



Quarterly Activities Report

Period Ended 30 September 2018



Highlights

Sconi Cobalt-Nickel-Scandium Project

- Project financing negotiations accelerated and Bankable Feasibility Study near finalisation¹;
- The Australian Government, via the North Australia Infrastructure Facility (NAIF)² are considering potential funding support for Australian Mines' Sconi Project, with the project now in NAIF's *Due Diligence* Phase;
- Community engagement activities ramping-up in nearby Greenvale and Charters Towers to assess local infrastructure requirements and to support future residential workforce requirements; and
- Extension drilling across historic Greenvale mine area extends nickel-cobalt resource footprint at Sconi Project, with widths and tenor of shallow nickel mineralisation intersected anticipated to support an updated Sconi Mineral Resource Estimate³ in early 2019

Demonstration-size Processing Plant

- Benchmark set with largest sample of cobalt sulphate and nickel sulphate exported from Australia produced from Australian Mines' demonstration-size processing plant⁴;
- The signing of a binding long-term off-take agreement with Australian Mines by one of the world's globally significant electric vehicle battery makers in SK Innovation suggests confidence in the technical approach Australian Mines has adopted with regards to the Sconi Project, as well as in the Board's ability to bring the project into production; and
- Positioning Australian Mines as potentially one of the lowest cost producers of high-purity scandium oxide known in the world, which is enabling the Company to penetrate the advanced materials sectors with automotive and aerospace industries.

¹ The Company is still in the final stages of delivering the Bankable Feasibility Study (BFS) for the Sconi Project. The draft BFS is currently incomplete, pending independent validation of BFS inputs.

² Australian Mine Limited, Sconi Project in Due Diligence Phase for NAIF funding, released 15 October 2018

³ 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.

⁴ Australian Mines, AUZ to export largest sample of battery-grade material from Australia, released 2 July 2018



Flemington Cobalt-Nickel-Scandium Project

- Exercised option to acquire a 100% interest in Flemington Cobalt-Nickel-Scandium Project in New South Wales from Jervois Mining; and
- Potential to significantly increase the current Mineral Resource⁵ via a targeted drilling campaign, scheduled to begin during the first quarter of 2019, with a Pre-Feasibility Study of the Flemington project to commence shortly thereafter.

Thackaringa Cobalt Project

- Exploration team gearing up to commence maiden drill program over priority cobalt targets following the completion of the Sconi resource expansion drill program.

Corporate Activity

- R&D tax rebate of \$295,765 received by Australian Mines⁶ for 2016-17 financial year, paid in relation to work completed on the demonstration-size processing plant in Western Australia; and
- Australian Mines' subsidiary, Norwest Minerals⁷, has received applications totalling the \$6.6 million minimum subscription, resulting in Norwest Minerals likely to list on the ASX before the end of the year

⁵ The Mineral Resource Estimate for the Flemington Cobalt-Nickel-Scandium 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

⁶ Australian Mines Limited, R&D tax rebate received from Commonwealth Government for work on demonstration processing plant, released 1 October 2018

⁷ Australian Mines Limited, Australian Mines' subsidiary secures \$5 million funding commitment to progress IPO of its highly prospective WA gold and base metal portfolio, released 26 July 2018

Australian Mines Managing Director, Benjamin Bell commented, “I am pleased that the NAIF Board are considering potential funding support for Sconi, our flagship cobalt-nickel-scandium project in Northern Queensland.

The Sconi Project has the potential to deliver stable, long-term employment to many within the region. The Company believes that the development of the Sconi Project will also result in a flow-through of investment in significant upgrades to existing infrastructure located within the Greenvale and Charters Towers region of northern Queensland including regional roads, airport facilities and telecommunications.

Australian Mines is targeting at least 90% of the Sconi Project’s ongoing annual operational expenditure to be with local businesses. We also expect more than 80% of Sconi’s workforce to be residentially based in the region on a drive-in, drive-out basis. As such, the company has recently commenced discussions with the Queensland and local governments to ensure local residents will have easy access to training and skill development prior to the commissioning of any processing plant at Sconi.

In regard to the broader financing package for Sconi, we continued to work closely with our preferred funding partners during the quarter and to finalise the Bankable Feasibility Study⁸. Once completed we will be in a position to release the final report to shareholders as well as being in a much stronger position to move rapidly through the final financing stages for the Project.

The draft base-case Bankable Feasibility Study for Sconi has been subject to a thorough verification process with all capital costs modelled to ensure the Project is costed as accurately as possible ahead of a Final Investment Decision. The Company has taken a conservative approach to the financial modelling being carried out for our current studies at Sconi, both in regard to commodity prices and associated revenue projections across the first 20 years of potential production.

While we continue our advanced negotiations around funding Sconi, in the interim we moved to sure-up our operating balance sheet during the period, closing a significant funding agreement with United States-based fund Bergen. The \$12 million agreement allows the flexibility to progress work at our secondary Flemington Project and greenfields Thackaringa Cobalt Project, both located in New South Wales, in parallel to the development program at Sconi, where we are still targeting commencement of construction in early 2019.

Australian Mines achieved a couple of firsts earlier in the September quarter with the delivery of cobalt sulphate and nickel sulphate samples to our Korean-based off-take partner SK Innovation. This was the largest bulk sample export of these commodities ever produced using Australian nickel-cobalt ore as well as the first time an Australian resources company had produced cobalt and nickel sulphate samples without relying on a third-party commercial lab.

⁸ The Company is still in the final stages of delivering the BFS for the Sconi Project. The draft BFS is currently incomplete, pending independent validation of BFS inputs.

The samples were processed through our demonstration-size processing plant in Western Australia, which also produced a scandium oxide product of a saleable quality.

