

28 July 2022

Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

ASX RELEASE

Quarterly Activities Report for period ended 30 June 2022

Australian Mines Limited (“Australian Mines” or “the Company”) is pleased to provide its Quarterly Activities Report for the period ending 30 June 2022. During the period, the Company focussed on advancing its flagship, 100%-owned Sconi Nickel-Cobalt-Scandium Battery Chemical Project in North Queensland (“Sconi”).

Key Highlights include:

- **Appointment of Interim CEO** – Les Guthrie, a Director of Australian Mines and an experienced large project development executive, was appointed to the position of interim CEO. The search for a permanent CEO is continuing,
- **Equity Raising** – Australian Mines raised a total of A\$4.4 million (before costs), including through an Institutional Placement (A\$3.7 million) and Entitlement Offer (A\$0.7 million). The Company is seeking to place the shortfall (A\$3.0 million) from the Entitlement Offer,
- **Extension of Condition Precedent with LG Energy Solution** – Australian Mines and LG Energy Solution agreed to extend the Offtake Agreement’s Condition Precedent of finalising project financing to 31 December 2022 (or such later date as the parties may agree),¹
- **Sconi Project Studies** – Australian Mines continued to progress various studies to support the development of the Sconi Project, and
- **Sconi Project Finance** – Australian Mines has undertaken a strategic review of the project financing strategy for the Sconi Project.

¹ Australian Mines Limited, *Update – LG Energy Solution Offtake Agreement* (ASX: 29 June 2022).

Executive Recruitment to Support Sconi Project Development

Mr Les Guthrie, a current Director of Australian Mines, and an experienced project development executive, was appointed to the position of interim CEO.²

The Company is continuing its search to appoint a permanent CEO experienced in mining, project development, and appropriate mineral process operations.

During the period, Australian Mines appointed several persons to roles on the Project Owner's team to maintain focus on advancing the development of the Sconi Project in a controlled and managed way.

Sconi Offtake Agreement with LG Energy Solution

Australian Mines and LG Energy Solution agreed to amend the financing Condition Precedent in their Offtake Agreement³ so that if the financing Condition Precedent is not satisfied by 31 December 2022 (or such later date as the parties may agree), Australian Mines or LG Energy Solution may terminate the Offtake Agreement by providing written notice to the other party.

Development

During the quarter, the Company continued to advance the development of the Sconi Project through a continuation of various workstreams. Key work programs include:

- Continued engineering and study works through Ausenco on the feasibility of the Sconi Project including preparation of revised project capital cost estimates and execution schedule. These works are ongoing,
- Various subcontract organisations continued project development support and optimisation work including process plant design and layout, mine plan optimisation, tailings storage design, site infrastructure design, and associated costings,
- Metallurgical test work on Sconi resource ore continued at the Stimulus test facility in Perth, Western Australia, and

² Australian Mines Limited, *Appointment of Mr Les Guthrie as interim CEO* (ASX: 11 May 2022).

³ Australian Mines Limited, *Binding offtake agreement with LG Energy Solution for supply of mixed nickel-cobalt hydroxide from the Sconi Project, Queensland* (ASX: 16 August 2021); Australian Mines Limited, *Update – LG Energy Solution Offtake Agreement* (ASX: 29 June 2022).

- Preliminary Environmental Authority pre-lodgement meeting was conducted with the Queensland Department of Environment and Science on the approval pathway for the project.

Permitting and Environmental

Australian Mines continues to make progress on the permitting and approvals work stream for the Sconi Project as part of ongoing project development activities. The focus of activities during the past quarter has been to inform Sconi Project feasibility works and position the project for favourable approvals outcomes.

Permitting and approvals work continues to include input to the Sconi Project feasibility designs and outputs.

Exploration Activities

The current Sconi Project exploration program encompassing up to fourteen nickel and cobalt targets across the Sconi Project is continuing,⁴ with the results from the surface geochemical sampling and geological mapping program anticipated to be received in early calendar 2023. The results of this current program will be used to plan the next phase of exploration at the Sconi Project, which is intended to include a reconnaissance drilling program of priority targets.

