

Sconi Project: Positioning as Preferred Partner Within the EV Supply Chain

The world-class Sconi nickel-cobalt-scandium project, 100% owned by Australian Mines (AUZ), is targeting commencement of operations in CY2024. Sconi has a 57mt Ore Reserve grading 0.58% nickel, 0.08% cobalt and 35ppm scandium supporting a 30-year + project with a very low strip-ratio open-pit mine. Following a recent offtake agreement secured with LG Energy Solution (LGES), the project will be producing an intermediate product, mixed hydroxide precipitate (MHP). We believe Sconi is favourably positioned to obtain project financing and proceed into full construction in the near term with first production expected ~24 months thereafter.

Binding Offtake in Hand: LG Energy Solution

LG Energy Solution (LGES) is a subsidiary of South Korean chemicals giant LG Chem and a globally dominant producer of advanced battery cells used in the manufacture of electric vehicles (EVs). AUZ recently secured a binding offtake agreement with LGES to supply a total 71kt of nickel and 7kt cobalt in MHP over 6 years, subject to AUZ securing final financing for the construction of Sconi prior to 30 June 2022 (or such later date as the parties may agree). The agreement covers all of Sconi’s nickel and cobalt production and is a strong sign of support from a significant industry player with substantial financial and technical resources.

Sustainability Edge: Carbon Neutral Supplying to the Electrification Theme

AUZ is committed to maintaining carbon-neutral status and demonstrating industry-leading ESG credentials via incorporating various energy-saving initiatives at the Sconi project while maintaining net-neutral carbon intensity. Importantly, AUZ supplies into the EV market which ultimately reduces carbon emissions. We expect these credentials represent a substantive point of differentiation and a competitive edge which is likely to manifest in supportive offtake arrangements and beneficial terms for Sconi’s finished products over the long term.

Nickel – A Vital Component in EV’s

The push for automotive electrification is set to provide dramatic demand upside for Ni. Ni’s use in the cathode materials for lithium-ion batteries, is being consumed in increasingly large quantities. Its outlook is supported not only by the rapid volume growth of the EV market, but also owing to the increased intensity of use of Ni, as part of efforts to improve the energy density of batteries and extend battery life. A substantial increase in new projects will be required to fill the increase in forecast demand.

Valuation: Risked NPV – \$0.073/Share – Securing Funding the Key

Sconi is well advanced, is large-scale, with a large forecast capex of US\$832m. We believe sufficient tailwinds and interested counterparties are aligning to overcome the final hurdle of funding the project and realising the value evident in the project. Our risked, fully diluted NPV of \$0.073/share compares attractively to the current share price. Risks include capex funding, cost inflation, and AUD/USD.



The primary asset of Australian Mines Limited (AUZ) is a 100% interest in the Sconi nickel-cobalt-scandium project in Greenvale, approximately 250km west of Townsville in North Queensland. The project is favourably located near established infrastructure and a skilled workforce and has a binding offtake agreement with LG Energy Solutions.

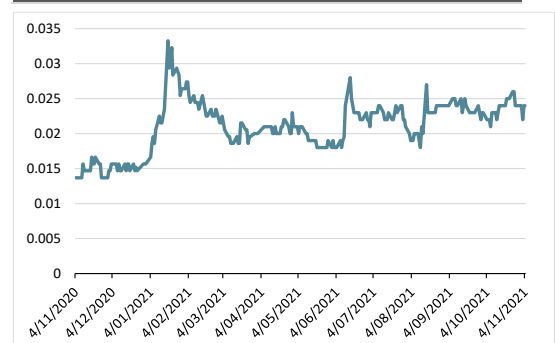
<https://australianmines.com.au/>
<https://sconi.com.au/>

Stock	ASX: AUZ
Price	A\$0.024
Market cap	A\$103m
Valuation (per share)	\$0.073

Next steps

- 1HCY22: Update Feasibility Study for MHP process route
- 1HCY22: Board FID for construction
- 1HCY22: Secure funding for Sconi capital costs

AUZ share price (A\$) – 1 Year



Source: FactSet.

Michael Bentley

michael.bentley@mstaccess.com.au

Exhibit 1 – Company Summary – 30 June Year End
MARKET DATA

Share Price	A\$/sh	0.023
52 week high/low	A\$/sh	0.033/0.014
Valuation	A\$/sh	0.073
Market Cap (A\$m)	A\$m	99
Net Debt / (Cash) (A\$m)	A\$m	(7)
Enterprise Value (A\$m)	A\$m	92
Shares on Issue	m	4,304
Options/Performance shares	m	10
Other Equity - Equity Raising	m	5,357
Potential Diluted Shares on Issue	m	9,671

INVESTMENT FUNDAMENTALS

		Jun-20	Jun-21	Jun-22e	Jun-23e	Jun-24e
Reported NPAT	A\$m	(3.5)	(4.5)	(3.4)	2.2	17.4
Underlying NPAT	A\$m	(3.5)	(3.4)	(3.4)	2.2	17.4
EPS Reported (undiluted)	¢ps	(0.14)	(0.14)	(0.14)	0.14	0.44
EPS Underlying (undiluted)	¢ps	(0.14)	(0.14)	(0.14)	0.14	0.44
Underlying EPS Growth	%	-70.7%	-15.1%	-8.1%	-165.1%	685.6%
P/E Reported (undiluted)	x	(0.2)	(0.2)	(0.3)	0.4	0.1
P/E Underlying (undiluted)	x	(0.2)	(0.3)	(0.3)	0.4	0.1

Operating Cash Flow / Share	A\$	(0.00)	(0.00)	(0.00)	0.00	0.00
Price / Operating Cash Flow	x	(46.3)	(51.6)	(35.3)	35.0	5.5

Free Cash Flow / Share	A\$	(0.00)	(0.00)	0.13	(0.08)	(0.20)
Price / Free Cash Flow	x	(12.6)	(18.4)	0.2	(0.3)	(0.1)
Free Cash Flow Yield	%	-7.9%	-5.4%	571.2%	-335.3%	-851.2%

Book Value / Share	A\$	0.01	0.01	0.14	0.17	0.17
Price / Book	x	2.2	2.5	0.2	0.1	0.1

NTA / Share	A\$	0.01	0.01	0.14	0.17	0.17
Price / NTA	x	2.2	2.5	0.2	0.1	0.1

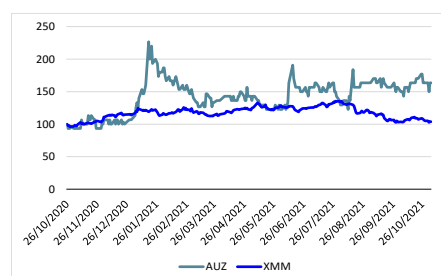
Year End Shares	m	3,626	3,961	4,304	4,304	4,304
Market Cap (spot)	A\$m	83	91	99	99	99

Net Debt / (Cash)	A\$m	(3)	(4)	(575)	(350)	492
Enterprise Value	A\$m	80	87	(476)	(251)	591

EV / EBITDA	x	(27.9)x	(29.4)x	(28.7)x	(27.9)x	(27.1)x
Net Debt / Enterprise Value		(0.0)	(0.0)	(6.3)	(3.8)	5.4

PRODUCTION AND PRICING

		Jun-20	Jun-21	Jun-22e	Jun-23e	Jun-24e
Nickel Production	kt	-	-	-	-	-
Cobalt Production	kt	-	-	-	-	-
Nickel Price (US\$/lb)	US\$/lb	n/a	n/a	7.2	7.4	7.6
Cobalt Price (US\$/lb)	US\$/lb	n/a	n/a	25.8	26.5	27.3

12-Month Relative Performance vs S&P/ASX Metals & Mining

Profit & Loss (A\$m)

	Jun-20	Jun-21	Jun-22e	Jun-23e	Jun-24e
Sales	0.0	0.0	0.0	0.0	0.0
Expenses	(3.3)	(3.1)	(3.2)	(3.3)	(3.4)
EBITDA	(3.3)	(3.1)	(3.2)	(3.3)	(3.4)
D&A	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)
EBIT	(3.5)	(3.4)	(3.4)	(3.5)	(3.6)
Net Interest	0.0	0.0	0.0	5.8	21.0
Profit Before Tax	(3.5)	(3.4)	(3.4)	2.2	17.4
Tax	0.0	0.0	0.0	0.0	0.0
Underlying NPAT	(3.5)	(3.4)	(3.4)	2.2	17.4
Exceptionals	0.0	(1.1)	0.0	0.0	0.0
Reported Profit	(3.5)	(4.5)	(3.4)	2.2	17.4

Balance Sheet (A\$m)

	Jun-20	Jun-21	Jun-22e	Jun-23e	Jun-24e
Cash	3.2	3.6	575.1	860.3	17.8
Receivables	0.1	0.0	0.0	0.0	0.0
Inventory	0.0	0.0	0.0	0.0	0.0
PP&E	0.7	0.5	3.5	338.0	1,198.3
Other	33.9	33.1	33.1	33.1	33.1
Assets	37.9	37.2	611.7	1,231.4	1,249.2
Creditors	0.1	0.4	0.4	0.4	0.4
Debt	0.0	0.0	0.0	510.0	510.0
Leases	0.6	0.3	0.3	0.3	0.3
Provisions	0.0	0.1	0.1	0.1	0.1
Other	0.0	0.0	0.0	0.0	0.0
Liabilities	0.7	0.8	0.8	510.8	510.8
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Assets	37.3	36.4	610.9	720.6	738.3

Cashflow (A\$m)

	Jun-20	Jun-21	Jun-22e	Jun-23e	Jun-24e
Cash From Operations	(1.9)	(1.8)	(2.8)	(2.9)	(3.0)
Interest	0.1	0.1	0.0	5.8	21.0
Tax	-	-	-	-	-
Net Cash From Operations	(1.8)	(1.8)	(2.8)	2.8	18.0
Capex	(0.1)	(0.0)	(0.0)	(331.4)	(857.1)
Exploration	(4.3)	(3.2)	(3.2)	(3.3)	(3.4)
Investments (Net)	(0.5)	-	571.4	-	-
Free Cash Flow	(6.6)	(4.9)	565.4	(331.9)	(842.6)
Proceeds from issue of shares / (buyback)	6.7	5.6	6.1	107.1	-
Proceeds / (Repayment) of Borrowings and Sell	(0.2)	(0.2)	-	510.0	-
Dividend	-	-	-	-	-
Net Increase / (Decrease) in Cash	(0.1)	0.4	571.5	285.2	(842.6)

Source: AUZ; MST Access Est

Investment Thesis: Premium, Carbon-Neutral Battery Raw Materials Binding Offtake Agreement with LG Gives Confidence

Australian Mines (AUZ) is focusing on Australian-based nickel-cobalt-scandium projects to pursue its vision to become a *'leading global supplier of cost competitive and ethically derived nickel and cobalt materials to the rapidly expanding electric vehicle and clean energy storage industries.'* The company is positioning to develop projects to meet increasing global demand in these sectors; its primary asset is the Sconi nickel-cobalt-scandium project in North Queensland. AUZ provides investors with an Australian-based, carbon-neutral exposure to the anticipated rapid growth in demand for battery metals. **A binding offtake agreement (subject to finance) was secured with LG Energy Solution (LGES) in August 2021 for 71ktpa nickel and 7ktpa cobalt for an initial 6-year term, providing a significant vote of confidence in the asset.** The project is well advanced, and has a substantial amount of historical work completed.

Company Profile: AUZ Staying Focused as EV/Clean Energy Product Markets Grow

Focus On Sconi Proximity to Townsville, existing infrastructure give project a boost

The Sconi nickel-cobalt-scandium project is located ~250km west of Townsville, North Queensland. The project is a large-scale, long-life operation with a defined Ore Reserve (57mt @ 0.58% Ni & 0.08% Co) and 30-year operation life outlined in the June 2019 Bankable Feasibility Study (BFS). Following a recent offtake agreement secured with LG Energy Solution (LGES), the mill will be simplified to produce an intermediate product, mixed hydroxide precipitate (MHP), reducing capex and simplifying the process. We believe Sconi is favourably positioned to obtain project financing and proceed into full construction in the near term with first production expected ~24 months thereafter.

Sconi's proximity to the major regional city of Townsville (population: ~200,000) provides access to critical infrastructure as well as skilled personnel. The Sconi site has existing access to sealed roads and grid electricity, as well plentiful supplies of water, port access and two nearby airports (Greenvale and Townsville).

Next key hurdle is capex funding

The key near-term challenge for AUZ is to secure the required funding for the pre-production capex to take Sconi through construction and commissioning. MST's forecast capex of US\$832 is lower than the BFS estimated capex at US\$974m which was based on the more complex plant for production of sulphates. However, while the June 2019 BFS is the most current technical documentation available, the recent offtake agreement signed with LGES is for finished product in MHP form, which is a bulk concentrate product which requires less extensive and technically complex processing.

Nickel – Vital to EV's – Key Electrification and Decarbonisation Component

The push for automotive electrification as part of the broad decarbonisation of the world is set to provide dramatic demand upside for Ni. Ni's use in the cathode materials for lithium-ion batteries, is being consumed in increasingly large quantities. Its outlook is supported not only by the rapid volume growth of the EV market, but also owing to the increased intensity of use of Ni, as part of efforts to improve the energy density of batteries and extend battery life.

