



ASX RELEASE

3 July 2017

10 FOLD EXPANSION OF SCONI PROJECT TENEMENT AREA

Metallica Minerals Limited (Metallica) (ASX:MLM) is pleased to advise that, as per the attached ASX Announcement dated 29 June 2017 by Australian Mines Limited (Australian Mines) (ASX:AUZ), the SCONI Project Area has been expanded potentially by up to 10 times by the lodgement of five Exploration Permit for Minerals (EPM's) by Australian Mines.

As noted in the Australian Mines ASX Announcement, these EPM's if granted will form part of the property of the Joint Venture between Metallica and Australian Mines over the SCONI Project.

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29 June 2017

ASX: AUZ

10-fold expansion of Sconi cobalt-nickel-scandium tenement portfolio in Queensland

- **5 new exploration licences in the Sconi Cobalt-Nickel-Scandium Project district applied for by Australian Mines**
- **Increases the Sconi Project's footprint by 10 times the original size**
- **Expansion strategy two-pronged:**
 - ✓ **provides larger buffer around the existing Mining Leases; and**
 - ✓ **significantly increases the amount of prospective cobalt-nickel-scandium-bearing geology within the Sconi tenement package**

Managing Director Benjamin Bell commented, *"The move to increase our tenement holding by more than 10-fold in the highly prospective region around the company's Sconi Cobalt-Nickel-Scandium Project in northern Queensland is designed to offer a strategic buffer for our future mining plans at Sconi.*

"In addition to providing us with operational flexibility around the existing Mining Leases, we believe this expanded area is highly prospective for additional cobalt-nickel-scandium mineralisation in its own right and offers the potential for us to significantly expand our existing Mineral Resource at Sconi over the coming year."

Australian Mines Limited ("Australian Mines" or "the Company") is pleased to announce it has significantly expanded the Company's footprint around its flagship Sconi Cobalt-Nickel-Scandium Project in northern Queensland through five Exploration Permits for Minerals (EPM) applications.

These EPM applications were submitted by Sconi Mining Operations Pty Ltd, which is a wholly-owned subsidiary of Australian Mines, and if subsequently granted will increase the size of the Sconi Project's tenement holding by approximately 10 times in comparison to when the joint venture agreement was originally signed with Metallica Minerals in October 2016¹.

¹ Australian Mines Ltd, AUZ positions to become world's largest scandium company, release 10 October 2016.

The five EPM applications covering a total area of 1,185 square kilometres (or 118,500 hectares) were free-pegged by the Company and, as such, are unencumbered by any third-party royalties or payments. When granted these EPM's will form part of the joint venture area.

The strategy to expand the tenement portfolio around the Sconi Project is two-fold:

1. It creates a larger buffer area around the existing Mining Leases at Sconi, thereby providing increased flexibility for the development of infrastructure for a future mining operation; and
2. It provides the ability for the Company to expand its existing Mineral Resource² beyond its current 5-kilometre strike length as well as unlocking additional exploration potential.

Australian Mines' Sconi Project is one of the few sizeable advanced cobalt development projects in Australia, which based on the throughput contemplated under the project's Pre-Feasibility Study (PFS)³, is currently estimated to deliver an average annual production of 3,010 tonnes of cobalt sulphate and 24,420 tonnes of nickel sulphate for at least the first 20 years.

Preliminary financial modelling recently completed on the Sconi Project, motivated by growing global demand for non-African cobalt, suggests that this project may support a larger operation than initially outlined in the PFS.

Australian Mines' current Bankable Feasibility Study (BFS), therefore, is assessing the feasibility of a number of scenarios including the construction of a mining and processing operation capable of trebling the amount of cobalt and nickel produced annually from any future operation at Sconi.

Securing a greater footprint around the existing Sconi Mining Leases via these new EPM applications may provide Australian Mines with the space to pursue such an option.

² The Mineral Resource Estimate for the Sconi Cobalt-Nickel-Scandium Project is reported under JORC 2012 Guidelines and was reported by Australian Mines Limited on 31 March 2017. The global Mineral Resource for Sconi, as announced on 31 March 2017 is: Measured 17Mt @ 0.80% Ni, 0.07% Co, Indicated 48Mt @ 0.58% Ni, 0.07% Co, Inferred, 24Mt @ 0.41% Ni, 0.06% Co. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 March 2017 announcement by Australian Mines.

³ Included in Australian Mines' 31 March 2017 announcement is full disclosure on the published cobalt, nickel and scandium production targets as contemplated by both the Scoping Study and subsequent Pre-Feasibility Study of the Sconi Project, with both studies being completed by leading independent mining consulting firms. These published studies demonstrate that the Sconi Cobalt-Nickel-Scandium Project could support a mine life in excess of 30 years, which the **average feed grade for the first 20 years at Sconi being 0.11% cobalt, 0.81% nickel, and 109 g/t scandium.**

The product price used in these studies is consistent with pricing used by similar companies in their corresponding economic studies, and are considered conservative. The long-term cobalt price of US\$15 per pound using in the Sconi studies, for example, is significantly lower than the current market price of US\$26 per pound. Moreover, the cobalt price used in the Sconi studies does not factor in the price premium for cobalt sulphate and nickel sulphate products, both of which Australian Mines intends to produce at Sconi.



