



AUSTRALIAN MINES LIMITED
ABN 68 073 914 191

CONSOLIDATED INTERIM FINANCIAL REPORT
HALF YEAR ENDED 31 DECEMBER 2016

CONTENTS

DIRECTORS' REPORT	2
AUDITOR'S INDEPENDENCE DECLARATION	15
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	16
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	17
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	18
CONSOLIDATED STATEMENT OF CASH FLOWS	19
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT	20
DIRECTORS' DECLARATION	26
INDEPENDENT AUDITOR'S REVIEW REPORT	27

DIRECTORS' REPORT

The Directors present their report together with the Consolidated Interim Financial Report of Australian Mines Limited ("the Company" or "Australian Mines") and its controlled entities ("the Group" or "AUZ") for the six months ended 31 December 2016.

DIRECTORS

The Directors of the Company at any time during or since the end of the interim period are:

Michael Ramsden – Chairman, Non-Executive Director and Company Secretary

Benjamin Bell – Managing Director

Mick Elias – Non-Executive Director

Dominic Marinelli – Non-Executive Director

Neil Warburton – Non-Executive Director

REVIEW OF EVENTS

Highlights

Sconi Scandium-Cobalt Project

- Executed a joint venture agreement to acquire up to 75% of Sconi Scandium-Cobalt Project located in northern Queensland for a total consideration of \$10m or completion of a Definitive Feasibility Study (DFS).
- Commissioned SRK Consulting to commence initial work on the DFS, with an infill drilling program to upgrade resource classification expected to start from March 2017

Flemington Scandium-Cobalt Project

- Signed an option agreement to acquire 100% of Flemington Scandium-Cobalt Project located in central New South Wales for a total consideration of \$6m.
- SRK Consulting nearing completion of a Scoping Study on existing Measured and Indicated Mineral Resource of 3.14 million tonnes at 434 ppm scandium¹ to define the project's economics and technical feasibility.

Arunta West Copper-Gold Project

- Contracted a ground gravity survey to test known target at North Dovers copper-gold prospect at the start of 2017 field season.
- Awarded \$200,000 grant by the Government of Western Australian to support co-funded drilling under the State's Exploration Incentive Scheme to test North Dovers

¹ Jervois Mining Limited, EL7805 Syerston Updated Mineral Resource Estimate, released 20 August 2015

Operations Update

Australian Mines set a new strategic course in this six-month reporting period to pursue a dominant position in the global production and supply of scandium through two separate transactions to acquire projects focused on the emerging technology metal.

The Company executed an agreement to acquire up to 75% of the Sconi Scandium-Cobalt Project in northern Queensland from Metallica Minerals (ASX: MLM). In addition, it executed a separate agreement to acquire 100% of the Flemington Scandium-Cobalt Project in central New South Wales from Jervois Mining Limited (ASX: JRV).

Completion of these transactions was a significant milestone for Australian Mines and provided the Company with a clear pathway to production through the development of the premium-quality scandium resource at Sconi to be followed by development of the high-grade Flemington Scandium-Cobalt Project.

