The Prospectus contains the following offers:

(a) an offer of 20,000,000 Shares at issue price of $0.25 per Share to raise $5,000,000 (Public Offer); and

(b) an offer of 2,000,000 Broker Options to the Lead Manager (or its nominee) (Broker Offer).

The Prospectus also contains the Cleansing Offer.

Lead Manager to the Public Offer: Taylor Collison Limited (AFSL No. 247083)

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. The Securities offered by this Prospectus should be considered speculative.
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CORPORATE DIRECTORY

Directors

Bruce Hancox
Non-Executive Chairman

Julian Babarczy
Non-Executive Director

Robert Brand
Managing Director and Chief Executive Officer

Company Secretary and Chief Financial Officer

Paul Mason

Registered Office

Suite 7, 100 Mill Point Road
SOUTH PERTH WA 6151

Telephone: +61 (08) 9367 3177
Email: info@aiminerals.com.au
Website: www.aiminerals.com.au

Proposed ASX Code

AAM

Share Registry

Link Market Services Limited
QV1 Building, Level 12
250 St Georges Terrace
PERTH WA 6000

Phone: +61 1300 554 474
Fax: +61 2 9287 0303

Solicitors to the Offers

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Solicitors reporting on Title

All Mining Legal Pty Ltd
Suite 2, 257 York Street
SUBLACO WA 6008

Auditor

Walker Wayland Audit (WA) Pty Ltd
Level 3, 1 Preston Street
COMO WA 6152

Investigating Accountant

Crowe Horwath Perth
Level 5, 45 St Georges Terrace
PERTH WA 6000

Independent Technical Expert

SRK Consulting (Australasia) Pty Ltd
Level 1, 10 Richardson Street
WEST PERTH WA 6005

Industry and Market Consultant

Aust-Asia Stratum Resources
32A Deakin Place
WEST PENNANT HILLS, NSW 2125

Lead Manager

Taylor Collison Limited (AFSL No. 247083)
Level 10, 167 Macquarie Street
SYDNEY NSW 2000
Telephone: +61 (02) 9377 1500
Fax: +61 (02) 9232 1677
IMPORTANT NOTICE

This Prospectus is dated 8 February 2019 and was lodged with the ASIC on that date. The ASIC, the ASX and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Securities the subject of this Prospectus should be considered speculative.

Exposure Period

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. You should be aware that this examination may result in the identification of deficiencies in this Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act. Applications for Securities under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on applications lodged prior to the expiry of the Exposure Period.

Applicants Outside Australia and New Zealand

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia and New Zealand should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. It is important that investors read this Prospectus in its entirety and seek professional advice where necessary.

No action has been taken to register or qualify the Securities or the Offers, or to otherwise permit a public offering of the Securities in any jurisdiction outside Australia and New Zealand. This Prospectus has been prepared for publication in Australia and New Zealand and may not be released or distributed in the United States of America.

Notice to New Zealand Investors

The Public Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and Regulations. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

The Offer and the content of the offer document is principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the Offer must be made.
There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial products market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial products markets that operate in New Zealand.

**Electronic Prospectus**

A copy of this Prospectus can be downloaded from the website of the Company at www.aiminerals.com.au. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company by phone on +61 (08) 9367 3177 during office hours or by emailing the Company at info@aiminerals.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.
Website

No document or information included on our website is incorporated by reference into this Prospectus.

Investment Advice

This Prospectus does not provide investment advice and has been prepared without taking account of your financial objectives, financial situation or particular needs (including financial or taxation issues). You should seek professional investment advice before subscribing for Securities under this Prospectus.

Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as ‘may’, ‘could’, ‘believes’, ‘estimates’, ‘targets’, ‘expects’, or ‘intends’ and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 5 of this Prospectus.

ASX Waiver Application

ASX Listing Rule 1.1 (Condition 12) provides that if an entity has options on issue the exercise price for each underlying security must be at least 20 cents in cash.

The Company has made an application to the ASX for a waiver from the requirements of ASX Listing Rule 1.1 Condition 12 to allow the Company to have performance rights to acquire Shares (Performance Rights) on issue with an exercise price that is less than 20 cents at the time its Shares are quoted on the ASX. Refer to Sections 12.6, 12.8 and 13.5 of this Prospectus for further detail regarding the issue and recipients of the Performance Rights.

Statement of Past Performance

This Prospectus includes information regarding past performance. Investors should be aware that past performance should not be relied upon as being indicative of future performance. This is particularly the case in relation to the Company and its intentions for the Harts Range Project.
Photographs and Diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Definitions

Terms used in this Prospectus are defined in the Glossary in Section 15.
Dear Investor

On behalf of the Directors, it gives me great pleasure to invite you to become a Shareholder in Australian Industrial Minerals Limited (AIMinerals or Company).

AIMinerals was capitalised in February 2018 with the objective of acquiring 100% of the issued capital of Australian Abrasive Minerals Pty Ltd (AAM), which holds the Harts Range Project, located in the Northern Territory, Australia. The Company is also pursuing a strategy that may see it become a diverse industrial minerals producer and supplier, by acquiring production-ready industrial mineral opportunities that are a strategic fit for the Company.

The objective of the Company is to extract, process and sell industrial abrasives from an alluvial sand deposit located at Harts Range in the Northern Territory. These abrasives are used in abrasive blast cleaning, waterjet cutting and water filtration applications. The Directors believe that these abrasives represent a more environmentally acceptable product than those currently used in such applications and processes.

The Harts Range Project consists of the Harts Range Mine located 140km north-east of Alice Springs in the Northern Territory and includes two mineral leases and two exploration licences, a bore field, Fine Screening Plant and Wet Concentrator Plant, power station and accommodation village as well as a Mineral Separation Plant located approximately 30km north of Alice Springs. The tenements that comprise the Harts Range Project are two granted mineral leases (ML28614 and ML23868) and two granted exploration licences (EL24360 and EL28696) (together, the Tenements) with JORC (2012 Edition) compliant Measured and Inferred Resources and Proved Ore Reserves. Further detail regarding the Project and the Tenements is set out in Section 4, the Independent Technical Report (Section 6) and the Solicitor’s Report on Tenements (Section 9).

This Prospectus is seeking to raise $5,000,000 through the offer of 20,000,000 Shares at an issue price of $0.25 per Share (Public Offer). Funds raised under the Public Offer will primarily be used to complete development of production facilities at the Harts Range Project and for working capital purposes while building stockpiles of industrial abrasive products.

The Company has assembled an experienced management team which is well qualified to exploit the potential of the Company’s mineral assets. The Board has significant expertise and experience in the mining, processing and sales of industrial minerals and in financing and managing ASX listed companies. The Board will seek to ensure that funds raised through the Public Offer will be utilised in a cost-effective manner to advance objectives at the Harts Range Project.

I look forward to you joining us as a Shareholder and sharing in what we believe are exciting times ahead for the Company. Before you make your investment decision, I urge you to read this Prospectus in its entirety, including the risk factors described at Section 5, and seek professional advice if required.

Yours sincerely

MR BRUCE HANCOX
NON-EXECUTIVE CHAIRMAN
KEY OFFER INFORMATION

KEY DATES - Indicative timetable*

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodgement of Prospectus with the ASIC</td>
<td>8 February 2019</td>
</tr>
<tr>
<td>Exposure Period begins</td>
<td>8 February 2019</td>
</tr>
<tr>
<td>Exposure Period ends</td>
<td>15 February 2019</td>
</tr>
<tr>
<td>Opening Date</td>
<td>18 February 2019</td>
</tr>
<tr>
<td>Closing Date of the Public Offer and Broker Offer</td>
<td>8 March 2019</td>
</tr>
<tr>
<td>Issue of Securities under the Offers and on conversion of Convertible Notes</td>
<td>22 March 2019</td>
</tr>
<tr>
<td>Closing Date of the Cleansing Offer</td>
<td>25 March 2019</td>
</tr>
<tr>
<td>Despatch of holding statements</td>
<td>26 March 2019</td>
</tr>
<tr>
<td>Expected date for quotation of Shares on ASX</td>
<td>28 March 2019</td>
</tr>
</tbody>
</table>

* The above dates are indicative only and may change without notice. The Exposure Period may be extended by the ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act. The Company reserves the right to extend the Public Offer Closing Date or close the Offers early without prior notice. The Company also reserves the right not to proceed with the Offers at any time before the issue of Securities to Applicants.

KEY OFFER DETAILS

<table>
<thead>
<tr>
<th>Event</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Shares on Issue</td>
<td>245,210,790</td>
</tr>
<tr>
<td>Additional Shares to be issued separate to the Offers¹</td>
<td>24,250,000</td>
</tr>
<tr>
<td>Public Offer price per Share</td>
<td>$0.25</td>
</tr>
<tr>
<td>Shares to be issued under the Public Offer</td>
<td>20,000,000</td>
</tr>
<tr>
<td>Shares to be issued under the Cleansing Offer</td>
<td>1</td>
</tr>
<tr>
<td>Total number of Shares on issue following the Offers²</td>
<td>289,460,791</td>
</tr>
<tr>
<td>Gross Proceeds of the Public Offer</td>
<td>$5,000,000</td>
</tr>
</tbody>
</table>

Notes:

1. Comprising, 21,750,000 Shares to be issued upon conversion of the Convertible Notes and 2,500,000 Shares to be issued to Branvest Pty Ltd (ACN 009 034 262) as trustee for the Branvest Family Trust (an entity controlled by Director, Mr Robert Brand) in consideration for the acquisition of a 10% interest in ML23868 [Branvest Acquisition] (refer to Section 12.2 for further detail).

2. The Company notes that this includes 21,750,000 Shares to be issued upon conversion of the Convertible Notes and 2,500,000 Shares to be issued pursuant to the Branvest Acquisition.
### 1. INVESTMENT OVERVIEW SECTION

<table>
<thead>
<tr>
<th>Item</th>
<th>Summary</th>
<th>Further Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Who is the issuer of the Prospectus?</td>
<td>Australian Industrial Minerals Limited (ACN 623 197 142) <em>(AIMinerals or Company)</em>.</td>
<td>Section 4</td>
</tr>
<tr>
<td>Who is the Company?</td>
<td>The Company was incorporated as a proprietary company limited by shares on 1 December 2017 and capitalised in February 2018 with the objective of acquiring 100% of the issued capital of Australian Abrasive Minerals Pty Ltd <em>(AAM)</em>. Following Shareholder approval, the Company became an unlisted public company limited by shares on 30 November 2018.</td>
<td>Section 4.1</td>
</tr>
<tr>
<td>Who is AAM?</td>
<td>AAM was incorporated in February 2006 and in 2009, entered into an agreement to acquire the early stage tenements comprising the Harts Range Project <em>(Project or the Harts Range Project)</em> for the specific purpose of developing the Harts Range Project into a supplier of industrial abrasives. In 2014, AAM secured an investment partner to develop the Harts Range Project. Plant and equipment were acquired and installed, and commissioning commenced in June 2017. During the commissioning phase, there was a machine failure in the centrifuge section of the plant and equipment. AAM’s investment partner was no longer in a position to fund the necessary rectification nor provide the funding for the build-up of working capital, leading to the appointment of voluntary administrators in August 2017. During the period of voluntary administration, the Company was incorporated, acquired the interests of the investment partner in AAM, and in April 2018 when the administration period was concluded, regained control of AAM. Subsequently, the interests of the minority shareholder in AAM were acquired, resulting in the Company obtaining an 100% in AAM and its interests in the Harts Range Project and tenements located in the Northern Territory, Australia. Refer to</td>
<td>Section 4.3</td>
</tr>
<tr>
<td>What is the Harts Range Project?</td>
<td>The Harts Range Project comprises the Harts Range Mine located 140km northeast of Alice Springs in the Northern Territory and includes two mineral leases, two exploration licences, a bore field, Fine-Screening Plant, Wet Concentration Plant, power station and accommodation village, as well as a Mineral Separation Plant located 30km northwest of Alice Springs. The mineral leases (ML28614 and ML23868) cover an area of 7,345Ha and the surrounding exploration licences cover approximately 216km² (49 sub-blocks). All current water extraction, mining and processing activities are carried out within the boundaries of mineral lease ML28614. Currently, the Company has Mineral Resources and Proved Ore Reserves at the Project reported in accordance with JORC Code (2012 Edition) (refer to Sections 4.5.4 and 4.5.8 and the Independent Technical Report at Section 6 for further detail).</td>
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<tr>
<td>What is garnet and what does the garnet industry look like?</td>
<td>Garnet and hornblende are naturally occurring minerals that are chemically inert, non-toxic and durable, and present lower health and environmental risks in their use than silica sand and mineral slag which are currently the most widely used minerals in the industrial abrasive industry, primarily because they are low cost. Within the industrial abrasive industry, garnet is typically used in abrasive blast cleaning, waterjet cutting and water filtration applications, whereas hornblende is usually restricted to use in abrasive blast cleaning, where it substitutes for mineral slag. Abrasive blast cleaning is the process by which a steady stream of industrial abrasive media is propelled by air at high pressure against a surface to remove mill scale, rust and old coatings in preparation for applying new coatings. Waterjet cutting is the process of combining water under ultrahigh pressure with entrained garnet grains to cut a wide variety of materials. Water filtration uses garnet as a support layer in multi-media filtration applications were its superior hardness, high specific gravity and durability is used to hold in</td>
<td></td>
</tr>
</tbody>
</table>
place the layers of other filtration media during backwash cleaning of the filter. The Industry and Market Consultant believes the Harts Range Project contains garnet and hornblende capable of producing products suitable for these three applications. Garnet is the principal mineral that drives the economics of the Project.

**What is the Company’s interest in the Harts Range Project?**

The Company, via its wholly owned subsidiary AAM, holds a 100% legal and beneficial interest in the tenements comprising the Harts Range Project (other than as set out below).

The Harts Range Project consists of the following tenements:

(a) ML 28614;
(b) ML 23868 (90% held by AAM and 10% held by Branvest (an entity, controlled by Director, Robert Brand). However, the Company notes that it has entered into an agreement to acquire the remaining interest that it does not already own (being, 10%) from Branvest);
(c) EL 24360; and
(d) EL 28696.

Refer to the Solicitor’s Report on Tenements at Section 9 for further information regarding the Tenements and Section 12.2 for a summary of the Branvest Acquisition Agreement.

### B. Business Model

**How will the Company generate income?**

The Harts Range Project is intended to provide the Company with an opportunity to establish itself as a reliable supplier of high-quality abrasive products for potential uses in blast cleaning, water jet cutting and water filtration markets.

The Company’s management team are well placed to exploit this position given their extensive and detailed knowledge of the global industrial abrasive market.

A detailed explanation of the Company’s business model is provided at Section 4.13.

**What is the key business objective of the Company?**

The Company’s primary objective and post listing strategy is to recommission and seek to maximise production at the Harts Range Project.

The Company will leverage off the continued global demand for a reliable
supplier of environmentally friendly abrasive products. The Board of Directors believe that on completion of the Public Offer, the Company will have sufficient funds to carry out its stated objectives.

### What are the key dependencies of the Company’s business model?

The key dependencies for the Company to meet its objectives are:

(a) raise sufficient funds to achieve the Company’s business strategies;

(b) the successful recommissioning of the Company’s production facilities and construction of the Screening and Packing Plant at Port Adelaide;

(c) growth in the use of abrasive minerals in the abrasive blast cleaning, water jet cutting and water filtration industries and the continued demand for environmentally friendly, high quality abrasive products;

(d) establishing partnerships with logistics and transport companies and distributors on a geographic and industry specific basis; and

(e) retaining highly skilled management staff.

### C. Key Advantages and Key Risks

What are the key advantages of an investment in the Company?

The Directors are of the view that an investment in the Company provides, without limitation, the following (non-exclusive) advantages:

(a) Measured Mineral Resources and Proved Ore Reserves reported in accordance with JORC Code (2012 Edition) (refer to Sections 4.5.4 and 4.5.8 and the Independent Technical Report at Section 6 for further detail);

(b) application of conventional open pit methods and the use of readily available earth moving equipment;

(c) exposure to a well-equipped and recommissioned Harts Range Project that has previously produced and sold garnet and hornblende products to end use; and

(d) access to established infrastructure including sealed roads, the Adelaide-Darwin railway and port facilities at Port Adelaide.
In addition, the Company has a highly experienced team, that has a long association and deep knowledge of the Harts Range Project with existing industry and market contacts and relationships, which is well qualified to exploit the potential of the Company’s mineral assets and advantages.

What are the key risks of an investment in the Company?

Prospective investors should be aware that subscribing for Securities in the Company involves a number of risks and uncertainties. The risk factors set out in Section 5 and other risks applicable to all listed securities, may affect the value of the Company’s Securities in the future.

The key risks that apply to an investment in the Company as set out below, however investors should refer to Section 5 for a more detailed summary of the risks.

(a) Garnet prices: Unlike most mineral commodities, the garnet market is not transparent. Garnet is not traded on an exchange and the prices are not set by independent bodies. Producers of garnet products renegotiate prices with individual consumers and price information is rarely reported. Commercial payment terms are also negotiated between buyer and seller and can vary widely. For industrial garnet, product pricing is dependent on the application, quality and quantity purchased, as well as the source and type of product. Whilst there are no formal offtake and production agreements currently in place, the Company intends to develop its market position by building on existing relationships with operators, distributors and suppliers for positional advantage.

(b) Additional requirements for capital: The Directors believe that, upon the successful completion of the Public Offer, the Company will have sufficient funds to adequately meet the immediate objectives of the Company. The Directors recognise that these funds are required to cover operational costs (refer Section 2.8) during the period until the proceeds from sales are sufficient to meet the Company’s cash outflows. Should the cash reserves not be sufficient to support
the Company during this period, the Company may seek to raise further funds through equity or debt financing or other means. Failure to obtain sufficient financing for the Company’s activities may result in delay and postponement of its production activities. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve dilution to Shareholders.

(c) **Operational risks:** During operations at the Harts Range Project, the Company’s ability to achieve production, development, operating cost and capital expenditure estimates on a timely basis cannot be assured. The business of mining and production of industrial abrasives involves a number of risks and may be impacted by factors including quantity of ore, grade of ore, metallurgical recovery, input prices (some of which are unpredictable and outside the control of the Company), overall availability of free cash to fund continuing development activities, labour force disruptions, cost overruns, changes in the regulatory environment and other unforeseen contingencies. In addition, the Company’s performance could be adversely affected if for any reason its production and processing is unexpectedly interrupted or slowed.

