



26 July 2018

Australian Mines' subsidiary secures \$5 million funding commitment to progress IPO of its highly prospective WA gold and base metal portfolio

HIGHLIGHTS

- **Australian Mines' Western Australian gold and base metal exploration assets have been transferred to subsidiary, Norwest Gold Pty Ltd**
- **Norwest, a dedicated exploration vehicle, is seeking to complete an Initial Public Offering (IPO) to raise \$6.6 million by the end of October 2018**
- **Seed funding of \$1 million has been secured, with a further \$4 million of the targeted \$6.6 million IPO funds committed under cornerstone investment agreements¹**
- **The balance of \$2.6 million available in the IPO to be offered to the public with a priority entitlement offer to Australian Mines shareholders**
- **Experienced resources executive, Charles Schaus appointed as CEO of Norwest and will lead the IPO process and subsequent ASX listing**

Australian Mines Limited ("Australian Mines" or "the Company") (Australian ASX: *AUZ*; USA OTCQB: *AMSLF*; Frankfurt Stock Exchange: *MJH*) is pleased to provide an update on its plan to undertake an Initial Public Offering ("IPO") and Australian Securities Exchange ("ASX") listing of its non-core gold and base metal exploration assets via a dedicated Western Australian-focused exploration company.

¹ Australian Mines' subsidiary Norwest Gold Pty Ltd has secured \$1 million of seed funding and has commitments for a further \$4 million from cornerstone investors provided Norwest lodges a prospectus by 30 September or agreed later date. Company remains on schedule to satisfy this requirement.



Seed funding of \$1 million has been raised to facilitate the advancement of the IPO process. Furthermore, cornerstone investment agreements have been signed, in which investors have committed to invest a further \$4 million in the IPO. These investment agreements reinforce the market interest in the portfolio of Western Australian gold and based metal exploration assets. With a total of \$6.6 million to be raised in the IPO, and commitments of \$4 million under the cornerstone agreements, the balance of \$2.6 million is to be offered to the public with a priority offer to existing Australian Mines shareholders.

The Australian Mines executive team considers the 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 gold and base metal assets held by Norwest Gold Pty Ltd ("Norwest"; a subsidiary of Australian Mines) include Marymia, Arunta West and Marriotts as well as the Warriedar and Bali assets. Through an ongoing shareholding in Norwest, Australian Mines intends to maintain exposure to these prospective WA gold and base metal exploration assets, while focusing on developing its advanced cobalt-nickel-scandium projects in Queensland and New South Wales.

Australian Mines is working to a condensed timetable, with a targeted opening of the Norwest public offer, including the \$2.6 million priority offer to Australian Mines shareholders, in September and completing the IPO by October 2018².

Australian Mines' Managing Director, Benjamin Bell, commented: *"I am confident the decision to establish Norwest as a separate, independently-managed and focused public company is the best path forward for achieving true market value for our highly prospective gold and base metal exploration projects in Western Australia, and I am pleased to be providing priority exposure to this investment opportunity for our existing shareholders."*

"Australian Mines' shareholders will continue to benefit from exploration success of Norwest through the significant equity stake that the parent Company will continue to hold in the new entity, and I look forward to seeing the future results from more focused exploration across the Norwest asset portfolio."

"We have also managed to attract an extremely successful company manager, experienced geologist and exploration executive to lead Norwest, which will naturally result in an exploration strategy going forward for these assets that is more closely aligned with the expectations of investors looking for direct exposure to the buoyant commodity markets of copper and gold."

² Dates are indicative only and subject to change. The Company reserves the right to amend timing without notice, subject to the Corporations Act 2001 (Cth), the ASX Listing Rules and other applicable laws.



Norwest Leadership

Australian Mines is pleased to also announce the appointment of Mr. Charles Schaus as Chief Executive Officer (CEO) of Norwest Gold Pty Ltd, who will lead the IPO and play a pivotal role in driving the future strategy of the company once listed on the ASX.

Mr. Schaus is an experienced company director and geologist with significant corporate and technical experience in the metals and mining industry. He brings more than 35 years of leadership and technical experience including as:

- Managing Director of Aurox Resources, which he founded in 2003. He played an instrumental role in Aurox Resource's listing on the ASX in 2004 and subsequent \$143 million merger with Atlas Iron in 2010. Mr. Schaus led the identification, securing and development of the Balla vanadium/titanium/iron project, which included completion of a Bankable Feasibility Study and capital raise of \$112 million prior to the Atlas merger.
- Founding Non-Executive Chairman of Plymouth Minerals Limited, instrumental in its successful ASX listing in April 2011. Acquisitions included an advanced lithium project in Spain and a world class potash project in Gabon, West Africa.
- Key technical positions in Australian public mining companies including Newmont, Newcrest, Eagle Mining and as a consultant in Ghana, West Africa. The early years of Mr. Schaus' career was spent in remote areas of Western Australia where he undertook senior operation management roles.

