

21 February 2017

Significant capital raising to fast-track the development of Australian Mines' two core scandium - cobalt assets

- **\$4.3 million raised from professional investors introduced by UK-based, FCA regulated Arlington Group Asset Management Limited to fast track development of the Company's two core scandium - cobalt assets**
- **\$2 million fully underwritten Entitlement Offer offered to existing shareholders**
- **Proceeds from the fundraising will be used to fast-track the development of the Company's two core scandium - cobalt projects at Sconi and Flemington.**
- **Specific use of proceeds includes:**
 - **completion of the Definitive Feasibility Study at Sconi**
 - **completion of the Scoping Study and commencement of a Pre-Feasibility Study at Flemington**
 - **completion of a significant drill program at Flemington to define an initial JORC cobalt resource and to increase the size of the existing scandium resource**
 - **fast-track offtake discussions by funding the processing of a bulk tonnage sample from ore taken from Sconi. This will produce a scandium oxide powder and, nickel and cobalt sulphate that can be delivered to interested offtake parties**
 - **securing a Mining Lease and Water Licence at Flemington**
 - **payment of the Company's option commitments at Flemington**



Managing Director, Benjamin Bell commented, *“With scandium and cobalt set to play pivotal roles in the rapidly developing electric vehicle industry, Australian Mines finds itself uniquely positioned with two high-quality scandium – cobalt ore bodies in the low-risk mining jurisdiction of Australia”.*

“Using BHP Billiton’s own definition¹, Australian Mines’ Sconi Project is truly a ‘world-class’ deposit, which as BHP puts it, is important to investors because “they make lots of money for a long time” and world-class deposits “help launch major mining companies”. The Scoping Study for Flemington, which will be released in the coming weeks, will indicate whether it too falls into the ‘world-class’ category”.

“Recent processing and metallurgical testwork has confirmed that the Company will be able to produce both a premium scandium oxide and also a nickel & cobalt sulphate. The fact that this can be achieved using standard off-the-shelf equipment significantly reduces the technical risk associated with these projects”.

Australian Mines Limited (“Australian Mines” or “the Company”) is pleased to announce it has attracted a high level of professional investor interest in its scandium and cobalt assets raising \$4.3 million via the placement of fully paid ordinary shares and the issue of unsecured convertible notes with the assistance of Arlington Group Asset Management (“Arlington”).

Arlington is a United Kingdom-based, FCA regulated investment management and corporate finance group that specialises in the natural resource sector and in the emerging markets.

The placement of 60,745,071 fully paid ordinary shares at an issue price of \$0.008 per share raised gross proceeds of \$485,960 and was undertaken in accordance with Section 708 of the Corporations Act and Listing Rule 7.1A of the ASX Listing Rules as outlined in Appendix 3 of this announcement.

The zero-coupon unsecured convertible notes issue, which raised a further \$3,804,310 was also done at an issue price of \$0.008.

Conversion of the convertible notes into fully paid ordinary shares at the issue price is subject to shareholder approval, which the Company will seek to obtain via a General Meeting from shareholders in the near future.

¹ BHP Billiton define a ‘world-class’ deposit as one which has an NPV of at least \$250 million. (www.bhpbilliton.com/-/media/bhp/documents/investors/reports/2006/amecconference.pdf). The Scoping Study of Australian Mines’ Sconi Project, released to the ASX by Metallica Minerals Limited on 16 October 2012, indicated that the proposed mining operation at Sconi would have an NPV of \$870 million, which to Australian Mines indicates that the Sconi project qualifies as a ‘world class’ asset.



Further details of this convertible note issue are summarised in Appendix 5 of this announcement.

Australian Mines is also undertaking a fully underwritten non-renounceable entitlement offer to existing shareholders at the same price (\$0.008) as the placement and convertible note issue.

