

Due Diligence and Valuation Report

Arrowhead Code:	162-01-01
Coverage initiated:	18 12 2017
This document:	18 12 2017
Fair share value bracket:	AUD 0.34 to AUD 0.38 ⁱ
Share price on date:	AUD 0.091 ⁱⁱ

Analyst Team

Jay Thakkar	Lorry Hughes
Senior Analyst	Senior Advisor - Metals & Mining
jay.thakkar@arrowheadbid.com	lorry.hughes@arrowheadbid.com



Company:	Australian Mines Limited
Ticker:	ASX: AUZ
Headquarters:	Perth, Australia
Managing Director:	Benjamin Bell
Website:	www.australianmines.com.au

Market Data

52-Week Range:	AUD 0.007 – AUD 0.145 ⁱⁱⁱ
Average Daily Volume:	77,758,601 ^{iv}
Market Cap. on date:	AUD 243.7 MM ^v

Fiscal Year (FY) 1st July– 30th June

Summary

Australian Mines Limited (“Australian Mines” or “the company”) is a mineral resource company listed on Australian stock exchange. The company is developing two world class assets, The Sconi Cobalt-Nickel-Scandium project and The Flemington Cobalt-Scandium-Nickel project, to produce and supply essential battery and technology-related materials, namely cobalt sulphate, nickel sulphate, and scandium oxide.

The company strategy is to become a dominant producer and supplier to the global battery market. The demand for battery and technology-related products has increased rapidly with the demand for electric vehicles. The increase in demand is expected to grow further globally as more vehicle manufacturers are announcing their entrance into the electric vehicle market.

The Sconi project: Australian Mines’ flagship, Sconi project, is one of the most advanced cobalt projects, with all the necessary mining approvals. The company owns 100% of the project with no royalties or encumbrances. The project, located in northern Queensland, Australia, is 250 kilometers away from an approved cobalt and nickel exporting port.

Mineralization - The global Mineral Resource for Sconi totals 89 million tonnes and the project has

an estimated feed grade of 0.11% cobalt and 0.80% nickel and 109 g/t scandium.

Pre-feasibility report - The pre-feasibility study estimates an annual production of 3,010 tonnes of cobalt sulphate, 24,420 tonnes of nickel sulphate, and 77 tonnes of scandium oxide for at least the first 20 years of operations.

Bankable feasibility study (“BFS”) – Australian Mines is currently assessing various production scenarios under a BFS with a target to deliver the report by April 2018.

Demonstration-sized processing plant: Australian Mines is constructing a conventional high-pressure acid leach demonstration-sized processing plant for processing the sample ores from Sconi project.

The plant, with a capacity to process 2.2 tonnes per day is currently operating with a sample of 20 tonnes of ore, which is expected to produce 20 kgs of cobalt sulphate, 160 kgs of nickel sulphate, and 5 kgs of scandium oxide.

The pre-feasibility results suggest annual capacity of an initial full scale plant will be 750,000 tonnes. The BFS will consider a modular development whereby annual capacity will be expanded to 2 million tonnes.

Offtake agreements – Australian Mines is currently in negotiations with a few automotive companies to enter into an agreement to supply cobalt sulphate, nickel sulphate, and scandium oxide.

Company management has been recently involved in discussions with some international clients in Asia, Europe, and the Middle East. The company will also supply the samples from the pilot run to a

few of these potential customers to fast-track negotiations for securing a long-term offtake agreement.

The Flemington project: The Flemington project is located in New South Wales and is an immediate continuation of the Sunrise project (ASX: CLQ), with a tenement boundary separating both the projects.

Mining approvals and infrastructure- Australian Mines has submitted the mining lease and the preliminary environment assessment to the Government of New South Wales. The company has all the necessary infrastructure in place and has also secured water supply for conducting any future mining activities over the life of the project.

Scoping study – The study conducted by SRK Consulting (“SRK”) on March 15, concluded an NPV of AUD 255 million at 8% and IRR of 37.3%. The results are based on scandium oxide production and exclude the production of cobalt and nickel sulphate. The study also concluded projects capability to produce cobalt sulphate and nickel sulphate in addition to scandium oxide.

Initial mineralization – SRK undertook a mineral resource estimation at the Flemington project. The report demonstrated a mineral resource estimate of 2.7 million tonnes, with an average feed grade of 0.101% of cobalt, containing 2,744 tonnes of cobalt. These estimates were based on 1% of the interpreted prospective host geology. The

company is further upgrading the resource estimates by extensive drilling programs.

Other projects: Australian Mines also holds significant interest in the following projects:

- **Thackaringa Cobalt project:** 100% interest. Recently, the company conducted an air borne geophysical survey which returned favorable results and further exploration is planned.
- **Doolgunna-Marymia Gold project:** Current interest - 51%, with an option to acquire additional 29%.
- **Marriotts Nickel project:** 100% interest.

Arrowhead believes Australian Mines is well-positioned to conduct further development of the flagship Sconi project and Flemington projects and to capitalize on the opportunity to meet the demand of the global technology market.

The demand for battery and technology-related products is forecast to increase significantly. With current limited production and supply in the global market, the company has a unique opportunity to become a dominant supplier of these metals.

The Sconi project is advancing towards production and once operational, it will fast-track the development of the Flemington project.

Given the due diligence and valuation estimations based on discounted cash flows of its projects, we believe that Australian Mines’ fair share value lies between AUD 0.34 and AUD 0.38.

Table of Contents

Company Presentation	4
News	7
Listing Information	9
Management and Governance	10
Assets and Projects.....	11
Technologies and Market.....	147
Project Risk Profile Analysis.....	20
Risk Parameters – Definition.....	21
Value.....	23
Analyst Certifications	26
Valuation.....	27
Notes and References	28

Company Presentation

Australian Mines is a mineral resource company that aims to be a dominant global producer and supplier of battery and technology metals. The company is developing cobalt, nickel and scandium projects in Australia to supply these metals. It is currently focused on the Sconi and Flemington projects which have the potential for mine lives of over 20 years each.

The company's flagship Sconi project, is located in the mining center of Greenvale in Queensland and is one of the most advanced cobalt-nickel-scandium projects globally. As per the pre-feasibility report, the project can produce annually 3,010 tonnes of cobalt sulphate, 24,420 tonnes of nickel sulphate, and 77 tonnes of scandium oxide, on average, for at least the first 20 years, with average feed grades being 0.11% cobalt, 0.81% nickel, and 109 ppm scandium. The company has secured all the necessary approvals and mining licenses to conduct full-scale mining, and is currently working on a Bankable feasibility report scheduled for completion in April 2018.

In addition the development of the Flemington project enhances the company's potential toward becoming a world-class supplier of technology metals. The Flemington project has an initial Mineral Resource Estimate of 2.7 million tonne of ore, with an average grade of 0.101% cobalt and 403 ppm scandium. Importantly in terms of potential expansion the estimate is based on only 1% of the interpreted prospective host geology. Australian Mines is currently planning extensive drill programs that aim to significantly increase the resource. A pre-feasibility study is underway likely be completed by June 2018.

The company is also processing its first bulk samples from Sconi and Flemington projects through its demonstration-size plant in Perth. This plant will process the ore into cobalt sulphate, nickel sulphate, and scandium oxide samples. The company will be supplying the samples from the test run to multiple potential customers to fast track the negotiations for securing a long term offtake agreement.

Financial summary: As on September 30, 2017, the company had cash and cash equivalents of AUD 5.5 million and nil debt. On November 6, 2017, the company secured an AUD 20 million equity funding from international investors through private placement, comprising 235,294,118 fully-paid ordinary shares at an issue price of AUD 0.085 per share. To date, the company has not earned any significant revenue from the sale of metals and is currently focused on starting production at the Sconi project over the next 18 months of operation.

Portfolio and Premiums

One of the most advanced cobalt-nickel-scandium projects: The Sconi project is one of the most advanced cobalt-nickel-scandium projects globally as all the necessary approvals in place. The company has secured a mining license and is currently evaluating annual production targets as part of a bankable feasibility report due on April 2018. In addition, the company is in talks with potential customers to secure an offtake agreement to supply cobalt and nickel sulphates. The demonstration plant is structured in such a way that it can be modified into a full-scale plant, once the project financing is secured after the completion of BFS.

