

10 October 2016

Quarterly Activities Report

Period ended 30 September 2016

HIGHLIGHTS

Scandium Project Acquisitions

- Agreement reached to acquire 100% interest in the Flemington Scandium-Cobalt Project in New South Wales
 - one of the highest-grade scandium deposits in the world
 - Scoping Study commenced on existing Measured and Indicated Resource of 3.14 million tonnes @ 434 ppm scandium
- Agreement reached to earn up to a 75% interest in the Sconi Scandium-Cobalt Project in Queensland
 - Australia's largest¹ and, one of the most advanced, scandium mining projects
 - Definitive Feasibility Study commenced to further detail economic and technical potential outlined in Pre-Feasibility Study
- Development of these deposits would deliver a strong, positive cash flow and position Australian Mines as a dominant player in global scandium market

Doolgunna – Marymia Project

- Strategy developed during the quarter to evaluate mineral potential of the broader Doolgunna-Marymia Project with available funding
- Planned shallow air core drill program of 120 holes for 7,185 metres targeting oxide and supergene gold above bedrock to inform future RC and diamond drilling

Arunta West Project

- Regional setting highly prospective for large scale, Olympic Dam-style iron-oxide copper gold mineralisation
- Walk-up copper-gold drill target in North Drovers, previously identified within tenement holding by BHP Billiton
- Meeting during September quarter with Kiwirrkurra representatives, successfully resulting in land access agreement with the traditional owners

¹ According to expected annual production capacity, as independently observed by Platina Resources Limited: Platina Resources Limited, Owendale scandium project, released 17 March 2015



Australian Mines Limited (“Australian Mines” or “the Company”; ASX: AUZ) is pleased to provide shareholders with its Quarterly Activities Report for the period ended 30 September 2016.

Scandium Project Acquisitions and Strategy

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

The Company applied significant corporate resources in the September quarter to the evaluation and negotiation of these agreements, allowing it to pursue majority positions in, and operate, advanced projects focused on the primary production of scandium.

Australian Mines announced, post the conclusion of the period, it had 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 also announced it had 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.

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 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 (Figure 1).

“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 bodysell of a car more than 50% stiffer, thereby offering valuable improvements in body strength and driveability².

“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% scandium³ or about 1 kilogram of scandium per vehicle. In 2015 alone, over 68 million new passenger vehicles rolled off production lines around the world⁴, 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.”



Figure 1: Australian Mines’ proposed project development timeline of its Flemington and Sconi scandium deposit.

² European Aluminium Association, The Aluminium Automotive Manual 2013, http://european-aluminium.eu/media/1543/1_aam_body-structures.pdf, 1 October 2016

³ AZO Materials, <http://www.azom.com/article.aspx?ArticleID=10670>, 1 October 2016

⁴ Organisation Internationale des Constructeurs d’Automobiles (OICA), <http://www.oica.net/category/production-statistics/>, 1 October 2016

Flemington Scandium-Cobalt Project

Australian Mines has commenced 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 resource⁵.

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 category⁶ (see Table 1), the Flemington Scandium-Cobalt Project is arguably one of the highest-grade scandium deposits in the world⁷.

Based on this identified Mineral Resource at Flemington, this project currently includes a total of 2,085 tonnes of scandium oxide (Sc_2O_3)⁸, with 77% of that metal contained within the limonitic laterite, which appears similar in nature to Clean TeQ's adjoining Syerston deposit⁹.

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 (Figure 4).

Flemington offers considerable exploration upside for additional high-grade scandium deposits as well as complementary mineralisation including cobalt and nickel.

Previous drilling at the project returned relatively thick intersections of cobalt mineralisation, including 14 metres @ 0.21% Cobalt from 6 metres (drill hole SY14)¹⁰ and 9 metres @ 0.21% Cobalt from 10 metres (drill hole SY56)¹¹.

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.

⁵ See Clean Teq Holdings Limited, Completion of Syerston Scandium Project Feasibility Study, released 30 August 2016

⁶ Jervois Mining Limited, EL7805 Syerston Updated Mineral Resource Estimate, released 20 August 2015

⁷ Jervois Mining Limited, Quarterly Report to 31 December 2015, released 29 January 2016

⁸ Total contained scandium metal tonnage of 1,363 multiplied by 1.53 to convert to total Sc_2O_3 , being the saleable scandium product

⁹ Clean Teq Holdings Limited, Syerston Scandium Mineral Resource update, released 17 March 2016

¹⁰ Jervois Mining Limited, EL7805 Syerston Drilling Results, released 2 October 2013

¹¹ Jervois Mining Limited, Quarterly Activities Report to 30 June 2014, released 30 July 2014

The total purchase price of Flemington will be \$6 million, minus the total of all option fees paid. 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.

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

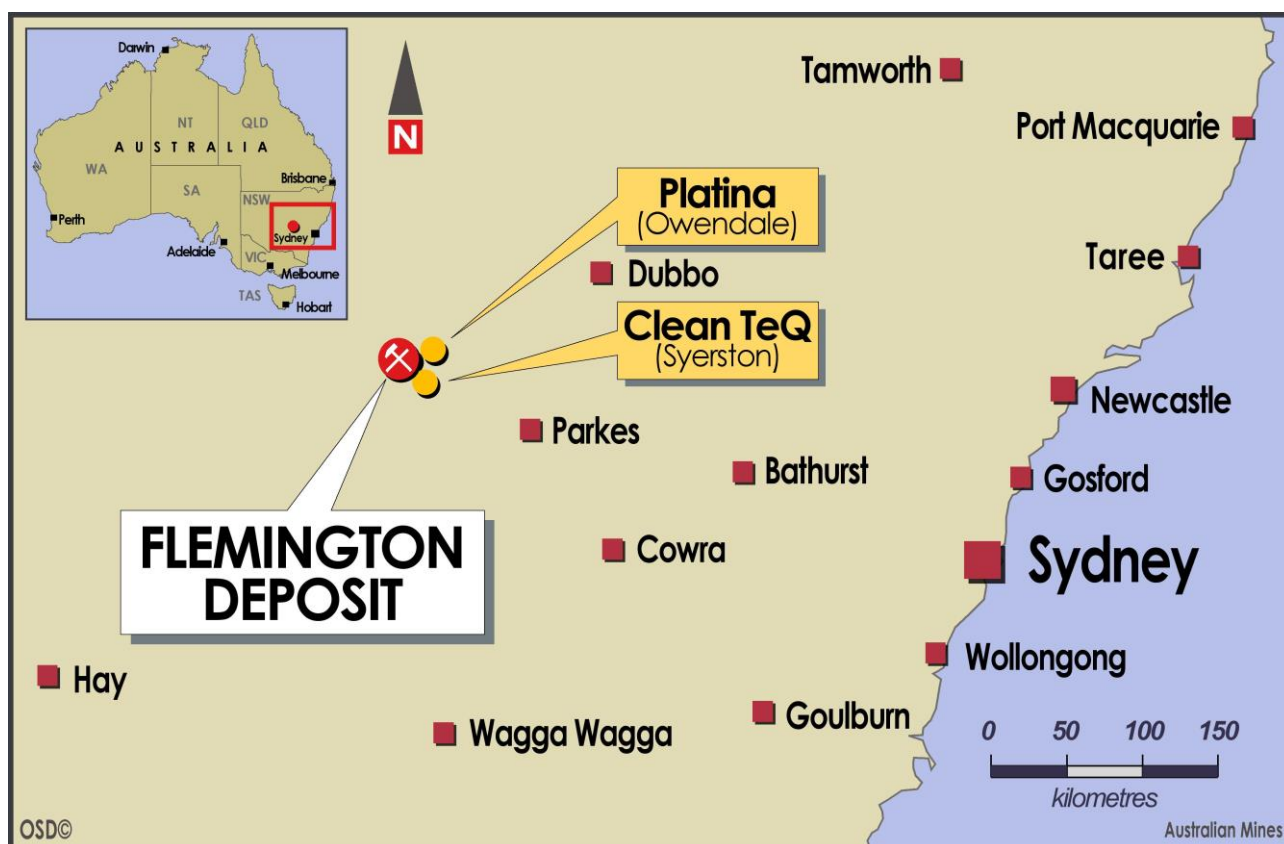


Figure 2: The Flemington Scandium Deposit, is located near the town of Fifiel in central New South Wales, approximately 450 kilometres west of Sydney. This project is located in an area that has quickly become Australia's premier Scandium district.

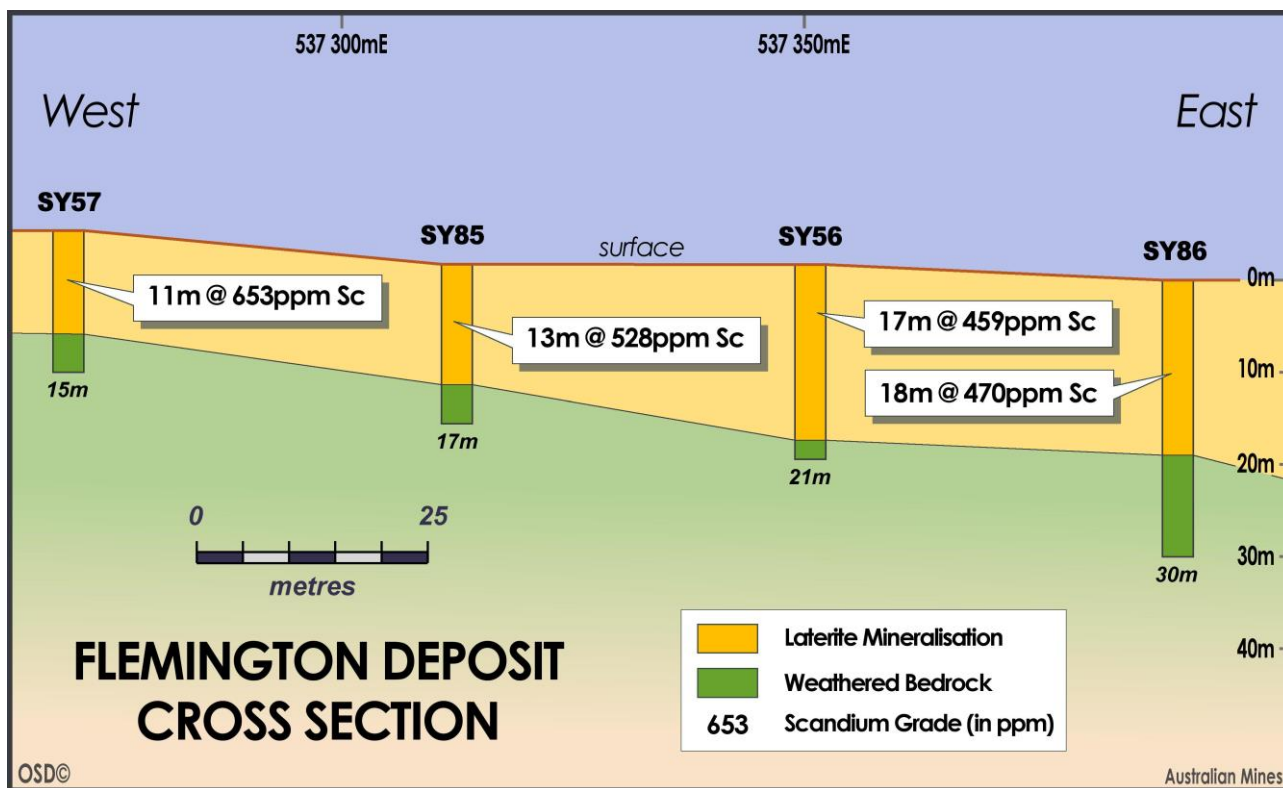


Figure 3: Schematic cross section of the Company's Flemington Deposit in New South Wales. The Scandium mineralisation at Flemington occurs from surface. Averaging 434ppm Scandium across the Flemington Deposit, the grades reported from this project are significantly higher than those encountered at existing Scandium mining operations¹².