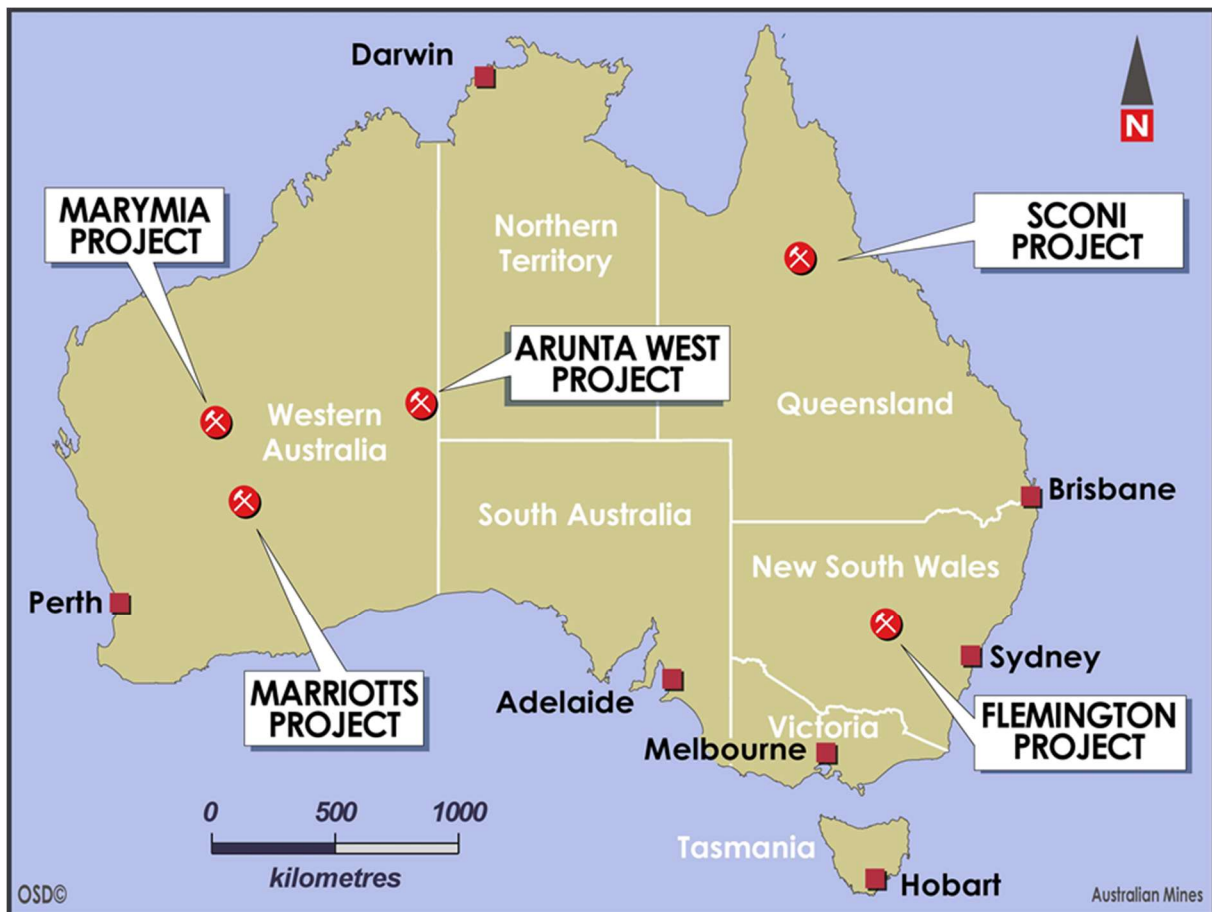


Figure 1: Location map of Australian Mines' development and exploration projects across Australia.

DIRECTORS' REPORT

Sconi Scandium-Cobalt Project (Sconi)

Sconi, located near the historic mining centre of Greenvale, is arguably Australia's largest scandium project as well as one of the most advanced. Scandium remains a relatively rare and high-value commodity.

Australian Mines entered into the joint venture with Metallica Minerals in October 2016¹ and subsequently commenced the final Definitive Feasibility Study (DFS) for the Sconi Scandium-Cobalt Project, which is programmed to be completed within two years.

The DFS will include a mine design that optimises the extraction of both the scandium ore as well as cobalt ore, given that the latter is a co-product of the scandium mineralisation and will boost the overall economics of the project.

During the period, Australian Mines' Managing Director Benjamin Bell attended meetings with prospective scandium oxide off-take partners in Europe and Asia. The meetings confirmed a significant latent demand for scandium oxide, particularly across the automotive and aerospace sectors. Six companies made requests for Australian Mines to supply them with a sample scandium oxide product during 2017.

Australian Mines, in response to the customer interest and in consultation with Metallica Minerals, commenced discussions with three existing pilot plant facilities to determine the most cost-effective and efficient manner to produce the requested scandium oxide.

The (Australian Mines/Metallica Minerals) joint venture's existing, purpose-built solvent extraction plant², which was used with great success by Metallica Minerals during 2012 to produce a superior 99.99% scandium oxide final product, is one of the processing options.

The simple metallurgy of the scandium ore at Sconi means that an industry-standard >99.5% pure scandium oxide can be achieved via typical off-the-shelf processing and beneficiation technology, which is available at most commercial assay and processing laboratories across Australia, should such a route prove the most cost effective in the short-term.

Post completion of the period, Australia Mines announced it had raised funds³ for the development and operation of a pilot processing operation, as part of the evaluation work being carried out on the Sconi DFS.

Both scandium and cobalt are anticipated to be a highly-prized technology metals in the coming decade. In the case of cobalt, this is due mainly to its application in the growing battery industry. The Sconi joint venture provides Australian Mines shareholders with solid exposure to the developing cobalt and scandium markets.

The Sconi project's current JORC-compliant cobalt Mineral Resource of 89 million tonnes at 0.06% Cobalt (or 600 ppm cobalt).

¹ Australian Mines Limited, Strategic acquisitions position Australian Mines to fast-track into a leading global scandium company, released 10 October 2016

² Metallica Minerals Limited, Metallica Produces First High Purity Scandium Oxide, released 25 July 2012

³ Australian Mines Limited, Sophisticated investors secure \$1 million position in AUZ, released 8 February 2017



Figure 2: 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.

DIRECTORS' REPORT

Within Sconi's cobalt resource is a higher-grade zone of 16.3 million tonnes at 0.12% cobalt. This resource grade is in the same category as cobalt projects like Barra Resources' Mt Thirsty Project¹ in Western Australia.

The DFS process will determine the type and annual output of any saleable secondary products, such as cobalt and nickel salts, which will be produced in addition to high-purity scandium oxide at Sconi.

To ensure the project remains on track Australian Mines scheduled the commencement of its on-ground activities at Sconi for March 2017. The initial program will include a limited resource in-fill RC drill program designed to enable a JORC-compliant *Proved and Probable Ore Reserve* to be calculated for the Sconi Scandium-Cobalt ore body.

Flemington Scandium-Cobalt Project

Australian Mines executed an option agreement to acquire 100% of the Flemington Scandium-Cobalt Project near Fifield in New South Wales from Jervois Mining Limited (ASX: JRV) for a total consideration of \$6m.

Hosting an existing Mineral Resource of 3.14 million tonnes at 434 ppm scandium, including 2.67 million tonnes at 435 g/t scandium in the Measured Resource category², this is one of the highest-grade scandium deposits in the world³ and mineralisation appears similar to Clean TeQ's adjoining Syerston deposit⁴ along strike from Flemington.

Immediately after signing the option agreement with Jervois Mining in October 2016, Australian Mines commissioned internationally-recognised and independent consulting firm SRK Consulting Pty Ltd to undertake an economic and technical Scoping Study on the project.

The Scoping Study will outline the project's operating and capital costs. The study will also determine a Net Present Value for the project and make other key findings based on various assumptions.

Australian Mines expects to have results from the scoping study in March, in line with the Company's plan to bring the high-grade Flemington project into production as soon as possible.

The Scoping Study is also considering the Flemington project's cobalt resource. Cobalt co-exists with the scandium mineralisation at Flemington, meaning cobalt (and nickel) will naturally be produced during any scandium processing operation.