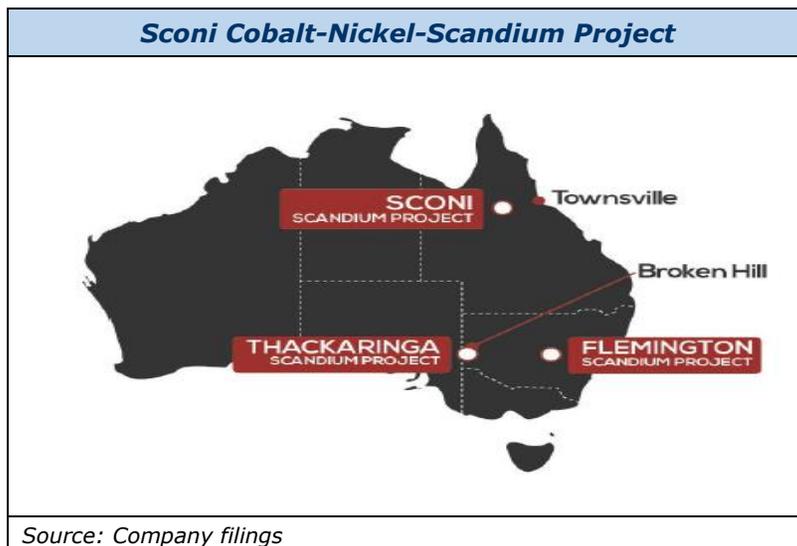
Opportunity to gain market share and become a leader in supply of technology metals: The demand for cobalt and nickel is expected to grow significantly with increasing demand from the battery market. The demand for cobalt-nickel has been boosted by a rapid increase in the production of electric vehicles and the trend is expected to continue. Australian Mines, with 100% ownership in the two projects, has an opportunity to become a leading global supplier of these battery metals.

Flemington operations will complement production at Sconi: The Flemington project is the western extension of the Sunrise project, which hosts significant cobalt-nickel-scandium Mineral Resources. The initial estimate for Flemington covers only 1% of the prospective geological horizon and comprises 2.7 million tonnes of ore, with an average grade of 0.101% cobalt and 403 ppm scandium. The company expects further upgrade to these estimates with further drilling. The company is planning to finalize the

pre-feasibility report by mid-2018. We believe the Flemington project, once operational, will complement the revenue stream at Sconi.

Diversified revenues with exposure to cobalt, nickel, and scandium: The revenues from the Sconi and Flemington projects are expected to be well-diversified into cobalt sulphate, nickel sulphate, and scandium oxide.

Superior connectivity with key facilities: The Sconi project is strategically placed on the large historic Greenvale mine site in Queensland, Australia. An approved cobalt exporting port is approximately 250 kilometers from the Sconi project. Both the Sconi and Flemington projects have all the necessary facilities such as electricity, water supply, and skilled workforce to conduct the mining operations.



Related experience of the leadership team helps in efficient management: The management is highly experienced in the fields of mining, project development and project financing.

Portfolio and Risks

Exploration and development risks: The immediate term growth of the company is dependent on successful mining, development and exploration at the Sconi and Flemington projects. Longer term growth of the company is dependent on the identifying sufficient mineral resources for further development however, substantial resources defined to date. These risks are partially mitigated by management's extensive experience in exploration and the development of similar projects.

Commodity price risk: Although the company is exposed to risk of metal prices, which fluctuate due to many external factors, a diversified stream of revenues from cobalt sulphate, nickel sulphate, and scandium oxide should reduce the risk. The management will closely monitor the price of each element to determine the appropriate course of action.

Regulatory/political risk: The mining industry is subject to several laws and regulations. The company could face risks related to changes in government legislation/policies, and political unrest in Australia.

Exchange rate risk: The company strategy is to supply the technology elements in the global market. The fluctuations in exchange risk could potentially impact company's future revenue.

Corporate Strategy:

To become a dominant supplier of technology metals: Australian Mines owns 100% of the Sconi project – one of the most advanced cobalt-nickel-scandium projects. The company is also acquiring 100% interest in the Flemington project (current interest: 80%), which hosts substantial cobalt-nickel-scandium mineralization. Both the projects have an estimated mine life of over 20 years. The company strategy is become a dominant producer and supplier of key battery and technology metals, namely cobalt sulphate, nickel sulphate, and scandium oxide.

The demand for these metals has increased and is expected to significantly increase as batteries will be used to power electric vehicles and stationary power storage for homes and industries. Australian Mines is confident of commissioning the Sconi and Flemington projects in the shortest time frame.

Fast-track the commissioning of the Sconi project: The Sconi project has a current Mineral Resource estimate of 89 tonnes @ 0.11% cobalt, 0.81% nickel, and 109 ppm scandium. As per the pre-feasibility report annual production of 24,420 tonnes of nickel sulphate, 3,000 tonnes of cobalt sulphate and 77 tonnes of scandium oxide is estimated. The company is currently evaluating various scenarios under the Bankable feasibility report which is expected to be complete by April 2018. The company has already secured equity financing of AUD 20 million and will evaluate additional financing options once the BFS is complete. The company is targeting to start production at the Sconi project within next 18 months.

Ramp up production and conduct further exploration at the Flemington project: The Flemington project is the immediate western extension of the Sunrise project (ASX: CLQ) with a tenement boundary separating the geological sequences. The company interprets that both the projects share the same geology and Flemington is therefore prospective for significant mineralisation.

The initial cobalt mineral resource estimation comprises 2.7 million tonnes with an average grade of 0.101% cobalt (2,744 tonnes) and 403ppm scandium (1,090 tonnes). Australian Mines believes that these estimates are subject to significant revision through a series of drilling programs. The company has applied for a Mining Lease at the project and has already secured a water supply facility for future mining operations. A pre-feasibility study is underway and is expected to be delivered by June 2018.

News

- **Acquired 100% interest in Sconi:** On December 8, 2017, the company announced it has acquired 100% interest in the Sconi project for a total consideration of AUD 10 million. The company has already paid AUD 3.5 million in cash earlier and will pay AUD 1.5 million through issuance of Australian Mines ordinary shares upon the completion of BFS. The remaining AUD 5.0 million will be paid (shares or cash) once the Sconi project is in full scale commercial production. The key highlight of the agreement is the absence of any royalties or encumbrances, effectively raising the profitability of the project.
- **Secures AUD 20 million private placement funding:** On November 6, 2017, the company announced that it has successfully raised AUD 20 million funding via a private placement from institutional investors. The company had been approached by various institutional fund managers to acquire stake in Australian Mine through private placement funding. The company received an overwhelming response from the investors, oversubscribing the initial AUD 10 million subscription by more than 3 times. After discussing with the boards, the company decided to accept the application for AUD 20 million, through issuance of 235,294,118 fully-paid ordinary shares at an average price of AUD 0.085 per share.
- **Initial cobalt mineralization at the Flemington project:** On October 31, 2017, Australian Mines announced the initial Mineral Resource Estimate at the Flemington project completed by consultant SRK. The total Measured and Indicated Resource stands at 2.7 million tonnes at an average grade of 0.101% and 403ppm scandium. The company notes that these estimates are based on just exploration drilling data from only 1% of the geological area with the definition of further mineralization likely. The company is conducting further drilling covering the entire project area to further upgrade the Resource Estimate.
- **Water license secured for Flemington cobalt-scandium-nickel project:** On October 3, 2017, the company announced that it could successfully acquire a permanent water license for the Flemington cobalt-nickel-scandium project in New South Wales. The water allocation is adequate to support future mining operations at the Flemington project. The company also announced that it has successfully submitted the project Preliminary Environmental Assessment to the Government of New South Wales.
- **Geophysical survey to test greenfields Thackaringa cobalt project:** On September 29, 2017, Australian Mines announced that a helicopter-borne electromagnetic and magnetic geophysical survey at the Thackaringa cobalt project had been commissioned. The survey was completed in collaboration with two neighboring resource companies and was aimed to map the cobalt mineralization to a depth of 400m.
- **Commencement of trial mining at Sconi cobalt-nickel-scandium project:** On September 28, 2017, the company announced that a sample of 20 tonnes of ore from the Sconi project has been extracted to be shipped to the demonstration plant in Perth. The sample is expected to produce 160 kgs of nickel sulphate, 20 kgs of cobalt sulphate, and 5 kgs of scandium oxide. The company has already assigned the sample output from the initial run to the potential customers.
- **Australian Mines to acquire 100% interest of Sconi cobalt-nickel-scandium project:** On September 6, 2017, Australian Mines announced that it acquired 100% ownership of the Sconi project from Metallica Minerals for a consideration of AUD 10 million. The company raised AUD 3.5 million via a private placement of AUD 0.015 per share. The acquisition succeeded the previous farm-in agreement of a 75% interest with partner Metallica Minerals. The agreement excludes any royalties or clawback agreement to Metallica Minerals.
- **Research and development tax rebate to boost cash reserves:** On August 17, 2017, the company announced that it received a rebate of AUD 328,138 from the Australian Taxation Office in relation to the Company's research and development expenditure during 2015-16.
- **Drilling doubles cobalt footprint, triples scandium footprint at Flemington project:** On August 11, 2017, the company announced that it concluded a 239 hole resource extension drilling program at the Flemington project and it doubled the cobalt mineralization footprint and tripled the scandium mineralization footprint. The result demonstrated that the Flemington and Syerston projects are of a similar scale.