¹² Modified from: Jervois Mining Ltd, EL7805 Syerston Project updated Mineral Resource estimate, released 20 August 2015

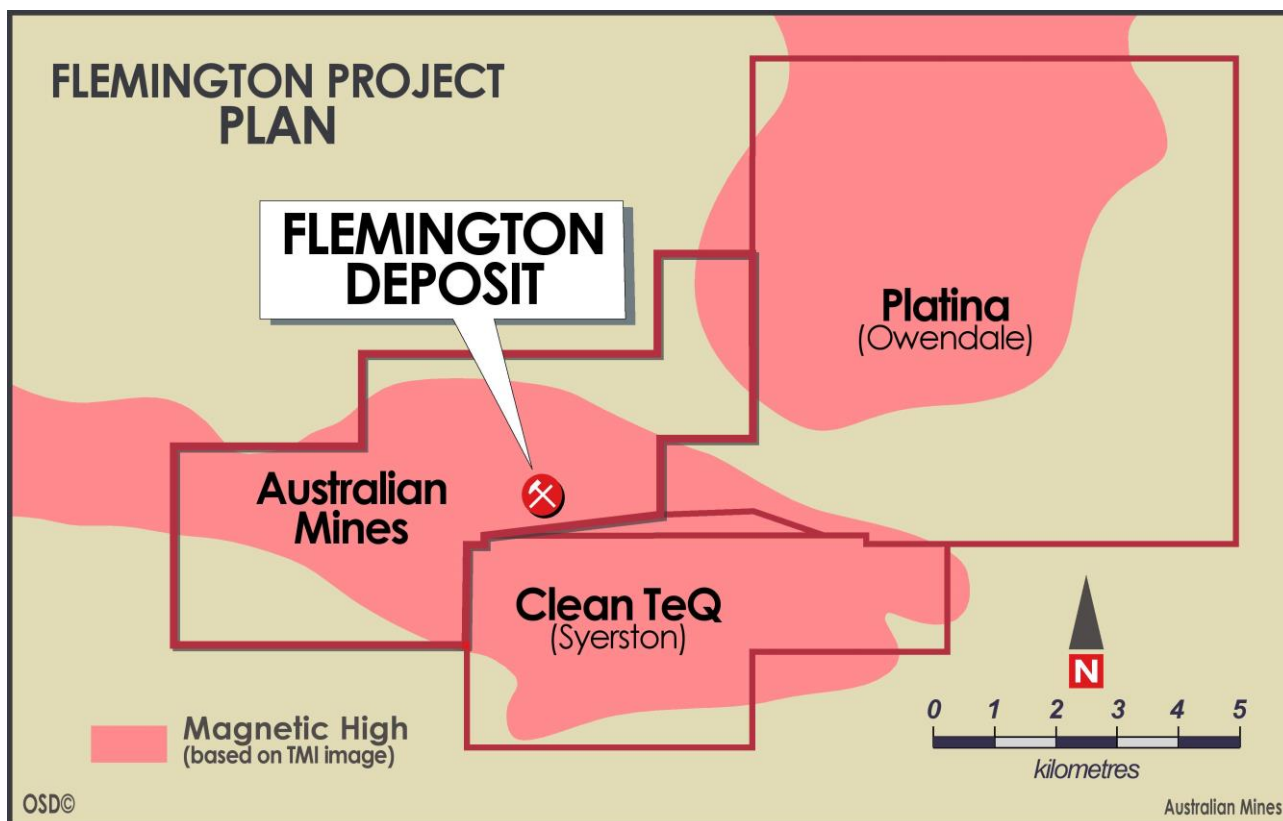


Figure 4: Australian Mines’ Flemington Scandium-Cobalt Project is the northern continuation of Clean TeQ Holdings’ Syerston Scandium-Cobalt-Nickel Project. The two scandium-cobalt deposits are ‘two-halves’ of the same mineralisation and are only separated by the companies’ common tenement boundary¹³.

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 ₂ O 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 2015¹⁴. 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.

¹³ See Clean Teq Holdings Limited, Drilling confirms and extends high-grade scandium zone at Syerston, released 21 December 2015

¹⁴ 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 Sc₂O₃, being the saleable scandium product

Sconi Scandium-Cobalt Project

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 annum¹⁵.

Australia Mines has, therefore, immediately commenced a Definitive Feasibility Study (DFS) on the Sconi Project, which SRK Consulting (who are the Company's lead mining consultants on the DFS) expects to take up to two years to complete ahead of a Decision to Mine.

A mining operation at Sconi has the potential to become the world's largest source of this critical metal from a primary scandium deposit¹⁶.

For Australian Mines, the Sconi project represents the potential to fast-track the Company into a globally significant scandium producer and will make Australian Mines the largest dedicated, long term supplier of scandium metal into a market where demand is anticipated to grow by at least 800% over the next 10 years¹⁷.

Sconi also offers considerable exploration upside for additional high-quality scandium deposits as well as complementary mineralisation including cobalt and nickel. Previously drilling at the Sconi Project, for example, identified a cobalt-rich zone within the scandium ore body that returned intersections including¹⁸:

- 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

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.

¹⁵ Metallica Minerals Limited, Sconi Scandium Project – Positive Pre-Feasibility Study, released 28 March 2013

¹⁶ According to expected annual production capacity, as independently observed by Platina Resources Limited: Platina Resources Limited, Owendale scandium project, released 17 March 2015

¹⁷ Platina Resources Limited, Owendale Scandium Project presentation, released 22 August 2014

¹⁸ Metallica Minerals Limited, Sconi Project – Nickel-Cobalt and Scandium Resource Upgrade, released 21 October 2013



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 covered by granted mining leases.

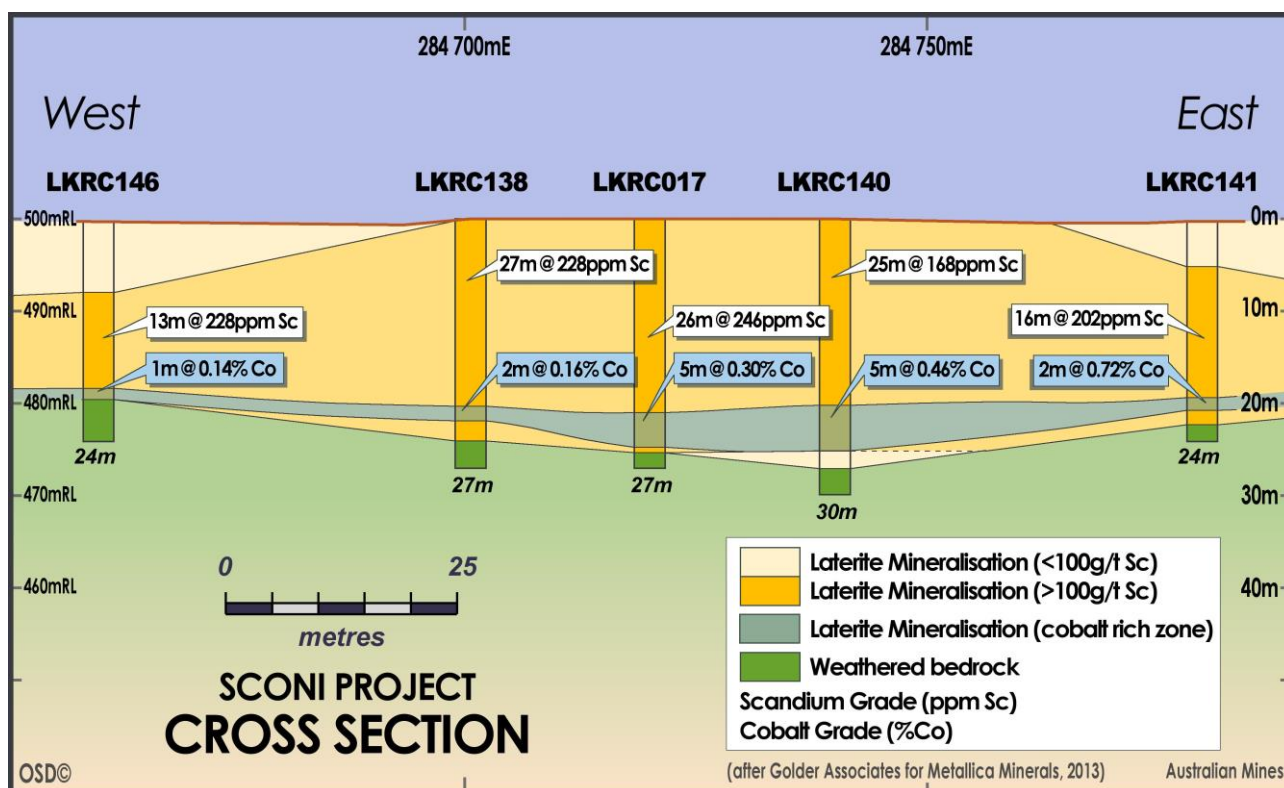


Figure 6: Schematic cross section of the company's Sconi deposit in Queensland. The scandium mineralisation at Sconi, which is well defined by a 4.7-kilometre-long by 450-metre-wide lateritic profile and grades up to 1,580 ppm, predominantly occurs above or adjacent to higher grade cobalt mineralisation¹⁹.

