



AUSTRALIAN MINES LIMITED
ABN 68 073 914 1917

ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2019

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CORPORATE DIRECTORY

DIRECTORS

Michael Ramsden, Chairman
Benjamin Bell, Managing Director
Michael Elias, Non-Executive Director
Dominic Marinelli, Non-Executive Director

COMPANY SECRETARY

Oliver Carton

REGISTERED OFFICE

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Brisbane, Queensland, 4000
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AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

The Directors present their report together with the financial statements of the Consolidated Group comprising Australian Mines Limited ("the Company" or "Australian Mines") and its controlled entities for the year ended 30 June 2019, and the auditor's report thereon.

1. DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Michael Ramsden – Independent Non-Executive Chairman appointed 9 March 2011
BEC, LLB, FFIN

Michael Ramsden is a lawyer with more than 30 years' experience as a corporate advisor. He has been involved with all forms of finance, including money markets, futures trading, lease finance, trade finance and foreign exchange.

Mr Ramsden is the Managing Director of Terrain Capital Limited in Australia, and has previously worked for international companies including CIBC Australia, JP Morgan and Scandinavian Pacific Investments Limited. He is also Honorary Treasurer and Director of the Victoria Racing Club Ltd, Chairman of Cremorne Capital Ltd, Chairman of African Mahogany Australia Pty Ltd, and formerly Chairman of Terrain Australia Ltd and Director of D&D Tolhurst Ltd.

Mr Ramsden is the Chairman of the Company's Remuneration Committee and a member of Audit and Risk Committee.

Benjamin Bell – Managing Director appointed 23 January 2012
BSc, MMET, MBA

Benjamin Bell is an experienced company executive, with a career in the Australian exploration and mining sector spanning more than two decades. He is a qualified geologist and geophysicist, with significant management and on-the-ground experience working for listed companies, government agencies and as a respected industry consultant.

Mr Bell is a Non-executive Director of Norwest Minerals Limited.

Michael Elias – Independent Non-Executive Director appointed 1 July 2005
BSc(Hons), FAusIMM, CPGeo

Michael Elias has more than 35 years' extensive, international experience in all aspects of nickel resource development in both laterites and sulphides, from project generation and evaluation, exploration planning and management, development studies, open cut and underground mine geology, resource/reserve estimation, and resource economics. He has been a Principal Consultant with mining consultancy CSA Global Pty Ltd since 2001.

He previously held the positions of Chief Geologist – WA Nickel Operations and Chief Geologist – Nickel Resource Development at WMC Resources Ltd and was a director of Silver Swan Group Ltd until his resignation on 19 November 2012. Mr Elias holds a Bachelor of Science (Honours) in Geology from the University of Melbourne and is a Fellow of the Australasian Institute of Mining and Metallurgy.

Mr Elias is a member of the Company's Remuneration Committee and the Audit and Risk Committee.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

Dominic Marinelli – Independent Non-Executive Director appointed 9 March 2011 MBA, BEng, PGD Sc

Dominic Marinelli has over 20 years' corporate fundraising and mergers and acquisitions experience covering a wide range of industries including resources and other emerging technologies.

Mr Marinelli is a Director of Terrain Capital Limited in Australia and of unlisted explorer West Africa Coal Pty Ltd. He holds an MBA from the Melbourne Business School, a degree in Electrical and Computer Systems Engineering from Monash University and a diploma in Nanotechnology from Leeds University.

Mr Marinelli is a member of the Company's Remuneration Committee and the Chairman of the Audit and Risk Committee.

2. COMPANY SECRETARY

The Company Secretary of the Company during or since the end of the financial year is:

Oliver Carton – appointed 1 January 2018

Oliver is a qualified lawyer with over 30 years' experience in a variety of corporate roles. He is currently a director or company secretary of a number of listed, unlisted and not for profit entities such as the Melbourne Symphony Orchestra and Tesserent Limited. He currently runs his own consulting business and was previously a Director of the Chartered Accounting firm KPMG. Prior to that, he was a senior legal officer with ASIC.

3. DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year is as follows:

Director	Board Meetings		Remuneration Committee		Audit & Risk Committee	
	Held	Attended	Held	Attended	Held	Attended
Michael Ramsden	10	10	1	1	4	4
Benjamin Bell	10	10	-	-	-	-
Michael Elias	10	10	1	1	4	2
Dominic Marinelli	10	10	1	1	4	4

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

The Audit & Risk Committee is required to meet at least twice per year, review annual and half-year accounts, and report to the Board of Directors. The Audit & Risk Committee also oversees the Company's risk management systems and procedures.

4. PRINCIPAL ACTIVITIES

The consolidated entity's principal activity during the course of the financial year was the exploration and pre-development of the three battery metals projects located in eastern Australia.

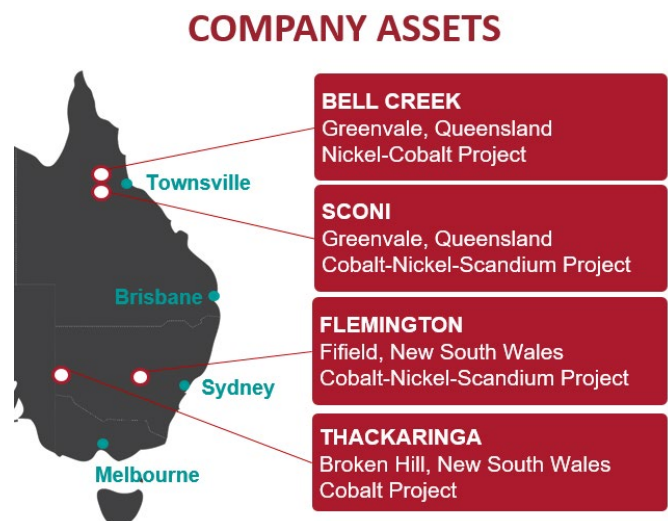
5. OPERATING AND FINANCIAL REVIEW

Australian Mines continues to be at the forefront of the battery materials industry in Australia and is ideally positioned to take advantage of the global trend towards cleaner, more sustainable energy sources.

The Company made significant progress during the year in executing its strategy to become a critically important global exporter of nickel, cobalt and scandium.

Core to this strategy has been the release of the Sconi Project Bankable Feasibility Study for our 100% owned Sconi Cobalt-Nickel-Scandium Project in North Queensland, which clearly demonstrates a strong commercial case for the development of this Tier 1 asset.

The Company also completed its acquisition for 100% ownership of the Flemington Cobalt-Nickel-Scandium Project this year, which also appears to be on track to become a strategic source of ethically-derived cobalt for electric vehicle manufacturers into the future.



Sconi Strategic Plan

2019 COMPLETED MILESTONES

- | | |
|-----------------------------------|--|
| ✓ Built demonstration-scale plant | ✓ Delivered Bankable Feasibility Study |
| ✓ Confirmed processing flow sheet | ✓ Updated Mineral Resource |
| ✓ Produced battery chemicals | ✓ Revised 30+ year mine plan |

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

Sconi Cobalt – Nickel – Scandium Project

Australian Mines' Sconi Project, located in North Queensland, is a true Tier 1 asset.

- ✓ 30+ year Life of Mine¹
- ✓ \$5 billion in total free cash flow (over the first 30 years)²
- ✓ \$1.47 billion Net Present Value (pre-tax)³
- ✓ One of the most cost-competitive cobalt-producing nickel operations in the world^{4,5}
- ✓ Placed in the lowest cost quartile globally⁶

A key feature of the Sconi development plan is a commitment by Australian Mines to deliver social as well as economic benefits to Queensland and the communities that are local to the project. The Company aims to ensure both operating and capital expenditure will be spent locally within Queensland, wherever possible. Over 90% of the operating costs and 80% of the workforce are expected to be sourced locally.

The acquisition by Australian Mines, in January 2019, of a 13-hectare parcel of land in Greenvale is a clear demonstration of the Company's commitment to delivering social and economic benefits in Queensland. The intention is for this land to be developed to provide the accommodation and/or community infrastructure for a, largely, residential workforce to support the Sconi Project. Australian Mines believes the community-based workforce model, as opposed to the more traditional fly in-fly out operation, will create significant social and economic benefits for the Charters Towers, Hinchinbrook and Townsville areas that border the Sconi Project.

Australian Mines continues to be buoyed by support from the Queensland Government. The State Government has recognised the potential of the Sconi Cobalt-Nickel-Scandium Project to boost the Far North Queensland regional economy. As a result, in January 2019, the Sconi Project was declared a "Prescribed Project" by the Queensland Government. This support provides the essential catalyst to assist the Company in streamlining Sconi's progression through the final stages of regulatory approvals and facilitate the fast-tracking of its future development.

¹ Australian Mines Limited, Sconi to generate \$5 billion in free cashflow over 30-year mine life, released 13 June 2019

² Australian Mines Limited, Sconi to generate \$5 billion in free cashflow over 30-year mine life, released 13 June 2019

³ Australian Mines Limited, Sconi to generate \$5 billion in free cashflow over 30-year mine life, released 13 June 2019

⁴ Australian Mines Limited, Independent market study places Sconi in the 1st quartile of cost curve for global cobalt sulphate and nickel sulphate production, released 12 February 2019

⁵ The Nickel & Cobalt Sulphate Market Study was commissioned by Australian Mines Limited and completed by commodities research specialist CRU International Limited. The study forms part of current commercial-in-confidence negotiations with off-take partner SK Innovation and has been supplied to the ASX for their confidential reference in regard to the 12 February 2019 announcement.

⁶ compared to other existing and proposed analogous operations globally (see Australian Mines Limited, Independent market study places Sconi in the 1st quartile of cost curve for global cobalt sulphate and nickel sulphate production, released 12 February 2019)

Sconi Cobalt-Nickel-Scandium Project

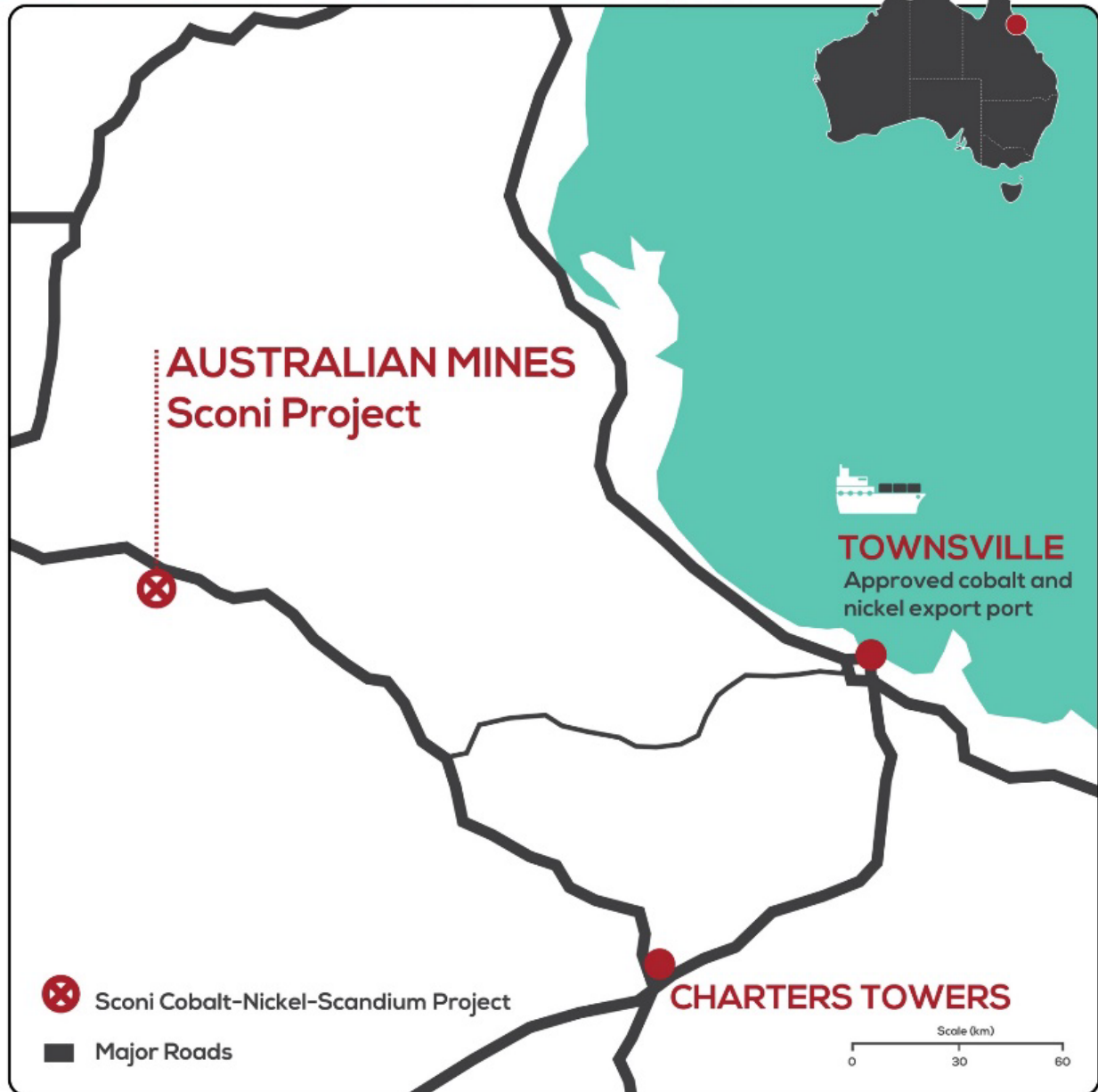
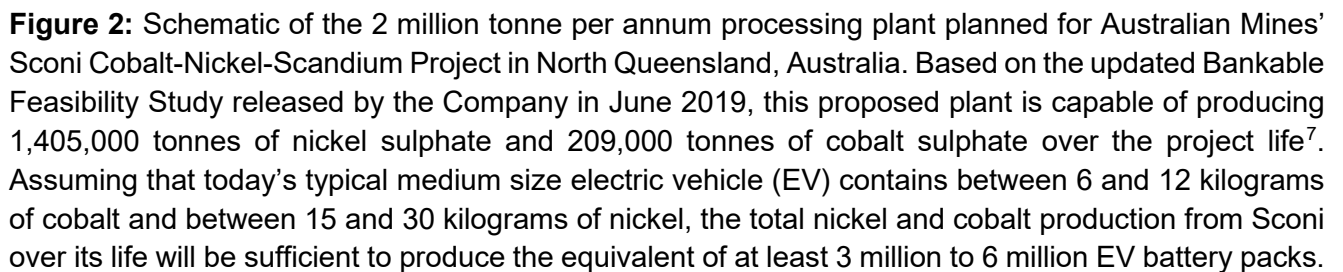


Figure 1: Location of Australian Mines' Sconi Cobalt-Nickel-Scandium Project in North Queensland. The Sconi Project is well-served by existing infrastructure including sealed roads from port to site, grid power electricity to site, and is within 10 kilometres of the Greenvale township.

SCONI PROCESSING PLANT



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AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

Bell Creek Nickel – Cobalt Project

Australian Mines' 100%-owned Bell Creek Nickel-Cobalt Project is located 115 kilometres north of Sconi and was acquired at nil additional cost as part of the Sconi acquisition. In April 2019, Australian Mines announced a Mineral Resource⁸ for its Bell Creek Project.

The Company has since commenced a preliminary assessment of parallel development strategies for Bell Creek (and the Company's neighbouring Minnamoolka Nickel Project) that may include on-site beneficiation of the nickel-cobalt ore to produce a concentrated feed capable of shipment to, and final processing by, the centralised Sconi processing plant. This has the potential to enhance the economics of the current infrastructure capital investment proposed for Sconi Project and, if implemented, could underpin a significant extension to the Company's projected operating lifespan in Queensland.

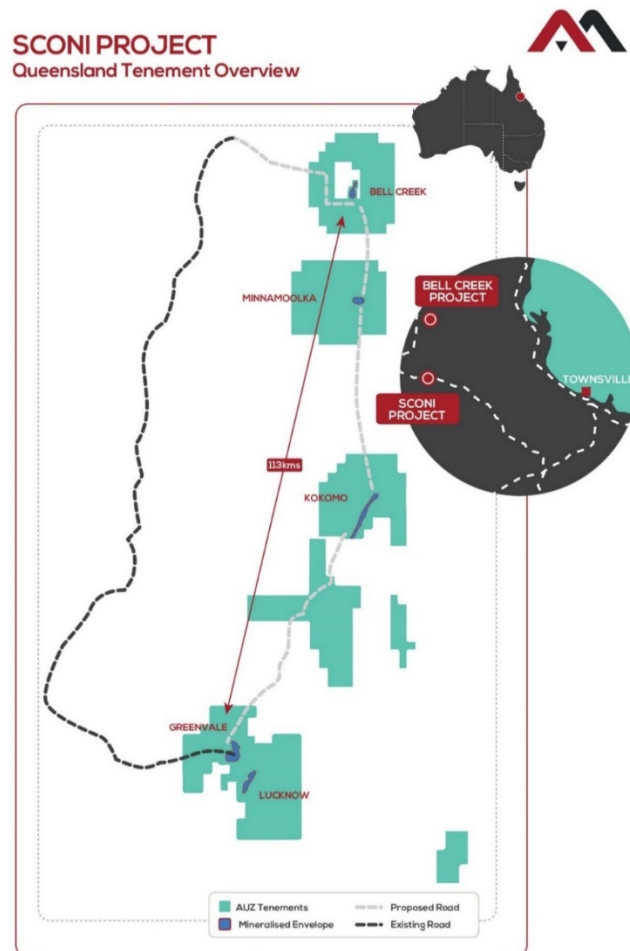


Figure 3: Location of Australian Mines' Bell Creek Nickel-Cobalt Project and Minnamoolka Project in relation to the Company's flagship Sconi Cobalt-Nickel-Scandium Project in North Queensland. The mineralised envelopes (highlighted in blue in this figure) remain open along strike.

