10 October 2016

Strategic acquisitions position Australian Mines to fast-track into a leading global scandium company

- **Acquiring 100% interest in the Flemington Scandium-Cobalt Project in New South Wales**
  - one of the highest-grade scandium deposits in the world
  - continuation of Clean TeQ's Syerston ore body
- **Acquiring up to 75% interest in the Sconi Scandium-Cobalt Project in Queensland**
  - Australia's largest[1] and, one of the most advanced, scandium mining projects
  - Simple metallurgy – off-the-shelf solvent extraction processing plant consistently achieving >97% recovery of scandium during PFS
  - Producing highest possible purity of the saleable scandium oxide (99.99%)
- **Development of these deposits would deliver a strong, positive cash flow to Australian Mines**
  - recent Pre-Feasibility Study (PFS) of Sconi Scandium-Cobalt Project indicated that this project alone had an average EBITDA of $59 million per year[2] and a 20+ year mine life
  - additional potential revenue from a second mining operation at the Flemington Scandium-Cobalt Project will be determined during the current Scoping Study
- **SRK Consulting commissioned to immediately commence final Definitive Feasibility Study (DFS) on Sconi Scandium-Cobalt Project and economic Scoping Study on Flemington Scandium-Cobalt Project**
- **Australian Mines on track to become the world's largest producer of scandium oxide from a primary scandium deposit**

[1] According to expected annual production capacity, as independently observed by Platina Resources Limited: Platina Resources Limited, Owendale scandium project, released 17 March 2015
[2] Unless otherwise stated, all figure quoted in this document are in Australian dollars (AUD)

Australian Mines Limited ("Australian Mines" or "the Company") is pleased to announce its strategy to aggressively pursue a dominant position in the global supply of scandium through two separate transactions to acquire advanced projects focused on the production of this emerging technology metal.

The Company has entered into an option agreement with Jervois Mining Limited (ASX: JRV) to acquire 100% of the Flemington Scandium-Cobalt Project near Fifield in New South Wales.

Simultaneously, the Company entered into a separate and independent agreement with Metallica Minerals Limited (ASX: MLM) to earn up to a 75% interest in the advanced Sconi Scandium-Cobalt Project near the historic mining centre of Greenvale in Queensland.

Completion of these transactions will be a significant milestone for Australian Mines, providing the Company with a clear pathway to production through the development of the premium-quality scandium resource at Sconi before expanding to bring the high-grade Flemington Scandium-Cobalt Project on line by 2022 (see Figure 8).

A Pre-Feasibility Study (PFS) recently completed on the scandium ore body at Sconi confirmed it to be an economic and technically viable mining project capable of producing 50 tonnes of high purity scandium oxide (Sc_2O_3) per year over a 20-year mine life, and generating an average EBITDA of $59 million per annum[3].

The Company has, therefore, immediately commenced a Definitive Feasibility Study (DFS) on the Sconi Project, which SRK Consulting expects to take up to 2 years to complete ahead of a Decision to Mine.

A mining operation at Sconi has the potential to become the world's major dependable source of this critical metal from a primary scandium deposit[4]. For Australian Mines this represents the potential to be the largest dedicated supplier of scandium metal[5] into a market where demand is anticipated to grow by at least 800% over the next 10 years[6].

Australian Mines has also commissioned SRK Consulting to immediately commence a Scoping Study on the Flemington Scandium-Cobalt Project, which the Company believes represents an attractive development opportunity based on the results of a Feasibility Study completed on the neighbouring Syerston Scandium-Cobalt-Nickel resource[7].

Hosting an existing Mineral Resource of 3.14 million tonnes at 434 ppm scandium, including 2.67 million tonnes at 435 ppm scandium in the Measured Resource category[8] (see Table 1), the Flemington Scandium-Cobalt Project is arguably one of the highest-grade scandium deposits in the world[9].

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[3] Metallica Minerals Limited, Sconi Scandium Project – Positive Pre-Feasibility Study, released 28 March 2013
[4] As independent reported in: Platina Resources Limited, Owendale scandium project, released 17 March 2015
[5] Annual average scandium production from Sconi, according the to March 2013 PFS is 51 tonnes; compared to 49 tonnes per annum from Clean TeQ's Syerston project (August 2016), 38 tonnes from Scandium International's Nyngan project (July 2016) and 3o tonnes from Platina Resources' Owendale Project (March 2015).
[6] Platina Resources Limited, Owendale Scandium Project presentation, released 22 August 2014
[7] See Clean Teq Holdings Limited, Completion of Syerston Scandium Project Feasibility Study, released 30 August 2016
[8] Jervois Mining Limited, EL7805 Syerston Updated Mineral Resource Estimate, released 20 August 2015
[9] Jervois Mining Limited, Quarterly Report to 31 December 2015, released 29 January 2016

Based on this identified Mineral Resource at Flemington, this project currently includes a total of 2,085 tonnes of scandium oxide (Sc_20_3)[10], with 77% of that metal contained within the limonitic laterite, which appears similar in nature to Clean TeQ's adjoining Syerston deposit[11].