Sconi Scandium Resource Estimate

| | | |
|--|---|------------------|
| Measured Resource: | 0.7 million tonnes | 208 ppm Scandium |
| Indicated Resource: | 6.5 million tonnes | 174 ppm Scandium |
| Total Resource: | 7.2 million tonnes | 177 ppm Scandium |
| Total Scandium Oxide (Sc ₂ O 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 2013²⁰.

¹⁹ Modified from: Metallica Minerals Limited, Sconi Scandium Project – Positive Pre-Feasibility Study, released 28 March 2013

²⁰ Metallica Minerals Limited, Sconi Project – Nickel-Cobalt and Scandium Resource Upgrade, released 21 October 2013

* Total contained scandium metal tonnage multiplied by 1.53 to convert to total Sc₂O₃, being the saleable scandium product

Doolgunna – Marymia Project

Proven prospectivity

The Doolgunna-Marymia Project has continued to offer up important clues to unlocking its prospectivity as a bona fide gold play within Australian Mines' diversified portfolio of assets.

The Doolgunna-Marymia Project is situated approximately 900 kilometres north of Perth and within 50 kilometres of the 5 million ounce Plutonic Gold Mine²¹ (Figure 7).

The Project is being explored under a joint venture agreement with Riedel Resources Limited (ASX: RIE), with Australian Mines on track to satisfying its exploration spending obligations to earn an 80% interest in the project by May 2018.

Two relatively successful drill campaigns in 2016, targeting the Dixon gold prospect in particular, have added considerably to the Company's understanding of the regional project geology and controls on mineralisation, which appears similar to deposits encountered elsewhere in Yilgarn Craton of Western Australia.

Gold deposits identified in this setting are predominantly hosted in the highly fractionated, Golden Mile-style dolerite sill, with sulphide mineralisation proximal to the gold²². This appears to be the case within the Doolgunna-Marymia project area as it is with recent analogous discoveries that have demonstrated strong, continuous mineralisation over significant strike lengths and improving grades at depth.

More importantly, the drilling to-date has pointed to the gold mineralisation at Dixon primarily occurring along the contact of a magnetic dolerite and a basalt unit, which significantly increases the prospective corridor within the Company's project area, as it suggests that multiple zones of mineralisation may exist along the length of the dolerite-basalt contact, which can be traced for more than 6 kilometres at its Dixon prospect.

Testing to date

Drilling to date by Australian Mines has focused on just a few hundred metres of a 6 kilometre-long zone, centred around the company's maiden hole (MMRC106) that returned 10 metres @ 8.79 g/t gold from 130 metres downhole in late 2015²³.

Reconnaissance drilling completed by the Company in March 2016 confirmed that the extensive sulphidic corridor at Dixon, as mapped by a detailed induced polarisation (IP) geophysical survey, is gold-bearing and that this mineralised corridor extends for more than half a kilometre and remains open along strike²⁴ (Figure 8).

²¹ Northern Star Resources NL, Plutonic Acquisition Presentation, released 23 December 2013

²² N.M. Vielreicher, D.I. Groves and N.J. McNaughton (2015). "The giant Kalgoorlie Gold Field revisited." *Geoscience Frontiers*, 7, pp359-374

²³ Australian Mines Limited, High-grade gold zone extended at Dixon prospect, released 6 November 2015

²⁴ Australian Mines Limited, Quarterly Activities Report for the period ended 31 March 2016, released 29 April 2016

This strike length appears consistent with the gold lodes present within the nearby Plutonic Well Greenstone Belt, which are usually several hundred metres long²⁵.

Motivated by its greater understanding of controls on gold mineralisation at Dixon, Australian Mines completed a detailed, three-dimensional geological and geophysical model of the prospect area, which informed its follow-up drill program undertaken in May 2016.

This six-hole reverse circulation (RC) drill campaign returned intersections that included 11 metres @ 1.10 g/t gold from 136 metres down hole (DXRC003)²⁶ indicating that the typical gold grades and widths of the mineralisation at Dixon may be approaching the tenor observed in some of the open pits across the Plutonic or Marymia operations^{27,28}.

Current status

As the gold mineralisation at the Plutonic and Marymia ore bodies reportedly increase at depth, the Company announced in July its intention to test this modelling through an 1,800 metre RC and 760 metre diamond core drill program, initially scheduled to be carried out in the September quarter.

This program – which was approved for part-funding under a grant from the Government of Western Australia as part of its competitive Exploration Incentive Scheme – is yet to be completed as the experienced team at Australian Mines looks to undertake wider-spaced reconnaissance drill program testing the prospectivity of the broader 6 kilometre-long fractionated dolerite unit, before exploring individual anomalies in a follow-up program (Figure 9).

Due to the nature of transported cover encountered across the Doolgunna-Marymia Project, Australian Mines is unable to conduct traditional soil sampling techniques to identify priority areas within its tenement package. Instead the Company is required to undertake shallow drilling programs to ‘see’ below this thin sand cover and directly target the oxide/supergene gold that occurs above the fresh bedrock. The results returned from such a drill program will then guide future RC and diamond drilling – a strategy that has been successfully applied elsewhere in the region^{29,30}.

Historically within the region, shallow rotary air blast (RAB) and air core drilling completed across this target area in the mid-1990s – testing a low-order gold plus arsenic anomaly – successfully intersected a zone of supergene gold mineralisation within the weathered profile at Dixon, resulting in the discovery hole (MMRC106) being drilled at the prospect.

²⁵ Dampier Gold Limited, Prospectus, released 19 July 2010

²⁶ Australian Mines Limited, Australian Mines closes in on high-grade gold zones at its emerging Dixon prospect, released 29 May 2016

²⁷ Northern Star Resources Limited, Plutonic Operations Fact Sheet <http://www.nsrld.com/wp-content/uploads/2015/06/NSR-Plutonic-Operations-Fact-Sheet-May-2015.pdf>, 28 April 2016

²⁸ Dampier Gold Limited, Prospectus, released 19 July 2010

²⁹ Breaker Resources NL, RC drilling underway to test potentially major gold discovery at Lake Roe Project in WA, released 15 February 2016

³⁰ Dampier Gold Limited, Prospectus, released 19 July 2010



Future exploration

Australian Mines continues to evaluate both the Dixon gold prospect and other analogous targets within the Doolgunna-Marymia project area.

As such, the Company has designed its next stage of exploration to test magnetic anomalies along strike of the Dixon prospect and to also test a similar magnetic anomaly to the east of Dixon, which will be centred on a three-phase air core drill program consisting of 120 holes for 7,185 metres of drilling (Figure 9).

Phase 1 of this proposed program will test the northeastern extension of the known mineralisation at Dixon, with *Phase 2* designed to test a distinctive magnetic anomaly, further along strike to the north. *Phase 3* of Australian Mines' proposed air core is testing a magnetic high to the east of Dixon, interpreted as separate dolerite unit.

The drill holes have been planned on 123° orientated grid lines, which are perpendicular to the strike of stratigraphy. There is a slight change in orientation of the magnetic anomaly noted in modelling to the north, but Australian Mines has left drill orientations the same as it will still test stratigraphy.

At Dixon, the mineralised zone appears to dip at 55 degrees to the northwest. As such the designed air core holes will be drilled at -60 degrees to the southeast so as to intersect the stratigraphy / mineralisation at a perpendicular orientation.

The program is designed at 400 metre line spacing, with mostly 100 metre spaced drill holes along the line. These specifications were chosen to maximise the chances of intersecting oxide mineralisation and vector into primary mineralisation.

Each hole will be drilled to refusal, which ensures that every hole terminates at the weathered rock-fresh bedrock interface. Historic rotary air blast (RAB) drilling suggests the average hole depth for this program will be 60 metres.

The three phases of the proposed 120-hole air core drilling program is expected to take four weeks to complete with full results expected to be available within four weeks after completion of drilling.

Australian Mines has commenced the process of gaining the standard statutory approvals for this planned exploration program, including heritage clearances, and the Company will inform the market on the proposed timing for this program when it is available.