¹ Barra Resources Limited, Annual General Meeting presentation, released 17 November 2016

² Jervois Mining Limited, EL7805 Syerston Updated Mineral Resource Estimate, released 20 August 2015

³ Jervois Mining Limited, Quarterly Report to 31 December 2015, released 29 January 2016

⁴ Clean Teq Holdings Limited, Syerston Scandium Mineral Resource update, released 17 March 2016

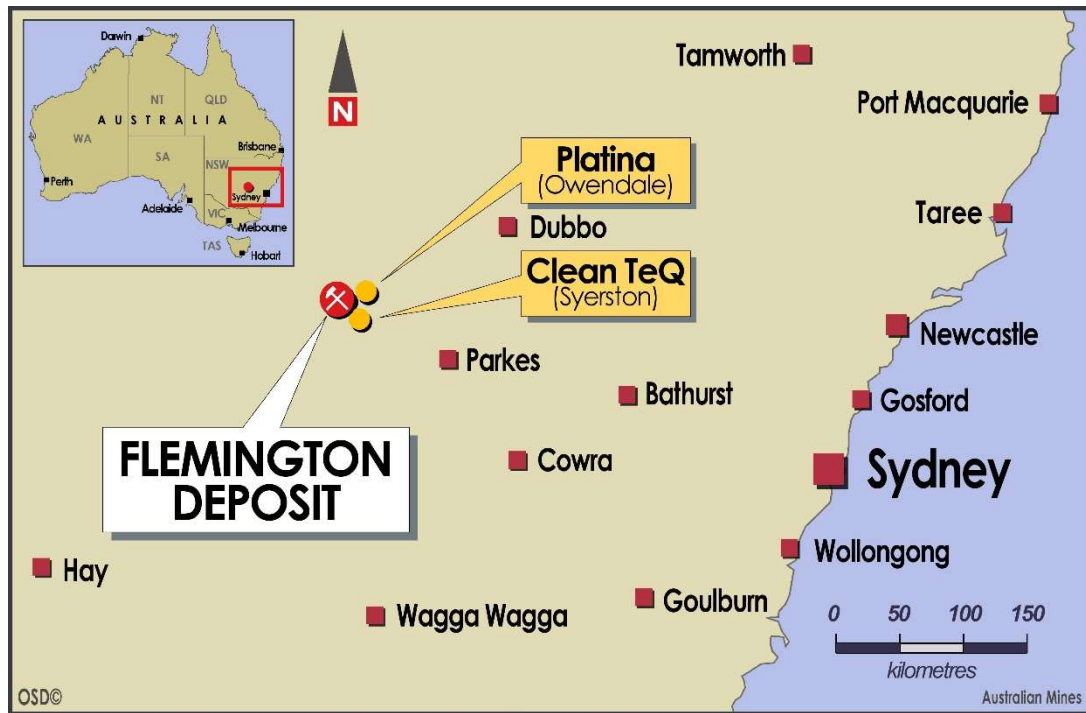


Figure 3: Australian Mines' Flemington Scandium-Cobalt Project is located approximately 500 kilometres west of Sydney in New South Wales.

Based on previous drilling at Flemington returning relatively thick intersections of cobalt mineralisation, such as 14 metres at 0.21% Cobalt from 6 metres (drill hole SY14)¹ and 9 metres at 0.21% Cobalt from 10 metres (drill hole SY56)², the Company anticipates releasing a mine development model that incorporates the project's cobalt mineralisation as well as the priority scandium ore.

Following the completion of the current scandium and cobalt Scoping Study for Flemington, Australian Mines will, subject to positive results from the Study, propose to move immediately to commence a formal Pre-Feasibility Study (PFS) for the project, which the Company anticipates will take approximately 12 months to complete.

The process of applying for a Mining Licence over the Flemington deposit was also started in the reporting period in anticipation of a positive Scoping Study being delivered in March.

Doolgunna-Marymia Project

The Doolgunna-Marymia Gold Project is situated approximately 900 kilometres north of Perth and within 50 kilometres of Northern Star's Plutonic Gold Mine.

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

¹ Jervois Mining Limited, EL7805 Syerston Drilling Results, released 2 October 2013

² Jervois Mining Limited, Quarterly Activities Report to 30 June 2014, released 30 July 2014