This similarity between Clean TeQ's Syerston mineralisation and that at the Company's Flemington Project is, of course, not surprising given that Australian Mines' project is the northern continuation of the Syerston ore body – separated only by a tenement boundary (see Figure 3).

Both the Flemington and Sconi projects offer considerable exploration upside for additional high-grade, high-quality scandium deposits as well as complementary mineralisation including cobalt and nickel.

Previous drilling at the Sconi Project, for example, identified a cobalt-rich zone within the scandium ore body where historic intersections included:[12]

- **22 metres @ 0.85% Cobalt** from drill hole KK-011
- **35 metres @ 0.33% Cobalt** from drill hole KK-049
- **32 metres @ 0.20% Cobalt** from drill hole KK-284 and
- **27 metres @ 0.40% Cobalt** from drill hole KK-566

Drilling at the Company's Flemington Project has similarly returned relatively thick intersections of cobalt mineralisation, including:

- **14 metres @ 0.21% Cobalt** from 6 metres in drill hole SY14[13] and
- **9 metres @ 0.21% Cobalt** from 10 metres in drill hole SY56[14].

Terms of the transactions

Under the terms of the agreement entered into with Jervois Mining, Australian Mines has been granted a series of options to enable the Company to purchase 100% of the Flemington Scandium-Cobalt Project:

- Option 1: non-refundable $250,000 fee upon execution of the agreement for a period of 3 months;
- Option 2: non-refundable $250,000 fee upon expiry of Option 1 for a further 3 months;
- Option 3: non-refundable $500,000 fee upon expiry of Option 2 for a further 6 months;
- Option 4: non-refundable $500,000 fee upon expiry of Option 3 for a further 6 months; and
- Option 5: non-refundable $500,000 fee upon expiry of Option 4 for a further 6 months.

[10] Total contained scandium metal tonnage of 1,363 multiplied by 1.53 to convert to total Sc_2O_3, being the saleable scandium product
[11] Clean Teq Holdings Limited, Syerston Scandium Mineral Resource update, released 17 March 2016
[12] Metallica Minerals Limited, Sconi Project – Nickel-Cobalt and Scandium Resource Upgrade, released 21 October 2013
[13] Jervois Mining Limited, EL7805 Syerston Drilling Results, released 2 October 2013
[14] Jervois Mining Limited, Quarterly Activities Report to 30 June 2014, released 30 July 2014

The total purchase price of the Flemington Project will be $6 million, minus the total of all option fees paid. If the Australian Mines board wishes to exercise this option, the Company will seek any required regulatory approval or consent from its shareholders at that time.

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

Under the terms of the agreement entered into with Metallica Minerals, Australian Mines will provide the following consideration to earn up to a 75% joint venture interest in the Sconi Scandium-Cobalt Project:

- Pay $250,000 upon entry into the joint venture agreement;
- Complete a Definitive Feasibility Study (DFS) on the project within 4 years to earn a 50% interest (or spend $10 million on the project within 4 years – whichever occurs first); and
- Procure the funding contemplated in the DFS no later than 18 months following completion of this study to earn a maximum 75% interest.

Australian Mines has the right to withdraw from either acquisition at any time.

Managing Director, Benjamin Bell commented, "These transactions enable Australian Mines to take a globally significant position in a strategic metal via two established projects that offer near-term development potential. It also puts the Company in a strong position to fund its existing gold and copper projects in the longer term, to ultimately deliver significant value to investors across a diversified portfolio."

"Our indicative development timetable for the Sconi Scandium-Cobalt Project is to immediately commence a Definitive Feasibility Study, with the goal of having this completed by December 2018. This DFS will further detail the project's economic and technical potential. Anticipating a positive conclusion of this study, the Company expects to commence construction of a mining operation at Sconi, with a target to be in production during 2020.

"We have also commenced a Scoping Study on the Flemington Scandium-Cobalt Project to define the economic potential of the existing Mineral Resource as well as the preferred mining schedule and processing options. We expect the results of this study to be available by March 2017 and we have also started the process of applying for a Mining Licence over this deposit.

"Australian Mines sees a huge future for scandium as a product, with the largest growth market likely to be the automotive manufacturing sector. Aluminium alloys are already used by leading global car manufacturers to great effect as in addition to reducing the weight of an average family car by up to 200 kilograms and SUV's by up to 400 kilograms, it also makes the bodyshell of a car more than 50% stiffer, thereby offering valuable improvements in body strength and driveability[15].

[15] European Aluminium Association, The Aluminium Automotive Manual 2013, http://european-aliminium.eu/media/1543/1_aam_body-structures.pdf, 1 October 2016

"We see this trend of car makers transitioning from steel to aluminium alloys continuing, with potential application of aluminium-scandium alloys in structural components including doors and chassis parts. This is due to the unique ability of aluminium-scandium alloys to be welded as easily as conventional steel and exhibiting superior strength characteristics.