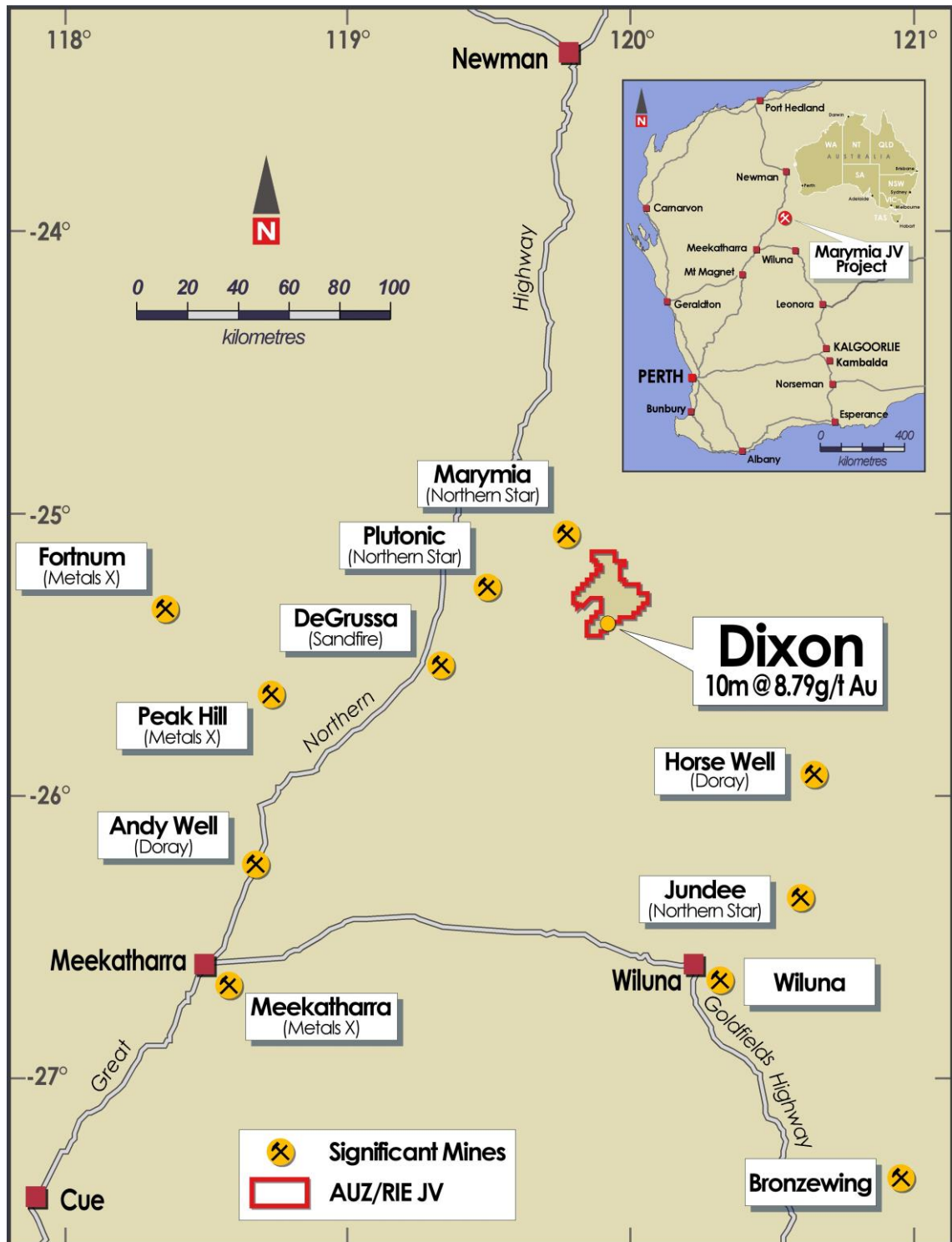


Figure 7: The Dixon gold prospect is situated within 50 kilometres of Northern Star’s Plutonic Gold Mine, and is located within Australian Mines (AUZ) and Riedel Resources (RIE) joint venture tenement E52/2394 where Australian Mines is currently earning an 80% interest.

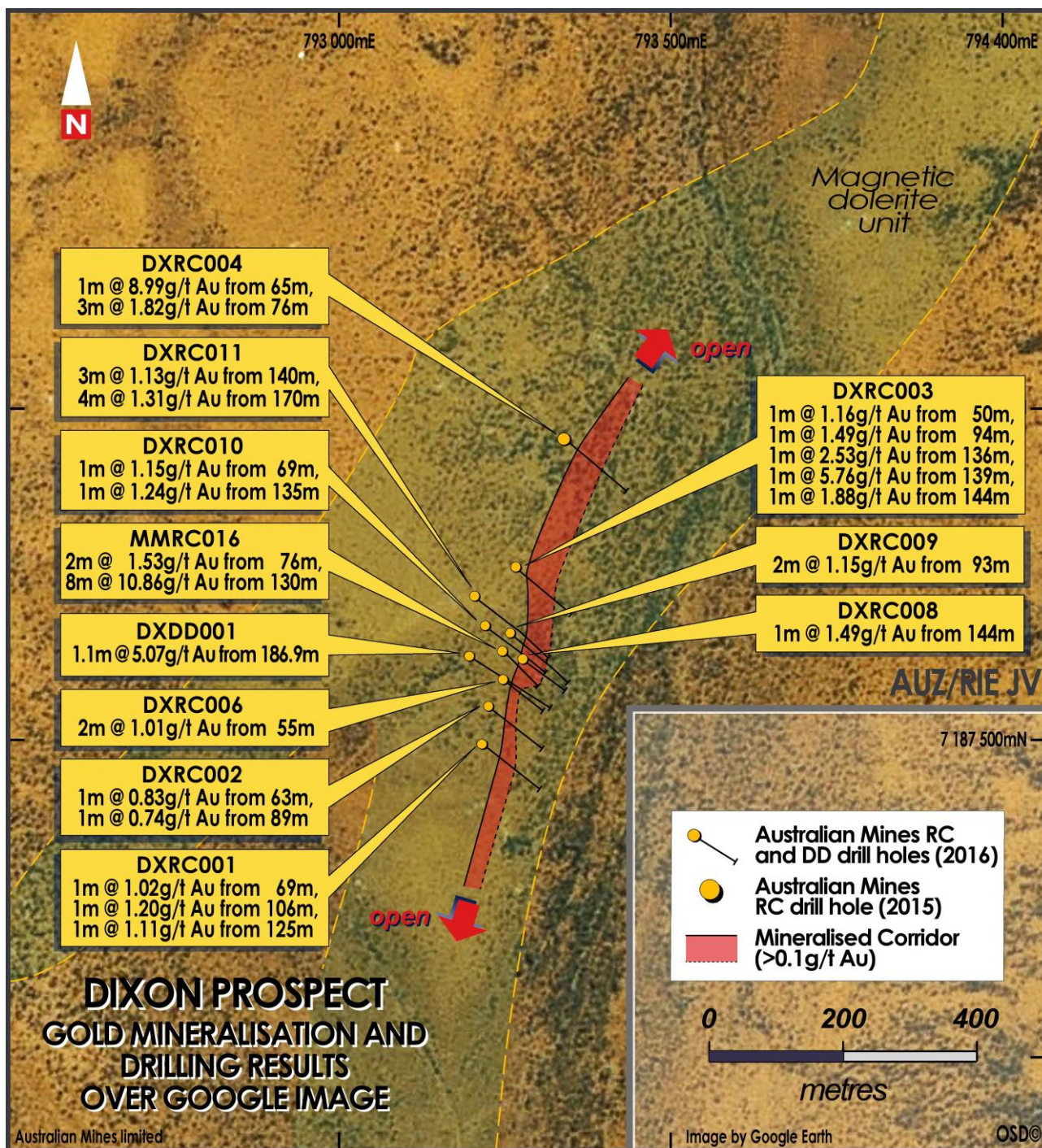


Figure 8: Schematic image showing the interpreted gold mineralised corridor (>0.1 g/t Au) at Dixon as based on Australian Mines' reverse circulation (RC) and diamond core drill programs^{31,32}.

³¹ Australian Mines Limited, RC drill results received from Dixon gold prospect, released 18 April 2016

³² Australian Mines Limited, RC drill results reveal controls of mineralisation at Dixon ahead of Government co-funded diamond drilling, released 28 June 2016

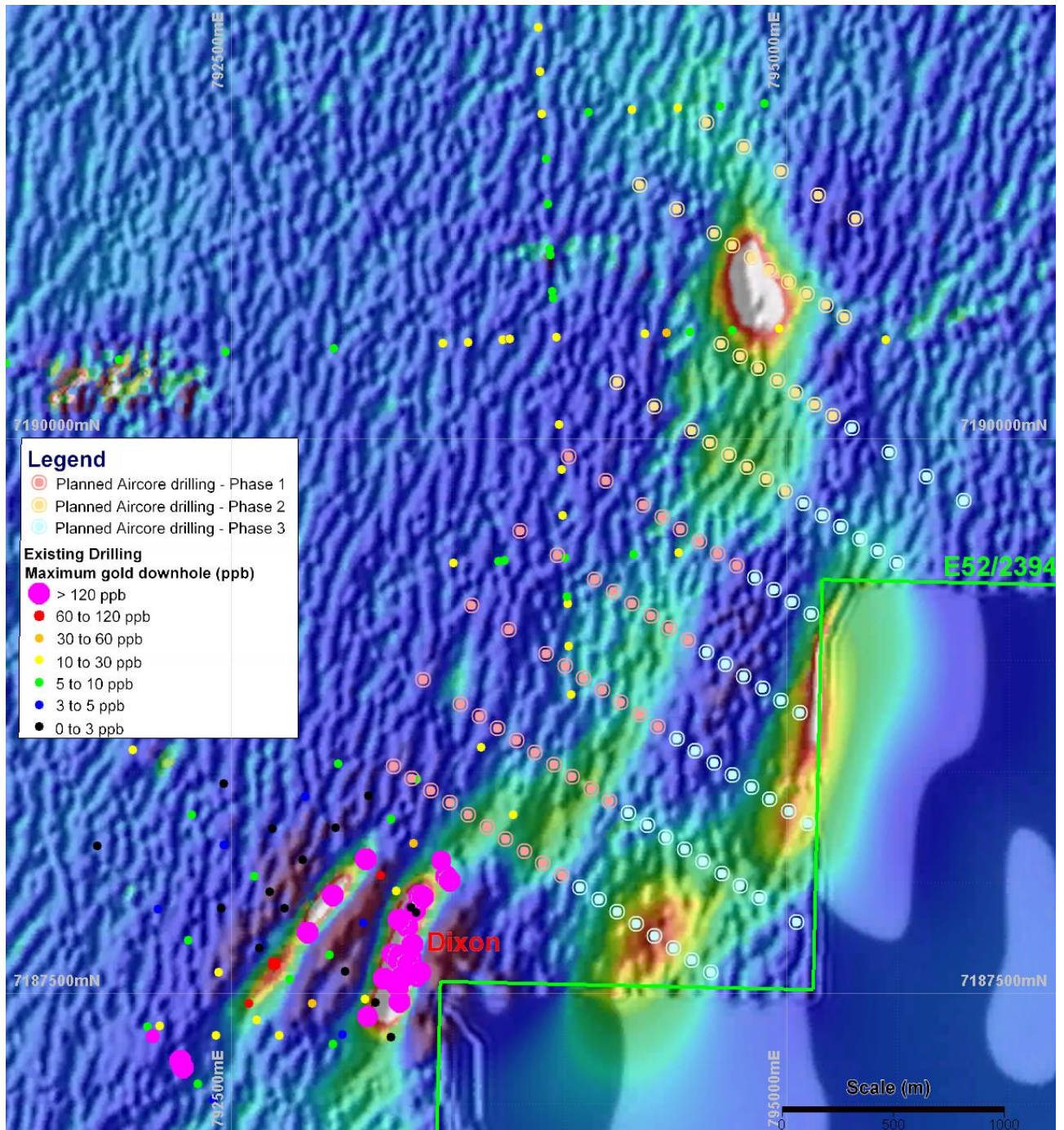


Figure 9: Plan view of the Dixon prospect displaying the maximum gold downhole with the planned air core drilling (by phase) on an aeromagnetic image.

Arunta West Project

The Project

The Arunta West Project offers significant potential to deliver genuine value to shareholders through the ground's high prospectivity for large scale, iron-oxide copper gold (IOCG) mineralisation.

The Arunta West Project is a joint venture between Australian Mines and Jervois Mining Limited (ASX: JRV), which takes in three tenements covering 345 square kilometres of the prospective Lake Mackay district of Western Australia.