Sconi Project Financing

Since his appointment as interim CEO, Mr Les Guthrie, has made a strategic shift in Sconi Project financing by focusing on the attainment of a strategic equity sponsor to provide funding support for the project. Discussions are underway with several potential strategic equity sponsors. If the Company is successful in obtaining funding support, it is believed a range of potential debt options, including export credit agencies (ECAs), commercial banks, and mezzanine finance will be available, particularly as the Sconi Project is supported by world class scale, quality and ESG parameters. The Sconi Project is also supported by an increasing global demand profile for ethically sourced nickel and cobalt battery materials, through the rapid expansion of the electric vehicle and clean energy storage markets.

⁴ Australian Mines Limited, *Australian Mines seeks to enhance commercial potential of the Sconi Project with additional nickel and cobalt exploration* (ASX: 10 May 2022).

Corporate

During the quarter, the Company placed the demerger of non-core exploration and research and development (R&D) assets on hold.⁵ Also, during the quarter, the Company received ASIC's filing of proceedings against the Company and Mr Benjamin Bell.⁶ The Company will provide any further updates on the proceedings in due course. Subsequent to the quarter, the employment of Mr Benjamin Bell with the Company ceased.⁷

ENDS

For more information, please contact:

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Authorised for release by the Board of Directors of Australian Mines Limited



Australian Mines Limited supports the vision of a world where the mining industry respects the human rights and aspirations of affected communities, provides safe, healthy, and supportive workplaces, minimises harm to the environment, and leaves positive legacies.

⁵ Australian Mines Limited, *Quarterly Activities Report for period ended 30 September 2021* (ASX: 25 October 2021); Australian Mines Limited, *Annual Report to shareholders* (ASX: 25 October 2021); Australian Mines Limited, *Quarterly Activities Report for period ended 31 December 2021* (ASX: 31 January 2022); Australian Mines Limited, *Half Year Accounts* (ASX: 15 March 2022); Australian Mines Limited, *Quarterly Activities Report for period ended 31 March 2022* (ASX: 29 April 2022).

⁶ Australian Mines Limited, *Commencement of Proceedings by ASIC* (ASX: 10 May 2022).

⁷ Mr Benjamin Bell was previously employed in the position of General Manager – Exploration.

Appendix 1: Summary of Expenditure

	Total as per Cashflow Appendix 5B	Sconi Project	Flemington Project	Broken Hill Project	Australian Mines
Exploration & Evaluation	584,882	-	424,749	27,541	132,592
Development	1,827,189	1,827,189	-	-	-
Total	2,412,072	1,827,189	424,749	27,541	132,592

Table A1-1: Project development, exploration, and evaluation expenditure (in Australian dollars) by Australian Mines for the quarterly period ended 30 June 2022.

The aggregate payments to related parties and their associates for the reporting period under item 6.1 of the Company's accompanying Appendix 5B (Quarterly Cashflow Report) was \$186,958 which constitutes director fees (including Mr Benjamin Bell before and after his resignation as a director)⁸, salaries, superannuation and business expense reimbursement.

An amount of \$13,801 is also shown in item 6.2 of the Company's accompanying Appendix 5B for this period. This figure does not reflect a payment to any related party and their associates but is, instead, simply a partial allocation of an executive director's salary to "*exploration & evaluation*" within Australian Mines' accounts for working closely on some specific exploration activities during the reporting period.

No consulting fees were paid to any related parties or their associates during the quarter.

Similarly, no payments in any form (except for the standard director fees, salaries, superannuation, and business expense reimbursement) were paid to any related party of Australian Mines or their associates during this reporting period.

⁸ Australian Mines Limited, *Appointment of Mr Les Guthrie as interim CEO* (ASX: 11 May 2022).

Appendix 2: Forward Looking Statements

This announcement contains forward looking statements. Forward looking statements can generally be identified by the use of forward looking words such as, 'expect', 'anticipate', 'likely', 'intend', 'should', 'could', 'may', 'predict', 'plan', 'propose', 'will', 'believe', 'forecast', 'estimate', 'target', 'outlook', 'guidance', 'potential' and other similar expressions within the meaning of securities laws of applicable jurisdictions.