"This application would enable manufacturers to build lighter vehicles using smaller engines to generate the same power-to-weight performance, in turn, resulting in reduced fuel consumption and lower carbon emissions. The suitable aluminium alloy need only contain 0.2 - 0.4% scandium[16] or about 1 kilogram of scandium per vehicle. In 2015 alone, over 68 million new passenger vehicles rolled off production lines around the world[17], creating an enormous potential market for aluminium-scandium alloys.

"Australian Mines plans to become the world's largest scandium supplier producing from a primary deposit, resulting in cost-effective and reliable production. Our whole focus will be around optimising scandium production and quality to provide certainty for our future off-take partners."

*****ENDS*****

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[16] AZO Materials, http://www.azom.com/article.aspx?ArticleID=10670, 1 October 2016
[17] Organisation Internationale des Constructeurs d'Automobiles (OICA),http://www.oica.net/category/production-statistics/, 1 October 2016

Competent Persons Statements

Flemington Scandium-Cobalt project

Information in this document that relates to Exploration Results and Mineral Resources for the Flemington Scandium-Cobalt Project is based on information compiled by Max Rangott, who is a Fellow of The Australasian Institute of Mining and Metallurgy (AusIMM) and a Director of Rangott Minerals Exploration Pty Ltd. The Exploration Results and Mineral Resources for the Flemington Scandium-Cobalt are also approved by Michael Cunningham, Principal Consultant (Geology) and Rod Brown, Principal Consultant (Resources) at SRK Consulting, Perth. Messrs Cunningham and Brown, who are consultants to Australian Mines, are members of The Australasian Institute of Mining and Metallurgy (AusIMM).

Messrs Rangott, Cunningham and Brown have sufficient experience that is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Messrs Rangott, Cunningham and Brown consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Sconi Scandium-Cobalt Project

Information in this document that relates to Exploration Results and Mineral Resources for the Sconi Scandium-Cobalt Project is based on information compiled by John Horton, who is a member of The Australasian Institute of Mining and Metallurgy (AusIMM) and Principal Geologist of ResEval Pty Ltd. The Exploration Results and Mineral Resources for the Sconi Scandium Project are also approved by Scott McEwing, Principal Consultant at SRK Consulting, Perth. Mr McEwing, who is a consultant to Australian Mines, is a member of The Australasian Institute of Mining and Metallurgy (AusIMM).

Messrs Horton and McEwing have sufficient experience that is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Messrs Horton and McEwing consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Disclosure in accordance with ASX Listing Rule 5.23

The Mineral Resource for the Sconi Scandium-Cobalt Project contained within this document is reported under JORC 2012Guidelines. This Mineral Resource was first reported by Australian Mines' joint venture partner, Metallica Minerals Limited on 21 October 2013. There has been no Material Change or Re-estimation of the Mineral Resource since this 21 October 2013 announcement by Metallica Minerals Limited.

The Mineral Resource for the Flemington Scandium-Cobalt Project contained within this document is reported under JORC 2012 Guidelines. This Mineral Resource was first reported by Jervois Mining Limited on 20 August 2015. There has been no Material Change or Re-estimation of the Mineral Resource since this 20 August 2015 announcement by Jervois Mining Limited.

Flemington Scandium Resource Estimate

Measured Resource:	2.67 million tonnes	435 ppm Scandium
Indicated Resource:	0.47 million tonnes	426 ppm Scandium
Total Resource:	3.14 million tonnes	434 ppm Scandium
Total Scandium Oxide (Sc_2O_3)*:	2,085 tonnes	(using a 200ppm Sc lower cut-off)

Table 1: The current JORC-compliant Mineral Resource for the Flemington Scandium-Cobalt Project as independently calculated by Rangott Mineral Exploration Pty Ltd and reported by Jervois Mining Limited in August 2015[18]. As stated in Jervois Mining's August 2015 announcement, a lower cut-off grade of 200ppm Scandium was used for this resource calculations based on limited economic modelling data, which suggested that a breakeven grade would be less than 50ppm Scandium.

Sconi Scandium Resource Estimate

Measured Resource:	0.7 million tonnes	208 g/t Scandium
Indicated Resource:	6.5 million tonnes	174 g/t Scandium
Total Resource:	7.2 million tonnes	177 g/t Scandium
Total Scandium Oxide (Sc_2O_3)*:	1,950 tonnes	(using a 100g/t Sc lower cut-off)

Table 2: The current JORC-compliant Mineral Resource for the Sconi Scandium-Cobalt Project as independently calculated by Golder Associates Pty Ltd and reported by Metallica Minerals Limited in October 2013[19].

