AUSTRALIAN MINES LIMITED

ABN 68 073 914 191

CONSOLIDATED INTERIM FINANCIAL REPORT

HALF YEAR ENDED 31 DECEMBER 2021

AUSTRALIAN MINES LIMITED

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AUSTRALIAN MINES LIMITED

DIRECTORS' REPORT

The Directors present their report together with the Consolidated Interim Financial Report of Australian Mines Limited ("the Company" or "Australian Mines") and its controlled entities ("the Group") for the six months ended 31 December 2021.

DIRECTORS AND COMPANY SECRETARY

The Directors and Company Secretary during the whole of the financial half-year and up to the date of this report are:

Michael Ramsden – Chairman, Non-Executive Director
Benjamin Bell – Managing Director
Michael Elias – Non-Executive Director
Lee (Les) Guthrie – Non-Executive Director
Dominic Marinelli – Non-Executive Director
Oliver Carton – Company Secretary

PRINCIPAL ACTIVITIES

The consolidated entity's principal activity during the financial half-year was the pre-development of its 100%-owned Sconi Project located in North Queensland, Australia.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the financial period not otherwise disclosed in this report or the financial statements.

REVIEW OF EVENTS

Highlights

During the six months to 31 December 2021, Australian Mines continued to advance its flagship Sconi Project following the announcement, in August, that it had successfully entered into a binding long form offtake agreement ("Offtake Agreement" or "Agreement") with LG Energy Solution for mixed nickel-cobalt hydroxide sourced from Australian Mines' world class, 100%-owned, Sconi Nickel-Cobalt-Scandium Project in North Queensland.

Key activities and achievements during the six-month period included:

- Sconi project financing – continued negotiations with potential project finance partners following the securing of a binding Offtake Agreement with Korean-based LG Energy Solution Ltd for 100% of the projected future nickel and cobalt production from the Sconi Project over its first six years.[1] Those discussions continue to target finalisation by the end of the current financial year and the Company is set to further expand its project financing team during the second half of FY2022 to assist in achieving this objective,

- Pilot production plant – the Company's pilot precursor cathode active material (P-CAM) production plant was commissioned during the reporting period. This pilot production plant successfully produced a cutting-edge nickel-cobalt-manganese (NCM) 90/05/05 P-CAM and lithiated cathode active material (CAM) in December 2021 from raw feedstock,

[1] See Table 1 of this report for the key terms of Australian Mines' Offtake Agreement with LG Energy Solution.

- Leadership on ESG – in terms of maintaining our sector-leading Environmental, Social and Governance (ESG) credentials, Australian Mines submitted its Public Disclosure Statement (PDS) to the Australian Government's Climate Active program for carbon neutral certification relating to the 2021 financial year,

- Corporate and capital structure review – as part of our Sconi Project financing and growth aspirations, Australian Mines undertook a review of its corporate and capital structure during the period. The aim of the review was to ensure all elements of the corporate and capital structure are appropriate and to maximise shareholder value going forward. As part of the review, a one for ten share consolidation was recommended. The share consolidation was approved by shareholders at the 2021 Annual General Meeting on 17 December 2021 and subsequently implemented, and

- Proposed demerger – following the corporate review undertaken during the period, the Board intends to seek shareholder approval during the 2022 calendar year to demerge its non-core assets. The demerger process will enable the Company to focus 100% of its resources and efforts on developing and operating the Sconi Project to its full productive capability.

Australian Mines' primary focus is progressing the development of Sconi with the execution of the Offtake Agreement with LG Energy Solution and the advancing of the financing negotiations being major developments in process.

It is worth reiterating that the offtake quantities covered by the Agreement with LG Energy Solution will account for 100% of the projected future production of the Sconi Project over its first six years and be supplied in the form of a mixed nickel-cobalt hydroxide precipitate (MHP). The single condition precedent in the Agreement states that Australian Mines is to secure financing for construction of the Sconi Project by 30 June 2022 (or such later date as the parties may agree).