- **New Chief Operating Officer (COO) appointed:** On July 24, 2017, Australian Mines announced that Mr. Tim Maclean has been appointed to the newly created role of COO. He has over 25 years of senior management and hands-on technical and production experience in the mining industry. Recently, he was involved with managing Alcoa’s Kwinana aluminum refinery—including its 950-person workforce—in Western Australia.
- **10-fold expansion of Sconi cobalt-nickel-scandium tenement portfolio:** On June 29, 2017, the company announced that it has applied for five Exploration Permits for Minerals (EPM) license that could significantly expand its footprint around the flagship Sconi project in northern Queensland. The five EPM applications encompass a total area of 1,185 square kilometers (or 118,500 hectares). Once approved it will provide new tenure to explore for potential Resources.
- **Land access agreement allows exploration at Thackaringa cobalt project:** On June 9, 2017, the company announced that it secured an exploration land access agreement with the relevant landholders for its Thackaringa project, thereby allowing further exploration on the property. The company has identified three high-priority cobalt targets, and is planning to conduct an exploration in coming quarters.
- **Launch of construction of demonstration-size processing plant:** On May 15, 2017, Australian Mines announced that it has started construction of the demonstration-sized processing plant in Perth. Australian Mines has appointed Simulus Group, a leading hydrometallurgical and processing company, for constructing the plant which is expected to cost approximately AUD 2 million. The plant, with a capacity of processing over 15 tonnes of ore per week, is expected to deliver 67 kgs of cobalt sulphate, 500 kgs of nickel sulphate, and 8 kgs of scandium oxide each week from the Sconi project.
- **Resource extension drilling commences at Flemington cobalt-scandium-nickel project:** On May 11, 2017, Australian Mines announced the company has started extension drilling at the Flemington Cobalt-Scandium-Nickel project. This air core drilling program, which comprises 185 holes (approximately 5,500 meters in total) covering an area three-times larger than the existing mineral resource, is designed to define the project’s cobalt and nickel resources in a better way. Moreover, this program could potentially upgrade and extend the current scandium resource at Flemington.
- **Submission of mining lease application for Flemington cobalt-scandium resource:** On April 3, 2017, Australian Mines announced that it has submitted the mining lease application for its Flemington project to the New South Wales Department of Industry. This application at Flemington covers an area of 3,900 hectares and will enable any future exploration at the assets.
- **Flemington scoping study leads project to pre-feasibility study phase:** On March 15, 2017, Australian Mines released the scoping study results of the Flemington scandium-cobalt project, with an after-tax cash inflow of AUD 677 million over the first 18 years of operations. The study, based on the scandium oxide production, estimates an NPV of AUD 255 million at 8% discount rate and IRR of 37.3%, with a modest capital cost of AUD 74 million. The study also demonstrates the further potential to produce cobalt and nickel sulphate in addition to scandium oxide.
- **Environmental licenses granted for mining and processing activities at Sconi:** On March 2, 2017, the company announced that it has secured the environmental license for mining and processing at the Sconi project. With this, the company has all the mandatory approvals and licenses for future development at the Sconi project.
- **Tenement acquisitions doubles the Australian Mines’ scandium and cobalt portfolio:** On February 27, 2017, Australian Mines announced that it has acquired a 100% interest in Exploration licenses 8477 and 8478 from Dashell Pty Ltd. The acquisition will significantly increase the company’s prospective scandium and cobalt ground-holding in New South Wales. The total consideration for the acquisition is AUD 78,000 and will be fully paid through the issuance of 9,750,000 fully paid ordinary shares at an issue price of AUD 0.008.

Listing Information

Australian Mines Limited was listed on the Australian Securities Exchange (ASX: AUZ) in Australia on September 28, 2001.

Contacts

Head office	Level 1, 83 Havelock St, West Perth, WA 6005, Australia
Telephone	+61 8 9481 5811
Facsimile	+61 8 9481 5611
E-mail	office@australianmines.com.au

Major Shareholders

Equity Holder	No. of ordinary shares held (Million)	Percentage shareholding
Ramsden Michael	59,767,958	2.29 %
Reed Jeffrey	55,090,910	2.11 %
Denman Income Limited	45,000,000	1.73 %
Marinelli Dominic	38,734,690	1.49 %
Amalgamated Dairies	29,072,728	1.11 %
<i>Source: Bloomberg</i>		

Management and Governance

Personnel	Designation	Current and total experience
Michael Ramsden	Non-Executive Chairman	Mr. Michael Ramsden is a lawyer, and has experience of over 25 years as a corporate advisor in money markets, futures trading, lease finance, trade finance, and foreign exchange. He has worked previously for international companies including CIBC Australia, JP Morgan, and Scandinavian Pacific Investments Limited. He was formerly the Chairman of Terrain Australia Ltd and Director of D&D Tolhurst Ltd. He is a director of the Victoria Racing Club Ltd, Chairman of Cremore Capital Ltd, and the Managing Director of Terrain Capital Limited in Australia. He is also a member of the company's Remuneration Committee and Audit and Risk Committee.
Benjamin Bell	Managing Director	Mr. Benjamin Bell is a geologist and geophysicist, with experience of over 20 years in the minerals industry. He has held senior exploration roles in other ASX-listed gold and base metal exploration companies. Previously, he was the CEO of Ausgold Limited. He became the Chief Executive Officer on November 8, 2011 and was later appointed as Managing Director in January 2012.
Michael Elias	Non-Executive Director	Mr. Michael Elias has over 35 years of broad, international experience in all aspects of nickel resource development in both laterites and sulphides, from project generation and assessment, exploration planning and management, development studies, open cut and underground mine geology, resource/reserve estimation, and resource economics. He holds a Bachelor of Science (Honors) in Geology from the University of Melbourne and is a Fellow of the Australasian Institute of Mining and Metallurgy. Previously, he has held the positions of Chief Geologist at WA Nickel Operations and Nickel Resource Development at WMC Resources Ltd, and was a Director of Silver Swan Group Ltd until his resignation on November 19, 2012. He has been a Principal Consultant with mining consultancy CSA Global Pty Ltd since 2001.
Dominic Marinelli	Non-Executive Director	Mr. Dominic Marinelli has over 20 years of experience in corporate fundraising, mergers and acquisitions covering an extensive range of industries including resources, and other emerging technologies. 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. He is a Director of Terrain Capital Limited in Australia and of unlisted explorer West Africa Coal Pty Ltd. He is a member of the company's Remuneration Committee and Audit and Risk Committee.
Neil Warburton	Non-Executive Director	Mr. Warburton has experience of over 37 years in the mining industry. He graduated from the Western Australia School of Mines with an Associate Degree in Mining Engineering, and is a Fellow of the Australian Institute of Company Directors and Member of the Australasian Institute of Mining and Metallurgy. He was the Chief Executive Officer at Barmenco, during which he managed the Australian operations and coordinated the international expansion into West Africa and Egypt. He is also the non-executive director of Independence Group Limited, a diversified gold and base metal producer with operations in Western Australia, and non-executive Chairman of Flinders Mines Limited, an iron ore explorer and developer in Western Australia. He is a member of the company's Remuneration Committee and Chairman of the Audit and Risk Committee.

Assets and Projects

Overview

Listed on ASX, Australian Mines is establishing quickly to become a global supplier of battery and technology metals, namely cobalt sulphate, nickel sulphate and scandium oxide. The company is currently involved in bringing its cobalt-scandium-nickel projects into production in the quickest time frame.

The company is currently developing two major cobalt-nickel-scandium projects, Sconi and Flemington. These projects have the potential to provide a significant quantity of the raw materials used in emerging battery technologies, with both projects having projected mine lives in excess of 20 years.

- The Sconi project is one of the most advanced cobalt projects in Australia, with all necessary approvals for mining in place and a Bankable feasibility study underway.
- The Flemington project is a rapidly advancing earlier stage project comprising an initial Resource Estimate with a high probability of a significant expansion. A resource extension drilling program is underway.

The company has also set up a demonstration-size processing plant in Perth to process the ore from the Sconi and Flemington projects to produce commercial-grade cobalt sulphate, scandium oxide, and nickel sulphate.

Sconi Project

Target commodity: cobalt, nickel, and scandium

Summary: The Sconi project is the company's flagship project and is the most advanced in Australia. The project has all the necessary approvals to conduct full-scale mining operations. The project, estimated to have a life-of-mine of over 20 years, is central to Australian Mines strategy of becoming a dominant leader in the supply of battery metals. A bankable feasibility is underway and is expected to be delivered by April 2018.

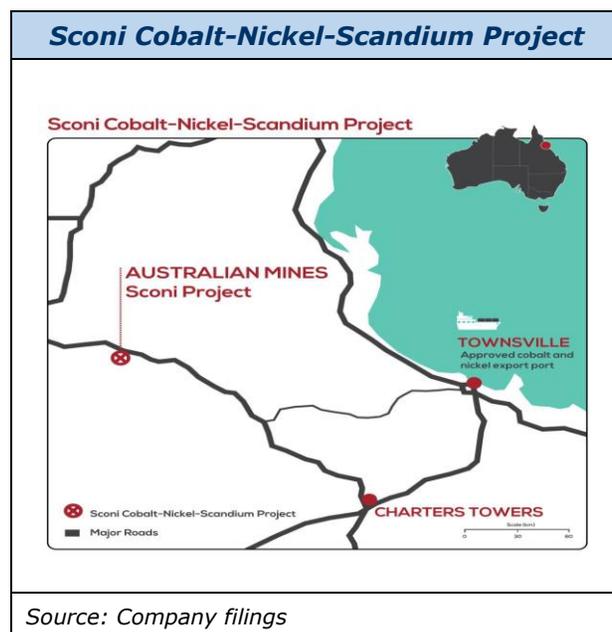
Company's interest: 100%

Recently the company entered into an agreement with Metallica Minerals to acquire 100% interest of the Sconi Project replacing the previous agreement, wherein the company had 75% interest.