(d) **Tenure and access:** Mining and exploration tenements are subject to periodic renewal. There is no guarantee that current, or future tenements and or applications for tenements will be approved. In particular, the Company notes that its application for renewal of EL24360 is currently under assessment and has not been approved by the Minister (although there are no factors present which support a refusal). Further, the renewal of the term of a granted tenement is also subject to the discretion of the relevant Minister. The imposition of
new conditions on renewal of a Tenement, or the Company’s inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company. The Company considers the likelihood of tenure forfeiture to be low given the laws and regulations governing exploration in the Northern Territory and the ongoing expenditure budgeted for by the Company. However, the consequence of forfeiture or involuntary surrender of the Tenements for reasons beyond the control of the Company could be significant. Please refer to the Solicitor’s Report on Tenements in Section 9 for further details.

(e) **Price volatility and currency exchange rate:** Changes in the market price of industrial abrasives will affect the profitability of the Company’s operations and its financial condition. A decline in the market price of industrial abrasives below the Company’s production costs for any sustained period would have a material adverse impact on the profit, cash flow and results of operations of the Company’s Project. The Company will also have to assess the economic impact of any sustained lower industrial abrasives prices on recoverability, and therefore on cut-off grades and the level of its Mineral Resources and Ore Reserves. For further information of the potential impacts of price and currency volatility on the Harts Range Project, please refer to section 3.5 of the Independent Technical Report (contained in Section 6 of this Prospectus).

(f) **Reliance on key personnel:** The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance that there will be no detrimental impact on the Company if one or more of these employees cease their employment.
Additional key risks are disclosed at Section 5 of the Prospectus.

### D. Directors and Key Management Personnel

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
<th>Section(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who are the Directors?</td>
<td>The current Board is not anticipated to change upon admission to the Official List and will be comprised of: (a) Bruce Hancox – Non-Executive Chairman; (b) Robert Brand – Managing Director and Chief Executive Officer; and (c) Julian Babarczy – Non-Executive Director.</td>
<td>4.16 and 10.1</td>
</tr>
<tr>
<td>Other Key Management Personnel?</td>
<td>The Company’s Chief Financial Officer and Company Secretary is Paul Mason. The Company’s Chief Operating Officer is Curtis Brand.</td>
<td>10.1</td>
</tr>
<tr>
<td>What are the Director’s interests in the Company?</td>
<td>Each Director’s interest in the Company is set out at Sections 9, 10.2 and 12.</td>
<td>9, 10.2 and 12</td>
</tr>
</tbody>
</table>

### E. Financial Information

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
<th>Section(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the Company's financial performance?</td>
<td>The statutory audited historical statement of profit or loss and other comprehensive income for the financial years ended 31 December 2016 and 31 December 2017 for AAM and for the period ended 30 June 2018 for the Company are set out in the Financial Information Section at Section 7. Based on the pro forma historical consolidated statement of financial position of the Company as at 30 June 2018, the Company will have: (a) total assets of approximately $42.9m; (b) total liabilities of approximately $1.7m; (c) net assets of approximately $41.2m; and (d) following the completion of the Public Offer, the Company will have cash and cash equivalents of approximately $8.5m. The information in respect of the historical performance of the Company should not be regarded as an indication of the future performance of the Company. Prospective investors should be aware that there is no certainty that the future performance of the Company will be</td>
<td>7</td>
</tr>
</tbody>
</table>
similar to the historical performance of the Company.

What is the financial outlook for the Company?

Given the current status of the Company’s projects and the speculative nature of mineral exploration and development, the Directors do not consider it is appropriate to forecast future earnings. Any forecast or projection information could contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection on a reasonable basis.

### F. Offers

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is being offered and who is entitled to participate in the Public Offer?</td>
<td>The Public Offer is an offer of 20,000,000 Shares at an issue price of $0.25 per Share to raise $5,000,000 (before costs). The minimum amount to be raised under the Public Offer is the full subscription, being $5,000,000. The Company will not accept oversubscriptions. The Public Offer is open to retail and sophisticated investors in Australia and New Zealand.</td>
</tr>
<tr>
<td>What is the purpose of the Public Offer?</td>
<td>The purpose of the Public Offer is to facilitate an application by the Company for admission to the Official List and to position the Company to achieve the objectives stated at section B above. The Board believes that on completion of the Public Offer, the Company will have sufficient working capital to achieve its objectives.</td>
</tr>
<tr>
<td>What is being offered under and what are the purposes of the Broker Offer and the Cleansing Offer?</td>
<td>The Broker Offer is an offer of 2,000,000 Broker Options to the Lead Manager (or its nominee). The purpose of the Broker Offer is to satisfy part of the Company’s obligations under the Lead Manager Mandate and to remove the need for an additional disclosure document to be issued upon the sale of any Shares that are issued on exercise of the Broker Options. The Cleansing Offer is an offer of 1 Share at an issue price of $0.25. The purpose of the Cleansing Offer is to remove the need for an additional disclosure document to be issued upon the sale of any Shares that are issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Cleansing Offer Closing Date (e.g.</td>
</tr>
</tbody>
</table>

Sections 7

Sections 2.1, 2.5 and 2.9

Section 2.1 and 4.20

Sections 2.2 and 2.3
<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares issued on conversion of the Convertible Notes). You should not complete a Broker Offer Application Form or Cleansing Offer Application Form unless specifically directed to do so by the Company.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the Public Offer underwritten?</td>
<td>The Public Offer is not underwritten.</td>
<td>Section 2.6</td>
</tr>
<tr>
<td>Who is Lead Manager to the Public Offer?</td>
<td>The Company has appointed Taylor Collison (AFSL No. 247083) as lead manager to the Public Offer (Lead Manager). Details of the fees payable to the Lead Manager for these services (including, without limitation, the Broker Options to be issued to the Lead Manager under the Broker Offer) are set out in Section 12.4 of this Prospectus.</td>
<td>Sections 2.7 and 12.4</td>
</tr>
<tr>
<td>Will I be guaranteed a minimum allocation under the Public Offer?</td>
<td>The Company is not in a position to guarantee a minimum allocation of Shares under the Public Offer. Shares will be issued under the Public Offer in accordance with the allocation policy set out in Section 2.10.</td>
<td>Section 2.10</td>
</tr>
<tr>
<td>What will the Company’s capital structure look like after the completion of the Offers?</td>
<td>Refer to Section 4.20 for a pro-forma capital structure following completion of the Offers.</td>
<td>Section 4.20</td>
</tr>
<tr>
<td>What are the terms of the Securities offered under the Offers?</td>
<td>A summary of the material rights and liabilities attaching to the Shares offered under the Offers is set out in Section 13.2. A summary of the material rights and liabilities attaching to the Broker Options offered under the Broker Offer is set out in Section 13.4.</td>
<td>Sections 13.2 and 13.4</td>
</tr>
<tr>
<td>Will any of the Shares issued under the Public Offer be subject to escrow?</td>
<td>No, none of the Shares issued under the Public Offer will be subject to escrow.</td>
<td>Section 2.12</td>
</tr>
<tr>
<td>Will any other Securities be subject to escrow?</td>
<td>Subject to the Company complying with Chapters 1 and 2 of the ASX Listing Rules and completing the Public Offer, certain Securities on issue may be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation.</td>
<td>Section 2.12</td>
</tr>
</tbody>
</table>
During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company expects that all of the Broker Options will be restricted from trading for a period of up to 24 months from the date of Official Quotation and announce to the ASX full details (quantity and duration) of the Securities required to be held in escrow prior to the Shares commencing trading on ASX.

<table>
<thead>
<tr>
<th><strong>What will be the Company’s free-float at the time of listing?</strong></th>
<th>The Company’s ‘free float’ (being the percentage of Shares not subject to escrow and held by Shareholders that are not related parties of the Company (or their associates) at the time of admission to the Official List will be greater than 20%.</th>
<th>Section 2.12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Will the Securities issued under the Offers be quoted?</strong></td>
<td>Application for quotation of all Shares to be issued under the Offers will be made to ASX no later than 7 days after the date of this Prospectus. The Broker Options to be issued under the Broker Offer will not be quoted.</td>
<td>Section 2.11</td>
</tr>
<tr>
<td><strong>What are the key dates of the Offers?</strong></td>
<td>The key dates of the Offers are set out in the Indicative timetable in the Key Offer Information Section.</td>
<td>Key Offer Information Section</td>
</tr>
<tr>
<td><strong>What is the minimum investment size under the Public Offer?</strong></td>
<td>Applications under the Public Offer must be for a minimum of $2,000 worth of Shares (8,000 Shares) and thereafter, in multiples of $500 worth of Shares (2,000 Shares).</td>
<td>Section 2.9</td>
</tr>
<tr>
<td><strong>Are there any conditions to the Offers?</strong></td>
<td>The Offers are conditional upon the following events occurring: (a) the Company raising the Minimum Subscription of $5,000,000 under the Public Offer; and (b) ASX providing the Company with a list of conditions which, once satisfied, will result in ASX admitting the Company to the Official List. If these conditions are not satisfied, the Offers will not proceed, and the Company will repay all Application Monies in accordance with the Corporations Act.</td>
<td>Section 2.4</td>
</tr>
<tr>
<td><strong>G. Use of proceeds</strong></td>
<td><strong>How will the proceeds of the Public Offer be used?</strong></td>
<td><strong>The Public Offer proceeds and the Company’s existing cash reserves will be used to:</strong>&lt;br&gt; (a) continue development of production facilities at the Harts Range Project;&lt;br&gt; (b) fund operating, administration and corporate costs; and&lt;br&gt; (c) provide working capital for the Company to build inventory stockpiles and fund initial debtors.&lt;br&gt; Further details are set out in Section 2.8.</td>
</tr>
<tr>
<td>------------------------</td>
<td>--------------------------------------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td><strong>Will the Company be adequately funded after completion of the Public Offer?</strong></td>
<td><strong>The Board believes that on completion of the Public Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus.</strong></td>
<td>Section 2.8</td>
</tr>
<tr>
<td><strong>H. Additional Information</strong></td>
<td><strong>Is there any brokerage commission or stamp duty payable by applicants?</strong></td>
<td><strong>No brokerage, commission or duty is payable by Applicants on the acquisition of Shares under the Offers.</strong>&lt;br&gt; However, the Company will (among other things) pay a fee of 6% (excluding GST) of the funds raised under the Public Offer to the Lead Manager.</td>
</tr>
<tr>
<td></td>
<td><strong>What are the tax implications of investing in Securities?</strong></td>
<td><strong>Holders of Shares may be subject to Australian tax on dividends and possibly capital gains tax on a future disposal of Shares subscribed for and issued under this Prospectus.</strong>&lt;br&gt; The tax consequences of any investment in Securities will depend upon an investor’s particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to subscribe for Securities offered under this Prospectus.&lt;br&gt; To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.</td>
</tr>
<tr>
<td></td>
<td><strong>What are the corporate governance principles and policies of the Company?</strong></td>
<td><strong>To the extent applicable, in recognition of the Company’s size and nature, the Company has adopted The Corporate Governance Principles and Recommendations (3rd Edition) as</strong></td>
</tr>
</tbody>
</table>
published by ASX Corporate Governance Council (Recommendations).

The Company’s main corporate governance policies and practices and the Company’s compliance and departures from the Recommendations as at the date of this Prospectus are outlined in Section 11 and Annexure 2 of this Prospectus.

In addition, the Company’s complete Corporate Governance Plan is available from the Company’s website at www.aiminerals.com.au.

Where can I find more information?

(a) By speaking to your sharebroker, solicitor, accountant or other independent professional advisor.

(b) By contacting the Company Secretary on +61 (08) 9367 3177.

(c) By contacting the Company’s share registry on +61 1300 554 474.

This Section is a summary only and not intended to provide full information for investors intending to apply for Securities offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.
2. DETAILS OF THE OFFERS

2.1 The Public Offer

Pursuant to this Prospectus, the Company invites applications for 20,000,000 Shares at an issue price of $0.25 per Share to raise $5,000,000.

The Shares offered under the Public Offer will rank equally with the existing Shares on issue. A summary of the material rights and liabilities attaching to the Shares is set out in Section 13.2.

Application for quotation of the Shares issued under the Public Offer will be made to ASX no later than 7 days after the date of this Prospectus. Refer to Section 2.11 below for further details.

2.2 The Broker Offer

The Broker Offer is an offer of 2,000,000 Broker Options to be issued to the Lead Manager (or its nominee) in part consideration for services provided in relation to the Public Offer.

The Broker Options offered under the Broker Offer will be issued on the terms and conditions set out in Section 13.4. The Company will not apply for quotation of the Broker Options to be issued under the Broker Offer.

The purpose of the Broker Offer is to satisfy part of the Company’s obligations under the Lead Manager Mandate and to remove the need for an additional disclosure document to be issued upon the sale of any Shares that are issued on exercise of the Broker Options.

Only the Lead Manager (or its nominee) may apply under the Broker Offer. A personalised Broker Offer Application Form in relation to the Broker Offer will be issued to the Lead Manager together with a copy of this Prospectus. You should not complete a Broker Offer Application Form unless specifically directed to do so by the Company.

2.3 The Cleansing Offer

The Cleansing Offer is an offer of 1 Share at an issue price of $0.25.

The Share offered under the Cleansing Offer will rank equally with the existing Shares on issue. A summary of the material rights and liabilities attaching to the Shares is set out in Section 13.2.

The purpose of the Cleansing Offer is to remove the need for an additional disclosure document to be issued upon the sale of any Shares that are issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Cleansing Offer Closing Date (e.g. Shares issued on conversion of the Convertible Notes).

Application for the Share under the Cleansing Offer must be made using the Cleansing Offer Application Form. You should not complete a Cleansing Offer Application Form unless specifically directed to do so by the Company.

Application for quotation of the Share issued under the Cleansing Offer will be made to ASX no later than 7 days after the date of this Prospectus. Refer to Section 2.11 below for further details.
2.4 **Minimum Subscription**

The minimum amount which must be raised under the Public Offer is the full subscription of $5,000,000 (**Minimum Subscription**).

If the Minimum Subscription has not been raised within 4 months after the date of this Prospectus, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

2.5 **Oversubscriptions**

No oversubscriptions will be accepted by the Company.

2.6 **Not underwritten**

The Public Offer is not underwritten.

2.7 **Lead Manager**

Taylor Collison Limited (ACN 008 172 450) (Australian Financial Services Licence No: 247083) (**Taylor Collison**) has been appointed as Lead Manager to the Public Offer. The terms of the Lead Manager Mandate with Taylor Collison and the fees payable to Taylor Collison are summarised in Section 12.4.

2.8 **Use of Funds**

The Company intends to apply funds raised from the Public Offer, together with existing cash reserves, over the first two years following admission of the Company to the official list of ASX as follows:

<table>
<thead>
<tr>
<th>Funds available</th>
<th>Full Subscription ($5,000,000)</th>
<th>Percentage of Funds (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing cash reserves¹</td>
<td>4,245,000</td>
<td>45.92</td>
</tr>
<tr>
<td>Funds raised from the Public Offer</td>
<td>5,000,000</td>
<td>54.08</td>
</tr>
<tr>
<td>Total</td>
<td>9,245,000</td>
<td>100.00</td>
</tr>
</tbody>
</table>

**Allocation of funds²**

- Development and commissioning of the production facilities at the Harts Range Project³ | 700,000 | 7.57 |
- Additional mobile mining and service equipment | 1,040,000 | 11.25 |
- Security deposits⁴ | 500,000 | 5.41 |
- Exploration | 106,000 | 1.15 |
- Operating costs while building inventory stockpiles and fund initial sales debtors | 4,334,000 | 46.88 |
- Administration costs⁵ | 460,700 | 4.98 |
- Costs of the Public Offer⁶ | 757,140 | 8.19 |
- Other working capital requirements | 1,347,160 | 14.57 |
| Total | 9,245,000 | 100.00 |
Notes:
1. Refer to the Financial Information set out in Section 7 and the Investigating Accountant’s Report in Section 8 of this Prospectus for further details.
2. Refer to the Independent Technical Report in Section 6 of this Prospectus for further information on the planned activities and expenditure budget for the Project.
3. Including, construction of a site maintenance workshop and mine-site buildings, procurement of critical spare parts and expansion of the accommodation village.
4. Being, bonds paid to logistics and product storage provides.
5. Including salaries, rent and general administration costs.
6. Refer to Section 13.9 of this Prospectus for further details.

It should be noted that the Company’s budgets will be subject to modification on an ongoing basis depending upon issues that may arise during production optimisation and distribution opportunities during the proposed ramp-up of operations. This will involve an ongoing assessment of the performance of the plant and equipment at the Project, efficiencies derived from the investment in and application of new equipment at the Project and ongoing anticipated customer demand.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

The Directors believe that following completion of the Public Offer, the Company will have sufficient working capital to carry out its stated objectives. It should however be noted that an investment in the Company is speculative and investors are encouraged to read the risk factors outlined in Section 5.

2.9 Applications

Applications for Shares under the Public Offer must be made using the Application Form.

By completing an Application Form, each Applicant under the Public Offer will be taken to have declared that all details and statements made by you are complete and accurate and that you have personally received the Application Form together with a complete and unaltered copy of the Prospectus.

Applications for Shares under the Public Offer must be for a minimum of 8,000 Shares and thereafter in multiples of 2,000 Shares and payment for the Shares under the Public Offer must be made in full at the issue price of $0.25 per Share.

Payment by Cheque

Completed Application Forms and accompanying cheques, made payable to “Australian Industrial Minerals Ltd - IPO Account” and crossed “Not Negotiable”, must be mailed or delivered to the address set out on the Application Form by no later than 5:00pm (WST) on the Public Offer Closing Date, which is scheduled to occur on 8 March 2019.

Payment by BPAY®

Alternatively, Applicants may apply for Shares under the Public Offer online and pay your Application Monies by BPAY®. Applicants wishing to pay by BPAY® should complete the online Application Form accompanying the electronic version of this Prospectus which is available at www.aiminerals.com.au and follow
the instructions on the online Application Form (which includes the Biller Code and your unique Customer Reference Number ("CRN").

You should be aware that you will only be able to make a payment via BPAY® if you are the holder of an account with an Australian financial institution which supports BPAY® transactions.

When completing your BPAY® payment, please make sure you use the specific Biller Code and your unique CRN provided on the online Application Form. If you do not use the correct CRN your Application will not be recognised as valid. It is your responsibility to ensure that payments are received by 5.00pm (WST) on the Closing Date. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY®, and policies with respect to processing BPAY® transactions may vary between banks, credit unions or building societies. The Company accepts no responsibility for any failure to receive Application Monies or payments by BPAY® before the Closing Date arising as a result of, among other things, processing of payments by financial institutions.

