Australian Mines Limited
ABN 68 073 914 191

Level 6, 66 St Georges Terrace
Perth WA 6000
+61 8 9481 5811
info@australianmines.com.au

australianmines.com.au

**11 September 2018**

# Australian Mines secures $12 million investment from US fund

**HIGHLIGHTS:**

- **$12 million of investment secured through agreement with New York-based Bergen Global Opportunity Fund II, LLC**
- **Agreement limits share value dilution and provides inbuilt flexibility with competitive terms**
- **Company remains funded through to Final Investment Decision on flagship Sconi Cobalt-Nickel-Scandium Project in Queensland**
- **Part proceeds also to be allocated to completing acquisition of Flemington Project in New South Wales on a 100% basis**

**Australian Mines Limited** ("Australian Mines" or "the Company") (Australia ASX: AUZ; USA OTCQB: AMSLF; Frankfurt Stock Exchange: MJH) is pleased to announce the execution of an investment agreement with Bergen Global Opportunity Fund II, LLC (the "Investor"), a New York-based institutional investor managed by Bergen Asset Management, LLC.

Under the terms of the agreement, the Investor will make an initial up-front investment of $4 million, followed by a second investment of $4 million, and, by mutual consent, a third investment of $4 million, each by way of an unsecured interest-free convertible security with a 24-month maturity. The key aspects of the investment are set out in the Appendix below.

Australian Mines remains fully-funded for the planned work program across the Company's project portfolio and, importantly, through to a final investment decision on its flagship Sconi Cobalt-Nickel-Scandium Project in Queensland[1].

[1] The terms of SK Innovation's option to subscribe for up to 669,000,000 shares in the Company at 12 cents per share, as detailed in the Company's announcement via the ASX dated 19 February 2018, remains unchanged. Australian Mines' ability to fund its planned program through to final investment decision is not dependent on SK

For personal use only

For personal use only

Part proceeds of the convertible securities will be allocated to completing the acquisition of the Flemington Cobalt-Scandium-Nickel Project in New South Wales on a 100% basis under the Company's Option Agreement with Jervois Mining Limited, as well as used to complete the upcoming Flemington resource expansion drilling program.

These funds will also strengthen Australian Mines' balance sheet as it progresses through the current project finance discussions for the development of the Sconi Project, while allowing the Company to maintain the operation of its demonstration-scale processing plant in Perth.

The Investor is an investment fund focused on high growth publicly-traded investment opportunities, primarily outside of the United States.

**Australian Mines Managing Director, Benjamin Bell, commented**: *"I am delighted to have attracted a significant investment in Australian Mines from a firm like Bergen, which has made a number of successful ASX investments over the years, alongside existing shareholders and management. The issue of these convertible securities reinforces the significant investment interest we have received out of the United States over the past 12 months."*

*"The investment structure gives a flexible facility and minimises any dilution at current levels for Australian Mines' shareholders. It also allows the flexibility to accelerate progress at our promising Flemington Project and greenfields Thackaringa Cobalt Project in New South Wales in parallel to delivering our development program at Sconi where, pending a positive BFS and successful funding negotiations, we plan to commence construction in early 2019."*

*****ENDS*****

**For further information:**

**Shareholders contact:**
Sophia Bolhassan
Investor Relations Manager
Ph: +61 488 022 944
E: sbolhassan@australianmines.com.au

**Media contact:**
Michael Cairnduff
Cannings Purple
Ph: + 61 406 775 241
E: mcairnduff@canningspurple.com.au

Innovation exercising its option. Any funds raised via SK Innovation exercising its option are currently earmarked for the purchasing of longer lead-time items for Australian Mines' Sconi cobalt-nickel-scandium processing plant.

For personal use only

## Appendix – Key Aspects of the Funding

1. **Certainty of access to funding.** The Agreement provides the Company with certainty of access to funding. The investment will be made as follows:
    a. $4 million invested shortly following the execution of the Agreement by way of issuance of an unsecured interest-free convertible security with a 24-month maturity (the "First Convertible")[2]
    b. An additional $4 million invested 120 days after the advance of the First Convertible by way of issuance of an unsecured interest-free convertible security with a 24-month maturity (the "Second Convertible")
    c. By mutual consent, an additional $4 million invested 120 days after the advance of the Second Convertible by way of issuance of an unsecured interest-free convertible note with a 24-month maturity (the "Third Convertible");

    for a total of up to $12 million.

2. **Minimising dilution.** The conversion price of the Convertible Notes will be at 90% of the average of five daily volume-weighted average prices ("VWAPs") of the Company's shares during a specified period immediately prior to the date of issuance of the shares on conversion. This allows the Company to potentially issue new shares at prices that are linked to the prices prevailing at the time of conversion (i.e. potentially at a premium to the current share price) and minimise the dilution for its shareholders.

3. **Interest-free investment and focus on capital appreciation.** The Investor's return on investment depends on the Company's share price appreciation, and consequently, its investment accrues no interest.

4. **Additional safeguards for the Company.** The company has a number of additional safeguards, with a particular focus on safeguards against dilution. These include the following:
    a. The Company has avoided dilution at today's levels, while retaining substantial flexibility
    b. The Investor is a passive financial investor with no board participation rights
    c. The agreement does not restrict the Company from raising additional funding
    d. The Company is not subject to any financial ratio covenants other than the Company issuing an additional 14.8 million shares to the Investor ("Collateral Shares").

5. **Other.**
    a. The investor will receive a commencement fee in connection with its investment in the Company, to be satisfied by way of issuance of shares amounting to 3% of the total amount of the investment. The Company will grant the Investor 19.8 million two-year options, with an exercise price of 130% of the average of the daily volume weighted average prices of the Company's shares for the 20 trading days prior to the date of execution of the Agreement

[2] All amounts quoted in this announcement are in Australian dollars

b. Following the issuance of shares and options referenced above, the Company may not issue more than an aggregate of 347,439,809 equity securities under the existing placement capacity of the Company under Listing Rule 7.1 and 100,907,989 equity securities under the existing placement capacity of the Company under Listing Rule 7.1A. This placement capacity far exceeds the number of shares into which the convertible securities could be converted currently given the prevailing share price; and in any event, having regard to the Company's available capacity, the Company and the Investor have agreed that the convertible securities shall not be convertible into more than the number of shares referenced above in the absence of shareholders' approval.

For personal use only