[18] Jervois Mining Limited, EL7805 Syerston Project updated Mineral Resource estimate, released 20 August 2015
* Total contained scandium metal tonnage multiplied by 1.53 to convert to total Sc_2O_3, being the saleable scandium product
[19] Metallica Minerals Limited, Sconi Project – Nickel-Cobalt and Scandium Resource Upgrade, released 21 October 2013

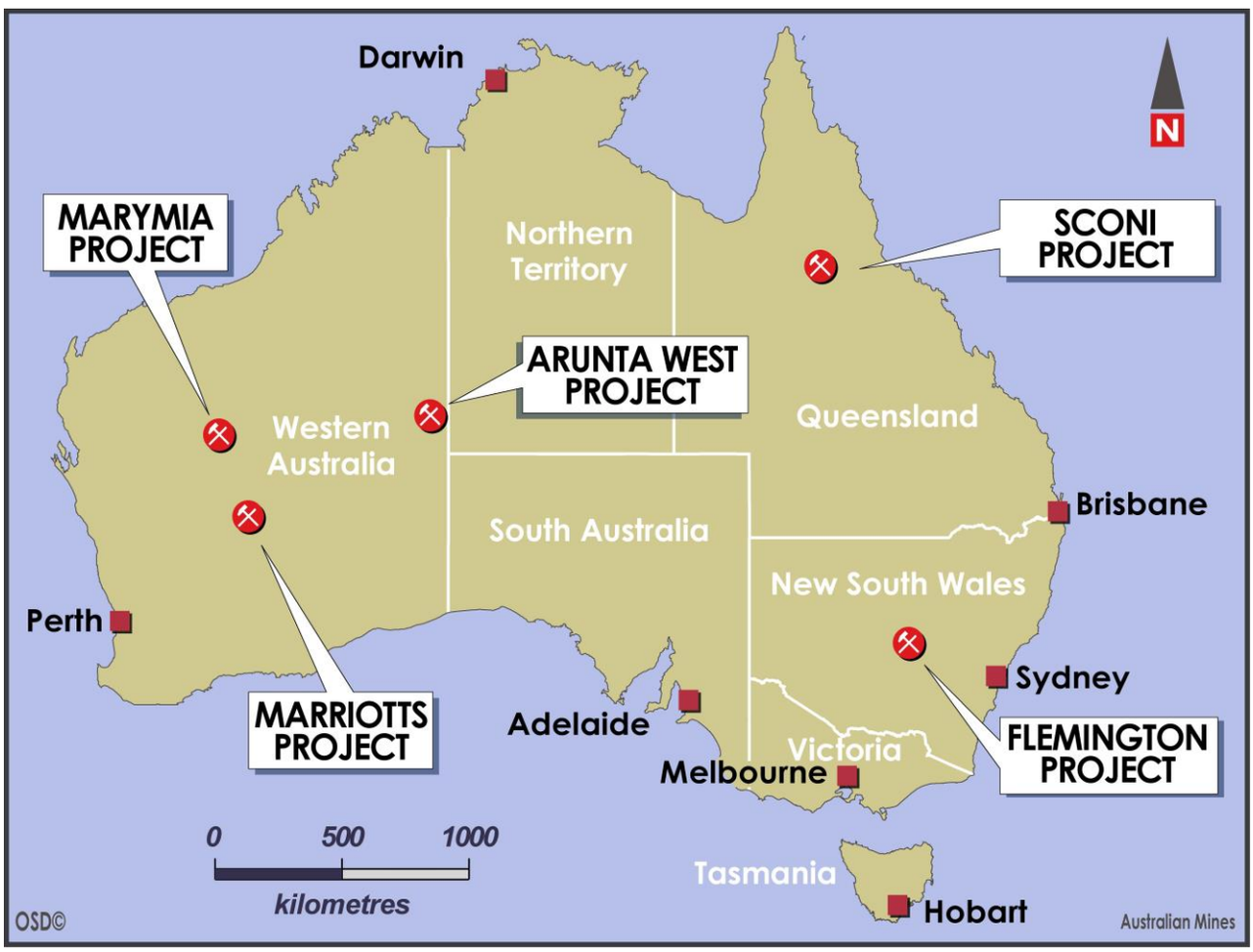

Figure 1: Location map of Australian Mines' projects, including the Flemington Scandium-Cobalt Project in central New South Wales and Sconi Scandium-Cobalt Project in North Queensland.