Long form, binding Sconi offtake agreement

The MHP to be supplied under the terms of the binding long form Offtake Agreement with LG Energy Solution is an essential commodity used by electric vehicle battery makers, automotive manufacturers (also called 'OEMs', or original equipment manufacturers) and in the storage and delivery of clean, sustainable energy sources.

LG Energy Solution is a global leader in the production of advanced batteries for the electric vehicle industry.[2]

During the initial six-year term of the Offtake Agreement, LG Energy Solution will purchase 71,000 tonnes of nickel and 7,000 tonnes of cobalt in the form of MHP.

The Offtake Agreement with LG Energy Solution will account for 100% of the projected future production of Sconi over its first six years creating a sound customer foundation to underpin its development (see Table 1 below) for an expected mine life in excess of 30 years.

Key Term	Description
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$ basis, and is linked to market prices quoted on the London Metal Exchange (LME) for nickel and published by Fastmarkets MB for cobalt at the time of sale via a pricing formula

Table 1: Key terms – LG Energy Solution binding Offtake Agreement

[2] https://www.lgensol.com/en/index

Sconi Project financing

The Sconi Project's technical and economic fundamentals provide a strong platform for Australian Mines to continue to advance its discussions with a range of project financiers, including various export credit agencies (both Australian and international), green energy funds, commercial banks, mezzanine financiers, and international banks (for both debt and equity capital).

Those discussions and negotiations are progressing, and Australian Mines continues to target finalisation by the end of the current financial year.

As part of the ongoing Sconi Project financing discussions, it is noteworthy that:

- The Queensland Government's *Prescribed Project* status for Sconi[3] is still in force and project-related assistance is continuing,
- The Queensland Government's conditional financial package for Sconi through the *Jobs and Regional Growth Fund* (subject to certain conditions)[4] is still active,
- Due diligence discussions with the Northern Australia Infrastructure Facility (NAIF) for potential Sconi project financing[5] are also active and continuing. Australian Mines remains committed to providing the required project information to complete NAIF's due diligence,
- Australian Mines has executed a binding long form Offtake Agreement with leading battery manufacturer, LG Energy Solution, for 100% of the projected future production from the Sconi Project over its first six years,[6]
- The Sconi Project is world class by scale, quality and ESG parameters,
- Australian Mines owns 100% of the Sconi Nickel-Cobalt-Scandium Project and is fully funded until its target project financing date (on or before 30 June 2022) for construction of the Sconi Project,
- The spot price of nickel on the London Metal Exchange (LME) was its highest in 15-years (US$48,078/t) on 7th March 2022, before trading was suspended after a record-breaking rally on 8th March 2022 saw prices briefly top US$100,000/t. In addition, cobalt is nearing 3½-year highs (US$81,400/t)[7] driven by surging demand,
- The long-term demand outlook for ethically sourced nickel and cobalt materials continues to increase as the electric vehicle market rapidly expands and the transition to clean energy storage accelerates, and
- The Company has achieved a strong track record of raising equity funds as and when required to further the exploration and evaluation of the Sconi Project.[8]

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[3] Australian Mines Limited, *Queensland Government provides Sconi Prescribed Project status* (ASX: 25 January 2019).

[4] Australian Mines Limited, *Queensland Government offers support to Sconi Project* (ASX: 15 July 2020).

[5] Australian Mines Limited, *Sconi Project in Due Diligence Phase for NAIF funding* (ASX: 15 October 2018).

[6] Australian Mines Limited, Binding offtake agreement with LG Energy Solution for supply of mixed nickel-cobalt hydroxide from the Sconi Project, Queensland (ASX: 16 August 2021).

[7] The 7th March 2022 LME spot price for nickel was at US$48,078/t and cobalt is at US$81,400/t as of 11 March 2022 (market close). This compares to the previous June 2019 BFS average price assumption of $US19,842/t for nickel and US$66,139/t for cobalt, including sulphate premium and an AUD/USD exchange rate of 0.71 (ASX: 13 June 2019).