As per the terms of the agreement, the overall consideration paid by Australian Mines amounts to AUD 10 million, comprising an initial cash payment of AUD 3.5 million, AUD 1.5 million to be paid in AUZ shares on the completion of the BFS and AUD 5.0 million to be paid by shares or cash once first commercial production is reached.

The agreement does not include any royalty payments or any clawback provisions.

Location: Sconi, located in northern Queensland, Australia, is approximately 250 kilometers from the approved cobalt-nickel exporting port. The project is strategically placed in an established mining district with key facilities such as electricity, telecommunications, housing, water supply, road connectivity, and easy availability of a skilled workforce.



Asset summary: The Sconi project is in an excellent location, centered on the large historic Greenvale mine site, where high-grade nickel ores were mined from 1974 to 1992. The company has all licenses and permits to commence full-scale mining operations at Sconi.

The deposits are shallow and easy to mine using HPAL and SX processing routes which are commonly used in the industry. The asset comprises five deposits, Greenvale, Lucknow, Bell Creek, Minnamoolka, and Kokomo.

Geological interpretation: The Sconi deposits are hosted within weathered ultramafic rocks including serpentinites, gabbros, and pyroxenites. The laterite deposits have high concentrations of nickel and cobalt grades which can be exploited economically.

Mineralization: Following is the cobalt and nickel Mineral Resource Estimate for the Sconi project:

Resource estimate	Million Tonnes	Grade	Grade
		Nickel	Cobalt
Measured	17	0.80%	0.07%
Indicated	48	0.58%	0.07%
Inferred	24	0.41%	0.06%
Total	89	0.58%	0.06%

Scandium Mineral Resource Estimate for the Sconi project:

Scandium Resource Estimate	Million Tonnes	Grade g/t
Measured	0.7	208
Indicated	6.5	174
Total	7.2	177

Contained Metal	Tonnes
Nickel	514,000
Cobalt	54,500
Scandium Oxide	1,950

Feasibility study: On March 31, 2017, the company released the feasibility report of the Sconi project, conducted by Metallica Minerals. The result demonstrated significant cobalt, nickel and scandium mineralization with a mine life in excess of 20 years.

Plant assumption:

Assumptions	
Processing plant throughput	750,000 tpa
Average cobalt feed grade (>20 years)	0.11%
Average nickel feed grade (>20 years)	0.81%
Average scandium feed grade (>20 years)	109g/t Sc2O3
Average cobalt recovery	90%
Average nickel recovery	90%
Average scandium recovery	85%

Annual production targets: Based on the above results, the plant is expected to achieve annual production of:

- 700 tonnes of cobalt or 3,000 tonnes of cobalt sulphate
- 5,250 tonnes of nickel or 24,000 tonnes of nickel sulphate
- 68 tonnes of scandium oxide

Bankable feasibility study: Australian Mines has appointed CSA global to evaluate various production scenarios within a Bankable Feasibility Study. Decisions on the final investment plan, including plant design, project financing, and full scale mining will be made after the release of BFS.

Exploration upside: Australian Mines has recently applied for five new exploration licenses, covering a total area of 1,185 square kilometers at the Sconi project. Once granted, it will increase the size of the tenement holdings by over 10 times. This will provide new exploration targets to define additional Mineral Resources.

Demonstration-sized full-scale plant:

Australian Mines is constructing a demonstration-size cobalt-nickel-scandium processing plant in Perth, Western Australia. The plant is being constructed by 'The Simulus Group', a leading hydrometallurgical and processing company and is expected to be operational in mid-January 2018. Samples are planned to be available for potential customers in mid-February 2018.

The cost for the demonstration plant is estimated at AUD 2.2 million and AUD 0.3 million in operating costs for each 21 day processing run.

The metals are dissolved into a solution by using a conventional pressure acid leach (PAL) at the front end. Solid liquid separation and standard

solvent extraction (SX) and sulphate crystallization are used at the back end to separate out the cobalt, nickel and scandium to produce final products.

Ore from the Sconi project has already been shipped to the demonstration plant in Perth. Once operational, the company will conduct an initial run to process a sample of 20 tonnes of ore to produce approximately 20 kgs of cobalt sulphate, 160 kgs of nickel sulphate, and 5 kgs of scandium oxide.

Sconi Cobalt-Nickel-Scandium Plant



Source: Company filings

The plant has a capacity of processing 2.2 tonnes of ore per day (15 tonnes per week) and should produce a weekly output of

- 67 kgs of commercial-grade cobalt sulphate
- 500 kgs of battery-grade nickel sulphate
- 8 kgs of high-purity scandium oxide

Offtake agreement discussions: Australian Mines is working closely with some automotive companies to secure an offtake agreement to supply premium quality scandium oxide.

The sample output from the trial run will be supplied to some potential international clients to access the quality of the product. On further requests from battery and technology metal manufacturers, the company decided to supply a few additional products to these clients. This will enable the company to fast-track discussions to secure long-term offtake agreements. AUZ has also recently been involved in discussions and negotiations with potential clients in Asia and Europe.

Excavation work - Trial mining



Source: Company filings

Promotional activities: The company has also presented at the conferences and forums listed below:

- Diggers & Dealers Mining Forum in Kalgoorlie
- Mining Investment Conference in Hong Kong
- Aluminum USA conference
- Fuel Cell Seminar in North America

The company will also be presenting to institutional investors and fund managers in London, New York, Hong Kong, Melbourne, and Sydney over the next six weeks.

Comparison with Syerston project:

The Syerston project owned by Clean Teq Holdings Ltd (ASX: CLQ) is located next to the Flemington project and is similar in scale and scope to the Sconi project.

The Syerston project has 101 million tonnage at an average grade of 0.13% cobalt and 0.59% nickel compared to 89 million tonnage at Sconi with an average grade of 0.11% cobalt and 0.80% nickel. The final expected commercial products, i.e. the cobalt and nickel sulphate are similar in both the projects.

Project status: The Sconi project is the only Australian cobalt project with all statutory approvals in place.

- Mining Lease granted
- Environmental license granted
- Trial mining completed
- Electricity source confirmed
- Proposed water supply on site
- Plant design identified
- BFS to be completed by April 2018

Future plans: AUZ is currently focused on the BFS on Sconi with a target to complete by April 2018. The company is in negotiations with the automotive companies and a number of other potential customers. Once the BFS is released, the company will proceed towards the final investment decision followed by commencement of operations in 2019.

Flemington Cobalt-Scandium-Nickel Project

Target Commodity: Cobalt, Scandium, Nickel

Summary: The Flemington Project is the second part of the strategy to become a global supplier of key metals used in emerging battery and lightweight aluminium alloy industries.

The currently defined cobalt-scandium-nickel Resources at the Flemington project are significant and there appears to be enormous potential to expand with further drilling.

A recent resource extension drill program conducted at Flemington defined an initial cobalt and scandium Mineral Resource from limited exploration. In the coming months, the company plans to explore for significant extensions and expand the Mineral Resource. In addition, the company is also planning to release a pre-feasibility report by Mid-2018.

Company's interest:

Current Interest - 75%

Australian Mines expects to acquire a 100% interest from Jervois Mining Ltd. The total consideration will be AUD 6 million and Jervois Mining Ltd retains a royalty of 1.5% of total gross sales from the project.

Location: The Flemington project, based in New South Wales, is immediately adjoining Clean TeQ's Sunrise project.

The Sunrise project has a Mineral Resource of 101 million tonnes at an average grade of 0.13% cobalt and 0.59% of nickel. Australian Mines believes that the Flemington project shares similar geological properties as the Sunrise project and has the potential to be a similar scale project.

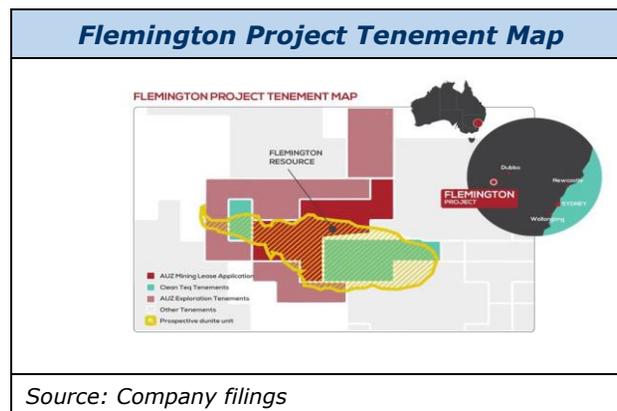
The town of Fifield is 15 kilometers away by public roads to the southeast. Average rainfall at the area is approximately 499 mm, distributed

through the year. The daily temperature indicates warm summers, with moderate winters.