If an Application Form is not completed correctly or if the accompanying payment is the wrong amount, the Company may, in its discretion, still treat the Application Form to be valid. The Company’s decision to treat an application as valid, or how to construe, amend or complete it, will be final.

Participation in the Broker Offer and Cleansing Offer is personal and personalised Application Forms in relation to Broker Offer and Cleansing Offer will be issued to the relevant participants together with a copy of this Prospectus.

The Company reserves the right to close the Offers early.

If you require assistance in completing an Application Form, please contact the share registry on +61 1300 554 474.

2.10 Allocation Policy

The Company retains an absolute discretion to allocate Shares under the Public Offer and reserves the right, in its absolute discretion, to issue to an Applicant a lesser number of Shares than the number for which the Applicant applies or to reject an Application Form. If the number of Shares issued is fewer than the number applied for, surplus application money will be refunded without interest as soon as practicable.

No Applicant under the Public Offer has any assurance of being allocated all or any Shares applied for. The allocation of Shares by Directors will be influenced by the following factors:

(a) the number of Shares applied for;
(b) the overall level of demand for the Public Offer;
(c) the desire for spread of investors, including institutional investors; and
(d) the desire for an informed and active market for trading Shares following completion of the Public Offer.

The Company will not be liable to any person not allocated Shares or not allocated the full amount applied for.
2.11 ASX listing

Application for Official Quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. However, Applicants should be aware that ASX will not commence Official Quotation of any Shares until the Company has complied with Chapters 1 and 2 of the ASX Listing Rules and has received the approval of ASX to be admitted to the Official List. As such, the Shares may not be able to be traded for some time after the close of the Offers.

If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

2.12 Restricted Securities

Subject to the Company being admitted to the Official List, certain Securities on issue prior to the Public Offer will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation.

The Board does not expect that any Shares issued under the Public Offer will be subject to escrow under the ASX Listing Rules. However, it is expected that 100% of the Broker Options issued under the Broker Offer will be restricted for 24 months from the date of commencement of Official Quotation.

The Company will announce to the ASX full details (quantity and duration) of the Securities required to be held in escrow prior to the Shares commencing trading on ASX.

The Company confirms its ‘free float’ (the percentage of the Shares that are not restricted and are held by Shareholders who are not related parties (or their associates) of the Company) at the time of admission to the Official List of ASX will be not less than 20% in compliance with ASX Listing Rule 1.1 Condition 7.

2.13 Issue

Subject to the Minimum Subscription to the Public Offer being reached and ASX granting conditional approval for the Company to be admitted to the Official List, issue of Securities offered by this Prospectus will take place as soon as practicable after the Closing Dates.

Pending the issue of the Securities or payment of refunds pursuant to this Prospectus, all Application Monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

The Directors (in consultation with the Lead Manager) will determine the recipients of the issued Shares under the Public Offer in their sole discretion and in accordance with the allocation policy set out in Section 2.10. The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the
number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Dates.

Each of the Broker Offer and Cleansing Offer is a personal offer to the relevant persons. As such, Securities offered under the Broker Offer and Cleansing Offer will be allocated and issued to those parties (or their respective nominees) only.

Holding statements for Shares issued to the issuer sponsored subregister and confirmation of issue for Clearing House Electronic Subregister System (CHESS) holders will be mailed to Applicants being issued Shares pursuant to the Public Offer as soon as practicable after their issue.

2.14 Applicants outside Australia and New Zealand

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia and New Zealand. Applicants who are resident in countries other than Australia and New Zealand should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia and or New Zealand it is your responsibility to obtain all necessary approvals for the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

2.15 Commissions payable

The Company reserves the right to pay a commission of up to 6% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee. Taylor Collison will be responsible for paying all commissions that Taylor Collison and the Company agree with any other licensed securities dealers or Australian financial services licensee out of the fees paid by the Company to Taylor Collison under the Lead Manager Mandate.

2.16 Taxation

The acquisition and disposal of Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor.

It is not possible to provide a comprehensive summary of the possible taxation positions of all potential applicants. As such, all potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.
To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

No brokerage, commission or duty is payable by Applicants on the acquisition of Shares under the Offers.

2.17 Withdrawal of Offers

The Offers may be withdrawn at any time. In this event, the Company will return all Application Monies (without interest) in accordance with applicable laws.
Industry Overview

REPORT FOR

Australian Industrial Minerals Ltd

8 February 2019
Introduction

Background
This Industry Review is addressed to the Directors of Australian Industrial Minerals Ltd (AIM or Company). Stratum Resources understands that AIM is seeking admission of the Company’s securities on the Australian Stock Exchange (ASX) and that this Industry Review will be inserted as part of the Prospectus prepared by the Company to be lodged with the Australian Securities and Investment Commission (ASIC) in respect of the Company’s Initial Public Offering (IPO). Stratum Resources declares that it has taken all reasonable care to ensure that the information contained in this Industry Review is, to the best of its knowledge, true and correct at the time of issue.

Scope of Industry Review
This Industry Review is intended to be inserted in the Prospectus in its entirety and its scope and format is presented for that purpose. It presents the following information:
- Industrial Abrasives Industry Overview
- Garnet Market Overview
- Garnet Supply
- Garnet Demand
- Garnet Applications
  - Abrasive Blast Cleaning
  - Waterjet Cutting
  - Water Filtration

Reliance of Information
This Industry Review is, by its nature and purpose limited in scope, notwithstanding it provides a valuable and reliable overview of the Industrial Abrasive Industry and the Garnet Market. The author has a detailed knowledge of the global garnet industry and the information that makes up this Industry Review has been obtained from a wide range of sources, including discussions with leading distributors and reference to various published data.

Declaration
Stratum resources will receive a fee of $5,000 for the preparation of this Industry Review in accordance with normal professional consulting practices. Neither Stratum Resources nor the author has at the date of this report any shareholding, pecuniary or any other economic or beneficial interest in the Company.

Compiled by

M. G. Lines

Murray Lines.
3 Industry Overview

3.1 Industrial Abrasive Industry Overview

In 2015 the global industrial abrasive industry consumed about 42.25 million tonnes of mineral products, apportioned as shown in Figure 1 below.

![Figure 1 - Global Industrial Abrasive Industry (Industry Sources 2015)](image)

Silica sand, as well as coal slag and copper slag (collectively “mineral slag”) are the most widely used minerals in the industrial abrasive industry, primarily because they are low cost.

However, garnet and hornblende mineral products have potential to be in increasing demand as a replacement for silica sand and mineral slag due to health risks associated with the inhalation of airborne crystalline silica dust and the rapid decline in the use of mineral slag due to environmental concerns with their production and use.

Coal slag is produced as a waste product from old technology coal fired power stations that are being phased out in many countries due to the shift to clean energy supply sources.

Copper slag is produced as a waste product from the copper smelting process that concentrates heavy metals, that have potential to cause health and environmental concerns with its use and expensive disposal costs after use.

Garnet and hornblende are naturally occurring minerals that are chemically inert, non-toxic and durable, and present lower health and environmental risks in their use than silica sand and mineral slag.

Within the industrial abrasive industry, garnet is typically used in abrasive blast cleaning, waterjet cutting and water filtration applications, whereas hornblende is usually restricted to use in abrasive blast cleaning, where it substitutes for mineral slag.

Abrasive blast cleaning is the process in which a steady stream of industrial abrasive media is propelled by air at high pressure against a surface to remove mill scale, rust and old coatings in preparation for applying
new coatings. Garnet and hornblende provide a suitable surface profile for the new coatings to adhere to the clean surface.

Waterjet cutting is the process of combining water under ultrahigh pressure with entrained garnet grains to cut a wide variety of materials. Currently, there is no viable substitute for garnet in waterjet cutting applications because of its optimum performance of cutting power versus cost and its lack of toxicity.

Water filtration uses garnet as a support layer in multi-media filtration applications were its superior hardness, high specific gravity and durability is used to hold in place the layers of other filtration media during backwash cleaning of the filter.

The Harts Range Project comprises a Mineral Resource that contains garnet and hornblende capable of producing products suitable for all of these three applications. Garnet is the principal mineral that drives the economics of the Project.

### 3.2 Garnet Market Overview

Garnet is a naturally occurring mineral that has many end-uses and applications, historically ranging from gemstone to industrial abrasive. Garnet’s high angular fractures, superior hardness and high specific gravity make it ideally suited for use as an industrial abrasive.

Garnet is in demand for a variety of industrial applications including; aircraft and automotive manufacturing, ship building and repair, oil and gas production, power generation, steel construction, and water and wastewater treatment. The primary industrial applications for garnet are; water filtration, abrasive blast cleaning and waterjet cutting. The natural particle size of the garnet grains determines the end use application as shown in Figure 2 below.

![Garnet Particle Size v Application](Industry Sources 2019)

The Harts Range Project mineral resource contains the complete range of garnet grain particle sizes required for these industrial applications as shown in Figure 3 below.

![Garnet Particle Size Distribution in Mineral Resource](SRK Consulting Independent Expert Report
Table ES – 1 Mineral Resource estimate as at December 2017 Page i)
The U.S. Geological Survey, reported that global demand for garnet across all specifications used in industrial applications increased by more than 5 times to 1.69 million tonnes in the 10 years to 2015 as shown in Figure 4 below.

This demand was driven by strong global economic activity, environmental and health issues associated with silica sand and mineral slag, and greater enforcement of regulations to improve water quality and reduce pollution from wastewater.

The U.S. Geological Survey reported that prices for garnet used in industrial applications increased by a factor in excess of 2.5 in the 10 year period 2005 to 2015 as shown in Figure 5 below.
3.2.1 Garnet supply

The majority of garnet produced worldwide is either alluvial and found in beach and river deposits (India, Australia and South Africa) or contained in hard rock deposits (North America and China).

In 2015, production of garnet was dominated by India, China and Australia that collectively account for more than 90% of global production.

Garnet produced in India, Australia and South Africa is predominately for the export market, while garnet produced in China is consumed in the domestic market. Currently there are three primary producers of garnet in North America. Australia has two existing garnet producers, including the Harts Range Project. India has three large producers of garnet, although in February 2017 the Indian media reported that the Indian Government banned exports of garnet from these producers in December 2016 due to an ongoing dispute in regards to illegal mining activities and claims of unpaid royalties. The dispute and ban continues and has resulted in production from these producers being shutdown, effectively removing about 770,000 tonnes per annum (“tpa”) of export garnet from the global supply chain. China has three significant garnet producers. Production of garnet concentrate commenced as a by-product of a mineral sands mine in South Africa in 2014 and is reported to supply approximately 200,000 tpa of garnet concentrate in 2018 (which is not included in the U.S. Geological Survey production figures for 2015).

Global production of garnet is reported by the U.S. Geological Survey to be 1.69 million tonnes in 2015, apportioned as show in Figure 6 below.

![Figure 6 - Global Garnet Production by Region (USGS 2015)]
3.2.2 Garnet demand

Demand for garnet in industrial applications is dominated by China, the Middle East, Europe and North America, that together in 2015 accounted for 85% of global garnet consumption, as shown in Figure 7 below.

![Figure 7 - Global Garnet Consumption in Industrial Applications by Region (USGS 2015)](image)

3.3 Abrasive blast cleaning market

Driven by garnet’s superior performance and non-hazardous nature, demand in abrasive blast cleaning applications have continued to grow as garnet is increasingly used as a substitute for legacy abrasive materials, such as silica sand and mineral slag. Garnet abrasives are used extensively in shipyards for removing coatings, mill scale and rust from hulls and superstructures. Industrial painting contractors also use garnet abrasives for facility maintenance and blast room work. The oil and gas industry uses garnet abrasives for abrasive blast cleaning of tanks, offshore platforms and pipeline projects.

Increasing concerns around health and environmental issues should enable garnet producers to capture a larger market share of the abrasives market.

There has been an increasing trend to move away from silica sand and mineral slag to garnet in the abrasive blast cleaning market. Silica sand has been banned in several countries due to the potential health risks associated with inhaling crystalline silica dust. Mineral slag has the potential to leach heavy metals if not disposed of correctly, resulting in high disposal costs.

Since the 2008 global downturn, global growth in the abrasive blast cleaning market has been split between emerging and developed economies. The global abrasives industry is closely linked with global GDP growth, particularly in the construction and manufacturing sector.
3.4 Waterjet cutting market

The waterjet cutting market is dominated by the use of garnet.

Garnet was the industrial abrasive used to develop the waterjet cutting technology around 25 years ago and to date there is no viable alternative. Initially there was a low rate of adoption of this technology, primarily because of the lack of awareness among end-users about the capabilities of waterjet cutting. In the late 1990’s, there was a higher rate of market penetration especially in aircraft and automotive manufacturing where waterjet cutting achieved better economics when compared to competing technologies such as laser machining and mechanical cutting.

The increase in market uptake can be attributed to an increase in accuracy of waterjet cutting technology, the material cutting capacity and also development of more user-friendly software. The range of material that waterjet cutting machines can cut is also expanding. With improvements in pump technology, material of up to 35 cm in thickness can now be cut with precision. Positioning and general table movement speed have advanced, helping users to save time while maintaining product quality.

Waterjet cutting is also being applied in new industries not previously utilised. The use of robotic cutting as well as research and development has seen the emergence of waterjet cutting in industries such as medical, biotechnology and dentistry.

An example of this is the application of waterjet cutting technology in the intricate cutting of fibreglass motherboards for smart phone, tablets and PC equipment. Lasers have fire risks and waterjet cutting, as an alternative, has been ideal for application in this market.

3.5 Water filtration market

Garnet is also used as a support layer in multi-media filtration systems. Because of its hardness, high specific gravity and durability, garnet, when installed correctly, stays in its own layer holding down the layers underneath during backwash cleaning while helping to distribute the backwash flow evenly throughout the bed.

Garnet demand for water filtration particularly for high pressure filter systems is increasing overall, partly because of tighter regulations. For example, municipal multi-media water filters in the USA previously were required to be replaced every 7 to 10 years, however now the required replacement is every 3 to 4 years.

There is a global supply shortage of coarse garnet for this application and there is no real alternative, although other materials such as ilmenite and magnetite have been investigated with limited success.

The increase in demand for garnet in this application is associated with stringent water and wastewater regulations, an expanding population, and reduced access to economic water resources, as well as the rapid industrialisation of emerging economies such as China, India and Indonesia.

The expanding practice of wastewater treatment, especially across the developing nations in Africa and Asia-Pacific, is expected to bolster garnet demand in this application.
4. COMPANY AND PROJECT OVERVIEW

4.1 Company Background

The Company was incorporated on 1 December 2017 and capitalised in February 2018 with the objective of acquiring 100% of the issued capital of Australian Abrasive Minerals Pty Ltd (AAM).

AAM was incorporated in February 2006 and in 2009, entered into an agreement to acquire the early stage tenements comprising the Harts Range Project (Project or the Harts Range Project), for the specific purpose of developing the Harts Range Project into a major global supplier of industrial abrasives.

On 30 November 2018, the Company changed its status to an unlisted public company limited by Shares.

4.2 Corporate Structure

The current corporate structure of the Company is as follows:

- The Company notes that Mineral Separation Plant Pty Ltd is currently under the control of external administrators following effectuation of the DOCA (described below), is in the process of being deregistered and is not considered material to the Offers, the Company or its intended operations at the Harts Range Project.

4.3 AAM Background

As set out above, AAM is a Perth based company which was established for the primary purpose of developing the Harts Range Project into a supplier of industrial abrasives. The management of AAM are mining industry professionals with many years’ experience in the industrial abrasives market and in the distribution of industrial abrasive products.

AAM entered into an agreement to acquire the early stage tenements comprising the Harts Range Project in 2009 and in June 2014, secured funding from a foreign private equity firm which enabled production to commence at the Harts Range Project in June 2017. Approximately 5,000 tonnes of garnet product marketed as AUSTRALIAN INDUSTRIAL MINERALS LTD

100%

AUSTRALIAN ABRASIVE MINERALS PTY LTD

100%

MINERAL SEPARATION PLANT PTY LTD (UNDER EXTERNAL ADMINISTRATION)*
“HRG” and hornblende product marketed as “GBX” were produced during the ramp-up to full production.

In August 2017, the centrifuge, a bottleneck point in the plant and equipment at the Harts Range Project, failed. A decision was made by AAM to replace this piece of machinery with two higher capacity and more robustly constructed centrifuges to enable production to achieve full capacity. This decision required AAM to order the new machinery, await delivery and then install and test prior to production at the Project recommencing. The private equity firm which had funded the Harts Range Project up to then was not, as a result of other unrelated issues, in a position to provide the funding required for the new machinery and the working capital required to carry the Project to full production. The lack of funding ultimately causing the Directors to appoint voluntary administrators (Administrators) to AAM on 24 August 2017.

Following the appointment of the Administrators, the Harts Range Project was placed on care and maintenance while a sale of AAM was pursued. During the care and maintenance period, sales of AAM’s industrial abrasive products continued from stockpiles of the earlier produced products. In February 2018, the Company acquired a 92% interest in AAM and in March 2018, the Company proposed a recapitalisation of the Company through a deed of company arrangement (DOCA).

On 13 April 2018, the DOCA was entered into, the period of voluntary administration was concluded and the DOCA was wholly effectuated. Under the terms of the DOCA, the interest in AAM not already held by the Company (being, an 8% interest held by Michaelmas Holdings Pty Ltd (an entity controlled by Director, Mr Robert Brand and Chief Operating Officer, Curtis Brand) was transferred to the Company, the claims of creditors were transferred from AAM to a creditors’ trust established by the Administrator and control of AAM and its assets (including, the Harts Range Project) was handed back to the directors of AAM.

Following effectuation of the DOCA and the Company acquiring a 100% interest in AAM, the Harts Range Project has seen a number of additional plant and equipment upgrades including the provision and installation of the two new centrifuge machines and progressive recommissioning of the production facilities has commenced.

Following completion of the Public Offer, the Company intends to complete ramp-up of production and sales.

4.4 Overview of the Harts Range Project

4.4.1 Objective

The objective of the Company is to extract, process and sell industrial abrasives from an alluvial sand deposit located at Harts Range in the Northern Territory. These abrasives are used in abrasive blast cleaning, waterjet cutting and water filtration, with abrasives intended on being produced from the Harts Range Project representing a more environmentally acceptable product than many of those currently used in such applications and processes.