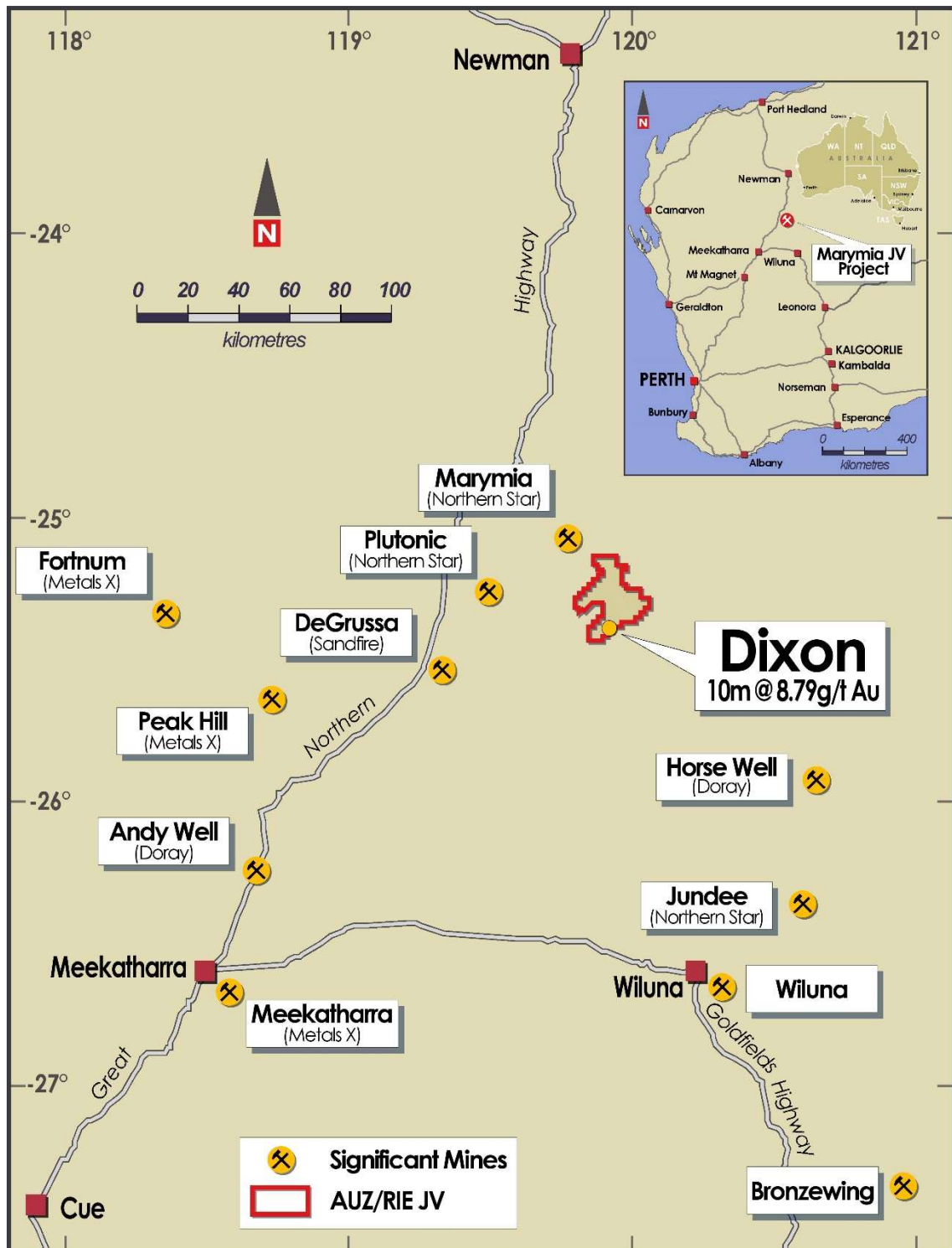


Figure 4: The Doolgunna-Marymia Gold Project is situated within 50 kilometres of the Plutonic Gold Mine in Western Australia. Recent exploration by Australian Mines across this project area intersected high-grade gold mineralisation within a fractionated dolerite at the Company's Dixon prospect, which warrants further exploration in 2017.

DIRECTORS' REPORT

Drilling to date has focused on just a few hundred metres of an identified 6-kilometre-long target zone. The drilling has centred around the Company's maiden drill hole (MMRC106), which returned a very encouraging 10 metres at 8.79 g/t gold from 130 metres downhole in late 2015 at its Dixon prospect¹.

The Company adapted its strategy at Doolgunna-Marymia during the period, deciding to step out its exploration activities to further test the prospectivity of the broader 6-kilometre-long fractionated dolerite unit, before honing in on individual anomalies like Dixon again for closer evaluation.

Australian Mines is unable to conduct traditional soil sampling techniques to identify priority areas due to the nature of shallow transported cover encountered across the Project. The Company will utilise shallow air core drilling to test the continuity of the oxide/supergene gold known to occur above the higher-grade bedrock-hosted gold mineralisation at Doolgunna-Marymia with the results used to guide future RC and diamond drilling.

The Company has Western Australian Department of Mines and Petroleum approval for this exploration program, which comprises a total of 120 air core holes for an estimated 7,185 metres of drilling.

As with all exploration drilling programs conducted across Western Australia, the Company may be required to complete a heritage survey prior to the start of its drilling at Doolgunna-Marymia. Australian Mines submitted a formal heritage survey request to the appropriate native title representative during the December quarter.

The Company announced in July 2016 its intention to test the Project's potential to host a significant gold deposit at Dixon via an 1,800 metre RC and 760 metre diamond core drill program. This program, part of which is attracted co-funding from the Government of Western Australia through the competitive Exploration Incentive Scheme, is slated for completion in 2017.

Arunta West Copper-Gold Project

The Arunta West Copper-Gold Project is a joint venture between Australian Mines and Jervois Mining Limited (ASX: JRV), which takes in three tenements covering 345 square kilometres in the attractive Lake Mackay district of Western Australia. Australian Mines has the right to earn 80% of the Joint Venture tenements. In addition, Australian Mines separately holds a 100% interest in two tenements adjoining the Arunta West JV area, covering an additional 1,100 square kilometres.

During the period, Australian Mines progressed its plans to begin on-the-ground evaluation of identified prospects within its Arunta West project at the start of the 2017 field season. The Company has engaged geophysical contractor Haines Surveys to carry out a 400 metre by 200 metre ground gravity survey as soon as conditions allow, targeting the priority North Dovers copper-gold prospect, as well as completing further reconnaissance of the secondary Mantati base metal prospect.

The prospectivity of the North Dovers target was recognised by the Western Australian Department of Mines and Petroleum during the period², with the award of co-funding up to \$200,000 towards Australian Mines' maiden drill program at North Dovers through the State's Exploration Incentive Scheme. This drill program is currently earmarked for mid-2017, following the completion of the ground gravity survey.

Australian Mines executed a Mineral Exploration and Land Access Deed of Agreement with the Tjamu Tjamu (Aboriginal Corporation) RNTBC, who manage the land covered by the Company's

¹ Australian Mines Limited, High-grade gold zone extended at Dixon prospect, released 6 November 2015

² http://www.dmp.wa.gov.au/Documents/Geological-Survey/R14_Successful_List.pdf

DIRECTORS' REPORT

Arunta West Copper-Gold Project. This Agreement opens the way for Australian Mines to conduct exploration programs (including drilling) across its 1,500 square kilometre Arunta West tenement holding. Australian Mines expresses its appreciation to the Tjumu Tjumu, the Ngaanyatjarra Land Council and Central Desert Native Title Services for their assistance during this process.

