

10 November 2020

Chairman's Address: 2020 Annual General Meeting

Throughout the 2020 financial year, Australian Mines maintained its focus on bringing the Company's world-class, Sconi Nickel-Cobalt-Scandium Project in North Queensland into production. When fully developed, the Sconi Project will be one of the world's most cost-competitive producers of battery precursor chemicals and will, according to the June 2019 Bankable Feasibility Study, generate around \$5 billion in free cashflow over its first 30 years of production.

It should be noted that the nickel sulphate currently being produced by Australian Mines at its demonstration-scale plant in Perth, as well as that proposed to be produced from the Company's future commercial plant at Greenvale in Queensland is suitable for use in all nickel-based lithium-ion batteries irrespective of the battery's composition. As a result, Australian Mines' nickel sulphate can be used for any, and all current, NCM (nickel-cobalt-manganese) batteries, Tesla's current NCA (nickel-cobalt-aluminium) and proposed NM (nickel-manganese) batteries as well as General Motors' proposed NCMA (nickel-cobalt-manganese-aluminium) battery.

Likewise, the cobalt sulphate currently being produced by Australian Mines can be used in any current cobalt-reliant battery including, but not limited to NCM, NCA and NCMA batteries. Consequently, this provides Australian Mines with enormous scope in terms of a potential offtake partner in relation to its 100%-owned Sconi Project.

During the 2020 financial year, Australian Mines also sought to deepen its involvement in the battery material and electric vehicles (EV) supply chain by commencing trial production of cathode material for lithium-ion batteries. To date the Company has successfully produced sample cathode material for NCM 523 and NCM 622 batteries, with trial production of NCM811 cathode material scheduled to commence in the coming weeks.

In line with the Company's stated strategy of investigating opportunities to cement itself in pivotal positions within the EV and battery supply chain, Australian Mines, through its subsidiary AML Advanced Materials Limited, is currently pursuing cutting-edge research into new battery technologies in a concerted effort to address the current "range anxiety" issue that may be holding back electric vehicle sales in some markets. This same research, if successful, may also assist the development of the commercial EV aviation industry.

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Sconi Project: Offtake Agreement and Project Financing

A key step to unlocking significant shareholder value within the Sconi Project is via the securing of a binding, long-term offtake agreement for the project. The process has many workstreams, some of which have been exacerbated by the disruption caused by COVID-19. Where there are workstreams within Australian Mines' control, we have made significant progress.

During the 2020 financial year, for example, we became the first mineral resources company in the world to be certified a Carbon Neutral Organisation under the Australian Government's Climate Active program. We believe strongly that we have responsibility to lead on Environmental, Social and Corporate Governance (ESG) matters for reasons that extend far beyond that it makes Australian Mines a more attractive proposition to offtake partners.

Our operations are in the Tier 1 jurisdiction of Australia and the battery materials we will create will have a fully auditable supply chain and be ethically produced, which are both key considerations for our potential offtake partners.

The Sconi Bankable Feasibility Study outlines the compelling business case for the project and its ability to deliver significant shareholder value over the short, medium and long term.

The Sconi Project enjoys the support of the Queensland State Government, which gave it *Prescribed Project* status in January 2019. Being granted *Prescribed Project* status has, and will continue to, materially help fast-track the development of the Sconi Project and will, likewise, assist in its smooth transition from development to production.

The Queensland Government also offered a conditional financial support package to the Sconi Project in July 2020 under its Jobs and Regional Growth Fund (JRGF). Acknowledging the challenges faced by many companies resulting from the ongoing COVID-19 pandemic, the Queensland Government subsequently extended the dates linked to key conditions in their Sconi financial support package, initially announced in July 2020, by a further 4 months.

Importantly, all the good work we are doing to make the Sconi Project a very attractive source of battery materials comes at a time when there are looming supply constraints around battery grade nickel and cobalt from 2023. This projected shortage in both nickel and cobalt creates very favourable market dynamics and gives Australian Mines confidence that an offtake agreement will be signed for the Sconi Project in the intervening period.

We have also continued discussions with project financiers, some of whom have been interested in financing the Sconi project since the Bankable Feasibility Study (BFS) was published in the 2019 financial year.

The battery precursor materials that will be produced at Sconi are not commodities quoted on the London Metal Exchange ("LME"). Consequently, any financing agreement will likely require an agreed pricing mechanism to be included in a binding offtake agreement. This will allow project financiers to understand the potential revenue outcomes from the Sconi Project, supporting the finalisation of Sconi project financing.