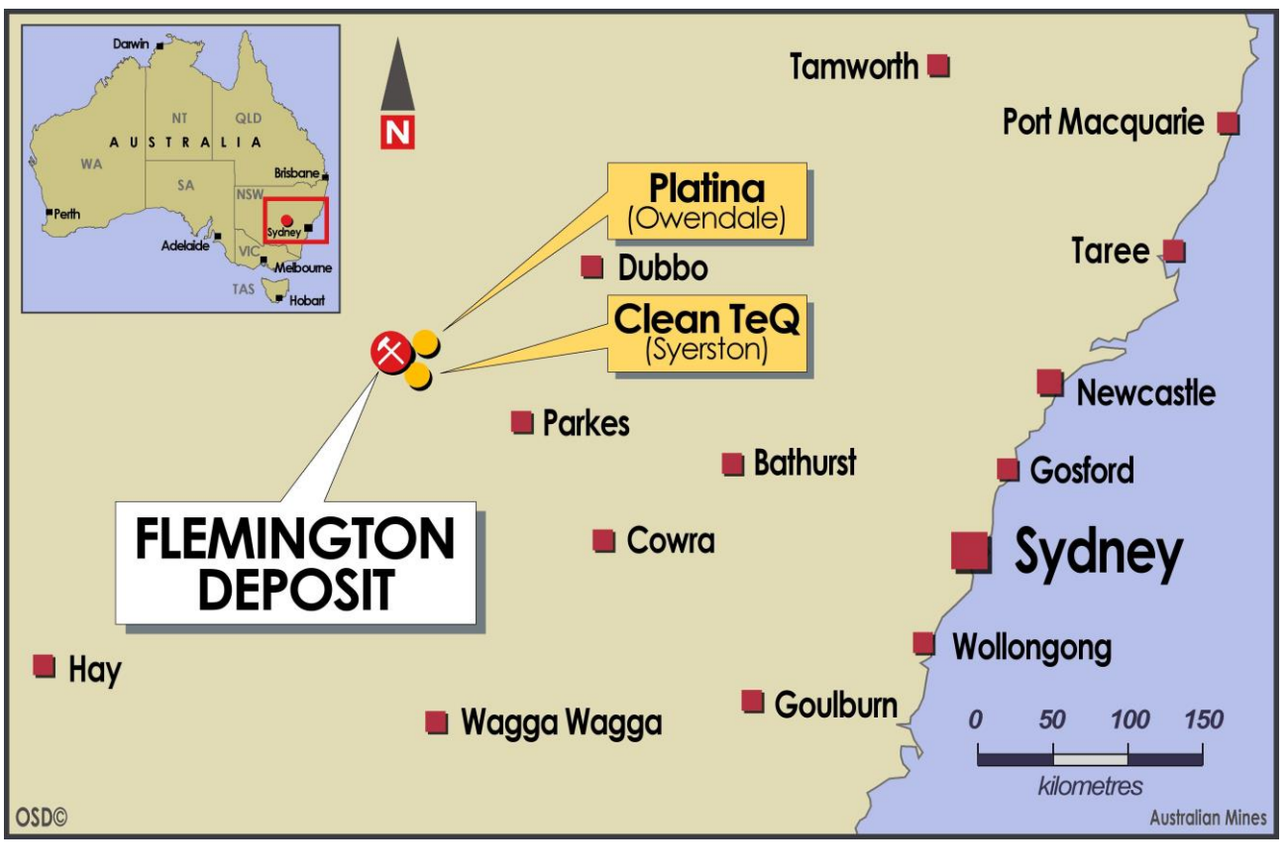

Figure 2: The Flemington Scandium-Cobalt Project is located near the town of Fifield in central New South Wales, approximately 450 kilometres west of Sydney, in an area that has quickly become Australia's premier scandium district.