This entitlement offer, which will raise a further \$2 million, provides an opportunity for existing shareholders of the Company to increase their exposure to the emerging scandium and cobalt market, and thus potentially capitalise on the future growth of the electric vehicle and battery sector in which both cobalt and scandium are expected to play a significant role².

Cobalt, for instance, is a key component of lithium-ion batteries used in electric vehicles. Australian Mines, through its joint venture with Metallica Minerals (ASX: MLM), presently has 54,500 tonnes of contained cobalt^{3,4} at its Sconi Project in northern Queensland.

A high-level economic and mine study completed on this ore body indicated that, at a cobalt price of US\$15 per pound, a mining operation at Sconi could profitably produce at least 700 tonnes of cobalt (plus 5,250 tonnes of nickel and 68 tonnes of scandium) per year for the next 20 years⁵.

With the current cobalt price trading 30% higher at around US\$20 per pound⁶, Australian Mines is updating the current proposed mine plan for Sconi as part of its Definitive Feasibility Study (DFS) to ensure the Company optimises the extraction of this valuable metal in the proposed future mining operation within this project.

Recent technical studies completed on the Sconi resource also concluded that its ore appears amenable to producing a high-quality nickel and cobalt sulphate⁷, being the apparent preferred product by battery manufacturers⁸.

As part of the ongoing Sconi DFS, which is being completed with the assistance of SRK Consulting (Australia), the Company is scheduled to process a bulk tonnage sample of ore material from the Sconi deposit to generate both a premium quality scandium oxide powder as well as a saleable nickel and cobalt sulphate product.

² Clean TeQ Holdings Limited, Investor presentation - February 2017, released 30 January 2017

Unless otherwise stated, all currency figures quoted within this document is Australian dollars.

³ 89 million tonnes at 0.06% Cobalt for 54,500 tonnes of contained cobalt

⁴ See Appendix 7 of this report

⁵ Metallica Minerals Limited, NORNICCO Scoping Study - Positive, released 4 July 2012

⁶ <http://www.lme.com/metals/minor-metals/cobalt/>

⁷ Metallica Minerals Limited, NORNICCO Scoping Study - Positive, released 4 July 2012

⁸ Clean TeQ Holdings Limited, Investor presentation - February 2017, released 30 January 2017



This processing operation, which will be funded from the money raised from the upcoming capital raising, will use standard off-the-shelf equipment that is available at most commercial assay and metallurgical laboratories across Australia.

This ability to use well-established and proven methods to produce saleable end products from Australian Mines' Sconi (and Flemington) ore minimises any technical risks associated with the Company's scandium - cobalt projects.

Australian Mines' belief is that its Flemington Project, in central New South Wales, is one of the highest-grade scandium deposits in the world today⁹.

Like the adjoining Syerston resource owned by ASX-listed Clean TeQ Holdings (ASX: CLQ), Flemington also has significant cobalt mineralisation although a JORC-compliant cobalt resource has yet to be determined^{10,11}.

This potential for Flemington to host a significant cobalt deposit has, historically, been overshadowed by the project's impressive scandium potential, particularly with scandium oxide currently trading at US\$2.5 million per tonne and given that Flemington currently has 2,085 tonnes of scandium oxide in resource^{12,13}.

A recent resource review undertaken SRK Consulting re-affirmed that cobalt mineralisation co-exists with scandium throughout the Company's Flemington ore body, with higher grades encountered towards the base of the lateritic profile

Furthermore, SRK's work confirmed that the Flemington ore body remains open to the north and west, thus offering the possibility of significantly increasing the Company's scandium - cobalt resource at this project.

Assay results from the northern-most drill fence at Flemington, for example, returned 8 metres @ 414 grams per tonne Scandium from 1 metre below the surface (hole SY98) and 11 metres @ 428 grams per tonne Scandium again from 1 metre below the surface (hole SY66)¹⁴.