⁸ The Mineral Resource Estimate for the Bell Creek Project is reported under JORC 2012 Guidelines and was reported by Australian Mines Limited on 29 April 2019. The Mineral Resource for Bell Creek, as announced on 29 April 2019 is: Measured 11.4Mt @ 0.84% Ni & 0.05% Co, Indicated 12.7Mt @ 0.64% Ni & 0.03% Co, Inferred 1.7Mt @ 0.55% Ni & 0.03% Co There has been no Material Change or Re-estimation of the Mineral Resource since this 29 April 2019 announcement by the company.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

Demonstration – Scale Processing Plant

Throughout the year, Australian Mines continued to progress development work at the company's demonstration-scale High-Pressure Acid Leach (HPAL) and Solvent Extraction (SX) plant located in Perth, Western Australia, in conjunction with Simulus Group's laboratories.

In July 2018, the Company delivered 40 kilograms of nickel sulphate and 4 kilograms of cobalt sulphate to electric vehicle battery manufacturer, SK Innovation⁹, using ore sourced solely from the Company's 100%-owned Sconi Cobalt-Nickel-Scandium Project in North Queensland. This shipment set a new benchmark for the largest known shipment of battery-grade cobalt sulphate and nickel sulphate from Australian mined and processed ore.

Importantly, Australian Mines' July 2018 shipment to SK Innovation also marks the first time that battery-grade samples of these commodities have ever been produced in Australia without the use of third-party commercial laboratories for any part of the process.

This clearly reaffirms Australian Mines' credentials as a leader among resources companies looking to participate in Australia's emerging battery materials sector. The Company continues to conduct additional processing runs, including runs on a continuous basis that closely replicate a future full-scale commercial operation at Sconi, in order to fine-tune its processing flowsheet in preparation for commencing construction of the full-scale commercial operation at Sconi from early 2020¹⁰.

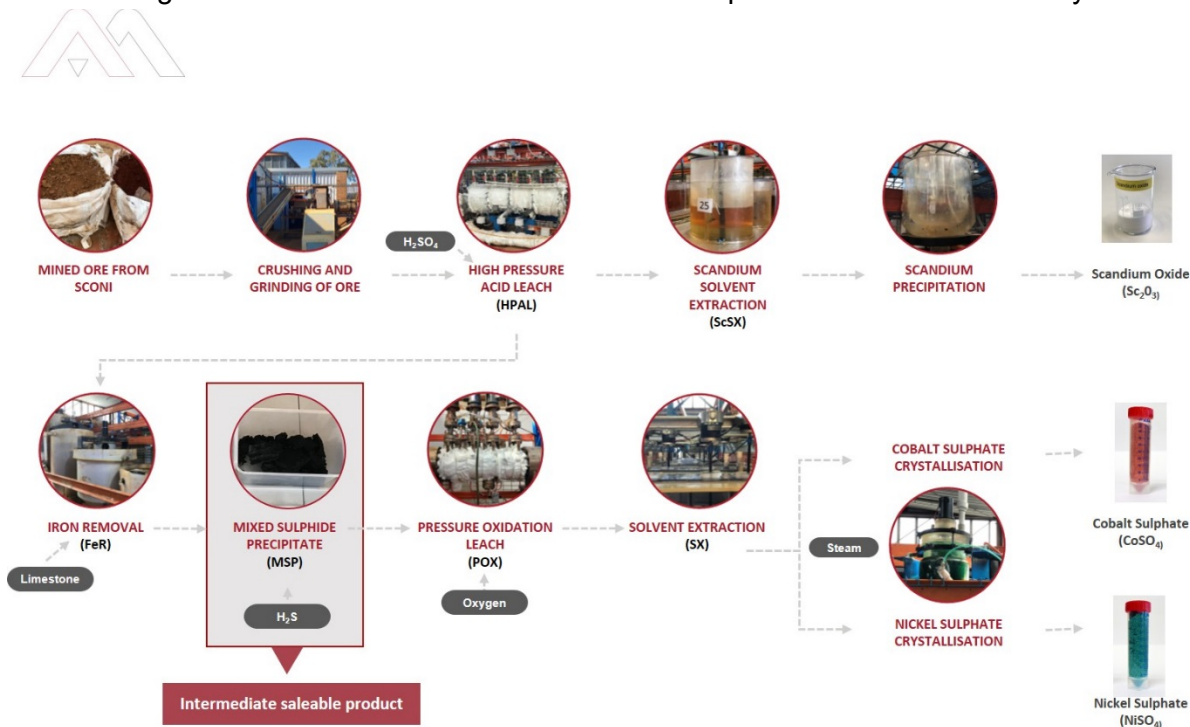


Figure 4: Australian Mines' proposed processing flowsheet that utilises proven, industry-standard technology, which has been comprehensively tested via the Company's demonstration-scale processing plant in Perth, Western Australia.

⁹ Australian Mines Limited, Australian Mines to set benchmark with largest sample of battery-grade cobalt and nickel sulphate ever exported from Australia, released 2 July 2018

¹⁰ Subject to finance

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT



Figure 5: A sample of the battery-grade nickel sulphate produced from the company's demonstration plant located in Perth, Western Australia. In total, Australian Mines delivered 40 kilograms of battery-grade nickel sulphate (and 4 kilograms of cobalt sulphate) to electric vehicle battery manufacturer, SK Innovation, in July 2018.

Flemington Cobalt – Nickel – Scandium Project

Australian Mines' Flemington Project is located within 400 kilometres of Sydney, New South Wales and represents a potential second cobalt-nickel-scandium operation for the Company.

During the year, Australian Mines exercised its option to take full ownership of this project¹¹ following which, the Company commenced a Mineral Resource¹² expansion drilling program designed to

¹¹ Through the payment of \$4.2 million to vendor Jervois Mining Limited. The original Option Agreement included a 1.5% gross sales royalty on all proceeds from the sale of products derived from the Flemington assets. In an unrelated transaction, this royalty was sold by Jervois Mining Limited Mining to Cobalt 27 Capital Corp, a physical commodity trading house focused on cobalt.

¹² The Mineral Resource Estimate for the Flemington Cobalt-Nickel-Scandium Project is reported under JORC 2012 Guidelines and was reported by Australian Mines Limited on 31 October 2017. The Mineral Resource for Flemington, as announced on 31 October 2017 is: Measured 2.5Mt @ 0.103% Co & 403ppm Sc, Indicated 0.2Mt @ 0.076% Co & 408ppm Sc. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 October 2017 announcement by Australian Mines.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

delineate a larger resource for the Flemington project that may subsequently form the basis of a Pre-Feasibility Study (PFS).

The results returned from the initial phase of the Company's Mineral Resource expansion drilling program were highly encouraging and confirmed that a significant, continuous zone of high-grade cobalt and scandium mineralisation extends westward from the current established resource at Flemington for at least a further 1,200 metres¹³. This equates to a tripling of the previous footprint of the cobalt mineralisation at Flemington, with the potential to expand even further.

With the mineralisation continuing to remain open along strike¹⁴, Australian Mines has committed to increasing its activities at Flemington for the coming year, including undertaking a 10,000-metre drill campaign across the project area, which is scheduled to commence within the coming month.

This 10,000-metre drill program represents the largest exploration / resource definition program ever undertaken across the project area and is a clear show of confidence by Australian Mines in the Flemington Project's ability to potentially host a nationally important cobalt resource.

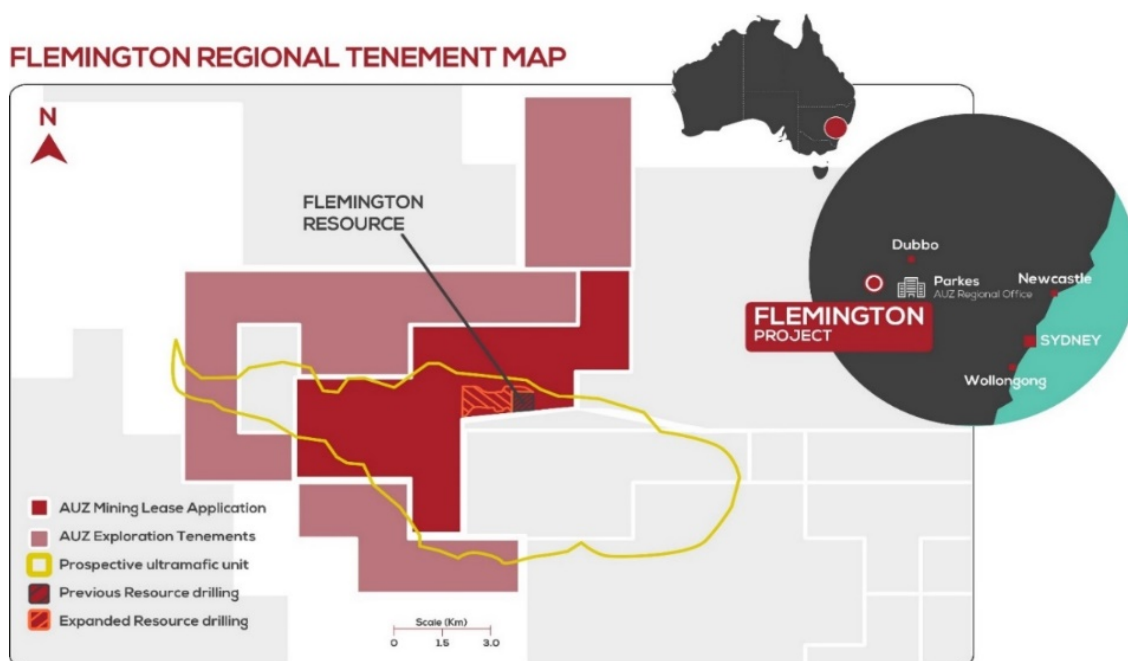


Figure 6: Located in central New South Wales, the Flemington Project covers a significant portion of the prospective Tout Complex (as outlined in yellow in this figure), being the geological unit that hosts both Australian Mines' Flemington cobalt-scandium-nickel deposit and the adjoining Sunrise deposit. Australian Mines notes that only a fraction of the prospective geology within the Company's Flemington project has been comprehensively evaluated to date and that those parts of the Tout Complex that have been drill tested by Australian Mines so far appear to have routinely intersected high-grade cobalt mineralisation.

¹³ Australian Mines Limited, Cobalt mineralisation footprint tripled at Flemington Project; mineralisation continues to remain open along strike, released 12 August 2019

¹⁴ Australian Mines Limited, Cobalt mineralisation footprint tripled at Flemington Project; mineralisation continues to remain open along strike, released 12 August 2019

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT



Figure 7: Photograph taken of a high-grade cobalt and scandium drill sample during Australian Mines' 2019 Mineral Resource expansion drill program at its Flemington Project in central New South Wales.

Thackaringa Cobalt Project

Australian Mines' 100%-owned Thackaringa Cobalt Project is located within 25 kilometres of the regional mining town of Broken Hill in New South Wales.

Australian Mines is proposing to undertake a reverse circulation and/or diamond core drill program at its Thackaringa Project in early 2020 (subject to land holder approval) to test a cluster of interpreted bedrock-hosted conductive bodies that have been detected beneath zones of elevated cobalt.

At least one of the bodies being targeted by this upcoming drill program has been independently classified as a Priority One target¹⁵. This means that, in the opinion of the consulting geophysicist, this particular conductive body has the geophysical characteristics of massive sulphide (i.e., potentially primary cobalt and/or base metal) mineralisation¹⁶.

¹⁵ Mitre Geophysics, Barrier Range Project VTEM Report – Report for Australian Mines

¹⁶ See Appendix 1 of Australian Mines' announced released via the ASX on 7 March 2018 (titled *High-priority bedrock conductors detected at Thackaringa Project, New South Wales*) for full details of the indicative classification scheme (EM conductors) that supports this statement.

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

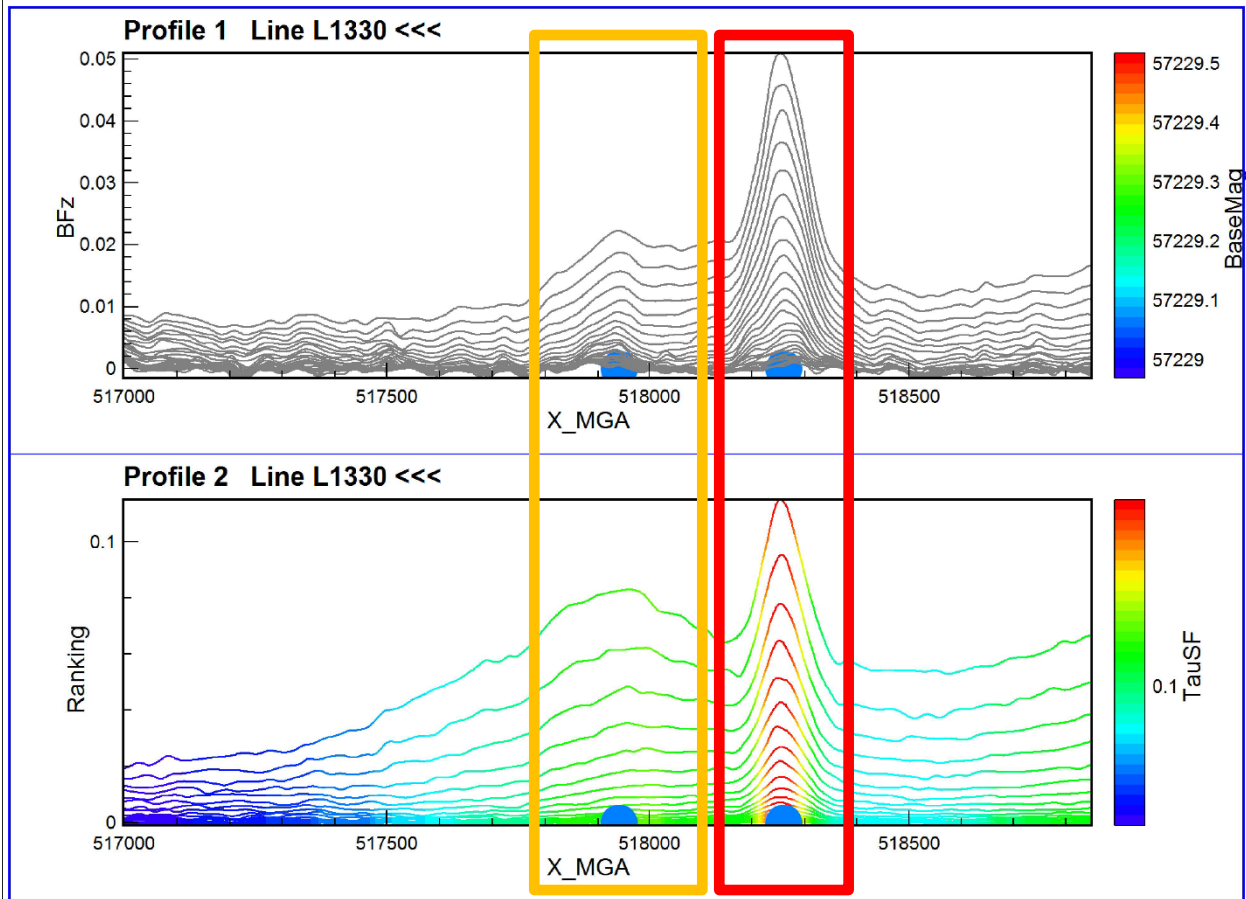


Figure 8: Profile response of the Priority One bedrock conductor (outlined in red) shows a clear strong response in the geophysical data. The much broader and lower amplitude anomaly to the west (outlined in orange) could be a larger and deep conductor. Australian Mines proposes to undertake a reverse circulation / diamond core drill program of this Priority One conductor in early 2020.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

General Economic Conditions

The Consolidated Group made a loss for the year of \$9,795,806 (2018: loss \$5,322,775). There was no impairment of exploration assets during the year (2018: nil).

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

Financials	2019	2018
	\$	\$
Revenue from operating activities	-	-
Net Loss	(9,795,806)	(5,322,775)
Cash and cash equivalents	3,359,793	8,984,625

The company's financial results demonstrate a net loss due to the company's position of mineral explorer, rather than producer. At this point in the company's development, whilst it incurs expenditure through the ongoing exploration of tenements, no return has been generated as the company is yet to move into production, thus providing income.

6. DIVIDENDS

No dividends were paid or declared by the Company during the year (2018: nil).

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the financial year.

8. EVENTS SUBSEQUENT TO REPORTING DATE

The Company is pleased to advise that its underwritten Share Purchase Plan (SPP) announced on 12 June 2019 closed oversubscribed with applications totalling \$5.8 million received from eligible shareholders. Australian Mines elected to accept the oversubscription amount and the Company notified the underwriter that there was no shortfall from the SPP. The New Shares were issued on 22 July 2019 and at a price of \$0.016. The funds raised will be used to advance the Company's Sconi Cobalt-Nickel-Scandium Project in North Queensland and for general working capital

There have been no other events subsequent to reporting date.

9. LIKELY DEVELOPMENTS

Australian Mines is devoting its resources exclusively to developing its wholly-owned Sconi, Flemington and Thackaringa projects as efficiently as possible and, in doing so, the Company plans to continue to create value for its shareholders throughout the coming year.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

Australian Mines, therefore, has no intention to acquire additional projects unless they can clearly demonstrate that they represent a sound opportunity for shareholders.

10. DIRECTORS' INTERESTS

As at the date of this report, the number of shares and options in the Company held by each Director of Australian Mines Limited and other key management personnel of the Consolidated Group, including their personally-related entities, are as follows:

Specified Directors and Key Management Personnel	Shares	Listed Options	Unlisted Options
M Ramsden	68,367,958	-	-
B Bell	64,627,228	-	-
M Elias	17,801,777	-	-
D Marinelli	43,934,690	-	-
T Maclean	9,950,000	-	-
Marcus Hughes	17,500,000	-	-

11. SHARE OPTIONS

Unissued shares under options

As stated in the ASX announcement dated 19 February 2018, SK Innovation was entitled to a commercial-in-confidence buyer discount on the base price, provided it exercised an option to subscribe for 669 million Australian Mines ordinary shares at \$0.12 per share by 20 February 2019, being three months following the release of the BFS for the Sconi Project. SK Innovation did not exercise this option. With the expiry of the option, SK Innovation's entitlement to this buyer's discount also expired.