Mr. Schaus' proven track record in minerals exploration and senior executive experience combined with continued support from Australian Mines will allow the acceleration of Norwest into its next phase of development.

The key terms of Mr Schaus' employment agreement with Norwest are as follows:

- A base salary of \$250,000 per annum inclusive of statutory superannuation and benefits provided.
- Subject to any necessary approvals, Mr Schaus may be eligible to be offered options or other long-term incentives in Norwest.
- Norwest or Mr Schaus may terminate Mr Schaus' employment on 1 months' notice prior to the IPO and on three months' notice after the IPO.
- Following cessation of employment, Mr Schaus is subject to restraint arrangements for a period up to 9 months.

Transaction Details

Norwest and the Company have entered into three separate agreements:

1. A Subscription and Convertible Note Agreement with CNG Global Ltd for \$1 million. These seed funds will be utilised to pay anticipated costs associated with the IPO and refund Australian Mines certain costs and expenses already paid in relation to the IPO (including in relation to the transfer of assets to Norwest). The \$1 million seed investment in Norwest will be raised through the issue of:
 - a. 5,000,000 shares in Norwest at an issue price of \$0.10; and
 - b. One convertible note with face value of \$500,000 that will convert into either:
 - i. 1 share in Norwest; or
 - ii. 6,800,000 shares in Norwest if CNG Global Ltd procures Cornerstone Investors (“Cornerstone Investors”) to deposit a total of \$4 million in subscription moneys in the IPO under Cornerstone Agreements as described in paragraph (2) below.
2. Two Cornerstone Agreements with YF Chee Holdings Sdn Bhd (‘YFC’) and Merit Grace Global Limited (‘MGG’), under which YFC and MGG must respectively deposit \$3 million and \$1 million to Norwest prior to the IPO to subscribe for shares at \$0.20 per share under the public offer. YFC and MGG may terminate their respective cornerstone agreements if Norwest does not lodge a prospectus by 30 September 2018, or such later date as the parties agree.

On the basis that the IPO is intended to raise \$6.6 million in a public offer, Norwest will grant Australian Mines’ shareholders priority rights to invest up to \$2.6 million, being the balance after the \$4 million of funds is received from the Cornerstone Investors. The anticipated capital structure (which is subject to change) upon completion of the IPO is as shown below:

Shareholder	Shares	Percentage
Australian Mines Limited (AUZ)	18,000,000	28.6%
CNG Global Ltd (or nominees)	11,880,000	18.9%
YF Chee Holdings Sdn Bhd (or nominees)	15,000,000	23.9%
Merit Grace Global Limited (or nominees)	5,000,000	8.0%
\$2.6 million Public Offer (Excluding shares issued under Cornerstone Agreements)	13,000,000	20.7%
Total	62,880,000	100.0%



Further detail, including governance arrangements, will be announced in due course and around the time of the launch of the prospectus for the IPO. Shareholders of the Company should be aware that there is no assurance that the IPO will be implemented or when it may take place. Accordingly, shareholders and potential investors of the Company are advised to exercise caution when making investment decisions in respect to the shares of the Company.

Norwest's Chief Executive Officer, Charles Schaus commented: *"As the transaction will result in a new, independent, ASX-listed company this will allow separate valuation for Norwest and the opportunity for the Company to attract new shareholders that have exclusive interest in gold and base metals. The significant investment from experienced sophisticated investors gives confidence of the market interest in the portfolio of assets being offered and the potentially unrecognised market value of its assets."*

"There exists genuine potential for Norwest to quickly add value to the copper and gold assets. Our confidence is underpinned not only by the quality of these assets, but also by the significant funds already committed by our Seed and Cornerstone investors. It's certainly an exciting start for Norwest and I feel privileged to lead the Company through the IPO process and into the field."

Norwest’s portfolio of gold and base metal assets

Norwest has allocated almost \$3.5 million (assuming a successful ASX listing) to aggressively explore its Western Australian assets.

Drilling, for example, will commence immediately following ASX listing with the current budget providing for more than 16,500 metres of reverse circulation (RC), air core and diamond earmarked in the first year alone. This include the exciting walk-up gold and base metals targets at Warriedar and Marymia which will be drilled prior to the end of this calendar year.