Potential Near-Term Catalysts and Timing

- 1H CY22 – Complete updated Sconi Pre-Feasibility Study (PFS) and BFS
- 1H CY22 – Finalise Sconi project financing (debt/equity), achieve FID and Board approval for construction
- Q3 CY22 – Commence Sconi project construction

Recent Events

- August 2021 – Binding offtake agreement signed with LGES
- July 2021 – Successfully raised A\$6.5m via an institutional placement at A\$0.019
- June quarter 2021 – P-CAM scoping study completed; pilot plant commenced construction
- August 2020 – Achieved industry-first Climate Active Carbon Neutral certification with the Australian Government
- July 2020 – Queensland Government offered conditional financial support package for the Sconi project
- June 2019 – Enhanced BFS released showing 30-year operation life
- January 2019 – Awarded ‘Prescribed Project’ status by the Queensland Government
- November 2018 – Initial BFS on the Sconi project released
- August 2018 – Acquired 100% of the Flemington Ni-Co project in NSW

Financials – Project Financing Process Underway

Cash Position Sufficient to Take AUZ Through to Funding of Sconi

At 30 September 2021, AUZ reported cash at bank of A\$7.3m. With quarterly cash burn recently tracking at ~\$1.5m per quarter. The company has sufficient funding to proceed PFS work. This is crucial in order to maintain a position of stability and negotiating discipline as offtake and project financing discussions are advanced.

10:1 Share Consolidation Proposed

AUZ intends to seek shareholder approval at the 2021 Annual General Meeting, for a consolidation of the issued share capital in the Company through the conversion of every ten existing shares on issue into one new share.

Significant Funding from Debt but Equity Capital Required

We expect Sconi has the capacity to accommodate a significant portion of debt financing. Additional funding optionality may arise from offtake partners, mezzanine debt facilities or other strategic investors who seek to have direct equity in the project. While the various pieces of the funding puzzle become clearer, the scale of the remaining equity contribution from AUZ shareholders will be more easily understood. However, it is highly likely that AUZ will require a material equity raising in the next 12 months in order to provide the final element of funding for Sconi capex.

Risks and Sensitivities

Key project risks

- Inability to secure sufficient funding to reduce the AUZ equity component to a manageable size
- Lapse of the LGES offtake agreement
- Community opposition to the project around Greenvale
- Adverse weather events in the tropical coastal region surrounding the Sconi site

Key pricing and valuation sensitivities

- Capital and operating cost inflation
- Nickel and cobalt price
- Exchange rates (particularly AUD/USD)

Valuation – A\$0.073/share (Spot price valuation \$A0.118/ share)

Our risked NPV for AUZ is A\$0.073 per share, fully diluted. Our valuation incorporates a A\$107m (at \$A0.02) capital raise and a selldown of 40% of the project for \$US400m. Key risks include financing risks, offtake stability, commodity price volatility (primarily nickel and cobalt), operational risks, cost escalation and local community support. Offsetting these risks is the extensive detailed technical work which has outlined an economically attractive and technically viable project, demonstrated offtake interest in the finished product from very large and credible counterparties, established infrastructure and a skilled local workforce in a favourable geopolitical location.

Company Overview: Emerging Battery Metals Producer

AUZ's portfolio of assets (see Exhibit 2) represents a reasonable cross section of assets at different stages of progress, entirely based in Australia and predominantly on the east coast. AUZ has focused its portfolio of projects on minerals exposed to battery metals demand, which makes the company highly leveraged to increased EV penetration which is widely anticipated to gain significant traction globally over the course of the next several years. The cornerstone project and major area of focus is the Sconi nickel-cobalt-scandium project. Bringing this project into production is the priority, at which point cash flows can be used to advance the other projects.

Exhibit 2 – AUZ project portfolio

Project	Location	Ownership	Resource	Reserve	Current Status
Sconi nickel-cobalt-scandium	North Qld, Australia	100%	75.7mt @ 0.60% Ni, 0.08% Co	57.3mt @ 0.58% Ni, 0.08% Co, 35ppm scandium	MHP Feasibility Study, project financing
Flemington cobalt-nickel-scandium	NSW, Australia	100%	-	2.5mt @ 0.103% Co & 403ppm scandium	No current exploration work planned
Lennard nickel-copper-platinum	WA, Australia	100%	-	-	No current exploration work planned
Thackaringa cobalt, Broken Hill	NSW, Australia	100%	-	-	No current exploration work planned

Source: AUZ, MST Access.

Cornerstone Project: Sconi Nickel-Cobalt-Scandium Project, Northeast Queensland

AUZ's cornerstone project is the Sconi nickel-cobalt-scandium project (AUZ 100%), located in Northeast Queensland approximately 250km inland from the major regional city of Townsville. Extensive detailed technical and economic studies have been undertaken on the Sconi project, with an initial Bankable Feasibility Study (BFS) released in November 2018. A successful drilling program which delineated additional high-grade nickel and cobalt zones led to a substantial Resource upgrade in February 2019, with an optimised BFS and revised mine plan released in June 2019.

Focusing on Sconi – AUZ Pausing Other Projects and Demerging Non-Core Assets

P-CAM Production Circuit Addition – a valuable option but on hold as Sconi the Focus

The project's already favourable economic fundamentals could be improved further by adding a Precursor Cathode Active Material (P-CAM) production circuit as an "add-on" to the nickel/cobalt sulphate crystallisation process included in the BFS. The P-CAM circuit produces a value-added product specifically targeted at nickel-cobalt-manganese battery manufacturers. A pilot P-CAM plant has been constructed, and the work undertaken over the past three years on processing options at the Sconi project provides AUZ with flexibility to adapt to future market conditions and demand scenarios. As the company focuses on financing, constructing and operating the Sconi project the in-house production of P-CAM will occupy a lower importance going forward.

De Merger of Non-Core Assets – Further Increasing the Focus on Sconi

In early 2022 AUZ intends to demerge the Company's non-core exploration assets into a new copper-gold-nickel (sulphide) exploration-focused company. It proposes to retain the laterite-hosted cobalt, nickel, scandium mineral rights of the Flemington Project (including the existing cobalt-scandium Mineral Resource) within Australian Mines. Similarly, AUZ intends to seek shareholder approval in early 2022 to demerge the Company's non-core research and development (R&D) assets into a new battery/hydrogen R&D company.

Details of the proposed Sconi project

The Sconi project is based on a current Ore Reserve of 57mt grading 0.58% nickel, 0.08% cobalt and 35ppm scandium. The June 2019 BFS contemplates a large-scale, long-life, low-unit cost project, offering compelling ESG credentials, strong established infrastructure advantages, and an ideal location with port access very close to the key Asian export markets and producing mixed sulphate products. Subsequent to the BFS being completed, AUZ negotiated a binding 6-year offtake agreement with LGES, predicated on producing MHP as opposed to nickel and cobalt sulphate. This has simplified the process and changed some of the parameters of the project, however some key parameters remain:

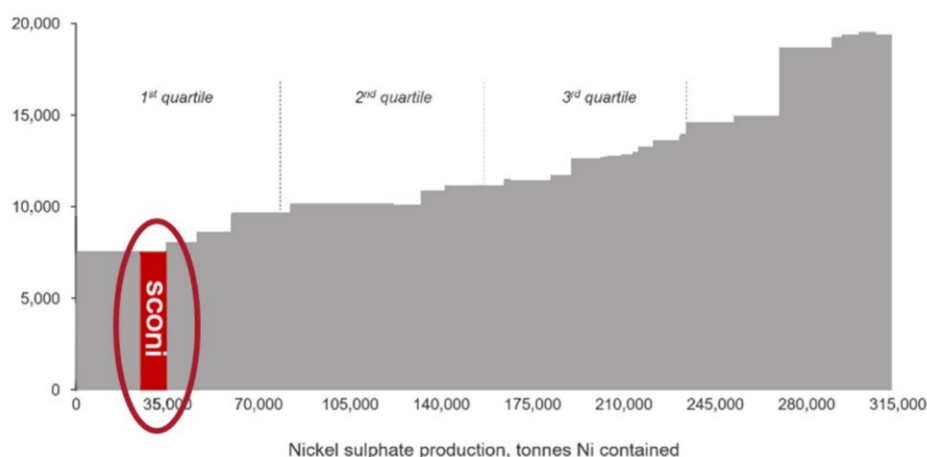
- 30-year operation life at 2mpta throughput
- open-cut mining operation and hydrometallurgical processing route producing nickel and cobalt
- average strip ratio of 0.87
- first quartile cost operation

Exhibit 3 – Geographic location of AUZ’s 100%-owned Sconi project in Northeast Queensland



Source: AUZ.

Exhibit 4 – Sconi project: nickel sulphate cost curve 2025, nominal USD/t nickel contained



Source: AUZ ASX announcement, 30 July 2021.

Offtake agreement with LGES requires a less processed product – Sconi process to be reset

In February 2018 (prior to the release of the BFS), an initial offtake agreement was struck with SK Innovation, a large Korean industrial manufacturer, for 100% of Sconi’s output of cobalt and nickel over an initial 7-year period. However, the agreement appeared to break down on financing conditions, which were to include pre-payment terms as well as a placement of AUZ shares to SK Innovation. The agreement expired in November 2019.

In August 2021, a **binding** offtake agreement was secured with LGES for the **entirety of Sconi’s production over an initial 6-year period commencing in 2024**. In contrast to the previous agreement with SK Innovation, LGES has sought a mixed hydroxide precipitate (MHP) finished product. This is an intermediate bulk concentrate product which requires less intensive and complex processing to produce compared to the sulphide process route. The offtake agreement is subject to one condition precedent: that AUZ is able to secure the necessary finance for construction prior to 30 June 2022.

The offtake agreement established with LGES implies a substantial simplification of the processing infrastructure as the circuit will no longer be required to incorporate sulphate crystallisation.

Some context for the Sconi project

Mineralogy – laterites vs sulphides

Nickel falls into two distinct ore types: laterites (oxides) or magmatic sulphide deposits. Sulphides are typically found at depth and therefore are generally underground mines, whereas laterites are typically near surface and therefore generally open-pit mines. Laterites are further sub-classified according to their weathering profile (wet, tropical or dry), which is a key determinant of grade; and mineralogical complexity, which can determine critical factors such as metallurgical recovery and processing costs.

The variability in laterite ores due to the characteristic weathering which has occurred in development, as well as the relatively complex metallurgy compared to sulphides, has driven a historic preference for sulphide deposits in nickel production. However, over time the discovery of new nickel sulphide resources has slowed, leading to an increased emphasis on laterite deposits for future nickel supply. Most Australian nickel deposits are laterites (e.g. Murrin and Ravensthorpe in WA). The mineralisation at Sconi is also a laterite deposit.

AUZ’s acquisition of Sconi

AUZ originally signed a farm-in agreement in October 2016 with the previous owner of Sconi, Metallica Minerals, to acquire up to a 75% interest in the project. Subsequently, in September 2017, AUZ announced that it would acquire 100% of the project from Metallica Minerals for \$3.5m in cash as well as AUZ shares.

Additional Projects: Sconi Production Is the Priority

AUZ also owns the following projects (all 100% AUZ):

- the Flemington cobalt-nickel-scandium project, situated 370km west of Sydney in New South Wales
- the Lennard nickel-copper-platinum project in Western Australia
- the Thackaringa/Broken Hill cobalt project near Broken Hill, New South Wales.

AUZ has taken the decision to pause exploration at these projects. Sconi is much more advanced and bringing Sconi into production is the focus of the company. Once in production, cash flows can be further deployed to advance the other projects in AUZ’s portfolio.

Realising ESG-Compliant Battery Metals: Sconi's World-Class Potential

Location: North Queensland Historical Mining Area, Close to Quality Infrastructure

The Sconi project site is located approximately 10km from the small town of Greenvale (population ~200), which is ~250km west from the north Queensland coastal city of Townsville (population ~200,000). Greenvale has a long history of mining activity. The now-dormant Greenvale Nickel Mine produced 40mt of nickel ore at 1.56% Ni & 0.12% Co during 18 years of operation in 1974–1992 (Source: Nornico South – Combined Final Report, September 2016).

During operation, the ore produced at the Greenvale Nickel Mine was transported via a railway line built specifically to transport the ore to the Yabulu nickel refinery, ~20km north of Townsville. This historical train line does not form part of the infrastructure proposed for the new mining operation, as mixed hydroxide precipitate (MHP) will be trucked from the mine site directly to the port via the established sealed roads. MHP is a bulk intermediate product which contains nickel and cobalt and is shipped to refineries for further processing into metal.

AUZ intends to export finished product in the form of MHP from the Port of Townsville. This port is a critical piece of major infrastructure for Northern Australia and exports a range of bulk commodities including copper, zinc, lead, sugar and fertiliser. Glencore has port operations at the Port of Townsville from which it exports a range of mineral concentrates from nearby mines. The port also provides access to imported materials for the operation, including critical process chemicals such as reagents.

Exhibit 5– Aerial view of the Port of Townsville – Northern Australia's largest container port



Source: Department of Transport & Main Roads, courtesy of the Port of Townsville Limited.

The Queensland Government is clearly committed to investment in industry in the Townsville region, with a nickel refinery proposed for construction by Queensland Pacific Metals (QPM) recently receiving 'Prescribed Project' status. QPM has stated that construction of the facility could commence in 2022 and production in late 2023. Should this facility proceed into construction, it would represent an additional potential route to market for Sconi's production.

Project Resources and Reserves

Sconi Reserves – 57.3mt total

The Sconi project has been framed upon an Ore Reserve totalling 57.3mt grading 0.58% nickel, 0.08% cobalt and 35ppm scandium (see Exhibit 6). This formed the basis of the June 2019 refined Bankable Feasibility Study (BFS) which remains the most current detailed reference document for the project's operational parameters and financial estimates.

Exhibit 6 – Sconi Project Ore Reserve

Classification	Pit	Ore (m tonnes)	Nickel (%)	Cobalt (%)	Scandium (ppm)
Proved	Greenvale	4.49	0.83	0.07	36
	Kokomo	1.52	0.72	0.15	58
	Lucknow	2.07	0.47	0.09	51
	Sub-total	8.08	0.72	0.09	44
Probable	Greenvale	13.08	0.73	0.05	29
	Kokomo	17.43	0.57	0.09	31
	Lucknow	18.71	0.42	0.08	38
	Sub-total	49.22	0.55	0.08	33
Total	Greenvale	17.57	0.76	0.06	31
	Kokomo	18.96	0.58	0.10	33
	Lucknow	20.77	0.42	0.08	39
	Total	57.30	0.58	0.08	35

Source: AUZ ASX Presentation, 15 September 2021.