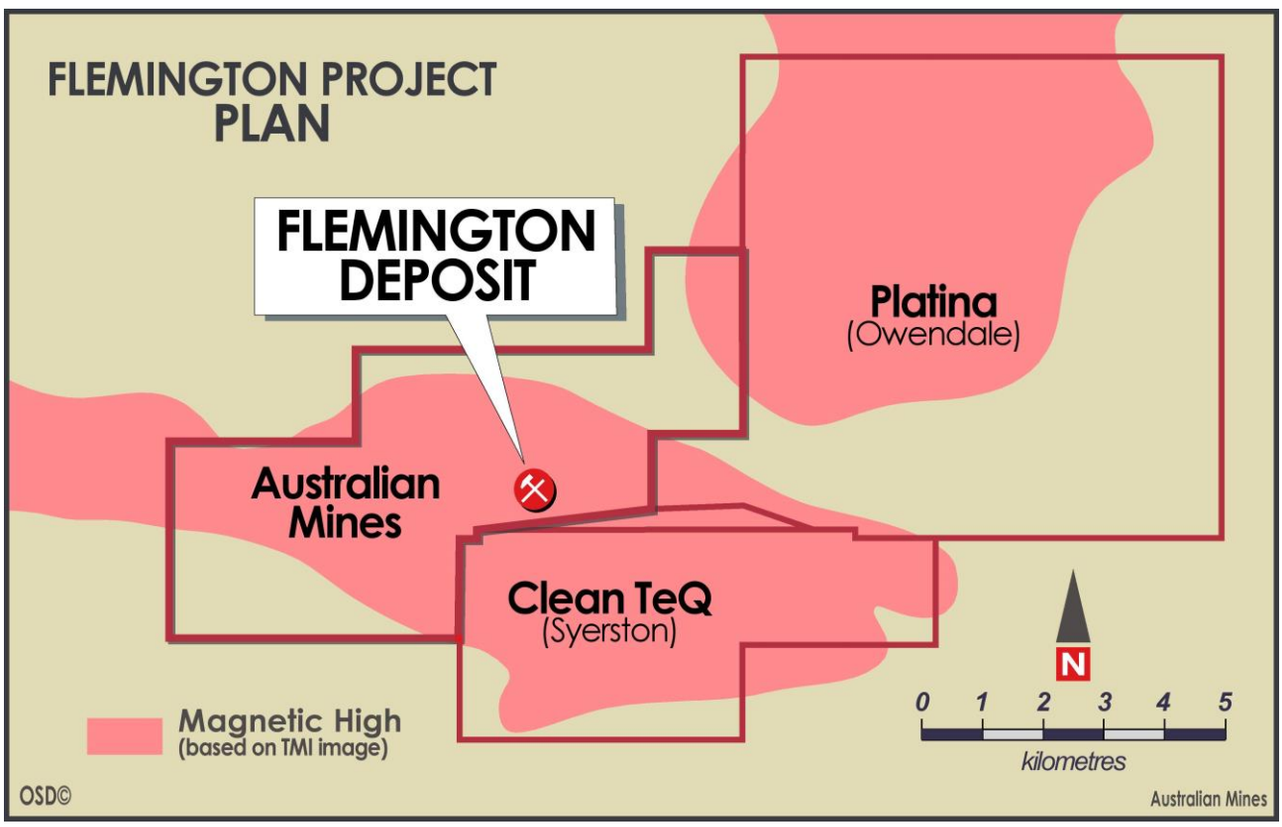

Figure 3: Australian Mines' Flemington Scandium-Cobalt Project is the northern continuation of Clean TeQ Holdings' Syerston Scandium-Cobalt-Nickel Project. The two scandium-cobalt deposits are 'two-halves' of the same mineralisation and are only separated by the companies' common tenement boundary[20].

[20] See Clean Teq Holdings Limited, Drilling confirms and extends high-grade scandium zone at Syerston, released 21 December 2015

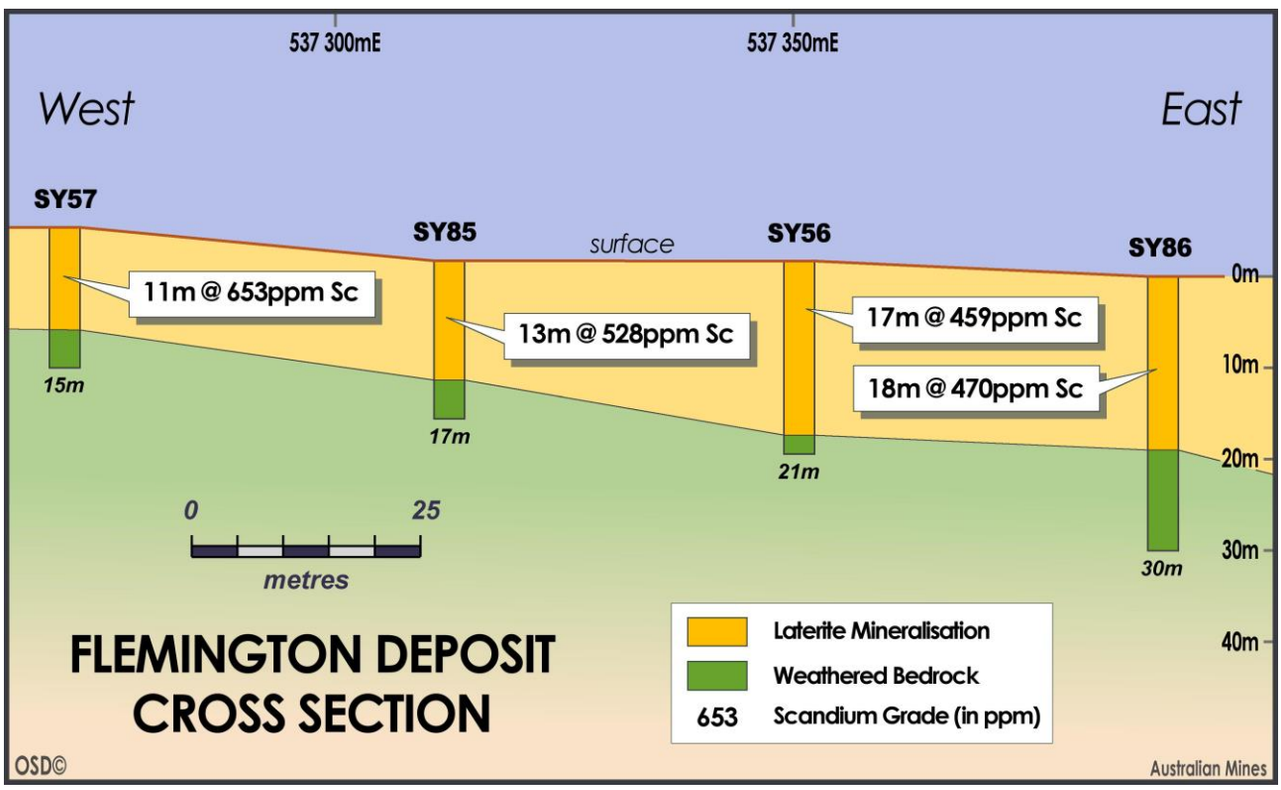

Figure 4: Schematic cross section of Australian Mines' Flemington deposit in New South Wales. The scandium mineralisation at Flemington occurs from surface. Averaging 434ppm scandium, the grades reported from across this project are significantly higher than those encountered at existing scandium mining operations around the world[21].