Any forward-looking statements in this document relating to the outcomes of the Sconi Project Feasibility Studies and ongoing refinement work as outlined in this report. Actual results and developments of projects and the market development may differ materially from those expressed or implied by these forward-looking statements. These, and all other forward-looking statements contained in this announcement are subject to uncertainties, risks and contingencies and other factors, including risk factors associated with exploration, mining, and production businesses. It is believed that the expectations represented in the forward looking statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to price fluctuations, actual demand, currency fluctuations, drilling and productions results, resource estimations, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory changes, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

Any forward-looking statement is included as a general guide only and speak only as of the date of this document. No reliance can be placed for any purpose whatsoever on the information contained in this document or its completeness. No representation or warranty, express or implied, is made as to the accuracy, likelihood or achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this document. Australian Mines does not undertake to update or revised forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this announcement, except where required by applicable law and stock exchange listing requirements.

To the maximum extent permitted by law, Australian Mines and its Associates disclaim all responsibility and liability for the forward-looking statements, including, without limitation, any liability arising from negligence. Recipients of this document must make their own investigations and inquiries regarding all assumptions, risks, uncertainties, and contingencies which may affect the future operations of Australian Mines or Australian Mines' securities.

Appendix 3: Tenement Information

Mining tenements held at end of the quarter

Location	Project	Tenement	Status	Interest
AUSTRALIA				
Queensland	Sconi	ML 10366	Granted	100%
Queensland	Sconi	ML 10342	Granted	100%
Queensland	Sconi	ML 10324	Granted	100%
Queensland	Sconi	ML 10332	Granted	100%
Queensland	Sconi	ML 20549	Granted	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%
Queensland	Sconi	EPM 27529	Granted	100%
Queensland	Biloela	EPM28048	Granted	100%
Queensland	Biloela	EPM28049	Granted	100%
Queensland	Biloela	EPM28050	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	EL 8855	Granted	100%
New South Wales	Flemington	EL 9321	Granted	100%
New South Wales	Broken Hill	EL 8477	Granted	100%
New South Wales	Broken Hill	EL 9300	Granted	100%
New South Wales	Broken Hill	EL 9326	Granted	100%

Mining tenements acquired and disposed of during the quarter

Location	Project	Tenement	Status	Interest	Comments
Queensland	Biloela	EPM28048	Granted	100%	-

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

Location	Project	Agreement	Parties	Interest	Comments
-	-	-	-	-	-

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

Location	Project	Agreement	Parties	Interest	Comments
-	-	-	-	-	-

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

AUSTRALIAN MINES LIMITED - AUZ

ABN

68 073 914 191

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(105)	(467)
(b) development	(1,827)	(4,766)
(c) production	-	-
(d) staff costs	(312)	(1,177)
(e) administration and corporate costs	(460)	(2,746)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (R&D Refund)	-	409
1.9 Net cash from / (used in) operating activities	(2,704)	(8,746)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(4)	(9)
(d) exploration & evaluation	(481)	(1,097)
(e) investments	-	-
(f) other non-current assets	(1)	(6)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(486)	(1,112)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,411	10,911
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(278)	(700)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	4,133	10,211

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,051	3,641
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,704)	(8,746)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(486)	(1,112)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,133	10,211

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,994	3,994

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,994	3,051
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,994	3,051

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(187)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	(14)
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>Executive and non-executive directors' wages and superannuation and reimbursement of travel expenses (6.1). Executive director's salary partially allocated to exploration & evaluation for working on exploration activities (6.2).</p>		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,704)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(481)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(3,185)
8.4 Cash and cash equivalents at quarter end (item 4.6)	3,994
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	3,994
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.25 Quarters
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: No. In the current quarter, payments for development (Item 1.2 (b)) were at elevated levels due to work being undertaken to advance the development of the Sconi Project. Subsequent to the quarter, the Company has taken steps to reduce its administrative costs, non-essential exploration activities, while also reducing costs related to the development of the Sconi Project. It is anticipated that during the September quarter the Company will focus on essential exploration activities and activities related to the Sconi Project, to the extent that they support the attainment of a strategic equity sponsor to provide funding support for the Sconi Project.	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes. The Company is working on a capital raising, which it anticipates will be completed by end of the 2022 calendar year. The company has discussions underway with several potential strategic equity sponsors and other potential investors. The Company believes that there is a high probability that the capital raising will be successful given the level of interest in the Sconi Project from strategic equity sponsors and other potential investors.

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes. The Company expects to be able to continue its operations and to meet its business objectives. This is on the basis that the proposed capital raising is anticipated to fund the Company's operations enabling it to continue to advance the Sconi Project.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 July 2022

Authorised by the Board of Australian Mines Limited
(see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.