The Sconi Ore Reserve straddles three distinct deposits (see Exhibit 6):

- Greenvale = 17.6mt at 0.76% nickel and 0.06% cobalt (the remnant deposit of the dormant Greenvale mine)
- Lucknow = 20.8mt at 0.42% nickel and 0.08% cobalt (8km southeast of Greenvale)
- Kokomo = 19.0mt at 0.58% nickel and 0.10% cobalt (55km northeast of Greenvale)

Ore from Kokomo and Lucknow will be delivered to a local Run of Mine (ROM) pad and then trucked to a central processing facility at the Greenvale deposit where it will be blended before being further processed.

Sconi Resource – 75.7mt

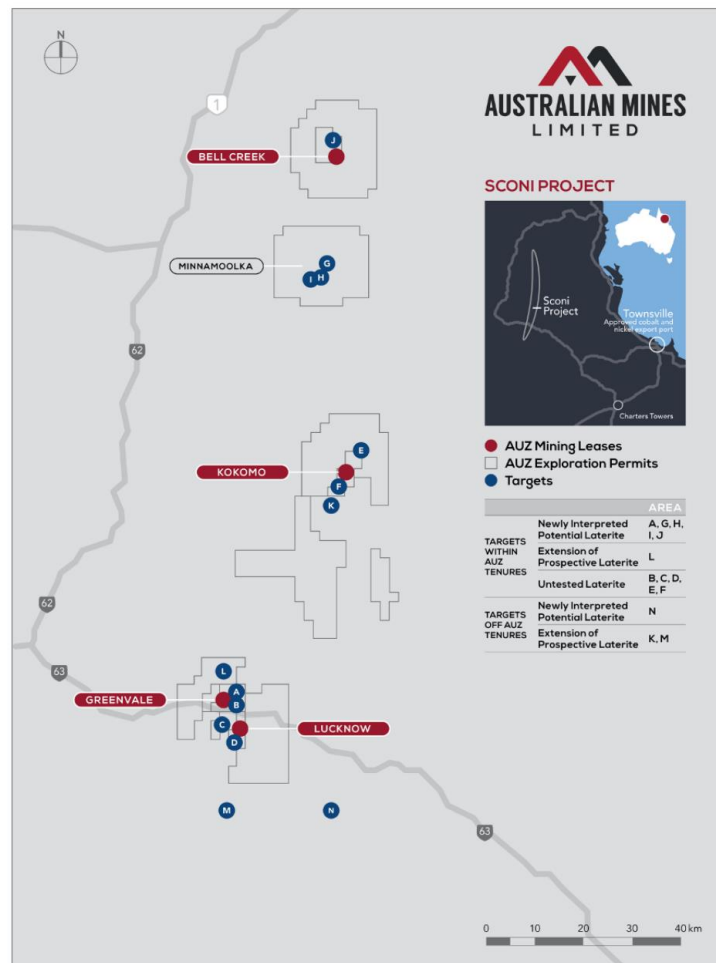
The Reserve sits within a broader Mineral Resource of 75.7mt grading 0.60% nickel and 0.08% cobalt (see Exhibit 7). The Ore Reserve therefore represents a conversion ratio of 76% of the overall Mineral Resource.

Exhibit 7 – Sconi Project Mineral Resource

Deposit	Resource category	Tonnes (million tonnes)	NiEq (%)	Nickel (%)	Cobalt (%)	Eq metal (Tonnes)	Ni Metal (Tonnes)	Co metal (Tonnes)
Greenvale	Measured	5.05	1.06	0.83	0.07	53,530	41,915	3,535
	Indicated	17.24	0.90	0.73	0.05	154,932	125,966	8,620
	Inferred	10.34	0.63	0.54	0.04	65,510	55,888	4,136
	Total	32.63	0.84	0.69	0.05	273,972	223,769	16,291
Lucknow	Measured	1.60	0.91	0.53	0.11	14,560	8,480	1,760
	Indicated	12.63	0.83	0.47	0.11	104,829	59,361	13,893
	Inferred	0.38	0.66	0.55	0.03	2,508	2,090	114
	Total	14.62	0.83	0.48	0.11	121,346	70,176	16,082
Kokomo	Measured	1.62	1.17	0.73	0.15	18,954	11,826	2,430
	Indicated	19.37	0.83	0.57	0.09	160,771	110,409	17,433
	Inferred	7.48	0.7	0.53	0.07	52,360	39,644	5,236
	Total	28.47	0.81	0.57	0.09	230,607	162,279	25,623
Total	Measured	8.27	1.05	0.75	0.09	87,044	62,221	7,725
	Indicated	49.24	0.85	0.60	0.08	420,532	295,736	39,946
	Inferred	18.2	0.66	0.54	0.05	120,378	97,622	9,486
	Total	75.71	0.83	0.60	0.08	627,954	455,579	57,157

Source: AUZ.

Exhibit 8 – Map showing location of Sconi’s various mineral deposits



Source: AUZ.

Sconi Development Plan – Pivot to MHP Underway

The New Plan: Binding Offtake Agreements and Pivot from Sulphates to MHP

The costs and benefits of the various strategic considerations relating to the process plant design have taken centre stage as engagement with potential offtake partners has evolved. In February 2018 (prior to the release of the BFS), an initial offtake agreement was struck with SK Innovation, a very large Korean industrial manufacturer, for 100% of Sconi’s output of cobalt and nickel over an initial 7-year period. The announcement at the time also stated that AUZ was ‘collaborating with SK Innovation to optimise the Bankable Feasibility Study’ and that the agreement allowed AUZ ‘to align the technical production and processing parameters of the [BFS] with the demands of its end-user partner’ which would also be its ‘key strategic partner in the construction and financing of the overall project’.

However, as negotiations went into 2019, the agreement with SK Innovation appeared to break down on financing conditions, which were to include pre-payment terms as well as a placement of AUZ shares to SK Innovation. The agreement eventually expired in November 2019, leaving AUZ with a BFS which was designed specifically for the requirements of an offtake partner who was no longer at the table.

Binding offtake agreement with LGES

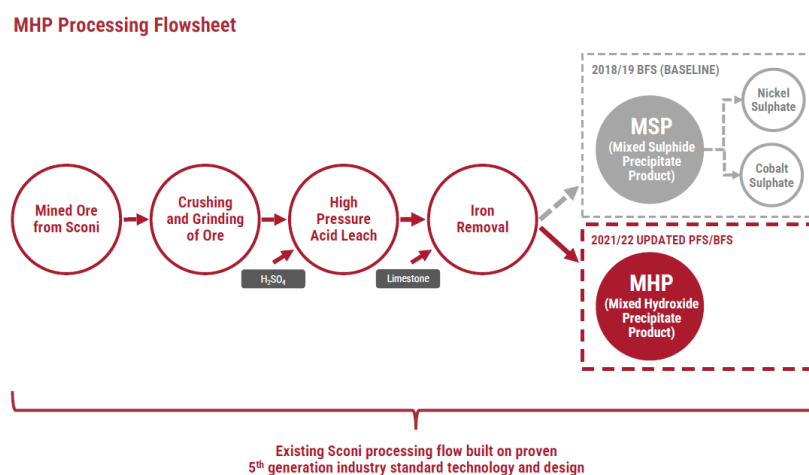
In August 2021, a new binding offtake agreement was secured with LG Energy Solution (LGES), for the entirety of Sconi’s production over an initial 6-year period commencing in CY2024. In contrast to the agreement with SK Innovation, LGES has sought a mixed hydroxide precipitate (MHP) finished product, an intermediate bulk concentrate product which requires less intensive and complex processing to produce compared to the sulphide process route.

The offtake is subject to a single condition precedent: that AUZ is able to secure the necessary finance for construction prior to 30 June 2022 (or such later date as the parties may agree).

The offtake agreement established with LGES implies a substantial revision to the processing infrastructure, as the circuit will no longer be required to incorporate sulphate crystallisation. While the deal therefore renders the overarching conclusions contained within the BFS out of date, AUZ has provided a number of indicative statements confirming the impact of the pivot from sulphates to MHP production, including that:

- MHP production is less capital intensive
- MHP production is less technically complex
- the company will potentially increase throughput capacity at the processing plant to accommodate the annualised volumes implied by the offtake agreement.

Exhibit 9– Sconi flow sheet MHP against Sulphate (see Appendix 1 for detailed diagram of Sulphate process)



Source: AUZ

Estimating capital intensity for the new plan

Based on the current capital intensity of the sulphate processing infrastructure and substituting recent indicative capital intensity guidance from the company (see ASX presentation 15 September 2021), we have formulated an analysis of the capital intensity of MHP vs. sulphates (see Exhibit 13).

Our analysis indicates that the switch to an MHP processing facility and excluding the sulphates circuit is likely to result in a ~15% reduction in total capex, to US\$832m (vs. US\$974m previously). This material reduction should assist in AUZ's key near-term strategic objective to secure the necessary financing for capex.

Exhibit 12 shows the revised inputs for the MHP project as against the Sulphate BFS in 2019 (including MST assumptions where noted).

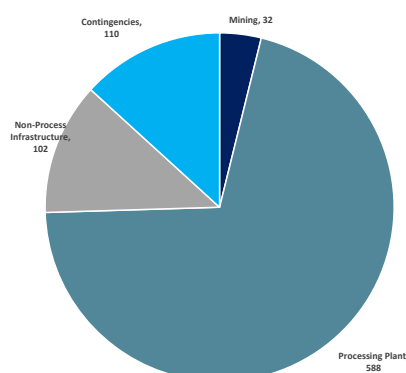
Exhibit 10 – Sconi capital intensity analysis: sulphates versus MHP

CAPITAL INTENSITY ANALYSIS	
Sulphates Process Plant Capex (US\$m)	730
Average LOM Production (tpa cobalt sulphate)	7.0
Average LOM Production (tpa nickel sulphate)	46.8
Sulphate Grade (% metal)	22.3%
Average LOM Metal Production (tpa nickel + cobalt)	12.0
Capital Intensity (Sulphates)	60.8
Indicative Capital Intensity (MHP)*	49.0
Implied Process Plant Capex (US\$m)	588
Reduction in Capex (US\$m)	142
Total Capex Per 2019 BFS (US\$m)	974
Implied Revised Total Capex (US\$m)	832
Reduction in Total Capex (%)	14.6%

*As per AUZ presentation 15-Sep-21 (Slide 16)

Source: AUZ, MST Access.

Exhibit 11 – Project capex components estimates (US\$m)



Source: AUZ, MST Access.

Exhibit 12– Sconi Inputs - Sulphates versus MHP

BFS Assumptions	Jun-19	MHP Revision
PROJECT ASSUMPTIONS		
Project Ownership (%)	100%	100%*
Processing Plant Throughput (mtpa)	2.0	2.0
Mine Life (years)	30	30
Average LOM Production (tpa cobalt sulphate)	7.0	7.0
Average LOM Production (tpa nickel sulphate)	46.8	46.8
Average LOM Strip Ratio (waste:ore)	0.87	0.87
Ore Reserve (mt)	57.3	57.3
Reserve Grade (% Ni)	0.58%	0.58%
Reserve Grade (% Co)	0.08%	0.08%
Reserve Grade (ppm Sc)	35	35
Nickel Recovery (% Ni)	94.8%	94.8%
Cobalt Recovery (% Co)	95.7%	95.7%
COST & FINANCING ASSUMPTIONS		
Discount Rate (%)	8.0%	10%**
Capital Cost (US\$m)	974	832**
AISC FOB Cost (US\$/lb Ni, year 3 onwards)	1.96	3.00**
PRICING & EXCHANGE RATE ASSUMPTIONS		
AUDUSD	0.71	0.7**
Cobalt Price (US\$/lb)	30.0	25**
Nickel Price (US\$/lb)	7.0	7**
Nickel Sulphate Premium (US\$/lb)	2.0	N/A
Scandium Price (US\$/kg)	1,000	1,000
Qld State Royalties (%)	2.5%	2.5%
Tax Rate (%)	30.0%	30.0%

* See valuation section for discussion on possible selldown scenarios

** MST Assumptions

Source: AUZ, MST Access.

The 2019 BFS Sulphate Plan – Details in Appendix 1

Although the BFS of 2019 has been superseded under the offtake agreement with LGES for an MHP product, for reference, we have detailed the original plan in Appendix 1.

Potential Higher Production Scenarios

Offtake agreement with LGES implies higher production than existing infrastructure design

The secondary implication of the binding offtake agreement announced with LGES is the agreed production volumes and potential expanded production that the agreement implies with regard to the Sconi processing infrastructure.

The LGES offtake is for 71.0kt nickel and 7.0kt cobalt over 6 years from CY2024, which incorporates the anticipated commissioning and ramp-up phase of the project. In our view, an 18- to 24-month ramp-up would be a reasonable expectation for an MHP process plant to reach a stable position of steady, ongoing production.

Ignoring the lower production which is inherent within a commissioning and ramp-up timeframe, the offtake implies annualised production of 11.8ktpa nickel and 1.2ktpa cobalt (or 13.0ktpa of total metal). This is 8.3% higher than the annualised contained metal production from the pre-existing processing infrastructure design.

While this sort of upside compared to nameplate design would not typically represent a stretch for most process infrastructure, we highlight that given the offtake agreement straddles the commissioning and ramp-up phase there is likely to be expanded throughput scenarios being considered as part of the updated infrastructure solution predicated on the LGES offtake.