The full-size processing plant to be developed at Sconi in Queensland will use a replica processing flow-sheet to the demonstration plant, which has played a critical role in the optimisation of the extraction process as well as improving equipment reliability, recovery and purity levels of the nickel, cobalt and scandium products.

It was a busy quarter on the exploration front as well, with a 50,000 metre Resource expansion drilling program commenced at Sconi. The initial phase, for which we received results in the period, focused on the Greenvale deposit, with the metres drilled in that initial phase equating to a 50% increase in the total metres historically drilled at the Greenvale mine site since 1962.

We are very pleased with the assays results we have received to date from this drilling and look forward to the full results of the program being available. We expect the current Resource model will be updated as a result of this drilling and that revised model will feed into a fully-optimised version of the Bankable Feasibility Study we are planning to release in the first half of next year.

Australian Mines also progressed its Flemington Project to a point in the quarter where the Company was in a position to complete the acquisition of this highly promising cobalt-nickel-scandium deposit on a 100% basis prior to our next drilling campaign.”

Australian Mines Limited (“Australian Mines” or “the Company”) (Australia ASX: AUZ; USA OTCQB: AMSLF; Frankfurt Stock Exchange: MJH) is pleased to provide its Quarterly Activities Report for the period ending 30 September 2018.

Sconi Cobalt-Nickel-Scandium Project

Australian Mines remained squarely focused throughout the September period on delivering a Bankable Feasibility Study (BFS)⁹ on its flagship Sconi Cobalt-Nickel-Scandium Project.

To that end, the Company continues to work methodically through the final draft of this study in consultation its financial and technical advisers¹⁰, with the goal of reaching a position to release a robust feasibility study to the market that is both conservative and bankable.

The timing of the BFS release remains fully in-line with targeted production dates of the Company’s off-take partner, SK Innovation, which has been part of this review process and continues to be fully-engaged in the development activities of the Sconi Project.

Moreover, the BFS contemplates for a processing plant capable of an average annual production consistent with the agreed quantities under the binding off-take agreement with SK Innovation for cobalt and nickel production, even after factoring in a conservative ramp-up and sustainable throughout capacity of the plant, which are based on real-life data from laterite nickel-cobalt projects currently operating similar technology and/or processing flow charts around the world.

The Company believes the current draft BFS for the Sconi Project to represent a conservative base-case scenario for the Project. It is anticipated it will be enhanced in regard to both the project’s proposed mine life as well as overall project economics by the updated Mineral Resource Estimate that is scheduled for release in April 2019.

To ensure the Company delivers this optimised BFS in the second quarter of 2019, Australian Mines has commenced a 50,000-metre drilling program designed to increase the Mineral Resource Estimate of the three main deposits at Sconi (being the Greenvale, Lucknow and Kokomo deposits)¹¹.

During the reporting period, Australian Mines received assay results from the initial phase of Resource expansion drilling at Sconi, targeting the Greenvale deposit¹². This deposit hosted the previous Greenvale nickel mining operation and as such is predominantly a nickel ore

⁹ As stated in *Section 40 of JORC Code 2012*, the terms “Bankable Feasibility Study” (BFS), “Definitive Feasibility Study” (DFS) and “Feasibility Study” (FS) are noted as meaning the exact same thing and that these terms are, therefore, readily interchangeable. As such there is absolutely no difference between the content of, level of confidence in, or the target audience for, a BFS, DFS or FS.

http://jorc.org/docs/jorc_code2012.pdf

¹⁰ The Company is still in the final stages of delivering the BFS for the Sconi Project. The draft BFS is currently incomplete, pending independent validation of BFS inputs.

¹¹ The Company is not aware of any new information or data that materially affects the information included in the market announcement released by the Company on 31 March 2017 in respect of the Sconi Project and all material assumptions and technical parameters underpinning the mineral resource estimates in that announcement continue to apply and have not materially changed.

¹² Australian Mines Limited, Resource expansion drilling commenced at Sconi Project, released 27 June 2018

body, while the Lucknow and Kokomo deposits¹³ host significant cobalt mineralisation and will also be drilled as part of the current program¹⁴.

The widths and tenor of the results received to date¹⁵ demonstrate the potential for the existing Mineral Resource¹⁶ at Greenvale to be extended in multiple mineralised zones.

Selected intersections, as announced by Australian Mines via the ASX Market Announcements Platform on 14 September 2018 include:

<i>Drill Hole</i>	<i>Intersection</i>
<i>GVM1178</i>	42 metres @ 1.01% Nickel from surface
<i>GVM1171</i>	53 metres @ 0.72% Nickel from surface
<i>GVM1211</i>	27 metres @ 0.95% Nickel from 15 metres
<i>GVM1056</i>	27 metres @ 0.81% Nickel from 30 metres
<i>GVM1011</i>	26 metres @ 0.81% Nickel from 19 metres
<i>GVM1010</i>	25 metres @ 0.81% Nickel from 20 metres
<i>GVM1063</i>	24 metres @ 0.85% Nickel from 24 metres
<i>GVM1049</i>	24 metres @ 0.83% Nickel from 22 metres
<i>GVM1181</i>	24 metres @ 1.00% Nickel from 22 metres
<i>GVM1067</i>	20 metres @ 0.84% Nickel from 9 metres

Table 1: Selection of drill intersections returned from the Company's ongoing Resource expansion drill program at Sconi.

The Company anticipates being in a position to make further announcements in relation to the results from the Sconi Resource expansion drilling throughout November to January period.

Australian Mines will also update shareholders on the progress of its financing discussions as well as its on-going scandium off-take discussions as and when appropriate.