Project infrastructure: The project is strategically placed within the commutable distance from most of the mining hub towns and regional centers. The company is planning to employ a local workforce from nearby.

All the necessary infrastructure required for full-scale mining are in place. Recently, the company was granted a permanent water license, which meets the estimated needs of a full-scale mining and processing operation for approximately 30 years.

The company is planning to meet its relatively small demand for electricity from the in-house facilities of diesel-based generators.



Asset summary: The project area comprises mining operations, a processing site, and other infrastructure required for mining. The deposits are very shallow and the company expects the pit to be shallow—less than 50 meters deep.

The company has also applied the Preliminary Environmental Assessment (PEA) report, required under the New South Wales' Environmental Planning and Assessment Act. Once the PEA report is approved, the process of securing a mining lease over an area of 3,900 hectares of land will be fast-tracked.

Geological interpretation: The deposits at Flemington are considered to be a residual supergene deposit. Scandium, cobalt, and nickel minerals were formed due to weathered ultramafic rocks. Lateritic soil is rich in iron and aluminum and the deposits are covered by a thin layer of transported soil.

High-grade scandium, cobalt, and nickel minerals appear to occur in the interlayering of dunites and pyroxenites.

Scoping study: The initial Flemington project was modelled as producing 99.9% pure scandium oxide. The scoping study conducted by SRK in March 2017 was only based on the scandium resources. The results of the study provided encouragement to conduct further assessment.

The study also highlighted scope to increase the tonnage and grade of cobalt mineralization at the Flemington deposit with further drilling. Based on the favorable metallurgical results, the company decided to assess the production of cobalt sulphate, nickel sulphate, and scandium oxide.

Potential mineralization: On October 31, the company released its maiden cobalt-nickel-scandium resource estimate for the Flemington project. The estimate was based on the samples provided by Australian Mines in September 2017 and covers approximately 1% of the total prospective geology.

The initial resource estimates of the Flemington project are as follows:

Resource estimate	Million Tonnes	Grade Cobalt	Grade Scandium
Measured	2.5	0.103%	403
Indicated	0.2	0.076%	408
Total	2.7	0.101%	403

Contained Metal	Tonnes
Cobalt	2,744
Scandium	1,090

Future plans: Based on favorable results, the company believes that it has an opportunity to significantly increase the Mineral Resource. The company has commenced aggressive exploration activities across the project area and a pre-feasibility report for the Flemington project is scheduled to be released by mid-2018.

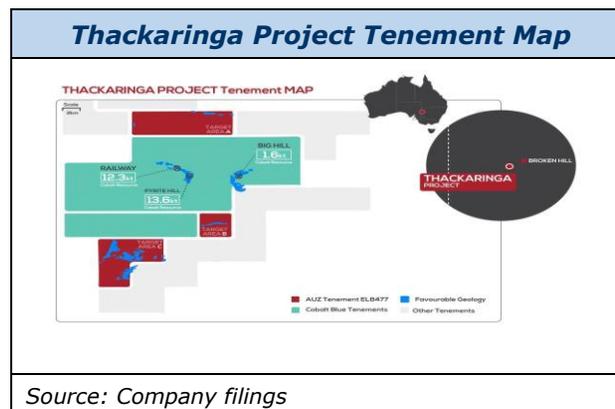
Thackaringa Cobalt Project

Target commodity: Cobalt

Company's interest in the project: In March 2017, AUZ acquired 100% interest in the Thackaringa cobalt project. The acquisition included purchase of an exploration license from Dashell Pty Ltd for a total consideration of AUD 78,000 and exclude any royalty or clawback agreements.

Location: The Australian Mines' Thackaringa cobalt project adjoins Cobalt Blue's (ASX: COB) Pyrite Hill/Railway in New South Wales.

Value proposition: Australian Mines secured an Exploration Land Access agreement, allowing it to conduct initial exploration across the entire Thackaringa project area.



Source: Company filings

During September 2017, the company conducted a helicopter borne electromagnetic and magnetic geophysical survey of the project area. The survey, which was done in collaboration with neighboring resource companies, maps the sulphide-bearing geology and covers the company's entire Thackaringa project area.

The survey indicated that the favorable cobalt mineralization in Cobalt Blue's adjacent mineralization appears to continue through the Australian Mines' project area. The company has identified three high-priority cobalt target areas for follow up.

Future plans: Australian Mines expects survey results in early 2018, and will be conducting further exploration at the site.

Arunta West Copper-Gold Project

Target commodity: Gold

Company's interest in the project: The project is a joint venture between Australian Mines and Jervois Mining, covering a total area of 345 square kilometers across three tenements. The agreement gives AUZ an option to acquire an 80% interest in these tenements. The following are the key details of the agreement:

- AUZ must spend a minimum of AUD 350,000 on exploration by May 23, 2018 to acquire a 51% interest.

- Australian Mines holds an option to acquire an additional 29% by spending a further \$3.15 million on exploration within the next 24 months.

Australian Mines is the operator and manager of the Arunta West Project, and intends to earn its 51% interest by May 2018.

In addition, the company holds 100% interest in two tenements, covering an additional 1,100 square kilometers near the Arunta West JV.

The company has already secured land access agreements, enabling the company to conduct initial exploration activities.

Location: The project is located 600 kilometers west of Alice Springs in Western Australia near the Northern Territory border. The project is close to Lake Mackay project, currently operated by Independence Group (ASX: IGO).

Value proposition: During September 2017, Australian Mines conducted a detailed ground gravity survey, including on-ground exploration with experienced geophysical contractor, Haines Surveys.

The survey results are expected to be released by 1Q18 and will enable the company to conduct future drilling at the mines.

Independence Group has recently announced significant gold and base metal intersections at the Lake Mackay project, located near the Arunta West Project. IGO is conducting further exploration near the area and anticipates positive results drilling.

Doolgunna-Marymia Gold Project

Target commodity: Gold

Company's interest in the project: The project is currently under joint venture with 51% interest in the tenements. Australian Mines holds an option to acquire additional 29% interest (total 80%) by spending AUD 2 million on the exploration by May 2018.

Location: The Doolgunna-Marymia gold project is located 900 kilometers north of Perth. The Plutonic Gold Mine, operated by Superior Gold (TSX-V: SGI), is approximately 50 kilometers away from the project area.

Value proposition:

The company believes a significant drilling program is warranted along strike and down dip from known mineralization at Dixon and Baumgarten. The drilling results should refine the mineralization model to support the compilation of a Mineral Resource.

AUZ is conducting a sampling program over two primary copper target areas, identified by Apex Geoscience (Resource Consulting firm), and the program is expected to be complete by early 2018.

Marriotts Nickel Project

Target commodity: Nickel

Company's interest in the project: 100%

Location: The Project is located in Western Australia and is approximately 15 kilometers southwest of Sinclair nickel processing plant, operated by Talisman Resources (ASX: TLM).

Activities planned: Australian Mines has not undertaken any significant activity recently, and has no plans to commence exploration or development activities in the immediate future.

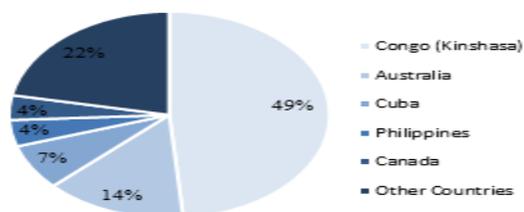
Technologies and Markets

Cobalt

Chemistry and Properties - Cobalt: Cobalt (Co), one among the three naturally occurring magnetic metals, with an atomic number of 27 is a shiny, brittle metal. It is silver in color and has a high melting point. It is valued for its wear resistance and ability to retain its strength at high temperatures than other metals.

Sources^{vi}: Depending on the size, grade, morphology and proximity to surface, deposits are mined by either underground or open-pit methods, or a combination of both. According to an USGS report, the global cobalt reserves stood at 7.0MMT in 2015 and more than 50% of which are found in Democratic Republic of Congo.

World cobalt reserves (2016e)

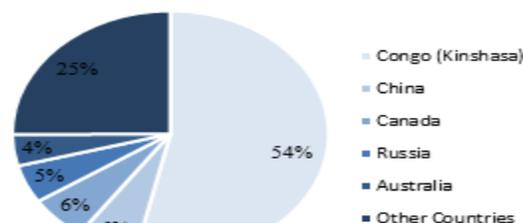


Source: USGS

Supply and Production: According to Cobalt Development Institute (CDI), about 48% of cobalt production originates from nickel ores, 37% from copper ores and 15% from primary cobalt production. Currently, Morocco is the only producer of primary cobalt which is produced from arsenide minerals. The global mine production in 2016 remained constant at 0.1MMT as that of 2015. Global cobalt supply was expected to increase from 2017 onward at a growth rate lower than that of world cobalt consumption.