If we crudely assume that Sconi achieves 50% of nameplate production in year 1 followed by 75% in year 2, this implies that over the balance of 4 years the mill needs to produce at close to 30% in excess of the indicative nameplate capacity from the existing feasibility study of ~12ktpa. We see this as unlikely and therefore flag possible upside to the current process plant design throughput of 2.0mtpa.

An alternative explanation may be a more selective mining operation focused on higher-grade mill feed over a shorter operation life. We know that the existing mine plan has scheduled significantly higher grades in years 2–10 of the operation life, given the higher average production of approximately 15.8ktpa (61ktpa nickel sulphate and 10.1ktpa cobalt sulphate at an estimated grade of 22.3%). Therefore, the existing process plant design throughput of 2.0mtpa is arguably sufficient to fulfill the offtake agreement's required material.

AUZ will need to consider how to accommodate higher production for LGES offtake agreement

Overall, it remains to be seen how AUZ management will redesign the process plant to suit the LGES offtake agreement. AUZ's Board will have to weigh up a range of issues, including:

- LGES's indicative preference for throughput capacity
- the impact of process capacity on mine life
- the potential for higher-grade ore at the front end of the mine plan to fulfil the offtake agreement with the existing mill capacity of 2.0mtpa
- additional capex requirements associated with higher processing capacity
- the ability of AUZ to raise capital to fund larger process throughput infrastructure
- the economic analysis of each scenario and which offers the most attractive NPV payoff, as well as an acceptable level of operational risk.

Our base-case expectation is for the 2.0mtpa throughput capacity to remain unchanged (in light of the already substantial capex) which emphasises the importance of the mine plan and sound execution surrounding operational areas such as mining productivity, ore dilution and reserve reconciliation.

Mining

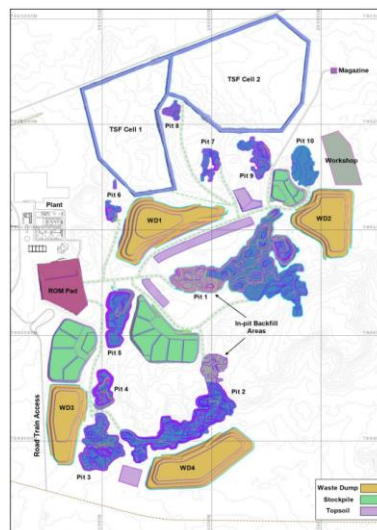
The pivot to MHP from sulphate production has little to no relevance for the mining side of the proposed operation, which is unsurprisingly an open-pit mine given the laterite, near-surface nature of the deposits.

The mine design incorporates the three primary areas (as previously summarised) as follows (see Exhibit 14):

- **Greenvale (17.8mt ore)** – 2 large pits, 8 smaller pits and a historical stockpile; total strip ratio of 1.6:1
- **Lucknow (20.8mt ore)** – 1 large main pit + a single smaller pit to the south; strip ratio of 0.5:1
- **Kokomo (19mt ore)** – large central main pit + 8 small satellite pits; strip ratio of 0.5:1.

The mine plan treats Greenvale and Lucknow as a single mining area, given that they are relatively close to each other (8km), with Kokomo to be operated as an entirely distinct mining area given it is more distant (55km) from the central processing facilities and primary ROM pad at Greenvale. Mining between the areas will be completed in campaigns with ore at Lucknow and Kokomo initially deposited on local ROM pads before being trucked (via roadtrain) and consolidated at the Greenvale site for blending. The ROM at Greenvale has been designed to accommodate two to three months of total mill feed (400–500kt), and, given flooding risks of the nearby Burdekin River, the local ROM pads (particularly at Kokomo) will be operated more as a transfer point. Note that mining at Kokomo is contained to approximately 9 months of the year due to the wet season in North Queensland.

Exhibit 13 – Greenvale mine design adjacent to Sconi processing plant



Source: AUZ.

Tenure and Approvals

The Sconi mine will need to obtain relevant environmental and mine license permits and approvals in order to proceed into production. The BFS documentation proposes to source water from the Burdekin River during periods of flooding and deposit the water at site for storage and later use.

Given the brownfield nature of the Greenvale mining operation (with its long history of prior mining), we view the approvals process as a relatively low-risk barrier to overcome in securing the mine’s restart. The BFS also contains statements underlining that ‘all statutory government agreements, permits and approvals commensurate to the **current status** of the project are all current and in good order.’

With regards to Native Title, AUZ has in place an Indigenous Use Land Agreement (ILUA) and Cultural Heritage Management Plan with the local traditional landowners for mining at Greenvale and Kokomo.

Prescribed Project Status

Under the State Development and Public Works Organisation Act 1971, the Queensland Government recognised the Sconi project as a 'Prescribed Project' in January 2019. We understand that this status is in place until January 2022, at which point AUZ will seek to renew or extend it.

While the status does not guarantee approvals, it is a clear sign of support from the Queensland Government and facilitates the coordination of approvals directly with the Department of State Development. This should enable a streamlined and accelerated permitting and approval process in keeping with the development timeline (which is targeting first production in 2024).

Northern Australia Infrastructure Facility Assistance

In 2018, the Northern Australia Infrastructure Facility (NAIF) Board indicated it would move to investigate the potential for providing NAIF support for the Sconi project. The NAIF is a major long-term initiative of the Australian Government and provides access to up to \$5bn of finance, which may be on concessional terms to support infrastructure development that generates public benefit for northern Australia. It also seeks to encourage and complement private sector investment to further that objective.

The Sconi project has been under consideration by NAIF for possible financial assistance. It has progressed through the Enquiry, Preliminary Assessment, and Strategic Assessment Stages and is now in the Due Diligence Stage.

The Nickel Market: Battery Demand Requires Quality Ni; Demand from Electric Vehicles Continues to Look Strong

What is Nickel and What is it Used For?

Nickel (Ni) is a silvery-white metal that has relatively low electrical and thermal conductivities, is strong and tough at elevated temperatures, is easily shaped into thin wires and flat sheets and is capable of being magnetised. More than 80% of Ni production is used in alloys. When alloyed with other elements, Ni imparts toughness, strength, resistance to corrosion and various electrical, magnetic and heat-resistant properties.

About 65% of world Ni output is consumed in the manufacture of stainless steel, which is used widely in the chemical, motor vehicle, and construction industries and in consumer products such as sinks, cooking utensils, cutlery and whitegoods. The key growth area for Ni is its use in the cathode materials for rechargeable lithium-ion batteries, used extensively in the electric vehicle (EV) market. Other minor uses for Ni include jewellery and medical applications, such as artificial hips and knees.

Nickel Is a Relatively Small Market

Global Ni demand is around 2.4mtpa. This relatively small size (compared, for example, to global copper demand of around 26mtpa) makes the Ni market open to volatility and large swings in price. Shifts in demand and supply conditions can also have significant effects on the levels of stocks in the market, which are relatively small also.

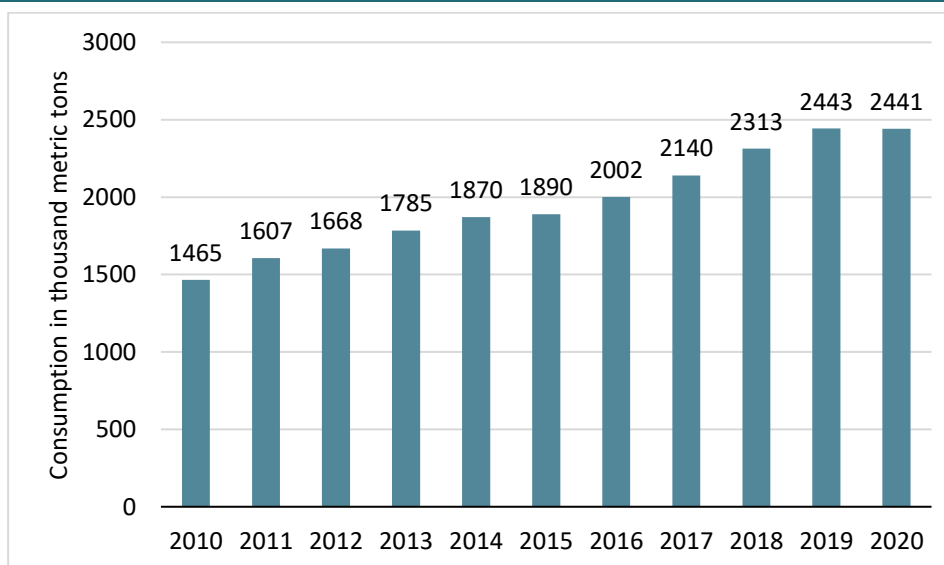
The Nickel Market: A Quick Look Back at 2020 and 2021 So Far

Demand

Global Ni demand was around 2.4mt in 2020, broadly flat compared to 2019 and reflecting a deceleration compared to the previous three years (when demand grew by an average of 7% per year). This was largely because of a slowdown in demand growth from the stainless-steel sector. Chinese stainless-steel demand remained strong, but demand growth slowed in the rest of the world. Demand growth for Ni relating to nickel-ion batteries also slowed, due mainly to lower EV sales growth following the Chinese government's withdrawal of EV subsidies.

In 2021, however, a broad global economic recovery has seen Ni consumption strengthen driven by both stainless steel and batteries.

Exhibit 14 – Global nickel demand, 2010–2020

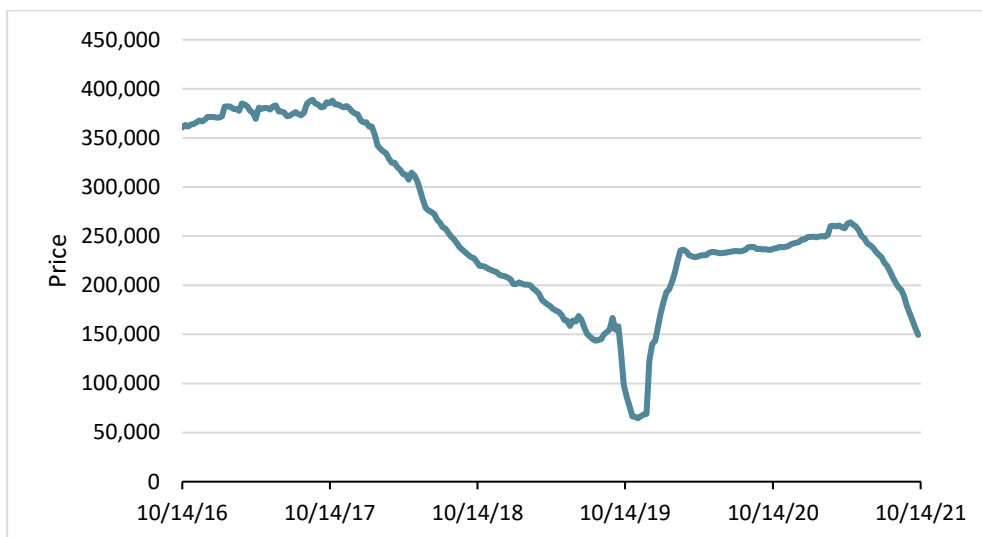


Source: Statista.

LME stocks

The London Metal Exchange (LME) is the primary indicator for the level of stock of Ni. Stocks have fallen by over 60% since the beginning of FY21, reflecting the recovery in consumption against a backdrop of constrained mine supply.

Exhibit 15 – Five-year LME nickel warehouse stocks



Source: Factset.

Prices

Ni prices had a volatile start to 2021, starting the year off around US\$17,000/t and trading higher close to US\$20,000/t but then suffering a sharp selloff in early March to stabilise around US\$16,000/t. While there are a range of counteracting influences in the market, sentiment surrounding battery metals and the looming uptick in EV demand globally has been a major driver over the course of the year. Since May, Ni prices have traded steadily higher to surpass US\$20,000/t.

Exhibit 16 – Nickel price – 5 years (US\$/lb)



Source: Factset

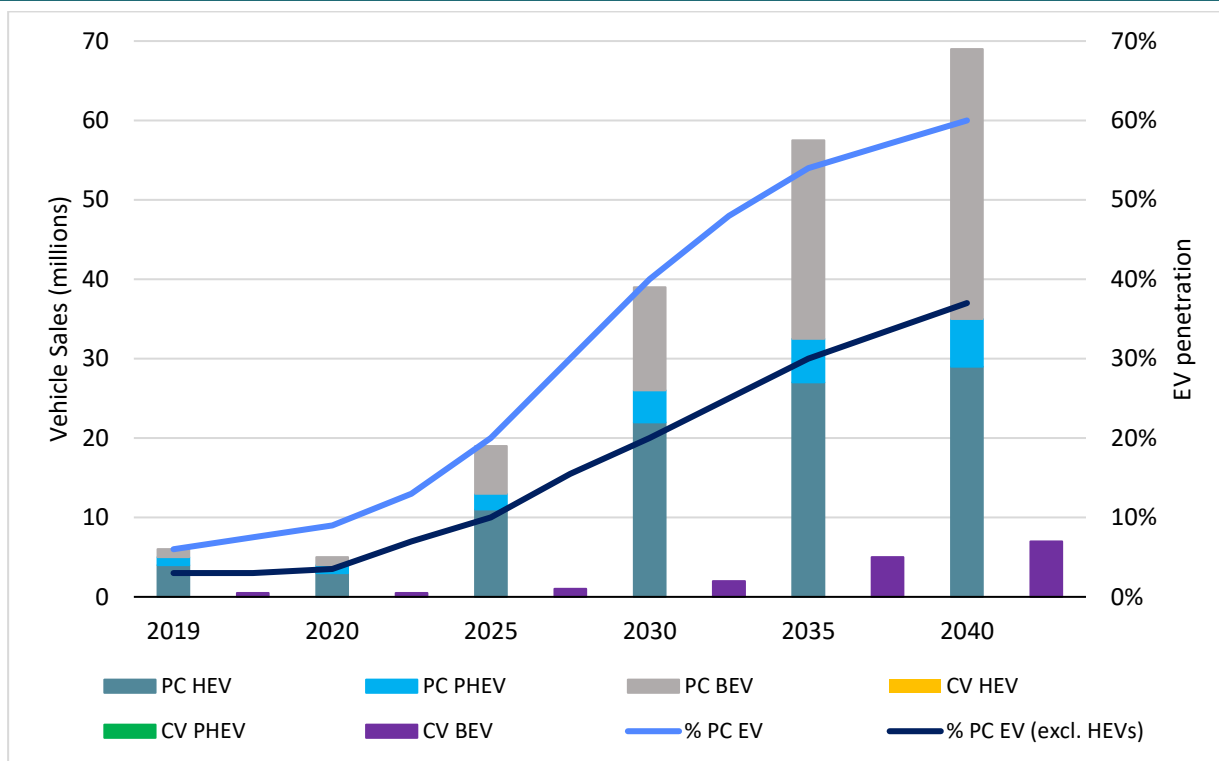
The Nickel Market in 2021 and Beyond

EV Demand will drive the nickel market going forward

Ni plays a crucial role in the manufacture of stainless steel and therefore stainless steel is core to Ni demand. Chinese consumption of stainless steel continues to be the driver of demand growth, and consensus forecasts stainless demand to continue growing at around 4–5% pa over the next decade.