¹³ Australian Mines Limited, Technical Reports, released 31 March 2017

¹⁴ The Resource drilling program at the Company's Lucknow deposit was completed in October 2018. The assay results from the Lucknow drill program are currently pending.

¹⁵ Australian Mines Limited, Extension drilling across historic Greenvale mine extends nickel-cobalt Resource potential at Sconi Project; Project financing negotiations accelerated, released 14 September 2018

¹⁶ The Company is not aware of any new information or data that materially affects the information included in the market announcement released by the Company on 31 March 2017 in respect of the Sconi Project and all material assumptions and technical parameters underpinning the mineral resource estimates in that announcement continue to apply and have not materially changed.

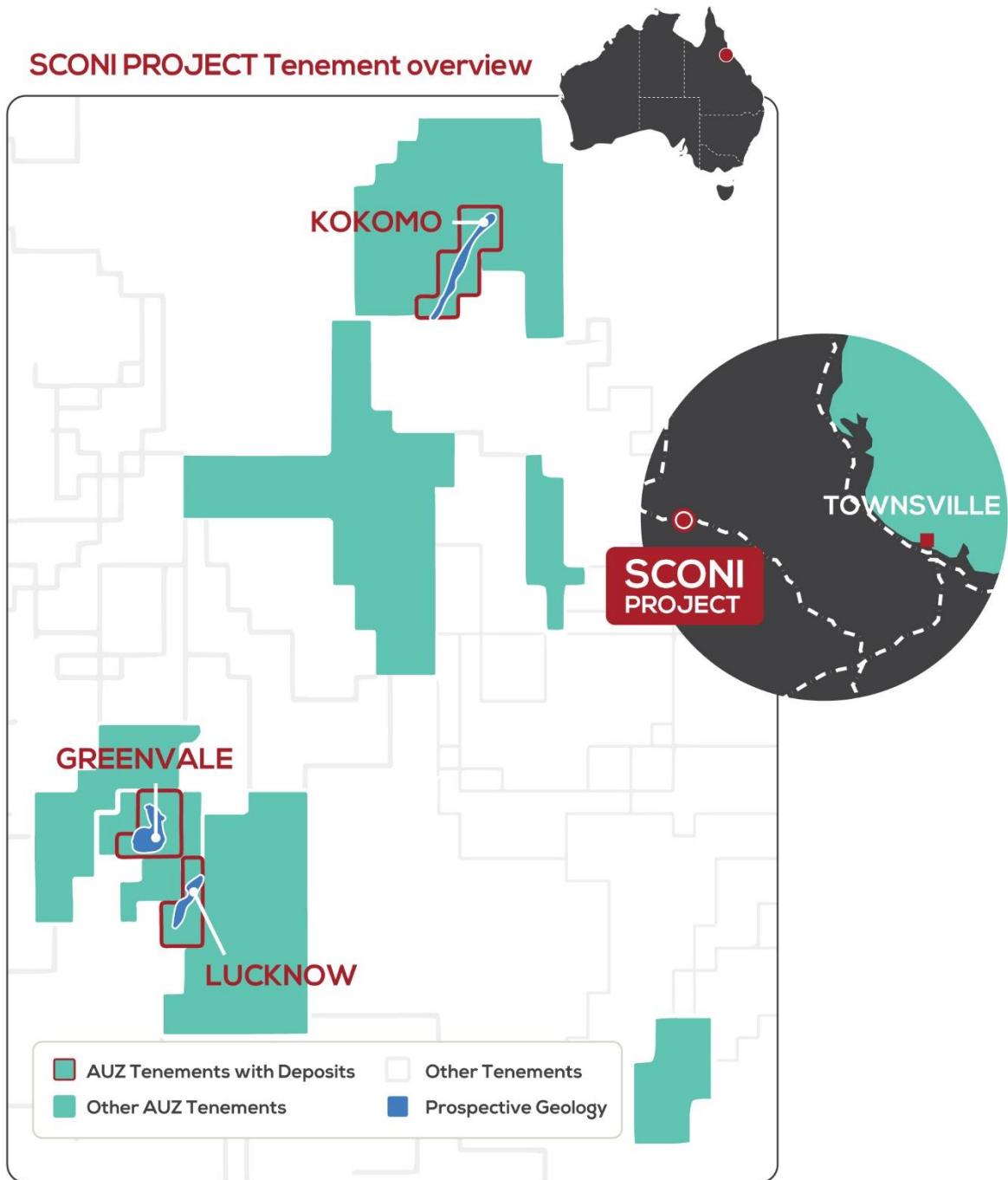


Figure 1: Australian Mines Sconi Project tenement plan, including existing Greenvale, Lucknow and Kokomo deposits containing Mineral Resources.

Demonstration-size Processing Plant

Operation of Australian Mines' demonstration-size processing plant in the September quarter resulted in the delivery of 40 kilograms of nickel sulphate (NiSO₄) and 4 kilograms of cobalt sulphate (CoSO₄) to the Company's Korean-based off-take partner SK Innovation¹⁷, setting a new benchmark for the largest known shipment of cobalt sulphate and nickel sulphate from Australian mined and processed ore.

Importantly, Australian Mines achieved more than 98% purity for CoSO₄ and 99% purity for NiSO₄ samples through the final crystallisation process at the demonstration plant, which exceeds the specifications for battery-grade materials to be used directly in the manufacturing process for electric vehicle (EV) batteries.

The High-Pressure Acid Leach (HPAL) and solvent extraction (SX) demonstration-size processing plant¹⁸ located in Perth, Western Australia, used to produce these cobalt sulphate and nickel sulphate samples utilises a well-established, industry standard processing flow-sheet.