There are 19,800,000 two-year call options held by Bergen Global Opportunity Fund, exercisable at \$0.0959 on issue.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

12. REMUNERATION REPORT – AUDITED

The directors present the Company's 2019 remuneration report outlining key aspects of our remuneration policy and framework, and remuneration awarded this year. The report includes the following:

- a) Key management personnel covered in this report
- b) Overview of remuneration policies
- c) Principals of compensation
- d) Directors and executive officers' remuneration
- e) Terms of equity settled share-based payment transactions
- f) Equity instruments held by key management personnel
- g) Remuneration consultants
- h) Voting and comments made at the company's 2018 Annual General Meeting
- i) Loans to key management personnel
- j) Other key management personnel transactions

a) Key management covered in this report

Non-executive and executive directors and officers (see pages 4 to 5 for director details)

Michael Ramsden (Chairman)	Dominic Marinelli (Non-Executive Director)
Benjamin Bell (Managing Director)	Tim Maclean (Chief Operating Officer)
Michael Elias (Non-Executive Director)	Marcus Hughes (Chief Financial Officer) (appointed 03 December 2018)

b) Overview of remuneration policies

The board remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide Executive Directors and Executives with a remuneration package that reflects the person's responsibilities, duties and personal performance. An employee Loan Share Plan scheme for key Executives is in place.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the mining industry.

The Board has established a Remuneration and Nomination Committee (Remuneration Committee) responsible for making recommendations to the Board on remuneration arrangements for Directors and Executives of the Company.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

12. REMUNERATION REPORT - AUDITED (cont.)

Assessing performance and clawback of remuneration

The remuneration committee is responsible for assessing performance against Key Performance Indicators (KPI) and determining Short Term Incentives (STI) and Long Term Incentives (LTI) to be paid. To assist in this assessment, the committee receives detailed reports on performance criteria from BDO Reward (WA) Pty Ltd which are based on independently verifiable data such as financial measures, market capitalisation and data from independently run surveys.

In the event of serious misconduct or a material misstatement in the company's financial statements, the remuneration committee can cancel or defer performance-based remuneration and may also claw back performance-based remuneration paid in the previous financial years.

c) Principles of compensation

Remuneration of directors and executives is referred to as compensation throughout this report. Compensation levels for key management personnel, and for relevant key management personnel of the Consolidated Group, are competitively set to attract and retain appropriately qualified and experienced directors and executives.

Fixed Compensation

Fixed compensation consists of base compensation as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the Remuneration Committee through a process that considers individual and overall performance of the Consolidated Group.

Performance-linked Compensation

The Company has a Long-Term Incentive performance-based compensation scheme commencing in financial year 1 July 2017 to issue Performance Shares subject to various KPI's being achieved and subject to Shareholders Approval. No performance-based compensation was paid this year, or in the prior year.

Short term Incentive Bonus

The Company has no scheme to pay discretionary bonuses based on short term performance. However, a bonus of \$73,500 was paid to Mr Marcus Hughes during the year as joining bonus.

Long Term Incentive Bonus

On 24 November 2017 the Directors and key management personnel were invited to participate in a Loan Share Plan. Under the Plan, the Directors were granted Performance Shares issued at market value. A limited recourse loan was provided by the Group to allow the Directors to purchase the Performance Shares pursuant to the terms of the loan agreement.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

12. REMUNERATION REPORT - AUDITED (cont.)

c) Principles of compensation (cont.)

The shares were purchased at a market rate of \$0.116 per share. The director's plan shares are divided into 2 tranches and subject to service period vesting conditions. The key management personnel plan shares are divided into 3 tranches and are subject to service period vesting conditions. As a result of the plan 69,550,000 shares were issued. The fair value of the shares was estimated at the date of grant using the Black Scholes model. Refer to note 19 for further details. Of the 69,550,000 shares, 66,233,332 shares have vested.

On 3 December 2018 the new key management executive Mr Marcus Hughes was invited to participate in a Loan Share Plan. The shares were purchased at a market rate of \$0.0418 per share. The key management personnel plan shares are divided into 4 tranches and are subject to service period vesting conditions. As a result of the plan 10,000,000 shares were issued. The fair value of the shares was estimated at the date of grant using the Black Scholes model. Refer to note 19 for further details. Of the 10,000,000 shares, no shares have vested during the financial year.

Consequences of Performance on Shareholder Wealth

In considering the Consolidated Group's performance and benefits for shareholder wealth, the Remuneration Committee takes into account profitability and share price movements when setting the total amount of any bonuses. No performance bonuses were paid in the current financial year.

	2019	2018	2017	2016	2015
Loss for the year	\$9,795,806	\$5,322,775	\$1,675,932	\$1,023,221	\$2,573,585
Change in Share Price	(76%)	493%	7%	133%	50%

Service Contracts - Executive Director

The Company entered into a service agreement contract with Executive Director, Mr Benjamin Bell, effective from 1 July 2012. Mr Bell's contract was renewed effective 1 July 2017 and his fixed remuneration package was \$325,000 per annum including superannuation. Effective 1 July 2018 the package increased to \$400,000. The agreement includes an invitation to apply for Performance Share Benefits which are subject to shareholder approval. The contract has no defined term however either party may terminate this agreement by providing three month's written notice in accordance with the agreement.

At any time, contracts of employment may be terminated by the Company forthwith if the Executive Director (amongst other items) breaches duties connected with the performance of services; enters bankruptcy; engages in misconduct; or is of ill health or unsound mind. Under such circumstances the Company will pay an amount equal to the aggregate of unpaid salary, annual leave and long service leave accrued to the date of termination.

The Company provides insurance for the Executive Director for any liability arising from statute or common law and public indemnity insurance in respect of shareholder or third-party actions.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

12. REMUNERATION REPORT - AUDITED (cont.)

c) Principles of compensation (cont.)

The Remuneration Committee undertakes to review Directors' remuneration on an annual basis to take into account changes to the cost of living and changes in the scope of the Directors' roles and responsibilities. If warranted the Board may approve bonus payments up to a reasonable limit for exceptional performance to the Executive Director.

Service Contracts - Executive Officers

The Company entered into an executive employment agreement with Tim Maclean as Chief Operating Officer effective 17 July 2017. Mr Maclean has been employed on a salary of \$273,750 per annum inclusive of superannuation. The agreement includes an invitation to participate in the Loan Share Plan whereby the executive can apply for shares. The contract has no defined term however either party may terminate this agreement by providing three months written notice in accordance with the agreement.

Marcus Hughes was appointed Chief Financial Officer effective 3 December 2018. Mr Hughes has been employed on a salary of \$325,000 inclusive of superannuation. The agreement also included a sign on bonus of 1,750,000 shares and an invitation to participate in a Loan Share Plan. The contract has no defined term however either party may terminate this agreement by providing three months written notice in accordance with the agreement.

At any time, contracts of employment may be terminated by the Company forthwith if the Executive Officer (amongst other items) breaches duties connected with the performance of services; engages in misconduct; or becomes incapacitated. Under such circumstances the Company will pay an amount equal to the aggregate of unpaid salary, annual leave and long service leave accrued to the date of termination.

The remuneration of executive officers will be reviewed annually by the Company in conjunction with a performance review. If warranted the Company may approve bonus payments however they are under no obligation to pay a bonus each year.

Non-Executive Directors

Total remuneration for all Non-Executive Directors is not to exceed \$800,000 per annum, excluding options and other share-based incentives which are approved separately at a general meeting. Non-executive Directors' fees are set with reference to fees paid to other Non-Executive Directors of comparable companies and are presently \$70,000 (2018: \$60,000) per annum each. The Non-Executive Chairman received a fee of \$105,000 (2018: \$95,000) per annum. There has been no movement in Non-Executive Director's fees for FY2020.

Directors' fees cover all main board activities and membership of committees. The directors have participated in the Employees Loan Share Plan and received an allotment of shares as detailed in note 19.

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

12. REMUNERATION REPORT - AUDITED (cont.)

d) Directors' and executive officers' remuneration

Details of the nature and amount of each major element of the remuneration of each Director of the Consolidated Group and other key management personnel of the Consolidated Group are shown on the following table.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

REMUNERATION REPORT – AUDITED (cont.)

		SHORT TERM (C)			POST EMPLOYMENT			SHARE-BASED PAYMENTS	TOTAL	Proportion of remuneration based %	Value of share-based payments as a proportion of remuneration %
Directors		Non-Exec Directors' Fees	Executive Salaries	Bonus	Super- annuation Contribution	Termination and Retirement Benefits	Other Long-Term Benefits (A)	Shares Issued (B)			
Non-executive		\$	\$	\$	\$	\$	\$	\$	\$		
Mr M Ramsden	2019	95,890	-	-	9,109	-	-	79,675	184,674	43	43
	2018	86,758	-	-	8,242	-	-	183,064	278,064	66	66
Mr M Elias	2019	63,927	-	-	6,073	-	-	48,176	118,176	41	41
	2018	54,795	-	-	5,205	-	-	110,690	170,690	65	65
Mr D Marinelli	2019	63,927	-	-	6,073	-	-	48,176	118,176	41	41
	2018	54,795	-	-	5,205	-	-	110,690	170,690	65	65
Executive											
Mr B Bell	2019	-	379,469	-	20,531	-	18,775	376,142	794,917	47	47
	2018	-	304,898	100,000	20,035	-	21,046	864,232	1,310,211	66	66
Total compensation: Directors	2019	223,744	379,469	-	41,786	-	18,775	552,168	1,215,973	43	43
	2018	226,347	304,898	100,000	38,688	-	21,046	1,268,675	1,959,654	65	65
Executive Officers											
Mr T Maclean (D)	2019	-	253,218	-	20,531	-	19,443	112,835	406,027	28	28
	2018	-	238,120	-	20,049	-	18,316	172,099	448,584	38	38
Mr M Hughes(E)	2019	-	177,607	-	16,873	-	4,294	141,111	339,885	42	42
	2018	-	-	-	-	-	-	-	-	-	-
Total compensation Executive Officers	2019	-	430,825	-	37,404	-	23,737	253,946	745,912	35	35
	2018	-	238,120	-	20,049	-	18,316	172,099	448,585	38	38

(A) Other long-term benefits include movement in the annual and long service leave provision.

(B) The estimated options value disclosed above is calculated at the date of grant using a Black-Scholes model. Share-based payments expense relates to the Performance Shares granted to Directors on 27 November 2017.

(C) No non-monetary benefits were provided as compensation during the 2019 and 2018 financial years.

(D) Appointed 17 July 2017 as Chief Operating Officer.

(E) Appointed 03 December 2018 as Chief Financial Officer. Mr Marcus had received \$73,500 joining bonus in the form of share-based payment.

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

12. REMUNERATION REPORT – AUDITED (cont.)

e) Terms of equity settled share-based payment transactions

Directors' and executives' employment related shares granted on 24 November 2017 are vested in two tranches for Directors and three tranches for key management executive Tim Maclean. On 3 December 2018, employment related shares were granted to key management executive Marcus Hughes and are vested in four tranches. The details of the vesting plan are set out below. The fair values of all granted Performance Shares are included in remuneration over the vesting period from December 2017 to December 2022.

Director	Grant Date	Number Issued	Vesting Date	No. Vested	Share Value at Grant Date (\$)	Fair Value (\$)
M Elias	24/11/2017	2,600,000	1 June 2018	2,600,000	0.116	0.0306
M Elias	24/11/2017	2,600,000	1 June 2019	2,600,000	0.116	0.0306
B Bell	24/11/2017	20,300,000	1 June 2018	20,300,000	0.116	0.0306
B Bell	24/11/2017	20,300,000	1 June 2019	20,300,000	0.116	0.0306
M Ramsden	24/11/2017	4,300,000	1 June 2018	4,300,000	0.116	0.0306
M Ramsden	24/11/2017	4,300,000	1 June 2019	4,300,000	0.116	0.0306
D Marinelli	24/11/2017	2,600,000	1 June 2018	2,600,000	0.116	0.0306
D Marinelli	24/11/2017	2,600,000	1 June 2019	2,600,000	0.116	0.0306
T MacLean	24/11/2017	3,316,666	1 June 2018	3,316,666	0.116	0.0306
T MacLean	24/11/2017	3,316,667	1 June 2019	3,316,667	0.116	0.0306
T MacLean	24/11/2017	3,316,667	1 June 2020	-	0.116	0.0390
M Hughes	3/12/2018	2,500,000	3 December 2019	-	0.042	0.0197
M Hughes	3/12/2018	2,500,000	3 December 2020	-	0.042	0.0234
M Hughes	3/12/2018	2,500,000	3 December 2021	-	0.042	0.0263
M Hughes	3/12/2018	2,500,000	3 December 2022	-	0.042	0.0285
		<u>79,550,000</u>		<u>66,233,333</u>		

	Directors Shares	KMP Tim Maclean	KMP Marcus Hughes
Share price at date granted	0.090c	0.090c	0.042c
Risk free rate	1.78%	1.90%	1.68%
Volatility factor	75%	75%	86%
Exercise Price	0.116c	0.116c	0.0418c
Time to maturity	2 years	3 years	4 years
Expected dividend yield	0%	0%	0%

The issue price was calculated as 1.3 times the 5-day volume weighted average price of the Company's shares up to the issue date.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

12. REMUNERATION REPORT – AUDITED (cont.)

f) Equity instruments held by key management personnel

Movement in shares

The movement during the reporting period in the number of ordinary shares held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2018	Purchases	Sales	Held at 30 June 2019
Directors				
M Ramsden	68,367,958	-	-	68,367,958
B Bell	64,627,228	-	-	64,627,228
M Elias	17,801,777	-	-	17,801,777
D Marinelli	43,934,690	-	-	43,934,690
KMP				
T Maclean	9,950,000	-	-	9,950,000
M Hughes	-	17,500,000	-	17,500,000

g) Remuneration consultants

The remuneration committee engaged BDO Reward (WA) Pty Ltd as independent remuneration consultants to provide an Executive and Non-Executive Director Remuneration market study. BDO Reward (WA) Pty Ltd was paid \$15,675 including GST (last year \$15,125 inc GST) during the year. BDO Reward (WA) Pty Ltd was also engaged in the prior year.

h) Voting and comments made at the company's 2018 Annual General Meeting

The Company received 80% "for" votes on its remuneration report for the 2018 financial year at the Annual General Meeting on 21 November 2018. The Company did not receive any specific feedback at the Annual General Meeting on its remuneration practices.

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

12. REMUNERATION REPORT – AUDITED (cont.)

i) Loans to key management personnel

A limited recourse loan has been provided to Directors to allow them to purchase performance shares pursuant to the terms of the Loan Share Plan, detailed in point (c). No interest is payable on the loan and repayment is due upon forfeiture or sale of the shares. Details of the shares and loans can be found below:

Name	Issue Date	Shares Issued	Issue Price	Loan Balance
Michael Ramsden	24 Nov 2014	7,000,000	\$0.007	\$49,000
Michael Elias	24 Nov 2014	7,000,000	\$0.007	\$49,000
Dominic Marinelli	24 Nov 2014	7,000,000	\$0.007	\$49,000
Benjamin Bell	24 Nov 2014	13,000,000	\$0.007	\$91,000
		<u>34,000,000</u>		<u>\$238,000</u>
Michael Ramsden	24 Nov 2017	8,600,000	\$0.116	\$997,600
Michael Elias	24 Nov 2017	5,200,000	\$0.116	\$603,200
Dominic Marinelli	24 Nov 2017	5,200,000	\$0.116	\$603,200
Benjamin Bell	24 Nov 2017	40,600,000	\$0.116	\$4,709,600
Tim MacLean	24 Nov 2017	9,950,000	\$0.116	\$1,154,200
Marcus Hughes	03 Dec 2018	10,000,000	\$0.042	\$420,000
		<u>79,550,000</u>		<u>\$8,487,800</u>

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

12. REMUNERATION REPORT – AUDITED (cont.)

j) Other key management personnel transactions

The terms and conditions of the transactions with key management personnel were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel were as follows:

Director(s)	Transaction	2019	2018
		\$	\$
Mr M Ramsden	Reimbursements (i)	48,924	45,225
Mr M Ramsden and Mr D Marinelli	Placement & Management Fees (ii)	300,000	231,000
Mr M Ramsden and Mr D Marinelli	Advisory Fees (iii)	-	42,286

- i. The group reimbursed Terrain Capital Unit Trust for Mr M Ramsden's travel costs associated with his role as a director of Australian Mines. No amounts were owing to Terrain Capital Unit Trust at 30 June 2019.
- ii. The Group used Terrain Capital Unit Trust to assist with the placement of shares. Mr M Ramsden and Mr D Marinelli are Directors of Terrain Capital Ltd. No amounts were owing to Terrain Capital Ltd for placement services at 30 June 2019.
- iii. The Group used Terrain Capital Unit Trust in 2018 to provide corporate advisory services. Mr M Ramsden and Mr D Marinelli are Directors of Terrain Capital Ltd. No amounts were owing to Terrain Capital Ltd for corporate advisory services at 30 June 2019.

Apart from the details disclosed in the Remuneration Report, no director has entered into a contract with the Consolidated Group since the end of the previous financial year and there were no contracts involving directors' interests existing at year end.

This is the end of the Remuneration Report.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

13. CORPORATE GOVERNANCE

The Consolidated Group's corporate governance policies and practices are set out in pages 83 to 92.

14. ENVIRONMENTAL REGULATIONS

The Consolidated Group conducts mining and exploration activities on mineral tenements. The right to conduct these activities is granted, subject to environmental conditions and requirements and as such is governed by a range of environment legislation. The Directors have considered the requirements of the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. As the Company has not yet commenced construction of the Sconi Cobalt-Nickel-Scandium Project, the Company is not yet subject to the public reporting requirements of the NGER Act. The Consolidated Group aims to ensure a high standard of environmental care is achieved and, as a minimum, to comply with relevant environmental regulations. To the best of the Directors knowledge, the Company has adequate systems in place to ensure compliance with the requirements of the applicable legislation and is not aware of any material breach of those requirements during the financial year and up to the date of the Directors' Report.

15. FINANCIAL REPORTING

The Directors have declared, in writing to the Board that the Company's financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

16. INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has entered into Director and Officer Protection Deeds (Deed) with each Director and the Company Secretary (officers). Under the Deed, the Company indemnifies the officers to the maximum extent permitted by law and the Constitution against legal proceedings, damage, loss, liability, cost, charge, expense, outgoing or payment (including legal expenses on a solicitor/client basis) suffered, paid or incurred by the officers in connection with the officers being an officer of the Company, the employment of the officer with the Company or a breach by the Company of its obligations under the Deed.

Also pursuant to the Deed, the Company must insure the officers against liability and provide access to all Board papers relevant to defending any claim brought against the officers in their capacity as officers of the Company.