Australian Mines separately holds a 100% interest in two tenements adjoining the Arunta West joint venture area, covering an additional 1,100 square kilometres.

Arunta West is strategically located between Cassini Resources' West Arunta (X17) tenement package to the west, where exploration in 2016 produced several promising base metal prospects, and Independence Group's Lake Mackay project to the west, home to the encouraging Bumblebee copper-gold discovery made in late 2015 – a prospect that has attracted a significant exploration budget from a proven explorer.

However, Arunta West is more than an exercise in nearology by Australian Mines. The Company was initially attracted to the area as a result of it coming complete with a walk-up priority drill target in the North Dovers prospect, which BHP Billiton discovered in the 1999 but never tested.

North Dovers Iron-Oxide Copper-Gold Target

According to published reports³³, it was the potential for large-scale IOCG mineralisation that also attracted BHP Billiton to the region in the 1990s.

Following initial reconnaissance exploration across the region, BHP Billiton subsequently concentrated their activities on the North Dovers target (as is the intention of Australian Mines when it commences on-ground exploration of this project from the start of the 2017 field season).

BHP Billiton's work revealed a coincident gravity-magnetic anomaly suggestive of an IOCG deposit and they subsequently reported a probable electromagnetic conductor associated with this buried gravity plus magnetic feature³⁴.

The base metal potential of the province was reaffirmed in October 2015 when Independence Group, in partnership with ABM Resources, announced the Bumblebee copper-gold-silver-lead-zinc-cobalt discovery immediately east of Australian Mines' Arunta West project area³⁵ (Figures 10 & 11).

³³ Exploration and Discovery Services Pty Ltd, Preliminary data review for the West Arunta Project, internal report for Australian Mines Limited, dated May 2016

³⁴ BHP Minerals Pty Ltd, Mt Webb Joint Venture Annual Report, Internal company report (WAMEX number a59726), December 1999

³⁵ ABM Resources, Announcing the Bumblebee gold-copper-silver-lead-zinc-cobalt discovery, released 6 October 2015

North Dovers is primarily defined by a strong (1,000nT) magnetic anomaly covering a large area of approximately 8 kilometres by 4 kilometres and located immediately south of a major crustal structure (Figure 12). For reference, the Olympic Dam deposit also produces a 1,000nT magnetic anomaly³⁶.

Forward modelling of this data shows that the main geophysical anomaly at North Dovers can be modelled with simple, vertically-sided blocks of constant susceptibility, whose depth-to-target source not surprisingly also appears similar to that modelled by WMC over the Olympic Dam ore body³⁷.

Current Activity

Since entering into the joint venture agreement with Jervois Mining in mid-2016, Australian Mines has been methodically evaluating the available historic geological and exploration data acquired over the broader western Arunta mineral province.

The Company has also carried out geological and geophysical modelling over its Arunta West project area to identify and rank future drill targets.

This work included modelling of the bedrock conductor identified by BHP Billiton at the North Dovers prospect as well as detailed analysis of the Mantati target, where a previous surface sampling program returned anomalous gold and silver (up to 7.3 g/t Ag)³⁸ along a prominent northwest-oriented fault, which splays off the major east-west crustal structure – not unlike the structural setting of the Independence Group's Bumblebee mineralisation³⁹.

During the September quarter, Australian Mines attended a meeting with the Kiwirrkurra representatives and successfully entered into a land access agreement with the traditional owners of this land. Australian Mines regards this as an important milestone that paves the way for the Company to begin its on-ground field exploration across the North Dovers target, in particular, as of the commencement of the 2017 field season.

Future Exploration

Australian Mines is currently seeking tenders from experienced geophysical contractors to undertake a 400 metre by 100 metre ground gravity survey the North Dovers prospect from March 2017.

The Company believes that this style of gravity survey will better delineate the potential IOCG target at North Dovers and will enable it to more accurately design a maiden drilling campaign to test for copper-gold mineralisation. Australian Mines will also undertake a detailed aeromagnetic survey over the broader tenement package, as a secondary priority, at the commencement of the 2017 field season to assist with targeting of drilling over the Mantati prospect.

³⁶ J. Austin and C. Foss (2012). "Rich, attractive and extremely dense: A geophysical review of Australian IOCGs" 22nd International Geophysical Conference and Exhibition, 26-29 February 2012 - Brisbane, Australia

³⁷ H. Rutter and D. J. Esdale (1985). "The geophysics of the Olympic Dam discovery." Exploration Geophysics, 16(2/3)

³⁸ BHP Minerals Pty Ltd, Mt Webb Joint Venture Annual Report, Internal company report (WAMEX number a57866), dated December 1998

³⁹ Geoscience Consultants Pty Ltd, West Arunta Project – Geophysical; Processing, Interpretation, Review and Target Generation, Internal company report for Australian Mines Limited, (Report SGC3097, dated September 2016)

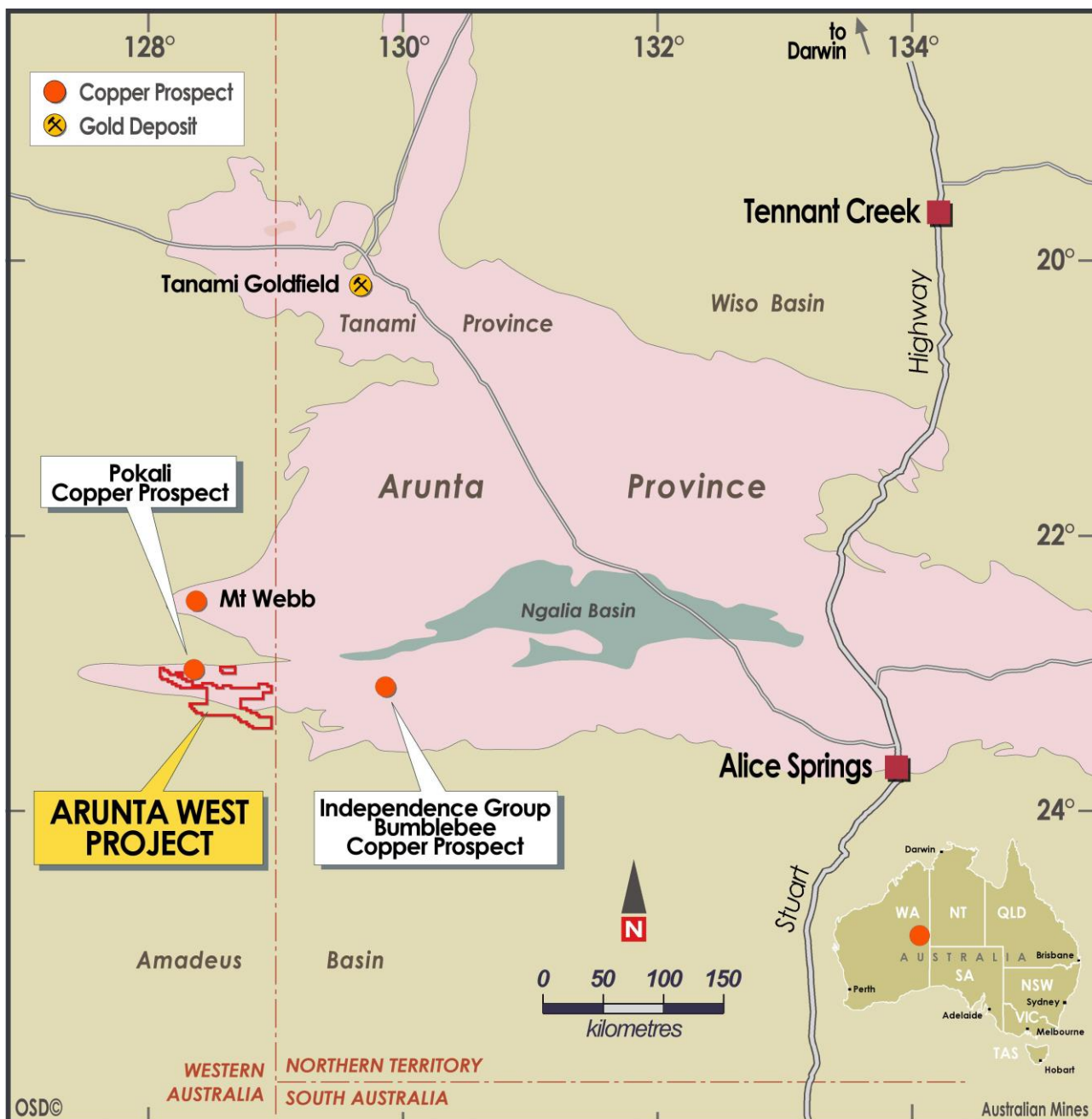


Figure 10: The Arunta West Project area, situated approximately 600 kilometres west of Alice Springs, covers an area of approximately 1,500 square kilometres in a region that is rapidly becoming known as Australia's next copper province.