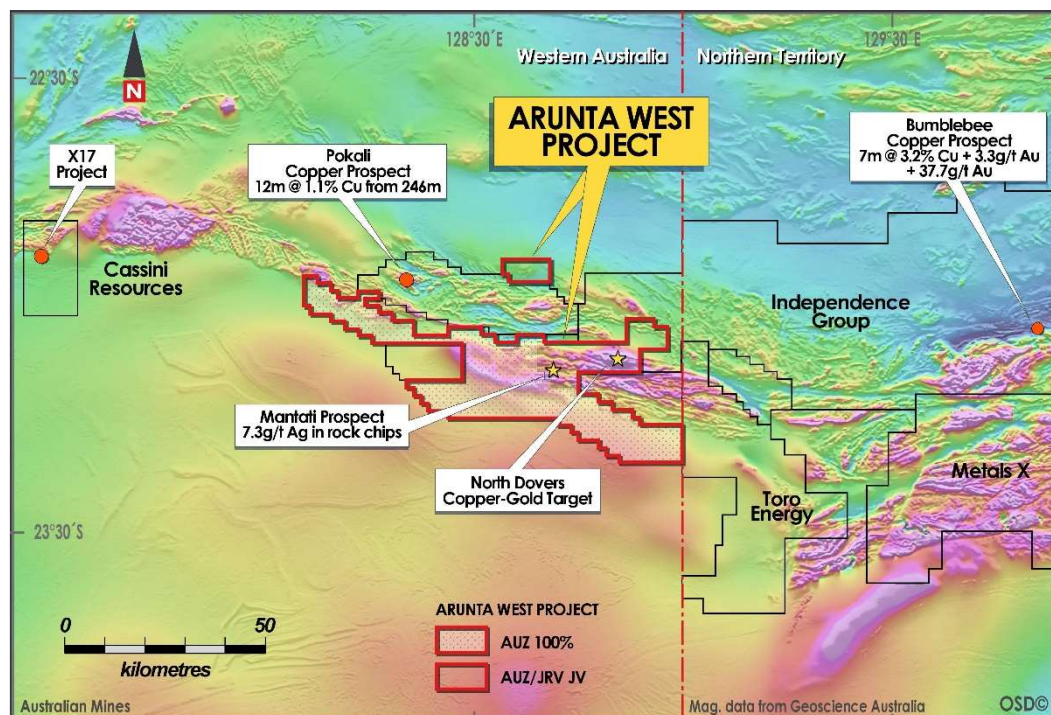


Figure 5: The Arunta West Project area, situated approximately 600 kilometres west of Alice Springs, covers an area of 1,500 square kilometres in a region that is rapidly becoming Australia's next copper province.

According to published reports¹, it was the potential for large-scale iron-oxide copper-gold (IOCG) mineralisation along the lines of BHP Billiton's Olympic Dam ore body in South Australia or Glencore's Ernest Henry deposit in Queensland that attracted BHP Billiton to the Arunta West region in the 1990s.

Following initial reconnaissance exploration across the area, BHP Billiton concentrated its activities on the North Dovers prospect with the results suggestive of IOCG mineralisation being present. This included: co-incident gravity and magnetic anomaly; probable electromagnetic conductor associated with the buried gravity feature; and subtle gold-in-soil anomaly.

BHP Billiton never drill tested the North Dovers copper-gold target – now wholly within the Australian Mines/Jervois Mining JV area – despite the favourable exploration results and apparent geological and geophysical similarities to Olympic Dam and Ernest Henry.

Marriotts Nickel Project

Australian Mines' 100%-owned Marriotts Nickel Project is within the proven, world-class province of the Agnew-Wiluna Greenstone Belt. No field work was conducted on Marriotts Nickel Project during

¹ Exploration and Discovery Services Pty Ltd, Preliminary data review for the West Arunta Project, internal report for Australian Mines Limited, dated May 2016

DIRECTORS' REPORT

the period and the Company has no immediate plans to commence further exploration or development activities in 2017.

Australian Mines believes potential remains to increase the existing Mineral Resource at Marriotts and given the right economic environment, the project could potentially be fast-tracked into production by leveraging existing infrastructure within the region.

The shallow 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.