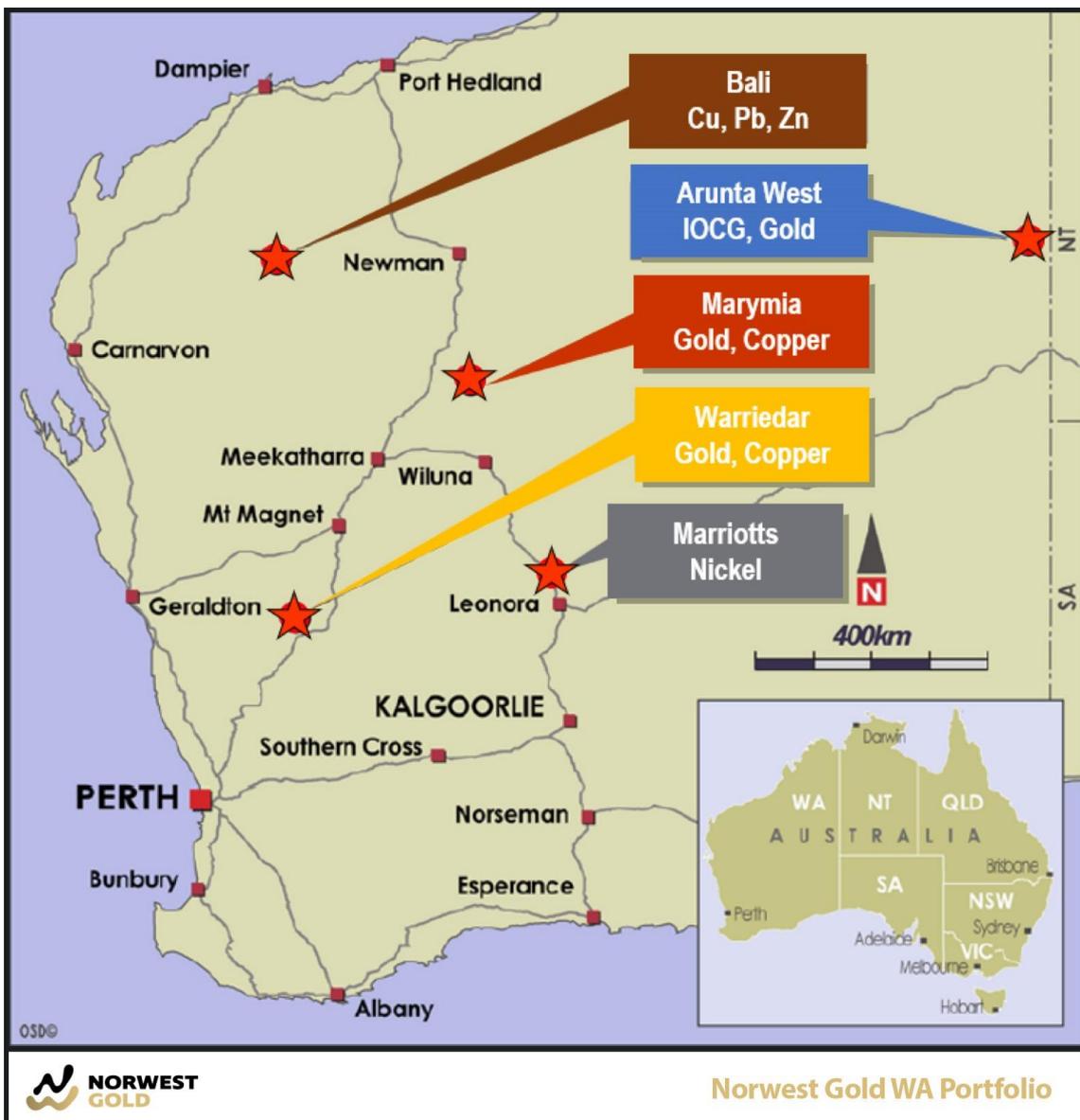


Figure 1: Norwest Gold Pty Ltd’s five Western Australian gold and base metal projects encompass 1,835 square kilometres across some of the most highly prospective regions of this State.

The Bali Copper-Lead-Zinc Project

The Bali Project is located 75 kilometres west of Paraburdoo and overlies a portion of the Ashburton Basin and Blair Basin, part of the Capricorn Orogen, a major tectonic zone between the Archaean Yilgarn and Pilbara Cratons in northern Western Australia.

Exploration will initially be focused on the Bali Shear Zone, which appears rich in copper, lead, zinc and silver³. At surface, the potential for high-grade copper mineralisation is evidenced by visual copper associated with gossans.

Electromagnetic (EM) work at the Bali Project this year will better define the size and continuity of mineralisation along the Bali Shear Zone in addition to other prospective areas prior to detailed drill planning.

Work in the June 2018 quarter at the Bali Project included mapping and the collection of 87 rock chip samples from the surface expressions at Bali Hi, Bali Lo and Bali East prospects.

Assaying of the surface samples is complete with the results being compiled and an announcement expected in the near term.