Encouragingly, these holes also returned significant cobalt grades, which included 5 metres @ 0.26% Cobalt from 9 metres (hole SY98) and 4 metres @ 0.56% Cobalt from 5 metres

⁹ Jervois Mining Limited, Quarterly Report to 31 December 2015, released January 29 2016

¹⁰ Clean TeQ Holdings Limited, Investor presentation - February 2017, released 30 January 2017

¹¹ Jervois Mining Limited, EL7805 Syerston Drilling Results, released 2 October 2013

¹² See Appendix 8 of this report

¹³ The Mineral Resource Estimate for the Flemington Scandium-Cobalt Project is reported under JORC 2012 Guidelines and was first reported by Australian Mines' partner, 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. Total contained scandium metal tonnage multiplied by 1.53 to convert to total Sc₂O₃, being the saleable scandium product.

¹⁴ Jervois Mining Limited, EL7805 scandium project – May 2015 drill results, released 17 June 2015



(hole SY66), including an impressive 1 metre @ 1.17% Cobalt towards the base of the lateritic sequence¹⁵.

With such high scandium and cobalt grades appearing to extend beyond the currently defined ore body at Flemington, Australian Mines is proposing to use part of the funds received to undertake a drill program which will be designed to delineate a larger, and potentially higher-grade, scandium and cobalt resource at Flemington.

Proceeds from the entitlement offer will also be directed to obtaining a Mining Lease over the Flemington ore body. Australian Mines remains on schedule to submit its mining application to the New South Wales Government in April 2017 and the Company will keep shareholders updated on the progress of this application.

A portion of the funds raised via the entitlement offer will also be directed towards securing a water licence for the Flemington Project from the relevant New South Wales Government Department. The capital cost required to build the associated water pipeline will be reflected in SRK's economic model for the Flemington Project which the Company anticipates publishing within the next four weeks.

Australian Mines is currently in discussions with a number of potential off-take partners for its scandium oxide product. It is anticipated that these negotiations may accelerate over the coming months as the Company intends to supply physical evaluation samples of its scandium oxide to the various interested parties.

The Company has also commenced discussions with potential buyers of its cobalt and nickel sulphate, which may be produced from Sconi and potentially also from Flemington. Australian Mines will continue to keep shareholders informed as to the progress of these discussions.

Australian Mines anticipates being in a position to update the market on the results of the economic and technical Scoping Study for the Flemington scandium - cobalt project within the next four weeks.

To ensure shareholders have sufficient time to review SRK's Flemington Scoping Study and, thus, make the most informed decision possible when considering their participation in the upcoming entitlement offer, the closure date of the Entitlement offer will be 31 March 2017 – being at least two weeks after the expected release date of the Scoping Study.

Correspondingly, the Record Date for shareholders to qualify for participating in this underwritten entitlement offer, which is being carried out on a 2-for-11 basis (that is, shareholders are entitled to purchase two new ordinary share for every eleven existing ordinary shares they hold at the Record Date) to raise up to \$2 million, is 27 February 2017.

¹⁵ Jervois Mining Limited, EL7805 scandium project – May 2015 drill results, released 17 June 2015

Table 1: Important dates for participation in the proposed Entitlement Offer (see Appendix 1 for more details of this offer)

Activity	Date
Announce on ASX the non-renounceable pro rata issue containing cleansing notice information and lodge Appendix 3B with ASX.	21 February 2017
Notice sent to current shareholders	21 February 2017
Ex-date (the date shares are quoted ex rights)	24 February 2017
Record date to determine entitlements	7 pm (Melbourne time) 27 February 2017
Offer letter sent to shareholders.	2 March 2017
Announcement that letter dispatch has been completed	2 March 2017
Offer period opens.	2 March 2017
Offer period closes.	5pm (Melbourne time) 31 March 2017
Notification of under subscriptions to ASX and Underwriting Commitment to Underwriter	5 April 2017
Underwriter takes up Underwriting Commitment	6 April 2017
Issue and allot offer shares and announce completion of offer and lodge final Appendix 3B.	7 April 2017
Commencement of normal trading.	10 April 2017
Dispatch of holding statement.	10 April 2017

