

15 November 2018

ASX Limited
Level 40, Central Park
152-158 St George's Terrace
PERTH WA 6000

Email: listingscomplianceperth@asx.com.au

ASX aware letter

Australian Mines Limited (“**Australian Mines**” or the “**Company**”) (AUZ: ASX) refers to the letter from ASX dated 14 November 2018 (“**ASX Letter**”) and responds as follows.

Except to the extent otherwise stated, defined terms have the same meaning as in the ASX Letter.

- 1. Please advise the details and results of the theoretical component of the research being undertaken by the Amrita Centre which were “sufficiently positive to warrant progressing to the experimental stage” and which caused AUZ to form “the view that the partnership with the Amrita Centre may be information that a reasonable person would expect to have a material effect on the price or value of its securities”.**

The partnership with the Amrita Centre for Research and Development (the “Amrita Centre”) involves the Company sponsoring (through the Amrita Centre) research by a PhD student and Research Assistants into Fluorite-structured Metal Hydrides: A New Class of High-capacity MgScX Ternary Alloys for Next Generation NiMH Batteries and Stationary Hydrogen Storage Applications.

During the theoretical phase, there has been an ongoing dialogue and reports between the Amrita Centre and the Company regarding updates on the progression of the research.

The Company is of the view that at all times during that phase, and as at the date of this letter, a reasonable person would not expect the progress or results of the research to have a material effect on the price or value of Australian Mine’s securities.

However, as a culmination of the discussions and updates, which indicated overall that a move to the experimental phase would be warranted, on 1 November 2018 Australian Mines’ Managing Director, Benjamin Bell, formed the view that a proposed move to the experimental stage would be worthwhile. In doing so, the Company considered that the partnership with Amrita Centre itself may be information which a reasonable person may expect to have a material effect on the price or value of Australian Mines’ securities.

In this regard, the Company wishes to clarify that the decision to announce the Amrita Centre partnership was due to the Company forming the view on materiality as described above on the day of the announcement (lodged on 1 November 2018) rather than the Company being specifically informed on 1 November 2018 that the results of the theoretical component of the research was sufficiently positive to warrant progressing to the experimental stage. The Company's response to query 5 in its response to ASX's letter dated 12 November 2018 should therefore be read as amended accordingly to clarify that aspect.

2. Please confirm that AUZ was not in possession of the Amrita Centre Correspondence at the time of the post published on Twitter at 1.17pm Perth time on Thursday, 1 November 2018 by AUZ's Twitter account (@AUZMines).

The Company confirms that at the time of the Twitter post regarding the SK innovation visit it was not, and is not as at the date of this letter, in possession of correspondence from Amrita Centre regarding results of the research that a reasonable person would expect would have a material effect on the price or value of Australian Mines' securities.

Rather, the decision to release the Amrita Centre announcement was due to a view that, for the reasons outlined in the response to query 1, it would be prudent to do so.

Australian Mines also notes that the Twitter post regarding the SK innovation visit and the Amrita Centre announcement are in no way related.

As per Australian Mines' 31 March 2018 announcement, the Company's binding off-take agreement with SK innovation (which is part of one of South Korea's largest companies), is for 100% of the cobalt and nickel to be produced over an initial seven-year agreement period from the Sconi project (with six-year extension option) to supply SK innovation's global electric vehicle battery manufacturing plants.

Australian Mines' research into MgScX Ternary Alloys for Next Generation NiMH Batteries and Stationary Hydrogen Storage Applications, and scandium more broadly, sits outside the current binding off-take agreement with SK innovation. As such no parallels should be drawn between a Twitter post showing the SK innovation office and any announcement released by the Company pertaining to scandium.

Moreover, the Company notes that the Tweet in question was posted after the market had closed on Thursday 1 November, and that no trading could have occurred via the ASX in the period between the Tweet of 1:10pm Perth time on Thursday 1 November 2018 and the Company's unrelated announcement entitled "Australian Mines takes lead on scandium R&D for next generation of battery storage technology" lodged on the ASX's Market Announcements Platform at 12.10am Sydney time and released at 9.33am Sydney time on Friday, 2 November 2018.

By any measure, Australian Mines' share price at \$0.039 (as it was on Thursday 1 November) would, in the opinion of the Company's Manager Director, fundamentally undervalue Australian Mines. The fact that the share price has strengthened since this time would suggest that the market may be of the same opinion that a \$0.039 share price represented an opportunity for investors to 'buy the dip'.

The Company suggests that factors such as the impending release of its Sconi Project's Bankable Feasibility Study coupled with global events such as Glencore recently confirmed that their DRC-derived Kantaga cobalt contains uranium making it unsafe for export (and use by battery manufacturers), which resulted in 28% of the world's total cobalt supply being turned off, has had a more material effect on Australian Mines' share price than an announcement stating that the Company has agreed to collaborate with leading academic researchers at the Amrita Centre on work

being conducted around the use of scandium in the next generation metal hydride batteries and hydrogen storage applications.

- 3. Please confirm that AUZ is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.**

Yes.