In fact, 15% of the world's annual nickel production¹⁹ currently comes from HPAL plants²⁰ with flow charts similar to those proposed by Australian Mines.

Moreover, in terms of laterite ore, industry experts agree that HPAL is the only established option for nickel sulphate production²¹.

Australian Mines expects to operate the demonstration-scale HPAL + SX plant over the next two years and produce additional test quantity amounts of battery-grade material to supply SK Innovation's EV battery manufacturing plants from bulk ore samples to be sourced directly from the Sconi Project.

As announced by the Company in March this year²², SK Innovation, part of the global industrial conglomerate SK Holdings, signed a binding off-take term sheet agreement with Australian Mines for 100% of the cobalt and nickel sulphate production from the Sconi Project, for an initial seven year contract term with an additional six year extension option.

Under the off-take agreement, SK Innovation will take up to 12,000 tonnes of cobalt sulphate per year and up to 60,000 tonnes of nickel sulphate per year (following a ramp-up period). As SK Innovation President Kim Lee publicly stated earlier year²³, this represents 90% of the total cobalt demand of SK Innovations battery business, thus positioning Australian Mines as being the principal supplier to one of the world's largest emerging EV battery manufacturers.

¹⁷ Australian Mines, AUZ to export largest sample of battery-grade material from Australia, released 2 July 2018

¹⁸ Australian Mines Limited, Construction commenced of processing plant, released 15 May 2017

¹⁹ which equates to approximately 300,000 tonnes of nickel metal per year is produced from laterite ore using HPAL technology.

Importantly, the nickel produced by a HPAL plant is considered "Class 1" meaning it can be used in the manufacture of batteries.

In contrast, "Class 2" nickel, which is produced from laterite ore that is NOT processed using HPAL technology, is of a lower quality and have uses limited to the stainless steel industry.

²⁰ Global Mining resources, Upping the pressure, dated March 2018

²¹ Global Mining resources, Upping the pressure, dated March 2018

²² Australian Mines Limited, Australian Mines reaffirms binding off-take agreement term sheet for Sconi Project, Queensland, released 6 March 2018

²³

https://translate.google.com.au/translate?hl=en&sl=ko&u=http://www.fntimes.com/html/view.php%3Fud%3D2018041112571223671ab245d71a_18&prev=search

The Company believes that SK Innovations' execution of a binding long-term off-take agreement is a strong indicator of the potential that this globally significant player in the electric vehicle sector sees in the Sconi Project, as well as being a strong show of confidence in the Australian Mines' Board's ability to deliver the project on time.

Australian Mines continues to liaise regularly with SK Innovation and the Company looks forward to providing its off-take partner with a larger quantity of nickel sulphate (NiSO₄) and cobalt sulphate (CoSO₄) samples over the coming months.

In addition to battery-grade nickel sulphate and cobalt sulphate, the demonstration-scale processing plant is also being used to produce a high purity scandium oxide product for the Company's global research partners²⁴

Scandium is produced as a co-product alongside Sconi's primary products (of cobalt sulphate and nickel sulphate) at minimal additional cost (see Figure 3)²⁵.

As such Australian Mines finds itself in the beneficial position to be able to offer a long term, stable supply of 99.9% (also referred to as 3N) scandium oxide to the aluminium industry at highly competitive forecast market prices.

Although scandium is not traded on any public market or metals exchange, estimates from the aluminium industry suggest that for scandium to be adopted by aluminium users on a commercial scale, it requires that the market price per kilogram of scandium oxide not exceed US\$1,000.

Presently, the market price for 3N purity scandium oxide may be as high as US\$2000 per kilogram²⁶

Australian Mines' positioning as a reliable, long-term supplier of scandium oxide, and one that can offer stable fixed-price contracts at a significant discount to current market pricing is expected to facilitate rapid expansion of scandium alloys within the automotive and aerospace manufacturing, and potentially also the 3-D printing sector, over the coming decade.

For that reason, Australian Mines currently has active and on-going collaborations with potential off-take parties stretching across Europe, Australia and the Middle East.

²⁴ Australian Mines Limited, Australian Mines enters international research partnership to develop next-generation scandium alloy, released 11 June 2018

²⁵ Australian Mines Limited, Quarterly Activities Report, released 30 April 2018

Also see Australian Mines limited announcement of 31 March 2017 titled "Technical reports", which amongst other things, confirms via the Pre-Feasibility Study summarised in this 31 March 2017 document, that the Sconi Project supports scandium oxide product in addition to the production of cobalt and nickel products.

