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31 October 2017
Australian Securities Exchange
Exchange Plaza
2 The Esplanade
PERTH WA 6000

Email: tradinghaltspert@asx.com.au

ASX Price and Volume Query Response

Australian Mines Limited (“Australian Mines” or “the Company”) provides the following responses to the share price and trading volume query from the Australian Securities Exchange dated Tuesday, 17 October 2017 in accordance with Listing Rule 18.7A

1. Is AUZ aware of any information concerning it that has not been announced to the market which, if known by some in the market, could explain the recent trading in its securities?

No

2. If the answer to question 1 is “yes”:

a) Is AUZ relying on Listing Rule 3.1A not to announce that information under Listing Rule 3.1?

Not applicable

b) Can an announcement be made immediately?

Not applicable

c) If an announcement cannot be made immediately, why not and when is it expected that an announcement will be made?

Not applicable

3. If the answer to question 1 is “no”, is there any other explanation that AUZ may have for the recent trading in its securities?

Whilst Australian Mines is not aware of any information that has not been announced to the market, which if known by some in the market, could explain the recent trading in the Company’s securities, it is of the opinion that the following may help explain at least some of the recent trading in the Company’s shares.

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Following the strong support the Company received from investors in Hong Kong recently (as evidenced by the *Price and Volume Query* received from the ASX on 17 October 2017), Australian Mines' Managing Director, Benjamin Bell, is currently in London for meetings with large institutional investment funds.

Whilst many of these London-based funds have been following the progress of Australian Mines and its development of the flagship Sconi-Cobalt-Nickel Scandium Project in Queensland for many months, their internal policies prevents them from taking positions in companies whose market capitalisation are less than \$100 million.

As at the opening of trading on Monday 30 October 2017, Australian Mines' market capitalisation was \$155 million. As a result, these institutional funds, whom Australian Mines is meeting this week, are now able to invest directly in Australian Mines. It may be, therefore, that some of these large institutional investment funds sought to obtain an initial position in Australian Mines prior to the commencement of the Company's UK road show in expectation that its share price may strengthen during the course of this week's meetings (much like it did during the week of the Company's recent Hong Kong road show, which resulted in the 17 October 2017 *Price and Volume Query*).

Australian Mines notes that currently the minimum market capitalisation of companies included in the Australian S & P / ASX 300 index (being the index that measures up to 300 of Australia's largest securities by float-adjusted market capitalisation) is \$123 million. The Company, therefore, envisages that Australian Mines may, at some future date, be included in the ASX / S & P 300 index and as a result, index-based funds (such as pension and retirement funds) may seek to include Australian Mines within their portfolio of stocks in keeping with their investment mandate / strategy. This may be motivating some investors to increase their position in Australian Mines in preparation / expectation of the Company joining the ASX / S & P 300.

Whilst Australian Mines is unable to talk to the exact reasons why other such funds may have invested in Australian Mines, the company does note that Canadian broking and investment firm, Canaccord Genuity, released a BUY recommendation on Clean TeQ holdings (ASX: CLQ) on 29 October 2017. The target price for this BUY recommendation was \$2.00, which values the Syerston project (having a mineral resource tonnage of 101 million tonnes at an average grade of 0.13% cobalt and 0.59% nickel) at \$1.1 billion.

In comparison, Australian Mines, whose Sconi project has a mineral resource tonnage of 89 million tonnes at an average expected feed grade of 0.11% cobalt and 0.80% nickel, was valued at only \$208 million.

This market capitalisation of \$208 million for Australian Mines overlooks the inherent value of the company's Flemington Cobalt-Scandium-Nickel Project in New South Wales, which is the immediate continuation of Clean TeQ Syerston project.