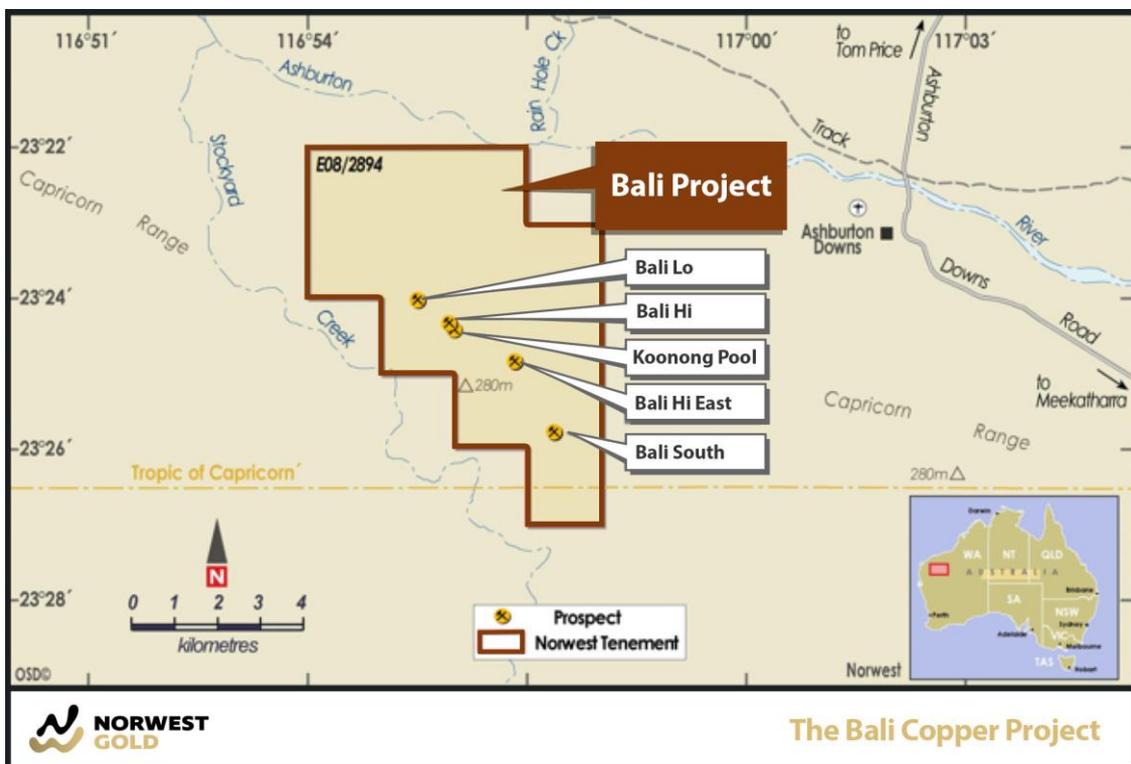


Figure 2: The 8-kilometre-long Bali Shear Zone at the Bali Project includes five prospects containing copper, lead, zinc and silver mineralisation.

³ Artemis Resources Limited, High grade silver and copper grades encountered at Bali Hi Project in WA, released 25 May 2011

The Warriedar Gold Project

The 100%-owned Warriedar Gold Project, located 125 kilometres southwest of Mount Magnet in Western Australia, has a number of drill-ready targets including the project's historic Reid's Ridge Gold Mine and the Mount Laws mineralised trend. The gold mineralisation at both prospects appears to be associated with a Banded Iron-Formation (BIF).

In the June 2018 quarter, the company completed a surface sampling program across the Mount Laws prospect. A total of 104 rock chip and grab samples were collected along the Mount Laws trend and the BIF horizons to the south of the main trend. Another 79 soil samples were taken in a grid along a suspected north-easterly trending structural shear to test for anomalous gold. Assays are currently being compiled and the results will be announced in the near term.

The Company's June 2018 field work at Warriedar also included locating and recording many of the old RAB collar positions using modern GPS technology, ensuring that all drill holes testing the along strike and down dip extensions to the mineralisation exploited during the previous gold mining operation were recorded to a high level of precision.

Using the resulting collar location coordinates, Norwest has planned RC follow-up work and committed to a 20-hole (2,000 metre) campaign commencing immediately following a successful IPO.



Figure 3: Reid's Ridge Gold Mine recently acquired by Australian Mines' subsidiary, Norwest Gold Pty Ltd. Historic mining operation at Reid's Ridge, situated within the Company's 100%-owned Warriedar Gold Project produced at an average head grade of 16 grams of gold per tonne of ore extracted