The key however to a structural increase in the price of Ni is the demand for EVs.

Exhibit 17 – Projected EV sales – Passenger Car & Commercial Vehicle EV Sales Forecast

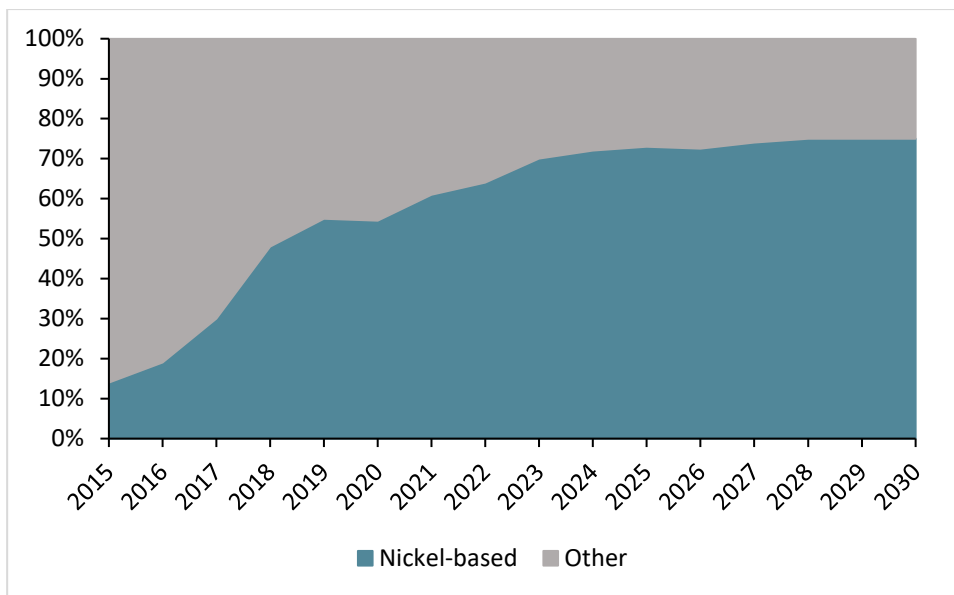


Source: Wood Mackenzie.

The push for automotive electrification is set to provide dramatic demand upside. Nickel, used in the cathode materials for lithium-ion batteries, is being consumed in increasingly large quantities. Its outlook is supported not only by the rapid volume growth of the EV market, but also owing to the increased intensity of use of Ni, as part of efforts to improve the energy density of batteries and extend driving range. It is reasonable to consider a significant increase in Ni use in batteries, and that it will grow significantly from current levels of around 3–4% of Ni demand. The intensity of use of a broad range of minerals is substantially higher in an EV than that of a conventional Internal Combustion Engine (ICE) vehicle.

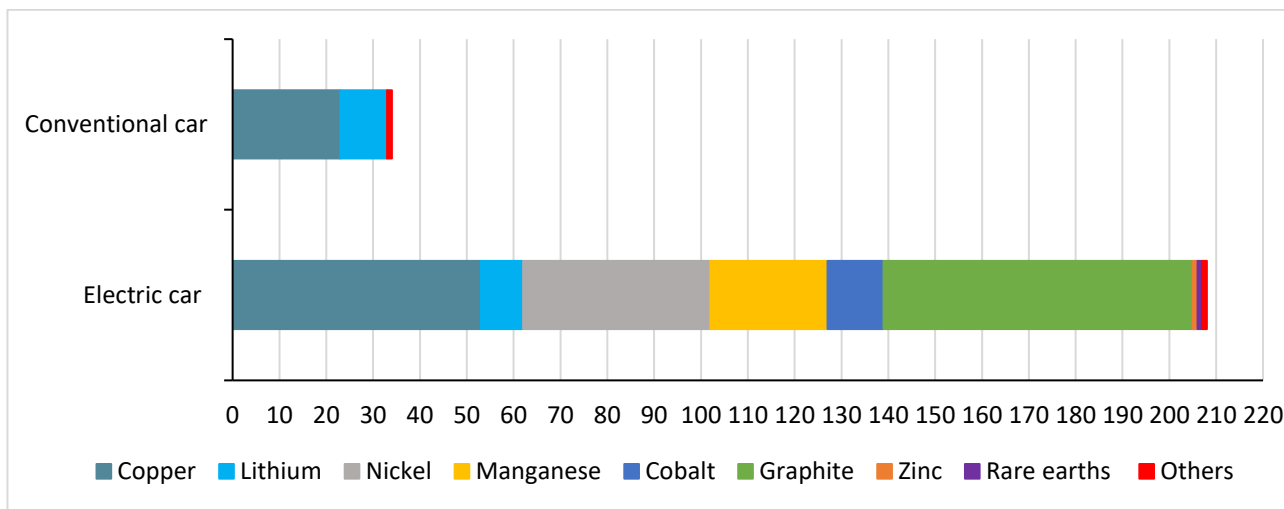
Nickel sulphate is the key raw material for the Ni in lithium-ion batteries and increased production of this for the EV market will require an increase in the supply of Class I material. Nickel sulphate is made by refining Ni-containing intermediate feed sources into a high-quality product in crystal form by removing the impurities that are typically found in the intermediate feed sources. Demand for Ni in lithium-ion batteries will soon make batteries the second-largest end-use application for Ni. One of the key issues for the Ni industry going forward will be how to supply the material that the battery industry will require.

Exhibit 18 – The Rise of Nickel Based Cathode Chemistries



Source: Benchmark Ni Forecast

Exhibit 19 – Mineral Uses in EV's Compared to Conventional Vehicles

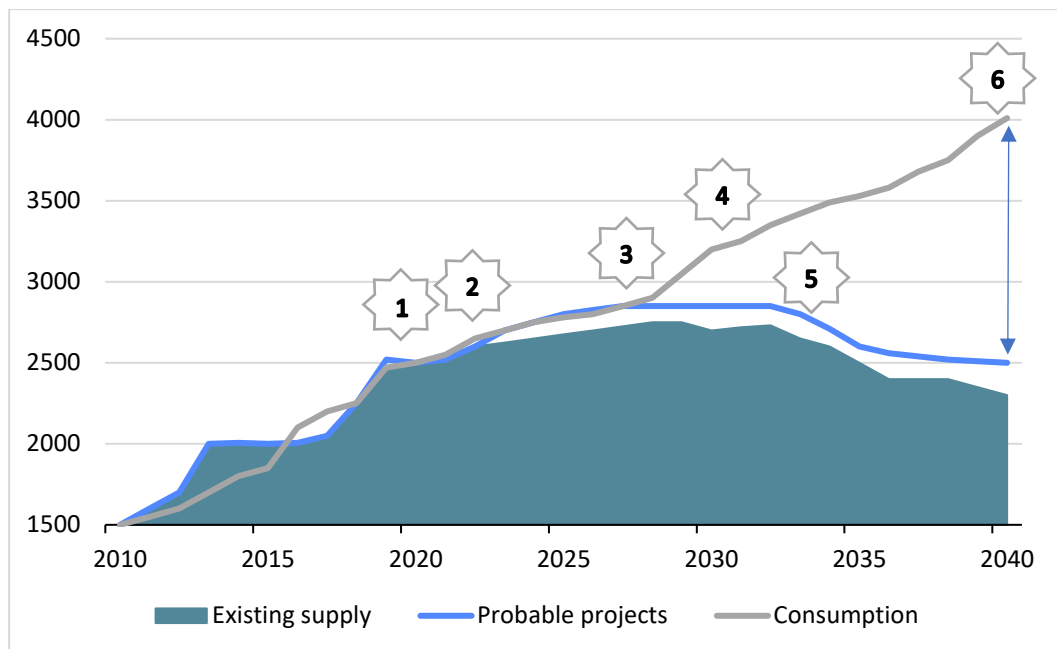


Source: IEA

Demand for Ni for Batteries Puts the Squeeze on Supply

The projected increase in demand for EV's will require new supply of Ni. Based on current market forecasts for EV demand (as shown in Exhibit xx above), a gap in the Ni supply begins to appear as early as 2026, blowing out to a need of 1.6mt of new supply of Ni by 2040. This is the equivalent of approximately 100 Sconi projects.

Exhibit 20 – Mineral Uses in EV’s Compared to Conventional Vehicles



- 1** Indonesian ore export starts January 2020, two years early. Risk of 225 kt cut in Chinese NPI in 2021
- 2** From 2021, 115 ktpa new Ni in chemicals supply, fed by intermediates from new HPALs
- 3** New nickel supply needed by 2027 just as EV demand starts to accelerate
- 4** 230 kt new Ni supply needed by 2030 (inc. projects)
- 5** Exhaustion of stated reserves could close 200 ktpa production 2029-2034
- 6** 1.6 Mt new supply needed by 2040

Source: Wood Mackenzie

Nickel price forecasts

We expect the Ni market will be stronger going forward given the increase in demand from the battery market. We forecast the price to be US\$7/lb in 2022 and then to rise steadily at 2.5% pa going forward.

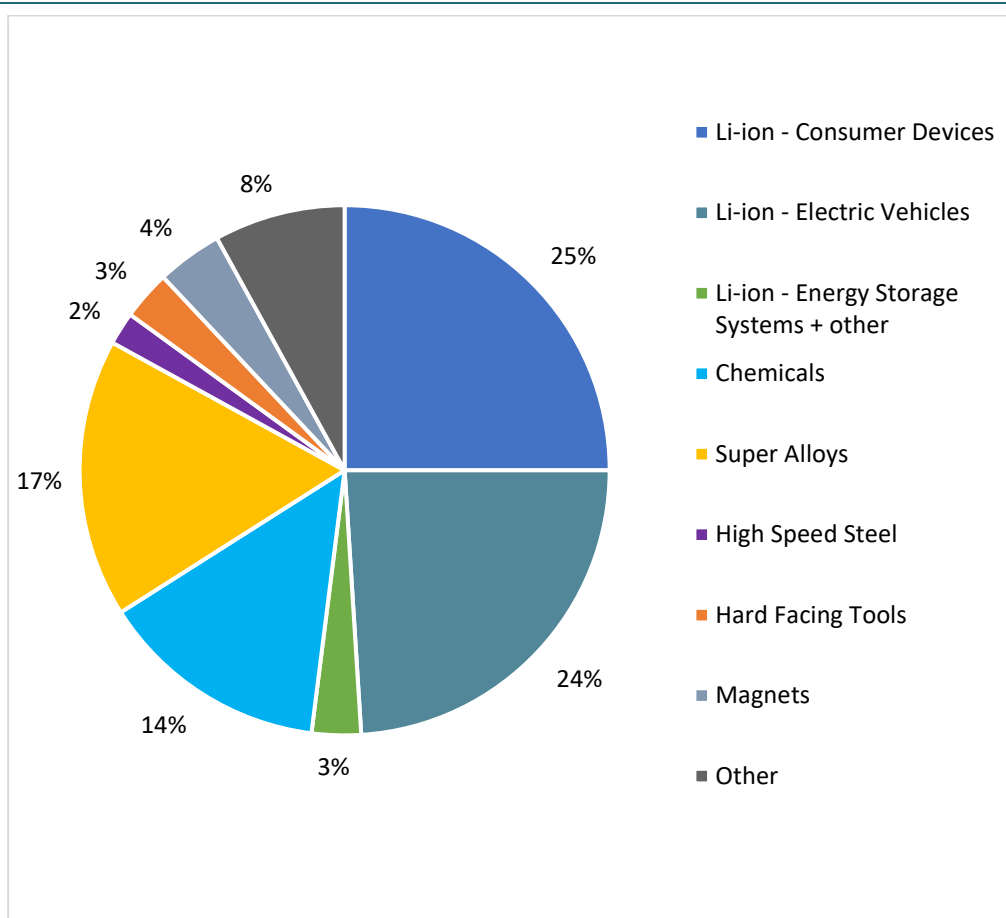
The Cobalt Market: Battery Demand Drives the Market

What is Cobalt and What is it Used For?

Cobalt (Co) is a magnetic and lustrous steel grey metal possessing similar properties to iron and Ni in terms of hardness, tensile strength, machinability, thermodynamic properties, and electrochemistry. Co is one of only three naturally occurring magnetic metals (with iron and nickel).

Co is an important raw material for the production of battery materials, superalloys, high-temperature alloys, cutting tools, magnetic materials, petrochemical catalysts, pharmaceuticals and glaze materials. When used as an alloy, Co improves the high temperature strength and corrosion resistance of more common metals, especially Ni and chromium.

Exhibit 21 – Uses of cobalt – driven by battery demand



Source: Cobalt Institute.