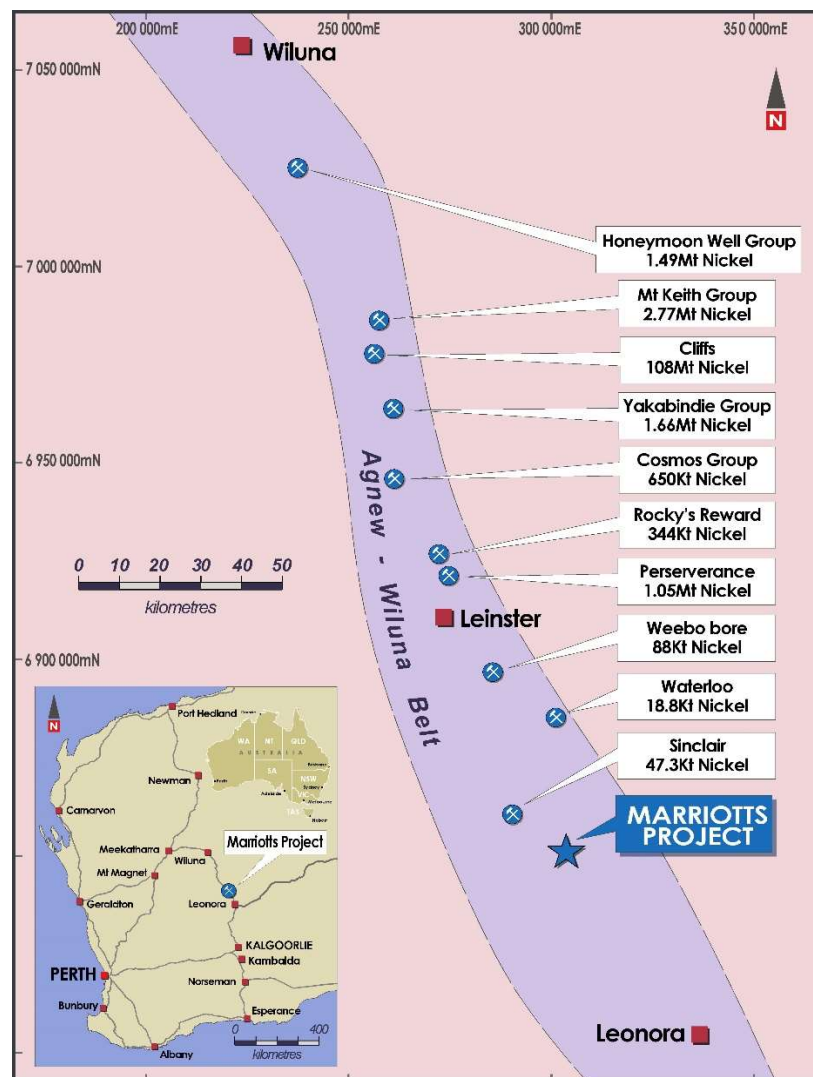


Figure 6: Location of Australian Mines' Marriotts Nickel Project in relation to regional geology, production centres and reported contained nickel of the Agnew-Wiluna Belt in Western Australia¹.

¹ Modified from – Talisman Mining Limited, Talisman to acquire Sinclair Nickel Project, released 20 October 2014

DIRECTORS' REPORT

CORPORATE OVERVIEW

Capital Raising

Australian Mines completed a capital raising in October¹ to fast track the progress of its scandium-cobalt assets and to fund ongoing work on its diversified exploration portfolio. This placement to sophisticated and professional investors was oversubscribed and raised \$840,000 before costs.

Scandium-Cobalt Asset Agreements

Australian Mines executed a joint venture agreement with Metallica Minerals Limited to farm-in to the Sconi Scandium Cobalt Project near Greenvale in Queensland.

The Company made the initial payment \$250,000 to Metallica on execution of the agreement. To earn a 50% interest in Sconi, Australian Mines must complete a DFS, or have expended \$10 million on the DFS, within four years of the agreement.

Australian Mines also executed an option agreement with Jervois Mining Limited to acquire 100% of the Flemington Scandium Cobalt Project near Fifield in New South Wales, paying the initial "Option 1" fee of \$250,000.

The agreement includes a series of rolling options for a maximum period of two years, subject to ongoing payment of the agreed option fees of up to \$2 million in total. If the option is exercised, the total purchase price of the project will be \$6 million less the total amount paid to the date of exercise in option fees.

The Company made the "Option 2" payment of \$250,000 to Jervois Mining in late December 2016, ahead of the January due date. The next option payment of \$500,000 is payable by Australian Mines on or before April 6 2017.

Post Period Update

Australian Mines informed shareholders in December that it had commenced a sale process of Less Than Marketable Parcels of the Company's shares (Less Than Marketable Parcels defined in the ASX listing rules as a parcel of securities of less than \$500 in value)².

The Company commenced the process in response to shareholder requests as it enabled investors with Less Than Marketable Parcels, who may have found it difficult or expensive to dispose of those shares through normal means, to sell their holdings without incurring broking fees or other costs. The record date for determining the number of holders with Less Than Marketable Shares was December 16. As of that date there were 3,251 holders with combined total of 49,546,784 shares. Holders of Less Than Marketable Parcels had 42 days from December 23 to notify the Company if they did not want participate in the sale.

¹ Australian Mines Limited, Successful capital raising to underpin Australian Mines' scandium strategy, released 14 October 2016

² Australian Mines Limited, Sales of Less Than Marketable Share, released 19 December 2016

DIRECTORS' REPORT

Subsequent to the end of the period, Australian Mines completed an \$807,527 capital raising, before costs, through the placement of 128,179,029 fully paid ordinary shares at \$0.0063 per share¹. The placement made to sophisticated and professional investors, capitalised on the opportunity presented by demand for the Company's shares as part of the sale of Less Than Marketable Parcels exceeding the availability under that facility.

In addition to this the Company has also raised a further \$485,960, before costs, through the placement of 60,745,071 fully paid ordinary shares at \$0.008 per share and raised \$3,804,310 through the issue of 475,538,625 zero-coupon unsecured convertible notes. Each note has an issue price of \$0.008 and require shareholder approval to convert the note into shares at the issue price. The maturity date of the notes is 20 February 2019.

The Company has also announced that it is undertaking a 2 for 11 entitlement offer, offering shares at \$0.008 per share. Existing Australian and New Zealand shareholders will be entitled to participate and the offer period closes 31 March 2017. This fully underwritten non-renounceable entitlement offer is expected to raise a further \$2 million before costs.

REVIEW OF OPERATIONS

The Group made a loss for the six months ended 31 December 2016 of \$737,808. This compares with a loss of \$717,509 for the six months ended 31 December 2015.

A comparison of the consolidated financial performance is included in the table below.

Financials	Six months ended 31 December 2016	Six months ended 31 December 2015
	\$	\$
Revenue from operating activities	-	-
Net loss	(737,808)	(717,509)
Cash and cash equivalents	121,931	866,659

¹ Australian Mines Limited, Sophisticated investors secure \$1 million position in AUZ, released 8 February 2017

DIRECTORS' REPORT

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration required under Section 307C of the Corporation's Act 2001 is set out on page 15 and forms part of the director's report for the six months ended 31 December 2016.

Signed in accordance with a resolution of Directors



.....
Benjamin Bell
Managing Director
Perth
Dated: 14 March, 2017

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF AUSTRALIAN MINES LIMITED

As lead auditor for the review of Australian Mines Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Australian Mines Limited and the entities it controlled during the period.