[21] Modified from: Jervois Mining Ltd, EL7805 Syerston Project updated Mineral Resource estimate, released 20 August 2015

Figure 5: The Sconi Project – a joint venture between Australian Mines and Metallica Minerals - is located in North Queensland, approximately 250 kilometres on sealed roads from Townsville. The Sconi Project hosts two scandium-cobalt rich lateritic deposits in addition to three cobalt-nickel deposits, which are all covered by granted mining leases.

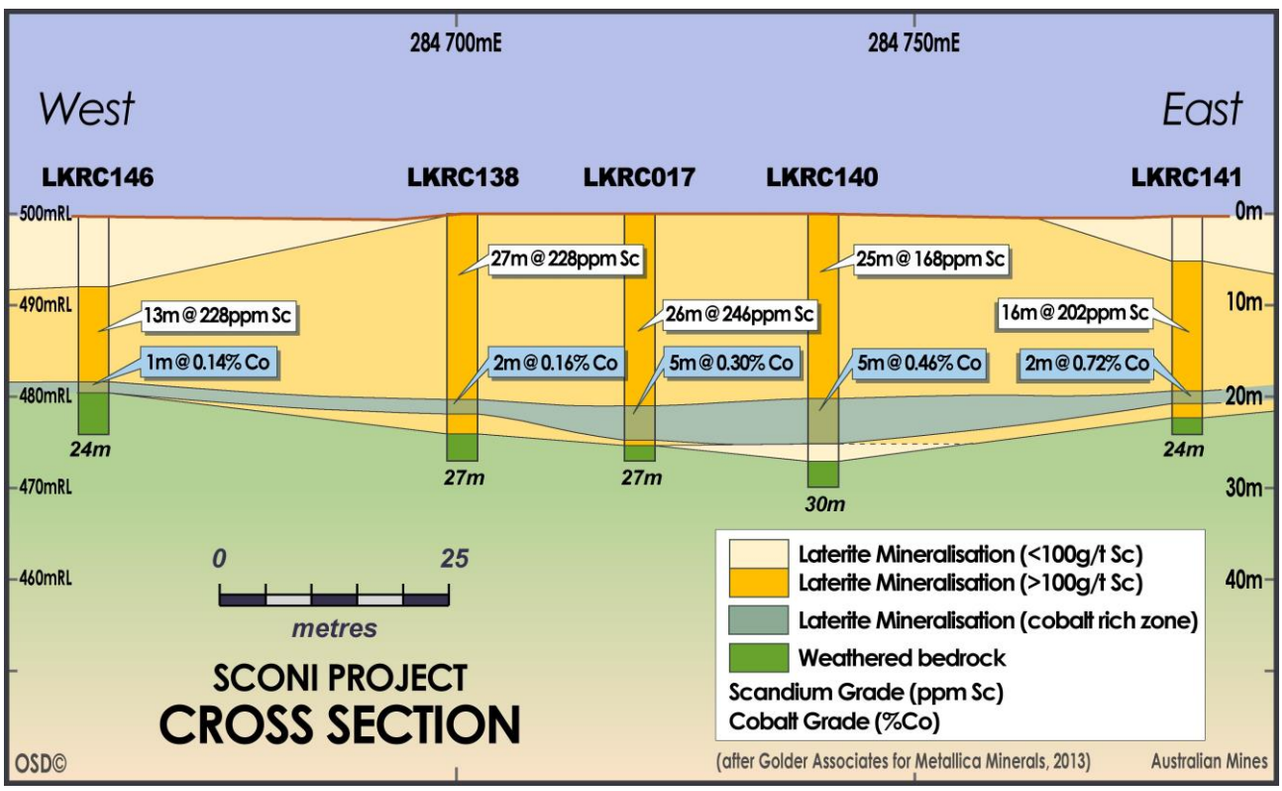

Figure 6: Schematic cross section of the company's Sconi deposit in Queensland. The scandium mineralisation at Sconi, which is well defined by a 4.7-kilometre-long by 450-metre-wide lateritic profile and grades up to 1,580 ppm, predominantly occurs above or adjacent to higher grade cobalt mineralisation[22].

