

27 October 2022

Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

ASX RELEASE

Quarterly Activities Report for period ended 30 September 2022

Australian Mines Limited (“Australian Mines” or “the Company”) is pleased to provide its Quarterly Activities Report for the period ending 30 September 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 Activities include:

- **Appointment of new CEO** – Michael Holmes is a mining engineer and experienced CEO with more than 30 years’ experience in the mining industry working in nickel, copper, gold and lead, silver, zinc open pit and underground large operations. Michael has had experience across the full cycle of project development from study, permitting, construction, commissioning, and into operations.
- **Sconi Project Studies** – Subsequent to the reporting period and following a review of recent technical and financial studies, along with detailed discussions with potential financiers and business partners, Australian Mines made the strategic decision to develop the Sconi Project to produce battery grade nickel sulphate, cobalt sulphate and scandium oxide, as described in the Feasibility Study announced in November 2018¹ and updated June 2019², rather than a MHP project.
- **Agreement for proposed settlement with ASIC** - The Company and ASIC agreed, subject to approval by the Federal Court, to settle the Proceedings by the Company making certain admissions of contraventions of its continuous disclosure obligations. The joint submission will be heard in the Federal Court at the end of October.

¹Australian Mines Limited, Bankable Feasibility Study supports strong commercial case for developing Sconi Cobalt-Nickel Scandium Project, located in North Queensland (ASX: 20 Nov 2018).

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

- **Sconi Project Finance** – Australian Mines has undertaken a strategic review of the project financing strategy for the Sconi Project and is progressing with initial discussions about strategic collaborative partnership.

CEO Recruitment to Support Sconi Project Development

Mr Michael Holmes, an accomplished mining engineer with more than 30 years' experience working in Australia, New Zealand, the Philippines and North and South America was appointed as CEO on 5 September 2022. He brings to the Company extensive operational experience in nickel, gold, copper, lead, and zinc mines. Mr Holmes' appointment³ detailed the focus of the incoming CEO on the Sconi Project which is reflected in his package and incentives.

Mr Les Guthrie supported the Company during the leadership transition period, in the role of interim CEO. Mr Guthrie formally concluded the role as interim CEO on 5 September 2022 and reverted to his previous role as a non-executive Director on the Board.

Sconi Project Studies

Subsequent to the end of the quarter, Australian Mines made the strategic decision to develop the Sconi Project to produce battery grade nickel sulphate, cobalt sulphate and scandium oxide. We believe this will maximise value of the project, return for shareholders and provide a clear line-of-sight to construction. With the collaboration of our technical owner's team, we are working on mapping a pathway to construction for the project which includes further technical studies, test work, environmental monitoring, permitting and approval and strategies for project funding as we move to the Final Investment Decision (FID) milestone.

Development

During the quarter, the Company continued to advance the development of the Sconi Project. Key work programs completed during the quarter included environmental and engineering works, a hydrogeological review, Burdekin River intake designs, tailings and water management, pit, haul roads and earthworks design and geotechnical review.

The Process plant flow diagrams for the PFS, layout drawings and mechanical equipment lists were being finalised. A basis of estimate was established, and capital expenditure, operating expenditure, project execution schedule and forward work plans concluded. A risk register across the Sconi sites was in progress.

³Australian Mines Limited, Appointment of Mr Michael Holmes as CEO (ASX: 5 September 2022)

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. Key activities during the quarter have included:

- Completion of environmental and approvals inputs to the draft designs and studies outputs.
- Preparation of approvals application documents to the Queensland Department of Environment and Science for assessment and confirmation of approvals pathways for the Sconi Project.
- Scoping a range of field-based investigations and surveys to be undertaken later in the calendar year (Q4 CY2022 and in to CY2023). These activities will provide an improved understanding of the existing environment, inform design and potential mitigation strategies and be utilised in future permitting and approvals processes.

Exploration Activities

Surface rock and soil sampling was conducted within the Company's exploration leases neighbouring the Greenvale, Lucknow and Minnamoolka mine leases. This work is part of the Sconi Project's exploration program being carried out throughout 2022 on a series of geophysical targets previously identified.

Additional geological field work was undertaken north-east of the Kokomo mine lease as a possible extension of known mineralisation. Annual activity reports were completed on several of the Company's Sconi exploration leases.

