

3 January 2019

SK Innovation and Australian Mines: committed partners developing the Sconi Cobalt-Nickel-Scandium Project in North Queensland

Australian Mines Limited (“**Australian Mines**” or “**the Company**”) (Australia ASX: AUZ; USA OTCQB: AMSLF; Frankfurt Stock Exchange: MJH) is aware of media speculation around its binding off-take agreement with SK Innovation¹ and provides the following update to shareholders.

Both SK Innovation and Australian Mines remain fully committed to the binding term sheet agreement announced in February 2018² for the sale and purchase of 100% of the cobalt sulphate and nickel sulphate to be produced from the proposed mining and processing operation at the Company’s Sconi Cobalt-Nickel-Scandium Project in North Queensland.

Senior personnel from both companies continue to work collaboratively on the drafting of the corresponding long form off-take agreement with the shared goal of finalising and executing this agreement during the current quarter.

At no time has SK Innovation advised that they have any intention other than to execute a final long-form off-take agreement with Australian Mines as per the tonnages and terms outlined in the binding term sheet agreement executed by both parties in early 2018.

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

² Australian Mines Limited, AUZ partners with SK Innovation to develop Sconi Project, released 19 February 2018

Regarding the financing condition contained with the binding term sheet agreement related to the development and construction of the Sconi Project, Australian Mines and SK Innovation have mutually agreed to extend the period in which Australian Mines can finalise the financing package for the Sconi Project to 19 September 2019³.

This extension is designed to accommodate the North Australian Infrastructure Facility's (NAIF) current Due Diligence and investigation into potentially providing financial support for Australian Mines' 100%-owned Sconi Project⁴. 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.

The mutually agreed extension to 19 September 2019 likewise provides both parties sufficient time to finalise financing discussions with the consortium of Tier 1 lenders whom have expressed an interest in potentially providing debt funding for the Sconi Project.

It should be noted that any extension of the timing of the financing package does not adversely affect Australian Mines' ability to satisfy the production and product delivery conditions of the Company's binding off-take agreement with SK Innovation, as the timing of such milestones are referenced to specific periods post completion of financing.

As detailed in the Company's announcement of 6 March 2018⁵, under the binding off-take agreement executed by the parties, SK Innovation is entitled to a modest commercial-in-confidence buyer discount on the base price, provided it subscribes for 669 million Australian Mines' ordinary shares within three months following the release of the Bankable Feasibility Study on the Sconi Project, subject to the ASX Listing Rules, and specifically, shareholder approval. If it does not do so within this period, the off-take agreement remains on foot; it simply means that SK Innovation is not entitled to any discount.

Australian Mines completed and issued a Bankable Feasibility Study in respect of the Sconi Cobalt-Nickel Scandium Project on 20 November 2018⁶

As such, to obtain this discount, SK Innovation's must acquire 669 million ordinary shares of Australian Mines at \$0.12 per share on or before 20 February 2019 (the Placement Shares).

As stated, the acquisition of the Placement Shares by SK Innovation is subject to shareholder approval. Australian Mines obtained shareholder approval on 30 May 2018 to issue options to SK Innovations to enable them to acquire the Placement Shares, but these options, and the shareholder approval, expired on 31 December 2018.

³ Further extensions beyond September 2019 may also be possible under the agreement, by mutually consent of SK Innovation and Australian Mines

⁴ Australian Mines Limited, Sconi Project in Due Diligence Phase for NAIF funding, released 15 October 2018

⁵ Australian Mines Limited, Australian Mines reaffirms binding off-take agreement term sheet for Sconi Project, Queensland, released 6 March 2018

⁶ Australian Mines Limited, Bankable Feasibility Study supports strong commercial case for developing Sconi Cobalt-Nickel Scandium Project, located in North Queensland, released 20 November 2018

Should SK Innovation elect to acquire the Placement Shares between the date of this announcement and 20 February 2019 (being three months following the release of the Bankable Feasibility Study on the Sconi Project), the Company will be required to convene a General Meeting of shareholders and include a resolution similar in wording to that of Resolution 1 from the 30 May 2018 General Meeting.

Given the long-term partnership between the parties under the off-take agreement, SK Innovation could also acquire an equity stake in Australian Mines after this date, on terms acceptable to Australian Mines and subject to any necessary approvals under the ASX Listing Rules.

Australian Mines Managing Director, Benjamin Bell, commented: *“The fact we are able to work with SK Innovation to agree a new deadline of September 2019 for financing without any resistance or renegotiation of other terms is evidence of the collaborative relationship we continue to enjoy with the Korean electric vehicle battery manufacturer and their support of Sconi’s future development.*

“Although we appreciate the extension of the financing condition to September, given the progress we have been making on these negotiations since the Bankable Feasibility Study was released, we plan to have the entire project funding package in place during the second quarter of 2019.

“SK Innovation’s ability to acquire an equity stake in Australian Mines remains very much alive and will remain so until at least 20 February 2019.

“In the meantime, both SK Innovation and Australian Mines will continue to work towards achieving our same shared goal of finalising and executing the long form off-take agreement in the current quarter, following the signing of the binding term sheet off-take agreement in February last year, and the subsequent development of the world-class Sconi Cobalt-Nickel-Scandium Project in North Queensland”.

*****ENDS*****



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