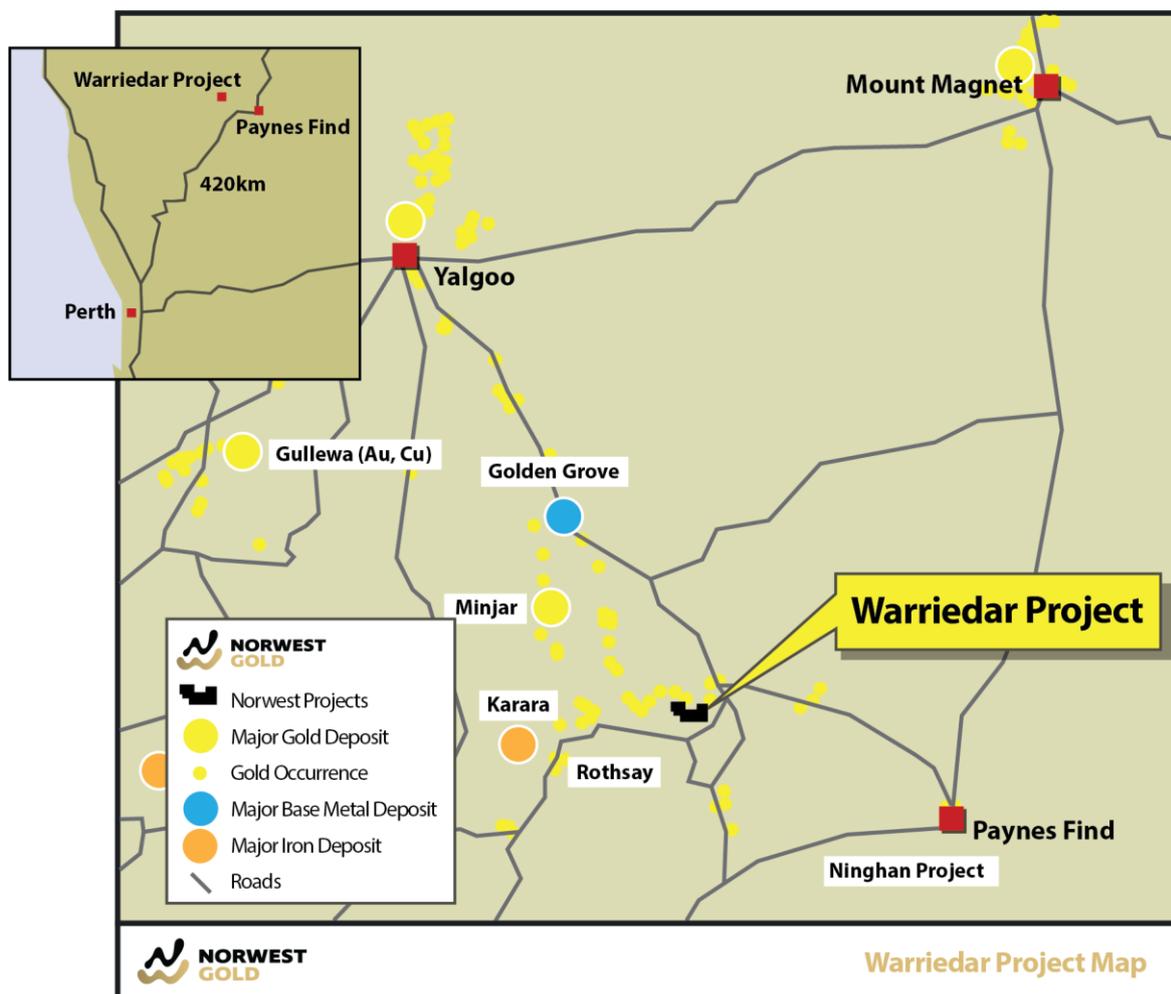


Figure 4: The Warriedar Project is located 125 kilometres southwest of Mount Magnet in Western Australia and situated within the prospective Murchison Goldfield.



The Arunta West Copper-Gold Project

The Arunta West Copper-Gold Project⁴, located 600 kilometres west of Alice Springs in Western Australia (near the Northern Territory border), possesses the apparent continuation of the geological sequence hosting Independence Group's (IGO: ASX) Lake Mackay Project

Norwest has planned diamond and RC drilling to test a large magnetic anomaly at the North Dovers prospect which was discovered by BHP Billiton in 1999 but never tested. The Company's work to date indicates that the coincident gravity-magnetic anomaly observed at North Dovers appears suggestive of iron-oxide copper gold-style target⁵.

The current post-IPO budget and work schedule has drilling at the Arunta West/North Dovers prospect commencing May 2019, following the end of the wet season.

A grant to cover \$200,000 of maiden drilling costs has been approved via the WA Government Exploration Incentive Scheme. A comprehensive Land Access Agreement between the local traditional owners and the Company is also in place.

The Company is currently processing and interpreting detailed airborne magnetic-radiometric (MAG-RAD) data, which it expects to finish by the end of this month. The information will be used to refine the drill collar positions at North Dover and create a regolith map and a 1:25,000 bedrock litho-structural interpretation.

⁴ The Arunta West Copper-Gold Project is a joint venture between Australian Mines and Jervois Mining (JRV: ASX), which takes in three tenements covering 345 square kilometres in the proven Lake Mackay district of Western Australia. Under the joint venture agreement, Australian Mines can earn up to an 80% interest in these tenements. See Appendix 1 of this report for full details of the terms of the AUZ - JRV Arunta West joint venture. Australian Mines separately holds a 100% interest in two tenements adjoining the Arunta West JV area, covering an additional 1,100 square kilometres.

All tenements are granted with Land Access Agreements in place to enable on-ground exploration by Australian Mines across the Arunta West project area.

⁵ BHP Minerals Pty Ltd, Mt Webb Joint Venture Report, Internal company report (WAMEX number a59726), December 1999.