The Company has paid insurance premiums during the year of \$38,850 (2018: \$10,523) in respect of liability for any current and future Directors, Company Secretary, executives and employees of the Company.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

17. NON-AUDIT SERVICES

BDO Reward (WA) Pty Ltd, was appointed to provide independent market study in relation to Executive and Non-Executive Directors Remuneration. Refer to Note 6 for auditor's remuneration. A BDO Reward (WA) Pty Ltd were paid \$14,250 (2018: \$13,750) for these services.

The board has established, subsequent to year-end, certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001. These procedures include:

- Non-audit services are subject to the corporate governance procedures adopted by the Company and will be reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- Ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the consolidated Group, acting as an advocate for the Consolidated Group or jointly sharing risks and rewards.

18. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 30 and forms part of this Directors' Report for the year ended 30 June 2019.

19. ROUNDING OFF

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the Directors.



Benjamin Bell
Managing Director
Dated: 26th September 2019

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF AUSTRALIAN MINES LIMITED

As lead auditor of Australian Mines Limited for the year ended 30 June 2019, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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



Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd
Perth, 26 September 2019

AUSTRALIAN MINES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$000	2018 \$000
Personnel expenses	4	(1,637)	(799)
Share based payment expense	4	(806)	(1,392)
Depreciation and amortisation	5	(57)	(15)
Convertible notes finance charges	22	(4,093)	-
Corporate overheads and indirect expenses	5	(3,209)	(3,123)
Results from operating activities		(9,802)	(5,328)
Finance income	7	6	5
Net finance income		6	5
Loss before income tax		(9,796)	(5,323)
Income tax	8	-	-
Loss after income tax		(9,796)	(5,323)
Total comprehensive loss for the year		(9,796)	(5,323)
Loss per share attributable to the ordinary equity holders of the Company			
Basic loss per share (cents)	9	(0.35)	(0.21)
Diluted loss per share (cents)	9	(0.35)	(0.21)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

AUSTRALIAN MINES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

		Issued Capital	Accumulated Losses	Share Option Reserve	Share Based Payment Reserve	Total Equity
		\$000	\$000	\$000	\$000	\$000
Notes						
Contributions by and distribution to members						
Opening balance at 1 July 2018		67,076	(41,820)	168	2,845	28,269
Total comprehensive income for the period:						
(Loss) for the year	21	-	(9,796)	-	-	(9,796)
Other comprehensive (loss)/income		-	-	-	-	-
Total comprehensive loss for the period		-	(9,796)	-	-	(9,796)
Transactions with owners, recorded directly in equity						
Share based payment transactions	19	-	-	326	733	1,059
Shares issued during the year	20	14,799	-	-	-	14,799
Transaction costs from issue of shares	20	(502)	-	-	-	(502)
Total transactions with owners, recorded directly in equity		14,297	-	326	733	15,356
Closing balance at 30 June 2019		81,373	(51,616)	494	3,578	33,829

The Consolidated Statement of Changes in Equity is to be read
in conjunction with the accompanying notes.

AUSTRALIAN MINES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

		Issued Capital	Accumulated Losses	Share Option Reserve	Share Based Payment Reserve	Total Equity
		\$000	\$000	\$000	\$000	\$000
	Notes					
Contributions by and distribution to members						
Opening balance at 1 July 2017		45,062	(36,497)	168	1,404	10,137
Total comprehensive income for the period:						
(Loss) for the year	21	-	(5,323)	-	-	(5,323)
Other comprehensive (loss)/income		-	-	-	-	-
Total comprehensive loss for the period		-	(5,323)	-	-	(5,323)
Transactions with owners, recorded directly in equity						
Share based payment transactions	19	-	-	-	1,441	1,441
Shares issued during the year	20	23,500	-	-	-	23,500
Transaction costs from issue of shares	20	(1,486)	-	-	-	(1,486)
Total transactions with owners, recorded directly in equity		22,014	-	-	1,441	23,455
Closing balance at 30 June 2018		67,076	(41,820)	168	2,845	28,269

The Consolidated Statement of Changes in Equity is to be read
in conjunction with the accompanying notes.

AUSTRALIAN MINES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2019 \$000	2018 \$000
CURRENT ASSETS			
Cash and cash equivalents	10	3,360	8,985
Trade and other receivables	12	75	388
Assets classified as held for sale	13	-	3,704
TOTAL CURRENT ASSETS		3,435	13,077
NON-CURRENT ASSETS			
Exploration and evaluation assets	14	28,033	18,551
Investment accounted for using the equity method	15	3,085	-
Intangibles		5	-
Property, plant and equipment	16	205	121
TOTAL NON-CURRENT ASSETS		31,328	18,672
TOTAL ASSETS		34,763	31,749
CURRENT LIABILITIES			
Trade and other payables	17	724	3,388
Provisions	18	162	92
TOTAL CURRENT LIABILITIES		886	3,480
NON CURRENT LIABILITIES			
Provisions	18	48	-
TOTAL NON CURENT LIABILITIES		48	-
TOTAL LIABILITIES		934	3,480
NET ASSETS		33,829	28,269
EQUITY			
Contributed equity	20	81,373	67,076
Reserves	20	4,072	3,013
Accumulated losses	21	(51,616)	(41,820)
TOTAL EQUITY		33,829	28,269

The Consolidated Statement of Financial Position is to be read
in conjunction with the accompanying notes.

AUSTRALIAN MINES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$000	2018 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments to suppliers and employees		(4,568)	(3,778)
Interest received		6	5
Net cash (used in) operating activities	11	<u>(4,562)</u>	<u>(3,773)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation		(5,875)	(8,364)
Payments for exploration acquisitions		(4,000)	(5,411)
Intangibles		(5)	-
Payments for property, plant and equipment		(140)	(120)
Net cash (used in) investing activities		<u>(10,020)</u>	<u>(13,896)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue (net of costs)		8,957	22,014
Net cash provided by financing activities		<u>8,957</u>	<u>22,014</u>
Net increase/(decrease) in cash held		(5,625)	4,346
Cash at the beginning of the financial year		8,985	4,639
Cash at the end of the financial year	10	<u><u>3,360</u></u>	<u><u>8,985</u></u>

The Consolidated Statement of Cash Flows is to be read
in conjunction with the accompanying notes.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1. REPORTING ENTITY

Australian Mines Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 34, 1 Eagle Street, Brisbane, Queensland. The consolidated financial statements of the Company for the financial year ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the 'Consolidated Group') and the Consolidated Group's interest in jointly controlled entities.

The Consolidated Group is a for-profit entity and is primarily involved in the exploration for cobalt, nickel and scandium in Australia.

The consolidated financial statements were authorised for issue by the directors on 26th September 2019.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') (including interpretations) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Consolidated Group.

(c) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: available-for-sale financial assets and non-derivative financial instruments measured at fair value through profit or loss.

Certain comparative amounts have been reclassified to conform to current year presentation.

(d) Use of judgements and estimates

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Consolidated Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2. BASIS OF PREPARATION (cont.)

(d) Use of judgements and estimates (cont.)

Judgements made by management that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3(m).

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation.

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(iii) Investment in associates

Interests in associates are accounted for using the equity method. Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Groups share of the profit or loss of the associate.

All other accounting policies applied by the Group in this consolidated 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 2018, except for those discussed in Notes below.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates at the dates the fair value was determined.

(c) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see note 3(f)). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Mining property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable and subsequent costs to develop the mine to the production phase.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

Leases in terms of which the Consolidated Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy note 3(f)). Lease payments are accounted for as described in accounting policy note 3(i).

(iii) Subsequent costs

The Consolidated Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Consolidated Group and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income as an expense as incurred.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(c) Property, plant and equipment (cont.)

(iv) Depreciation

With the exception of freehold land and mining property and development assets, depreciation is charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the estimated life of the asset, using rates per annum as set out below:

	2019	2018
Buildings	33%	33%
Plant & equipment	33%	33%
Leased plant & equipment	25%	25%

Land is not depreciated, while buildings on mining tenements are given a short life. Exploration and development costs for reserves not yet in production are not amortised.

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(d) Exploration and evaluation assets

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Consolidated Group has obtained the legal rights to explore an area are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment note, accounting policy note 3(f)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation assets to mining property and development assets within property, plant and equipment.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(e) Financial instruments

(i) Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial instruments (except for trade receivables) are measured initially at fair value adjusted by transactions costs, except for those carried “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

Trade receivables are initially measured at the transaction price if the receivables do not contain a significant financing component in accordance with AASB 15.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(ii) Classification and subsequent measurement

Financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVPL).

Classifications are determined by both:

- The contractual cash flow characteristics of the financial assets; and
- The entities business model for managing the financial asset.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(e) Financial instruments (cont.)

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income (Equity instruments)

The Company measures debt instruments at fair value through OCI (other comprehensive income) if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling the financial asset.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI.

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation and are not held for trading.

Financial assets at fair value through profit or loss (FVPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(e) Financial instruments (cont.)

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, gains and losses arising on changes in fair value are recognised in profit or loss.

Impairment

From 1 July 2018, the Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by AASB, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Comparative information

The Company has applied AASB 9 Financial Instruments retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(f) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(f) Impairment (cont.)

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Consolidated Group on terms that the Consolidated Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Consolidated Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Consolidated Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Consolidated Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(f) Impairment (cont.)

The recoverable amount of an asset or CGU unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Employee benefits

(i) Long-term service benefits

The Consolidated Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates and is discounted using the rates attached to the Commonwealth Government bonds at the reporting date which have maturity dates approximating to the terms of the Consolidated Group's obligations.

(ii) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(iii) Share-based payment transactions

The Share Loan Plan allows Consolidated Group directors and key management personnel to acquire shares of the Company. The fair value of shares granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and recorded over the period during which the employees become unconditionally entitled to the shares. The fair value of the shares granted is measured using a Black - Scholes model, taking into account the terms and conditions upon which the shares were granted.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(g) Employee benefits (cont.)

(iv) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

(h) Provisions

A provision is recognised in the Statement of Financial Position when the Consolidated Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Leases

(i) Operating lease payments

Payments made under operating leases are recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Profit or Loss and Other Comprehensive Income as an integral part of the total lease expense and spread over the lease term.

(ii) Finance lease payments

A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

(j) Finance income and expenses

Finance income comprises interest income on funds invested and fair value gains on financial assets at fair value through profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

(k) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(k) Income tax (cont.)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable/(payable) is at call.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(k) Income tax (cont.)

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(l) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(m) Accounting estimates and judgments

Management discussed with the Board the development, selection and disclosure of the Consolidated Group's critical accounting policies and estimates and the application of these policies and estimates.

Note 23 contains detailed analysis of the interest rate and liquidity risk of the Consolidated Group.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The significant estimates and judgements are as follows:

(i) Fair Value of Share Based Payment Transactions

The fair value of the employee option plan and loan share plan are measured using the Black Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instrument, risk-free interest rate.

(ii) Impairment of exploration and evaluation assets

The ultimate recoupment of the value of exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale, of the underlying mineral exploration properties. The Consolidated Group undertakes at least on an annual basis, a comprehensive review for indicators of impairment of those assets. Should an indicator of impairment exist, there is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key issues that are considered in this review include:

- Recent drilling results and reserves and resources estimates;
- Environmental issues that may impact the underlying tenements;
- The estimated market value of assets at the review date;
- Independent valuations of the underlying assets that may be available;
- Fundamental economic factors such as the cobalt, scandium and nickel price, exchange rates and current and anticipated operating costs in the industry; and

Information used in the review process is rigorously tested to externally available information as appropriate. In addition, an allocation of the costs of acquired mineral rights to individual projects was performed during the year. This allocation process required estimates and judgement as to the value of these projects acquired.

The fair value of exploration assets is based on fair value less costs to sell, using a multiples of exploration method. The impairment of mining tenements is assessed in accordance with accounting policy note 3(f).

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(m) Accounting estimates and judgments (cont.)

(iii) Asset acquisition

As the acquisition of the Flemington Cobalt-Nickel-Scandium Project does not meet the definition of a business combination, the transaction has been accounted for as an asset acquisition.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

(iv) Investment in Associates

In absence of control, the Group will equity account for Norwest Minerals Limited. The Group has 28% of voting rights in Norwest and has only one common board member. As such it has been determined that control cannot be exercised.

(n) Segment reporting

An operating segment is a component of the Consolidated Group that engages in business activities of which it may earn revenue and incur expenses. Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

(o) Assets held for sale

Non-current assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale the assets are re-measured in accordance with the Consolidated Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, assets are not amortised or depreciated.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(p) New and amended standards adopted by the Group

The Company has adopted AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments which became effective for financial reporting periods commencing on or after 1 January 2018

AASB 15 Revenue from contracts with customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company has applied the new Standard effective from 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated.

The adoption of AASB 15 does not have a significant impact on the Company as the Company does not currently have any revenue from customers.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

As a result of adopting AASB 9 Financial Instruments, the Company has amended its financial instruments accounting policies to align with AASB 9. AASB 9 makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

There were no financial instruments which the Company designated at fair value through profit or loss under AASB 139 that were subject to reclassification. The Board assessed the Company's financial assets and determined the application of AASB 9 does not result in a change in the classification of the Company's financial instruments.

The adoption of AASB 9 does not have a significant impact on the financial report.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(q) New accounting standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They have not been applied in preparing this financial report.

AASB 16: Leases applies to annual reporting periods beginning on or after 1 January 2019.

This Standard supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, AASB interpretation 115 Operating Leases-Incentives and AASB interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of lease. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117.

The key features of AASB 16 are as follows:

Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.

Assets and Liabilities arising from the lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend to lease, or not to exercise an option to terminate the lease.

AASB 16 contains disclosure requirements for leases.

Lessor accounting

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(q) New accounting standards and interpretations not yet adopted (cont.)

Estimated impact of AASB 16 on the Company when the standard is applied

Due to the adoption of AASB 16, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component.

Other standards not yet applicable

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(r) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Share-based payment transactions

The fair value of the employee share options and loan share plan are measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(s) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Compound interest instruments

Compound financial instruments issued by the Company comprise convertible notes that can be converted to ordinary shares at the option of the holder, with a variable number of shares to be issued upon conversion.

On initial recognition, the fair value of the embedded derivative components are calculated first and the residual value is assigned to the debt host component. No gain or loss is recognised on inception.

The debt host liability component is subsequently carried at amortised cost whereby the initial carrying value of the liability is accreted to the principal amount over the life of the note. The accretion is recognised as a finance cost together with the interest expense.

On conversion the debt host liability is reclassified to equity and a gain or loss is recognised in the profit or loss relating to the difference in the fair value of shares issued upon conversion.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$000	\$000
4 PERSONNEL EXPENSES		
Wages and salaries	1,658	829
Salary Recharges	(754)	(471)
Non-executive directors' fees	298	252
Other associated personnel expenses	80	32
Contributions to superannuation funds	165	79
Increase in leave liability	190	78
	<u>1,637</u>	<u>799</u>
Share Based Payment Expense		
Employee share-based payment expenses (note 19)	806	1,392
	<u>806</u>	<u>1,392</u>
5 OTHER EXPENSES		
Depreciation and amortisation of:		
Plant and equipment	57	15
	<u>57</u>	<u>15</u>
Corporate Overheads and Indirect Expense		
Insurance	60	20
Travel and Accommodation	316	382
Exploration	159	456
Legal Fees	189	239
Accounting, Tax and Audit Services	515	354
Share Registry Services	113	133
Conferences	109	129
Public Relations Fees	381	235
Advisors and Consultants	491	575
Recruitment	54	205
Other Fees and Services	453	226
General Administration	369	169
	<u>3,209</u>	<u>3,123</u>

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	2019 \$000	2018 \$000
6 AUDITOR'S REMUNERATION		
Audit services		
BDO Audit (WA) Pty Ltd - Audit and review of financial reports	47,359	39,084
Non-Audit services		
BDO Reward (WA) Pty Ltd - Remuneration advice	14,250	13,750
Total for year	61,609	52,834
7 FINANCE INCOME AND FINANCE COSTS		
Interest income	6	5
Finance income	6	5
8 INCOME TAX EXPENSE		
Current tax	(4,002)	(6,260)
Deferred tax - origination and reversal of temporary differences	2,345	5,084
Adjustment for prior periods	4,270	127
Current year losses for which no deferred tax asset was recognised	(2,613)	1,049
Total income tax in statement of profit or loss and other comprehensive income	-	-
Numerical reconciliation between tax expense and pre-tax profit		
Loss for the period	(9,796)	(5,323)
Income tax benefit using the domestic corporate tax rate of 30% (2018: 30%)	(2,939)	(1,597)
Increase in income tax expense due to:		
Non-deductible expenses	1,282	420
Adjustment recognised for prior periods	4,270	127
Tax losses not brought to account	(2,613)	1,050
Income tax expense	-	-

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	2019 \$000	2018 \$000
8 INCOME TAX EXPENSE (cont.)		
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	5,176	7,789
The deductible temporary differences and tax losses do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Consolidated Group can utilise the benefits from.		
Recognised deferred tax assets and liabilities		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Exploration	(4,801)	(6,677)
Investments	155	-
Capital raising costs	474	465
Property Plant & Equipment	7	2
Provisions	64	28
Accruals	9	15
Tax losses	4,092	6,168
Net deferred tax assets	-	-
Movements in temporary differences		
Exploration	(1,876)	5,142
Investments	(155)	
Capital raising costs	(10)	(357)
Property Plant & Equipment	(6)	-
Provisions	(35)	(17)
Accruals	6	(3)
Total movement in temporary differences	(2,076)	4,765

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	2019	2018
	\$000	\$000
9 LOSS PER SHARE		
Loss per share from total operations		
Loss after income tax attributable to the ordinary shareholders of the Company	(9,796)	(5,323)
Basic loss per share (cents)	(0.35)	(0.21)
Diluted loss per share (cents)	(0.35)	(0.21)

The calculation of basic loss per share at 30 June 2019 was based on the operating loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2019 of 2,836,836,574 (2018: 2,514,883,580), calculated as follows:

Number of ordinary shares

Issued ordinary shares at 1 July	2,677,803,672	2,139,626,217
Share Placement	221,884,535	538,177,455
Conversion of Convertible Notes	183,718,360	-
Issued ordinary shares at 30 June	<u>3,083,406,567</u>	<u>2,677,803,672</u>
Weighted average number of ordinary shares for year ending 30 June	<u>2,836,836,574</u>	<u>2,514,883,580</u>

Diluted Earnings per Share

The calculation of diluted earnings per share at 30 June 2019 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year ended 30 June 2019 of 2,836,836,574 (2018: 2,514,883,580). There were no options that were considered dilutive.