[8] Australian Mines Limited, *Successful Institutional Placement Raises A$6.5 Million* (ASX: 28 July 2021); Australian Mines Limited, *Institutional Placement Raises A$5.2 Million* (ASX: 26 August 2020); Australian Mines Limited, *Share Placement Raises $1.45 million* (ASX: 14 April 2020);

Australian Mines is seeking to finalise agreements with a range of project financiers including various export credit agencies (both Australian and international), green energy funds, commercial banks, mezzanine financiers, and international banks (for both debt and equity capital).

These negotiations continue to be subject to Non-Disclosure (NDA) or Confidentiality Agreements (CA) as is normal practice. Australian Mines will provide updates to the ASX regarding the project financing, in accordance with the Company's continuous disclosure obligations and its commercial confidentiality restrictions.

Interest in financing the Sconi Project has been maintained since the publication of the Bankable Feasibility Studies (BFS) in 2018[9] and 2019,[10] and has always been contingent on Australian Mines entering into binding offtake agreement(s) for the supply of nickel and/or cobalt products.

Pilot precursor cathode active material production plant

During the period, Australian Mines commissioned its pilot precursor cathode active material (P-CAM) production plant in Perth.

The pilot P-CAM production plant is a fully integrated extension to Australian Mines' existing demonstration-scale high pressure acid leach (HPAL) plant and will allow potential offtake partners to assess the fully integrated P-CAM production circuit, at a single facility, for laterite-hosted feedstock sourced from the Sconi and Flemington Projects. To demonstrate this enhanced production capability, Australian Mines successfully produced a NCM 90/05/05 P-CAM and lithiated CAM in December 2021 from raw feedstock.

The work undertaken over the last three years on processing options for both the Sconi and Flemington Projects gives us relevance and flexibility to future market conditions and demand scenarios, while complementing the offtake agreement for a mixed nickel-cobalt hydroxide precipitate (MHP) at Sconi with LG Energy Solution.

Looking ahead, Australian Mines intends to leverage its in-house processing knowledge and capability to advance its Flemington Project, while providing enhanced value creation and processing options going forward.

Leadership on ESG

Australian Mines is the first mineral resources company to be certified under the Climate Active program as a Carbon Neutral organisation.[11]

Climate Active is the only Australian Government recognised Carbon Neutral certification, and it is awarded to organisations that have credibly reached a state of achieving net zero emissions, otherwise known as carbon neutrality.

Prior to the end of the quarter, Australian Mines submitted its Public Disclosure Statement (PDS) to Climate Active covering its certification for the 2021 financial year which was subsequently endorsed by Climate Active in February 2022.

Australian Mines Limited, *Australian Mines raises $5.8 million via oversubscribed Share Purchase Plan* (ASX: 17 July 2019); Australian Mines Limited, *Australian Mines secures funds to accelerate cobalt and nickel projects* (ASX: 27 February 2019).

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

[10] Australian Mines Limited, *Sconi to generate $5 billion in free cashflow over 30-year mine life* (ASX: 13 June 2019).

[11] Australian Mines Limited, *Australian Mines achieves industry first carbon neutral certification* (ASX: 18 August 2020).

REVIEW OF OPERATIONS

The Group made a loss for the six months ended 31 December 2021 of $2,382,392. This compares with a loss of $2,519,313 for the six months ended 31 December 2020.

A comparison of the consolidated financial performance is included in the table below.

Financials	Six months ended 31 December 2021	Six months ended 31 December 2020
	$000	$000
Revenue from operating activities	-	-
Net loss	(2,382)	(2,519)
Cash and cash equivalents	5,749	6,177

EVENTS SUBSEQUENT TO REPORTING DATE

On 3 February 2022, Australian Mines announced it had received a research and development (R&D) Tax Offset refund of $409,325 from the Australian Taxation Office (ATO)[12] in January 2022 (2020: $409,583).[13]

On 9 February 2022, the Company announced that its wholly-owned subsidiary Sconi Mining Operations Pty Ltd has signed a compensation agreement with the underlying private landholder of "Lucky Downs' station, subject to the Greenvale Mining Lease (ML application 10368). The Company expects the Greenvale Mining Lease to be granted within three months of the announcement. The compensation agreement requires Australian Mines to pay to the landowners an up-front compensation payment of $250,000 upon signing, together with a further amount of $150,000 as reimbursement of expenses incurred with respect to the agreement within 30 days. The compensation agreement continues for the life of the Greenvale Mining Lease, contingent upon Sconi acquiring adequate financing for the project within a specified timeframe, and otherwise contains terms which are consistent with industry standards for compensation agreements of this nature.