- 4. Please confirm that AUZ's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy, or otherwise by its board or an officer of AUZ with delegated authority from the board to respond to ASX on disclosure matters.**

Yes.

Yours faithfully



Oliver Carton
Company secretary





14 November 2018

Mr Oliver Carton

Australian Mines Limited
Level 6, 66 St Georges Terrace
PERTH WA 6000

By email

Dear Mr Carton

Australian Mines Limited ("AUZ"): ASX Query Letter

ASX Limited ("ASX") refers to the following.

- A. AUZ's response to an ASX Aware Letter dated 12 November 2018 which was released on the ASX Market Announcements Platform ("MAP") today, Wednesday, 14 November 2018, and the following responses.

1. When did AUZ enter into the research partnership with the Amrita Centre? In answering this question, please detail the date and time that AUZ executed any relevant documentation or otherwise agreed the research partnership.

The Company entered into the research partnership with the Amrita Centre on 15 December 2017 ("Partnership Agreement").

2. Does AUZ consider its entry into the research partnership with the Amrita Centre ("Relevant Information") to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

No

4. If the answer to question 2 is "no", please advise the basis for that view.

Under the terms of the Partnership Agreement, the Amrita Centre is to conduct research into the potential applications for scandium-magnesium alloys in mainstream passenger vehicles and assess the potential for this new class of metal hydride batteries to be used for storage of hydrogen to provide a practical solution to the increasing demand for technologies that can effectively store large amounts of hydrogen for higher energy use applications in heavy transport.

The research comprises an initial theoretical component and, if the results of that theoretical component were positive, a subsequent experimental component.

Although the Partnership Agreement was entered into in December 2017, the Company formed the view that without any indication that the research would work from a theoretical perspective, entry into the agreement alone was not information that a reasonable person would expect to have a material effect on the price or value of its securities.

5. If AUZ first became aware of the Relevant Information before the Announcement, did AUZ make any announcement prior to the release of the Announcement which disclosed the Relevant Information? If so, please provide details. If not, please explain why the Relevant Information was not released to the market at an earlier time, commenting specifically on when you believe AUZ was obliged to release the

Relevant Information under Listing Rules 3.1 and 3.1A and what steps AUZ took to ensure that the Relevant Information was released promptly and without delay.

As stated in the response to question 4 above, the Company formed the view that without any indication that the research would work from a theoretical perspective, entry into the agreement alone was not information that a reasonable person would expect to have a material effect on the price or value of its securities and therefore not information that the Company was obliged to release under Listing Rules 3.1 and 3.1A.

However, on 1 November 2018, the Company was informed that the results of the theoretical component of the research was sufficiently positive to warrant progressing to the experimental stage. It was at this point in time that the Company formed the view that the partnership with the Amrita Centre may be information that a reasonable person would expect to have a material effect on the price or value of its securities, albeit that the research may or may not lead to commercial applications for scandium. As a result, the Company took the necessary steps to ensure that the Relevant Information was released promptly and without delay in the Announcement in accordance with Listing Rule 3.1.

6. At the time of the Twitter Post, was AUZ aware of any information concerning it that had not been announced to the market but was required to be announced pursuant to its continuous disclosure obligations under Listing Rule 3.1?

No.

- B. The change in the price of AUZ's shares from a closing price of \$0.039 on Thursday, 1 November 2018, to an intra-day high of \$0.05 and a closing price of \$0.047 on Friday, 2 November 2018; a 20.51% increase from the closing price on Thursday, 1 November 2018, to the closing price on Friday, 2 November 2018.
- C. AUZ's announcement entitled "Australian Mines takes lead on scandium R&D for next generation of battery storage technology" ("Announcement") lodged on the MAP at 12.10am Sydney time and released at 9.33am Sydney time on Friday, 2 November 2018, disclosing that AUZ had entered into a research partnership with the Amrita Centre for Research and Development's Centre of Excellence in Advanced Materials and Green Technologies (the "Amrita Centre").

Having regard to the above, ASX asks AUZ to respond separately to each of the following questions and requests for information.

1. Please advise the details and results of the theoretical component of the research being undertaken by the Amrita Centre which were "sufficiently positive to warrant progressing to the experimental stage" and which caused AUZ to form "the view that the partnership with the Amrita Centre may be information that a reasonable would expect to have a material effect on the price of value of its securities".
2. Please confirm that AUZ was not in possession of the Amrita Centre Correspondence at the time of the post published on Twitter at 1.17pm Perth time on Thursday, 1 November 2018 by AUZ's Twitter account (@AUZMines).
3. Please confirm that AUZ is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
4. Please confirm that AUZ's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AUZ with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, **by not later than 4.30 pm Perth time on Thursday, 15 November 2018.**

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at listingscomplianceperth@asx.com.au. It should **not** be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to AUZ's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that AUZ's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, providing the information requested in this letter.

If you have any queries about any of the above, please contact me immediately.

Yours sincerely

Ben Secrett
Principal Adviser, Listings Compliance (Perth)