Applications: Cobalt's primary applications are in the chemical sector followed by Superalloys, such as stellite, which accounts for about 50% and 20% of the total global demand respectively. Cobalt chemicals are also primarily used in the metallic cathodes of rechargeable batteries.

World mine production (2016e)

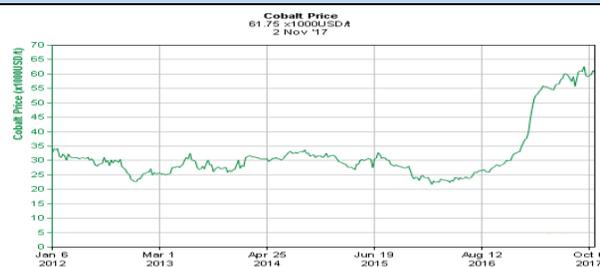


Source: USGS

Demand: Increasing consumption, particularly for rechargeable batteries for vehicles and other applications, superalloys, is forecast to result in a 68% increase in total cobalt consumption from 2015 to 2025. In terms of overall demand, Electric Vehicles consumed around 6.5% of refined cobalt in 2016. This will increase to 16.9% in 2021 lifting demand to nearly 130,000 tonnes.

Commodity Pricing^{vii}: The prices have almost doubled from US\$32,700/t in December 2016 to a record high of US\$61,000/t in November 2017 due to increased consumption growth as stricter emissions controls boost demand for electric vehicles, especially in China.

Cobalt price trend over past five years

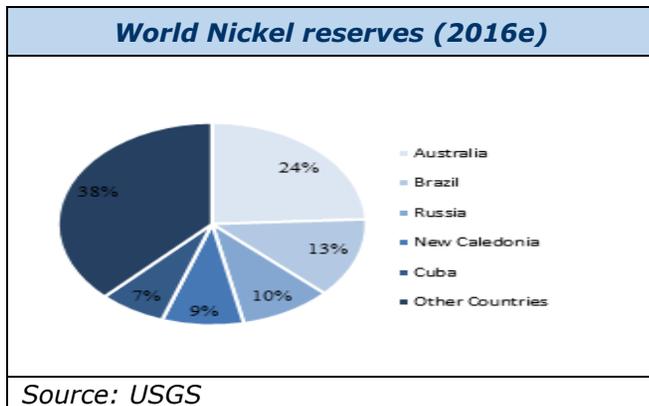


Source: infomine.com

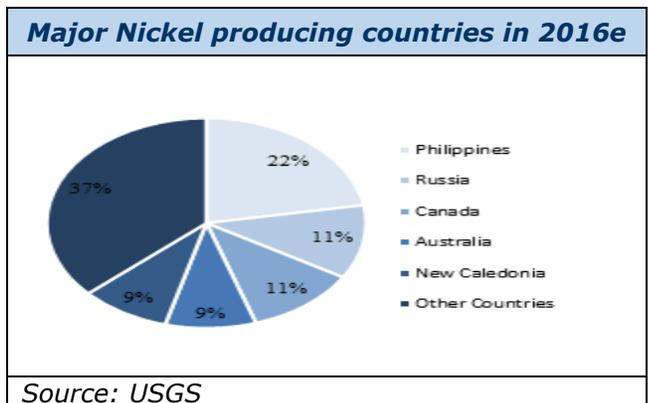
Nickel

Chemistry and Properties - Nickel: Nickel is a silvery-white hard metal, with the symbol Ni and atomic number 28. It is also a strong, malleable and ductile metal with the highest heat and electrical conductivity.

Sources^{viii}: Most nickel on Earth is inaccessible as it is locked away in the planet's iron-nickel molten core. Nickel occurs in some beans which forms an essential component of some enzymes. Another source of nickel is sea which has 7.6 mg/kg of dried leaves. The main sources of nickel are iron-nickel sulphides, such as pentlandite. It is mostly found in Russia, Australia, New Caledonia, Cuba, Canada and South Africa.



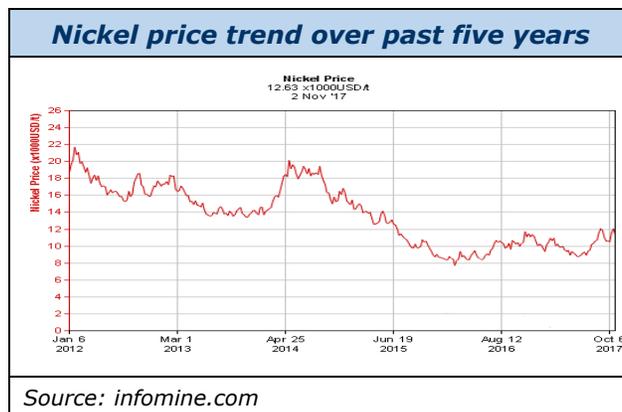
Production: In 2016, nickel mine production reduced by 1.65% to 2.25MMT from 2.28MMT in 2015. The Philippines, the world's leading producer of nickel ore, after suspension of one-half of its mining operations in September for not meeting environmental standards, triggered a 2% increase in LME nickel prices. Other large nickel producing countries are Russia, Canada and Australia.



Applications: About 65% of nickel is used in making of stainless steel. With 12% of consumption by super alloys, the remaining 23% is used mainly in rechargeable batteries, catalysts and other chemicals. The nickel-cobalt-manganese (NCM) and nickel-cobalt-aluminum (NCA) chemistries are increasingly becoming the industry standard for electric vehicle applications, due to their high energy density.

Demand: Until 2016, the consumption increased rapidly to more than 2.0MMT. By 2020, it is predicted that nickel consumption will reach nearly 2.4MMT worldwide. Nickel demand is likely to increase at a rapid pace with the electric vehicle revolution.

Commodity Prices: During January 2016, prices were around US\$8,510/t, a 13-year low and increased to US\$12,555 as of November 2017. Nickel prices gradually increased during the second half of 2016 mostly due to stronger demand from Chinese firms opting to make better quality stainless steel following the historic low levels of late 2015 and early 2016.



Cobalt Sulphate and Nickel Sulphate^{ix}

Cobalt Sulphate Properties: Cobalt sulfate is a red monoclinic crystals that liquefy around 100 °C and become anhydrous at 250 °C. It is soluble in water, slightly soluble in ethanol, and especially soluble in methanol. The salts are paramagnetic.



Nickel Sulphate Properties: Nickel Sulfate is a yellow, green or blue colored, crystalline inorganic compound that produces toxic gases upon heating. Nickel sulfate is used in electroplating and as a chemical intermediate to produce other nickel compounds. Anhydrous nickel sulfate is a yellow-green crystalline solid.

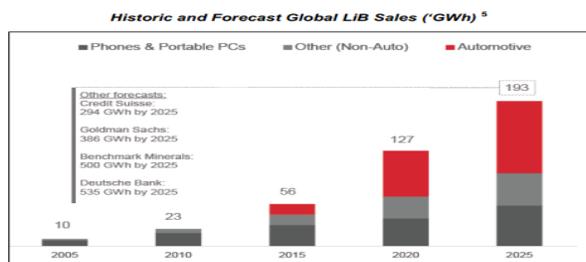
Nickel Sulphate



Source: Company's Website

Production and Supply^x: In 2016, the total global cobalt market was 93,000 tonnes with battery demand accounting for 48,000 tonnes. It is forecasted that the demand for cobalt from the lithium-ion battery sector by 2021 will reach 83,000 tonnes. With the current boom in the portable electronic devices, the global demand for cobalt sulphate is forecasted to grow significantly. The batteries will be used to power vehicles as well as stationary power storage for homes. The demand for lithium-ion cells is anticipated to grow strongly over the next decade as production of electric vehicles increases and batteries become an important component in utility-scale energy storage systems.

Lithium batteries sales forecast



Source: Researchgate

From approximately 0.5 million plug-in hybrid electric vehicles and battery electric vehicles sold in 2015, demand is forecast to grow to 2 million units by 2020 and 6 million units by 2025. As battery costs fall, BEV drivetrains with higher capacity batteries are expected to replace PHEV's and hybrid electric vehicles (HEV), further adding to demand for key raw materials. To meet the demands of the growing Lithium batteries market, there will need to be a significant increase in global supply of cobalt.

Scandium and Scandium Oxide

Chemistry and Properties - Scandium:

Scandium with the symbol Sc and atomic number 21, is a soft, silvery transition element found in rare minerals from Scandinavia. It easily dissolves with many acids and when combined with water forms hydrogen gas.

Scandium Oxide Properties: Scandium oxide is the primary form of refined scandium produced by the mining industry. Scandium-rich ores however trace amounts of scandium are present in many other minerals. Scandium oxide is therefore predominately produced as a by-product from the extraction of other elements.