²⁶ <https://rusal.ru/en/press-center/press-releases/15409/>

Block-Flow Diagram

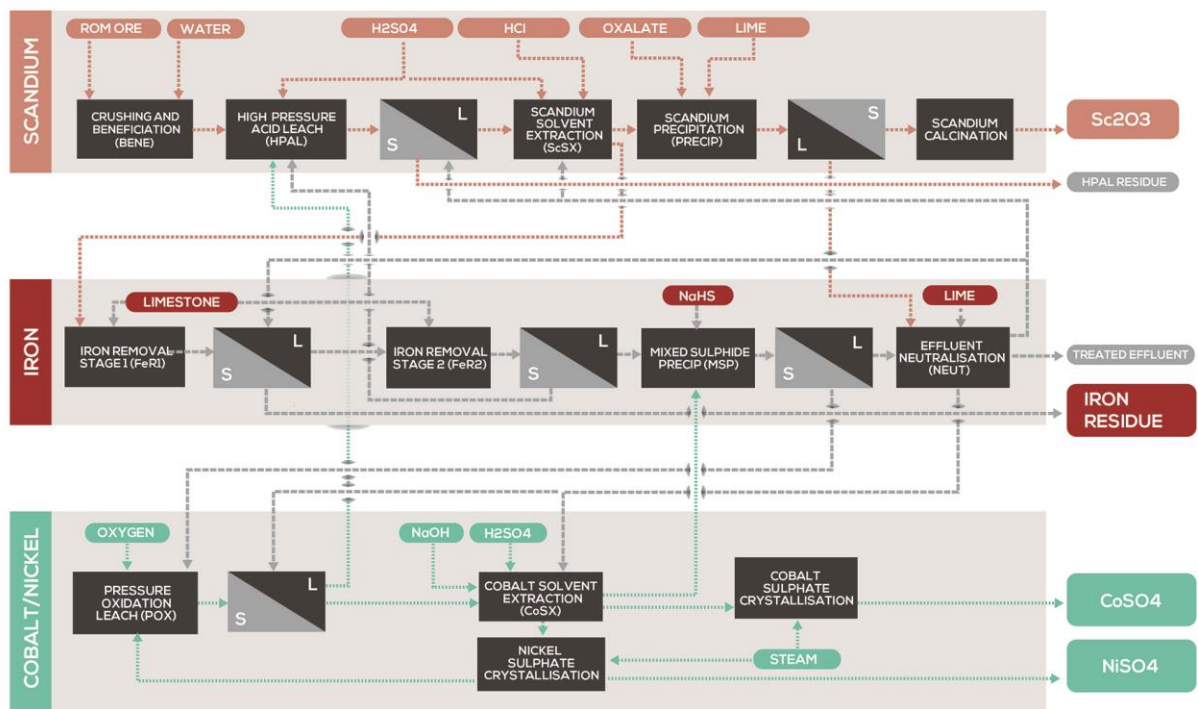


Figure 2: The flow sheet for Australian Mines’ High-Pressure Acid Leach (HPAL) and solvent extraction (SX) demonstration-size processing plant located in Western Australia, which will be replicated in the full-size processing plant planned for the Sconi Project in northern Queensland.



Figure 3: 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-Nickel-Scandium Project

Australian Mines exercised its option to acquire 100% interest in the Flemington Cobalt-Nickel-Scandium Project²⁷, located in central New South Wales, during the September quarter.

Under the terms of the Option Agreement²⁸, Australian Mines paid an option exercise fee of \$0.6 million to Jervois Mining Limited ahead of a final payment of \$3,400,000, which is due within five business days of the tenements being transferred to Flemington Mining Operations Pty Ltd (being a wholly-owned subsidiary of Australian Mines)²⁹.

The Flemington Project is considered one of more advanced projects of its type in Australia, having:

- ✓ An existing maiden Mineral Resource (2.5 million tonnes at 0.103% cobalt and 403ppm scandium in the Measured category; and 0.2 million tonnes at 0.076% cobalt and 408ppm scandium in the Indicated category)³⁰;
- ✓ Significant potential to materially expand the current Mineral Resource, given that only around 1% of the interpreted prospective geology at Flemington has been comprehensively tested to date³¹;
- ✓ Completed Scoping Study, which indicated that the Project has the potential to generate an after-tax cash flow of \$677 million over first 18 years of production³² (based on the existing Mineral Resource³³, which currently covers only a fraction of the prospective geology at Flemington),
- ✓ Permanent water rights secured³⁴ whose annual allocation is more than adequate to support a future mining and processing operation at Flemington,
- ✓ Preliminary Environmental Assessment for a mining operation at Flemington accepted by the Government of New South Wales, and

²⁷ The option relates to exploration licence 7805 and 8546. The Flemington Project comprises the granted exploration tenements of EL7805, EL8546 and EL8478. Tenement EL8478 is already held 100% by Australian Mines with no royalties or claw-backs attached

²⁸ As announced by the Company on 10 October 2016, Australian Mines entered into an option agreement with Jervois Mining Limited for Australian Mines to acquire a 100% interest in the Flemington Project

²⁹ Tenement transfer documents have been submitted to the New South Wales Department of Planning and Environment, with the transfer currently pending

³⁰ The Company is not aware of any new information or data that materially affects the information included in the market announcement released by the Company on 31 October 2017 in respect of the Flemington Project and all material assumptions and technical parameters underpinning the mineral resource estimates in that announcement continue to apply and have not materially changed.

³¹ Australian Mines Limited, Maiden Mineral Resource confirms Flemington Project's cobalt credentials, released 31 October 2017

³² Australian Mines Limited, Technical Reports, release 31 March 2017

Australian Mines confirms in the subsequent public report that all the material assumptions underpinning the forecast financial information derived from a production target, in the initial public report referred to in rule 5.17 continues to apply and have not materially changed

³³ The Company is not aware of any new information or data that materially affects the information included in the market announcement released by the Company on 31 October 2017 in respect of the Flemington Project and all material assumptions and technical parameters underpinning the mineral resource estimates in that announcement continue to apply and have not materially changed.

³⁴ Australian Mines Limited, Water licence secured for Flemington Cobalt-Nickel-Scandium Project, New South Wales, released 3 October 2017

- ✓ Mining Lease presently pending with the New South Wales Department of Planning and Environment³⁵

Australian Mines' exploration team finalised the design of a resource expansion drilling program at Flemington during the previous reporting period and had anticipated to commence this program by October³⁶.

In the past month, though, a number of the land owners in the Flemington area who had entered into land access and compensation agreements with Australian Mines to facilitate this drilling program subsequently sold part of (or all) their farms to a third-party. As a result, Australian Mines has postponed its Resource expansion drill program at Flemington whilst it finalises a land access and compensation agreement with the new owner of the underlying tenure.