Proposed settlement of ASIC action against Australian Mines

Australian Mines Limited refers to its announcement dated 10 August 2022 concerning the proposed settlement of ASIC action against the Company whereby the Company and ASIC have agreed, subject to approval by the Federal Court, to settle the Proceedings, by the Company making certain admissions of contraventions of its continuous disclosure obligations.

The Company and ASIC have made a joint submission to the Federal Court, that the appropriate penalty is \$450,000 and the Company will also pay ASIC's costs of \$55,550. The settlement and penalty are subject to approval by the Federal Court which is being heard at the end of October.

Sconi Project Financing

Planning works and initial discussions advanced for the Sconi Project financing following the strategic shift to seek to attain a strategic collaborative partner to provide funding support for the project. Discussions continued with the need for strategic collaborative partner for the obtainment of project completion guarantee / cost overrun facility to be able to progress with favourable debt options, including export credit agencies (ECAs), commercial banks, and mezzanine finance. Considering the increasing global demand profile for ethically sourced nickel and cobalt battery materials and the rapidly expanding electric vehicle and clean energy storage markets, the Sconi Project is well placed to deliver into these markets.

Corporate

At the Extraordinary General Meeting on 9 Sept, Shareholders passed a resolution to ratify that Under Listing Rule 7.4, and within the limit of ASX Listing Rule 7.1, the Board is able to issue up to a further 15% of the issued capital.

ENDS

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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.

Appendix 1: Summary of Expenditure

	Total as per Cashflow Appendix 5B	Sconi Project	Flemington Project	Broken Hill Project	Australian Mines
Exploration & Evaluation	168,718	-	86,543	8,648	73,528
Development	1,135,210	1,135,210	-	-	-
Total	1,303,928	1,135,210	86,543	8,648	73,528

Table A1-1: Project development, exploration, and evaluation expenditure (in Australian dollars) by Australian Mines for the quarterly period ended 30 September 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 \$291,987 which constitutes director fees salaries, superannuation and business expense reimbursement (including Mr Benjamin Bell's salaries and superannuation during his term as General Manager – Exploration)⁴.

An amount of \$13,981 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.

⁴Australian Mines Limited issued Mr Benjamin Bell a termination of employment letter on 21 July 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	EPM28047	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	EPM28047	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 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(71)	(71)
(b) development	(1,135)	(1,135)
(c) production	-	-
(d) staff costs	(512)	(512)
(e) administration and corporate costs	(512)	(512)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	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)	-	-
1.9 Net cash from / (used in) operating activities	(2,229)	(2,229)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(2)	(2)
(d) exploration & evaluation	(98)	(98)
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	(100)	(100)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	(23)	(23)
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	(23)	(23)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,994	3,994
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,229)	(2,229)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(100)	(100)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(23)	(23)

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 (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,642	1,642

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	1,642	3,994
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)	1,642	3,994

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	(292)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	(14)

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.

Executive and non-executive directors' wages and superannuation and reimbursement of travel expenses. The amounts include former director, Mr Benjamin Bell's wages and superannuation during his term as General Manager – Exploration (6.1).

Executive director's salary partially allocated to exploration & evaluation for working on exploration activities (6.2).

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)	(2,229)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(98)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(2,327)
8.4 Cash and cash equivalents at quarter end (item 4.6)	1,642
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	1,642
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.71 Quarter
<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 the payments for development (item 1.2 (b)) were high due to work being undertaken related to advance the development of the Sconi Project. The staff costs (item 1.2 (d)) and administration costs (item 1.2 (e)) were also high because of the final payments made to employees whose employments were terminated during the quarter, one off CEO recruitment costs and payment of annual insurance, respectively. Since quarter end, company has taken steps to reduce its administrative costs, non-essential exploration activities and has reduced the costs related to the development of the Sconi Project. In the coming period the Company will be focusing on essential exploration activities and activities related to the Sconi Project to the extent they support the attainment of a strategic collaborative partner to provide funding support for the Sconi project.	

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 complete, by end of the calendar year. The company has discussions underway with several potential strategic collaborative partners and other potential investors. The company believes that there is a high probability that the capital raising will be successful given the high level of interest in the Sconi Project we are seeing.

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. Australian Mines 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 to enable 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: 27 October 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.