Nickel Sulphate



Source: Company's Website

Sources^{xi}: Scandium are naturally available in very small quantities. It is present in two kinds of ore namely, Thortveitite and uranium mill tailings by-products. Pure scandium is produced by heating scandium fluoride with calcium metal.

Production^{xii}: Scandium was produced as byproduct material in China (titanium and rare earths), Kazakhstan (uranium), Russia (apatite), and Ukraine (uranium).

Applications^{xiii}: Scandium is mainly used in house equipment such as televisions, energy saving lamps and glasses. Major volumes of scandium are used in aluminium-scandium alloys for aerospace industry and in sports equipment.

Supply and Consumption^{xiv}: With increasing consumption of scandium, global supply and consumption is estimated to be 10 tons to 15 tons per year. Feasibility study on various projects and opening of plants with varied capacity for production of scandium oxide have been planned in Australia, Canada, China, India, Japan, Philippines, Russia and Lermontov.

Project Risk Profile Analysis

Based on our analysis, we believe that the company has a LOW to MEDIUM Risk Profile.

Sconi Project- LOW

Project Stage Risk – MEDIUM

- The Sconi project is expected to start exploration in the near term, with a BFS due in April 2018 to further evaluate the annual production scenario.
- The feasibility study projects an annual production of 3,010 tonnes of cobalt sulphate, 24,420 tonnes of nickel sulphate, and 77 tonnes of scandium oxide for at least the first 20 years. The company has already set up a demonstration-size plant in Perth to process the ore from Sconi project.
- The company is currently in negotiations with some international clients for a potential offtake agreement to supply battery-related products. Once the BFS is published, the company will decide on the final investment plan on full-scale mining.

Based on these factors, we believe the company will have a MEDIUM risk profile. We expect the risk to decrease once the project advances to construction.

Financing/Capex Risk – LOW TO MEDIUM

- Once the BFS is released, the company will decide on the final investment plan on full-scale mining, including project financing.
- The company intends to build a 750,000 tonne full-scale processing plant for the Sconi project. Project financing for setting up the plant is expected to be secured through a combination of debt and equity funding.
- Recently, the company secured AUD 20 million in equity funding through private placement. The company has successfully raised capital to meet its capex. As on September 30, 2017, the company had cash and equivalents of AUD 5.4 million.

With no debt outstanding and ability to raise funding when required, we consider Sconi to have LOW to MEDIUM financing risk. However, once the financing is secured to construct the plant, the risk is expected to be LOW.

Operational Risk – LOW

- The Sconi is one of the most advanced cobalt-nickel-scandium projects in Australia. The company has secured all the key approvals and license to conduct full-scale mining.
- The project is located within the Greenvale mine area with key infrastructure facilities in place. The project hosts a Mineral Resource of 89 million tonnes with an average grade of 0.11% cobalt and 0.81% of nickel.
- The company has conducted a trial run at the Sconi project, with 20 tonnes of ore supplied to the demonstration plant for processing.

Based on these factors, we believe the project's operational risk is LOW.

Key Personnel Risk – LOW

- The company has a strong management team with experience in exploration, project development, corporate advisory, and also in financing and capital markets.
- Considering the diversified experience of management, we believe Sconi has a LOW key personnel risk.

Flemington Project- MEDIUM

- The Flemington project has an initial cobalt mineralization of 2.7 million tonnes, with an average grade of 0.101% of cobalt. The company is conducting further mining to increase the mineral estimate.
- A pre-feasibility report is underway and expected to be delivered by mid-2018. All the key infrastructure facilities are available, including a permanent water supply license.
- The mining lease and the preliminary environment assessment are currently pending for approval.
- Based on these factors, we believe the Flemington project has MEDIUM risk factor. We expect the risk to decrease significantly once the approvals are secured and pre-feasibility report with significant mineralization is released.

Risk Parameters – Definition

Project Stage Risk

The following are the various stages of a project:

- **Early stage exploration:** In this stage, the exploration location is decided using a combination of various techniques such as samplings, drilling, geophysics, and other extensive geological and exploration services.
- **Pre-feasibility study:** A preferred base-case option is identified from the possible options available to the company. The preferred base-case option provides some level of confidence in the production capacity, ore grades, metal recovery, capital and operating costs, project schedule, and project risks/opportunities. A financial analysis is also carried out to assess the economic viability of the project.
- **Feasibility study:** This includes a collection of more detailed information, additional designs, and project-specific cost information to refine the project cost and schedule. It also addresses information gaps, issues of concern, risks, and opportunities identified in the advanced exploration stage.
- **Detailed engineering:** Detailed designs based on the project scope, concept designs, and the purchase of key plant equipment are completed.
- **Site construction:** Site construction starts as per the field engineering designs and is expected to confirm adherence to appropriate quality-control practices.
- **Commissioning and start of operations:** After the completion of construction, operability testing, and acceptance, the owner is asked to confirm if the project construction and performance are as per the design and meet the required plant performance and safety requirements. The final operating control programs are then completed, installed, and tested for functional efficiencies.

High risk: We consider a project to have high-risk when it is in the initial stages of development and is yet to report a resource estimate on the prospect.

Medium risk: On the completion of a pre-feasibility report having initial evaluations of mine

characteristics and other operational estimates like capex and opex, project stage risk is reduced from high to medium.

Low risk: As the project advances site construction and commissioning, the project stage risk is reduced further to the low risk category.

Project Financing Risk

Initial stages of project development, including exploration and resource estimation, require higher levels of capital investment. Investments in the exploration stage can be riskier as the economic viability of deposit is not established. The risk level of the capital reduces as it advances through various exploration stages.

Initial stages of exploration and development of the project attract high-risk-capital investors. As the project stages proceed, the company has varied options such as equity (IPO) and debt financing, among others.

High risk: Companies in the initial stages of project development without proper estimates on fund requirement and clear view on financing options are considered to have high financing risk.

Medium risk: When a company has established reasonable estimates on fund requirement and has visibility on early funding for planned project milestones, it is estimated to have medium financing risk.

Low risk: When the company's fund requirements are clearly stated and has already secured adequate funding, the company has low financing risk.

Operational Risk

Following are the various parameters considered to measure operational risk:

- **Geopolitical and Regulatory factors:** The location of projects and their regulatory environment are key factors in acquiring licence and the subsequent development of the project. Obtaining necessary approvals can be time consuming, the delay of which could result in monetary losses, and operational delay.
- **Environmental factors:** The potential for environmental damage caused by mining

activity and the likely cost to be covered by the company contribute to the economic viability of the project.

- **Mining technique:** The development plan for the mines, including the extraction methodology and the corresponding capex estimates, together define the operational efficiency of the project. The high quality of ore reserves (grade) and the ease for extraction provide higher return on investment and reduce the operational risk involved.
- **Geotechnical and other factors:** Mining machinery transportation, implementation of new technology for operations, and availability of power supply in areas with complicated geological and climatic conditions determine operational risks. Other risks include chances of flooding, pit slope, rim slide and accidents caused by the use of mining transport equipment in adverse weather conditions.

We consider a project based on all the above parameters and assign high/medium/low risk profiles in comparison with their peers. Also, as the company moves to advanced stages, operational risks reduce considerably.

High risk: The company has a high operational risk profile with assets that are in an early stage of development and located in countries with regulatory uncertainties.

Medium risk: As the company progresses toward the acquisition of necessary licenses and environmental clearances, regulatory risks are reduced. Also, depending on the resource grade and the possible methodologies of extraction, an operational risk profile is assigned in comparison with peers.

Low risk: A company that is in the advanced stages of development has attractive project characteristics such as ore grade, capex, opex. NPV and IRR too have low operational risk profile.

Key Personnel Risk

We consider a project to be of a lower risk profile if the management team is highly qualified, has a good experience in the resource sector and has lower dependability on a few people. It is desirable that the company has independent directors on its board and does not rely heavily on a few individuals.

Value

The Fair Market Value for Australian Mines Limited shares stands between AUD 883.27MM and AUD 980.89MM.

The Fair Market Value for one of Australian Mines Limited publicly traded shares stands between AUD 0.34 and AUD 0.38.

Australian Mines Limited Balance Sheet Forecast

CONSOLIDATED BALANCE SHEET

*all figures 'AUD 000's,
unless stated
differently*

Low bracket estimates

<i>year ending May 31</i>	2018E	2019E	2020E	2021E	2022E	2023E
Total Current Assets	21,461	115,427	58,313	136,969	221,976	323,101
Total Non-Current Assets	6,948	8,303	399,638	385,368	370,897	357,211
TOTAL ASSETS	28,409	123,730	457,951	522,336	592,873	680,312
Total Current Liabilities	138	138	138	138	138	138
Total Non-current Liabilities	0	100,000	200,000	225,000	225,000	225,000
TOTAL LIABILITIES	138	100,138	200,138	225,138	225,138	225,138
Total Shareholders' Equity	28,271	23,592	257,812	297,198	367,735	455,174
TOTAL LIABILITIES and EQUITY	28,409	123,730	457,951	522,336	592,873	680,312

Important information on Arrowhead methodology

The principles of the valuation methodology employed by Arrowhead BID are variable to a certain extent, depending on the sub-sectors in which the research is conducted. But all Arrowhead valuation researches possess an underlying set of common principles and a generally common quantitative process.