On 21 February 2022, Australian Mines changed its share registry provider from Advanced Share Registry Services to Automic Pty Ltd.

On 9 March 2022, Australian Mines announced it had completed a Proof-of-Concept Study conducted by UK-based research and development (R&D) partner Descycle investigating an innovative, low-capex, scalable, and environmentally benign (non-HPAL) processing technology targeting the extraction of nickel, cobalt, and scandium from the lateritic ores at its Bell Creek-Minnamoolka (QLD) and Flemington Projects.[14]

Following the share consolidation, and as part of the Board's review of Australian Mines' corporate and capital structure, the Board also intends to seek shareholder approval during 2022 to demerge the Company's non-core assets into a new exploration-focused company. It should be noted that the Board proposes to retain the laterite-hosted cobalt, nickel, and scandium mineral rights of the Flemington Project (including the existing cobalt-scandium Mineral Resource) within Australian Mines. The intention of demerging its non-core assets is to allow the Company to focus its efforts on maximising shareholder returns through delivering a fully operational Sconi mining project and the ongoing optimisation of the production stream thereafter.

There have been no other material events subsequent to 31 December 2021.

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[12] The R&D initiative is jointly administered by the Australian Government's ATO and AusIndustry.

[13] Australian Mines Limited, *R&D Tax Offset Refund* (ASX: 3 February 2022).

[14] Australian Mines Limited, *Proof-of-Concept Study on Alternative Nickel-Cobalt Laterite Ore Processing* (ASX: 9 March 2022).

DIVIDENDS

No dividends have been paid, declared or recommended since the start of the period.

ROUNDING OFF

The parent entity is a Company of the kind specified in ASIC Corporation Legislative Instrument 2016/191. In accordance with that class order, amounts contained in the interim consolidated financial statements have been rounded to the nearest thousand dollars ($'000) unless specifically stated otherwise.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration required under Section 307C of the *Corporation's Act 2001* (Cth) is set out on page 9 and forms part of the Directors' Report for the six months ended 31 December 2021.

Signed in accordance with a resolution of Directors:

Benjamin Bell

Benjamin Bell
Managing Director

Perth
Dated: 15 March 2022

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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF AUSTRALIAN MINES LIMITED

As lead auditor for the review of Australian Mines Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Australian Mines Limited and the entities it controlled during the period.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 15 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Notes	31 December 2021 $000	31 December 2020 $000
Other Income		-	55
Net other income		-	55
Corporate overheads and indirect expenses	9	(1,160)	(641)
Personnel expenses		(670)	(460)
Share based payment expense	10	(15)	(3)
Exploration expenditure	11	(442)	(229)
Depreciation and amortisation		(97)	(121)
Impairment Loss	12	-	(861)
Share of loss of associate accounted for using the equity method	12	-	(261)
Results from operating activities		(2,384)	(2,521)
Finance income		2	2
Net finance income		2	2
Loss before income tax expense		(2,382)	(2,519)
Income tax		-	-
Loss after income tax		(2,382)	(2,519)
Total comprehensive loss for the period		(2,382)	(2,519)
Basic loss per share (cents)		(0.5621)	(0.6526)
Diluted loss per share (cents)		(0.5621)	(0.6526)

The notes on pages 14 to 19 are an integral part of the consolidated interim financial statements.