In New South Wales, the State Government operates a standard template agreement in relation to land access agreements between land owners and resource companies. As such, most of the conditions regarding access and compensation amounts are set down by the Government. This provides a significant level of transparency and precedence in relation to land access negotiations, and all of Australian Mines' land access agreements have been negotiations in strict accordance with the State Government guidelines.

Australian Mines will continue to negotiate in good faith with the new owners of the pastoral land underlying part of the Flemington project area³⁷. In the meantime, the Company's exploration team is presently consulting with stakeholders and preparing to commence their Flemington Resource expansion drill program during the first quarter of 2019 thereby ensuring that this field program neatly dovetails with the agricultural activities presently being pursued by the surrounding land owners.

Once the results from the pending drilling at Flemington have been received and modelled, Australian Mines will seek to release an updated Mineral Resource Estimate³⁸ for the project and move quickly to commence the corresponding Pre-Feasibility Study.

³⁵ Australian Mines Limited, Mining Lease application submitted over Flemington Cobalt – Scandium Resource, released 3 April 2017

³⁶ Australian Mines Limited, Quarterly Activities Report for the period ended 30 June 2018, released 30 July 2018

³⁷ The parcel of land in question represents only a small portion of Australian Mines' total tenement area. Thus, any delay in finalising this new land access agreement will not adversely affect Australian Mines' ability to drill test the bulk of the prospective geology at Flemington

³⁸ The Company is not aware of any new information or data that materially affects the information included in the market announcement released by the Company on 31 October 2017 in respect of the Flemington Project and all material assumptions and technical parameters underpinning the mineral resource estimates in that announcement continue to apply and have not materially changed.

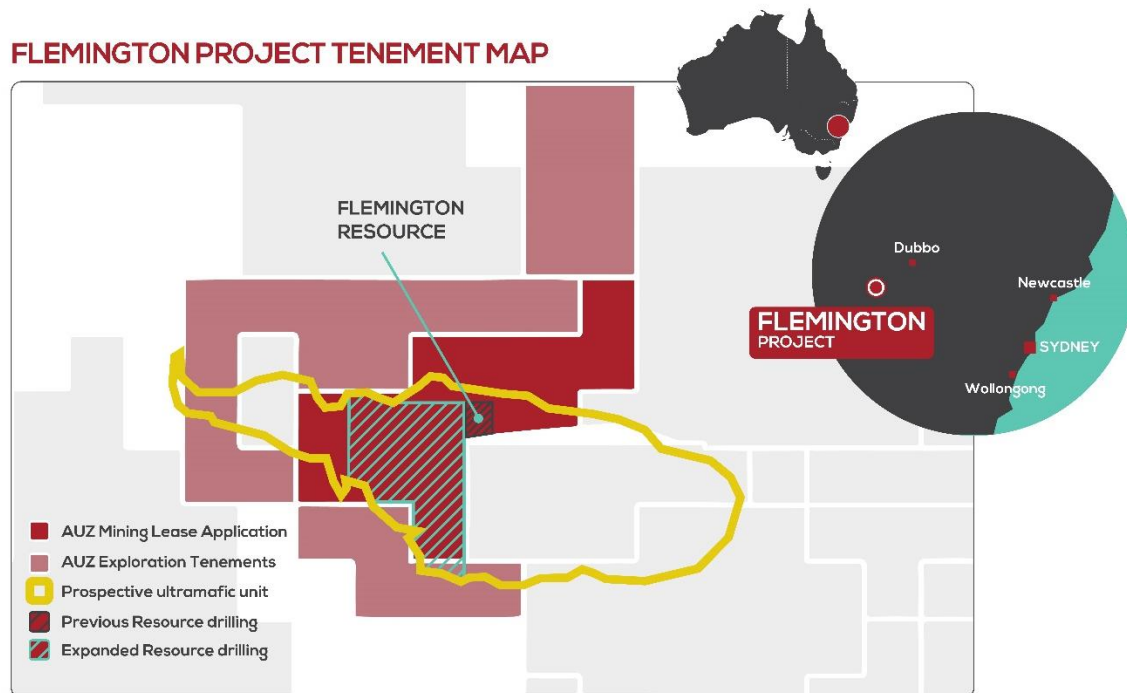


Figure 4: Map showing Australian Mines' proposed exploration drilling program, which is designed to test a larger extent of the prospective Tout Complex (outlined in yellow in this image) – being the host geology of the Flemington – Sunrise mineralisation³⁹.

Thackaringa Cobalt Project

Australian Mines' 100%-owned Thackaringa Project is a pure cobalt exploration play that immediately adjoins Cobalt Blue Holdings' Pyrite Hill / Railway / Big Hill Project located near Broken Hill in New South Wales.

With the Company's exploration team primarily focussed on delivering an updated Mineral Resource Estimate⁴⁰ for its flagship Sconi Project in the shortest period possible, limited field work was consequently undertaken over the Thackaringa Project during the September quarter.

With the Sconi Resource expansion drill program nearing its conclusion, Australian Mines is gearing up to commence its maiden drill program at Thackaringa in the near future.

Whilst full details of this program to be released prior to the commencement of drilling, the initial focus the Thackaringa drilling program will be the multiple potential cobalt targets identified in the north of the project area⁴¹. This would include *Target Area A* (see Figure 5), where at least one of the bodies has been independently confirmed as a *Priority One* target⁴².

³⁹ Flemington is held 100% by Australian Mines

The neighbouring Sunrise project is held by Clean TeQ Holdings, which is not related to Australian Mines

⁴⁰ The Company is not aware of any new information or data that materially affects the information included in the market announcement released by the Company on 31 March 2017 in respect of the Sconi Project and all material assumptions and technical parameters underpinning the mineral resource estimates in that announcement continue to apply and have not materially changed.