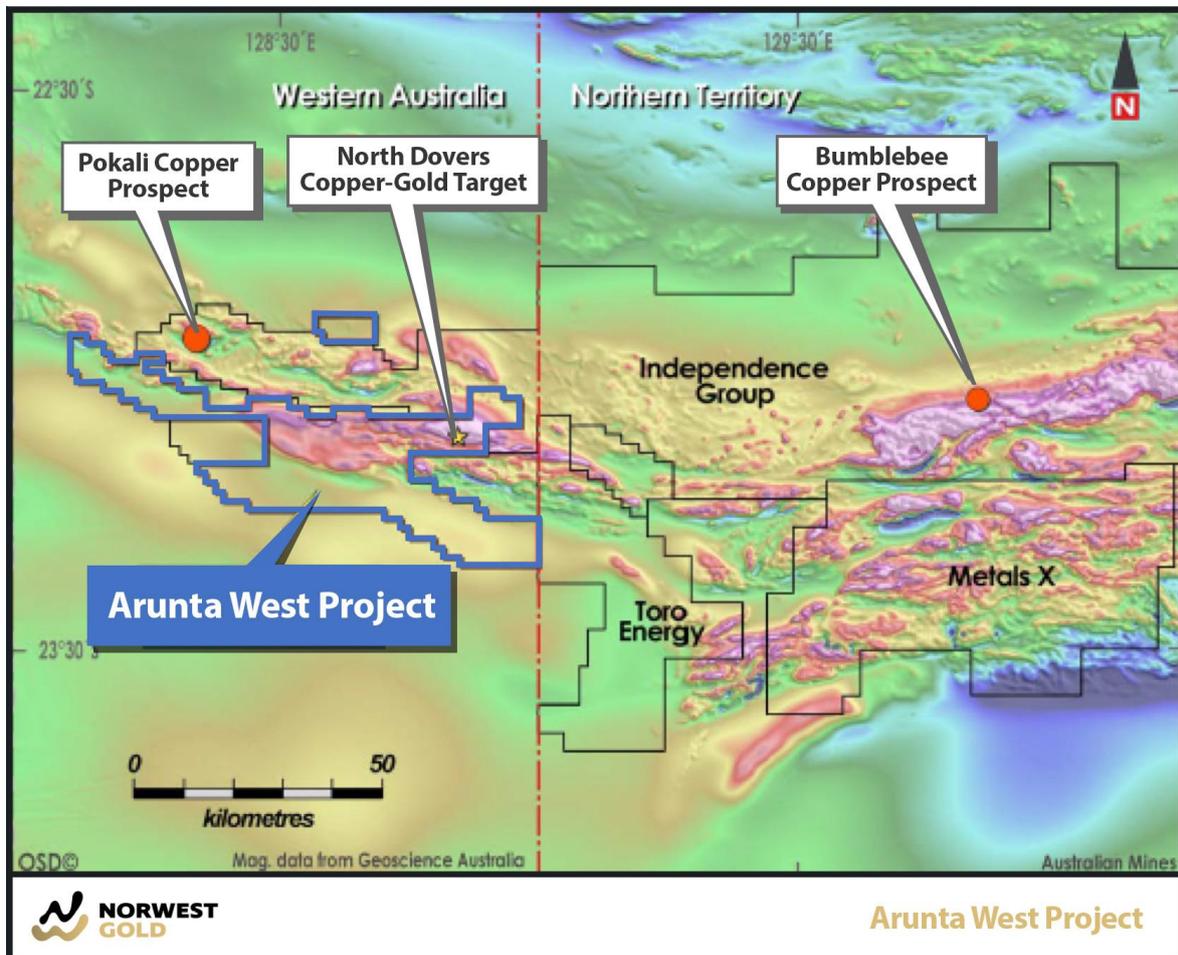


Figure 5: The Arunta West Copper-Gold Project is located 600 kilometres west of Alice Springs in Western Australia (near the Northern Territory border) and is the continuation of the geological sequence hosting Independence Group’s (ASX: IGO) neighbouring Lake Mackay Project.

Marriotts Nickel Project

The Company’s Marriotts Nickel Project currently contains a JORC-compliant Mineral Resource of 633,000 tonnes @ 1.3% nickel (all assigned to the Inferred category)⁶.

Funds for detailed re-modelling of the deposit have been set aside in the IPO budget in anticipation of reclassifying part of the resource back into the Indicated category by utilising detailed geo-statistical analysis prior to deciding how to move forward with the project. Funds are also allocated to study various toll treatment options.

⁶ The Mineral Resource for the Marriotts Nickel Project contained within this document is reported under JORC 2012 Guidelines. This Mineral Resource was first reported by Australian Mines Limited on 31 January 2018. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 January 2018 announcement by Australian Mines.