AUSTRALIAN MINES LIMITED
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	2019	2018
	\$000	\$000
10 CASH AND CASH EQUIVALENTS		
Bank balances	3,360	8,985
Cash and cash equivalents in the statement of cash flows	3,360	8,985
11 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flows from operating activities:		
Net (loss)	(9,796)	(5,323)
Add/(less) items classified as investing/financing activities:		
Depreciation and amortisation	57	15
Convertible Note Finance Charges	4,093	-
Loss on sale of assets	(603)	-
Investment in Associates	515	-
Share based payment expense (Joining Bonus Payment)	74	-
Share-based payment expense	733	1,441
Movement in operating assets and liabilities:		
Decrease/(increase) in receivables	312	(347)
Increase/(decrease) in payables	(65)	389
Increase/(decrease) in employee leave provisions	118	52
Net cash used in operating activities	(4,562)	(3,773)
12 TRADE AND OTHER RECEIVABLES		
Current		
Deposit Refundable	57	-
Prepayments - corporate overheads and indirect expenses	18	388
	75	388
13 ASSETS CLASSIFIED AS HELD FOR SALE		
Opening balance	3,704	-
Assets Disposed	(3,704)	-
Reclassified as assets held for sale	-	3,704
Assets classified as held for sale	-	3,704

As disclosed in note 14 this balance represents exploration and evaluation assets that were sold to Norwest Minerals Limited in July 2018.

AUSTRALIAN MINES LIMITED
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	2019	2018
	\$000	\$000
14 EXPLORATION AND EVALUATION ASSETS		
Exploration and evaluation		
Opening balance	18,552	5,580
Acquisition of assets(i)	4,000	8,031
Expenditure incurred for year	7,676	9,100
Expenditure expensed	(159)	(456)
R&D Refund	(2,036)	-
Reclassified as assets held for sale	-	(3,704)
Exploration costs carried forward	28,033	18,552

In the 2018 financial year, the Company acquired 100% interest in the Sconi Cobalt-Nickel-Scandium Project from Metallica Minerals Ltd. The transaction included cash payments totalling \$4.5 million. A further \$1.5 million in Australian Mines Limited shares were issued upon completion of its Bankable Feasibility Study. An additional \$1 million was paid in accordance with the agreement extension. A final issue of \$5 million Australian Mines Limited shares (or cash at the option of Metallica Minerals Ltd) is payable to Metallica Minerals Ltd upon commercial production from the Sconi Cobalt-Nickel-Scandium Project. This has not been recognised as a liability as it is contingent upon commencement of full-scale commercial production which, at this point in time, is only a possible obligation. It is considered that the acquisition of Sconi Cobalt-Nickel-Scandium Project is not a business combination, but rather an acquisition of assets.

During the period the Company paid the final tranche of \$3.4 million to Jervois Mining Limited to acquire 100% in Flemington Cobalt-Nickel-Scandium Project. The acquisition of this project has been treated as an asset acquisition.

Various other tenement purchases have been made during the year and further details are available in the Directors' Report.

The 2017 and 2018 research and development tax offset was received during the period.

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.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	2019	2018
	\$000	\$000
15 INVESTMENTS IN ASSOCIATES		
Investments in Associates		
Investments in Associates – Norwest	3,600	-
Share of associate loss	(515)	-
Total Investments in Associates	<u>3,085</u>	<u>-</u>

On 26 November 2018, Norwest Minerals Limited issued new shares via an IPO which reduced Australian Mines Limited's shareholding to 28.63%. As a result, Australian Mines Limited has lost control of Norwest Minerals Limited and is now treated as an investment in associates.

ASSOCIATES ENTITY DISCLOSURES

	2019	2018
	\$000	\$000
Norwest Minerals Limited		

STATEMENT OF FINANCIAL POSITION

Current Assets	3,561	5
Non-Current Assets	6,676	258
Total Assets	<u>10,237</u>	<u>263</u>
Current Liabilities	450	349
Total Liabilities	<u>450</u>	<u>349</u>
Net Assets	<u>9,787</u>	<u>(86)</u>

EQUITY

Contributed equity	11,533	1
Share option reserves	484	-
Accumulated losses	(2,230)	(87)
TOTAL EQUITY	<u>9,787</u>	<u>(86)</u>
Profit/(Loss) attributable to equity holders of the Company	<u>(2,143)</u>	<u>(87)</u>

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	2019 \$000	2018 \$000
16 PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment		
At cost	263	211
Accumulated depreciation	(177)	(137)
	<u>87</u>	<u>74</u>
Motor Vehicles		
At cost	52	52
Accumulated depreciation	(23)	(5)
	<u>29</u>	<u>46</u>
Land		
Land at Cost	89	-
	<u>89</u>	<u>-</u>
Total property, plant and equipment	<u>205</u>	<u>121</u>

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Plant and equipment		
Carrying amount at beginning of year	74	15
Additions	53	68
Disposals	-	-
Depreciation	(40)	(9)
Carrying amount at the end of year	<u>87</u>	<u>74</u>
Motor Vehicles		
Carrying amount at beginning of year	46	-
Additions	-	52
Disposals	-	-
Depreciation	(17)	(5)
Carrying amount at the end of year	<u>29</u>	<u>46</u>
Land		
Land at Cost	89	-
Carrying amount at the end of year	<u>89</u>	<u>-</u>

AUSTRALIAN MINES LIMITED
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	2019	2018
	\$000	\$000
17 TRADE AND OTHER PAYABLES		
Current (unsecured)		
Trade creditors and accruals	479	3,363
Other creditors and accruals	245	25
	<u>724</u>	<u>3,388</u>
18 EMPLOYEE BENEFITS		
Current		
Liability for annual leave	162	92
	<u>162</u>	<u>92</u>
Non-Current		
Liability for Long Service Leave	48	-
	<u>48</u>	<u>-</u>

19 SHARE BASED PAYMENTS

During the 2018 financial year, the Directors' and Key Management Personnel were invited to apply for plan shares under the loan share plan. A limited recourse loan was provided to allow the Directors' and Key Management Personnel to purchase the shares for \$0.116 per share. The director's plan shares are divided into 2 tranches and subject to service period vesting conditions. The key management personnel plan shares are divided into 3 tranches and are subject to service period vesting conditions.

During December 2018, the Key Management Personnel were invited to apply for plan shares under the loan share plan. A limited recourse loan was provided to allow the Key Management Personnel to purchase the shares for \$0.042 per share. The key management personnel plan shares are divided into 4 tranches and are subject to service period vesting conditions.

Each Performance Share is an ordinary share in Australian Mines Limited however the shares are subject to vesting conditions. The terms of the Plan are as follows:

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	Directors	Key Management Personnel	Key Management Personnel
Grant Date	24 November 2017	24 November 2017	03 December 2018
Number of Shares	59,600,000	9,950,000	10,000,000
Share Price at Grant Date	\$0.116 The issue price was calculated as 1.3 times the 5-day volume weighted average price of the Company's shares up to the issue date.	\$0.116 The issue price was calculated as 1.3 times the 5-day volume weighted average price of the Company's shares up to the issue date.	\$0.042 The issue price was calculated as 1.3 times the 5-day volume weighted average price of the Company's shares up to the issue date.
Vesting Conditions	The Performance Shares are divided into 2 tranches and subject to the following vesting conditions: (i) 1/2 for service to the Company as an Eligible Person until 1 June 2018 (ii) 1/2 for service to the Company as an Eligible Person until 1 June 2019	The Performance Shares are divided into 3 tranches and subject to the following vesting conditions: (i) 1/3 for service to the Company as an Eligible Person until 1 June 2018 (ii) 1/3 for service to the Company as an Eligible Person until 1 June 2019 (iii) (iii) 1/3 for service to the Company as an Eligible Person until 1 June 2020	The Performance Shares are divided into 4 tranches and subject to the following vesting conditions: (i) 1/4 for service to the Company as an Eligible Person until 3 December 2019 (ii) 1/4 for service to the Company as an Eligible Person until 3 December 2020 (iii) 1/4 for service to the Company as an Eligible Person until 3 December 2021 (iv) 1/4 for service to the Company as an Eligible Person until 3 December 2022
Lapse of Performance Shares	Performance Shares will be forfeited in the following circumstances: <ul style="list-style-type: none"> • Employment, office or contractual relationship with the Company ceases; • Relevant vesting conditions are not satisfied by the relevant time; • The Director acts fraudulently or dishonestly or in breach of their obligations to the Group; or • They become insolvent. <p>If the Performance Shares are forfeited and sold pursuant to the Plan Rules, the proceeds will first be applied against the respective loan and any surplus applied in accordance with the Plan Rules.</p>	Performance Shares will be forfeited in the following circumstances: <ul style="list-style-type: none"> • Employment, office or contractual relationship with the Company ceases; • Relevant vesting conditions are not satisfied by the relevant time; • The Director acts fraudulently or dishonestly or in breach of their obligations to the Group; or • They become insolvent. <p>If the Performance Shares are forfeited and sold pursuant to the Plan Rules, the proceeds will first be applied against the respective loan and any surplus applied in accordance with the Plan Rules.</p>	Performance Shares will be forfeited in the following circumstances: <ul style="list-style-type: none"> • Employment, office or contractual relationship with the Company ceases; • Relevant vesting conditions are not satisfied by the relevant time; • The Director acts fraudulently or dishonestly or in breach of their obligations to the Group; or • They become insolvent. <p>If the Performance Shares are forfeited and sold pursuant to the Plan Rules, the proceeds will first be applied against the respective loan and any surplus applied in accordance with the Plan Rules.</p>
Loan Arrangements	Under the Loan Agreement, the Group will lend the Directors' the funds required to purchase the Performance Shares. No interest will be payable on the loan and it is a limited recourse loan.	Under the Loan Agreement, the Group will lend the Key Management Personnel the funds required to purchase the Performance Shares. No interest will be payable on the loan and it is a limited recourse loan.	Under the Loan Agreement, the Group will lend the Key Management Personnel the funds required to purchase the Performance Shares. No interest will be payable on the loan and it is a limited recourse loan.

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19 SHARE BASED PAYMENTS (cont.)

Shares issued pursuant to Loan Share Plan

Name	Grant Date	Shares Issued	Issue Price	Loan Balance
Michael Ramsden	24-Nov-17	8,600,000	\$0.116	\$997,600
Michael Elias	24-Nov-17	5,200,000	\$0.116	\$603,200
Dominic Marinelli	24-Nov-17	5,200,000	\$0.116	\$603,200
Benjamin Bell	24-Nov-17	40,600,000	\$0.116	\$4,709,600
Tim MacLean	24-Nov-17	9,950,000	\$0.116	\$1,154,200
Marcus Hughes	03-Dec-18	10,000,000	\$0.042	\$420,000
		79,550,000		\$8,487,800

The fair value of the Loan Share Plan was calculated using the Black Scholes pricing model per the table below. The value of the shares has been expensed on a proportionate basis for each period from grant date to vesting date. The proportion of the value of the shares that has been expensed during the year to 30 June 2019 and accounted for in the share-based payment reserve is \$732,616.

Tranche	Grant Date	Number Issued	Value Per Right (\$)	Probability	Condition	Total Value (\$)	Vesting Period (Years)	Value Vested	Value Vested Current Period (\$)	Value Not Vested (\$)
Directors Shares										
1	24/11/2017	29,800,000	\$0.03055	100%	Service Period	910,423	0.5	910,423	-	-
2	24/11/2017	29,800,000	\$0.03055	100%	Service Period	910,423	1.5	910,423	552,169	-
		<u>59,600,000</u>				<u>1,820,846</u>		<u>1,820,846</u>	<u>552,169</u>	<u>-</u>
Key Management Personnel Shares										
1	24/11/2017	3,316,667	\$0.03061	100%	Service Period	101,533	0.5	101,533	-	-
2	24/11/2017	3,316,667	\$0.03061	100%	Service Period	101,533	1.5	101,533	61,581	-
3	24/11/2017	3,316,666	\$0.03895	100%	Service Period	129,191	2.5	81,868	51,255	47,323
		<u>9,950,000</u>				<u>332,257</u>		<u>284,934</u>	<u>112,836</u>	<u>47,323</u>
Key Management Personnel Shares										
1	03/12/2018	2,500,000	\$0.01967	100%	Service Period	49,173	1	28,157	28,157	21,016
2	03/12/2018	2,500,000	\$0.02340	100%	Service Period	58,508	2	16,728	16,728	41,780
3	03/12/2018	2,500,000	\$0.02626	100%	Service Period	65,650	3	12,519	12,519	53,131
4	03/12/2018	2,500,000	\$0.02854	100%	Service Period	71,355	4	10,207	10,207	61,148
		<u>10,000,000</u>				<u>244,686</u>		<u>67,611</u>	<u>67,611</u>	<u>177,075</u>

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19 SHARE BASED PAYMENTS (cont.)

Shares issued pursuant to Loan Share Plan

The above fair value calculation was based on the following inputs:

	Directors Shares	KMP	KMP
Share price at date granted	0.090c	0.090c	0.042c
Risk free rate	1.78%	1.90%	1.68%
Volatility factor	75%	75%	86%
Exercise Price	0.116c	0.116c	0.0418c
Time to maturity	2 years	3 years	4 years
Expected dividend yield	0%	0%	0%

20 CAPITAL AND RESERVES

Issued and paid up capital

	2019	2018
	\$	\$
	No.	No.
Ordinary shares, fully paid	81,373,233	67,075,806

Reconciliation of contributed equity

Balance at the beginning of the year:	67,075,806	2,677,803,672	45,061,669	2,139,626,217
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Shares issued during the year:

Share placement @ \$0.00(Employee Loan Share)*	-	10,000,000	-	-
Share placement @ \$0.042(Sign on Bonus)	73,500	1,750,000	-	-
Share placement @ \$0.015	-	-	3,500,000	233,333,337
Share placement @ \$0.016	2,960,000	87,058,824	-	-
Share placement @ \$0.029	5,000,000	172,413,793	-	-
Share placement @ \$0.031**	458,800	14,800,000	-	-
Share placement @ \$0.059	360,000	6,101,695	-	-
Share placement @ \$0.085	-	-	20,000,000	235,294,118
Share placement @ \$0.089	1,500,000	16,811,916	-	-
Convertible Notes@\$0.03	4,446,667	96,666,667	-	-
Director & Key Management Personnel Loan Share Plan	-	-	-	69,550,000
Costs of capital raising	(501,540)	-	(1,485,863)	-
Balance at end of year	81,373,233	3,083,406,567	67,075,806	2,677,803,672

The Company does not have authorised capital or par value in respect of its issued shares.

*Refer to note 19, 10,000,000 shares issued to key management personnel under Employee loan share plan.

**Bergen Global Opportunity Fund has exercised their right to acquire 14,800,000 Collateral shares at \$0.031 per share. The payment was made on 7th February 2019 totalling \$458,800.

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20 CAPITAL AND RESERVES (cont.)

	2019	2018
	\$000	\$000
Share Option Reserve		
Balance at beginning of year	168	168
Options issued	326	-
Balance at end of year	494	168
Share Based Payments Reserve		
Balance at beginning of year	2,845	1,404
Share based payment employees/directors transactions	733	1,441
Balance at end of year	3,578	2,845
Total Reserves	4,072	3,013

The Share Option Reserve represents the cost of options issued to shareholders.

\$325,937 has been recognised as options issued upon entering the agreement with Bergen.

For accounting purposes, the options are issued in consideration for the funds to be received when it is exercised, and hence will be a capital raising cost at the point of exercise. When the option is exercised, the value of the option will offset against share capital and the issue will have a nil impact on the equity of the group. Hence at 30 June 2019, no value has been assigned to the options above.

The Share Based Payment Reserve represents the fair value of share options granted. The estimate of fair value of the services received is based on the Black-Scholes model. The calculated fair value is based on parameters as set out in note 19.

AUSTRALIAN MINES LIMITED
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	2019	2018
	\$000	\$000
21 ACCUMULATED LOSSES		
Balance at beginning of year	(41,820)	(36,497)
Net (loss)for the year	(9,796)	(5,323)
Accumulated losses at end of year	<u>(51,616)</u>	<u>(41,820)</u>
22 CONVERTIBLE NOTES FINANCE CHARGES		
Balance at the beginning of the year	-	-
Add: Bergen Convertible Notes	(4,093)	-
Total Convertible Notes Finance Charges	<u>(4,093)</u>	<u>-</u>

23 FINANCIAL RISK MANAGEMENT

Overview

The Consolidated Group has exposure to the following risks from its use of financial instruments:

- Interest rate risk
- Liquidity risk
- Credit risk

This note presents information about the Consolidated Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk of the management framework. The Board is responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Consolidated Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Group's activities.

The Consolidated Group does not enter into financial instruments for trade or speculative purposes. However, in the normal course of its business, it is exposed to interest rate and liquidity risks, credit risk and foreign currency risk.

AUSTRALIAN MINES LIMITED
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23 FINANCIAL RISK MANAGEMENT (cont.)

(a) Interest rate risk

The Consolidated Group does not have a policy in place to hedge interest rate risks.

The Consolidated Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Weighted Average Interest Rate	6 Months or Less	6 – 12 Months	1 to 5 Years	Non- interest Bearing	Total
2019		\$000	\$000	\$000	\$000	\$000
<i>Financial assets</i>						
Cash and cash equivalents	1.5% (variable)	3,360	-	-	-	3,360
Trade and other receivables		-	-	-	75	75
		3,360	-	-	75	3,435
<i>Financial liabilities</i>						
Trade and other payables		-	-	-	724	724
		-	-	-	724	724
2018						
		\$000	\$000	\$000	\$000	\$000
<i>Financial assets</i>						
Cash and cash equivalents	1.5% (variable)	8,985	-	-	-	8,985
Trade and other receivables		-	-	-	388	388
		8,985	-	-	388	9,373
<i>Financial liabilities</i>						
Trade and other payables		-	-	-	3,388	3,388
		-	-	-	3,388	3,388

AUSTRALIAN MINES LIMITED
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23 FINANCIAL RISK MANAGEMENT (cont.)