ENDS

For further information:

Shareholders contact:

Benjamin Bell
Managing Director
Ph: +61 8 9481 5811
E: bbell@australianmines.com.au

Media contact:

Michael Cairnduff
Cannings Purple
Ph: + 61 406 775 241
E: mcairnduff@canningspurple.com.au



Location map of Australian Mines' Flemington Scandium - Cobalt Project in central New South Wales and the Sconi Scandium - Cobalt Project located in northern Queensland.



Figure 1: 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 both scandium-cobalt rich lateritic deposits and cobalt-nickel deposits, which are all covered by granted Mining Leases.

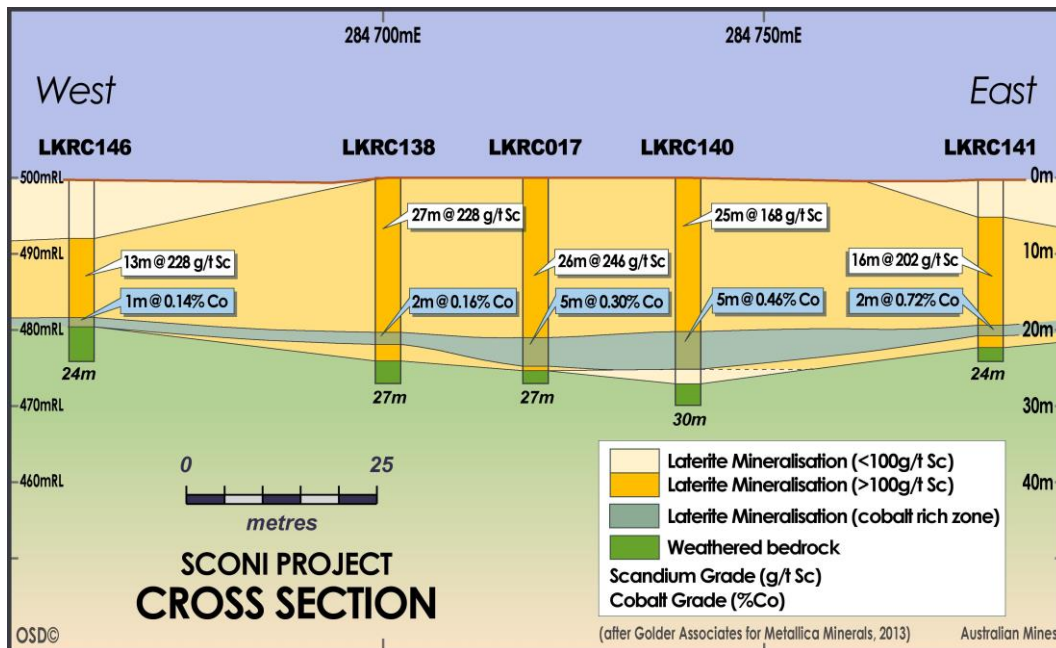


Figure 2: Schematic cross section of the Company’s Sconi deposit in Queensland. The scandium mineralisation at Sconi, which is well defined by a 4.7-kilometre-long by 450-metre-wide lateritic profile and grades up to 1,580 ppm, predominantly occurs above higher grade cobalt mineralisation¹⁶.