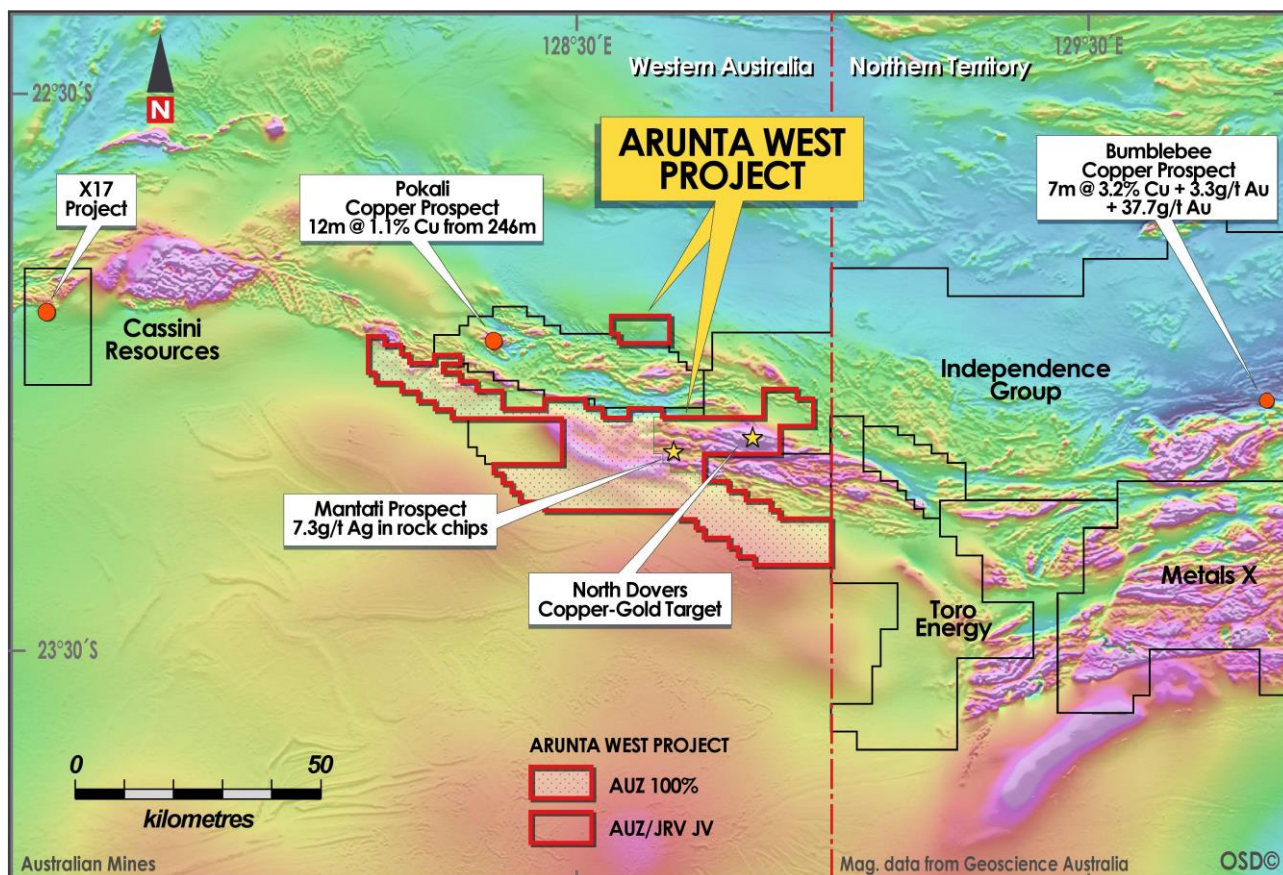


Figure 11: The regional aeromagnetic (reduced-to-pole) image of the western Arunta region. In 1999, BHP Billiton identified the North Dovers prospect as a potential IOCG-style copper-gold target within what is now Australian Mines' Arunta West Project. The North Dovers target comprises a coincident gravity-magnetic anomaly, with apparent structural associations and a probable associated electromagnetic (EM) anomaly. Despite the target's geophysical response and structural setting appearing to have potential analogies with known IOCG (iron oxide copper-gold) deposits, no drilling has previously been undertaken across the North Dovers prospect.

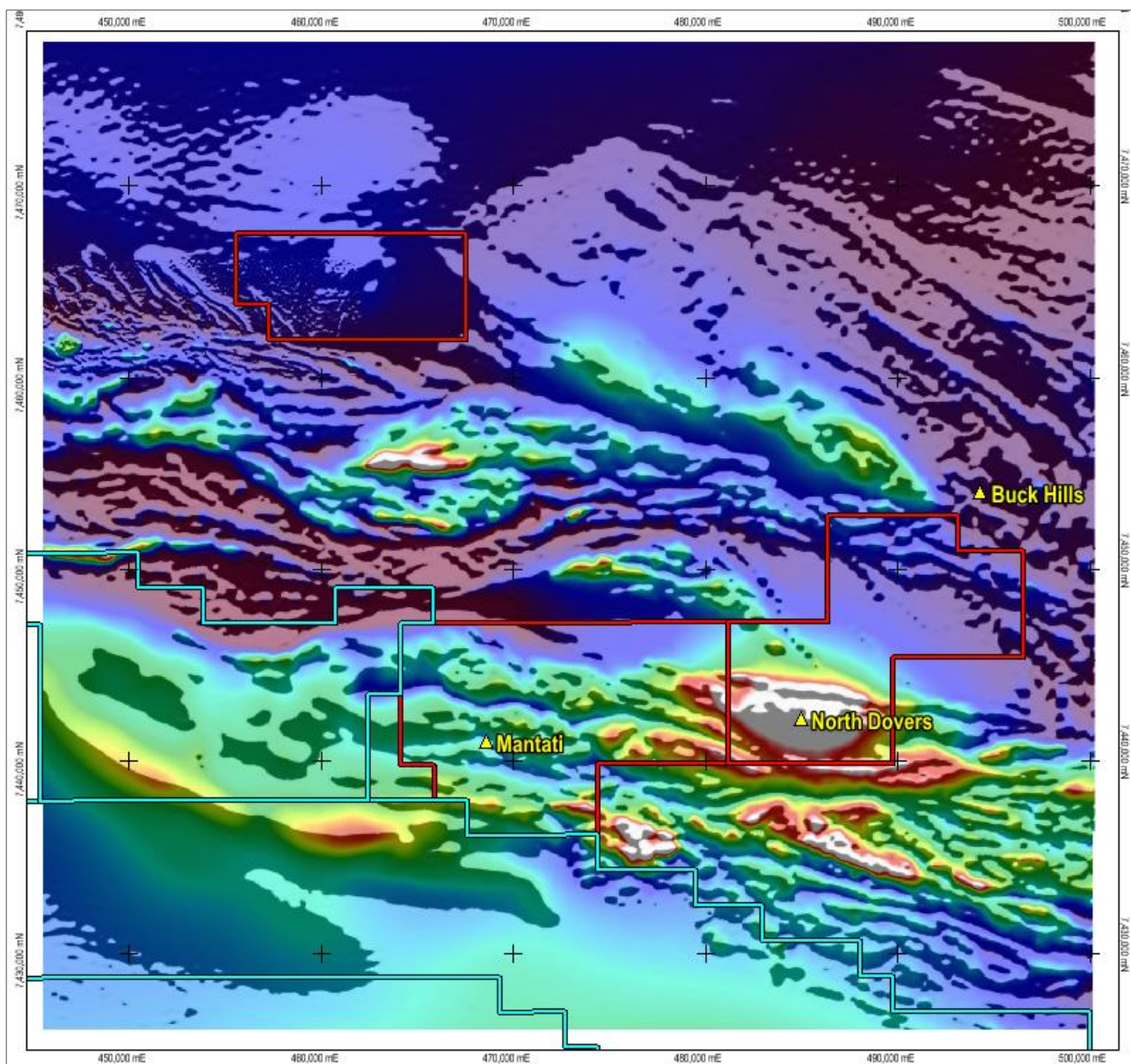


Figure 12: The semi-detailed aeromagnetic (reduced-to-pole) image of the Arunta West joint venture area. The major feature of note in this image is the large, 8 kilometre by 4 kilometre ovoid magnetic anomaly within E80/4820 delineating the North Dovers IOCG prospect (as marked). The magnitude of this magnetic anomaly at North Dovers similar to that observed at Olympic Dam (being 1,000nT)⁴⁰ and, as most IOCGs were initially discovered through regional magnetic and gravity targeting³⁷, Australian Mines is commissioning a ground gravity and aeromagnetic survey over this project area. These geophysical surveys are scheduled to commence at the start of the 2017 field season. (Tenements outlined in red in this image are those subject of the Australian Mines - Jervois Mining joint venture, while those outlined in blue are held 100% by Australian Mines).

⁴⁰ J. Austin and C. Foss (2012). "Rich, attractive and extremely dense: A geophysical review of Australian IOCGs" 22nd International Geophysical Conference and Exhibition, 26-29 February 2012 - Brisbane, Australia

Marriotts Nickel Project

The Project

Australian Mines' 100%-owned Marriotts Nickel Project is located within the proven, world-class nickel province of the Agnew-Wiluna Greenstone Belt, which has produced more than 9 million tonnes of nickel to date⁴¹ (Figure 13).

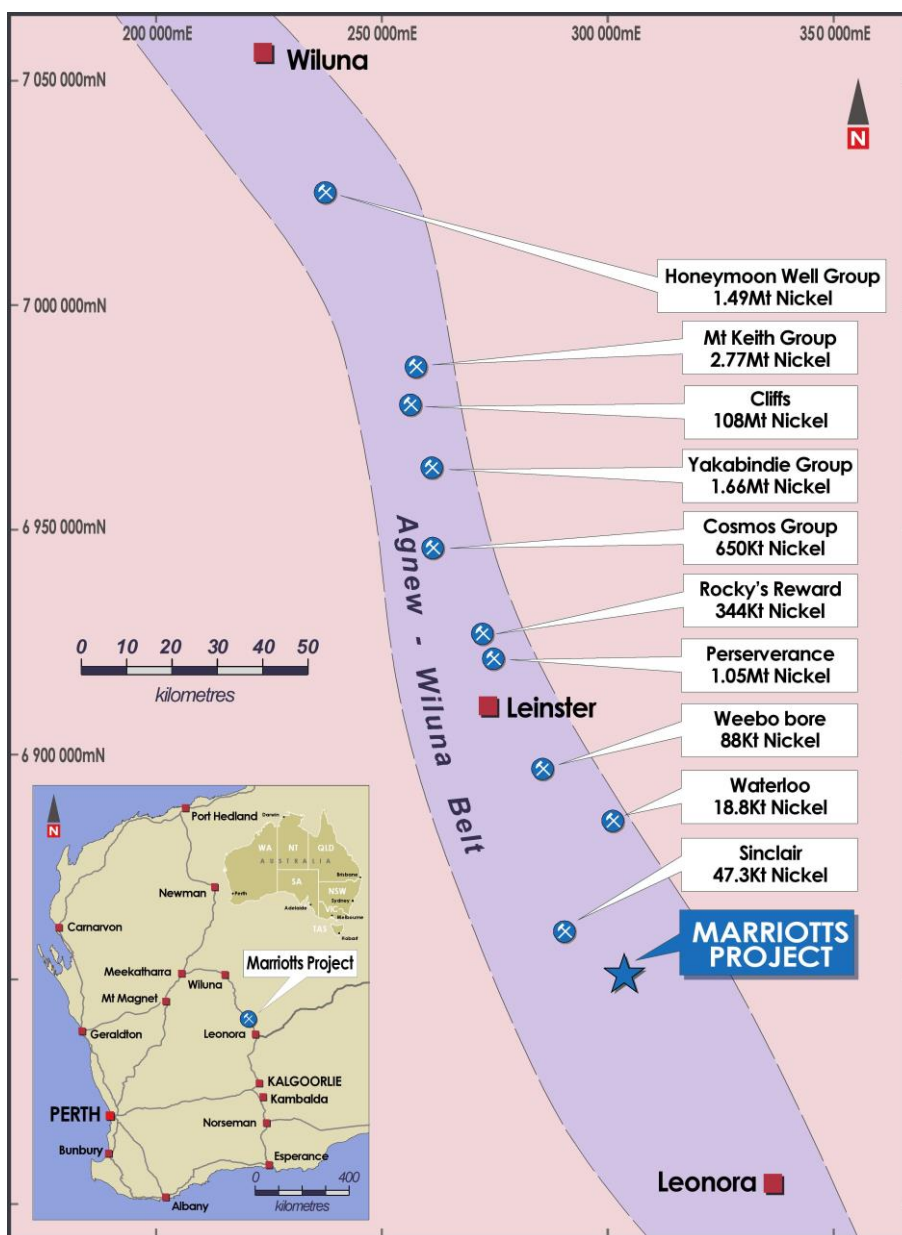


Figure 13: Location of Australian Mines' Marriotts Nickel Project in relation to regional geology, production centres and reported contained nickel of the Agnew-Wiluna Belt⁴².