Cobalt Is a Very Small Market

Global Co demand is around 135ktpa. This relatively small size (compared, for example, to global copper demand of around 26mtpa) and smaller than the Ni market of 2.4mtpa (whose size makes it open to volatility) also makes the Co market open to volatility and large swings in price. Shifts in demand and supply conditions can have significant effects on the levels of stocks in the market, which are relatively small also.

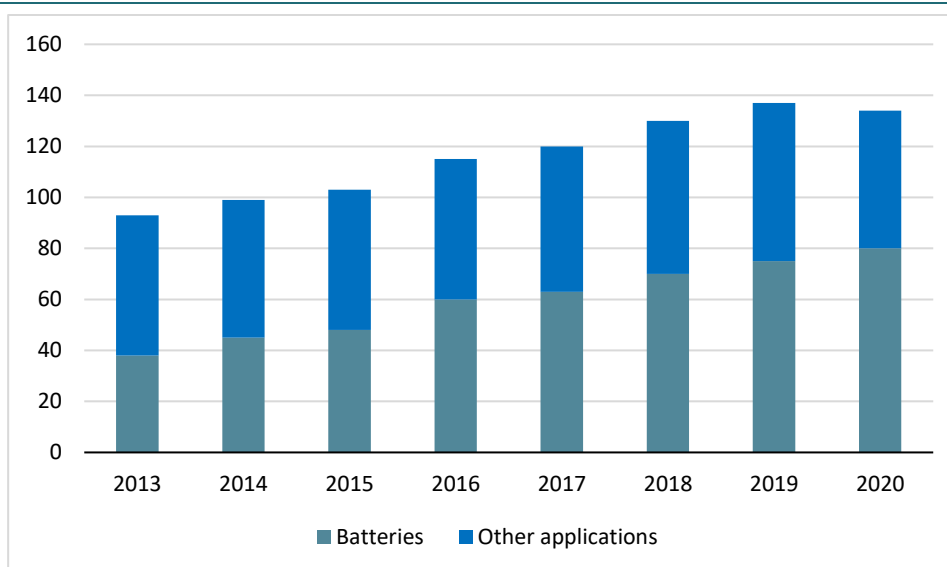
The Cobalt Market: A Quick Look Back at 2020 and 2021 So Far

Demand

The Covid situation in 2020 created a drop in metal demand due to reduced consumption in aerospace and tool materials. Notably this did not lead to oversupply, as metal production was temporarily suspended at various sites across the world.

A key indicator of demand in the Co market is Chinese imports of metal. Imports have elevated since 2Q 2020, with 2021 YTD imports 3 times higher than the same period last year.

Exhibit 22– Global cobalt demand, 2013–2020



Source: Roskill.

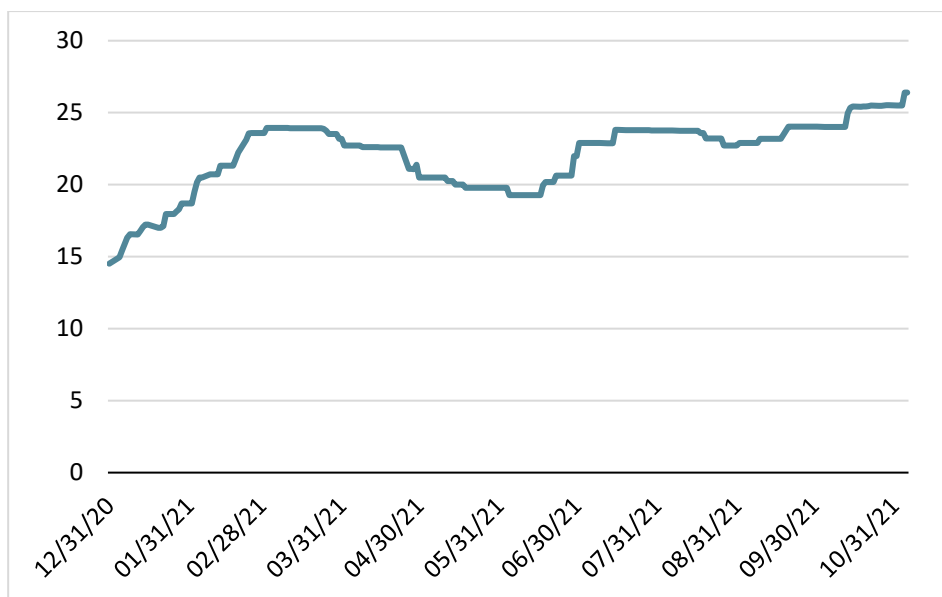
Supply

At the start of 2020, the Co market was in a state of oversupply regarding feedstock (principally cobalt hydroxide intermediates). The suspension of a major mine, Mutanda, and the depletion of industry stocks through 2020 led to a more balanced market at the year's end. The refined market also finished the year broadly in balance, both in terms of cobalt metal and cobalt chemicals.

Prices

Co prices recovered strongly in the early part of 2021 post-2020 COVID effects, with strong demand maintaining prices at a higher level of around US\$53,000/t (or US\$24/lb).

Exhibit 23– Cobalt price – YTD 2021 (US\$/lb)



Source: Factset.

The Cobalt Market in 2021 and Beyond

What will drive the cobalt market going forward?

The most significant driver of cobalt demand remains lithium-ion batteries. Consumer electronics, EVs and energy storage systems (ESS) are the dominant uses for lithium-ion batteries. A key decision point for the take up of EVs remains ownership costs. Market consensus is that EVs and internal combustion engine (ICE) vehicles will reach price parity by 2024.

EV purchase subsidies, as part of generous post-COVID economic stimulus across EU and China, will accelerate demand significantly.

98% of Co produced is a by-product of either Ni or copper mining (~5–15% of mine revenues), making it somewhat of an ‘accidental’ metal. Co production is thus incentivised by firmer Ni or copper prices, rather than on its own merits. The Democratic Republic of the Congo (DRC) produces 71% of Co today. The top 5 Co producers control ~53% of global supply, typically sourced from DRC-based operations. China then processes 80% of global intermediates producing cobalt metal or cobalt salts.

Secondary supply of Co (scrap/recycled Co) today remains small scale but as increasing quantities of EV batteries begin to be recycled we would expect this market to grow.

Cobalt price forecasts

We expect the Co market will be stronger going forward given the increase in demand from the battery market. Our price assumption for 2021 is US\$25/lb.

Valuation: Incorporating MHP; \$0.073 Per Share on Risked NPV

Strong Potential Valuation Upside

Our base-case, risked NPV-based valuation for AUZ is A\$0.073/share on a fully diluted basis. AUZ shares are trading at a significant discount to our assessment of the underlying value of the Sconi project, incorporating our forecast project parameters, and after weighting the determined valuation for risks typically associated with the remaining uncertainty for projects at this stage of advancement.

Sconi is a substantial project with robust underlying economics based on the detailed economic analysis in the prior BFS, and we expect this to remain the case with the forthcoming update to incorporate the MHP process route. In the medium term, the addition of dedicated processing infrastructure to commercialise the significant scandium at Sconi could add further value.

We have applied a 75% probability/risk weighting for Sconi ahead of the publication of scoping study information with regards to the MHP process and finalisation of financing.

We believe the risks to the valuation are balanced against the clear signals of State Government and offtake support, as well as the project's prior operating history, significant detailed technical work completed, and proximity to established infrastructure and skilled workforce.

Exhibit 24 – Base-case, risked NPV-based valuation of A\$0.073/share

NPV OF PROJECTS	US\$M	Ownership	Risk Weight	A\$M	A\$/share	Valuation Methodology
Sconi MHP	1,020	60%	75%	656	0.068	Risked Project NPV
Sconi Scandium	50	100%	50%	36	0.004	MST Estimate
Flemington and Other	40	100%	50%	29	0.003	MST Estimate
ENTERPRISE NPV	1,110			720	0.075	
Corporate Costs	(18)	100%	100%	(25)	-0.003	NPV of Corporate Costs
Net Cash (Debt)	5	100%	100%	7	0.001	Ast at 30 Sep 2021
Equity Value	1,097			702	0.073	
WACC					10.0%	
AUDUSD					0.70	
Shares on issue (Undiluted)					4,304	
Options					10	
Additional Equity Required					5,357	
Shares on issue (Fully Diluted)					9,671	

Source: MST estimates, AUZ.

Exhibit 25 – Sconi Funding Breakdown – MST Estimates

FINANCING ASSUMPTIONS	US\$m	A\$m
Debt	357	510
Project selldown	400	571
Equity	75	107

Source: MST estimates, AUZ.

Key assumptions – Base Case NPV valuation

Our base-case NPV assumes Sconi will commence first production in FY25. We assume that AUZ will ultimately own 60% of Sconi, after a sell-down of a 40% stake to a strategic partner for ~US\$400m to provide funding for pre-production capital expenditure. We assume that, in conjunction with the sell-down proceeds, the project will secure ~40% of its capex requirements in debt (~US\$357m), with final equity funding required of ~US\$75m. Our other key assumptions are detailed in Exhibit 26.

Full funding may be achieved without a project selldown

We consider there is a reasonable probability that Sconi could be funded without the need for a selldown to a strategic partner.

Projects that are related to the battery industry and have strong ESG credentials can attract alternative finance such as green bonds and green energy funds. The Sconi Project's technical and economic fundamentals provide a strong platform for AUZ to look to a range of project financiers, including various export credit agencies (both Australian and international), commercial banks, mezzanine financiers, and international banks (for both debt and equity capital).

Given the current low interest rate environment, we believe AUZ could achieve funding on attractive terms.

Capital cost

Capital cost is clearly a crucial assumption, and with a revised/updated Scoping Study and BFS work yet to be released following the pivot from sulphate production to MHP, there is a degree of uncertainty surrounding this figure. While much of the process plant infrastructure will be similar to what was outlined in the BFS from June 2019, we have primarily relied upon the capital intensity information provided to the market by AUZ to arrive at our estimate adopted in deriving our valuation.

Exhibit 26 – Material assumptions behind our base-case valuation

Assumptions	
<u>PROJECT ASSUMPTIONS</u>	
Project Ownership (%)	100%
Processing Plant Throughput (mtpa)	2.0
Average LOM Production (tpa nickel in MHP)	11.5
Average LOM Production (tpa cobalt in MHP)	1.7
Mine Life (years)	20
<u>COST & FINANCING ASSUMPTIONS</u>	
Discount Rate (%)	10.0%
Capital Cost (US\$m)	832
AISC FOB Cost (US\$/lb Ni LOM)	3.00
Post Tax NPV (US\$m)	1,020
<u>PRICING & EXCHANGE RATE ASSUMPTIONS</u>	
AUDUSD	0.70
Cobalt Price (US\$/lb)	25.0
Nickel Price (US\$/lb)	7.0
Qld State Royalties (%)	2.5%
Tax Rate (%)	30.0%

Source: MST estimates, AUZ.

 Exhibit 27 – Sconi capex summary as per June 2019 BFS

Area	US\$m
Mining	32
Processing Plant	588
Non Process Infrastructure	102
Contingencies	110
Total	832

Source: MST Estimates / AUZ

The pivot to MHP implies a less capital-intensive process plant component of the total capex estimate (discussed in detail earlier in this report). Utilising the capital intensity guidance provided by AUZ in the recent ASX presentation of US\$49,000/t, we have arrived at a revised capex estimate for the construction of the Sconi project of US\$832m.

Scandium upside roughly valued at \$50m

The orebodies at Sconi have significant grades of scandium, a valuable rare earth element which was to be processed into scandium oxide and sold as part of the June 2019 BFS. Indeed, the prior project owner, Metallica Minerals, was primarily interested in the scandium and completed a PFS contemplating the extraction of scandium and cobalt as the primary value drivers. However, with the pivot to MHP finished product, we attribute nil value to scandium in our NPV assessment given the likely very low recoveries and payability through the MHP processing circuit.

However, in the medium term, with supportive scandium prices and available capital from project cashflows, there is potential for AUZ to invest in the necessary process infrastructure to produce and sell a valuable scandium-rich finished product. We have crudely valued this optionality at US\$50m in our valuation and apply a 50% risk discount. We believe this is a conservative approach, but until the broader project is funded and constructed, the uncertainty surrounding the commercial viability of this mineralisation is highly uncertain.

Spot Valuation – A\$0.118

Applying today's spot prices to our model (Nickel \$US8.94/lb, Cobalt \$US26.85/lb and USD/AUD of 0.74) we arrive at a spot price valuation of A\$0.118.

Positive Catalysts for the Share Price and Valuation

Key drivers of share price upside

Financing secured

The key uncertainty regarding the project remains securing the necessary financing to construct it and take it into full production. There are a number of possible scenarios in terms of achieving this. If steps are made which increase confidence in the availability of funding on attractive terms, this would represent a crucial catalyst for AUZ shares.

Completion of the BFS update for the MHP process route

Updating the current BFS information for the pivot to MHP production represents a significant step forward for the project and represents a basis for understanding the key parameters, key process confirmation and timing.

Further high-grade exploration results at Sconi

Any exploration success which provides higher-grade ore, particularly early in the operation life, would be positive for the projected cash flows and valuation of the project.

Increase in resources and reserves

The reserves and resources are key to the mine life and annual production. Increases in the resources would be positive for the share price.

Other potential share price catalysts

- **Nickel and cobalt price increases:** The valuation and share price sentiment is highly sensitive to nickel and cobalt prices. Increases in the price of these commodities would have a positive effect on the valuation.
- **USD depreciation:** The valuation is highly sensitive to the USD/AUD. USD depreciation would have a positive effect on the valuation.
- **Capex and/or operational cost savings:** These would boost the valuation and reflect well on management.
- **Early project delivery:** This would generate cash sooner, boost the valuation and reflect well on management.