The Harts Range Project is intended to provide the Company with an opportunity to establish itself as a reliable supplier of high quality abrasive products for potential uses in blast cleaning, water jet cutting and water filtration markets. The Company’s management team are well placed to exploit this position given their extensive and detailed knowledge of the global industrial abrasive market.
4.4.2 Harts Range Mine and Mineral Separation Plant

The Harts Range Project comprises the Harts Range Mine located 140km northeast of Alice Springs in the Northern Territory and includes two mineral leases, two exploration licences, a bore field, Fine-Screening Plant, Wet Concentration Plant, power station and accommodation village as well as a Mineral Separation Plant located 30km northwest of Alice Springs.

A map showing the location of the Project is shown below in Figure 8.

Figure 8 Location of the Harts Range Project

Access to the Project area from Alice Springs is north along the Stuart Highway for approximately 70km and then east along the Plenty Highway for approximately 140km. A dedicated access road heading north from the Plenty Highway for approximately 4km leads to the Harts Range Mine. The Mineral Separation Plant is also close to existing road and rail networks providing ready access to Australian customers and ports for export.

As set out in further detail in the Solicitor’s Report on Tenements (Section 9 of this Prospectus) and the Independent Technical Report (Section 6 of this Prospectus), the Harts Range Project consists of the following tenements:

(a) ML 28614;
(b) ML 23868;
(c) EL 24360; and
(d) EL 28696.

(together, the Tenements).

The mineral leases cover an area of 7,345Ha and the surrounding exploration licences cover approximately 216km² (49 sub-blocks). All current water extraction,
4890-01/2110102_1  41

mining and processing activities are carried out within the boundaries of mineral lease ML28614.

Currently, the Company has Mineral Resources and Proved Ore Reserves at the Project reported in accordance with JORC Code (2012 Edition) (refer to Sections 4.5.4 and 4.5.8 below for further detail and the Independent Technical Report at Section 6).

A summary of the production process at the Harts Range Project is shown below in Figure 9. Refer to Sections 4.6 to 4.12 for further detail in relation to the Company’s production process.

**Figure 9 Summary of the Production Process**

4.5 **Description of JORC Resources and Reserves at the Harts Range Project**

For compliance with JORC Code (2012 Edition), JORC Table 1 (Sections 1 to 4) have been compiled by mining and resource geologist Ms Tamara Nicolle (an employee of AAM) and Competent Person, Mr Bradley Knell (employee of B3 Geology and Mining Consultants) and is presented as Annexure A to this Prospectus.

4.5.1 **Local Geology**

The local geology at the Harts Range Project has been described with the following geological units:

(a) **River Wash**: Sands and gravels of the active channels of Aturga Creek and the Plenty River.

(b) **Floodplain Deposits**: Consolidated, but unaltered and un lithified, mostly from 1.5 to 4.5m thick.

(c) **Dunes**: Fixed sand-dunes, up to 20m thick. They contain carbonate alteration and some lithification, especially towards their base.

(d) **Swales**: Between the dunes. They are finer-grained than the dunes and more strongly lithified.
Paleochannels: Older floodplain and river channel deposits unconformably beneath the floodplain, dune, and swale units. They are lithified and subject to carbonate alteration in part.

Cainozoic clay: Cainozoic clay unconformably underlies the above units. It is known from water bores in the area to be in excess of 100m thick in places. It is cream or green in colour and contains minor sand grains.

The garnet mineralisation at the Project forms loose individual clean grains derived from erosion of the hard rock garnetiferous Proterozoic Irindina Formation, a member of the Harts Range Schists and deposited and reworked in the ancient and present-day river systems. Heavy minerals predominantly of hornblende and garnet have been deposited in sand dunes, swales, floodplains, paleochannels and modern-day river deposits.

Refer to section 2.6 of the Independent Technical Report (contained in Section 6 of this Prospectus) for further detail.

4.5.2 Drilling and Data Collection

There have been numerous drill programs completed at the Project. The Mineral Resource estimate was informed by the assay results from the 2010 drilling program (refer to section 2.8.1 of the Independent Technical Report (contained in Section 6 of this Prospectus) for further detail).

A total of 121 air core holes for 1038m were drilled on a notional 200m by 100m grid pattern. Access tracks to the Project area were prepared by a small loader hired from the nearby Atitjere community, with GPS controlled grid lines being cleared. Drill spacing was deemed adequate and verified in 2017 using Datamine software and geo-statistics using Snowdens software package ‘Supervisor’.

Aircore holes were drilled to depths ranging from 4 to 15m with an average depth over the entire program of approximately 9m. The recovered sand material was passed through a cyclone prior to sampling. Aircore drill samples were collected at 1m intervals down each hole and composited on site into regular 2m samples. Samples at the end of holes, particularly when in calcrete or basement clays (outside of the main area of interest) were occasionally composited into 3 metre intervals. No sample bias was identified with no obvious sample loss.

All drilling and sampling were performed under the strict supervision of a qualified geologist. All drilling intervals were logged by a qualified geologist on site as drilling progressed. Whilst no specific twinned holes were drilled during this program, there were several previously drilled exploration holes within close proximity to 4 of the holes. These were compared and related closely for quality purposes.
All assaying was carried out by Diamantina Laboratories Pty Ltd (Diamantina) located in Perth using the heavy mineral Tetrabromoethane (TBE) separation method of analysis. Diamantina’s stringent internal quality assurance and quality control (QAQC) procedures were followed including the use of duplicates and standards. The sample preparation and analysis procedures are of industry standard with appropriate internal QAQC measures.

The Diamantina sample preparation and analysis methods are summarised below:

(a) An automated system of weighing, using balances that input weights directly into a centralised Microsoft Access specially designed database for the entire minerals sands process.

(b) The Access Database has automated checks – for example data cells have checks across columns such as split weight < Initial weight, heavies weight < split weight.

(c) The balances are serviced every 6 months by the distributor.

Repeats and Standards:

- A repeat sample is processed/inserted in a regular manner, for example every 20 samples.

- A standard sample, supplied by an industry renowned supplier, is processed/inserted regularly, typically every 40 samples.

Sample Receipt and Splitting:

- All samples are laid out in numerical order on sample receipt, onto trollies.
Any listed samples not present or extra samples are noted.

All samples are split to within plus or minus 5 grams of the target split weight and placed into labelled brown bags.

**Washing:**

On receipt of the split samples in labelled brown bags; white buckets are set out on trolleys, then labelled with the sample number, with the appropriate metal tag placed within the bucket, then the equivalent brown split sample bag placed in the bucket.

A manager will then inspect all buckets so that the sample number on the bucket matches the metal tag and matches the sample number on the sample brown bag. Only subsequent to this stage, will the brown bag be torn open and the sample placed in the white bucket.

When split samples are placed into buckets and soaked, prior to washing, the repeat samples are visually checked by two people, as to be the same sample.

The sieves are visually inspected periodically for any damage/holes to the sieve and replaced if necessary.

The sieves are placed into a large ultrasonic bath for 20 minutes, for thorough cleaning every 2 hours.

**Drying/ Splitting:**

If the washed sample doesn’t adhere to laboratory standards/run averages it is placed into a bucket and rewashed.

The weights of the washed fractions are double checked subsequent to the washing stage, as to fall within a reasonable range. Samples are repeated if there are outliers found.

The repeat sample weights are checked following washing/drying so as to fall within a small numerical range of each other for the clay fraction loss. If not, the repeat samples are repeated.

The standard samples weights are checked following washing/drying so as to fall within a particular range set out for particular mineral sands processing parameters used (e.g. +1mm -63µm). If not, the sample is repeated.

If any sample shows erroneous results subsequent to washing/drying, then the sample is repeated.

**TBE Separation:**

Prior to TBE separation of a set of samples, the TBE is tested so as to fall into the 2.94 to 2.96 specific gravity. The value is recorded along with the job number and sample numbers, and the employees’ names.

During TBE/HM separation, the samples are left for multiple periods of settling within TBE, then periodically shaken during TBE separation, to make for a robust and repetitive separation.
• On TBE separation the TBE is completely filtered within the sample tissue, then subsequently filtered again, then air filtered to remove acetone used in the previous processes, so as to completely restrict any contamination between samples on reuse of TBE, and to ensure correct SG level.

Heavy Mineral Weights:

• All heavy mineral fractions are put into sample numerical order before these fractions are weighed.

Data is reported as % heavy minerals (HM), %slimes (<63µm) and % oversize (OS) (+1mm) - where % is the % of the original sample.

Diamantina then performed mineralogical analysis of the HM resulting in individual mineral identification. It should be noted that only the garnet % data was available.

Further metallurgical test work on the garnet minerology was completed in 2017 with new samples taken from within the pit and sent for HM% and garnet sizing analysis. This allowed for the 4 different size garnet products to be incorporated into the model.

4.5.3 Mineralisation Modelling and Estimation

The geological units were wireframed using Datamine software. These wireframes were then used as hard boundaries to define the lithological zones in the block model.

The drill hole data was divided into lithological domains prior to modelling. Zone 1 = Floodplain (FP), Zone 2 = Paleochannel (PC), Zone 3 = Cemented paleochannel (PCC) and Zone 4 = Dunal material.

Composites within the zones were analysed to ensure the grade distribution was indicative of a single population. The coefficient of variation (cv) was low for all zones but some extreme values present in log histograms and log probability plots showed some top-cutting was warranted. Spatial continuity was also undertaken in each zone using the Snowdens software package ‘Supervisor’. A kriging neighbourhood analysis was undertaken to review the appropriate block size for estimation.
Block sizes of 50m x 100m x 2m were used. The block model and grade estimation were done using the inverse distance cubed (ID3) method in Datamine software. The heavy minerals (HM), garnet, oversize and slimes were estimated into the model for each zone. The search orientation was derived from the continuity analysis and the search distances from approximately half the ranges of the variogram.

Three search passes were done in line with the variogram ranges- at 400m x 200m x 2m followed by 1.5 times and 2 times the distances.

Two density fields were initially included in the block model. DENSITYA is the assigned density of 1.65 t/m³. The second density field is DENSITY and this was calculated via an equation which is an industry standard in mineral sands. Further density work was completed in November 2017 and resulted in the creation of the following equation being used:

\[
DENSITY = \frac{(0.61(((100-HM)*2.65)+(HM*3.4)))/(100-SLIMES)}
\]

Any un-estimated blocks were given a background density of 1.8.

The Harts Range block model was then validated visually and statistically by comparing the estimated grade versus the composite grades in the Supervisor software. The statistical comparison indicated that the block model is an accurate reflection of the input composite grades for each estimated domain.
The model was then depleted for what was mined to July 2017 based on the survey data.

4.5.4 Mineral Resource Classification and Reporting

As part of the Mineral Resource modelling process, a drill spacing study was completed to determine the confidence levels of the resource. Data quality was also factored in.

Based on the study, it was decided that the confidence level was high enough to classify the resource of Zones 1 and 2 as ‘Measured Resource’ and no further grade control drilling was necessary. Any extra information that might be gained from further drilling would not have had a significant impact on the Mineral Resource due to the selected mining and processing methods.

The data from Zones 3 and 4 (below the paleochannel layer) was not as robust or as heavily populated so the statistical work was confined to Zones 1 and 2 as these are the only 2 units that the Company can mine with its equipment. These two zones (Zones 3 and 4) were therefore classified as ‘Inferred Resource’.

Assignment of the Mineral Resource classification has been made on the drill spacing and the continuity has been determined geologically to be appropriate for this style of deposit.

Current Mineral Resources for the Harts Range Project are set out in the following table and are detailed in the Independent Technical Report (Section 6 of this Prospectus).
Total Mineral Resource for the Harts Range Project as at December 2017

<table>
<thead>
<tr>
<th>ZONE</th>
<th>DESCRIPTION</th>
<th>Million Tonnes</th>
<th>Density</th>
<th>HM % Grade</th>
<th>OS %</th>
<th>SLIMES %</th>
<th>Garnet %</th>
<th>GSIZEA %</th>
<th>GSIZEB %</th>
<th>GSIZEC %</th>
<th>GSIZED %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Flood Plain (FP)</td>
<td>15.50</td>
<td>1.99</td>
<td>23.72</td>
<td>5.74</td>
<td>13.48</td>
<td>5.85</td>
<td>0.18</td>
<td>1.64</td>
<td>2.05</td>
<td>1.99</td>
</tr>
<tr>
<td>2</td>
<td>Paleochannel (PC)</td>
<td>11.20</td>
<td>1.98</td>
<td>20.23</td>
<td>22.71</td>
<td>13.67</td>
<td>5.41</td>
<td>0.16</td>
<td>1.57</td>
<td>2.22</td>
<td>1.46</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>26.70</td>
<td>1.99</td>
<td>22.25</td>
<td>12.88</td>
<td>13.56</td>
<td>5.66</td>
<td>0.17</td>
<td>1.61</td>
<td>2.12</td>
<td>1.77</td>
</tr>
</tbody>
</table>

Inferred Mineral Resource for the Harts Range Project - December 2017

<table>
<thead>
<tr>
<th>ZONE</th>
<th>DESCRIPTION</th>
<th>Million Tonnes</th>
<th>Density</th>
<th>HM % Grade</th>
<th>OS %</th>
<th>SLIMES %</th>
<th>Garnet %</th>
<th>GSIZEA %</th>
<th>GSIZEB %</th>
<th>GSIZEC %</th>
<th>GSIZED %</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>PC Consolidated (PCC)</td>
<td>79.00</td>
<td>1.92</td>
<td>11.04</td>
<td>31.93</td>
<td>16.60</td>
<td>2.28</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>4</td>
<td>Dune</td>
<td>4.88</td>
<td>1.93</td>
<td>21.26</td>
<td>1.70</td>
<td>13.35</td>
<td>5.33</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>83.88</td>
<td>1.92</td>
<td>11.63</td>
<td>30.19</td>
<td>16.42</td>
<td>2.46</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Total Resource</td>
<td></td>
<td>110.58</td>
<td>1.94</td>
<td>14.20</td>
<td>26.00</td>
<td>15.73</td>
<td>3.23</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

4.5.5 Mining Modifying Factors

An assumption was made that the 2 economic zones, Flood Plain (FP) and Paleochannel (PC) (or Zones 1 and 2) will be mined simultaneously for ease of processing. There is also essentially no overburden on top of the ore so only topsoil and subsoil would be removed in the mining process. No waste overlying the ore was therefore factored into the model.

Mining involves the use of an excavator and dump trucks to an average depth of 5m, with no overburden and 10cm of topsoil removed and stockpiled for future rehabilitation.

No dilution factors were applied as mining is essentially from surface down to hard cemented paleochannel as a base of the free-dig.

4.5.6 Metallurgical Factors and Processing

The Harts Range mineral concentrator follows a relatively standard flowsheet to produce a heavy mineral concentrate targeting a 45-50% garnet content via the following unit operations:

(a) Ore feed and primary coarse ore screening for oversize removal.
(b) Dry fine ore screening to remove undersize material.
(c) Secondary coarse screening via a rotation wash trammel.
(d) De-sliming via hydro-cyclones.
(e) Primary gravity concentration via multi stage spirals.
(f) Secondary gravity concentration via two flat bottomed classifiers in series.
(g) Classifier over flow scavenger spirals (for fine garnet recovery).
(h) Product filtration.
(i) Tails thickening.

(j) Slimes dewatering via decanter centrifuge.

The main recovery process is well tested and widely applied technology for mineral sands recovery. The dry fine screening and decanter centrifuge are well tested technologies.

A trial pit was undertaken for a mining and processing performance evaluation in 2016. During the operation of the plant and equipment at the Harts Range Project, concentrate yields and grades were achieved that matched the mass balance determined from the test work programs.

4.5.7 Other Mining Factors

AAM has obtained all necessary environmental and government approvals for mining, processing and water extraction on ML28614. The approved environmental management plan ensures that the Project will meet standard industry environmental management practices. AAM has also prepared a comprehensive rehabilitation plan which will minimise impacts associated with mine closure.

In addition, local employment opportunities have been explored and tested during trial mining in 2016.

4.5.8 Ore Reserve Classification and Reporting

A pit design and mine schedule were completed by consultant mining engineer engaged by AAM, Mr Jarrod Pye in 2017. The pit design for the Harts Range Project was conducted from a supplied topography and floodplain and paleochannel ore surfaces.

A small portion of the pit had been mined in 2016 prior to the current pit design. This was based on a pit design done previously in 2012. The pit was mined, and a portion of the ore was used for commissioning the plant and equipment at the Harts Range Mine. The already mined portion was surveyed and accounted for in the new model and thus not included in the reserve calculations.

Statistical analysis completed during the Mineral Resource modelling on the drill density concluded the current spacing to be sufficient to estimate a Measured Resource. The continuity of the Mineral Resource was validated/supported by the geostatistical range analysis completed. Based on both previous statements the Mineral Resource has a high confidence/low risk associated with it and is reflected in the classification applied to the Mineral Resource/Ore Reserve. Risk is further reduced by:

(a) Tonnage estimates completed using density assignment based upon the relative HM% contained within each block.

(b) Model validated through Swathe plots, cross sections and flat model application ensuring confidence in the resultant model.

(c) Mine plan updated using the latest Mineral Resource model, with modifying factors such as mining recovery and slope design based upon trial mining.

The Ore Reserve was classified as Proved Reserves on the basis of trial mining undertaken and the Mineral Resource being classified as Measured. The result
satisfies all aspects relating to the Mineral Resource conversion to a Proved Ore Reserve.

The total Ore Reserve for the Harts Range Project is 24Mt with an average HM grade of 22.1% and garnet of 5.6%. Refer to the table below for further detail.

<table>
<thead>
<tr>
<th>ZONE</th>
<th>DESCRIPTION</th>
<th>Million tonnes</th>
<th>HM % Grade</th>
<th>OS %</th>
<th>SLIMES %</th>
<th>Garnet %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1&amp;2</td>
<td>Flood Plain (FP) + Paleochannel (PC)</td>
<td>23.79</td>
<td>22.10</td>
<td>13.10</td>
<td>13.30</td>
<td>5.60</td>
</tr>
</tbody>
</table>

**Proved Ore Reserve for the Harts Range Project - July 2018**

<table>
<thead>
<tr>
<th>ZONE</th>
<th>DESCRIPTION</th>
<th>Million tonnes</th>
<th>HM % Grade</th>
<th>OS %</th>
<th>SLIMES %</th>
<th>Garnet %</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>PC Consolidated (PCC)</td>
<td>79.00</td>
<td>11.04</td>
<td>31.93</td>
<td>16.60</td>
<td>2.28</td>
</tr>
<tr>
<td>4</td>
<td>DUNE</td>
<td>4.88</td>
<td>21.26</td>
<td>1.70</td>
<td>13.35</td>
<td>5.33</td>
</tr>
</tbody>
</table>

**Inferred Resource for the Harts Range Project exclusive of Proved Reserve - December 2017**

<table>
<thead>
<tr>
<th>ZONE</th>
<th>DESCRIPTION</th>
<th>Million tonnes</th>
<th>HM % Grade</th>
<th>OS %</th>
<th>SLIMES %</th>
<th>Garnet %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td>83.88</td>
<td>11.63</td>
<td>30.19</td>
<td>16.42</td>
<td>2.46</td>
</tr>
</tbody>
</table>

### 4.6 Mining and Process at the Harts Range Mine

Mining at the Harts Range Mine is carried out on an owner operator basis and commenced in 2016 primarily to provide training for indigenous employees to build a ROM stockpile in readiness for Wet Concentrator Plant commissioning ahead of the 2016/2017 wet season. Trial mining operations at the Project were suspended in August 2017.