AUSTRALIAN MINES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	31 December 2021 $000	30 June 2021 $000
CURRENT ASSETS			
Cash and cash equivalents		5,749	3,641
Trade and other receivables		567	32
TOTAL CURRENT ASSETS		6,316	3,673
NON-CURRENT ASSETS			
Exploration and evaluation assets	11	34,452	33,091
Intangibles		16	11
Property, plant and equipment		360	452
TOTAL NON-CURRENT ASSETS		34,828	33,554
TOTAL ASSETS		41,143	37,227
CURRENT LIABILITIES			
Trade and other payables		557	364
Provisions		185	139
Lease Liability		164	164
TOTAL CURRENT LIABILITIES		906	667
NON-CURRENT LIABILITIES			
Lease Liability		99	181
TOTAL NON-CURRENT LIABILITIES		99	181
TOTAL LIABILITIES		1,005	848
NET ASSETS		40,139	36,379
EQUITY			
Contributed equity	13	97,982	91,904
Reserves		4,145	4,081
Accumulated losses		(61,988)	(59,606)
TOTAL EQUITY		40,139	36,379

The notes on pages 14 to 19 are an integral part of the consolidated interim financial statements.

AUSTRALIAN MINES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Notes	Issued Capital $000	Accumulated Losses $000	Share Option Reserve $000	Share Based Payment Reserve $000	Total Equity $000
Opening balance at 1 July 2021		91,904	(59,606)	494	3,587	36,379
Total comprehensive income for the period:						
(Loss) for the period		-	(2,382)	-	-	(2,382)
Transactions with owners, recorded directly in equity:						
Share based payment transactions	10	-	-	-	64	64
Shares issued during the period	13	6,500	-	-	-	6,500
Transaction costs from issue of shares	13	(422)	-	-	-	(422)
Closing balance at 31 December 2021		97,982	(61,988)	494	3,651	40,139

	Notes	Issued Capital $000	Accumulated Losses $000	Share Option Reserve $000	Share Based Payment Reserve $000	Total Equity $000
Opening balance at 1 July 2020		88,107	(55,113)	494	3,557	37,045
Total comprehensive income for the period:						
(Loss) for the period		-	(2,519)	-	-	(2,519)
Transactions with owners, recorded directly in equity:						
Share based payment transactions		-	-	-	3	3
Shares issued during the period		5,902	-	-	-	5,902
Transaction costs from issue of shares		(341)	-	-	-	(341)
Closing balance at 31 December 2020		93,668	(57,632)	494	3,560	40,090

The notes on pages 14 to 19 are an integral part of the consolidated interim financial statements.

AUSTRALIAN MINES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Notes	31 December 2021 $000	31 December 2020 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments to suppliers and employees		(1,896)	(1,024)
Interest received		1	1
Sundry income		1	55
Net cash (used in) operating activities		(1,894)	(968)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation		(2,066)	(1,654)
Payments for exploration acquisitions		-	(5)
Intangibles		(5)	-
Payments for property, plant and equipment		(5)	-
Net cash (used in) investing activities		(2,076)	(1,659)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue (net of costs)	13	6,078	5,562
Net cash provided by financing activities		6,078	5,562
Net increase in cash held		2,108	2,935
Cash at the beginning of the period		3,641	3,242
Cash at the end of the period		5,749	6,177

The notes on pages 14 to 19 are an integral part of the consolidated interim financial statements.

1. Reporting entity

Australian Mines Limited (the "Company" or "Australian Mines") is a company domiciled in Australia. The address of the Company's registered office is Level 34, 1 Eagle Street, Brisbane, Queensland 4000 Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2021 comprises the Company and its subsidiaries (together referred to as the "Group").

The Group is a for-profit entity and is primarily involved in the development of Nickel-Cobalt-Scandium Projects in Australia.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2021 is available upon request from the Company's registered office or at www.australianmines.com.au.

2. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001* (Cth).

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2021. The consolidated interim financial report does not include all the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2021.

This consolidated interim financial report was approved by the Board of Directors on 15 March 2022.

3. Going Concern

The financial statements for the period ended 31 December 2021 have been prepared on the basis that the group is a going concern and therefore, contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

During the period the group recorded a net loss after tax of $2,382,392 (2020: $2,519,313) and had net cash outflows from operating activities of $1,893,813 (2020: $967,643). At balance date the group has working capital of $5,410,184 (2020: $8,200,307).

The Group's ability to continue as a going concern is principally dependent upon its ability to secure funds by raising capital from equity markets or by other means, and by managing cash flows in line with available funds, and/or the successful development of its exploration assets.