Risks to the Share Price and Valuation

Key risks to the share price

Inability to secure sufficient funding

The project requires substantial pre-production capital expenditure for construction of the operation. Failure to secure this funding or the unavailability of the funding on sufficiently attractive terms would undermine the ability of the project to move into production and would impact the assessed valuation.

Delays in providing updated information concerning the MHP process route

The BFS requires updating for the MHP process route. This will shed light on a range of key parameters including key capital and operating costs, metallurgical recoveries, throughput rates and the production profile over the life of mine. Delays to the release of this information would be detrimental to confidence in the project and the valuation.

Delays to the receipt of required permits/approvals

Delays to approvals would be detrimental to the timing of commencement of the project and the valuation.

Escalation in capital and operating costs

Sconi is a high capital cost project and as such any increases to the capital cost base would be a negative for the valuation and share price.

Delays to development

Any delays to development are mean a delay to generation of cash flows and are a negative to both valuation and share price sentiment.

Operational underperformance or instability

Operational underperformance has a negative effect on valuation and is a negative catalyst for share price as well.

Other potential risks to the share price and valuation

- **COVID-19:** The COVID-19 pandemic continues to create issues globally. Obtaining site access as well as stability of site operations is subject to an additional layer of uncertainty, with COVID infection rates likely to escalate in the community during 2022 as governments move away from a 'COVID-zero' strategy.
- **Nickel and cobalt price decreases:** As the key driver of the valuation, nickel and cobalt price decreases would be negative for the valuation.
- **USD appreciation:** The valuation is highly sensitive to the USD/AUD. USD appreciation would have a negative effect on the valuation.
- **Changes in regulatory framework:** Regulatory change would alter the risk profile of the company and be detrimental to the stock price.

Risk mitigation

The project's pre-existing shuttered mining operation, established local infrastructure, detailed BFS work completed, and 'Prescribed Project' status secured from the Queensland Government helps mitigate these risks by:

- streamlining permitting and approvals processes
- reducing upfront capex requirements
- reducing technical and operational risks of commencing operations in a large-scale format.

We also note that political risk is perceived to be low in Australia generally. This is particularly the case with regards to the local area in North Queensland where Sconi is located, given the prior mining history and the Queensland Government's support for various local investments in mining and industry.

Financials

Funding: Key Question Is Capex for Sconi Construction

Securing the necessary funding for the construction of the Sconi project is the key outstanding issue to be resolved before the operation can move into full production. AUZ’s current market capitalisation is modest in comparison with the capex requirements, implying that substantial other sources of funding will need to be secured to reduce the equity component to manageable levels.

We have estimated capex for Sconi of US\$832m. This assumption remains subject to a degree of uncertainty given work continues to update the BFS for the revised processing plant infrastructure. As such, our understanding of the required infrastructure and likely costs is based on very high-level preliminary estimates.

We expect a debt financing process either in the form of corporate bonds, bank debt, or financing from potential offtakers which should attract supportive interest given the project’s attractive ESG credentials and its location in Australia (i.e., it fulfills a critical objective in battery metal supply chains globally as an ex-China source of reliable raw materials). As such, we expect AUZ will likely be able to obtain a significant portion of its funding as debt on attractive terms. Similarly exposed mining operations have also recently obtained attractive debt funding. We assume approximately ~40% of total pre-production capex is secured in debt (~US\$357m), with an additional ~US\$400m from a sell-down of a 40% stake in the project to a strategic partner.

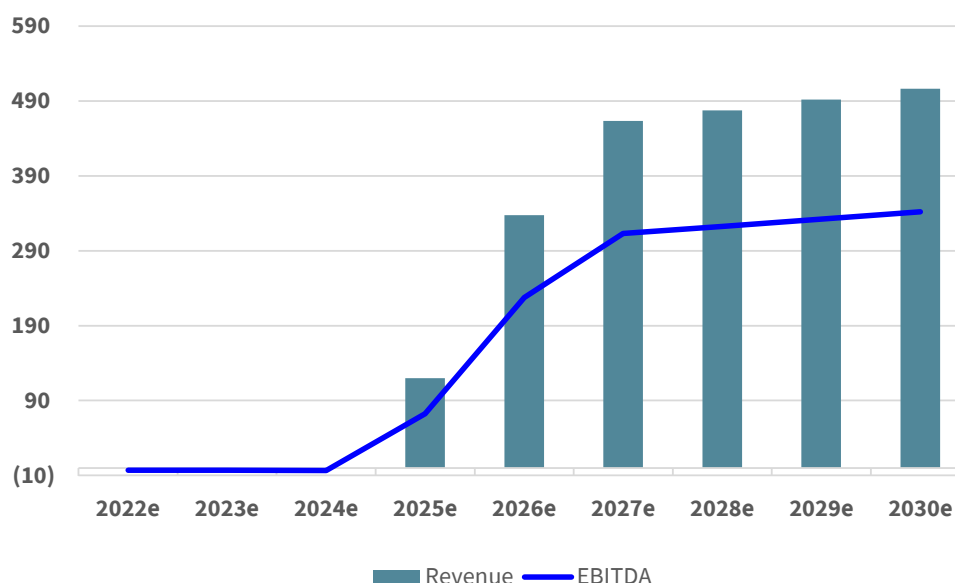
As such, we assume that the project will ultimately be owned 60% by AUZ, and that it will target a final equity funding requirement of ~US\$75m (A\$107m). We assume that AUZ will be able to finalise the equity component at 2.0¢/share. We incorporate the full impact of this equity dilution into our valuation.

Should AUZ confirm the prerequisite funding components (debt and strategic project equity stake) on terms broadly in line with our estimates, we believe the company will face few challenges in securing the final equity component via a raising given the significant investor interest in companies exposed to battery metals.

Project Cash Flow and EBITDA

On our assumptions, Sconi will commence production in FY25 and will ramp up to full production rates over a period of 18–24 months. We assume the capital expenditure for the project will be spent predominantly in FY24 and that the first full year of production is FY27.

Exhibit 28 – Revenue and EBITDA (A\$m) (to be updated)



Source: MST estimates.

Environmental, Social and Governance (ESG)

ESG factors play an integral role in many investors' decision-making.

Environmental – Carbon Neutral Company Supplying the EV Market

The assessment of AUZ's environmental credentials falls into two categories:

- environmental assessment of the projects
- environmental assessment of AUZ's key product, Nickel.

Environmental impact of Sconi – Targeting Carbon Neutral

In August 2020 AUZ became the first mineral resources company to achieve certification under the Australian Government's "Climate Active" program, signalling a commitment to maintain carbon neutral status and demonstrate industry leading ESG credentials.

In practical terms for Sconi, this means the incorporation of various energy saving initiatives at the project, as well as implementing carbon offset programs to achieve and maintain net neutral carbon intensity. As the key driver of the EV revolution is ultimately reduced carbon emissions, we expect these credentials represent a substantive point of differentiation and competitive edge which is likely to manifest in supportive offtake arrangements and beneficial terms for Sconi's finished products.

The project is located in a relatively unpopulated area and has a prior history of mining operations, as well as indications of firm support from the Queensland Government given the project's receipt of "Prescribed Project" status.

The project development will be subject to very high standards of engineering and environmental management which are expected to leave an insignificant environmental impact after the project area is rehabilitated once production ceases at the end of the mine life. The company will be required to comply with best management practices and regulations which includes monitoring and re-vegetation investments after closure.

All extractive industries have an impact on the environment. Key issues for Sconi are water management and tailings management.

Water management

AUZ has flagged that a key component of securing environmental clearance for the operation will be receiving permission to utilise water from the nearby Burdekin River during periods of flooding, for storage at site and utilisation as process water.

Water management practices will focus on ensuring that any water discharged into the environment is of an acceptable quality, as well as keeping as much water as possible within the 'semi-closed loop' of the operation site. Fresh water for the site will be sourced from the nearby Burdekin River during the wet season.

Tailings management

The currently proposed MHP process will use dry-stacked tailings (DST) disposal, which does not require a tailings dam.

Tailings can make up as much as 98% of the total ore mined. In the wake of several tailings dam failures and the need to manage water, dry stacking has become a strong alternative.

DST is the most sustainable route for eliminating the environmental risk of tailings dam failures, while at the same time enabling a recirculation of the process water with a minimum of water intake.

Environmental impact of AUZ's major product – Nickel

AUZ's major product is Ni to be supplied into the battery market for EV's and other battery uses.

Nickel (Ni) has long been widely used in batteries, most commonly in nickel cadmium (NiCd) and in the longer-lasting nickel metal hydride (NiMH) rechargeable batteries. The mid-1990s saw the first significant use of NiMH batteries in vehicles in the Toyota Prius. Around the same time, the first commercial applications for Li-ion batteries emerged, initially in camcorders and eventually finding their way into smartphones, laptops and the numerous other portable devices.

The major advantage of using nickel in batteries is that it helps deliver higher energy density and greater storage capacity at a lower cost. Further advances in nickel-containing battery technology mean it is set for an increasing role in energy storage systems, helping make the cost of each kWh of battery storage more competitive. It is making energy production from intermittent renewable energy sources such as wind and solar replace fossil fuels more viable.

Ni is directly contributing to the major global themes of electrification and decarbonisation.

Social

The social aspects of AUZ's business are key to operating successfully in the community.

The Sconi site is within the traditional territory of local Aboriginal groups and the company has established agreements in place with the Traditional Owners.

The mine is expected to create substantial economic benefits for the local community (\$2.2bn estimated Gross Regional Product) in the form of employment, investment, payment of taxes and royalties, and investment in social infrastructure.

The project will support an estimated 500 jobs over a two-year construction period and create 289 long-term positions once fully operational and will support local manufacturers and local manufacturing jobs.

Governance

Board structure

The Board has five members: four independent directors and the CEO.

A mostly independent Board is a positive governance indicator, particularly for a small listed company.

Exhibit 29 – Board of Directors – skills matrix

	Non-Exec Chairman	Managing Director and CEO	Non- Executive Director	Non- Executive Director	Non- Executive Director
Board Skill	Michael Ramsden	Benjamin Bell	Michael Elias	Dominic Marinelli	Les Guthrie
Leadership	√	√	√	√	√
Strategy	√	√	√	√	√
Financial & Legal	√	√	-	√	-
Geology	-	√	√	√	-
Project Development	√	√	√	√	√
Mining	-	√	√	√	√
International Experience	√	√	√	√	√
Health, Safety and Environment	√	√	√	√	√
Stake Holder Management	√	√	√	√	√
Corporate Governance	√	√	√	√	√

Source: AUZ, MST Access.

Board biographies

Michael Ramsden – Independent Non-Executive Chairman

Mr Ramsden is a lawyer and has more than 30 years' experience as a corporate advisor. He has been involved with all forms of finance, including money markets, futures trading, lease finance, trade finance and foreign exchange.

Mr Ramsden is the Managing Director of Terrain Capital in Australia, and has previously worked for international companies including CIBC Australia, JP Morgan and Scandinavian Pacific Investments. He is also Honorary Treasurer and Director of the Victoria Racing Club, Chairman of Cremorne Capital, Chairman of African Mahogany Australia, and formerly Chairman of Terrain Australia and Director of D&D Tolhurst.

Mr Ramsden is the Chairman of the company's Remuneration Committee and a member of the Audit and Risk Committee.

Benjamin Bell – Managing Director & CEO

Mr Bell is an experienced company executive, with a career in the Australian exploration and mining sector spanning more than two decades. He is a qualified geologist and geophysicist, with significant management and on-the-ground experience working for listed companies, government agencies and as a respected industry consultant.

Michael Elias – Independent Non-Executive Director

Mr Elias has more than 40 years' extensive, international experience in all aspects of nickel resource development in both laterites and sulphides, from project generation and evaluation, exploration planning and management, development studies, open cut and underground mine geology, resource/reserve estimation, and resource economics. He has been a Principal Consultant with mining consultancy CSA Global since 2001.

He previously held the positions of Chief Geologist – WA Nickel Operations and Chief Geologist – Nickel Resource Development at WMC Resources. He was a Director of Silver Swan Group. Mr Elias holds a Bachelor of Science (Honours) in Geology from the University of Melbourne and is a Fellow of the Australasian Institute of Mining and Metallurgy.

Mr Elias is a member of the company's Remuneration Committee.

Dominic Marinelli – Independent Non-Executive Director

Mr Marinelli has over 20 years' corporate fundraising and mergers and acquisitions experience covering a wide range of industries including resources and other emerging technologies.

He is a Director of Terrain Capital in Australia. He holds an MBA from Melbourne Business School, a degree in Electrical and Computer Systems Engineering from Monash University and a diploma in nanotechnology from Leeds University.

Mr Marinelli is the Chairman of the company's Audit and Risk Committee and a member of the Remuneration Committee.

Les Guthrie – Independent Non-Executive Director

Mr Guthrie has over 40 years' experience of project delivery across the mining, infrastructure and energy sectors. He is Principal & Managing Director of Bedford Road Associates, an independent consultancy providing professional advice and support for the development and delivery of major capital expenditure programs, and Non-Executive Director of Neometals. Previously, Mr Guthrie held numerous senior leadership roles within global resources companies in Australia, the UK, North America and Asia, including BHP Billiton, BG Group, Aker Solutions, and KBR. He is also a Non-Executive Director of DRA Global (an international engineering and construction group originating in South Africa) and a member of the Australian Institute of Company Directors.

Mr Guthrie is a member of the company's Audit and Risk Committee.

Key management biographies

Tim Maclean – Chief Operating Officer

Mr Maclean is an Operations Executive with over 30 years' solid, hands-on technical, production and senior management experience in the mining industry. He has extensive mining, minerals processing, smelting and hydrometallurgical experience gained in Australia, South Africa, Papua New Guinea, Indonesia and Brazil, with in-depth exposure to copper, nickel, cobalt, alumina, mineral sands, gold, uranium, tin, coal and sulphuric acid. Mr Maclean was previously a Refinery Manager at Alcoa's Kwinana Aluminium Refinery, the Chief Operating Officer of Vale's Onca Puma nickel laterite mine in Brazil, a General Manager at PT Inco's Indonesian process plant, as well as a Processing Manager with Iluka Resources at their West Australian synthetic rutile processing plants. He has a Bachelor of Science and Master of Science from the University of Melbourne, and an MBA from the University of Cape Town.