Mining at the Project is by conventional open pit methods. The ore in the deposit is dry, “free digging”, homogenous and suitable for mining with an excavator or front-end loader. The mining depth averages 5m and there is no overburden overlaying the deposit, other than 10cm of topsoil that is removed and stockpiled for future rehabilitation.

The Mine Plan is based on mining a single open pit at a nominal rate of 360tph. The mining rate indicates sufficient Proved Reserves to support an approximate 9-year mine life.

AAM has obtained all necessary environmental and government approvals for mining and processing on ML28614, including:

(a) a Mining and Indigenous Land Use Agreement negotiated with the Central Land Council on behalf of the traditional owners in respect of ML 28614 (refer to ‘ILUA’ on page 8 of the Solicitor’s Report on Tenements set out at Section 9 of this Prospectus for further detail);

(b) a Mine Plan approved by the Department of Primary Industry and Resources (Northern Territory); and

(c) sacred site clearances in respect of ML 28614 completed by both the Central Land Council and Aboriginal Areas Protection Authority.

Access to the Harts Range Mine is governed by these agreements, authorities and approvals (refer to ‘Access Issues’ on page 10 of the Solicitor’s Report on
Tenements set out at Section 9 of this Prospectus for further detail regarding access issues).

Once mined, the ore is currently hauled approximately 600m, (but ultimately increasing to approximately 3km over the course of the currently defined mine life), using private haul roads and dumped onto the ROM stockpile. Ore from the ROM is fed to a mobile scalper screen to protect the Fine Screening Plant from oversized ore. The Fine Screening Plant pre-treats the ore by removing dust and fine materials to reduce slimes downstream.

The pre-treated ore is then fed to the Wet Concentration Plant for heavy media separation to produce a garnet and hornblende rich heavy mineral concentrate (HMC).

4.7 Wet Concentrator Plant

Commissioning of the Mine’s Wet Concentrator Plant facilities commenced in June 2017. An amount of approximately 5,000 tonnes of garnet products were produced by the Project up to August 2017.

Processing is by low risk, industry proven technology comprising gravity separation techniques. Processing commences with beneficiated ore being fed to the trommel directly from the Fine Screening Plant by conveyor or Wet Concentrator Plant feed stockpile by front end loader (FEL) where water is added to form a slurry. The slurry is then pumped to a de-sliming hydro-cyclone.

The Wet Concentrator Plant had new centrifuges installed and commissioned in December 2018 to improve the de-sliming function as this was shown to be a bottleneck during the start-up Wet Concentrator Plant test period, prior to the end of August 2017 (refer to Section 4.3 for further detail).
4.8 Water resource

The Company’s bore field has been established approximately 5km from the plant and equipment. The bore field comprises six production bores and nine monitor bores. The western and eastern bore fields draw from separate aquifers.

Exploration drilling in 2015 identified additional water resources. Modelling indicates that the eastern bore field aquifer extends to the north east and this will be the target area for future exploration.

AAM’s approved mine management plan (Mine Plan) authorises AAM to extract 14L/sec of ground water from its bore field. The Wet Concentrator Plant water requirement is 9L/sec. Water supply from the production bores to the processing operations is via underground pipes.

By rotating the water draw from separate bore field aquifers and individual bore, the Wet Concentrator Plant requirements can be met whilst providing adequate time for aquifers to replenish.

4.9 Mineral Separation Plant

The HMC is trucked approximately 200km from the Harts Range Mine to the Mineral Separation Plant where it is stockpiled before being fed to the rotary drier to remove any residual moisture.

The Mineral Separation Plant exploits the differences in magnetic susceptibility and specific gravity of the minerals contained in the HMC to separate into the various end products.

The dried HMC is screened into coarse and fine streams and each stream is fed through a series of double and single rare earth drum magnets and onto gravity separators. This process produces a composite of garnet end use products and a saleable end use hornblende product marketed as “GBX”.

Currently, GBX and garnet is packed into bulk bags at the Mineral Separation Plant.
The Mineral Separation Plant commenced production in June 2017. To date, 5,000 tonnes of HRG and GBX products have been produced and either sold to customers or sent to customers for assessment.

Refer to the Independent Technical Report for further information in respect of the Harts Range Project.

4.10 Logistics and Transport

As set out above, AAM transports (with third party logistics providers) the garnet and hornblende heavy mineral concentrate (HMC) by truck approximately 200km from the Harts Range Mine to the Mineral Separation Plant along the site access road, Plenty Highway, Stuart Highway and Tanami Road. After processing at the Mineral Separation Plant, the garnet and hornblende products are transported by truck to a railhead in Alice Springs. Alice Springs sits on a major north-south railway line that connects Darwin and Adelaide.

Following completion of the Public Offer, the Company proposes that the garnet composite (to be marketed as HRG) will be railed directly from Alice Springs to the Screening and Packing Plant under construction at the Port Adelaide outer harbour adjacent to Flinders Adelaide Container Terminal Berth 6 (refer to Section 4.11 below for further detail in relation to the Screening and Packing Plant). It is proposed that the GBX product will be railed to the Port Adelaide inner harbour bulk Common User Berth 29 for export.

AAM is currently negotiating with a number of nationwide Australian transport companies to provide freight services between the Harts Range Mine and
Adelaide. As at the date of this Prospectus, no contractual arrangements have been entered into.

In addition, storage, handling, loading and port charges are being established with Flinders Port, the owner and operator of the Port Adelaide inner and outer harbour terminals. As at the date of this Prospectus, no such arrangements have been entered into.

4.11 Port Adelaide Screening and Packing Plant

Funds raised under the Public Offer will be used to complete construction of the Screening and Packing Plant at the Port Adelaide outer harbour.

The Screening and Packing Plant is being used to separate the garnet composite into four size-based end use products to be marketed as HRG. HRG products will be packed into bags by an automatic packing line and loaded into containers for export.

4.12 Distribution, Sales and Marketing

The HRG and GBX products which are to be packed at Port Adelaide will be in their final end use state, unlike most mineral products that go on for further refining or processing into other end use products.

In the Director’s view, the industrial abrasives market is typically characterised by a large number of end use customers that consume relatively small quantities, requiring several layers of distribution. Accordingly, it is intended that the Company will appoint distributors on a global geographic and industry basis to provide local networks that accommodate language and cultural differences and to mitigate the risks of fluctuations in global, local and industry economic activity.

The management of the Company and in particular, AAM have extensive knowledge of the global industrial abrasive market and have fostered long-term relationships with established distribution networks both locally and globally. This is intended to provide the Company with the foundation for future discussions regarding potential offtake and other production arrangements and is intended to be the cornerstone of the Company’s sales and marketing strategy.

Further, AAM has continued to supply Australian-based end users from existing product stock which was produced during commissioning in 2017 and has also distributed some production samples to its preferred distributor network. Negotiations regarding potential offtake arrangements are underway in preparation for the proposed ramp up of production of the Harts Range Project.

4.13 Business Model and Strategy

The Company was established with the objective of acquiring the Harts Range Project. The Company is also pursuing a strategy that may see it become a diverse industrial minerals producer and supplier, by acquiring production-ready industrial mineral opportunities that are a strategic fit for the Company. The Harts Range Project is the cornerstone to this model and provides the platform for the Company to develop a global customer base for its industrial mineral products.

The Company’s primary objective and post listing strategy is to recommission and seek to maximise production at the Harts Range Project. The Company intends to leverage off the continued global demand for a reliable supplier of environmentally friendly abrasive products.
In order to achieve this objective, following listing, the Company proposes to produce and supply high quality abrasive products, including garnet (marketed as HRG), and hornblende (marketed as GBX). In addition, the Company may pursue other acquisitions that have a strategic fit for the Company.

The sustainability of the Company’s business model and strategy will be enhanced by:

(a) a Measured Mineral Resource and Proved Ore Reserves at the Harts Range Project;
(b) the application of conventional open pit methods and the use of readily available earth moving equipment;
(c) the utilisation of modern technology that is widely used in the mineral separation process and in the mineral sands industry; and
(d) the access to established infrastructure including sealed roads, the Adelaide-Darwin railway and port facilities at Port Adelaide.

The Directors are of the view that on completion of the Public Offer, the Company will have sufficient working capital to carry out its stated objectives. Further information regarding the Company’s planned activities is set out in Independent Technical Report in Section 6 of this Prospectus.

4.14 Business Model Dependencies

The key dependencies for the Company to meet its business objectives are:

(a) raising sufficient funds to implement the Company’s business strategies;
(b) the successful recommissioning of the Company’s production facilities and construction of the Screening and Packing Plant at Port Adelaide;
(c) growth of the use of abrasive minerals in the abrasive blast cleaning, water jet cutting and water filtration industries and the continued demand for environmentally friendly, high quality abrasive products;
(d) establishing partnerships with logistics and transport companies and distributors on a geographic and industry specific basis; and
(e) retaining highly skilled management staff.

4.15 Competent Person’s Statement

The information in this Prospectus that relates to Mineral Resources and Ore Reserves of the Company has been reviewed by Mr Bradley Knell of B3 Geology and Mining Consultants who is engaged as a consultant to the Company and who is a member of the Australasian Institute of Mining and Metallurgy and is bound by and follows the Institute’s codes and recommended practices. Mr Bradley Knell is an employee of B3 Geology and Mining Consultants and has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaking to qualify as an expert and Competent Person as defined in the VALMIN Code and in the 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Mr Bradley Knell consents to the inclusion in this Prospectus of the matters based on his information in the form and context in which it appears.


4.16 Directors and key personnel

Bruce Hancox (BCom) - Non-Executive Chairman

Bruce joined the Board of AIMinerals in September 2018. Bruce has a Bachelor of Commerce degree from the Canterbury University in New Zealand. He has had a long and distinguished career in business in New Zealand and Australia and was for many years involved with Brierley Investments Limited as General Manager, Group Chief Executive and Chairman. He also served as a director of many Brierley subsidiaries in New Zealand, Australia and the United States. From the 1990’s he pursued various private investment interests.

Since 2008 he has been a financial advisor to interests of Lang Walker and has been a director of a number of Australian listed public companies. Bruce is currently chairman of ASX listed CarbonXT Group Limited (ASX:CG1).

Mr Hancox was a director of QRX Pharma Ltd (QRX) when it was placed into voluntary administration in May 2015 as a result of a threat of litigation against its previous directors, thereby restricting QRX from being in position to raise required capital.

The Board considers Mr Hancox to be an independent Director.

Robert Brand - Managing Director and Chief Executive Officer

Robert joined the Board of AIMinerals in September 2018. He is a Mechanical Engineer, having obtained an Associateship in Mechanical Engineering from the Western Australian Institute of Technology (now Curtin University) and is Managing Director and CEO of the Company’s wholly owned subsidiary, AAM, that he co-founded with Curtis Brand in November 2009. He was formerly CEO of GMA Garnet Pty Ltd, the world’s largest garnet producer, and CEO and Director of Barton International (Australia) Pty Ltd, a subsidiary of USA-based Barton Mines, the world’s oldest garnet producer and supplier. He has considerable experience across all major aspects of the industrial abrasives business, including exploration, development, processing plant design, construction and operation and sales and marketing.

Robert has a detailed knowledge of the Harts Range Project having worked on the Project since 2005 with specific responsibility for developing and implementing the Project development plan, formulating the marketing plan and securing offtake agreements. His extensive experience in the industrial abrasives industry has allowed him to develop strong relationships with key distributor networks worldwide.

Robert was a director of AAM and its wholly owned subsidiary, Mineral Separation Plant Pty Ltd (MSP) when they were placed in voluntary administration and saw the recapitalisation of AAM through a deed of company arrangement (refer to Section 4.2 above for further information). Robert remains a director of AAM and MSP as at the date of this Prospectus (although, the Company notes MSP is under the control of external administrators and is in the process of being deregistered).

The Board does not consider Mr Brand to be an independent Director.

Julian Babarczy - Non-Executive Director

Julian joined the Board of AIMinerals in February 2018. Julian is a Portfolio Manager at Regal Funds Management, where he has worked for the past 12 years, primarily focussed on natural resources related investments. Julian is currently co-lead
manager of Regal’s Emerging Companies Strategy, which targets investments in unlisted, pre-IPO and micro-cap companies. Julian was involved in the recapitalisation of AIMinerals and as a result of this, Regal Funds Management is currently the Company’s largest Shareholder.

Julian is an experienced finance industry professional, who brings to the board a broad skillset of financial experience and expertise, including the analysis and funding of mining related projects, as well as an active involvement in providing strategic and corporate advice to portfolio companies, where required. Julian was previously a director of the ASX listed Tawana Resources limited (now called Alliance Mineral Assets Limited) where he was involved in the company’s successful recapitalisation and subsequent exploration for mineral assets.

Julian is also a non-executive director of Perpetual Resources Limited.

As a result of Julian’s employment at Regal Funds Management (a substantial shareholder of the Company), the Board does not consider Mr Babarczy to be an independent Director (refer to Section 4.21 for further detail).

4.17 Other Management

Curtis Brand - Chief Operating Officer

Curtis is a mining and resources professional with over 20 years’ experience across a wide range of activities including project origination, acquisitions, mineral processing, marketing and logistics, corporate and executive management. He has been a director and the COO of the Company’s wholly owned subsidiary, AAM, which he co-founded with Robert Brand in November 2009.

Curtis was formerly the Logistics and Export Manager for Barton International (Australia) Pty Ltd and has specialised knowledge regarding the logistical requirements of delivering industrial minerals both domestically and across multiple global jurisdictions. Prior to his current role he was Managing Director of industrial minerals miner and producer, Universal MIO Pty Ltd where he was responsible for operations, distribution, sales and marketing.

Curtis has worked closely with the various offtake customers the Company is developing relationships with and is familiar with their specific requirements. He has worked extensively on the Harts Range Project since 2009, allowing him to develop detailed knowledge of all aspects of the operation.

Curtis was also a director of AAM and MSP when they were placed in voluntary administration and saw the recapitalisation of AAM through a deed of company arrangement (refer to Section 4.2 above for further information). Curtis remains a director of AAM and MSP as at the date of this Prospectus (although, the Company notes that MSP is under the control of external administrators and is in the process of being deregistered).

Paul Mason (BE, CA, AGIA) – Chief Financial Officer and Company Secretary

Paul was appointed as Company Secretary in September 2018. He is a Chartered Accountant and is an Associate Member of the Governance Institute of Australia. He has over 20 years’ experience in finance and accounting within the resources industry. Paul was formerly Group Accounting Manager and Company Secretary at Kingsgate Consolidated Ltd and, prior to that, Financial Controller and Joint Company Secretary at Catalpa Resources Ltd.
4.18 Additional Information

Prospective investors are referred to and encouraged to read in its entirety both the:

(a) the Independent Technical Report in Section 6 for further details about the geology, location and mineral potential of the Company’s Project; and

(b) the Solicitor’s Report on Tenements in Section 9 for further details in respect to the Company’s interests in the Tenements.

4.19 Dividend Policy

The Company does not yet have a dividend policy.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

4.20 Capital Structure

The capital structure of the Company following completion of the Offers is summarised below:

**Shares**

| Shares currently on issue$^{1,2}$ | 245,210,790 |
| Shares to be issued to Branvest pursuant to Branvest Acquisition Agreement$^3$ | 2,500,000 |
| Shares to be issued to Convertible Noteholders on conversion of the Convertible Notes$^4$ | 21,750,000 |
| Shares to be issued pursuant to the Public Offer | 20,000,000 |
| Shares to be issued pursuant to the Cleansing Offer | 1 |
| Shares to be issued pursuant to the Broker Offer | Nil |
| **Total Shares on completion of the Offers$^3$** | **289,460,791** |

**Options**

| Options currently on issue: Unquoted Options exercisable at $0.30 each, on or before the date which is 18 months after the date the Company is admitted to the Official List of the ASX$^5$ | 2,000,000 |
| Options to be issued pursuant to the Public Offer | Nil |
| Options to be issued pursuant to the Cleansing Offer | Nil |
Options to be issued pursuant to the Broker Offer:

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unquoted Options exercisable at $0.30 each, on or before the date that is 30 months from the date the Company is admitted to the Official List of the ASX</td>
<td>2,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Options on completion of the Offers</td>
<td>4,000,000</td>
</tr>
</tbody>
</table>

**Performance Rights**

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Rights to be issued on or prior to the date the Company is admitted to the Official List</td>
<td>21,200,000</td>
</tr>
<tr>
<td>Performance Rights to be issued pursuant to the Offers</td>
<td>Nil</td>
</tr>
<tr>
<td>Total Performance Rights on issue on completion of the Offers</td>
<td>21,200,000</td>
</tr>
</tbody>
</table>

**Notes:**

1. The material rights attaching to the Shares are summarised in Section 13.2 of this Prospectus.
2. The Shares currently on issue comprise 205,000,000 Shares held by Directors, key management personnel and founding Shareholders which were issued under a seed capital raising on 7 June 2018 at an issue price of $0.054 per Share, 29,771,200 Shares issued on 7 June 2018 in lieu of services provided to the Company or as consideration for the acquisition of assets and 10,439,590 Shares which were issued under a capital raising on 21 September 2018 at an issue price of $0.20 per Share. The Shares issued under the seed raisings were issued at a discount to the issue price of the Shares offered pursuant to the Public Offer to reflect the increased risk associated with an investment in the Company at the time of issue of the seed capital.
3. The material terms and conditions of the Branvest Acquisition are summarised in Section 12.2.
4. The material terms and conditions of the Convertible Notes are summarised in Section 12.3.
5. The full terms and conditions attaching to the Options currently on issue are summarised in Section 13.3.
6. The full terms and conditions attaching to the Broker Options to be issued to the Lead Manager are summarised in Section 13.4.
7. Comprising, 2,650,000 Class A Performance Rights, 2,650,000 Class B Performance Rights, 2,650,000 Class C Performance Rights and 2,650,000 Class D Performance Rights proposed to be issued on or prior to the Company’s admission to the Official List. The full terms and conditions attaching to the Performance Rights are summarised in Section 13.5 (and are subject to the final approval of ASX). Specifically, the vesting conditions (which are also subject to the final approval of ASX) are as follows:

   (a) **[Class A Performance Right]**: each Class A Performance Right will convert into one Share upon the Harts Range Mine operating at rates equal to 9,300 tonnes production of HMC over any consecutive period of 14 days.

