration and corporate costs	669,134
9.6 Other (Flemington Project acquisition – see below)	3,400,000
9.7 Total estimated cash outflows	6,308,906

The above estimated cash outflows for next quarter includes a \$3.4 million payment to Jervois Mining Limited related to the acquisition by Australian Mines of 100% interest in the Flemington Project in New South Wales as announced by the company via the ASX Market Announcements Platform on 27 August 2018. Under the agreement with Jervois Mining, Australian Mines is to make this payment within five business days of the tenements being transferred to Flemington Mining Operations Pty Ltd (being a wholly-owned subsidiary of Australian Mines). Tenement transfer documents have been submitted to the New South Wales Department of Planning and Environment, with the transfer currently pending. As a result, Australian Mines may not necessarily be required to make this payment during the December 2018 quarter, which would result in the estimated cash outflow for the next quarter being less than \$3 million.

Under the funding agreement announced by the company via the ASX Market Announcements Platform on 11 September 2018, Australian Mines is expected to receive an additional \$4 million in cash in January 2019.

As stated in the ASX announcement dated 19 February 2018, Australian Mines has entered into an off-take agreement with SK Innovation related to the Sconi Project in Queensland, Australia. A condition to the agreement is the issue of the Options to SK Innovation, which was subject to shareholder approval. This approval was subsequently obtained at Australian Mines' General Meeting on 30 May 2018. If exercised, the Options will allow SK Innovation to become Australian Mines' largest shareholder with up to 19.99% of Australian Mines' ordinary shares at 12 cents per share at the date of the Notice of General Meeting, being 669,000,000 shares. As detailed in Section 1.4 of the Notice of General Meeting released via the ASX Market Announcements Platform on 27 April 2018, these Options will expire on 31 December 2018. Should SK Innovation decide to exercise their Option, this would result in a cash injection into Australian Mines in the December 2018 quarter of up to \$80 million.

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10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	<u>Western Australia</u> E80/5031 E80/5032 E80/4820 E80/4986 E80/4987 E52/2394 E52/2395 M59/0755 E59/1692 E59/1723 E59/1966 P59/2070 E50/1692 E59/2080 E59/2103 E59/2104 P59/2060 E08/2894 M37/0096	Interests transferred to subsidiary company, Norwest Minerals Limited	100% 100% 51% 51% 51% 80% 80% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100%	0% 0%
10.2	Interests in mining tenements and petroleum tenements acquired or increased	<u>New South Wales</u> EL7805 EL8546	Interest acquired from Jervois Mining as announced by the company via the ASX on 27 August 2018	0% 0%	100% 100%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: Benjamin Bell Date: 29 October 2018
(Director/Company secretary)

Print name: Benjamin Bell

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.