David Loch – Investor Relations Manager

Mr Loch has over 20 years' capital markets, investor relations, strategy, and external communications experience. He has previously worked with leading Australian and global companies in the resources, infrastructure, engineering, and financial services sectors, including J.P. Morgan, UGL (now part of CIMIC Group), Monadelphous Group, and Nasdaq.

Mr Loch holds a Bachelor of Economics and a Graduate Diploma in Applied Finance and Investment, has recently completed a Master of Financial Planning majoring in law and behavioural finance with High Distinction, and is a Level III candidate for the Chartered Financial Analyst (CFA®) designation.

Oliver Carton – Company Secretary

Mr Carton is a qualified lawyer with over 30 years' experience in a variety of corporate roles. He is a director or company secretary of a number of listed, unlisted and not-for-profit entities such as the Melbourne Symphony Orchestra. He runs his own consulting business and was previously a Director of the chartered accounting firm KPMG. Prior to that, he was a senior legal officer with ASIC.

Appendix 1 – Details of the 2019 BFS – Producing Sulphate Product

The Previous Plan - Produce a High Value Sulphate Product with a more Complex Plant – A Brief Look Back

The Sconi project has been subjected to extensive technical work and analysis as part of detailed studies completed by AUZ, as well as the array of information available from the prior mining operation and investment at Greenvale completed by the prior owners. The initial BFS completed by AUZ was released in November 2018, followed by an optimisation in June 2019 to incorporate a Resource upgrade which materialised in the interim.

2019 BFS – Nickel Sulphate Attracts Premium Price – Capex close to \$US1b

The key assumptions contained in the optimisation study are in Exhibit 30.

Exhibit 30 – Sconi BFS key assumptions: June 2019 optimisation

BFS Assumptions	Jun-19
<u>PROJECT ASSUMPTIONS</u>	
Project Ownership (%)	100%
Processing Plant Throughput (mtpa)	2.0
Mine Life (years)	30
Average LOM Production (tpa cobalt sulphate)	7.0
Average LOM Production (tpa nickel sulphate)	46.8
Average LOM Strip Ratio (waste:ore)	0.87
Ore Reserve (mt)	57.3
Reserve Grade (% Ni)	0.58%
Reserve Grade (% Co)	0.08%
Reserve Grade (ppm Sc)	35
Nickel Recovery (% Ni)	94.8%
Cobalt Recovery (% Co)	95.7%
<u>COST & FINANCING ASSUMPTIONS</u>	
Discount Rate (%)	8.0%
Capital Cost (US\$m)	974
C1 Cash Cost (US\$/lb Ni, year 3 onwards)	1.46
AISC FOB Cost (US\$/lb Ni, year 3 onwards)	1.96
Post Tax NPV (A\$m)	817
<u>PRICING & EXCHANGE RATE ASSUMPTIONS</u>	
AUDUSD	0.71
Cobalt Price (US\$/lb)	30.0
Nickel Price (US\$/lb)	7.0
Nickel Sulphate Premium (US\$/lb)	2.0
Scandium Price (US\$/kg)	1,000
Qld State Royalties (%)	2.5%
Tax Rate (%)	30.0%

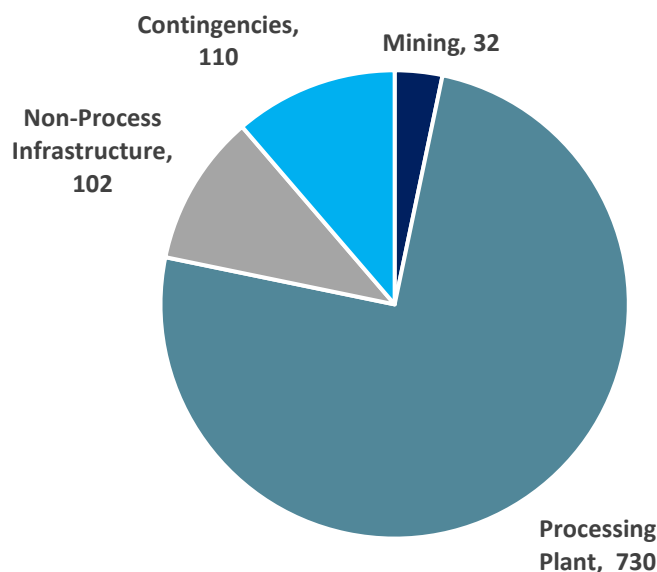
Source: AUZ, MST Access.

Capital cost breakdown – processing plant the key cost

The total capital cost of US\$974m (~A\$1.3bn) breaks down as follows (see Exhibit 11):

- processing plant: 74.9%
- contingencies: 11.3%
- non-process infrastructure representing site works and an accommodation village at Greenvale: 10.5%
- mining: 3.3%.

Exhibit 31 – Project capex components as per June 2019 BFS (US\$m)



Source: AUZ, MST Access.

June 2019 Feasibility Study Process Design: Four-Stage Process

The June 2019 Feasibility Study focused on the construction of a processing plant incorporating a four-stage process to produce battery-grade nickel sulphate and cobalt sulphate as well as scandium oxide (see Exhibit 12):

Stage 1 – Leaching

Aqueous pressure leach is a process where acidic sulphate medium dissolves the base metals while minimising dissolution of the iron and silica gangue. These conditions are typical for base metal dissolution from lateritic ore sources, with rapid leach kinetics resulting in autoclave residence times of ~60 minutes for near complete nickel and cobalt extraction. The leach discharge slurry proceeds to neutralisation for removal of the free acid, iron and aluminium. The neutralised slurry is filtered and washed to separate the valuable metal in solution from the residue solids. The solids are conveyed for dry stacking.

Stage 2 – Sulphide precipitation

The filtered pregnant leach solution (PLS) is then subjected to sulphide precipitation to recover a high-grade nickel/cobalt sulphide product with minimal impurities.

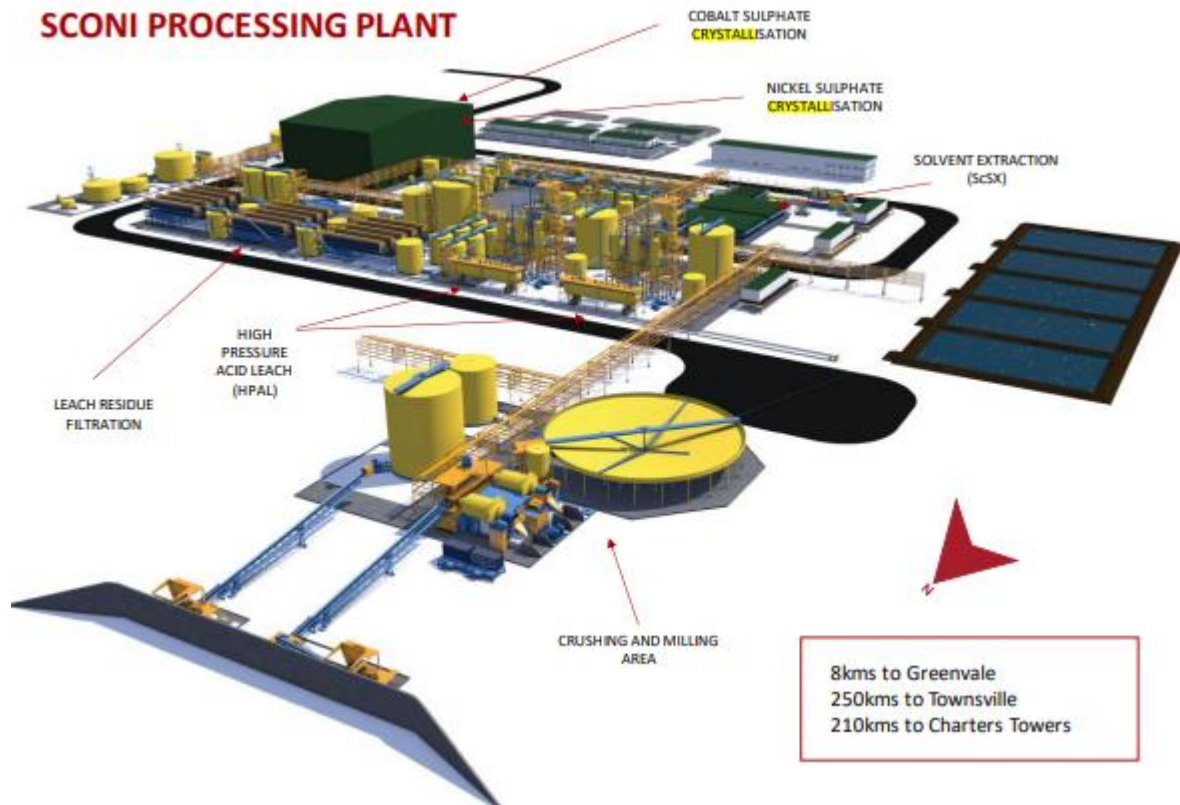
Stage 3 – Nickel and cobalt oxidative re-leach and secondary impurity removal

The nickel- and cobalt-rich sulphide intermediate is oxidised and re-leached under medium pressure and temperature to provide a high-concentration, small-volume stream. The nickel and cobalt are separated with solvent extraction.

Stage 4 – Crystallisation of high-purity nickel sulphate and cobalt sulphate

The separate nickel and cobalt sulphate streams are concentrated to saturation point via thermal and mechanical energy input. This causes the metals to begin crystallising from solution as metal sulphate hydrates. The specific form of crystal is manipulated by controlling the temperature of crystallisation. The crystals are dried and packed for shipping.

Exhibit 32 – Sconi processing plant as per June 2019 BFS (production of sulphates)



Source: AUZ.

While targeting the production of sulphates makes broad sense given the higher value-add of the finished product, this process of upgrading the ore into sulphide form also involves a much higher degree of technical complexity and operational risk. A significant component of capital expenditure is also associated with development of the process circuit through to value-added products such as sulphate, versus producing a relatively simple concentrate.

Disclaimers

MST Access is a registered business name of MST Financial Services Pty Ltd (ACN 617 475 180 "MST Financial") which is a limited liability company incorporated in Australia on 10 April 2017 and holds an Australian Financial Services Licence (Number: 500 557). This research is issued in Australia through MST Access which is the research division of MST Financial. The research and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by MST Access is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

This report has been commissioned by Australian Mines Limited and prepared and issued by Michael Bentley of MST Access in consideration of a fee payable by Australian Mines Limited. MST Access receives fees from the company referred to in this document, for research services and other financial services or advice we may provide to that company. The analyst has received assistance from the company in preparing this document. The company has provided the analyst with communication with senior management and information on the company and industry. As part of due diligence, the analyst has independently and critically reviewed the assistance and information provided by the company to form the opinions expressed in the report. Diligent care has been taken by the analyst to maintain an honest and fair objectivity in writing this report and making the recommendation. Where MST Access has been commissioned to prepare content and receives fees for its preparation, please note that NO part of the fee, compensation or employee remuneration paid will either directly or indirectly impact the content provided.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of MST Access at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results and estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of liability: To the fullest extent allowed by law, MST Access shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained in this report. No guarantees or warranties regarding accuracy, completeness or fitness for purpose are provided by MST Access, and under no circumstances will any of MST Financial's officers, representatives, associates or agents be liable for any loss or damage, whether direct, incidental or consequential, caused by reliance on or use of the content.

General Advice Warning

MST Access Research may not be construed as personal advice or recommendation. MST encourages investors to seek independent financial advice regarding the suitability of investments for their individual circumstances and recommends that investments be independently evaluated. Investments involve risks and the value of any investment or income may go down as well as up. Investors may not get back the full amount invested. Past performance is not indicative of future performance. Estimates of future performance are based on assumptions that may not be realised. If provided, and unless otherwise stated, the closing price provided is that of the primary exchange for the issuer's securities or investments. The information contained within MST Access Research is published solely for information purposes and is not a solicitation or offer to buy or sell any financial instrument or participate in any trading or investment strategy. Analysis contained within MST Access Research publications is based upon publicly available information and may include numerous assumptions. Investors should be aware that different assumptions can and do result in materially different results.

MST Access Research is distributed only as may be permitted by law. It is not intended for distribution or use by any person or entity located in a jurisdiction where distribution, publication, availability or use would be prohibited. MST makes no claim that MST Access Research content may be lawfully viewed or accessed outside of Australia. Access to MST Access Research content may not be legal for certain persons and in certain jurisdictions. If you access this service or content from outside of Australia, you are responsible for compliance with the laws of your jurisdiction and/or the jurisdiction of the third party receiving such content. MST Access Research is provided to our clients through our proprietary research portal and distributed electronically by MST to its MST Access clients. Some MST Access Research products may also be made available to its clients via third party vendors or distributed through alternative electronic means as a convenience. Such alternative distribution methods are at MST's discretion.

Access and Use

Any access to or use of MST Access Research is subject to the Terms and Conditions of MST Access Research. By accessing or using MST Access Research you hereby agree to be bound by our Terms and Conditions and hereby consent to MST collecting and using your personal data (including cookies) in accordance with our Privacy Policy (<https://mstfinancial.com.au/privacy-policy/>), including for the purpose of a) setting your preferences and b) collecting readership data so we may deliver an improved and personalised service to you. If you do not agree to our Terms and Conditions and/or if you do not wish to consent to MST's use of your personal data, please do not access this service.

Copyright of the information contained within MST Access Research (including trademarks and service marks) are the property of their respective owners. MST Access Research, or any portion thereof, may not be reprinted, sold or redistributed without the prior and written consent of MST.