With Arrowhead commercial and technical due diligence, the company researches the fundamentals, assets and liabilities of a company, and builds estimates for revenue and expenditure over a coherently determined forecast period.

Elements of past performance such as price/earnings ratios, indicated as applicable, are mainly for reference. Still, elements of real-world past performance enter the valuation through their impact on the commercial and technical due diligence.

Arrowhead BID Fair Market Value Bracket

The Arrowhead Fair Market Value is given as a bracket. This is based on quantitative key variable analyses such as key price analysis for revenue and cost drivers or analysis and discounts on revenue estimates for projects, especially relevant to projects estimated to provide revenue near the end of the chosen forecast period. Low and high estimates for key variables are produced as a valuation tool.

In principle, an investor comfortable with the high brackets of our key variable analysis will align with the high bracket in the Arrowhead Fair Value Bracket, and, likewise, in terms of low estimates. The investor will also note the company intangibles to analyze the strengths and weaknesses, and other essential company information. These intangibles serve as supplementary decision factors for adding or subtracting a premium in investor's own analysis.

The bracket should be taken as a tool by Arrowhead BID for the reader of this report and the reader should not solely rely on this information to make his decision on any particular security. The reader must also understand that while on the one hand global capital markets contain inefficiencies, especially in terms of information, on the other, corporations and their commercial and technical positions evolve rapidly. This present edition of the Arrowhead valuation is for a short to medium term alignment analysis (one to twelve months). The reader should refer to important disclosures on page 26 of this report.

Information on the Australian Mines valuation

Australian Mines Limited Valuation Methodology: The Arrowhead fair valuation for Australian Mines is based on the discounted cash flow (DCF) method. Our valuation is based on the Sconi project. We have calculated the NPV of the project based on estimated cash flows, which we have subsequently discounted by a discount rate.

Time Horizon: The time period chosen for the valuation is based on expected mine life of the Australian Mines. The Sconi project is expected to be operational in FY 2020. The later years are heavily discounted and have a marginal effect on valuation, which are included primarily to present a full project cycle situation.

Underlying Business Plan: The company owns 100% in the Sconi project. The company is currently in near-exploration stage and it anticipates to start the full scale mining in next 18 months. Once the production is commenced, the company plans to supply the cobalt sulphate, nickel sulphate and scandium oxide to global battery and technological markets.

Terminal Value: Terminal Value is estimated to depend on a terminal growth rate of 0%, representing the maturity, technology change and prospective competitiveness in the business.

Prudential Nature of Valuation: This Arrowhead Fair Value Bracket estimate is a relatively prudential estimate, as it is based on the company's current flagship project – The Sconi Project.

Key variables in Australian Mines Limited revenue estimations

Variable 1 – Hypothesis for production

We believe company would be able to achieve the production as per the pre-feasibility report. Grade and recovery rate are based on the company's estimates.

Tonnes Milled	
Low	740,000
High	750,000

Grade	Cobalt	Nickel
Low	0.105%	0.79%
High	0.11%	0.80%

Recovery Rate	%
Low	90%
High	92%

Variable 2 – Commodity Price

Forecasted prices are based on the estimates from Bloomberg

Average Price (US\$/lb)	Cobalt	Nickel
Low	33.0	6.9
High	34.0	7.0

Variable 3 – Exchange rate

We have based the forecasted exchange rate in line with the current exchange rate

Average Exchange rate	
AUD/USD	0.75

Analyst certifications

I, Jay Thakkar, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security and the subject company.

I, Lorry Hughes, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security and the subject company.

Important disclosures

Arrowhead Business and Investment Decisions, LLC received fees in 2017 and will receive fees in 2018 from Australian Mines Limited for researching and drafting this report and for a series of other services to Australian Mines Limited, including distribution of this report, investor relations and networking services. Neither Arrowhead BID nor any of its principals or employees own any long or short positions in Australian Mines Limited. Arrowhead BID's principals intend to seek a mandate for investment banking services from Australian Mines Limited and expect to receive compensation for investment banking activities from Australian Mines Limited in 2017 or 2018.

Aside from certain reports published on a periodic basis, the large majority of reports are published by Arrowhead BID at irregular intervals as appropriate in the analyst's judgment.

Any opinions expressed in this report are statements of our judgment to this date and are subject to change without notice.

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, any of the financial or other money-management instruments linked to the company and company valuation described in this report, hereafter referred to as "the securities", may not be suitable for all investors.

Investors are advised to gather and consult multiple information sources before making investment decisions. Recipients of this report are strongly advised to read the information on Arrowhead Methodology section of this report to understand if and how the Arrowhead Due Diligence and Arrowhead Fair Value Bracket integrate alongside the rest of their stream of information and within their decision taking process.

Past performance of securities described directly or indirectly in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from any of the financial securities described in this report may rise as well as fall, and may be affected by simple and complex changes in economic, financial and political factors.

Should a security described in this report be denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the security.

This report is published solely for information purposes, and is not to be considered as an offer to buy any security, in any state.

Other than disclosures relating to Arrowhead Business and Investment Decisions, LLC, the information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete statement or summary of the available data.

Arrowhead Business and Investment Decisions, LLC is not responsible for any loss, financial or other, directly or indirectly linked to any price movement or absence of price movement of the securities described in this report.

Valuation

WACC

Risk-free rate	2.5%	xv
Beta	0.9	xvi
Risk premium	6.4%	xvii
Additional Risk Premium	0.0%	
Cost of Equity	8.5%	
Terminal Growth Rate	0.0%	

	Production Rate	Commodity Price	USD/AUD
Max value	<i>Please refer to the Key Variable Section</i>		
Min value			

FCFE (High) Time Period

	2018E	2019E	2020E	2021E	2022E	2023E
EBITDA	(1,888)	(2,223)	35,610	92,586	138,206	162,518
Tax	-	-	(4,292)	(16,977)	(29,744)	(36,647)
Capital Expenditure	(15)	(15)	(400,000)	(4,000)	(3,000)	(3,000)
Free Cash Flow	(1,903)	(2,238)	(368,682)	71,609	105,462	122,871
Discount Factor	0.96	0.88	0.82	0.75	0.69	0.64
Present Value of FCF	(1,827)	(1,980)	(300,621)	53,812	73,039	78,426

FCFE (Low) Time Period

	2018E	2019E	2020E	2021E	2022E	2023E
EBITDA	(1,888)	(2,223)	32,632	85,072	127,223	149,735
Tax	-	-	(3,473)	(14,911)	(26,723)	(33,132)
Capital Expenditure	(15)	(15)	(400,000)	(4,000)	(3,000)	(3,000)
Free Cash Flow	(1,903)	(2,238)	(370,841)	66,161	97,499	113,604
Discount Factor	0.96	0.88	0.82	0.75	0.69	0.64
Present Value of FCF	(1,827)	(1,980)	(302,381)	49,718	67,524	72,510

In the model, the valuation is continued to the year 2028, from which point the terminal value is established. For all data see reference table below:

<i>in AUD 000's, unless otherwise stated</i>	High	Low
Implied Enterprise value	975,404	877,781
+Cash ^{xviii}	5,490	5,490
Equity Value Bracket	980,895	883,271
Shares Outstanding (in 000's) ^{xix}	2,608,254	2,608,254
Fair Value Bracket (AUD)	0.38	0.34
Current Market Price (AUD)	0.091	0.091

Notes and References

- i* Arrowhead Business and Investment Decisions (ABID) Fair Value Bracket. See information on valuation on pages 23-27 of this report and important disclosures on page 26 of this report
- ii* Bloomberg as on 18-Dec-2017
- iii* Bloomberg as on 18-Dec-2017
- iv* 1-month average volume from Bloomberg as on 18-Dec-2017
- v* Bloomberg as on 18-Dec-2017
- vi* <https://minerals.usgs.gov/minerals/pubs/commodity/cobalt/mcs-2017-cobal.pdf>
- vii* <http://www.infomine.com/investment/metal-prices/cobalt/5-year/>
- viii* <https://www.lenntech.com/periodic/elements/ni.htm>
- ix* <https://www.researchgate.net>
- x* <https://www.researchgate.net>
- xi* <https://www.lenntech.com/periodic/elements/sc.htm>
- xii* <https://minerals.usgs.gov/minerals/pubs/commodity/scandium/mcs-2017-scand.pdf>
- xiii* <https://www.lenntech.com/periodic/elements/sc.htm>
- xiv* <https://minerals.usgs.gov/minerals/pubs/commodity/scandium/mcs-2017-scand.pdf>
- xv* Bloomberg as on 18-Dec-2017
- xvi* Arrowhead estimates
- xvii* Bloomberg as on 18-Dec-2017
- xviii* Company's cash and cash equivalents as at 30th September 2017
- xix* Bloomberg as on 18-Dec-2017