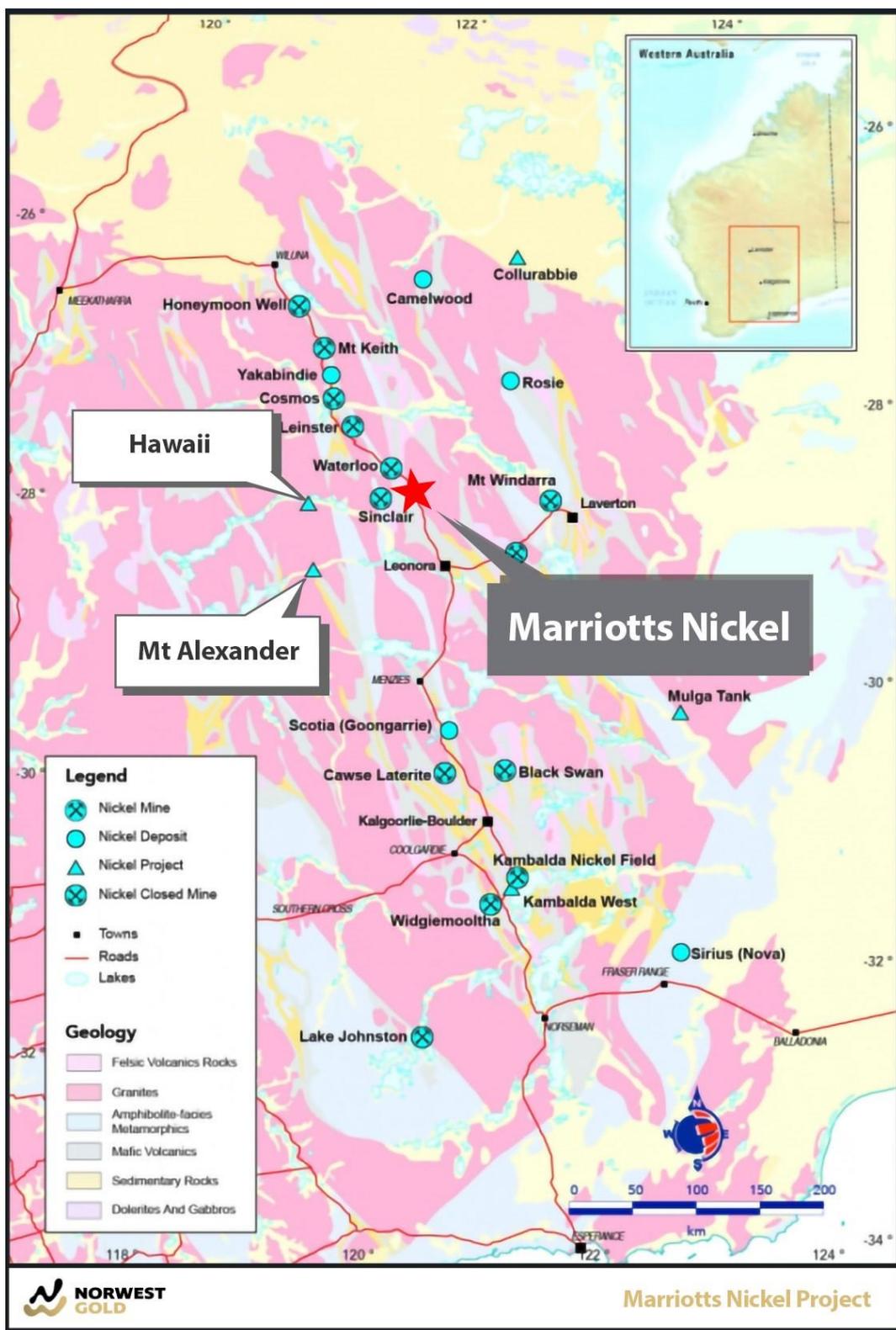


Figure 6: Marriotts nickel deposit is located within trucking distance of existing nickel processing plants in an established production region.



Marymia Gold & Copper Project

The Marymia Gold and Copper Project, located 900 kilometres north of Perth and within 50 kilometres of Superior Gold's (SGI: TSX-V) Plutonic Gold Mine, is being explored under a joint venture agreement with Riedel Resources (RIE: ASX)⁷.

A soil sampling programme was recently conducted by the Company across the northern part of E52/2395 targeting potential DeGrussa-style volcanogenic massive sulphide (VMS) style copper-gold mineralisation Jenkins Fault area. The geochemistry sampling results from this program is anticipated to be available within the next month.

Recent drilling by ASX-listed Lodestar Minerals near the western tenement boundary of E59/2394 has identified several large bedrock gold targets with intercepts including: 4 metres @ 74 g/t gold from 140 meters downhole, 9 metres @ 3.4 g/t gold from 44 metres downhole, and 28 metres @ 1.8 g/t gold from 32 meters downhole⁸. Norwest is currently compiling relevant data to target possible extensions to the newly identified gold mineralisation.

Norwest has allocated 3,500 metres of reverse circulation (RC) and/or aircore drilling in its initial two-year budget. The drilling programmes are designed to test the areas described above and to conduct further work on the Dixon Prospect where recent aircore drilling failed to intersect the extension of gold mineralisation north along the dolerite-basalt contact. Drilling is scheduled to commence post listing from November of this year.

⁷ The Company has secured its 80% interest in this Project. Joint venture partner Riedel Resources, will be required to contribute financially to the costs of holding, exploring or developing the Marymia Project in line with its 20% interest in the project.