(a) Interest rate risk

Sensitivity analysis for variable rate instruments

A change in interest rates at the reporting date would have resulted in the following impact on profit or loss, assuming the amounts of variable rate instruments at 30 June were constant throughout the preceding year. A change in interest rates does not impact equity.

	2019	2018
	\$000	\$000
Net financial assets subject to variable interest rates	3,360	8,985
Decrease in loss resulting from a 1% pa increase in variable interest rates	34	90
(Increase) in loss resulting from a 1% pa decrease in variable interest rates	(34)	(90)

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Group will encounter difficulty in meeting the obligations associated with its financial liabilities. The Consolidated Group manages its liquidity risk by monitoring cashflows using monthly cashflow forecasts and by paying creditors on 30-day terms.

The following are the Consolidated Group's contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount \$000	Contractual cash flows \$000	6 months or less \$000	6 to 12 months \$000	1 to 5 years \$000
2019					
Trade and other payables	724	724	724	-	-
	724	724	724	-	-
2018					
Trade and other payables	3,388	3,388	3,388	-	-
	3,388	3,388	3,388	-	-

AUSTRALIAN MINES LIMITED
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23 FINANCIAL RISK MANAGEMENT (cont.)

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, and it arises principally from the Group's cash held at banks and trade receivables. The Consolidated Group lodges its cash deposits with international banks of good standing.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at reporting date was as follows:

	Carrying Amount	Carrying Amount
	2019	2018
	\$000	\$000
Cash at bank	3,360	8,985
Other Debtors	75	388
	<hr/> 3,435	<hr/> 9,373
	<hr/>	<hr/>
<i>Credit Rating</i>	2019	2018
<i>Cash at Bank</i>	\$000	\$000
Standard & Poor's rating AA-	3,360	8,985

(d) Currency risk

The Consolidated Group is exposed to currency risk on receivables and borrowings that are denominated in a currency other than the Australian Dollar. The Group minimises this risk by limiting funds held in overseas bank accounts and paying creditors promptly. As at 30 June 2019 there were no funds or borrowings in a foreign currency (2018: nil).

(e) Capital management

The Consolidated Group monitors its capital performance and reviews its adequacy at regular intervals to ensure it is achieving a reasonable return on capital. There are no externally imposed capital requirements. The directors monitor the market capitalisation and net assets of the Consolidated Group to ensure performance is maintained for shareholders.

(f) Fair values

The fair values of significant financial assets and liabilities approximates the carrying amounts shown in the Statement of Financial Position.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

24 COMMITMENTS

	2019	2018
	\$000	\$000
Lease of offices		
Within one year	233	156
Between 12 months and 5 years	930	559
	<u>1,163</u>	<u>715</u>
Exploration expenditure commitment		
Within one year	1,864	5,284
Between 12 months and 5 years	7,454	5,134
	<u>9,318</u>	<u>10,418</u>

25 CONTINGENT LIABILITIES

In accordance with the agreement with Jervois Mining Ltd for the Flemington project, a royalty of 1.5% of gross sales is payable on all proceeds from the sale of products. At this time, it is not possible to quantify the value of this royalty.

Upon commercial production from the Sconi Cobalt-Nickel-Scandium Project a final issue of \$5 million Australian Mines Limited shares (or cash at the option of Metallica Minerals Ltd) is payable to Metallica Minerals Ltd. This has not been recognised as a liability as it is contingent upon commencement of full-scale commercial production which, at this point in time, is only a possible obligation.

The Company'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 Company.

There are no other contingent liabilities.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

26 CONSOLIDATED ENTITIES

	Country of Incorporation	Ownership interest	
Parent entity		2019	2018
Australian Mines Limited	Australia		
Subsidiaries			
Blair Nickel Mine Pty Ltd ¹	Australia	-	100%
Nigeria Gold Pty Ltd ¹	Australia	-	100%
Auz Mining Ltd ¹	Nigeria	-	100%
Flemington Mining Operations Pty Ltd	Australia	100%	100%
Sconi Mining Operations Pty Ltd	Australia	100%	100%
Auzrnd Pty Ltd	Australia	100%	100%
Norwest Minerals Pty Ltd	Australia	28.63%	100%

¹ Blair Nickel Mine Pty Ltd, Nigeria Gold Pty Ltd and Auz Mining Ltd have been wound up during the financial year.

27 EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Company is pleased to advise that its underwritten Share Purchase Plan (SPP) announced on 12 June 2019 closed oversubscribed with applications totalling \$5.8 million received from eligible shareholders. Australian Mines elected to accept the oversubscription amount and the Company notified the underwriter that there was no shortfall from the SPP. The funds raised will be used to advance the Company's Sconi Cobalt-Nickel-Scandium Project in North Queensland and for general working capital.

Australian Mines and SK Innovation have executed a long-form off-take agreement ("Agreement") that replaces and expands upon the agreed terms of the binding term sheet executed by Australian Mines and SK Innovation and announced by the Company in February 2018. As foreshadowed in the Company's announcements in January 2019 and February 2019, under the Agreement, SK Innovation has agreed, subject to the satisfaction of certain conditions precedent, to purchase 100% of the battery-grade cobalt sulphate and nickel sulphate produced from Australian Mines' wholly-owned Sconi Cobalt-Nickel-Scandium Project in North Queensland ("Sconi Project") for an initial seven-year period (which may be extended by mutual agreement for up to a further six years).

There have been no other events subsequent to reporting date.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

28 SEGMENT INFORMATION

The Company operates in one reportable segment, being mining in Australia. The Board of Directors review internal management reports on a regular basis that is consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result, no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

Management has determined based on the reports reviewed by the Board of Directors and used to make strategic decisions, that the Group operates in one single reportable geographical segment being Australia. Such structural organisation is determined by nature of risks and returns associated with each business segment and define management structure as well as the internal reporting system. As a result, no additional segment information is provided.

29 PARENT ENTITY DISCLOSURES

	2019	2018
Australian Mines Limited	\$000	\$000
STATEMENT OF FINANCIAL POSITION		
Current Assets	3,380	9,367
Non-Current Assets	31,353	20,671
Total Assets	<u>34,733</u>	<u>30,038</u>
Current Liabilities	856	1,740
Non-Current Liabilities	48	-
Total Liabilities	<u>904</u>	<u>1,740</u>
Net Assets	<u>33,829</u>	<u>28,299</u>
EQUITY		
Contributed equity	81,373	67,076
Share option reserves	4,072	3,220
Accumulated losses	(51,616)	(41,997)
TOTAL EQUITY	<u>33,829</u>	<u>28,299</u>
Profit/(Loss) attributable to equity holders of the Company	<u>(9,619)</u>	<u>(4,418)</u>

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

29 PARENT ENTITY DISCLOSURES (cont.)	2019	2018
	\$000	\$000
COMMITMENTS		
Lease of offices		
Within one year	174	123
Between 12 months and 5 years	698	407
	<u>872</u>	<u>530</u>
Exploration expenditure commitment		
Within one year	-	-
Between 12 months and 5 years	-	-
	<u>-</u>	<u>-</u>

CONTINGENT LIABILITIES

In accordance with the agreement with Jervois Mining Ltd for the Flemington project, a royalty of 1.5% of gross sales is payable on all proceeds from the sale of products. At this time, it is not possible to quantify the value of this royalty.

The Company'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 Company.

There are no other contingent liabilities

30 RELATED PARTIES

The following were key management personnel of the group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Non-Executive Directors

Mr M Ramsden - Chairman

Mr M Elias

Mr D Marinelli

Executive Director

Mr B Bell – Managing Director

Key Management Personnel

Mr T Maclean

Mr M Hughes (appointed 03 December 2018)

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

30 RELATED PARTIES (cont.)

The key management personnel compensation included in 'personnel expenses' (see Note 4) is as follows:

	2019	2018
	\$000	\$000
Short-term employee benefits	1,108	869
Post-employment benefits	79	59
Long term benefits	210	77
Share based payments	733	1,441
	<u>2,130</u>	<u>2,446</u>

Individual directors and executives' compensation disclosures

Information regarding individual directors and executives' compensation and some equity instruments disclosures are permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report section of the Directors' Report.

Other key management personnel transactions

The terms and conditions of the transactions with key management personnel were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

30 RELATED PARTIES (cont.)

The aggregate amounts recognised during the year relating to key management personnel were as follows:

		2019 \$	2018 \$
Director(s)	Transaction		
Mr M Ramsden	Reimbursements (i)	48,924	45,225
Mr M Ramsden and Mr D Marinelli	Placement & Management Fees (ii)	300,000	231,000
Mr M Ramsden and Mr D Marinelli	Advisory Fees (iii)	-	42,286

- (i) The group reimbursed Terrain Capital Unit Trust for Mr M Ramsden's travel costs associated with his role as a director of Australian Mines. No amounts were owing to Terrain Capital Unit Trust at 30 June 2019.
- (ii) The Group used Terrain Capital Unit Trust to assist with the placement of shares. Mr M Ramsden and Mr D Marinelli are Directors of Terrain Capital Ltd. No amounts were owing to Terrain Capital Ltd for placement services at 30 June 2019.
- (iii) The Group used Terrain Capital Unit Trust in 2018 to provide corporate advisory services. Mr M Ramsden and Mr D Marinelli are Directors of Terrain Capital Ltd. No amounts were owing to Terrain Capital Ltd for corporate advisory services at 30 June 2019.

Apart from the details disclosed in the Remuneration Report, no director has entered into a contract with the Consolidated Group since the end of the previous financial year and there were no contracts involving directors' interests existing at year end.

AUSTRALIAN MINES LIMITED DIRECTORS' DECLARATION

- 1 In the opinion of the Directors of Australian Mines Limited ('the Company'):
 - (a) the consolidated financial statements and notes and the remuneration disclosures contained in the Remuneration report in the Directors' Report, as set out in section 12, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Consolidated Group as at 30 June 2019 and its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian accounting interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements.
 - (b) the consolidated financial report also complies with International Reporting standards as disclosed in note 2(a).
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declaration required by Section 295A of the Corporations Act 2001 from the Chief Financial Officer for the financial year ended 30 June 2019.

Dated at Perth the 26th day of September 2019.

Signed in accordance with a resolution of the directors:



Benjamin Bell
Managing Director

INDEPENDENT AUDITOR'S REPORT

To the members of Australian Mines Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australian Mines Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of Exploration and Evaluation Expenditure

Key audit matter	How the matter was addressed in our audit
<p>At 30 June 2019 the Group held a significant carrying value of Exploration and Expenditure as disclosed in Note 3(d) and 14.</p> <p>As the carrying value of these Exploration and Evaluation Assets represent a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount.</p> <p>Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources. In particular:</p> <ul style="list-style-type: none"> • Whether the conditions for capitalisation are satisfied; • Which elements of exploration and evaluation expenditures qualify for recognition; and • Whether facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment. 	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and director's minutes; • Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Verifying, on a sample basis, evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of AASB 6; • Considering whether any facts or circumstances existed to suggest impairment testing was required; and • Assessing the adequacy of the related disclosures in Note 14 to the financial statements.

Accounting for Spin-off of Norwest Minerals

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in Note 13 and 15, the Group disposed of its non-core gold exploration assets/tenements to Norwest Minerals which demerged from the Group and listed on the Australian Stock Exchange (ASX) through an Initial Public Offering (IPO) on 26 November 2018.</p> <p>Accounting for these transactions is complex and requires management to exercise judgement to determine the appropriate accounting treatment, including whether the Group subsequently controls the entity. As a result, this is considered a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the transaction and assessing the accounting treatment applied by management in accordance with the terms and conditions of sale; • Verifying the carrying value of identified assets and liabilities disposed and the consideration received from sale to supporting documentation; • Re-performing the calculations of the gain/loss on disposal by comparing the consideration received to the carrying value of the identified assets and liabilities; • Assessing the subsequent accounting treatment of Norwest Minerals as an equity accounted investment in associate; • Considering whether any facts or circumstances existed to suggest impairment testing was required for the investment in associate; and • Assessing the adequacy of related disclosures within Note 13 and 15 to the financial statements.

Accounting for Convertible Notes

Key audit matter	How the matter was addressed in our audit
<p>During the year the Group entered into a convertible note funding agreement. All convertible notes issued were converted during the year and the agreement was terminated. As disclosed in Note 22 of the financial statements, the Group has recognised significant finance charges in the profit or loss.</p> <p>The accounting for convertible notes was considered a key audit matter due to the complexity involved in determining the appropriate accounting treatment, including whether to account for the convertible notes as equity, liability or a combination of both as well as the subsequent measurement based on the terms and conditions of the agreement. The assessment includes significant estimates and judgements applied in determining the fair value of the components identified within the convertible note arrangement.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Reading the convertible note funding agreement to understand the key terms and conditions, and confirming our understanding of the transaction with management; • Assessing the accounting treatment applied by management; • Evaluating the assumptions used by management in determining the fair value of the convertible note instruments; • Verifying the fair value of shares issued upon conversion and the calculation of finance charges recognised in the profit or loss; and • Assessing the adequacy of related disclosures within Note 22 and 3(t) to the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in paragraph 12 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Australian Mines Limited, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd



Phillip Murdoch

Director

Perth, 26 September 2019

AUSTRALIAN MINES LIMITED CORPORATE GOVERNANCE STATEMENT 2018 – 2019

Australian Mines Limited ("The Company") and its Board are committed to achieving and demonstrating high standards of corporate governance. This statement sets out the main corporate governance practices of the Company during the financial year, providing disclosure in accordance with the Corporate Governance Principles and Recommendations as published by the ASX Corporate Governance Council. All these practices, unless otherwise stated, were in place for the entire year. Disclosure is made at the end of this statement of areas of non-compliance with the recommendations.

On 25 July 2018, following the end of the Period, the Company adopted a new suite of Corporate Governance practices and policies. As this occurred following the end of the Period, this Corporate governance Statement is based on previously existing policies and procedures, with some comments on new policies and procedures where appropriate. Further details of the new charters, policies, codes and procedures that document the Company's corporate governance practices are set out in the Company's website at www.australianmines.com.au.

The Board of Directors and Management.

The Board has adopted a formal statement of its roles, functions and responsibilities.

The Board's primary role is the optimisation of Company performance and protection and enhancement of shareholder value. Its functions and responsibilities include:

- setting policy and strategic direction and adopting a corporate strategy;
- monitoring Company and management's performance against this strategy;
- overseeing control and accountability systems;
- identifying the principal risks and opportunities of the Company's business;
- ensuring appropriate risk management systems are established and reviewed;
- ensuring there are sufficient resources to meet objectives and strategies;
- approving and monitoring financial reporting, capital management and compliance;
- appointing senior management, monitoring senior management's conduct and performance and overseeing remuneration, development and succession;
- adopting procedures to ensure the business of the Company is conducted in an honest, open and ethical manner consistent with Company values;
- approving all significant business transactions;
- ensuring the Company meets its continuous disclosure obligations and that its shareholders have available all information reasonably required to make informed assessments of the Company's prospects;
- overseeing the Company's commitment to sustainable development, the environment, health and safety of employees, contractors, customers and the community;
- ensuring that the Board remains appropriately skilled to meet Company needs;
- implementing an induction and continuing education program for directors;
- reviewing and approving corporate governance systems; and
- delegating authority to management where appropriate.

This statement is included on the Company's website and is to be reviewed annually to ensure it remains appropriate to the needs of the Company given its size, complexity and ownership structure and the skills of directors and managers.

AUSTRALIAN MINES LIMITED CORPORATE GOVERNANCE STATEMENT 2018 – 2019

The Board of Directors and Management (cont.)

The Board is also governed by the Company's Constitution and its various policies, as described elsewhere in this Statement.

A strategic balance is maintained between the responsibilities of the Board and the Managing Director.

Board Members

The Company currently has four directors, Michael Ramsden, Michael Elias, Dominic Marinelli, and Benjamin Bell. Details of these directors, including their skills, experience and terms of office are set out in the Company's annual report.

The Board has adopted a materiality threshold relating to a director's current or former association with a supplier, professional adviser or consultant to the Company. From the Company's viewpoint, material is more than 5% of the Company's total consolidated expenses for the relevant financial year. From the director's viewpoint when assessing an association, material is more than 5% of the total revenue of the supplier, adviser or consultant as the case may be.

Mr Ramsden, together with his personally-related entities, is not a substantial shareholder of the Company. He is the Managing Director of Terrain Capital Limited which provides corporate finance services to the Company however the supply is not considered to be material. Thereby in accordance with guidelines adopted by the Board he is considered an independent non-executive director.

Mr Elias is not a substantial shareholder of the Company. Thereby in accordance with guidelines adopted by the Board he is considered an independent non-executive director.

Mr Marinelli, together with his personally-related entities, is not a substantial shareholder of the Company. He is a director of Terrain Capital Limited which provides corporate finance services to the Company however the supply is not considered to be material. Thereby in accordance with guidelines adopted by the Board he is considered an independent non-executive director.

Mr Bell was appointed Managing Director on 23 January 2012. Thereby in accordance with guidelines adopted by the Board he is not considered independent.

The Board considers the make-up of the Board is appropriate given the Company's size and operations. The effectiveness of the Board is achieved through knowledge and experience specific to the business and the industry in which it operates.

The Company does not have a Nominations Committee however nominations for directorship are overseen by the Board as a whole and appropriate checks are to be implemented before any person is put forward for election as a director.

Details of the members of the Board, their skills, experience, qualifications, term of office and independence status are set out in the Directors' Report under the heading "information on directors".

The company secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board. The current company secretary is a long-standing professional company secretary and has direct contact with all directors as and when required.

AUSTRALIAN MINES LIMITED

CORPORATE GOVERNANCE STATEMENT 2018 – 2019

The Board of Directors and Management (cont.)

Directors' Independence

The Board has also adopted procedures intended to ensure that independent decision making occurs. All directors are entitled to seek independent professional advice, at the Company's cost, in carrying out their duties, subject to the chairperson's prior approval of the expenditure, which will not be unreasonably withheld. Further, in accordance with the *Corporations Act 2001* (Cth) and policies adopted by the Company, each member of the Board is required to keep the Board advised on an ongoing basis of any potential conflict of interest which may exist with the Company. If a conflict does exist, the director concerned must absent themselves from any Board discussion in relation to the relevant item and not vote upon such an item. Non-executive directors are also encouraged to confer on a need basis without management in attendance.