These conditions indicate a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors are confident of the ability of the Company to raise capital as and when needed. The Directors are satisfied there are sufficient funds to meet the Group's working capital requirements as at the date of this report. The Directors have reviewed the business outlook and the assets and liabilities of the Group and are of the opinion that the going concern basis of accounting is appropriate as they believe the Group will continue to be successful in securing the additional funds as and when the need to raise funds arises.

3. Going Concern (cont.)

Should the entity not be able to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

4. Significant accounting policies

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

5. Changes in accounting policy

New and amended standards adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Other standards not yet applicable

There are no standards, amendments to standards and interpretations which are not yet effective and have been identified as those which may materially impact the entity in the period of initial application.

6. Estimates

The preparation of the consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2021.

7. Judgement

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2021.

8. Segment Information

The Company only operates in a single reportable geographical segment. As a result, no additional segment information provided.

9. Corporate overheads and indirect expenses

	31-Dec-21 $000	31-Dec-20 $000
Insurance	99	74
Travel and Accommodation	44	(5)
Legal Fees	78	(9)
Accounting, Tax and Audit Services	67	150
Share Registry Services	135	46
Conferences	(3)	3
Investor Relations Fees	301	104
Advisors and Consultants	58	18
Other Fees and Services	201	147
General Administration	180	113
	1,160	641

10. Share based payment reserve

In December 2020, Company Secretary, Oliver Carton was invited to apply for 10,000,000 pre-consolidation shares under a loan share plan. A limited recourse loan was provided to allow the Company Secretary to purchase the shares for $0.025 per pre-consolidation share. The limited recourse loan plan shares are divided into 4 tranches vesting on 1 July each year from 2021 to 2024. The shares are subject to service period vesting conditions.

The fair value of the Loan Share Plan was calculated using the Black Scholes pricing model. The value of the shares has been expensed on a proportionate basis for each period from the grant date of 14 December 2021 to the vesting date of each tranche. The value of the shares that has been expensed during the year to 31 December 2021 and accounted for in the share based payment reserve is $14,580.

On 5 July 2021, Non-Executive Director Michael Elias repaid the $49,000 loan advanced to him in 2014 for the purchase of 7,000,000 pre-consolidation Australian Mines shares with an issue price per pre-consolidation share at grant date of $0.007. This has been recognised against the share based payment reserve in the current period.

11. Exploration and evaluation assets

Reconciliations of the carrying amounts for each class of exploration and evaluation expenditure are set out below:

	31-Dec-21 $000	30-Jun-21 $000
Opening balance	33,091	30,640
Acquisition of tenements	-	5
Expenditure incurred	2,212	3,205
Expenditure expensed	(442)	(349)
R&D Refund	(409)	(410)
Exploration costs carried forward	34,452	33,091

The 2021 research and development tax offset has been lodged and considered receivable as at 31 December 2021. The $409,325 refundable offset was received in January 2022.

The ultimate recoupment of costs carried forward for mineral properties in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

12. Loss on Investments in Associates

	31-Dec-21 $000	31-Dec-20 $000
Share of associate loss	-	(261)
Less impairment loss on assets held for distribution	-	(861)

On 5 October 2020, Norwest Minerals Limited issued further shares diluting Australian Mines' ownership to 20.04%. All Australian Mines' ownership interests in Norwest Minerals Limited are ordinary shares, carrying dividend and capital entitlements, the right to vote and to attend meetings.

On 26 October 2020 Australian Mines reclassified the 21,000,000 ordinary shares held in Norwest Minerals Limited as held for distribution to owners.

On 23 March 2021, shareholders of Australian Mines approved a reduction in share capital and in specie distribution of Norwest Minerals Limited shares. On the 31 March 2021 implementation date, Australian Mines shareholders received 1 Norwest Minerals Limited share for every 189 Australian Mines shares held. Australian Mines obtained a Class Ruling (CR 2021/34) from the Commissioner of Taxation in relation to the demerger of Norwest Minerals Limited.

The share of associate loss is based on the associate's management accounts.