Should Riedel Resources choose not to contribute (for whatever reason), its interest in the project will decrease accordingly and if that interest falls below 10% it will automatically convert into a 1.5% net smelter royalty, with Australian Mines assuming 100% ownership of the Project.

⁸ *Lodestar Minerals Limited ASX Announcements 12 June 2018 'Confirmation of Exceptional Gold Grades at Contessa' and 4 July 2018 Aircore Results Confirm Large Bedrock Gold Drill Targets.*

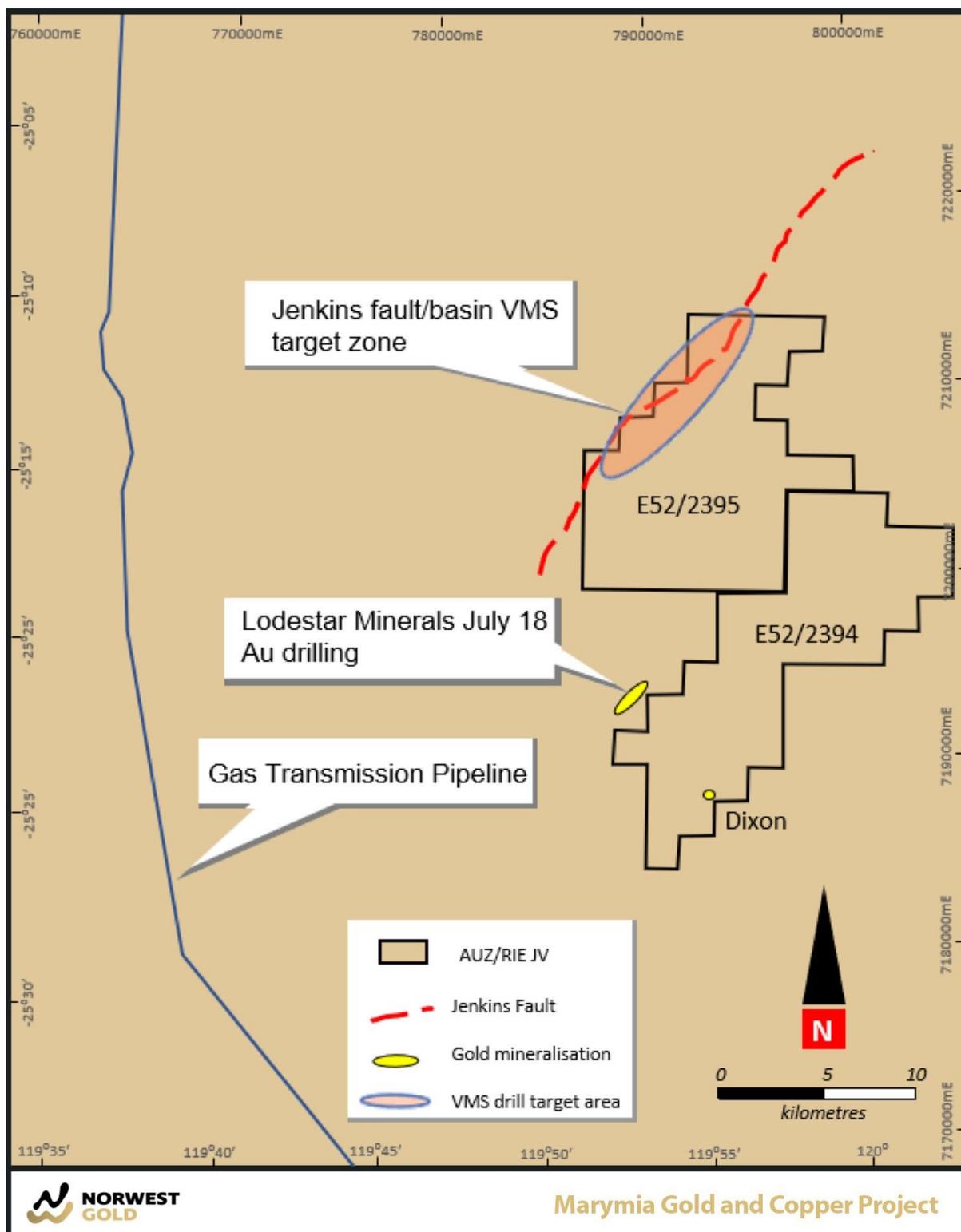


Figure 8: The Marymia Gold and Copper Project, located 900 kilometres north of Perth and within close proximity to Superior Gold's Plutonic Gold Mine



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Appendix 1: Competent Persons' Statements

Marriotts Nickel Project

The Mineral Resource for the Marriotts Nickel Project contained within this document is reported under JORC 2012 Guidelines. This Mineral Resource was first reported by Australian Mines Limited on 31 January 2018. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 January 2018 announcement by Australian Mines.

The information in this report that relates to the Marriotts Nickel Project Exploration Results, Mineral Resources or Ore Reserves 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.