(It is noted that Canaccord Genuity's valuation of \$1.1 billion for the Syerston Project, is based solely on that project's cobalt and nickel resource. Canaccord Genuity, in their 29 October 2017 report, does not attribute any value to the platinum resource at Syerston nor does it attribute any value to the project's scandium resource. Canaccord Genuity's treatment of the Syerston Project reflects that of Macquarie Research – part of Macquarie Bank – who earlier this month valued the Syerston Project at \$1.2 billion, again, based solely on that project's cobalt and nickel resource, with no NIL value placed on the project's platinum or scandium resource. Given both Canaccord Genuity and Macquarie Bank each, and

independently valued the Syerston Project at more than \$1.1 billion based solely on its cobalt and nickel resource, and given that there is no material difference between the cobalt and nickel mineralisation / deposit at Clean TeQ's Syerston Project and Australian Mines' Sconi Project, the 'like-for-like' comparison between these two projects is valid. As a result, the value / market capitalisation comparison between Clean TeQ's Syerston Project and Australian Mines' Sconi Project is similarly valid given that there is no known material difference in these two projects that could explain the value differential).

The Company is aware that its shareholder registry includes (or has included) investors that also hold positions in both Australian Mines and Clean TeQ Holdings in order to maximize their exposure to the burgeoning cobalt sulphate and nickel sulphate sector. Thus, whilst Australian Mines' share price has increased 450% over the past month (from \$0.016 on 2 October 2017 to \$0.088 on 30 October 2017), the company's market capitalisation continues to trade at about a 75% discount to Clean TeQ Holdings. As a result of this ongoing disparity between the market capitalisation between Australian Mines and Clean TeQ Holdings, the arbitrage situation noted by Australian Mines in its 18 October 2017 response to the ASX's *Price and Volume Query* continues to exist.

This arbitrage situation, together with the other aforementioned factors, could explain the significant increase in the volume of Australian Mines' securities traded today as well as the increase in the price of AUZ's securities from an opening price of \$0.066 to a closing price of \$0.088 today (Monday, 30 October 2017).

4. Please confirm that AUZ is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

Australian Mines confirms it is in compliance with the Listing Rules, including Listing Rule 3.1

5. Please confirm that AUZ's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AUZ with delegated authority from the board to respond to ASX on disclosure matters.

Australian Mines' confirms that the responses to the above have been authorised and approve by its Board.

Sincerely



Benjamin Bell
Managing Director



30 October 2017

Michael Ramsden
Australian Mines Limited
Level 1, 83 Havelock Street
WEST PERTH WA 6005

By email

Dear Mr Ramsden

AUSTRALIAN MINES LIMITED (“AUZ”): PRICE & VOLUME QUERY

We note the change in the price of AUZ’s securities from a closing price of \$0.061 on Friday, 27 November 2017, to an intra-day high at the time of writing today, Monday, 30 October 2017, of \$0.084.

We also note a significant increase in the volume of AUZ’s securities traded today.

In light of this, ASX asks AUZ to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market in accordance with Listing Rule 18.7A.

1. Is AUZ aware of any information concerning it that has not been announced to the market which, if known by some in the market, could explain the recent trading in its securities?
2. If the answer to question 1 is “yes”:
 - a) Is AUZ relying on Listing Rule 3.1A not to announce that information under Listing Rule 3.1?

Please note that the recent trading in AUZ’s securities would suggest to ASX that such information may have ceased to be confidential and therefore AUZ may no longer be able to rely on Listing Rule 3.1A. Accordingly, if the answer to this question is “yes”, you need to contact us immediately to discuss the situation.
 - b) Can an announcement be made immediately?

Please note, if the answer to this question is “no”, you need to contact us immediately to discuss requesting a trading halt (see below).
 - c) If an announcement cannot be made immediately, why not and when is it expected that an announcement will be made?
3. If the answer to question 1 is “no”, is there any other explanation that AUZ may have for the recent trading in its securities?
4. Please confirm that AUZ is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

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5. Please confirm that AUZ's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AUZ with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, **by not later than 6.30am AWST tomorrow, Tuesday, 31 October 2017**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in AUZ's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, AUZ's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at tradinghaltspert@asx.com.au. It should **not** be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to AUZ's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B.

It should be noted that AUZ's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, or if the answer to question 1 is "yes" and an announcement cannot be made immediately, you should discuss with us whether it is appropriate to request a trading halt in AUZ's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;



- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 Trading Halts & Voluntary Suspensions.

Please contact me immediately if you have any queries or concerns about any of the above.

Yours sincerely

[sent electronically without signature]

Ben Secrett
Senior Adviser, ASX Listings Compliance

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