   (b) **[Class B Performance Right]**: each Class B Performance Right will convert into one Share upon AAM achieving an annualised rate of $10 million EBITDA over any one (1) month period (being, $833,333) as evidenced by AAM’s Monthly Management Accounts prepared and endorsed by the Chief Financial Officer.

   (c) **[Class C Performance Right]**: each Class C Performance Right will convert into one Share upon AAM achieving an annualised rate of $15 million EBITDA over any one (1) month period (being, $1.25 million) as evidence by AAM’s Monthly Management Accounts prepared and endorsed by the Chief Financial Officer.

   (d) **[Class D Performance Right]**: each Class D Performance Right will convert into one Share upon the Company achieving an annualised rate of $20 million EBITDA over
any one (1) month period (being, $1.67 million) as evidenced by AAM’s Monthly Management Accounts prepared and endorsed by the Chief Financial Officer.

Subject to the Company being admitted to the Official List, certain Securities on issue prior to the Offers will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

No Shares issued under the Public Offer will be subject to escrow under the ASX Listing Rules. The Company expects that 100% of the Broker Options issued under the Broker Offer will be restricted for 24 months from the date of commencement of Official Quotation.

The Company will announce to the ASX full details (quantity and duration) of the Securities required to be held in escrow prior to the Shares commencing trading on ASX.

4.21 Substantial Shareholders

Those Shareholders holding 5% or more of the Shares on issue both as at the date of this Prospectus and on completion of the Offers (assuming full subscription) are set out in the respective tables below.

As at the date of the Prospectus

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Shares (undiluted)</th>
<th>Options</th>
<th>Performance Rights</th>
<th>% (undiluted)</th>
<th>% (fully diluted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regal Funds Management Pty Ltd¹</td>
<td>73,214,577²,³</td>
<td>Nil</td>
<td>Nil</td>
<td>29.86</td>
<td>29.62</td>
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<tr>
<td>Walker Group Holdings Pty Ltd</td>
<td>19,628,822</td>
<td>Nil</td>
<td>Nil</td>
<td>8.00</td>
<td>7.94</td>
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<tr>
<td>Rask Pty Ltd ATF the RIRO Trust</td>
<td>13,975,875</td>
<td>Nil</td>
<td>Nil</td>
<td>5.70</td>
<td>5.65</td>
</tr>
</tbody>
</table>

Notes:

1. Julian Babarczy is a non-executive Director of the Company and an employee of Regal Funds Management Pty Ltd. In his capacity as an employee of Regal Funds Management Pty Ltd, Mr Babarczy is in a position to control the shareholdings in the Company held by the Regal Emerging Companies Fund I and the Regal Emerging Companies Fund Number II.

2. Comprising, 69,513,450 Shares held by Merrill Lynch (Australia) Pty Limited ACF Regal Emerging Companies Fund and 3,701,127 Shares held by Merrill Lynch (Australia) Pty Limited ACF Regal Emerging Companies Fund II, being entities managed by Regal Funds Management Pty Ltd.

3. Merrill Lynch (Australia) Pty Limited ACF Regal Emerging Companies Fund II also holds 2,000,000 Convertible Notes which will automatically convert into 12,500,000 Shares at completion of the Public Offer.

4. Walker Group Holdings Pty Ltd also holds 1,000,000 Convertible Notes which will automatically convert into 6,250,000 Shares at completion of the Public Offer.
On completion of the Offers and issue of Shares to Convertible Noteholders and Branvest (assuming no existing substantial Shareholder subscribes and receives additional Shares pursuant to the Offers)

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Shares</th>
<th>Options</th>
<th>Performance Rights</th>
<th>% (undiluted)</th>
<th>% (fully diluted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regal Funds Management Pty Ltd¹</td>
<td>85,714,577.2</td>
<td>Nil</td>
<td>Nil</td>
<td>29.61</td>
<td>27.24</td>
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<tr>
<td>Walker Group Holdings Pty Ltd³</td>
<td>25,878,822³</td>
<td>Nil</td>
<td>Nil</td>
<td>8.94</td>
<td>8.22</td>
</tr>
</tbody>
</table>

Notes:

1. Julian Babarczy is a non-executive Director of the Company and an employee of Regal Funds Management Pty Ltd. In his capacity as an employee of Regal Funds Management Pty Ltd, Mr Babarczy is in a position to control the shareholdings in the Company held by the Regal Emerging Companies Fund I and the Regal Emerging Companies Fund Number II.

2. Comprising, 69,513,450 Shares held by Merrill Lynch (Australia) Pty Limited ACF Regal Emerging Companies Fund and 16,201,127 Shares held by Merrill Lynch (Australia) Pty Limited ACF Regal Emerging Companies Fund I, being entities managed by Regal Funds Management Pty Ltd (assuming conversion of the Convertible Notes held by Merrill Lynch (Australia) Pty Limited ACF Regal Emerging Companies Fund I).

3. Assuming conversion of the Convertible Notes held by Walker Group Holdings Pty Ltd.

The Company will announce to the ASX details of its top-20 Shareholders (following completion of the Offer) prior to the Shares commencing trading on ASX.
5. **RISK FACTORS**

5.1 **Introduction**

The Shares offered under this Prospectus are considered speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company’s business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

5.2 **Company specific**

(a) **Garnet prices and offtake agreements**

Garnet prices have increased over the past few years fuelled by demand for products that use abrasive blasting and filtration. However, unlike most mineral commodities, the garnet market is not transparent. Garnet is not traded on an exchange and the prices are not set by independent bodies. Garnet prices quoted by various market sources such as Persistence Market Research provide a guideline to the price.

Producers of garnet products renegotiate prices with individual consumers and price information is rarely reported. Commercial payment terms are also negotiated between buyer and seller and can vary widely.

For industrial garnet, product pricing is dependent on the application, quality and quantity purchased, as well as the source and type of product. Whilst there are no formal offtake and production agreements currently in place, the Company intends to develop its market position by building on existing relationships with operators, distributors and suppliers for positional advantage.

(b) **Additional requirements for capital**

The Directors believe that, upon the successful completion of the Public Offer, the Company will have sufficient funds to adequately meet the immediate objectives of the Company.

The Directors recognise that these funds are required to cover operational costs (refer Section 2.8) during the period until the proceeds from sales are sufficient to meet the Company’s cash outflows.

Should the cash reserves not be sufficient to support the Company during this period, the Company may seek to raise further funds through equity or debt financing or other means. Failure to obtain sufficient financing for the Company’s activities may result in delay and postponement of its production activities. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing...
might not be favourable to the Company and might involve dilution to Shareholders.

(c) Operational risks

During operations at the Harts Range Project, the Company’s ability to achieve production, development, operating cost and capital expenditure estimates on a timely basis cannot be assured.

The business of mining and production of industrial abrasives involves a number of risks and may be impacted by factors including quantity of ore, grade of ore, metallurgical recovery, input prices (some of which are unpredictable and outside the control of the Company), overall availability of free cash to fund continuing development activities, labour force disruptions, cost overruns, changes in the regulatory environment and other unforeseen contingencies. Other risks also exist such as environmental, industrial accidents and occupational and health hazards. Such occurrences could result in damage to, or destruction of, production facilities, personal injury or death, environmental damage, delays in mining, increased production costs and other monetary losses and possible legal liability to the owner or operator of the mine.

In addition, the Company’s performance could be adversely affected if for any reason its production and processing is unexpectedly interrupted or slowed. Examples of events which could have such an impact include unscheduled plant shutdowns or other processing problems, mechanical failures, the unavailability of materials and equipment, poor or unexpected geological or metallurgical conditions, poor water condition or availability, interruptions to gas and electricity supplies, human error and adverse weather conditions.

(d) Tenure and access

Mining and exploration tenements are subject to periodic renewal. There is no guarantee that current, or future tenements and/or applications for tenements will be approved.

The Company’s Tenements are subject to the applicable mining acts and regulations in the Northern Territory. The renewal of the term of a granted tenement is also subject to the discretion of the relevant Minister. Renewal conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the Tenements comprising the Harts Range Project. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

The Company’s application for the renewal of EL24360 is currently under assessment, having been lodged on 7 September 2018. Whilst there is a risk that the renewal application will not be approved by the Minister, the Company considers that this risk is low on the basis that there are no factors present which support a refusal.

Further, the Company considers the likelihood of forfeiture of the Company’s Tenements to be low given the laws and regulations governing exploration in the Northern Territory and the ongoing expenditure budgeted for by the Company. However, the consequence of forfeiture or involuntary surrender of the Tenements for reasons beyond the control of the Company could be significant.
Although the Company has investigated title to all of its Tenements (as detailed in the Solicitor’s Report on Tenements at Section 9), the Company cannot give any assurance that title to such Tenements will not be challenged or impugned. The Tenements may be subject to prior unregistered agreements or transfers or title may be affected by undetected defects or native title claims.

All of the Company’s mineral leases and exploration licences fall within an area covered by exploration permit 284 (Permit). The Permit is an application for a petroleum exploration permit made by NT Gas Aust. Pty Ltd under the Petroleum Act (Northern Territory). Once granted, a petroleum exploration permit gives the holder the exclusive right to explore for but not produce petroleum in the title area. The Permit allows the holder to carry out exploratory operations for oil and gas and operations to establish the nature and extent of any petroleum resource discovered, including the feasibility of production. Titles granted under the Petroleum Act operate concurrently with titles granted under the Mining Act.

In addition, the Company’s Tenements all fall within a pastoral lease. However pursuant to the Mineral Titles Act 2010 (NT), compensation is only payable in relation to damage that is in excess of what is reasonably necessary for conducting the exploration activities.

Finally, the Harts Range accommodation village is situated on Crown land. The Company’s right to use this land is covered by the ML 28614 and lasts for the term of ML 28614.

Please refer to the Solicitor’s Report on Tenements in Section 9 for further details.

(e) Price volatility and currency exchange rate

Changes in the market price of industrial abrasives will affect the profitability of the Company’s operations and its financial condition. The market price is affected by numerous industry factors such as demand, currency exchange rates, production levels of competitors, customer inventory levels, cost of substitutes, changes in level of industrial activity and global political and economic factors (refer to the risk factor set out at Section 5.2(a) for further detail regarding the garnet price risk).

A decline in the market price of industrial abrasives below the Company’s production costs for any sustained period would have a material adverse impact on the profit, cash flow and results of operations of the Company’s Project. The Company will also have to assess the economic impact of any sustained lower industrial abrasives prices on recoverability, and therefore on cut-off grades and the level of its Mineral Resources and Ore Reserves.

International prices of industrial minerals are generally denominated in United States dollars, whereas the majority of the Company’s expenditures are in Australian dollars. This exposes the Company to potential financial variations due to fluctuations in the rate of exchange between the United States dollar and the Australian dollar.
Reliance on key personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

The Company mitigates loss of key personnel by ensuring key management personnel have entered into employment contracts on standard industry terms and are motivated by incentive-based remuneration through existing incentive arrangements.

Reliance on agents and contractors

The Directors are unable to predict the risk of the insolvency or managerial failure by any of the contractors used (or to be used in the future) by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used (or to be used in the future) by the Company for any activity.

Environmental, health and safety

The operations and proposed activities of the Company are subject to Territory and Federal laws and regulations concerning the environment. As with most mining operations, the Company’s activities are expected to have an impact on the environment. It is the Company’s intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. The Company has a mine management plan in place which includes an environmental management plan which has been approved by the NT Department of Primary Industry and Resources.

Mining operations have inherent risks and liabilities associated with safety and damage to the environment occurring as a result of mineral production. The occurrence of any such safety or environmental incident could delay production or increase production costs. Events, such as unpredictable rainfall or bushfires may impact on the Company’s ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of non-compliance with environmental laws or regulations.

Native title and Aboriginal heritage

In relation to the Tenements which the Company has an interest in, or will in the future acquire such an interest, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Company to gain access to Tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected.

The Company has a mining agreement in place with the Central Land Council on behalf of the traditional owners in respect of ML 28614 which covers the Company’s obligations under Aboriginal heritage.
Please refer to the Solicitor’s Report on Tenements in Section 9 of this Prospectus for further details.

(j) **Water licence**

The Company sources water for use in the mineral separation process at the Harts Range Project from a bore field adjacent to the Harts Range processing plant. The Company has a licence from the Northern Territory Government to extract water from this bore field at a rate which is sufficient for the processing requirements of the plant for the foreseeable future. Were the licence conditions to be adversely changed, the licence withdrawn, or water flows reduced due to natural causes the Company may need to source an alternative water supply which could cause production delays and increased costs.

(k) **Royalties**

Mineral production from the mineral leases held by the Company are subject to Northern Territory royalties. In addition, a royalty is also payable to the Central Land Council for the benefit of the traditional owners under the terms of a mining agreement with them. Future amendments to royalty rates and terms could impact the profitability of the Harts Range Project.

(l) **Restricted securities reducing liquidity**

Subject to the Company being admitted to the Official List, certain Securities on issue prior to the Offers will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company will announce to the ASX full details (quantity and duration) of the Securities required to be held in escrow prior to the Shares commencing trading on ASX.

5.3 **General risks**

(a) **Economic**

General economic conditions, introduction of tax reform, new legislation, movements in inflation rates and currency exchange rates may have an adverse effect on the Company’s development, production and distribution activities, as well as on its ability to fund those activities.

(b) **Competition risk**

The industry in which the Company will be involved is subject to domestic and global competition. Although the Company will undertake reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company’s Project and business.
(c) **Currently no market**

There is currently no public market for the Company’s Shares. The price of its Shares is subject to uncertainty and there can be no assurance that an active market for the Company’s Shares will develop or continue after the Public Offer.

The price at which the Company’s Shares trade on ASX after listing may be higher or lower than the Public Offer price and could be subject to fluctuations in response to variations in operating performance and general operations and business risk, as well as external operating factors over which the Directors and the Company have no control, such as movements in industrial abrasives prices and exchange rates, changes to government policy, legislation or regulation and other events or factors.

(d) **Market conditions**

Share market conditions may affect the value of the Company’s quoted securities regardless of the Company’s operating performance. Share market conditions are affected by many factors such as:

- General economic and political outlook.
- Introduction of tax reform or other new legislation.
- Interest rates and inflation rates.
- Changes in investor sentiment toward particular market sectors.
- The demand for, and supply of, capital.
- Terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

Applicants should be aware that there are risks associated with any securities investment. Securities listed on the stock market, and in particular securities of exploration companies experience extreme price and volume fluctuations that have often been unrelated to the operating performance of such companies. These factors may materially affect the market price of the Shares regardless of the Company’s performance.

(e) **Dividends**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.
(f) **Taxation**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

(g) **Force majeure**

The Company’s Project now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(h) **Government policy changes**

Adverse changes in government policies or legislation may affect ownership of mineral interests, taxation, royalties, land access, labour relations, and mining and exploration activities of the Company. It is possible that the current system of exploration and mine permitting in the Northern Territory may change, resulting in impairment of rights and possibly expropriation of the Company’s properties without adequate compensation.

(i) **Litigation risks**

The Company is exposed to possible litigation risks including native title claims, tenure disputes, environmental claims, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company’s operations, financial performance and financial position. The Company is not currently engaged in any litigation.

(j) **Insurance**

The Company has insured its operations in accordance with industry practice. However, in certain circumstances the Company’s insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

Insurance of all risks associated with mineral production and distribution is not always available and where available the costs can be prohibitive.
5.4 **Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.
6. INDEPENDENT TECHNICAL REPORT
Independent Expert Report on the Harts Range Project, Northern Territory

Report Prepared for
Australian Industrial Minerals Limited

Report Prepared by
SRK Consulting (Australasia) Pty Ltd
TIN001
8 February 2019
Independent Expert Report on the Harts Range Project, Northern Territory

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SRK Project Number: TIN001

8 February 2019

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Peer Reviewed by
Michael Cunningham
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and
Karen Lloyd
Principal Consultant
Executive Summary

Australian Industrial Minerals Limited (AIM or Company) wholly owned subsidiary Australian Abrasive Minerals Pty Ltd (AAM) has a 100% interest in the Harts Range Project (Project) located in the Harts Range district of the Northern Territory.


This Report will be included as part the Prospectus prepared by the Company and lodged with ASIC in respect of the Company’s Initial Public Offering (IPO) (Prospectus). Its objective is to provide an independent assessment of the Mineral Resource and Ore Reserves and the techno-economic assumptions that would likely be considered by the market as part of a potential investment in the Project.

The Project comprises two granted mineral leases, one granted exploration licence and one exploration licence under application for renewal.

Infrastructure at the Project includes a Fine Screening Plant, a Wet Concentrator Plant, a workshop, a power station, a borefield, and an accommodation camp.

A Mineral Separation Plant (MSP), including a power station, located approximately 30 km north of Alice Springs produces refined garnet and hornblende concentrates.

SRK undertook a 2-day site inspection of the Project in November 2018.

Table ES-1 shows Total Measured and Inferred Mineral Resource estimates of 110.6 Mt at 14.2% Heavy Minerals (HM) and 3.23% Garnet (using a 0% HM grade cut-off).

Table ES-1: Mineral Resource estimate as at December 2017

<table>
<thead>
<tr>
<th>Category</th>
<th>Tonnage (Mt)</th>
<th>Density (t/BCM)</th>
<th>HM Grade (%)</th>
<th>OS %</th>
<th>Slime %</th>
<th>Garnet %</th>
<th>GSIZEA (%)</th>
<th>GSIZEB (%)</th>
<th>GSIZEC (%)</th>
<th>GSIZED (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measured Resources</td>
<td>26.70</td>
<td>1.99</td>
<td>22.25</td>
<td>12.88</td>
<td>13.56</td>
<td>5.66</td>
<td>0.17</td>
<td>1.61</td>
<td>2.12</td>
<td>1.77</td>
</tr>
<tr>
<td>Inferred Resources</td>
<td>83.88</td>
<td>1.92</td>
<td>11.63</td>
<td>30.19</td>
<td>16.42</td>
<td>2.46</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Mineral Resources</td>
<td>110.58</td>
<td>1.94</td>
<td>14.2</td>
<td>26</td>
<td>15.73</td>
<td>3.23</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: OS = Oversize.