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd

Perth, 14 March 2017

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

	Notes	31 December 2016 \$	31 December 2015 \$
Other income		5,723	230
Personnel expenses		(205,615)	(172,169)
Share based payment expense		(12,285)	(32,663)
Exploration expenditure	8	(85,700)	(2,019)
Impairment of exploration	8	-	(389,880)
Depreciation and amortisation	9	(5,275)	(6,276)
Corporate overheads and indirect expenses		(434,656)	(119,173)
Results from operating activities		(737,808)	(721,950)
Finance income		-	4,441
Net finance income		-	4,441
Loss before income tax		(737,808)	(717,509)
Income tax		-	-
Loss after income tax from continuing operations		(737,808)	(717,509)
Other comprehensive income		-	-
Total comprehensive loss for the period		(737,808)	(717,509)
Basic loss per share (cents)		(0.0649)	(0.0757)
Diluted loss per share (cents)		(0.0649)	(0.0757)

The notes on pages 20 to 25 are an integral part of the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Issued Capital	Accumulated Losses	Share Option Reserve	Share Based Payment Reserve	Total Equity
	\$	\$	\$	\$	\$
Opening balance at 1 July 2016	37,243,377	(34,821,471)	168,424	1,381,816	3,972,146
Total comprehensive income for the period:					
(Loss) for the period	-	(737,808)	-	-	(737,808)
Transactions with owners, recorded directly in equity:					
Shares issued during the period	884,652	-	-	-	884,652
Share based payment transactions	-	-	-	12,285	12,285
Closing balance at 31 December 2016	38,128,029	(35,559,279)	168,424	1,394,101	4,131,275

	Issued Capital	Accumulated Losses	Share Option Reserve	Share Based Payment Reserve	Total Equity
	\$	\$	\$	\$	\$
Opening balance at 1 July 2015	34,455,957	(33,798,250)	168,424	1,320,057	2,146,188
Total comprehensive income for the period:					
(Loss) for the period	-	(717,509)	-	-	(717,509)
Transactions with owners, recorded directly in equity:					
Shares issued during the period	1,422,994	-	-	-	1,422,994
Share based payment transactions	-	-	-	32,663	32,663
Closing balance at 31 December 2015	35,878,951	(34,515,759)	168,424	1,352,720	2,884,336

The notes on pages 20 to 25 are an integral part of the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	31 December 2016 \$	30 June 2016 \$
CURRENT ASSETS			
Cash and cash equivalents	10	121,931	1,516,917
Trade and other receivables	10	140,925	42,692
TOTAL CURRENT ASSETS		262,856	1,559,609
NON-CURRENT ASSETS			
Exploration and evaluation assets	8	3,963,149	2,901,715
Property, plant and equipment	9	9,417	12,127
TOTAL NON-CURRENT ASSETS		3,972,566	2,913,842
TOTAL ASSETS		4,235,422	4,473,451
CURRENT LIABILITIES			
Trade and other payables	10	70,633	460,088
Employee benefits		33,514	30,252
TOTAL CURRENT LIABILITIES		104,147	490,340
NON-CURRENT LIABILITIES			
Employee benefits		-	10,965
TOTAL NON-CURRENT LIABILITIES		-	10,965
TOTAL LIABILITIES		104,147	501,305
NET ASSETS		4,131,275	3,972,146
EQUITY			
Contributed equity	11	38,128,029	37,243,377
Reserves		1,562,525	1,550,240
Accumulated losses		(35,559,279)	(34,821,471)
TOTAL EQUITY		4,131,275	3,972,146

The notes on pages 20 to 25 are an integral part of the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Notes	31 December 2016 \$	31 December 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments to suppliers and employees		(848,176)	(279,472)
Interest received		5,723	4,441
Sundry Income		-	230
Net cash used in operating activities		(842,453)	(274,801)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation		(1,328,361)	(678,645)
Payments for property, plant and equipment		(2,566)	-
Net cash provided by/(used in) investing activities		(1,330,927)	(678,645)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		778,394	1,422,994
Net cash (used in)/provided by financing activities		778,394	1,422,994
Net increase/(decrease) in cash held		(1,394,986)	469,548
Cash at the beginning of the period		1,516,917	397,111
Cash at the end of the period		121,931	866,659

The notes on pages 20 to 25 are an integral part of the consolidated interim financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

1. Reporting entity

Australian Mines Limited (the "Company", "AUZ") is a company domiciled in Australia. The address of the Company's registered office is 83 Havelock Street West Perth WA 6005 Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2016 comprises the Company and its subsidiaries (together referred to as the "Group").

The Group is a for-profit entity and is primarily involved in the exploration for gold and base metals in Australia.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2016 is available upon request from the Company's registered office or at www.australianmines.com.au

2. Going Concern

For the period ended 31 December 2016, the Company recorded a net loss of \$737,808 and had net cash outflows from operating activities of \$842,453.

The Directors have assessed the going concern assumption of the Group. Based on the assessment performed, and following the capital raisings occurring subsequent to period end (refer to Note 12 for details), the Directors believe the going concern assumption is appropriate as the company is able to meet commitments and obligations as and when they fall due.

3. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2016. The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2016.

This consolidated interim financial report was approved by the Board of Directors on 14 March 2017.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

4. Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2016, except for those discussed in Note 5 below.

5. Changes in accounting policy

New and amended standards adopted by the Company

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2017 annual report as a consequence of these amendments.

Impact of standards issued but not yet applied by the entity

There were no new standards issued since 30 June 2016 that have been applied by the Company. The 30 June 2016 annual report disclosed that the Company anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2016.

6. Estimates

The preparation of the consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2016.