Australian Mines' profile as a projected lowest cost quartile producer of EV battery materials gives the Company significant flexibility to consider a range of potential pricing mechanisms. We are working with potential financiers and offtake partners to ensure the price mechanism included in any binding offtake agreement is acceptable to all parties and maximises value for Australian Mines' shareholders.

Portfolio Assets

Alongside our primary focus on developing the Sconi Project we have also progressed exploration and development work across all our assets.

Our 100%-owned Flemington Project is one of the most advanced cobalt-scandium-nickel projects in New South Wales. The results of an expansion drill program during the past financial year tripled the cobalt mineralisation footprint at Flemington and also indicated further potential extensions to the Nickel-Cobalt-Scandium mineralisation and new gold, copper and platinum targets. In financial year 2021, we expect to carry out additional exploration work at Flemington.

Following the results of the maiden drill program at our 100%-owned tenement located between Broken Hill and Thackaringa, and to reflect the underlying geology surrounding this tenement, we have named it the Broken Hill Project.

The results of electromagnetic surveys at the Broken Hill Project revealed the location of conductive sources with the potential to contain base metal mineralisation. We also confirmed the presence of anomalous lead, zinc, silver and copper. The exploration work showed the underlying geology of this asset is more aligned with that found at the nearby Broken Hill supergiant lead-zinc-silver orebody. We are planning an additional drill-testing program at the Broken Hill Project in 2021.

Research and Development

During the 2020 financial year Australian Mines established the AML Advanced Materials Limited subsidiary to carry out research and development (R&D) focussed on the electric vehicle (car and aviation) and the energy storage industries

AML Advanced Materials is working towards developing a battery that is targeting an energy density target of at least 400 watt-hours per kilogram. This level of energy density would potentially give electric cars more than a 1,000-kilometre range between charges and would begin to make electric powered commercial airplanes an attractive proposition. Australian Mines expects to make a more detailed announcement on this R&D project if, and when, the appropriate patent protections are in place.

This research has the potential to position it as a green energy infrastructure company and while the early-stage research is encouraging, the Company wishes to caution shareholders that, as with all R&D projects, there is no guarantee that this research will lead to commercially viable products.

Financial Position

We have maintained strong cost controls during the 2020 financial year with the operations fully funded beyond the current financial year. As a result, subject to commencing any new significant pre-construction capital works, the board has no intention at this time to raise additional operating capital during the current financial year (excluding project financing capital associated with the construction of the Sconi Project).

Investor Relations

The team at Australian Mines recognises that the ongoing COVID-19 pandemic, and the associated ongoing government-imposed restrictions, have hampered the Company's ability to engage with shareholders and the investment community at industry conferences and events through 2020.

To ensure that every shareholder has access to the same information at the same time, the Company is proposing a trial of providing Podcasts on a regular basis to help inform investors on the progress of Australian Mines' activities and any market trends of note as well as, importantly, to act as a forum to answer shareholder questions.

The Podcast will be scheduled for the fourth Thursday of every month commencing 11:00am Queensland time, with the first Podcast set for February 2021.

This Podcast is not designed to replace public announcements made by the Company via the ASX Market Announcements Platform (MAP). The ASX MAP will continue to be the only avenue through which Australian Mines will release news and information. Accordingly, no new information or update on activities, such as the progress of any offtake or project financing negotiations will be aired during the Podcast (as Listing Rules require any comment on such matters to be released exclusively via ASX MAP). Rather, the intent of the Podcast is to clarify any matters arising from a Company announcement or to provide general information that is neither material in nature nor could be considered in any way to be "price sensitive".

The topic of each Podcast will be based on the questions the Company receives via the investorrelations@australianmines.com.au email address during the previous month. Details of will be available by the Company via the ASX MAP in the days immediately preceding a given Podcast.

Conclusion

The supply dynamics of battery materials for the electric vehicle and energy storage industries, combined with the progress we are making on securing offtake and financing agreements for our Sconi Project, give the Board of Australian Mines great confidence in the Company's ability to generate value for our shareholders and all our stakeholders.

As we move into the clean energy age, Australian Mines is well positioned to realise our vision to be one of the world's most cost competitive producers and suppliers of battery materials to the EV sector.

We are also enthusiastic about the advancements our research team have made to date to create a next generation, high energy-density battery. Again, these are very early days, but the initial results appear promising.

Australian Mines is poised to strongly capitalise on the global trend towards a green energy future and I thank you for your continuing support as an Australian Mines shareholder.

Yours sincerely,

Michael Ramsden



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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.

There are forward looking statements in this document relating to the outcomes of the Sconi Project Bankable Feasibility Study 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.

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