Measured Resource:	1.3 million tonnes	0.17% Cobalt
Indicated Resource:	11.7 million tonnes	0.12% Cobalt
Inferred Resource:	3.3 million tonnes	0.10% Cobalt
Total Resource:	16.3 million tonnes	0.12% Cobalt

Figure 3: Within a current resource of 89 million tonnes at 0.06% Cobalt as shown in Appendix 7, the Sconi project contains a higher-grade zone of 16.3 million tonnes at 0.12% Cobalt¹⁷. This resource grade puts Australian Mines’ Sconi project in the same category as cobalt projects like Barra Resources’ Mt Thirsty Project in Western Australia¹⁸

¹⁶ Modified from: Metallica Minerals Limited, Sconi Scandium Project – Positive Pre-Feasibility Study, released 28 March 2013

¹⁷ Metallica Minerals Limited, Sconi Scandium Project – Positive Pre-Feasibility Study, released 28 March 2013

¹⁸ Barra Resources Limited, Annual General Meeting presentation, released 17 November 2016

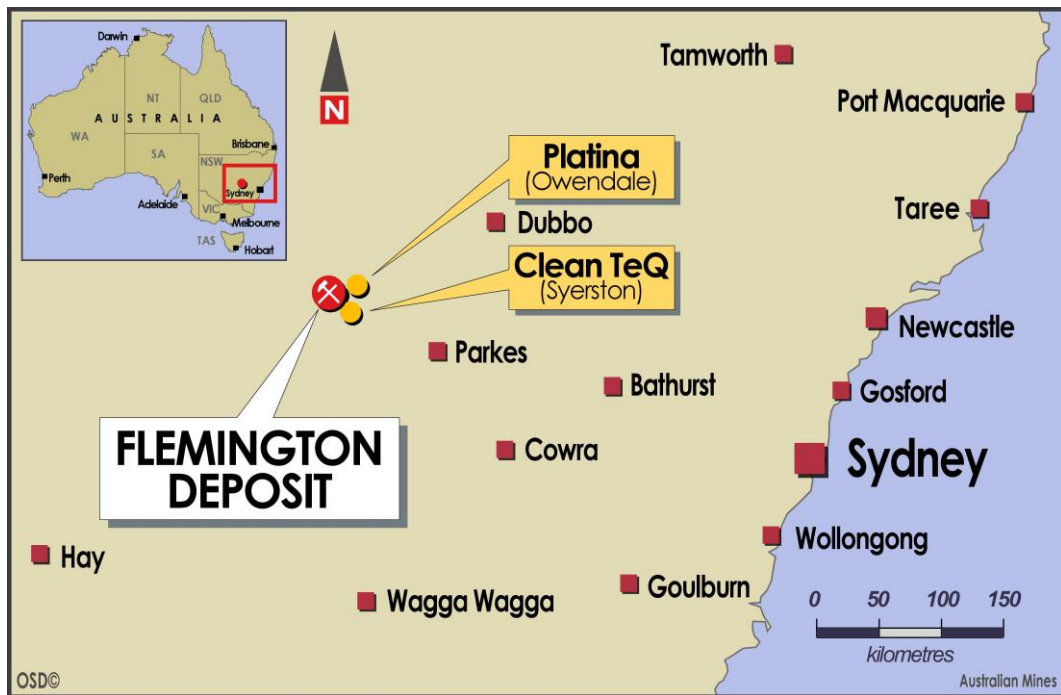


Figure 4: Australian Mines' Flemington Scandium - Cobalt Project is located approximately 500 kilometres west of Sydney in New South Wales.