A Proved Ore Reserve estimate of 23.79 Mt at 22.10% HM and 5.60% Garnet (using a 0% HM grade cut-off) have been reported at the Project. The Ore Reserve, as determined by B3 Geology and Mining Consultants, is listed in Table 3-3.

Table ES-2: Ore Reserve for Harts Range Project as at July 2018

<table>
<thead>
<tr>
<th>Zone</th>
<th>Description</th>
<th>Tonnage (Mt)</th>
<th>HM Grade (%)</th>
<th>OS grade (%)</th>
<th>Slimes grade (%)</th>
<th>Garnet grade (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 and 2</td>
<td>Flood Plain (FP) and Palaeochannel (PC)</td>
<td>23.79</td>
<td>22.10</td>
<td>13.10</td>
<td>13.30</td>
<td>5.60</td>
</tr>
</tbody>
</table>
In SRK’s opinion, the Mineral Resource and Ore Reserve estimates reported for the Project are acceptable as a reasonable representation of global grades and tonnages and are suitable for external reporting. The Competent Person (Brad Knell AusIMM (301310) employed by B3 Geology and Mining Consultants) have taken all Modifying Factors into account in determining the Proved Ore Reserve.

SRK has reviewed the proposed mine plan and associated assumptions with respect to mining, processing and cost estimation, and considers the assumptions to be reasonable for use in financial modelling. SRK has not prepared a valuation of the Project, and SRK has not been engaged to comment on the fairness or reasonableness of the IPO.

SRK performed high-level stress testing on the AAM financial model to determine the approximate input parameter variation for revenue and operating costs, or a combination thereof, which would result in a break-even financial scenario for the Project.

SRK’s findings of the stress testing on the AAM financial model are as follows:

- A reduction of the assumed HRG pricing by 35 per cent, while simultaneously reducing the assumed GBX pricing by 35 per cent, would still result in a marginally profitable operation.
- An increase of the unit operating costs by 60 per cent, while simultaneously maintaining the HRG pricing and the GBX pricing, would still result in a marginally profitable operation.
- A reduction of the assumed HRG pricing by 20 per cent, while simultaneously reducing the assumed GBX pricing by 20 per cent and increasing the unit operating costs by 25 per cent, would still result in a marginally profitable operation.
- A reduction of the assumed HRG pricing by 25 per cent, while simultaneous reducing the assumed GBX pricing by 25 per cent and increasing the unit operating costs by 15 per cent, would still result in a marginally profitable operation.
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Disclaimer

The opinions expressed in this Independent Expert Report (IER or Report) have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd (SRK) by Australian Industrial Minerals Limited (AIM or Company). The opinions in this Report are provided in response to a specific request from AIM to do so. SRK has exercised all due care in reviewing the supplied information. While SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK’s investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.
## List of Abbreviations

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>A$</td>
<td>Australian dollar</td>
</tr>
<tr>
<td>AAM</td>
<td>Australian Abrasive Minerals Pty Ltd</td>
</tr>
<tr>
<td>ADT</td>
<td>articulated dump truck</td>
</tr>
<tr>
<td>AIG</td>
<td>Australian Institute of Geoscientists</td>
</tr>
<tr>
<td>AIM</td>
<td>Australian Industrial Minerals Limited</td>
</tr>
<tr>
<td>asl</td>
<td>above sea level</td>
</tr>
<tr>
<td>ASIC</td>
<td>Australian Securities and Investment Commission</td>
</tr>
<tr>
<td>ASX</td>
<td>Australian Securities Exchange</td>
</tr>
<tr>
<td>AusIMM</td>
<td>Australasian Institute of Mining and Metallurgy</td>
</tr>
<tr>
<td>B3</td>
<td>B3 Geology and Mining Consultants</td>
</tr>
<tr>
<td>CP</td>
<td>Chartered Professional</td>
</tr>
<tr>
<td>Diamantina</td>
<td>Diamantina Laboratories Pty Ltd</td>
</tr>
<tr>
<td>DTM</td>
<td>digital terrain model</td>
</tr>
<tr>
<td>EL</td>
<td>Exploration Licence</td>
</tr>
<tr>
<td>FEL</td>
<td>front end loader</td>
</tr>
<tr>
<td>FP</td>
<td>Floodplain</td>
</tr>
<tr>
<td>FSP</td>
<td>Fixed Screening Plant</td>
</tr>
<tr>
<td>GBX</td>
<td>Hornblende–Garnet product name</td>
</tr>
<tr>
<td>HRG</td>
<td>Garnet product name</td>
</tr>
<tr>
<td>HM</td>
<td>Heavy Minerals</td>
</tr>
<tr>
<td>HMC</td>
<td>Heavy Mineral Concentrate</td>
</tr>
<tr>
<td>ID3</td>
<td>inverse distance cubed</td>
</tr>
<tr>
<td>IER</td>
<td>Independent Expert Report</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>kt</td>
<td>kilotonnes</td>
</tr>
<tr>
<td>kLCM</td>
<td>thousand loose cubic metres</td>
</tr>
<tr>
<td>kWh</td>
<td>kilowatts per hour</td>
</tr>
<tr>
<td>IPO</td>
<td>Initial Public Offering (Prospectus)</td>
</tr>
<tr>
<td>LOM</td>
<td>life-of-mine</td>
</tr>
<tr>
<td>m</td>
<td>million</td>
</tr>
<tr>
<td>ML</td>
<td>Mineral Lease</td>
</tr>
<tr>
<td>MSP</td>
<td>Mineral Separation Plant</td>
</tr>
<tr>
<td>MRA</td>
<td><em>Mineral Royalty Act 1982</em></td>
</tr>
<tr>
<td>MSP</td>
<td>Mineral Separation Plant</td>
</tr>
<tr>
<td>MZI</td>
<td>MZI Resources Limited (formerly Olympia Resources Limited)</td>
</tr>
<tr>
<td>Mt</td>
<td>million tonnes</td>
</tr>
<tr>
<td>NT</td>
<td>Northern Territory</td>
</tr>
<tr>
<td>OS</td>
<td>Oversize</td>
</tr>
<tr>
<td>Term</td>
<td>Meaning</td>
</tr>
<tr>
<td>---------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>PC</td>
<td>Palaeochannel</td>
</tr>
<tr>
<td>PCC</td>
<td>Consolidated palaeochannel</td>
</tr>
<tr>
<td>ppm</td>
<td>parts per million</td>
</tr>
<tr>
<td>QAQC</td>
<td>Quality Assurance/ Quality Control</td>
</tr>
<tr>
<td>ROM</td>
<td>run-of-mine</td>
</tr>
<tr>
<td>SRK</td>
<td>SRK Consulting (Australasia) Pty Ltd</td>
</tr>
<tr>
<td>SRTM</td>
<td>Shuttle Radar Topographic Mission</td>
</tr>
<tr>
<td>t/BCM</td>
<td>tonnes per bank cubic metres</td>
</tr>
<tr>
<td>TBE</td>
<td>tetrabromoethane</td>
</tr>
<tr>
<td>tph</td>
<td>tonnes per hour</td>
</tr>
<tr>
<td>t/LCM</td>
<td>tonnes per loose cubic metres</td>
</tr>
<tr>
<td>WCP</td>
<td>Wet Concentrator Plant</td>
</tr>
</tbody>
</table>
1 Introduction and Scope of Report

1.1 Background

This Independent Expert Report (IER) is addressed to the Directors of Australian Industrial Minerals Limited (AIM or Company). SRK understands that AIM is seeking admission of the Company's securities on the Australian Securities Exchange (ASX) and that this IER will be included as part of the Prospectus prepared by the Company and lodged by the Company with the Australian Securities and Investment Commission (ASIC) in respect of the Company's Initial Public Offering (IPO). For the purposes of the Corporations Act 2001 and the ASX Listing Rules, SRK is responsible for this IER forming part of the Prospectus. SRK declares that it has taken all reasonable care to ensure that the information contained in this IER is, to the best of its knowledge, in accordance with the facts, and that it contains no omission that would require any amendment to the IER.

This IER presents the following key technical information on the Harts Range Project (Project) owned 100% by the Company's wholly owned subsidiary, Australian Abrasive Minerals Pty Ltd (AAM) as at the Effective Date (defined below):

- Overview of the geological setting of the Project
- Outline of historical and recent exploration work undertaken at the Project
- Review of the Mineral Resource and Ore Reserve statements reported by AAM in accordance with the terms and definitions of the JORC Code (2012)
- SRK's opinion on the opportunities and risks of the Project.

Certain units of measurements, abbreviations and technical terms are defined in the glossary of this IER. Unless otherwise explicitly stated, all quantitative data as reported in this IER are reported on a 100 per cent basis. All monetary figures are expressed in Australian dollar (A$) terms.

1.1.1 Reporting standard

This Report has been prepared to the standard of, and is considered by SRK to be, a Technical Assessment Report under the guidelines of the VALMIN Code (2015). The authors of this Report are Members or Fellows of either the Australasian Institute of Mining and Metallurgy (AusIMM) or the Australian Institute of Geoscientists (AIG) and, as such, are bound by the VALMIN Code and JORC Code. For the avoidance of doubt, this report has been prepared according to:


As per the VALMIN Code (2015), a first draft of the Report was supplied to the Company to check for material error, factual accuracy and omissions before the Final Report was issued. The Final Report was issued following review of any comments by the Company.

1.1.2 Reliance on SRK

SRK is responsible for this IER and for all the technical Information that has been directly extracted from the IER and reported in the Prospectus to be released by the Company in connection with the proposed ASX listing and to be dated around the same date as the IER.
SRK declares that it has taken all reasonable care to ensure that the information contained in the IER and included in the Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

SRK confirms that the presentation of information contained elsewhere in the Prospectus which relates to information in the IER is accurate, balanced and not inconsistent with the IER.

SRK considers that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinions presented in this IER. The preparation of a IER is a complex process and does not lend itself to partial analysis or summary.

SRK has no obligation or undertaking to advise any person of any development in relation to the mineral assets which comes to its attention after the date of this IER or to review, revise or update the IER or opinion in respect of any such development occurring after the date of this IER.

1.2 Base technical information, effective date and publication date

Data and information relating to the assets as used by SRK during the preparation of this Report are referenced throughout the Report. The effective date of the IER is 8 February 2019 (Effective Date). The Technical Information contained in this IER has been prepared as at the Effective Date.

SRK is not aware that any material change has occurred since the Effective Date. This includes, inter alia, no material changes to the Technical Information as reported in this IER.

1.3 Verification and validation

This IER is dependent on technical, financial and legal input. In respect of the technical Information as provided by the Company and taken in good faith by SRK, and other than where expressly stated, any figures presented have not been independently verified by means of re-calculation.

SRK has conducted a review and assessment of all material technical issues likely to influence the Technical Information included in this IER, which included the following:

- An examination of the historical data made available by the Company with respect to the Project
- Site inspection by SRK personnel, David Slater and Sjoerd Rein Duim, on 6 and 7 November 2018
- Mineral Resources and Ore Reserves of the Project (by the Company)
- Enquiry of key site and head office AAM personnel during November 2018 with respect to the mineral assets and related matters
- An examination, review, and, where appropriate, identification of the key technical risks and opportunities as they relate to the Technical Information reported herein.

Accordingly, AAM has provided technical data (such as geological information, assay information, Mineral Resource/ Ore Reserve models and financial models) to SRK for the purpose of this review in the IER. SRK confirms that it has performed all necessary validation and verification procedures deemed necessary and/or appropriate by SRK in order to place an appropriate level of reliance on such Technical Information.

1.4 Limitation, reliance on information, declaration, consent and cautionary statements

1.4.1 Limitations

The Technical Information presented here within relies on assumptions regarding certain forward-looking statements. These forward-looking statements are estimates and involve a number
of risks and uncertainties that could cause actual results to differ materially. The projections as presented and discussed herein have been proposed by AAM management and cannot be assured; they are necessarily based on economic assumptions, many of which are beyond the control of the Company. Unless otherwise expressly stated, all the opinions and conclusions expressed in this IER are those of SRK.

1.4.2 Reliance on information

SRK has relied upon the accuracy and completeness of technical, financial and legal information and data furnished by or through AAM.

AAM has confirmed to SRK in writing that, to its knowledge, the information provided by it was complete and not incorrect or misleading in any material respect. SRK has no reason to believe that any material facts have been withheld. While SRK has exercised due care in reviewing the supplied information, SRK does not accept responsibility for finding any errors or omissions contained therein and disclaims liability for any consequences of such errors or omissions.

SRK’s assessment of exploration results for the mineral assets is based on information provided by AAM throughout the course of AAM’s investigations, which in turn reflect various technical and economic conditions prevailing at the date of this IER. These conditions can change significantly over short periods of time. Should these conditions change materially, the assumptions could be materially different in such changed circumstances.

This IER specifically excludes all aspects of legal issues, marketing, commercial and financing matters, insurance, land titles and usage agreements, and any other agreements and/or contracts AAM may have entered into.

This IER includes Technical Information, which requires subsequent calculations to derive subtotals, totals and weighted averages. Such calculations may involve a degree of rounding and consequently introduce an error. Where such errors occur, SRK does not consider them to be material.

Technical Reliance

SRK places reliance on the Company and its technical representatives that all Technical Information provided to SRK as at the Effective Date is accurate.

Financial Reliance

In considering all financial aspects relating to the Project, SRK has placed reliance on the Company that the financial assumptions contained in this Report are appropriate and remain correct as at the Effective Date.

Legal Reliance

SRK has not been engaged to comment on any legal matters.

SRK notes that it is not qualified to make legal representations as to the ownership and legal standing of the mineral tenements that are the subject of this Report. SRK has not attempted to confirm the legal status of the tenements with respect to joint venture agreements, local heritage or potential environmental or land access restrictions.

In consideration of all legal aspects relating to the Project, SRK has placed reliance on a separate Solicitor’s Report prepared by All Mining Legal Pty Ltd that the following are correct as at the Effective Date and remain correct as at the Publication Date:

- Save as disclosed in the Prospectus, the Company Directors are not aware of any legal proceedings that may have any influence on the rights to explore, develop and mine the minerals present within and associated with the Company’s mineral assets.
• The legal owners of all mineral and surface rights have been verified.
• Save as expressly mentioned in the main body of the Prospectus, no significant legal issue exists which would affect the likely viability of the exploration and production licences as reported herein.

1.4.3 Declaration

SRK will receive a fee of approximately A$36,000 for the preparation of this IER in accordance with normal professional consulting practices. This fee is not dependent on the findings of this IER and SRK will receive no other benefit for the preparation of this IER. Neither SRK nor any of the authors have any pecuniary or other interests that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Project opined upon by SRK and reported herein.

Neither SRK nor the Specialists who are responsible for authoring this IER, nor any Directors of SRK has at the date of this report, nor have had within the previous two years, any shareholding in the Company, the Mineral Assets, or any other economic or beneficial interest (present or contingent) in any of the assets being reported on. SRK is not a group, holding or associated company of the Company. None of SRK’s partners or officers are officers or proposed officers of any group, holding or associated company of the Company.

Further, no person involved in the preparation of this IER is an officer, employee or proposed officer of the Company or any group, holding or associated company of the Company. Consequently, SRK, the Competent Persons and the Directors of SRK consider themselves to be independent of the Company, its directors, and senior management.

1.4.4 Public reporting

SRK consents to the inclusion of this IER in the Prospectus (Public Report) and all of the information contained in the Prospectus which has been extracted directly from this IER in the form and context in which it appears in this IER.

1.5 Indemnities provided by the Company

AAM has warranted, in writing to SRK, that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true. As recommended by the VALMIN Code, AAM has provided SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

• which results from SRK’s reliance on information provided by AAM or from AAM not providing material information; or
• which relates to any consequential extension workload through queries, questions or public hearings arising from this IER.

1.6 Project team

This Report has been prepared by a team of consultants employed by SRK and from SRK’s offices within Australia. Details of the qualifications and experience of the consultants who have carried out the work in this Report, who have extensive experience in the mining industry and are members in good standing of appropriate professional institutions, are set out below.

David Slater, DipEd, BAppSci, MAIG, MAusIMM(CP) – Principal Consultant (Resource Estimation)

David Slater is a resource geologist with over 25 years’ experience in the mining industry. For the past 14 years, he has consulted at principal level in mineral resources and audits, which provided
exposure to many projects in various commodities. David provides high quality outcomes by combining technical experience and leadership abilities; his refined technical and practical geological skills enable him to offer appropriate solutions to clients and provide mentorship to less experienced consultants. David has wide experience in evaluation of projects at all stages of the mining cycle in both open pit and underground operations scenarios, where his strengths include optimisation of operations with regard to sampling, grade control, resource estimation (linear and non-linear) and reconciliation. A key element of David’s consulting work is understanding of the process delivery to enable companies to extract maximum value from assets; he has worked at corporate levels to ensure this process is robust and practically achievable. David has completed considerable due diligence and technical reporting over a range of commodities and locations worldwide.

David is a Member of the Australian Institute of Geoscientists (MAIG), a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and accredited as a Chartered Professional (CP) by the AusIMM in the Geology discipline, and has the appropriate relevant qualifications, experience, competence and independence to be considered a ‘Specialist’ and ‘Competent Person’ under the VALMIN Code (2015) and JORC Code (2012), respectively.

Sjoerd Rein Duim, MSc Eng (Mining Engineering), GDip (Engineering), MAusIMM – Principal Consultant (Mining)

Sjoerd Duim has more than 35 years of postgraduate experience in the mining industry in the areas of mineral resource estimation, operations based (open pit and underground) mining and open pit mining scoping, pre-feasibility and feasibility studies. His particular areas of expertise are open pit mine planning, pit optimisation, operating cost estimates, capital cost estimates, productivity studies, production scheduling and equipment fleet determination. Sjoerd worked in a hands-on capacity on the South African open pit (Finsch) mine and underground (Kimberley, Koffiefontein and Finsch (transition to underground) diamond mines and on deep level underground gold mines (Western Deep Levels - Teutona). Since 1998, Sjoerd has worked as a mining consultant in the areas of open pit mine planning both in Australia and internationally. His open pit mine planning and mining knowledge has seen him working on many projects for various commodities, including bauxite, copper, iron, heavy minerals, gold and other precious metals.

Sjoerd is a Member of The Australasian Institute of Mining and Metallurgy and has reviewed a significant number of mineral sands operations, both in Australia and internationally. Sjoerd has the appropriate relevant qualifications, experience, competence and independence to be considered a ‘Specialist’ and ‘Competent Person’ under the VALMIN Code (2015) and JORC Code (2012), respectively.