⁴¹ Talisman Mining Limited, <http://www.talismanmining.com.au/projects/sinclair-nickel/project-overview.html>, dated 3 October 2016

⁴² Modified from – Talisman Mining Limited, Talisman to acquire Sinclair Nickel Project, released 20 October 2014



This region of Western Australia boasts significant existing infrastructure, including a nearby processing plant at the Talisman Mining Limited-owned Sinclair Nickel Project, which was previously in operation between 2008 and 2013.

Given the right economic environment, the existing regional infrastructure around Marriotts would facilitate this project being potentially fast-tracked into production.

The shallow, open-pit suitable nickel sulphide deposit at Marriotts currently carries an Indicated and Inferred Mineral Resource of 0.83 million tonnes at 1.13% nickel for 9,400 tonnes of contained nickel (see Appendix 3)⁴³.

Exploration to date by Australian Mines has demonstrated a large amount of upside at Marriotts, with interpreted extensions of the existing Mineral Resource, particularly up-dip of the existing drilling, while the ore body also remains open at depth (Figure 14).

Although Australian Mines' previous exploration has focused on delineating the mineralisation within 100 metres of surface, several deeper holes were drilled with one intersecting 20 metres at 2.46% nickel from 129 metres (AMMD023)⁴⁴ – indicating the grade of the ore body may in fact increase at depth and support future extensions.

Historical exploration at Marriotts by WMC's exploration division defined three parallel lenses of blebby nickel sulphide mineralisation about 10 metres apart, striking east-west and dipping at 35-40 degrees to the north⁴⁵. Importantly, for any future development, the mineralisation is hosted in massive serpentinised ultramafic, with the Central (or Main) Lens containing the bulk of the mineralisation and higher nickel grades.

This central peridotite unit sits above the basal contact with the meta-gabbro, with the sub-parallel shoots belonging to individual mineralised flows interpreted to have distinct boundaries. The nickel sulphides occur as coarse interstitial blebs, or as fine disseminations, flecks and stringers in the peridotite.

Australian Mines believes there remains significant potential to increase the resource in the up-dip position for all three mineralised shoots.

Current Activity

The Marriotts Nickel Project's existing Mineral Resource sits within the granted Mining Lease of M37/096. No field work was undertaken across the Marriotts Nickel Project in the three months to 30 September 2016.

Future Activity

Australian Mines has no immediate plans to commence further exploration activity at Marriotts in 2016-17. However, the company is continuing to evaluate opportunities to realise value for shareholders from this asset in the medium term.

⁴³ Australian Mines Limited, Annual Report, release 21 September 2016

⁴⁴ Australian Mines Limited, Annual Report, release 29 October 2007

⁴⁵ Western Mining Corporation Limited, Marriotts Project, Internal company report, dated 7 November 1989

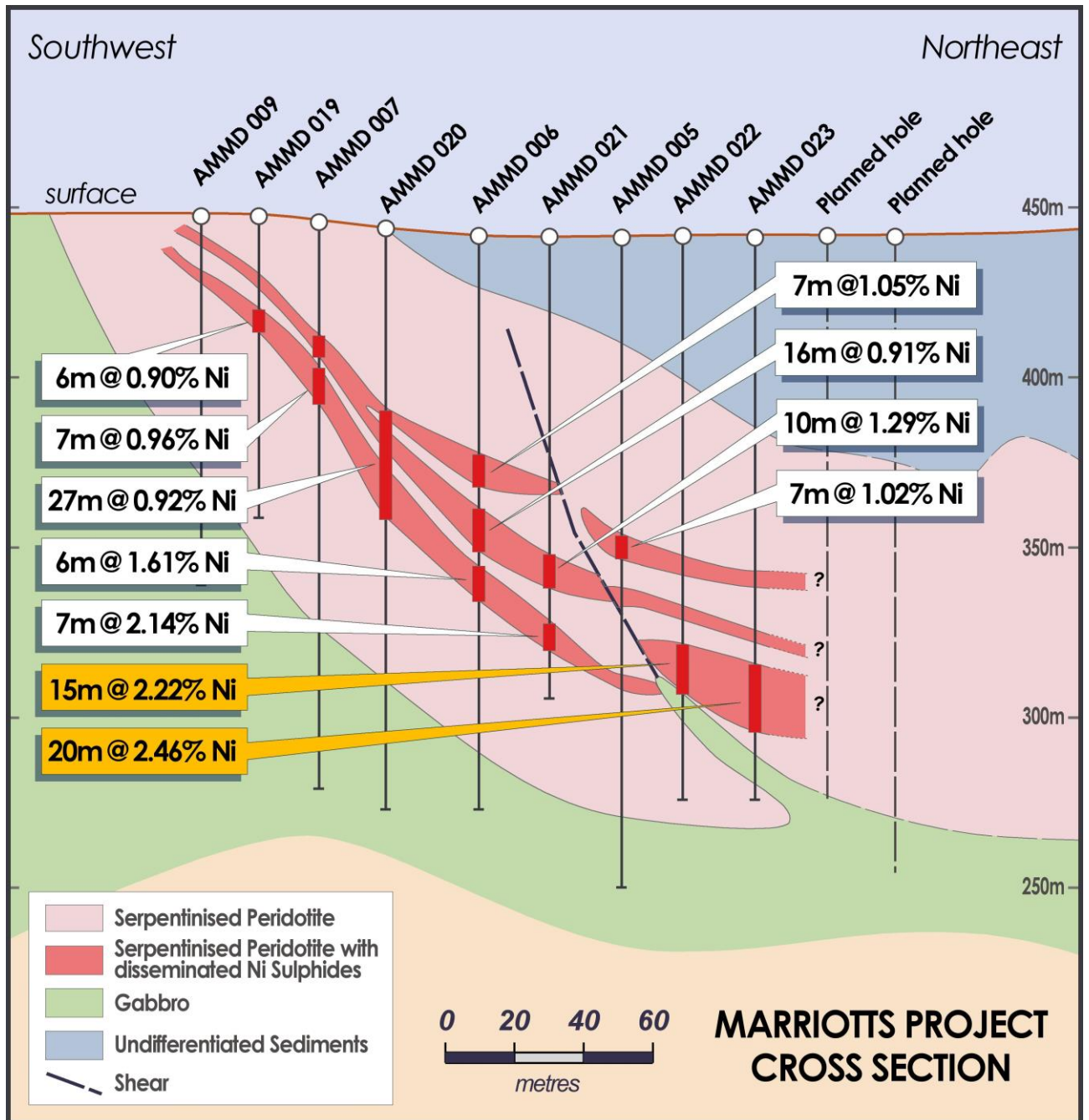


Figure 14: Schematic cross section of the Marriotts Nickel Project. Work previously completed by Australian Mines indicated that the nickel grade at Marriotts may increase with depth and that the nickel mineralisation remains open at depth.



Corporate Activity

As at 30 September 2016, Australian Mines had cash reserves of approximately \$0.8 million and no debt.

Australian Mines will be exhibiting at the upcoming Low Emissions and Technology Minerals Conference, which is being held in Perth on 15 and 16 November. As part of this conference, Managing Director Benjamin Bell will be presenting an update on the Company's strategy of pursuing a dominant position in the global supply of scandium to the automotive and aerospace industries.

*****ENDS*****

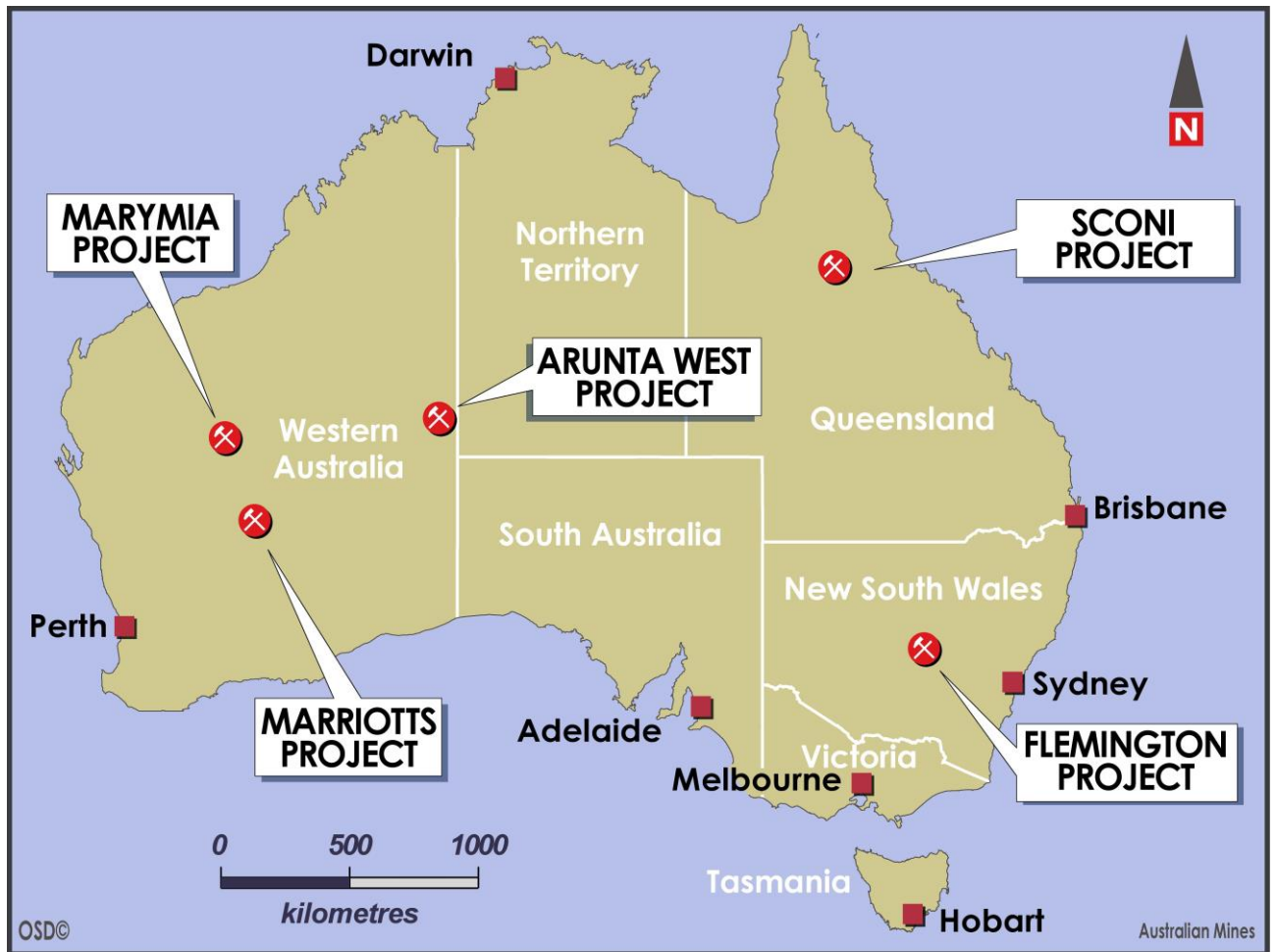
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Location map of Australian Mines' projects, including its Flemington Scandium-Cobalt Project in central New South Wales and Sconi Scandium-Cobalt Project in North Queensland.



