

16 August 2021

Binding offtake agreement with LG Energy Solution for supply of mixed nickel-cobalt hydroxide from the Sconi Project, Queensland

Australian Mines Limited (“Australian Mines” or “the Company”) (Australia ASX: AUZ; USA OTCQB: AMSLF; Germany FSX: MJH) is pleased to advise that it has entered into a binding long form offtake agreement (“Offtake Agreement”) with LG Energy Solution for mixed nickel-cobalt hydroxide sourced from Australian Mines’ world class, 100%-owned, Sconi Project in North Queensland, Australia.

LG Energy Solution (LGES), a subsidiary of LG Chem, is the world’s largest producer of advanced batteries for the electric vehicle industry¹.

During the initial term of the Offtake Agreement, LGES will purchase 71,000 dry metric tonnes of nickel and 7,000 dry metric tonnes of cobalt in the form of a mixed hydroxide precipitate (MHP).

MHP is a nickel and cobalt-containing intermediate product produced at Sconi that can be used as a raw material input for lithium-ion battery production.

The execution of the Offtake Agreement is a major milestone for Australian Mines. The offtake quantities covered by the Offtake Agreement will account for 100% of the projected future production of Sconi creating a sound customer foundation to underpin its development.

The agreement has only one Condition Precedent, which is that Australian Mines secures financing for construction of the Sconi Project on or before 30 June 2022 (or such later date as the parties may agree).

Australian Mines will now move swiftly to finalise agreements with a range of financing partners. As is customary, negotiations with financing partners will be subject to Non-Disclosure or Confidentiality Agreements. Australian Mines will provide updates to the ASX regarding Sconi Project financing, in accordance with the Company’s continuous disclosure obligations and commercial confidentiality restrictions.

¹ <https://www.lgessbattery.com/us/home-battery/news-view.lg?blcSn=1163&devonTargetRow=1&devonOrderBy=&searchType=all&searchKey=>

Key terms of the LGES binding Offtake Agreement include:

Key Term	Description
Seller	Sconi Mining Operations Pty Ltd (being a wholly-owned subsidiary of Australian Mines Limited)
Guarantor	Australian Mines Limited
Buyer	LG Energy Solution
Quantity	71,000 dry metric tonnes of nickel plus 7,000 dry metric tonnes of cobalt
Term	Six years (initial term), with the potential to extend by another five years by mutual agreement.
Commencement	On or before 1 July 2024, with an option to extend by up to 6 months by mutual agreement.
Pricing	Pricing is on a US\$CIF basis, and is linked to market prices quoted on the London Metals Exchange for nickel and published by Fastmarkets MB for cobalt at the time of sale via a pricing formula

Allion Partners acted as Australian Mines' legal adviser in relation to the Offtake Agreement. Australian Mines also received financial advice from UK-based Medea Natural Resources Limited.

ENDS

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LG Energy Solution to have 6-year access to nickel, cobalt from Australian Mines amid heated competition over raw materials

- LG Energy Solution secures 71,000 tonnes of nickel and 7,000 tonnes of cobalt for stable supply of key battery materials
- Secured key raw materials to power 1.3 million high-performance EVs
- LGES to raise competitiveness in ESG management by procuring raw materials using the most sustainable method

SEOUL, August 16, 2021 – LG Energy Solution has secured 100% rights to battery-grade nickel and cobalt materials from Australian Mines Limited amid growing concerns about future supplies of raw materials.

LG Energy Solution announced Monday it has entered into a binding long form offtake agreement with Australian Mines Ltd. for nickel and cobalt, which will be supplied in the form of mixed hydroxide precipitate (MPH) from the Sconi Project in North Queensland.

Under the binding long form offtake agreement between LG Energy Solution and Australian Mines Ltd, the battery manufacturer will have access to 71,000 tonnes of nickel and 7,000 tonnes of cobalt for 6 years starting from the end of 2024.

The six-year supply deal would translate to producing batteries that can power 1.3 million high-performance electric vehicles, with driving range surpassing 500 kilometers on a single charge.

The offtake agreement states that LG Energy Solution purchase EV battery materials from Australian Mines' flagship Sconi Project based in Queensland, currently under development. Valued at USD 1.5 billion, the Sconi Project is a nickel and cobalt mine, capable of creating quality battery materials and boost battery supply chain.

Cooperation with Australian Mines Ltd. will also help LG Energy Solution gain an upper hand in securing stable supply of key ingredients for EV batteries, as race to procure raw materials for EV batteries became fierce amid growing global demand of EVs.

LG Energy Solution opts to also raise its competitiveness in ESG management in the process of acquiring raw materials.

During the mining procedure, Australian Mines Ltd. will be using the dry stacking method, known as a sustainable method used to store filtered tailings. Although more costly, compared to the conventional method due to construction and maintenance expenses, the dry stacking method is deemed an environmentally friendly way to extract raw materials.

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The dry stacking method eliminates the use of storage pond and dam associated with conventional tailings facilities, which is an eco-friendly method used to store filtered tailings. This method avoids the possibility of dam failure and long-term storage issues.

Conventionally, the handling of tailings include dumping it directly into streams, rivers and lakes or using mining surfaces or underground quarries and pits for disposal, leading to potential leakage of toxic substances.

Also, Australian Mines Ltd. became a member of the Initiative for Responsible Mining Assurance, the IRMA, in 2020 indicating that the mining firm supports and participates in a third-party verification and certification against a comprehensive best-practice standard that addresses environmental and social issues related to industrial-scale mines.

LG Energy Solution, living up to its reputation as world's leading battery manufacturer, is also doing its utmost to take part and manage an ethical and a transparent supply chain of its resources to fulfil social responsibility and enhance its competitiveness in ESG management.

“Securing key raw materials and a responsible battery supply chain has become a critical element in gaining a greater control within the industry, as the demand for electric vehicles worldwide heightened in recent years,” said Jong-hyun Kim, President and CEO of LG Energy Solution. “LGES will solidify its position as the world's leading battery manufacturer through a steady supply of raw materials for EV batteries.”

LG Energy Solution has been at the forefront in securing key raw materials for EV batteries. The company has invested KRW 12 billion to Queensland Pacific Metals (QPM) in June for 7,000 tonnes of nickel and 700 tonnes of cobalt per year for a decade starting late 2023.

Previously LGES has also announced its investment of KRW 57.5 billion in European subsidiary of Solus Advanced Materials in December for copper foil for 5 years from 2021.

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About LG Energy Solution

LG Energy Solution is a global leader delivering advanced lithium-ion batteries for Electric Vehicles (EV), Mobility & IT applications, and Energy Storage Systems (ESS). With 30 years of experience in advanced battery technology, it continues to grow rapidly towards the realization of sustainable life. With over 24,000 employees working within its robust global network that spans the US, Europe, Asia, and Australia, LG Energy Solution is more committed than ever to developing innovative technologies that will bring the future energy a step closer. For more information, please visit <https://www.lgensol.com>.

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