The Chairman of the Company is an independent director and not the CEO.

Term of Office

The Company's Constitution specifies that one-third of all directors, other than the Managing Director, rounded down to the nearest whole number, must retire at each AGM. Where eligible, retiring directors may stand for re-election.

Responsibilities of Management

The Managing Director is accountable to the Board for management of the Company and its subsidiaries within authority levels reviewed and approved by the Board each year, has authority to approve capital expenditure within predetermined limits set out by the Board, and is subject to the supervision of the Board. Material strategic and policy decisions are made by the Board.

The Managing Director is responsible for maintaining financial control across the Company and its subsidiaries. This includes management reporting to the Board, statutory accounting, auditing, taxation and insurance. Financial performance is monitored against financial control guidelines.

The Board adopted its formal statement and its various policies in June 2005. As stated, it adopted a revised Board Charter on 25 July 2018.

Independent Professional Advice

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Indemnification and insurance of Directors and Officers

The Company, to the extent permitted by law, indemnifies each Director, alternate Director, or executive officer (and any person who has previously served in any such capacity) against any liability or cost incurred by the person as an officer of the Company, or a related body corporate of the Company, including but not limited to liability for costs incurred in defending proceedings in which judgment is given in favour of the person or in which the person is acquitted. The indemnity may be extended to other employees at the discretion of the Directors.

Performance assessment

No assessment of the Board's performance was conducted during the year given the size of the Board.

AUSTRALIAN MINES LIMITED

CORPORATE GOVERNANCE STATEMENT 2018 – 2019

The Board of Directors and Management (cont.)

The annual performance of the Managing Director was carried out by the Remuneration Committee in determining remuneration issues relating to him.

The performance of senior executives is assessed by the Managing Director. The assessment involves an annual review of performance and development and the results of the review are formally documented.

Remuneration Committee

A Remuneration Committee was established by the Board prior to the 2004 – 2005 year. The majority of the members of the Committee are required to be non-executive directors and the Committee is required to be chaired by the non-executive Chairman.

The names of the members of the Remuneration Committee are Michael Elias, Michael Ramsden and Dominic Marinelli. Their attendance at Remuneration Committee meetings during the 2018 – 2019 year is set out in the Directors' Report.

During the 2018 – 2019 year the Committee was chaired by Michael Ramsden, the non-executive Chairman due to his experience and expertise in the areas in which the Company operates and his non-executive status, the Board considers that he is suitably skilled to perform the role of chair of the Remuneration Committee. The Committee consisted of a majority of independent directors.

Each member of the senior executive team signs an employment contract at the time of their appointment covering a range of matters, including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. This job description is reviewed by the Remuneration Committee on an annual basis and, where necessary, is revised in consultation with the relevant employee.

Further information on directors' and executives' remuneration is set out in the Remuneration Report.

Executive remuneration and other terms of employment are reviewed annually by the Committee having regard to personal and corporate performance, contribution to long term growth, relevant comparative information and independent expert advice. As well as a base salary and compulsory superannuation, remuneration packages may include retirement and termination entitlements, performance-related bonuses and fringe benefits. Non-executive directors and executives are eligible to participate in the Share Loan Plan which provides for a loan allowing the purchase of shares in the Company under a loan. Any allotment of shares to directors must be approved by shareholders at a general meeting.

Details of the qualifications of directors of the remuneration committee and their attendance at Committee meetings are set out in the Directors' Report.

AUSTRALIAN MINES LIMITED CORPORATE GOVERNANCE STATEMENT 2018 – 2019

Audit and Risk Committee

The Company recognises the importance of an Audit Committee and has established an Audit and Risk Committee.

The role of the Audit and Risk Committee includes:

- to recommend engagement and monitor performance of the external auditor;
- to review the effectiveness of management information and internal control;
- to review all areas of significant financial risk and risk management;
- to review significant transactions not a normal part of the Company's business;
- to review financial information and ASX reporting statements; and
- to monitor the effectiveness of risk management, internal controls and accounting compliance.

The Audit Committee is required to meet at least twice per year, review annual and half-year accounts, and report to the Board of Directors. The Audit Committee also oversees the Company's risk management systems and procedures.

External Auditors Policy

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditors is reviewed annually by the Audit and Risk Committee and applications for tender of external services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. The Corporations Act 2001 requires the rotation of the audit engagement partner every five years.

Analysis of fees paid to external auditors, including a break-down of fees for non-audit services, is provided in the Annual Report at Note 6 to the financial statements. The external auditors are required to provide an annual declaration of their independence to the Board and to the Audit Committee. The external auditor is required to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Nomination Committee

The Company recognises the importance of a nomination committee. However, currently there is no nomination committee in place. See comments made in the non-compliance statement.

Risk Assessment and Management

The Company has in place a risk assessment and management policy, which sets out the Company's systems for risk assessment and management. The key aspects of the policy are that:

- the Audit and Risk Committee oversees the establishment and implementation of risk management systems and control frameworks, and in the absence of a separate audit committee has the responsibility to establish, implement and maintain these systems and frameworks; and
- the Company's senior management is delegated the tasks of management of operational risk and the implementation of risk management strategies with the Managing Director having ultimate responsibility to the Board for the risk management and control framework

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2018 – 2019

Risk Assessment and Management (cont.)

The Audit and Risk Committee reviews the Company's risk management systems and control frameworks, and the effectiveness of their implementation, annually. The Board also considers the management of risk at its regular meetings. The Company's risk profile, which is assessed and determined on the basis of the Company's business in commercial mining and mineral exploration, is reviewed annually upon advice from management including, where appropriate, as a result of regular interaction with management and relevant staff from across the Company's business.

The Audit and Risk Committee or the Company's senior management may consult with the Company's external accountants on external risk matters as required.

The Company's risk management systems and control frameworks for identifying, assessing, monitoring and managing its material risks, as established by the Board in conjunction with management, include:

- the Audit and Risk Committee's ongoing monitoring of management and operational performance;
- a comprehensive system of budgeting, forecasting and reporting to the Board;
- approval procedures for significant capital expenditure above threshold levels;
- regular review of all areas of significant financial risk and all significant transactions not part of the Company's normal business activities;
- regular presentations to the Audit and Risk Committee by management on the management of risk;
- comprehensive written policies in relation to specific business activities;
- comprehensive written policies in relation to corporate governance issues;
- regular communication between directors on compliance and risk matters; and
- consultation and review processes between the Board and external accountants.

The Board requires each major proposal submitted to the Board for decision be accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies. The Company has in place an insurance program which is reviewed periodically by the Board. The Board receives regular reports on budgeting and financial performance. A system of delegated authority levels has been approved by the Board to ensure business transactions are properly authorised and executed.

AUSTRALIAN MINES LIMITED

CORPORATE GOVERNANCE STATEMENT 2018 – 2019

Environment, Health and Safety

The Company recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance. To help meet this objective the board facilitates the systematic identification of environment and OH&S issues and ensures they are managed in a structured manner. This system allows the Company to:

- monitor its compliance with all relevant legislation;
- continually assess and improve the impact of its operations on the environment;
- encourage employees to actively participate in the management of environment and OH&S issues;
- work with trade associations representing the entity's business to raise standards;
- use energy and resources efficiently; and
- encourage the adoption of similar standards by the entity's principal suppliers, contractors and distributors.

To manage OH&S issues, the Board has approved a number of procedure documents including a Safety Management Plan and an Emergency Response Plan. It is a condition of employment for all employees to follow these procedures. Reporting on OH&S issues is a standard agenda item at Board Meetings.

Code of Conduct

The Company adopted, in 2002, the Australian Institute of Company Directors' Code of Conduct ("AICD Code") to set appropriate standards of ethical and professional behaviour for its directors. In June 2005, the Company adopted a "Code of Conduct for Directors and Key Executives", which affirmed the Company's adoption of the AICD Code as appropriately setting the standards of ethical behaviour for directors. The Board will review compliance with this Code of Conduct every 12 months.

The Company's Code of Conduct for Directors and Key Executives prescribes standards including acting honestly and in good faith, exercising powers for a proper purpose, using due care and diligence, exercising independent judgment and avoiding a conflict of interest.

The Company has also adopted a "General Corporate Code of Conduct" ("General Code") which details the Company's commitment to appropriate corporate practices to its legitimate stakeholders and sets the standards expected of officers and employees in carrying out their duties.

The Company has in place a trading policy concerning trading in Company securities, a copy of which is provided to all officers and employees of the Company.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2018 – 2019

Code of Conduct (cont.)

The trading policy imposes certain restrictions on the Company's officers and employees trading in the Company's securities to prevent breaches of the insider trading provisions of the Corporations Act 2001 (Cth). The key aspects of the policy are that:

- trading in Company securities and other tradeable financial products is only permitted upon notification, in the case of employees, to the Company's Managing Director or, in the case of officers, to the Company's Chairman. If the Chairman wishes to trade, he must notify the Company's Managing Director. Trading is only permitted for 2 weeks following notification and confirmation of trading must be provided to the Managing Director or Chairman (as the case may be);
- no trading is permitted at any time where an officer or employee is in possession of information which, if it was generally available, a reasonable person would expect to have a material effect on the price or value of the security or product, or for a period of 2 days following a public announcement by the Company in relation to the matter the subject of that information; and
- active dealing, being trading in a manner which involves frequent and regular trading, in the Company's securities is not permitted.

The trading policy is provided to all the Company officers and employees and compliance with it is reviewed at least annually. The Company's current trading policy was adopted in June 2005 but reflects the position adopted under its previous trading policies.

The implementation of and compliance with the Company's trading policy is dealt with in the procedures and mechanisms set out in the Company's risk assessment and management policy.

On 25 July 2018 the Company adopted an Anti-Bribery and Anti-Corruption Policy, and a Whistleblower Protection Policy.

Continuous Disclosure and Shareholder Communication

The Company has in place a continuous disclosure policy, a copy of which is provided to all Company officers and employees who may from time to time be in the possession of undisclosed information that may be material to the price or value of the Company's securities.

In addition, at each of its meetings, the Board discusses continuous disclosure issues as a standing item and a list of all recent Company announcements is presented.

AUSTRALIAN MINES LIMITED CORPORATE GOVERNANCE STATEMENT 2018 – 2019

Continuous Disclosure and Shareholder Communication (cont.)

The continuous disclosure policy aims to ensure compliance with the Company's continuous disclosure obligations under the Corporations Act 2001 (Cth) and the ASX Listing Rules. The aim of the policy is to:

- assess information and co-ordinate the timely disclosure to the ASX or the seeking of advice on the information;
- provide an audit trail of decisions regarding disclosure; and
- ensure officers and employees of the Company understand the obligation to bring relevant information to the attention of the chairperson.

The procedure adopted by the Company is essentially that any information which may need to be disclosed must be brought to the attention of the Chairman, who in consultation with the Board (where practicable) and any other appropriate personnel will consider the information and whether disclosure is required and prepare an appropriate announcement.

At least once in every 12-month period, the Board will review the Company's compliance with this continuous disclosure policy and update it from time to time, if necessary. This continuous disclosure policy was adopted in June 2005 and reflects the position adopted under its previous continuous disclosure policies.

The Managing Director has been nominated as the person responsible for communication with Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing, in conjunction with the Directors, information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website on the same day it is released to the ASX. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

On 25 July 2018 the Company adopted a revised Continuous Disclosure Policy, which included a requirement for training in continuous disclosure obligations across the organisation.

Diversity Policy

The Company believes that the promotion of diversity on boards, in senior management and within the organisation generally broadens the pool for recruitment of high-quality directors and employees; is likely to support employee retention; through the inclusion of different perspectives, is likely to encourage greater innovation; and is socially and economically responsible governance practice.

The Company is in compliance with the ASX Corporate Governance Council's Principles & Recommendations on Diversity. The Board of Directors is responsible for adopting and monitoring the Company's diversity policy. The policy sets out the beliefs and goals and strategies of the Company with respect to diversity within the Company. Diversity within the Company means all the things that make individuals different to one another including gender, ethnicity, religion, culture, language, sexual orientation, disability and age. It involves a commitment to equality and to the treating of one another with respect.

AUSTRALIAN MINES LIMITED

CORPORATE GOVERNANCE STATEMENT 2018 – 2019

Diversity Policy (cont.)

The Company is dedicated to promoting a corporate culture that embraces diversity. The Company believes that diversity begins with the recruitment and selection practices of its board and its staff. Hiring of new employees and promotion of current employees are made on the bases of performance, ability and attitude.

Currently, 36% of the Australian Mines' workforce are female, although there are presently no females on the Australian Mines' board. Given the present size of the Company, there are no plans to establish measurable objectives for achieving gender diversity at this time. The need for establishing and assessing measurable objectives for achieving gender diversity will be re-assessed as the size of the Company increases.

Non-Compliance Statement

The Company has not followed all of the recommendations set out in Australian Securities Exchange Limited Listing Rule 4.10.3. The Recommendations that have not been followed and the explanation of any departure are as follows:

Nomination Committee

The Board has not established a nomination committee as, due to the Company's size and its operations, the Board considers a separately established committee is not warranted and its functions and responsibilities can be adequately and efficiently discharged by the Board as a whole. The Board assesses the experience, knowledge and expertise of potential directors before any appointment is made and adheres to the principle of establishing a board comprising directors with a blend of skills, experience and attributes appropriate to the Company and its business. The main criterion for the appointment of directors is an ability to add value to the Company and its business. All directors appointed by the Board are subject to election by shareholders at the following annual general meeting of the Company. Given the small size of the Board no skills matrix has been developed.

Board Performance Report

A formal board performance was not undertaken during the year. This year was a period of uncertainty for the directors and the Board numbers were kept to a minimum.

Internal audit function

The Company does not have an internal audit function. The Board manages internal control of risk as detailed above.

Limiting economic risk

The Company has an equity-based remuneration scheme but does not have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The scheme is based on providing a loan to acquire shares which must be repaid if the shares are disposed of, and which provides for vesting conditions. In these circumstances limiting the economic risk of participating in the scheme is considered unnecessary.

AUSTRALIAN MINES LIMITED ADDITIONAL ASX INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. Information regarding share and option holdings is current as at 16 September 2019.

a) Substantial Shareholders

There are no shareholders holding more than 5% of the total number of shares.

b) Ordinary Shareholders

Twenty largest holders of ordinary shares	Number of shares	% held
J P MORGAN NOMINEES AUSTRALIA	80,065,608	2.32
MR M RAMSDEN	71,894,670	2.09
MR B BELL	65,093,067	1.89
MR J REED	63,590,629	1.85
CITICORP NOMINEES PTY LIMITED	59,106,150	1.72
BNP PARIBAS NOMINEES PTY LTD	49,568,916	1.44
MR D MARINELLI	44,866,368	1.30
HSBC CUSTODY NOMINEES	41,955,577	1.22
MR J ZHENG	26,070,000	0.76
PORT BARRACK PTY LTD	25,931,678	0.75
AMALGAMATED DAIRIES LIMITED	20,500,000	0.60
MR F NAJJAR	20,000,000	0.58
MR M HUGHES	19,363,356	0.56
INVERNESS GOLD SPV LIMITED	18,812,711	0.55
MR M ELIAS	18,422,897	0.53
MR L BLOOM	18,000,000	0.52
FORTE EQUIPMENT PTY LTD	15,000,000	0.44
MRS G ARORA	13,550,000	0.39
KESAR PL	12,785,673	0.37
MR G HANLY	12,500,000	0.36

AUSTRALIAN MINES LIMITED ADDITIONAL ASX INFORMATION

Each fully paid ordinary share entitles the holder to one vote at general meetings of shareholders, and is entitled to dividends when declared.

The total number of shares on issue is 3,444,742,479 and there is no current on-market buy back.

Distribution of ordinary shareholders at 16 September 2019:

Category of shareholding	Number of shareholders
1 – 1,000	166
1,001 – 5,000	506
5,001 – 10,000	1,057
10,001 – 100,000	5,110
100,001 and over	4,009
Total	<hr/> 10,848

c) Quoted Securities

The Company has the following quoted securities on issue:

3,444,742,479 ordinary shares

d) Unquoted Securities

There are 19,800,000 two-year call options exercisable at \$0.0959 on issue.

**AUSTRALIAN MINES LIMITED
TENEMENTS SCHEDULE**

Location	Project	Tenement	Status	Interest
AUSTRALIA				
Queensland	Sconi	ML 10366	Granted	100%
Queensland	Sconi	ML10342	Granted	100%
Queensland	Sconi	ML10324	Granted	100%
Queensland	Sconi	ML 10332	Granted	100%
Queensland	Sconi	ML 20549	Granted	100%
Queensland	Sconi	MLA 10368	Pending	100%
Queensland	Sconi	MDL 515	Granted	100%
Queensland	Sconi	MDL 387	Granted	100%
Queensland	Sconi	EPM 25834	Granted	100%
Queensland	Sconi	EPM 25865	Granted	100%
Queensland	Sconi	EPM 25833	Granted	100%
Queensland	Sconi	EPM 26575	Granted	100%
Queensland	Sconi	EPM 26577	Granted	100%
Queensland	Sconi	EPM 26578	Granted	100%
Queensland	Sconi	EPM 26579	Granted	100%
Queensland	Sconi	EPM 26559	Granted	100%
Queensland	Sconi	EPM 26853	Granted	100%
Queensland	Sconi	EPM 26857	Granted	100%
Queensland	Sconi	EPM 26918	Granted	100%
New South Wales	Flemington	EL 7805	Granted	100%
New South Wales	Flemington	EL 8546	Granted	100%
New South Wales	Flemington	EL 8478	Granted	100%
New South Wales	Flemington	MLA 538	Pending	-
New South Wales	Flemington	ELA 5495	Pending	-
New South Wales	Flemington	EL 8855	Granted	100%
New South Wales	Broken Hill	EL 8870	Granted	100%
New South Wales	Thackaringa	EL 8477	Granted	100%

AUSTRALIAN MINES LIMITED

CHANGE IN MINERAL RESOURCE ESTIMATES FROM 2018 ANNUAL REPORT

2019 Mineral Resources and Ore Reserves

During the reporting period, the Mineral Resources for Sconi and the Queensland satellite deposits were updated and reported in accordance with the JORC Code (2012). As a result of the Sconi Mineral Resources being updated, the Ore Reserve for Sconi was also updated.