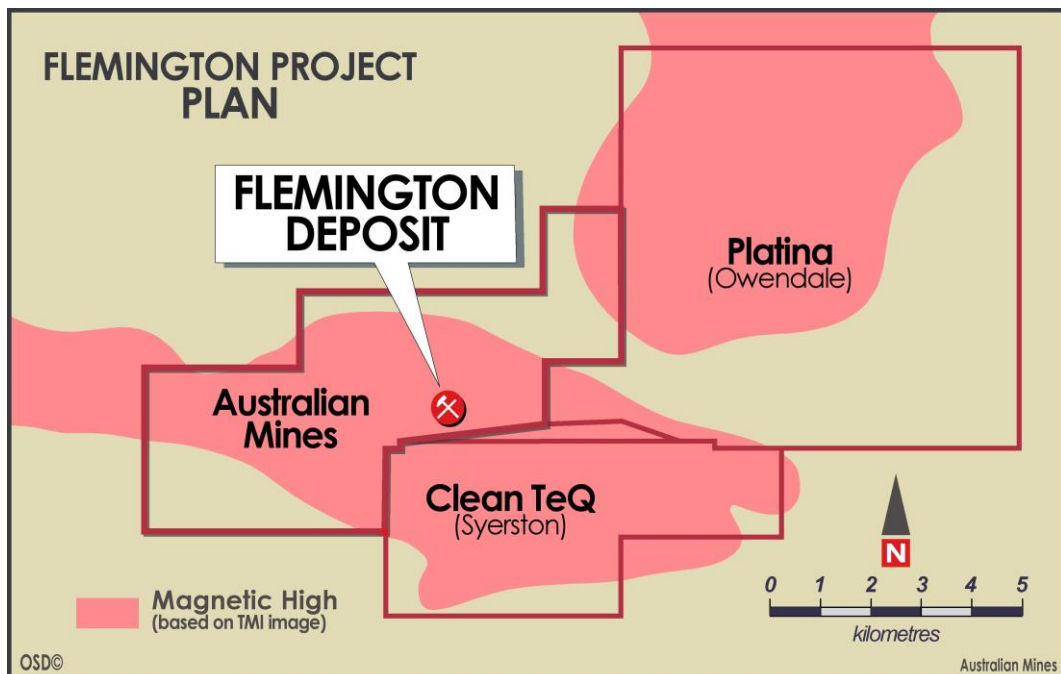


Figure 5: Australian Mines' Flemington Scandium - Cobalt Project represents the continuation of Clean TeQ's Syerston nickel-cobalt-scandium ore body.

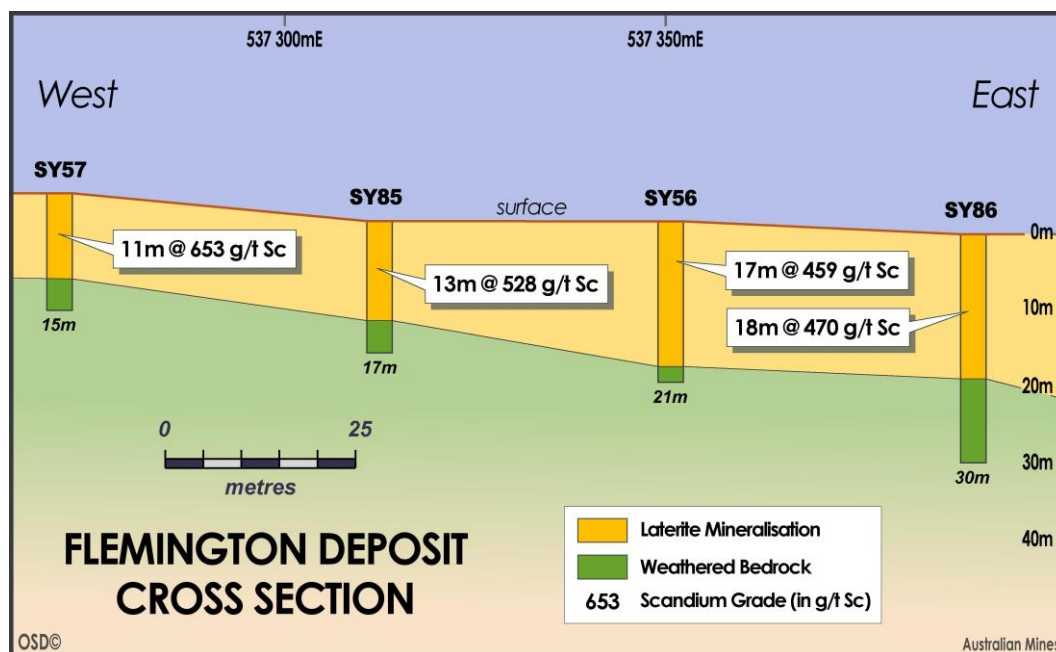


Figure 6: Schematic cross section of the Company's Flemington deposit in New South Wales. The Scandium mineralisation at Flemington occurs from surface. Averaging 434 g/t Scandium across the deposit, the grades reported from this project are significantly higher than those encountered at existing mining operations¹⁹.