Competent Persons Statements

Scandium-Cobalt Projects

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. Mr Rangott has 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". Mr. Rangott Brown consent to the inclusion in the report of the matters based on his information in the form and context in which it appears. Information in this document that relates to Exploration Results and Mineral Resources for the Sconi Scandium-Cobalt Project is based on information compiled by Golder Associates Pty Ltd and reported by Metallica Minerals Limited in October 2013.

Doolgunna-Marymia Project

Information in this report that relates to Doolgunna - Marymia 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.

Arunta West Project

Information in this report that relates to Arunta West 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.

Marriotts Nickel Project

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.

This document contains Mineral Resources of the Marriotts Nickel Project that are reported under JORC 2004 Guidelines, as there has been no Material Change or Re-estimation of the Mineral Resource since the introduction of the JORC 2012 Code. Future estimates of the Marriotts Nickel Project resource will be completed to JORC 2012 Guidelines.

Appendix 1: Tenement Information

Mining tenements held at end of the quarter

| Location | Project | Tenement | Status | Interest |
|-------------------|-------------|----------|---------|----------|
| AUSTRALIA | | | | |
| Western Australia | Marriotts | M37/096 | Granted | 100% |
| Western Australia | Arunta West | E80/5031 | Pending | 0% |
| Western Australia | Arunta West | E80/5032 | Pending | 0% |

Purchase Agreement – Flemington Scandium-Cobalt Project

Post-period end, Australian Mines announced that the Company has entered into an agreement with Jervois Mining Limited (ASX: JRV) to acquire 100% of the Flemington Scandium-Cobalt Project (tenement EL7805) near Fifield in New South Wales.

Under the terms of this agreement entered, 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.

The total purchase price of the Flemington Scandium-Cobalt Project will be \$6 million, minus the total of all option fees paid. 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.

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

Mining tenements acquired and disposed of during the quarter

| Location | Project | Tenement | Status | Interest | Comments |
|------------------|------------|----------|---------|----------|---------------------------------|
| AUSTRALIA | | | | | |
| New South Wales | Flemington | EL7805 | Granted | 0% | Announced 10 October 2016 |

Purchase Agreement – Flemington Scandium-Cobalt Project

Post-period end, Australian Mines announced that the Company has entered into an agreement with Jervois Mining Limited (ASX: JRV) to acquire 100% of the Flemington Scandium-Cobalt Project in central New South Wales.

Details of this options and sales agreement are available in Australian Mines' announcement dated 10 October 2016 and titled *Strategic acquisitions position Australian Mines to fast-track into a global scandium company*.

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

| Location | Project | Agreement | Parties | Interest | Comments |
|-------------------|------------------------|-------------------------|---|----------|--|
| AUSTRALIA | | | | | |
| Western Australia | Doolgunna-Marymia | Heads of Agreement | Australian Mines and Riedel Resources | 51% | Announced 30 April 2014 and 29 May 2015 |
| Western Australia | Arunta West | Joint Venture Agreement | Australian Mines and Jervois Mining | 0% | Announced 23 May 2016 |
| Queensland | Sconi Scandium Project | Joint Venture Agreement | Australian Mines and Metallica Minerals | 0% | Announced 10 October 2016 |



Doolgunna – Marymia Joint Venture

Australian Mines currently holds a 51% interest in the Australian Mines – Riedel Resources (ASX: RIE) joint venture tenements of E52/2394 & E52/2395, with Australian Mines on track to satisfying its exploration spending obligations to earn an 80% interest in these tenements by May 2018.

Australian Mines is the operator and manager of the Project.

Arunta West Joint Venture

Under the Arunta West joint venture agreement, Australian Mines has the right to farm into Jervois Mining's three exploration licenses of E80/4820 (granted), E80/4896 (under application) and E80/4897 (under application), which cover a total area of approximately 345 square kilometres.

The key terms of this agreement include:

- Australian Mines must spend a minimum of \$350,000 on exploration by 23 May 2018 to acquire a 51% interest in the Arunta West Project.
- Following the acquisition of the initial 51%, Australian Mines may elect to acquire an additional 29% (taking the total to 80%) in the Arunta West Project by spending a further \$3.15 million on exploration within a further 24 month period.
- Once Australian Mines has satisfied its earn-in obligations, with a resulting joint venture interest of either 51% or 80%, Jervois Mining may elect to contribute on a pro-rata basis or dilute their interest according to the standard industry formula.
- Australian Mines is the operator and manager of the Project.

Sconi Scandium-Cobalt Project Joint Venture

Post-period end, Australian Mines announced that the Company had entered into an 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.

The key terms of this agreement include:

- Australian Mines paid Metallica Minerals \$250,000 upon entry into the joint venture agreement.
- Australian Mine can earn a 50% interest in the Sconi Scandium-Cobalt Project by completing a Definitive Feasibility Study (DFS) on the project within 4 years (or spend \$10 million on the project within 4 years – whichever occurs first).
- Australian Mines can earn an additional 25% (taking the total to 75%) in the Sconi Scandium-Cobalt Project by procure thing funding contemplated in the DFS no later than 18 months following completion of this study.

Australian Mines has the right to withdraw from this joint venture at any time.



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

| Location | Project | Agreement | Parties | Interest | Comments |
|------------------|------------------------|-------------------------|---|----------|---------------------------|
| AUSTRALIA | | | | | |
| Queensland | Sconi Scandium Project | Joint Venture Agreement | Australian Mines and Metallica Minerals | 0% | Announced 10 October 2016 |

Sconi Scandium-Cobalt Project Joint Venture

Post-period end, Australian Mines announced it had entered into a joint venture with Metallica Minerals Limited (ASX: MLM) covering the Sconi Scandium-Cobalt Project.

Under this joint venture agreement, Australian Mines has the right to earn up to a 75% interest in the mining and exploration leases that comprise this advanced project.

Further details of this joint venture are available in Australian Mines' announcement dated 10 October 2016 and titled *Strategic acquisitions position Australian Mines to fast-track into a global scandium company*.

Appendix 2: Mineral Resources

Mineral Resource for the Flemington Scandium-Cobalt Project

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 2015⁴⁶.

| | | |
|--|---------------------|-----------------------------------|
| 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 ₂ O ₃)*: | 2,085 tonnes | (using a 200ppm Sc lower cut-off) |

Mineral Resource for the Sconi Scandium-Cobalt Project

The current JORC-compliant Mineral Resource for the Sconi Scandium Project as independently calculated by Golder Associates Pty Ltd and reported by Metallica Minerals Limited in October 2013⁴⁷.

| | | |
|--|--------------------|-----------------------------------|
| Measured Resource: | 0.7 million tonnes | 208 ppm Scandium |
| Indicated Resource: | 6.5 million tonnes | 174 ppm Scandium |
| Total Resource: | 7.2 million tonnes | 177 ppm Scandium |
| Total Scandium Oxide (Sc ₂ O ₃)*: | 1,950 tonnes | (using a 100g/t Sc lower cut-off) |

⁴⁶ 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 Sc₂O₃, being the saleable scandium product

⁴⁷ Metallica Minerals Limited, Sconi Project – Nickel-Cobalt and Scandium Resource Upgrade, released 21 October 2013



Mineral Resource for the Marriotts Nickel Project

The current Mineral Resources for the Marriotts nickel sulphide deposit as reported by Australian Mines Limited on 21 September 2016^{48,49}

| | | |
|-------------------------------|---------------------|---------------------------------|
| Indicated Resource: | 0.46 million tonnes | 1.12% Nickel |
| Inferred Resource: | 0.37 million tonnes | 1.15% Nickel |
| Total Resource: | 0.83 million tonnes | 1.13% Nickel |
| Total Contained Nickel Metal: | 9,400 tonnes | (using a 0.5% Ni lower cut-off) |

⁴⁸ The information regarding Australian Mines' Mineral Resource has been extracted from various Company announcements, which are available on the Australian Mines website (www.australianmines.com.au) or through the ASX website at www.asx.com.au (using ticker code "AUZ"). Australian Mines confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in that market announcement continue to apply and have not materially changed. Australian Mines confirms that the form and context in which the Competent Person's findings are presented have not materially modified from the original market announcement. The Marriotts Mineral Resources is reported under JORC 2004 Guidelines, as there has been no Material Change or Re-estimation of the Mineral Resource since the introduction of the JORC 2012 Code. Future estimates of the Marriotts Nickel Project resource will be completed to JORC 2012 Guidelines.

⁴⁹ The Marriotts Mineral Resources is reported under JORC 2004 Guidelines, as there has been no Material Change or Re-estimation of the Mineral Resource since the introduction of the JORC 2012 Code. Future estimates of the Marriotts Nickel Project resource will be completed to JORC 2012 Guidelines.