[22] Modified from: Metallica Minerals Limited, Sconi Scandium Project – Positive Pre-Feasibility Study, released 28 March 2013

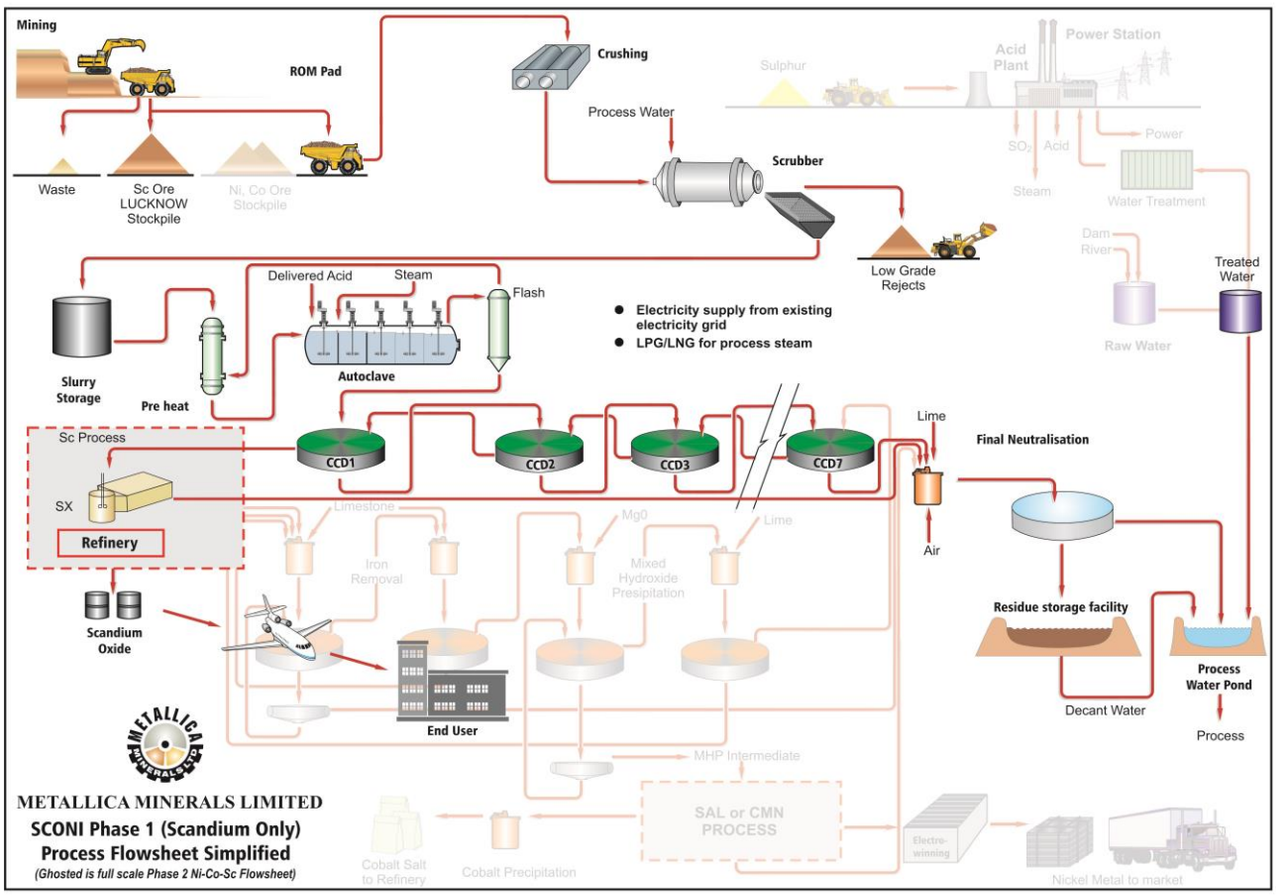

Figure 7: Flowsheet of the proposed scandium processing operation at Sconi. It is a simple flowsheet, with high-pressure acid leaching (HPAL), solid liquid separation by counter-current decantation (CCD), scandium solvent extraction (SX) and scandium refining, and a final neutralisation circuit for the combined CCD tailings and scandium SX raffinate. These process units are all standard and not considered novel, even though the application of SX to scandium is not as common as for the base metals (cobalt, nickel, copper, etc). As such it is a low risk operation. Preliminary tests of the Sconi ore using this method was conducted in 2012 with the scandium extraction during SX piloting consistently achieving ~98% recoveries[23], and producing a final saleable scandium oxide product averaging 99.99% (or "Four Nines") [24]. In addition to producing a premium scandium oxide product, this processing operation can be expanded at any time to allow Australian Mines to process the project's cobalt-rich ore (as illustrated in the ghosted end stage in this flowsheet).

[23] SRK Consulting, Sconi Project Review – Metallurgy and Infrastructure, internal company report (report number AML018) to Australian Mines limited, dated 3 October 2016
[24] Metallica Minerals Limited, Sconi Scandium Project – Positive Pre-Feasibility Study, released 28 March 2013

Figure 8: Indicative timeline of Australian Mines development of its Flemington and Sconi Scandium-Cobalt Projects. The Company has commissioned international mining consultants, SRK Consulting, to immediately commenced a Definitive Feasibility Study (DFS) on the Sconi Scandium-Cobalt Project, as well as a Scoping Study on its Flemington Scandium-Cobalt Project. Australian Mines' strategy is to generate revenue from scandium production from as early as 2020.