¹⁹ Modified from: Jervois Mining Ltd, EL7805 Syerston Project updated Mineral Resource estimate, released 20 August 2015



Appendix 1: Entitlement Offer Details

- (a) The total number of New Shares to be issued under the Entitlement Offer is 249,562,977 at an Issue Price of \$0.008 to raise \$2 million before costs.
- (b) Australian and New Zealand shareholders will be entitled to participate on a 2-for-11 basis (that is, these shareholders are entitled to purchase two new ordinary share for every eleven existing ordinary share they held at the Record Date)
- (c) Australian and New Zealand shareholders will have the opportunity to apply for additional New Shares in addition to their Entitlements at the Issue Price)
- (d) The Entitlement Offer is fully underwritten by Terrain Capital Markets Limited
- (e) The Record Date for shareholders to qualify for participating in this underwritten entitlement offer, is 27 February 2017.

See **Table 1: Important dates for participation in the proposed Entitlement Offer**, within the accompanying announcement for key dates associated with this offer



Appendix 2: Notice under Section 708AA of the Corporations Act – Entitlement Offer

This notice is being given under section 708AA paragraph 2(f) of the Corporations Act (**Act**)

Australian Mines advises that:

1. Australian Mines will issue the shares under the Entitlement Offer without disclosure to investors under Part 6D of the Corporations Act;
2. as at the date of the notice, Australian Mines has complied with:
 - (i) the provisions of Chapter 2M of the Corporations Act as they apply to Australian Mines; and
 - (ii) section 674 of the Corporations Act;
3. as at the date of this notice there is no excluded information (as that term is defined in s708A(7) of the Corporations Act) that is required to be disclosed for the purpose of s708(6)(e) of the Corporations Act except as set out below; and
4. the issue of relevant securities under the Entitlement Offer will have no impact on the control of Australian Mines. The Entitlement Offer is pro rata, and shareholders have an opportunity, subject to the discretion of the Australian Mines Board, to subscribe for additional shares. No shareholder need therefore be diluted by the Entitlement Offer.

Appendix 3: Additional disclosure required by listing rule 3.10.5A in respect of the shares issued under the Company's 10% placement capacity under Listing Rule 7.1A

- (a) Details of the dilution to existing holders of ordinary securities caused by the Placement is provided below:

	Shares	Percentage
Pre-Placement Security Holders	1,311,851,301	95.6%
Placement Shares issued under rule 7.1	0	0.0%
Placement Shares issued under rule 7.1A	60,745,071	4.4%
Total Post Placement Shares	1,372,596,372	100.0%

- (b) The 60,745,071 shares issued under Listing Rule 7.1A were issued to sophisticated and professional investors as it was considered to be the most efficient mechanism for raising funds needed for the Company's ongoing exploration and development program.
- (c) The Placement was not underwritten.
- (d) The fundraising fee associated with the 60,745,071 shares issued under Listing rule 7.1A is \$29,157 plus GST.



Appendix 4: Notice under Section 708A of the Corporations Act - Issue of Placement Shares

This notice is being given under section 708A(5)(e) of the Corporations Act 2001 (Cth) (Act).

Australian Mines advises that:

1. the Shares were Issued without disclosure under Part 6D.2 of the Act;
2. as at the date of the notice, Australian Mines has complied with:
 - (i) the provisions of Chapter 2M of the Act as they apply to Australian Mines; and
 - (ii) section 674 of the Act; and
3. as at the date of this notice there is no information that is 'excluded information' within the meaning of section 708A(7) and 708A(8) of the Act that is required to be disclosed under s708(6)(e) of the Corporations Act.