13. Share capital

	31-Dec-21 $	31-Dec-21 No.	30-Jun-21 $	30-Jun-21 No.
Reconciliation of issued capital				
Balance at 1 July	91,904,489	3,961,453,850	88,106,976	3,625,992,479
Shares issued during the period:				
Share placement @ $0.015			679,688	45,312,500
Share placement @ $0.018			5,222,680	290,148,871
Costs of capital raising			(340,840)	
Reduction in capital			(1,764,015)	
Share placement @ $0.019 (i)	6,500,000	342,105,264		
Costs of capital raising	(421,680)			
Share consolidation (ii)		(3,873,201,417)		
Closing Balance	97,982,809	430,357,697	91,904,489	3,961,453,850

(i) On 4 August 2021, Australian Mines raised $6.5 million via a fully committed Share Placement of 342,105,264 pre-consolidation shares at an issue price of $0.019 per share.

(ii) On 17 December 2021, shareholders approved a 1 for 10 consolidation of Australian Mines share capital. On the 21 December 2021 implementation date, the total number of ordinary shares on issue was reduced by 3,873,201,417 to bring into effect the consolidation.

14. Events occurring after the reporting period

On 3 February 2022, Australian Mines announced it had received a research and development (R&D) Tax Offset refund of $409,325 from the Australian Taxation Office (ATO)[15] in January 2022 (2020: $409,583).[16]

On 9 February 2022, the Company announced that its wholly-owned subsidiary Sconi Mining Operations Pty Ltd has signed a compensation agreement with the underlying private landholder of “Lucky Downs’ station, subject to the Greenvale Mining Lease (ML application 10368). The Company expects the Greenvale Mining Lease to be granted within three months of the announcement. The compensation agreement requires Australian Mines to pay to the landowners an up-front compensation payment of $250,000 upon signing, together with a further amount of $150,000 as reimbursement of expenses incurred with respect to the agreement within 30 days. The compensation agreement continues for the life of the Greenvale Mining Lease, contingent upon Sconi acquiring adequate financing for the project within a specified timeframe, and otherwise contains terms which are consistent with industry standards for compensation agreements of this nature.

On 21 February 2022, Australian Mines changed its share registry provider from Advanced Share Registry Services to Automic Pty Ltd.

[15] The R&D initiative is jointly administered by the Australian Government’s ATO and AusIndustry.

[16] Australian Mines Limited, *R&D Tax Offset Refund* (ASX: 3 February 2022).

14. Events occurring after the reporting period (cont.)

On 9 March 2022, Australian Mines announced it had completed a Proof-of-Concept Study conducted by UK-based research and development (R&D) partner Descycle investigating an innovative, low-capex, scalable, and environmentally benign (non-HPAL) processing technology targeting the extraction of nickel, cobalt, and scandium from the lateritic ores at its Bell Creek-Minnamoolka (QLD) and Flemington Projects.[17]

Following the share consolidation, and as part of the Board's review of Australian Mines' corporate and capital structure, the Board also intends to seek shareholder approval during 2022 to demerge the Company's non-core assets into a new exploration-focused company. It should be noted that the Board proposes to retain the laterite-hosted cobalt, nickel, and scandium mineral rights of the Flemington Project (including the existing cobalt-scandium Mineral Resource) within Australian Mines. The intention of demerging its non-core assets is to allow the Company to focus its efforts on maximising shareholder returns through delivering a fully operational Sconi mining project and the ongoing optimisation of the production stream thereafter.

There have been no other material events subsequent to 31 December 2021.

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[17] Australian Mines Limited, *Proof-of-Concept Study on Alternative Nickel-Cobalt Laterite Ore Processing* (ASX: 9 March 2022).

AUSTRALIAN MINES LIMITED

DIRECTORS' DECLARATION

In the opinion of the Directors of Australian Mines Limited ("the Company"):

(a) the financial statements and notes disclosed on pages 10 to 19 are in accordance with the *Corporations Act 2001* (Cth), including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance, for the six months ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting, the *Corporations Regulations 2001* (Cth) and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

On behalf of the Directors

Benjamin Bell

Benjamin Bell
Managing Director

Perth
Dated: 15 March 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australian Mines Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Australian Mines Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 3 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 15 March 2022