During the reporting period, there was no change to the Mineral resource for the Flemington deposit and it is reported here in accordance with the estimate announced on 17 October 2017.

Nickel Equivalent (NiEq) calculations

NiEq grades reference in this report were calculated according to the following formula:

$$\text{NiEq} = [(\text{nickel grade} \times \text{nickel price} \times \text{nickel recovery}) + (\text{cobalt grade} \times \text{cobalt price} \times \text{cobalt recovery})] / (\text{nickel price} \times \text{nickel recovery})$$

The formula was derived using the following commodity prices and recoveries:

Forex US\$:A\$ = 0.71,

Nickel – A\$27,946/t and 94.8% recovery,

Cobalt – A\$93,153/t and 95.7% recovery.

Prices and recoveries effective as at 10th February 2019.

Metal recovery data was determined by variability test work of nickel and cobalt solvent extraction during the inhouse pilot plant test work program. Results typically achieved between 90% and 99% from samples with nickel and cobalt grades aligned with expected mine grades as reported from the Mineral Resource model. Lower recoveries of between 85% and 90% were achieved from some lower-grade samples to determine economic cut off grades.

It is the opinion of Australian Mines that all the elements included in the metal equivalents calculation have a reasonable potential to be recovered and sold.

The Competent Person and Australian Mines believe there are reasonable prospects for eventual economic extraction of the Mineral Resources. Consideration was given to the relatively shallow depth of the mineralisation, existing infrastructure near to the project including sealed road access, power, labour and water, and positive results from the 2018 Feasibility Study.

Sconi Mineral Resources, as at 30 June 2019

At Sconi, the Mineral Resources were updated following increased exploration and infill drilling across all the deposits. The updated Mineral Resource estimate, announced on 14 February 2019, is reported in accordance with the JORC Code (2012) and at various cut-off grades. The Greenvale deposits were estimated using a 0.4% NiEq cut-off, Lucknow was estimated using a 0.55% NiEq cut-off, while Kokomo was estimated using a 0.45% cut-off grade. NiEq calculations are as per the formula above.

The updated Mineral Resources for Sconi resulted in a 63.2% increase in the tonnage for the Greenvale deposit and a 94.6% increase in the tonnage for the Lucknow deposit. The increased Mineral Resources supported an increase in the mine life of the Sconi Project from 18 years to 30+ years.

The Sconi Mineral Resources, as at 30 June 2019, are shown below.

As at 30 June 2019								
Deposit	Resource category	Tonnes (million tonnes)	NiEq (%)	Nickel (%)	Cobalt (%)	NiEq metal (tonnes)	Ni Metal (tonnes)	Co Metal (tonnes)
Greenvale	Measured	5.05	1.06	0.83	0.07	53,530	41,915	3,535
	Indicated	17.24	0.90	0.73	0.05	155,160	125,852	8,620
	Inferred	10.34	0.63	0.54	0.04	65,142	55,836	4,136
	Total	32.63	0.84	0.69	0.05	274,092	225,147	16,315
Lucknow	Measured	1.60	0.91	0.53	0.11	14,560	8,480	1,760
	Indicated	12.63	0.83	0.47	0.11	104,829	59,361	13,893
	Inferred	0.38	0.66	0.55	0.03	2,508	2,090	114
	Total	14.62	0.83	0.48	0.11	121,346	70,176	16,082
Kokomo	Measured	1.62	1.17	0.73	0.15	18,954	11,826	2,430
	Indicated	19.37	0.83	0.57	0.09	160,771	110,409	17,433
	Inferred	7.48	0.70	0.53	0.07	52,360	39,644	5,236
	Total	28.47	0.81	0.57	0.09	230,607	162,279	25,623
TOTAL	Measured	8.27	1.05	0.75	0.09	87,044	62,221	7,725
	Indicated	49.24	0.85	0.6	0.08	420,532	295,736	39,946
	Inferred	18.2	0.66	0.54	0.05	120,378	97,622	9,486
	Total	75.71	0.83	0.6	0.08	627,954	455,579	57,157

Queensland Satellite Mineral Resources, as at 30 June 2019

In addition to the Sconi Mineral Resources, the Company also updated the Mineral Resources for the Bell Creek deposit while the Minnamoolka deposits resource stays unchanged, both acquired as part of the Sconi transaction. The updated Mineral Resources, announced on 29 April 2019, increased the total Mineral Resources in Queensland to in excess of 115 million tonnes.

Both Bell Creek and Minnamoolka were estimated using a 0.45% NiEq cut-off grade, with the NiEq calculation as per the formula above.

Bell Creek

As at 30 June 2019								
Deposit	Resource category	Tonnes (million tonnes)	NiEq (%)	Nickel (%)	Cobalt (%)	NiEq metal (tonnes)	Ni Metal (tonnes)	Co Metal (tonnes)
Bell Creek	Measured	11.4	1.02	0.84	0.05	116,280	95,760	5,700
	Indicated	12.7	0.75	0.64	0.03	95,250	81,280	3,810
	Inferred	1.7	0.66	0.55	0.03	11,220	9,350	510
	Total	32.63	0.84	0.69	0.05	274,092	225,147	16,315

Minnamoolka¹⁷

As at 30 June 2019								
Deposit	Resource category	Tonnes (million tonnes)	NiEq (%)	Nickel (%)	Cobalt (%)	NiEq metal (tonnes)	Ni Metal (tonnes)	Co Metal (tonnes)
Minnamoolka	Measured	-	-	-	-	-	-	-
	Indicated	11.8	0.77	0.67	0.03	90,972	79,060	3,540
	Inferred	2.9	0.71	0.64	0.02	20,512	18,560	580
	Total	14.7	0.76	0.66	0.03	111,860	97,020	4,410

¹⁷ The Minnamoolka Mineral Resource in this document 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 Minnamoolka Project resource will be completed to JORC 2012 Guidelines.

Flemington Mineral Resources, as at 30 June 2019

The Flemington Project was subject to increased exploration drilling during the reporting period, which has resulted in a significant increase in the footprint of cobalt mineralisation at Flemington. Despite the increased drilling, there was no updated of the Mineral resource estimate during the reporting period.

Flemington was last reported as at 17 October 2017 and there have been no changes to the Mineral Resource since that time. The Flemington Mineral Resource is estimated at a 300ppm Co cut-off grade.

The Company intends to update the Mineral Resources for Flemington during the financial year ended 30 June 2020.

Deposit	Resource category	Tonnes (million tonnes)	Cobalt (%)	Scandium (ppm)	Co Metal (tonnes)	Sc Metal (tonnes)
Flemington	Measured	2.5	0.103	403	2,577	1,001
	Indicated	0.2	0.076	408	167	89
	Inferred	-	-	-	-	-
	Total	2.7	0.101	403	2,744	1,090

Sconi Ore Reserves, as at 30 June 2019

Following an update of the Mineral Resources at Sconi in February 2019, the Company updated the mine plans for the project and reported an updated Ore Reserve on 13 June 2019.

The Ore Reserve is sufficient to support a mining operation at Sconi for 30+ years, based on the assumptions used in the updated mine plan.

Further details on the Ore Reserve can be found in the 13 June 2019 ASX announcement.

Classification	Pit	Ore (Million tonnes)	Nickel (%)	Cobalt (%)	Scandium (ppm)
Proved	Greenvale	4.49	0.83	0.07	36
	Kokomo	1.52	0.72	0.15	58
	Lucknow	2.07	0.47	0.09	51
	Sub-total	8.08	0.72	0.09	44
Probable	Greenvale	13.08	0.73	0.05	29
	Kokomo	17.43	0.57	0.09	31
	Lucknow	18.71	0.42	0.08	38
	Sub-total	49.22	0.55	0.08	33
Total	Greenvale	17.57	0.76	0.06	31
	Kokomo	18.96	0.58	0.10	33
	Lucknow	20.77	0.42	0.08	39
	Total	57.30	0.58	0.08	35

AUSTRALIAN MINES LIMITED
MINERAL RESOURCE ESTIMATES

Queensland, Australia

Sconi Cobalt-Nickel-Scandium Project – Mineral Resource (Effective 14 February 2019)¹⁸

Classification	Tonnes (million tonnes)	Nickel equivalent (%)	Nickel (%)	Cobalt (%)
Measured	5.05	1.06	0.83	0.07
Indicated	17.24	0.90	0.73	0.05
Inferred	10.34	0.63	0.54	0.04
TOTAL	32.63	0.84	0.69	0.05

Table 1: Greenvale Mineral Resource

Lower cut-off grade: Nickel equivalent 0.40%¹⁹

Classification	Tonnes (million tonnes)	Nickel equivalent (%)	Nickel (%)	Cobalt (%)
Measured	1.60	0.91	0.53	0.11
Indicated	12.63	0.83	0.47	0.11
Inferred	0.38	0.66	0.55	0.03
TOTAL	14.62	0.83	0.48	0.11

Table 2: Lucknow Mineral Resource

Lower cut-off grade: Nickel equivalent 0.55%¹⁹

Classification	Tonnes (million tonnes)	Nickel equivalent (%)	Nickel (%)	Cobalt (%)
Measured	1.62	1.17	0.73	0.15
Indicated	19.37	0.83	0.57	0.09
Inferred	7.48	0.70	0.53	0.07
TOTAL	28.47	0.81	0.57	0.09

Table 3: Kokomo Mineral Resource

Lower cut-off grade: Nickel equivalent 0.45%¹⁹

¹⁸ The Mineral Resource Estimates for the Sconi Project are reported under JORC 2012 Guidelines and were reported by Australian Mines Limited on 14 February 2019. There has been no Material Change or Re-estimation of the Mineral Resource since this 14 February 2019 announcement by Australian Mines.

¹⁹ See page 103 of this document for the Nickel Equivalent calculation related to the Sconi Project's Mineral Resource Estimate.

Bell Creek Nickel-Cobalt Project – Mineral Resource (Effective 29 April 2019)²⁰

Classification	Tonnes (million tonnes)	Nickel equivalent (%)	Nickel (%)	Cobalt (%)
Measured	11.4	1.02	0.84	0.05
Indicated	12.7	0.74	0.64	0.03
Inferred	1.7	0.66	0.55	0.03
Total	25.8	0.86	0.72	0.04

Table 4: Bell Creek Mineral Resource

Lower cut-off grade: Nickel equivalent 0.45%¹⁹

Minnamoolka Nickel Project – Mineral Resource (Effective 31 March 2017)²¹

Classification	Tonnes (million tonnes)	Nickel (%)	Cobalt (%)
Indicated	11.8	0.67	0.03
Inferred	2.9	0.64	0.02
Total	14.7	0.66	0.03

Table 5: Minnamoolka Mineral Resource

Lower cut-off grade: Nickel 0.45%

²⁰ The Mineral Resource Estimate for the Bell Creek Project is reported under JORC 2012 Guidelines and was reported by Australian Mines Limited on 29 April 2019. There has been no Material Change or Re-estimation of the Mineral Resource since this 29 April 2019 announcement by Australian Mines.

²¹ The Mineral Resource for the Minnamoolka Project is reported under JORC 2004 Guidelines and was reported by Metallica Minerals on 19 January 2009. Australian Mines wishes to remind shareholders that the full results of the Pre-Feasibility Study on the Sconi Project completed by its then joint venture partner Metallica Minerals Limited and announced by Metallica Minerals on 28 March 2013, including the full disclosure on the Mineral Resource, were comprehensively reviewed and confirmed by Australian Mines' Competent Person, and subsequently released via the ASX Announcement Platform on 31 March 2017. The information regarding the Minnamoolka Mineral Resource has been extracted from various announcements released via the ASX Announcements Platform, including Australian Mines' announcement dated 31 March 2017 titled *Technical Reports*, which is available either 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 Minnamoolka Mineral Resource in this document 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 Minnamoolka Project resource will be completed to JORC 2012 Guidelines.

New South Wales, Australia

Flemington Cobalt-Nickel-Scandium Project – Mineral Resource (Effective 31 October 2017)²²

Classification	Tonnes (million tonnes)	Cobalt (%)	Scandium (ppm)
Measured	2.5	0.103	0403
Indicated	0.2	0.076	408
Total	2.7	0.101	403

Table 6: Flemington Mineral Resource

Lower cut-off grade: Cobalt 0.03%

²² The Mineral Resource Estimate for the Flemington Project is reported under JORC 2012 Guidelines and was reported by Australian Mines Limited on 31 October 2017. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 October 2017 announcement by Australian Mines.

**AUSTRALIAN MINES LIMITED
ORE RESERVE ESTIMATES**

Classification	Pit	Ore (Million tonnes)	Nickel (%)	Cobalt (%)	Scandium (ppm)
Proved	Greenvale	4.49	0.83	0.07	36
	Kokomo	1.52	0.72	0.15	58
	Lucknow	2.07	0.47	0.09	51
	Sub-total	8.08	0.72	0.09	44
Probable	Greenvale	13.08	0.73	0.05	29
	Kokomo	17.43	0.57	0.09	31
	Lucknow	18.71	0.42	0.08	38
	Sub-total	49.22	0.55	0.08	33
Total	Greenvale	17.57	0.76	0.06	31
	Kokomo	18.96	0.58	0.10	33
	Lucknow	20.77	0.42	0.08	39
	TOTAL	57.30	0.58	0.08	35

Table 7: Sconi Project Ore Reserve summary based on variable nickel equivalent cut-off between 0.40% and 0.45%, as per Australian Mines' announcement released via the ASX platform on 13 June 2019. This Ore Reserve Estimate was prepared by specialist mine planning consultants, Orelogy, in accordance with the current 2012 JORC Code. There has been no Material Change or Re-estimation of the Ore Reserve since this 13 June 2019 announcement by Australian Mines. The Mineral Resource figures in Tables 1 to 3 on page 99 of this document are inclusive of the Ore Reserve figures above. Approximately 14% of the Ore Reserves (outlined in the table above) are classified as Proved and 86% are classified as Probable. It should be noted that the Proved and Probable Reserves are inclusive of allowance for mining dilution and ore loss.

AUSTRALIAN MINES LIMITED
NICKEL EQUIVALENT CALCULATIONS - SCONI PROJECT

NiEq grades reference in this report were calculated according to the following formula:

$$NiEq = [(nickel\ grade \times nickel\ price \times nickel\ recovery) + (cobalt\ grade \times cobalt\ price \times cobalt\ recovery)] / (nickel\ price \times nickel\ recovery)$$

The formula was derived using the following commodity prices and recoveries:

Forex US\$:A\$ = 0.71,

Nickel – A\$27,946/t and 94.8% recovery,

Cobalt – A\$93,153/t and 95.7% recovery.

Prices and recoveries effective as at 10th February 2019.

Metal recovery data was determined by variability test work of nickel and cobalt solvent extraction during the inhouse pilot plant test work program. Results typically achieved between 90% and 99% from samples with nickel and cobalt grades aligned with expected mine grades as reported from the Mineral Resource model. Lower recoveries of between 85% and 90% were achieved from some lower-grade samples to determine economic cut off grades.

It is the opinion of Australian Mines that all the elements included in the metal equivalents calculation have a reasonable potential to be recovered and sold. Detail supporting the formula are provided further on in this document.

The Competent Person and Australian Mines believe there are reasonable prospects for eventual economic extraction of the Mineral Resources. Consideration was given to the relatively shallow depth of the mineralisation, existing infrastructure near to the project including sealed road access, power, labour and water, and positive results from the 2018 Feasibility Study.

AUSTRALIAN MINES LIMITED COMPETENT PERSONS' STATEMENTS

Sconi Cobalt-Nickel-Scandium Project

The information in this document that relates to the Sconi Cobalt-Nickel-Scandium Project's Mineral Resources is based on, and fairly reflects, information compiled by Mr David Williams, a Competent Person, who is an employee of CSA Global Pty Ltd and a Member of the Australian Institute of Geoscientists (#4176). Mr Williams has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources, and Ore Reserves (JORC Code). Mr Williams consents to the disclosure of information in this report in the form and context in which it appears.

The information in this document that relates to the Sconi Cobalt-Nickel-Scandium Project's Ore Reserves is based on, and fairly reflects, information compiled by Mr Jake Fitzsimons, a Competent Person, who is an employee of Oreology Consulting Pty Ltd and a Member of the Australian Institute of Mining and Metallurgy (MAusIMM #110318). Mr Fitzsimons has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources, and Ore Reserves (JORC Code). Mr Fitzsimons consents to the disclosure of information in this report in the form and context in which it appears.

Bell Creek Nickel-Cobalt Project

The information in this document that relates to the Bell Creek Nickel-Cobalt Project's Exploration Results is based on, and fairly reflects, information compiled by Mr David Williams, a Competent Person, who is an employee of CSA Global Pty Ltd and a Member of the Australian Institute of Geoscientists (#4176). Mr Williams has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources, and Ore Reserves (JORC Code). Mr Williams consents to the disclosure of information in this report in the form and context in which it appears.

Minnamoolka Nickel Project

The Mineral Resource for the Minnamoolka Nickel Project is reported under JORC 2004 Guidelines and was reported by Metallica Minerals on 19 January 2009. This Resource, and the underlying data and assumptions were comprehensively reviewed and confirmed by Australian Mines' Competent Person, and subsequently stated in a Company announcement that was released via the ASX Announcement Platform on 31 March 2017.

The information regarding the Minnamoolka Mineral Resource has been extracted from various announcements released via the ASX Announcements Platform, including Australian Mines' announcement dated 31 March 2017 titled Technical Reports, which is available either 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 Minnamoolka Mineral Resource in this document 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 Minnamoolka Project resource will be completed to JORC 2012 Guidelines.

Flemington Cobalt-Nickel-Scandium Project

The Mineral Resource for the Flemington Cobalt-Nickel-Scandium Project contained within this document is reported under JORC 2012 Guidelines. This Mineral Resource was first reported by Australian Mines Limited on 31 October 2017. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 October 2017 announcement by Australian Mines Limited.

The information in this document that relates to the Flemington Cobalt-Nickel-Scandium Project's Exploration Results is based on information compiled by Mr Michael 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 it appears.

Thackaringa Cobalt Project

The information in this document that relates to the Thackaringa Cobalt Project's 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.