Appendix 5: Summary of Convertible Note terms

Each Convertible Note will:

- (a) have an Issue Price of \$0.008
- (b) require shareholder approval to convert the Convertible Note into Shares at the Issue Price
- (c) be non-interest bearing
- (d) be unsecured
- (e) have a Maturity Date of 20 February 2019
- (f) provide the Holder with the right to convert each Note into one new Share at any time during the period ending at the Maturity Date.
- (g) have an obligation, subject to shareholder approval, to convert each Note into one new Share on the Mandatory Conversion Date, which is defined as the date when Australian Mines' share price closes at \$0.012 or above for any twenty consecutive trading days during the period from the Issue Date (20 February 2017) to the Maturity Date
- (h) rank above all issued Shares but rank behind secured debt in the event of a winding up of the Company
- (i) have default events, which includes the event where Australian Mines fails to obtain the approval in (b) above. The Consequences of an event of default include the right for noteholders to immediately redeem the notes.



Appendix 6: Combined effect of Australian Mines' fund raising program on the company's capital structure

Subject to shareholders approving the conversion of the convertible notes, the issue of the Fee Shares, and a 100% uptake of the Entitlement Offer, the funding program could result in the following changes to the Company's capital structure.

Whilst Arlington is to receive a 6% capital raising fee for facilitating this placement and convertible note issue, they have, subject to shareholder approval, requested that these fees be paid in Australian Mines' shares (Fee Shares) as outlined below.

Existing Company Shares on issue	1,311,851,301
Placement	60,745,071
Shares potentially resulting from the conversion of the Convertible Notes (if approved by shareholders)	475,538,625
Shares resulting from the issue of Fee Shares (if approved by shareholders)	32,177,022
Entitlement Offer (if fully subscribed)	249,562,977
TOTAL	2,129,874,995

Appendix 7: Mineral Resource Estimates – Sconi Project

Mineral Resource for the Sconi Scandium-Cobalt Project²⁰

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 ₂ O ₃)*:	1,950 tonnes	(using a 100g/t Sc lower cut-off)

Measured Resource:	17 million tonnes	0.80% Nickel	0.07% Cobalt
Indicated Resource:	48 million tonnes	0.58% Nickel	0.07% Cobalt
Inferred Resource:	24 million tonnes	0.41% Nickel	0.04% Cobalt
Total Resource:	89 million tonnes	0.58% Nickel	0.06% Cobalt
Total Contained Metal:	514,000 tonnes of Nickel metal 54,500 tonnes of Cobalt metal		Using a COG of 0.7% NiEq

²⁰ The Mineral Resource Estimate for the Sconi Scandium-Cobalt Project is reported under JORC 2012 Guidelines and 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 NiEq is similarly described in their 21 October 2013 announcement.

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

Appendix 8: Mineral Resource Estimates – Flemington Project

Mineral Resource for the Flemington Scandium-Cobalt Project²¹

Measured Resource:	2.67 million tonnes	435 g/t Scandium
Indicated Resource:	0.47 million tonnes	426 g/t Scandium
Total Resource:	3.14 million tonnes	434 g/t Scandium
Total Scandium Oxide (Sc ₂ O ₃)*:	2,085 tonnes	(using a 200 g/t Sc lower cut-off)

²¹ The Mineral Resource Estimate for the Flemington Scandium-Cobalt Project is reported under JORC 2012 Guidelines and was first reported by Australian Mines' partner, 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.

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

Appendix 8: Competent Persons Statements

Flemington Scandium - Cobalt Project

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.

Sconi Scandium - Cobalt Project

The Mineral Resource for the Sconi Scandium - Cobalt Project contained within this document is reported under JORC 2012 Guidelines. 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.