⁴¹ Australian Mines Limited, Large-scale cobalt-in-soil anomalies at Thackaringa, released 29 May 2018

⁴² This classification is due to the anomaly having a similar surface geochemical signature and geophysical response as that observed across areas of known mineralisation in neighbouring tenements

THACKARINGA PROJECT Tenement MAP

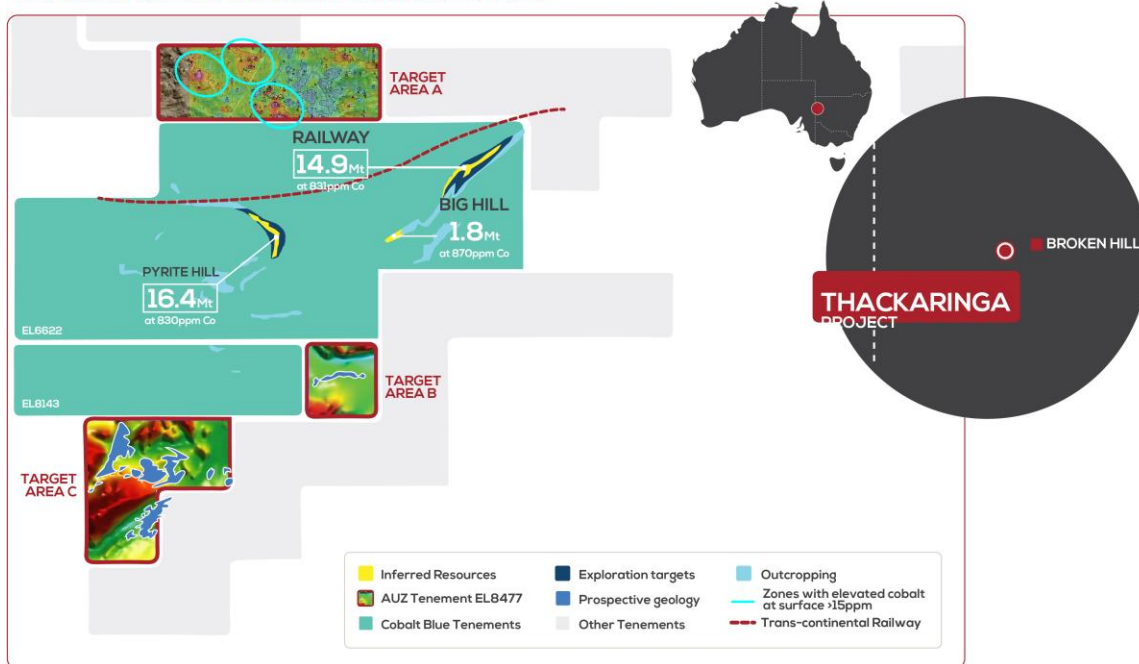


Figure 5: Australian Mines’ Thackaringa project in central New South Wales, Australia showing the location of priority target areas within *Target Area A* where a close-spaced geochemical sampling program by the Company identified zones of highly elevated cobalt levels.

Corporate Activity

NAIF funding assessment

Earlier this month, Australian Mines was advised that the Northern Australia Infrastructure Facility (NAIF) Board has indicated it will move to investigating the potential for providing NAIF support for Australian Mines’ Sconi Project, which is located in regional Queensland⁴³.

The NAIF is a major long-term initiative of the Australian Government and provides access to up to \$5 billion of finance, which may be on concessional terms to support infrastructure development that generates public benefit for northern Australia. It also seeks to encourage and complement private sector investment to further that objective.

The Sconi Project has been under consideration by NAIF for possible financial assistance and has progressed through the *Enquiry, Preliminary Assessment, and Strategic Assessment* Stages and is now in the *Due Diligence Phase*.

The next step for Australian Mines is to continue to provide detailed due diligence materials to NAIF for review and to then submit its formal Investment Proposal. It should be noted that NAIF has not made any decision to offer finance or made any commitment to provide any financial accommodation and there is no certainty that an agreement will be reached between the parties.

For more information on the target and the rationale behind the classification system, please refer to:
 Australian Mines Limited, High-priority conductors detected at Thackaringa Project, released 7 March 2018
⁴³ Australian Mines Limited, Sconi Project in Due Diligence Phase for NAIF funding, released 10 October 2018

Research and Development tax rebate

The Company received a rebate of \$295,765 from the Australian Taxation Office (ATO) in relation to its research and development (R&D) expenditure during the 2016-17 financial year⁴⁴.

The R&D tax incentive is a program run by the Australian Commonwealth Government to encourage companies to engage in R&D benefiting Australia, by providing a tax offset for eligible activities.

Australian Mines' expenditure relates specifically to development work completed at the Company's demonstration-size High-Pressure Acid Leach (HPAL) and solvent extraction (SX) plant⁴⁵ located in Perth, Western Australia, in conjunction with Simulus Group's laboratories.

R&D is a critical component of Australian Mines' current and future plans, as demonstrated by the company's partnership with United Kingdom-based technology company Metalysis, to support their continued research and development program around a solid-state process to produce a low-cost yet superior aluminium - scandium alloy for potential use by the automotive and aerospace industries⁴⁶.

The Company will lodge its 2017-18 R&D claim to the ATO by March 2019.

Norwest Minerals Initial Public Offering

Australian Mines progressed its plan to undertake an Initial Public Offering (IPO) and Australian Securities Exchange (ASX) listing of its gold and base metal exploration assets via a dedicated Western Australian-focused exploration company, Norwest Minerals⁴⁷, during the September quarter.