7. Segment Information

The Company only operates in a single reportable geographical segment. As a result no additional segment information provided.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

8. Exploration and evaluation assets

Reconciliations of the carrying amounts for each class of exploration and evaluation expenditure are set out below:

	31 Dec 2016 \$	30 June 2016 \$
Exploration and evaluation		
Opening balance July	2,901,715	1,935,892
Acquisition of tenements	750,000	-
Expenditure incurred	397,134	1,355,703
Expenditure expensed	(85,700)	-
Exploration expenditure impairment	-	(389,880)
Exploration costs carried forward	<u>3,963,149</u>	<u>2,901,715</u>

The Company has entered into two new projects being the Sconi Scandium-Cobalt Project and the Flemington Scandium-Cobalt Project. Refer to the Directors Report for detailed information on the progress of the individual projects.

The ultimate recoupment of costs carried forward for mineral properties in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

9. Property, plant and equipment

	31 Dec 2016	30 June 2016
	\$	\$
Plant & Equipment		
At Cost	130,233	127,667
Accumulated depreciation	<u>(120,816)</u>	<u>(115,540)</u>
Total Property, plant and equipment	<u><u>9,417</u></u>	<u><u>12,127</u></u>

	31 Dec 2016	30 June 2016
	\$	\$
Plant & Equipment		
Carrying amount at beginning of year	12,127	23,305
Additions	2,565	-
Disposals	-	-
Depreciation	<u>(5,275)</u>	<u>(11,178)</u>
Total Property, plant and equipment	<u><u>9,417</u></u>	<u><u>12,127</u></u>

10. Financial instruments

The fair values of the financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position are as follows:

	Carrying Amount	Fair Value
	\$	\$
Financial Assets		
Cash and cash equivalents	121,931	121,931
Trade and other receivables	<u>140,925</u>	<u>140,925</u>
	<u><u>262,856</u></u>	<u><u>262,856</u></u>
Financial Liabilities		
Trade and other payables	<u><u>70,633</u></u>	<u><u>70,633</u></u>

Recurring fair value measurements

The Company does not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

Fair values of financial instruments not measured at fair value

Due to their short term nature, the carrying amount of current receivables, current trade and other payables and current interest-bearing liabilities is assumed to approximate their fair value.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

11. Share capital

Reconciliation of issued capital	31 Dec 2016 No.	31 Dec 2016 \$	30 June 2016 No.	30 June 2016 \$
Balance at 1 July	1,101,986,521	37,243,377	821,986,521	34,455,957
Costs of capital raising	-	(61,707)	-	-
Share placement @ \$0.005	-	-	105,000,000	525,000
Share placement @ \$0.01	-	-	100,000,000	1,000,000
Share placement @ \$0.02	-	-	75,000,000	1,500,000
Share placement @ \$0.011	76,372,837	840,101	-	-
Rights Issue	5,312,914	106,257	-	(237,580)
Balance at end of period	1,183,672,272	38,128,028	1,101,986,521	37,243,377

12. Events occurring after the reporting period

In December 2016 the Company commenced a sale process of Less than Marketable Parcels of the Company's shares (Less Than Marketable Parcels defined in the ASX listing rules as a parcel of securities of less than \$500 in value). Holders of Less Than Marketable Parcels had 42 days from 23 December 2016 to notify the Company if they did not want to participate in the sale. The sales process ended on 24 February 2017.

The Less than Marketable Parcels sale process resulted in the participation of 2,487 shareholders with an aggregate of 30,551,129 shares. The shares were sold off-market to unrelated parties at \$0.0063 per share. All costs associated with the sale process were borne by the Company.

In addition, subsequent to the end of the period, Australian Mines completed a number of capital raisings including:

- \$807,527 raised, before costs, through the placement of 128,179,029 fully paid ordinary shares at \$0.0063 per share. The placement was made to sophisticated and professional investors.
- \$485,960 raised, before costs, through the placement of 60,745,071 fully paid ordinary shares at \$0.008 per share.
- \$3,804,310 raised, through the issue of 475,538,625 zero-coupon unsecured convertible notes. Each note has an issue price of \$0.008 and require shareholder approval to convert the note into shares at the issue price. The maturity date of the notes is 20 February 2019.
- A 2 for 11 entitlement offer has also been announced offering shares at \$0.008 per share. Existing Australian and New Zealand shareholders will be entitled to participate and the offer period closes 31 March 2017. This fully underwritten non-renounceable entitlement offer is expected to raise a further \$2 million before costs.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

13. Contingent liabilities

The Group's mining tenements are subject to native title applications. At this stage it is not possible to quantify the impact (if any) that native title may have on the operations of the Group. There have been no other changes to contingencies in the six months ended 31 December 2016.

14. Commitments

In accordance with the relevant joint venture and heads of agreements there are requirements to meet minimum spending levels in order to acquire an interest in the projects. Although it is likely that the expenditure will occur as part of the future growth of the Company, it is not contractually obligated and has the right to withdraw at any time. The estimated value of this expenditure for the next 12 months is \$1.8 million.

15. Related parties

During the half year period, Australian Mines Limited engaged related party, Terrain Capital Limited, to assist with share placements which occurred during the period. Non-executive Directors, Mr M Ramsden and Mr D Marinelli, are Directors of Terrain Capital Limited. Terrain Capital Markets Limited, of which MR M Ramsden is a director and from which Mr D Marinelli may receive fees, is also the underwriter of the 2 for 11 entitlement offer disclosed in Note 12. Total expense incurred for the period was \$50,406. All other related parties are consistent to 30 June 2016.

DIRECTORS' DECLARATION

In the opinion of the Directors of Australian Mines Limited ("the Company"):

- (a) the financial statements and notes disclosed on pages 16 to 25 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance, for the six months ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors

On behalf of the Directors



.....
Benjamin Bell
Managing Director

Perth
Dated: 14 March, 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australian Mines Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Mines Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Mines Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Mines Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Mines Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO
J Prue

Jarrad Prue
Director

Perth, 14 March 2017