About the Sconi Cobalt-Nickel-Scandium Project

Australian Mines is acquiring up to a 75% interest in the Sconi Project from Metallica Minerals Limited (ASX: MLM) through funding a Bankable Feasibility Study on the project and subsequently securing project finance⁴.

The Sconi Project is one of the most advanced projects of its kind in Australia and is destined to become a major global supplier of technology metals.

With the Bankable Feasibility Study (BFS) advancing to schedule and due for completion in the first quarter of 2018, Sconi is set to realise the huge potential underlined in the previously announced financial evaluation and Pre-Feasibility Study⁵.

The Mining Leases and environmental licences are granted, plant design identified and the metallurgy favourable in terms of demonstrable metal recovery rates.

Test work shows the Sconi mineralisation is amenable to producing the cobalt sulphate and nickel sulphate products required by the electric vehicle market, and a premium scandium oxide product increasingly in demand from automotive and aerospace manufacturers.

In response to interest from prospective customers, Australian Mines recently commenced construction of a demonstration-scale processing plant that is scheduled to begin producing commercial quality cobalt, nickel and scandium products from the Sconi Project in November this year.

*****ENDS*****

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⁴ Australian Mines Ltd, AUZ positions to become world's largest scandium company, release 10 October 2016

⁵ Australian mines Limited, Technical Reports, released 31 March 2017

SCONI Cobalt-Nickel-Scandium Project

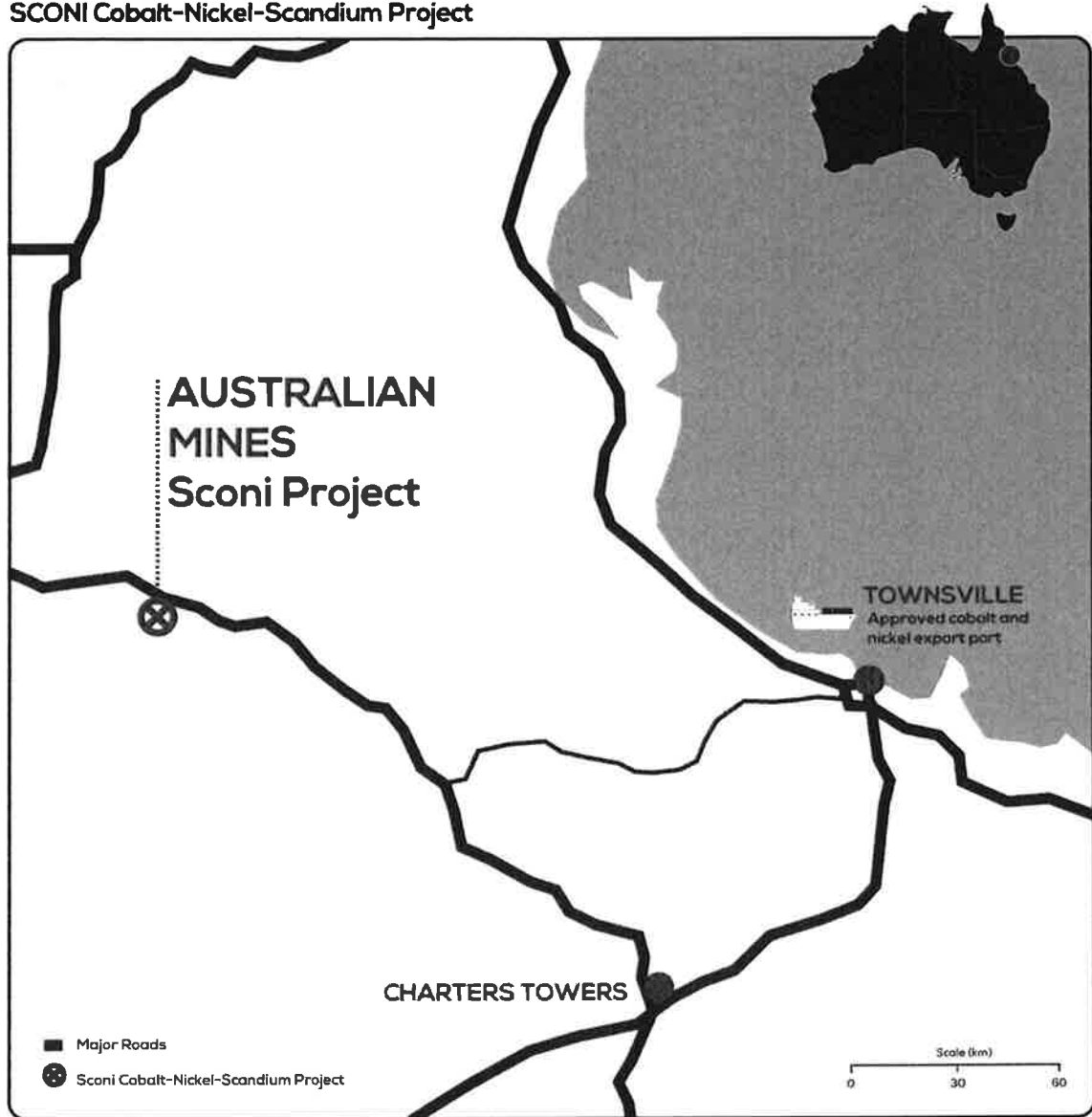


Figure 1: Location map of the Sconi Cobalt-Nickel-Scandium Project in northern Queensland, Australia.

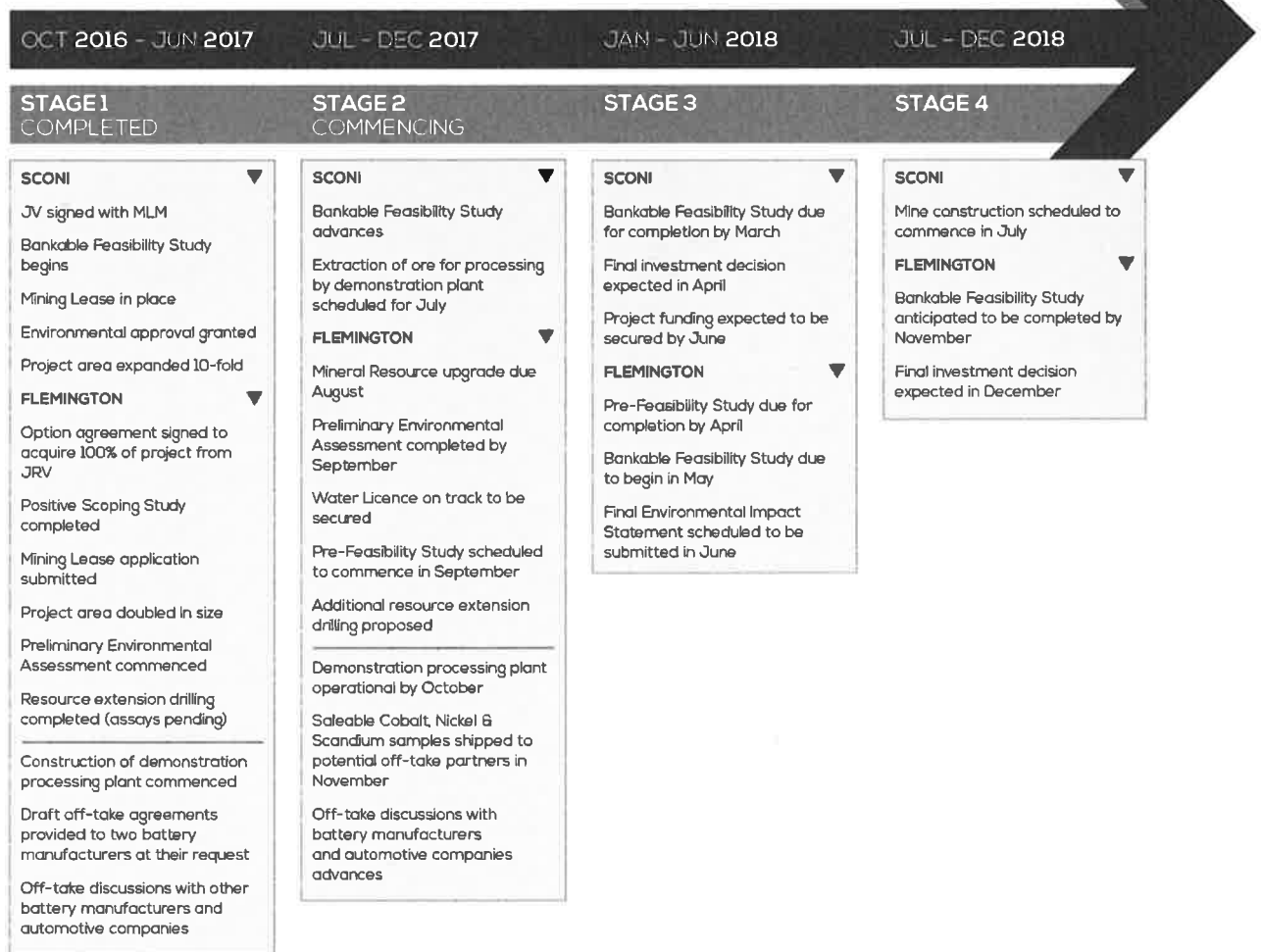


Figure 2: Australian Mines' indicative timeline for the Sconi Cobalt-Nickel-Scandium Project in Queensland and its Flemington Cobalt-Scandium-Nickel Project in New South Wales (subject to funding).