The Australian Mines executive team considers the Norwest IPO will help unlock the underlying value of the Company's non-core, but highly prospective gold and base metal exploration assets in Western Australia, both for existing shareholders, via their holding in Australian Mines, and for new investors seeking exposure to the commodities.

The Company is pleased to report that the IPO of Norwest Minerals has progressed to the stage that it has received applications totalling the \$6.6 million minimum subscription. As such, whilst the closing date of the offer is 15 November 2018, Norwest may elect to close the offer earlier.

Norwest Minerals anticipates that it will be listed on the ASX before the end of the year.

*****ENDS*****

⁴⁴ Australian Mines Limited, R&D tax rebate received from Commonwealth Government for work on demonstration processing plant, released 1 October 2018

⁴⁵ Australian Mines Limited, Construction commences of processing plant, released 15 May 2017

⁴⁶ Australian Mines Limited Australian Mines enters international research partnership to develop next-generation scandium alloy, released 11 June 2018

⁴⁷ Australian Mines Limited, Australian Mines' subsidiary secures \$5 million funding commitment to progress IPO of its highly prospective WA gold and base metal portfolio, released 26 July 2018

Australian Mines Limited, Prospectus lodged by Norwest Minerals, released 18 September 2018



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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 Limited.

Information in this report that relates to Sconi Cobalt-Nickel-Scandium Project 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-Nickel-Scandium Project

The Mineral Resource for the Flemington Cobalt-Nickel-Scandium 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 Limited.

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

Appendix 2: Tenement Information

Mining tenements held at end of the quarter

Location	Project	Tenement	Status	Interest
AUSTRALIA				
Queensland	Sconi	ML 10366	Granted	100%
Queensland	Sconi	ML10342	Granted	100%
Queensland	Sconi	ML10324	Granted	100%
Queensland	Sconi	ML 10332	Granted	100%
Queensland	Sconi	ML 20549	Granted	100%
Queensland	Sconi	ML 10368	Granted	100%
Queensland	Sconi	MDL 515	Granted	100%
Queensland	Sconi	MDL 387	Granted	100%
Queensland	Sconi	EPM 25834	Granted	100%
Queensland	Sconi	EPM 25865	Granted	100%
Queensland	Sconi	EPM 25833	Granted	100%
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	Granted	100%
New South Wales	Flemington	EL 7805	Granted	100%
New South Wales	Flemington	EL 8546	Granted	100%
New South Wales	Flemington	EL 8478	Granted	100%
New South Wales	Flemington	MLA 538	Pending	-
New South Wales	Flemington	ELA 5495	Pending	-
New South Wales	Thackaringa	EL 8477	Granted	100%

Australian Mines announced on 10 October 2016 via the ASX Market Announcements Platform that the Company had entered into an option agreement with Jervois Mining Limited to acquire 100% of the Flemington Cobalt-Nickel-Scandium Project located in New South Wales, Australia. On 27 August 2018, Australian Mines announced via the ASX Market Announcements Platform that the Company had exercised its option to acquire 100% interest in the Flemington Project from Jervois Mining by paying an exercise fee of \$0.6 million, leaving a balance of \$3.4 million payable upon transaction completion and tenement transfer. The tenements covered under this agreement are EL 7805 and EL 8546.

Mining tenements acquired and disposed of during the quarter

Location	Project	Tenement	Status	Interest	Comments
Western Australia	Arunta West	E80/5031	Transferred	0%	See comments below ⁴⁸
Western Australia	Arunta West	E80/5032	Transferred	0%	“
Western Australia	Arunta West	E80/4820	Transferred	0%	“
Western Australia	Arunta West	E80/4986	Transferred	0%	“
Western Australia	Arunta West	E80/4987	Transferred	0%	“
Western Australia	Marymia	E52/2394	Transferred	0%	“
Western Australia	Marymia	E52/2395	Transferred	0%	“
Western Australia	Warriedar	M59/0755	Transferred	0%	“
Western Australia	Warriedar	E59/1692	Transferred	0%	“
Western Australia	Warriedar	E59/1723	Transferred	0%	“
Western Australia	Warriedar	E59/1966	Transferred	0%	“
Western Australia	Warriedar	P59/2070	Transferred	0%	“
Western Australia	Warriedar	E50/1692	Transferred	0%	“
Western Australia	Warriedar	E59/2080	Transferred	0%	“
Western Australia	Warriedar	E59/2103	Transferred	0%	“
Western Australia	Warriedar	E59/2104	Transferred	0%	“
Western Australia	Warriedar	P59/2060	Transferred	0%	“
Western Australia	Bali	E08/2894	Transferred	0%	“
Western Australia	Marriotts	M37/0096	Transferred	0%	“

Australian Mines recently announced on 26 July 2018 via the ASX Market Announcements Platform that the Company planned to undertake an Initial Public Offering (IPO) and Australian Securities Exchange (ASX) listing of its gold and base metal exploration assets via a dedicated Western Australian-focused exploration company. As a result, the Arunta West, Marymia, Warriedar, Bali and Marriotts projects were transferred into Norwest Minerals Limited, a subsidiary of Australian Mines, as detailed in Norwest Minerals' prospectus dated 18 September 2018⁴⁹.

⁴⁸ Norwest Minerals is currently a subsidiary of Australian Mines with Australian Mines presently holding majority ownership. Whilst the tenements have been transferred to Norwest Minerals, “disposal” will occur upon completion of the Norwest IPO, which is anticipated to occur during the December 2018 quarter

⁴⁹ Australian Mines Limited, Prospectus lodged by Norwest Minerals, released 18 September 2018

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

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

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

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