Michael Cunningham, BSc (Hons), GradDip (Geostatistics), PhD, MAIG, MAusIMM, MGSA, FGSA – Principal Consultant (Geology)

Michael (Mike) Cunningham has over 20 years’ experience as a geologist. Mike has consulted on projects in Australia and overseas (Indonesia, Colombia, USA, Argentina, Lao, Sri Lanka, Kyrgyzstan, Mongolia, Tanzania, Congo, Liberia and Malaysia), and on a variety of commodities including gold (alluvial/ lode/ shear/ vein/ conglomerate), graphite (vein/ flake), iron, lead-zinc, antimony, scandium, REE and lithium (pegmatite and salar). His expertise covers vein, epithermal/ mesothermal, brine salars, and BIF styles of mineralisation. He has conducted extensive drill targeting, geology modelling, and mineral resource estimates in accordance with the JORC Code (2012). Mike has also been involved in preparation of numerous Independent Geologist’s Reports, due diligence and valuation studies and is a well accomplished project manager.

Michael is a Member of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists, the Geological Society of Australia, and a Fellow of the Geological Society of London.
He has the appropriate relevant qualifications, experience, competence and independence to be considered a ‘Specialist’ and ‘Competent Person’ under the VALMIN Code (2015) and JORC Code (2012), respectively.

Karen Lloyd, BSc(Hons), MBA, FAusIMM – Associate Principal Consultant (Project Evaluation)

Karen Lloyd has more than 20 years international resource industry experience gained with some of the major mining, consulting and investment houses globally. She specialises in independent reporting, mineral asset valuation, project due diligence, and corporate advisory services. Karen has worked in funds management and analysis for debt, mezzanine and equity financing and provides consulting and advisory in support of project finance. She has been responsible for multi-disciplinary teams covering precious metals, base metals, industrial minerals and bulk commodities in Australia, Asia, Africa, the Americas and Europe.

Karen is a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM) and has the appropriate relevant qualifications, experience, competence and independence to be considered a ‘Specialist’ and ‘Competent Person’ under the VALMIN Code (2015) and JORC Code (2012), respectively.

1.7 Key data sources

Data and information relating to the assets as used by SRK during the preparation of this Report are referenced throughout the Report.
2 Harts Range Garnet Project

2.1 Location, access and climate

The Project is located approximately 140 km northeast of Alice Springs and 5 km northwest of the Harts Range township (also known as Atitjere) in the Harts Range district in the Northern Territory (Figure 2-1).

Access to the Hart Range Mine (part of the Project) is via the Stuart Highway from Alice Springs to the Plenty Highway turnoff (about 68 km north of Alice Springs), and then via the sealed Plenty Highway for 142 km (Figure 2-2). The Mineral Separation Plant (MSP) is accessed by driving 20 km north on the Stuart Highway from Alice Springs, turning west for 7 km, then turning north on an unsealed track for about 5 km.

The Project area experiences a semi-arid climate. The closest weather stations are Arltunga (100 km south) and Jervois (130 km east). Average annual rainfall between 292 mm and 297 mm is recorded. Rainfall is most consistent during the summer months but is highly variable. Isolated thunderstorms
and remnants of tropical cyclones in the summer months provide sporadic and heavy downfalls that produce substantial volumes of runoff.

The site is accessible all year round, except during periods of high rainfall when the road maybe closed by the shire council for short periods as a damage prevention measure, or when river crossings or runoff plains are flooded.

Temperatures in the summer months commonly exceed 37°C, and minimum temperatures during winter commonly drop to 5°C.

Relief in the mine area is typically low, with colluvial cover.

SRK understands that there are no records of Priority or Threatened Ecological Communities within the Project area and that there are no Protected Matters within the mining area other than maintaining a 300 m buffer from the local water course to the north of the proposed pit.

![Figure 2-2: Project access route from Alice Springs](source: Background imagery sourced from ArcGIS™ basemaps – National Geographics maps.)

### 2.2 Ownership and tenements

The Project comprises two granted mineral leases, one granted exploration licence and one exploration licence under application for renewal (Table 2-1).

AAM holds legal and beneficial interest in EL24360, EL28696, ML28614 and ML23868 (as set out in Table 2-1). The annual rent and expenditure commitments for the exploration licences are set out in Table 2-2.
Table 2-1: Tenement schedule

<table>
<thead>
<tr>
<th>Name</th>
<th>Type</th>
<th>Status</th>
<th>Legal Interest</th>
<th>Granted</th>
<th>Expiry</th>
<th>Area (sub blocks or hectares)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EL24360</td>
<td>Exploration Licence Application</td>
<td>Under application for renewal</td>
<td>100%</td>
<td>15-09-06</td>
<td>14-09-18</td>
<td>34 sub blocks</td>
</tr>
<tr>
<td>EL28696</td>
<td>Exploration Licence</td>
<td>Live</td>
<td>100%</td>
<td>12-10-11</td>
<td>11-10-19</td>
<td>15 sub blocks</td>
</tr>
<tr>
<td>ML28614</td>
<td>Mineral Lease</td>
<td>Live</td>
<td>100%</td>
<td>29-11-13</td>
<td>28-11-38</td>
<td>4,815 hectares</td>
</tr>
<tr>
<td>ML23868</td>
<td>Mineral Lease</td>
<td>Live</td>
<td>90% *</td>
<td>12-08-05</td>
<td>11-08-30</td>
<td>2,530 hectares</td>
</tr>
</tbody>
</table>

*Beneficial interest is 100%*

Table 2-2: Expenditure commitments

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Annual rent (A$)</th>
<th>Required expenditure (A$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EL24360</td>
<td>7,299</td>
<td>60,000</td>
</tr>
<tr>
<td>EL28696</td>
<td>3,385</td>
<td>46,000</td>
</tr>
</tbody>
</table>

SRK has sighted documentation obtained by the Company from All Mining Legal Pty Ltd, an independent legal firm (Solicitor’s Report). The Solicitor’s Report, dated 05 February 2019, indicates that the Company has the beneficial interests in the Project noted in Table 2-1. SRK has made all reasonable enquiries into this status as at 05 February 2019.

2.3 Native Title and sacred sites

The Project is located within the Mt Riddock Pastoral Lease Native Title Claim Determination (DCD2017/003) with Federal Court number NTD61/2015. The Native Title claimants and holders are entitled to certain rights under the Native Title Act 1993 (Commonwealth) Future Act Provisions. SRK understands that registered sacred site number 5852-11 is located within the Project area and that seven other unregistered sacred sites have been recorded within the Project area to date.

The Company agrees to maintain a 300 m exclusion zone around the water course to the north of the proposed pit crest as a condition of its agreement with the Native Title claimants.

The Solicitor’s Report contains further information relating to the Native Title and sacred site reporting.

2.4 Royalties and material contracts

2.4.1 Royalties

In the Northern Territory, royalties under the Mineral Royalty Act 1982 (MRA) are charged on the net value derived from the production of a saleable mineral commodity within the boundaries of a production unit. Generally, the objective is that only those expenditures essential to produce that commodity are allowable as deductions against the value of the saleable mineral commodity sold or removed without sale from a production unit.

2.4.2 Material contracts

Garnet concentrate offtake agreements

No material contracts are currently formally in place for the garnet concentrate produced.
Service agreements
There are various service agreements in place at the Project. SRK has not undertaken a detailed review of these contracts and has assumed that for the purpose of the Report, the contracts are suitable to allow site plant upgrades and refurbishment to continue unimpeded by contractual constraints until steady-state production commences. These agreements provide for the plant refurbishment, operation and maintenance of the various plants, diesel fuel supply, catering and janitorial services, and electrical power.

2.5 Site inspection
In accordance with Section 11.1 of the VALMIN Code (2015), a site inspection of the Project was undertaken by SRK (David Slater and Sjoerd Duim) on 6 and 7 November 2018. The site inspection included meetings with site personnel to discuss the operating performance to date, a pit tour, and inspection of fixed plant. SRK also inspected AAM’s Mineral Separation Plant (MSP) north of Alice Springs which provides downstream processing of material from the Project.

No physical mining was being undertaken at the time of the inspection. Prior to cessation of mining and processing operations, the Project was operating under a Mine Management Plan dated September 2014. Based on a review of the mining and processing sites, and discussions with senior site personnel, SRK has no reason to believe that the production and operating targets planned for the life-of-mine (LOM) cannot be achieved.

The key observations noted during the inspection were:
- The Harts Range Fine Screening Plant and Wet Concentrator Plant are currently being upgraded and refurbished, with an expected completion date of Quarter 1, 2019.
- The MSP has been commissioned and trial operations using feed material from historical stockpiles have commenced.

2.6 Geological setting

2.6.1 Regional geology
The Project is located on a relatively low-lying, low relief outwash plain, about 10 km north of the topographic highlands of the McDowell Range (Figure 2-3). The hills of the McDowell Range are underlain by units of the Arunta Block which comprises Palaeoproterozoic metamorphosed and deformed igneous and sedimentary rocks. The Arunta Block is divided into three major stratigraphic units based on facies assemblages and lithological correlation.

It is also divided into three tectonic provinces – Northern Province, Central Province and Southern Province. Each province has a complex history of regional metamorphism and associated granite intrusion. The Arunta Block is believed to be floored by continental crust and formed as a result of intraplate rifting.

The outwash plain comprises Cainozoic to recent unconsolidated regolith, including floodwash and fluviatile sediments deposited by the Plenty River within 4 km of Spinifex Bore and Aturga Creek. The palaeochannels adjacent to the Plenty River and Aturga Creek are abandoned channels of the modern drainage system and contain significant deposits of heavy minerals. The floodplain is composed of gravel, sand and silt and contains significant deposits of heavy minerals. The Project is completely underlain by ancient channel and floodplain deposits. Rocks underlying these superficial deposits are Cainozoic claystone.

These rest on bedrock of Northern Province rocks of the Arunta Block and include schists and clays characterised by abundant biotite and chlorite. These rocks are characterised by plutonic and
metamorphic gneiss, granites and quartzite. Most of the Project’s leases are underlain by the gneiss, amphibolite and quartzite of the Harts Range and Reynolds Range geological units.

Figure 2-3: Regional geology with Harts Range location

2.6.2 Local geology and mineralisation
This section summarises the local geology at the Project as described by Doepel (2003). The deposit geology comprises the following units:

- River wash: Sands and gravels of the active channels of Aturga Creek and the Plenty River
- Floodplain deposits: Consolidated, but unaltered and un lithified, mostly from 1.5 m to 4.5 m thick
- Dunes: Fixed sand dunes, up to 20 m thick, containing carbonate alteration and some lithification, especially towards their bases
- Swales: Interdunal; finer-grained than the dunes and more strongly lithified
- Palaeo channels: Older floodplain and river channel deposits lying unconformably beneath the floodplain, dune, and swale units; they are lithified and partially subject to carbonate alteration
- Cainozoic clay: Cainozoic clay unconformably underlies the above units. It is known from water bores in the area to be more than 100 m thick in places. It is cream or green in colour and contains minor sand grains.
Garnet mineralisation at the Project forms loose individual clean grains derived from erosion of garnetiferous rocks belonging to the Proterozoic age Irindina Formation, a member of the Harts Range Schist, exposed in the McDowell Range. Figure 2-4 is a schematic section which shows the typical mineralisation deposition style that has been reworked in ancient and present-day river systems. Heavy minerals (predominantly hornblende and garnet) have been deposited in sand dunes, swales, floodplains, palaeochannels and modern-day river deposits. These features are summarised in the following sections; more detailed descriptions are given in Doepel (2003) and Baxter and Doepel (2004).

Figure 2-4  Schematic cross section of Floodplain and Palaeochannel geology

Dunes
The dunes are similar in composition and structure, but not in size. The maximum dune height is >15 m; the maximum dune thickness is about 20 m and the minimum about 2 m. The low oversize fraction in the upper portion reflects a lack of alteration. The oversize in the lower portions of the dune reflects carbonate alteration and slight lithification. Most of the dune sand has a uniform grain size distribution, although occasional variations are present. In general, finer grain sizes are present towards the base and edges of the dunes.

Swales
The dunes grade into the swales. The swales are also composed of fine- to medium-grained sand, but the finer size is more dominant than in the dunes. Typically, lithification begins within 2 m of the surface and is significant by a depth of 4 m.

Floodplain deposits
Floodplain deposits comprise reworked palaeochannels composed of poorly bedded sands with minor pebbles. The top 1.5 m is uniformly finer than the material below. Most of the upper portion is composed of medium-grained sand. The lower portion is predominantly bimodal medium- to coarse-grained sand. The overall grain size tends to increase with depth and, in places, gravel beds are present at the base of the unit (i.e. a fining up sequence). The deposition is consolidated, but un lithified and unaltered.
Palaeochannels
A palaeochannel, about 900 m in width, is present beneath the floodplain deposits and the dunes and swales located to their east. The western boundary of the palaeochannel coincides with the western boundary of the floodplain unit. The material is like that of the floodplain unit but differs in that it has been lithified and carbonated. In general, the material, coarsens with depth, and the finer material is subject to lithification and carbonate alteration to a greater degree than the underlying coarser material which can be unaltered.

River wash
The beds of Aturga Creek are composed of sands and gravels which overlie calccrete or palaeochannel material. The garnet content of these sands is higher, and the garnets are coarser than those of the floodplain material. The sand-sized materials of the floodplain, the palaeochannel, the dunes, and the swales are comprised of a similar mineral suite, with the following typical mineralogy:

- Quartz: 40%–70% by weight percentage
- Hornblende: 20%–40% by weight percentage
- Garnet: 1%–15% by weight percentage
- Ilmenite, minor titanomagnetite and leucoxene: 0.1%–4.5% by weight percentage
- Biotite, sphene, alumino-silicates, rutile, etc: 1.5%–5% by weight percentage.

SRK considers that the local geology is well understood and is of appropriate confidence to be used as a reasonable basis to construct mineralisation wireframes.

2.7 Previous exploration
A timeline of the Project’s exploration and production history is summarised as follows:

- 2001: Olympia Resources Limited (now MZI Resources Ltd) (MZI) completed initial exploration and discovery by hand auger sampling up to 2 m depth across the tenements, with heavy minerals identified.
- 2002: MZI completed initial broad-spaced aircore drill programs which identified extensive garnet-bearing floodplains. A single 5 tonne bulk sample was extracted.
- 2003: MZI collected five 25 tonne bulk samples from various locations (up to 25 km west of the Project) and initial modal analysis for the purpose of grain counting (Table 2-3).
- 2006: MZI completed a 38-hole aircore drilling program.
- 2008: MZI completed detailed modal analysis of a number of composite samples at the Project location, with results indicating a higher garnet percentage (average 25%) than before.
- 2010: MZI completed a 121-hole aircore drilling program. AAM acquired the tenements that comprise the Project.

<table>
<thead>
<tr>
<th>Sample type</th>
<th>Number of composites</th>
<th>Minimum %</th>
<th>Maximum %</th>
<th>Average %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floodplain</td>
<td>5</td>
<td>15.1</td>
<td>18.8</td>
<td>17.1</td>
</tr>
<tr>
<td>Palaeochannel</td>
<td>5</td>
<td>16.1</td>
<td>24.6</td>
<td>19.4</td>
</tr>
</tbody>
</table>
2017: Initial mining and commissioning of dry scalping and Fine Screening Plant followed by a wet concentrator plant running up to 50 per cent of design capacity only. Approximately 5,000 tonnes of industrial abrasive products were produced.

2018: Several plant upgrades and the progressive recommissioning of the production facilities; an updated Mineral Resource estimate was reclassified to Ore Reserve for JORC 2012 in July 2018 by AAM which was reviewed by B3 Consultants (B3).

2.8 Mineral Resource

2.8.1 Drilling and data collection

Numerous drill programs have been completed at the Project as shown in Figure 2-5. The Mineral Resource estimate was informed by the assay results from the 2010 drilling program. Additional drilling completed outside the 2010 program is discussed in Chapter 2.8.2.

A total of 121 aircore holes for 1,038 m were drilled on a notional 200 m by 100 m grid pattern. Holes were drilled along lines spaced 200 m apart, perpendicular to the trend of the target strands, and holes were spaced 100 m apart along each drill line. All holes were drilled to either basement clays and schists, or were terminated in a hard calcrete layer underlying a large portion of the area. All drilling, sampling and logging was performed under the supervision of a qualified geologist. Aircore drill samples were collected at 1 m intervals down each hole and composited on site to regular 2 m samples.

SRK considers that the drilling, sampling and data collection procedures for the 2010 program are adequate for the style of mineralisation and the standard industry practices at the time of data collection.
2.8.2 Laboratory analysis and Quality Assurance-Quality Control

All assaying was carried out by Diamantina Laboratories Pty Ltd (Diamantina) located in Malaga, Perth Western Australia using the heavy mineral tetrabromoethane (TBE) separation method of analysis. SRK understands that Diamantina does not hold accreditation under internationally recognised standards; however, SRK has previously inspected the Diamantina Laboratories in Perth, most recently in July 2018. SRK found the sample preparation and analyses procedures to be of industry standard with appropriate internal Quality Assurance-Quality Control (QAQC) measures used.

SRK notes that details of the sample preparation and analysis, including QAQC protocols, are discussed in Section 4.5 of the Prospectus and are therefore not repeated here.

SRK considers that the laboratory analysis procedures are appropriate for the style of the mineralisation and the standard industry practices at the time of data collection.

2.8.3 Current Mineral Resource estimate

AAM completed the current Mineral Resource estimate for the Project.

Mineralisation modelling of surfaces representing the base of the Floodplain (FP) and the base of the Palaeochannel (PC) were created using the base of the lithology logged in the drillhole data. Wireframe solids of the Dunal material was also created.

SRK considers wireframes generated are reflective of the observed geology and are appropriate for use in the resource estimation.

SRK observes that drill data was composited to regular 2 m lengths and coded using the interpreted surfaces. Statistics for the coded surfaces were appropriately analysed for the respective units for heavy minerals (HM) per cent, garnet per cent, Slimes per cent and Oversize (OS) per cent.

In SRK’s opinion, the top-cut analysis was appropriately completed and applied.

Spatial continuity analysis was investigated to further inform estimation parameters, and Kriging Neighbourhood Analysis (KNA) was also undertaken to determine appropriate search regimes and minimum and maximum informing sample limits.

The estimation approach of inverse distance cubed (ID3) is considered appropriate by SRK in that it approximates a nearest neighbour estimate that closely replicates grades in the nearest drillhole.

Validation of the estimate was completed visually and statistically by comparing input composite grades and estimated block grades.

The density applied was based on an algorithm that uses Hornblende and Slimes grade. An average dry bulk density of 1.94 t/BCM was recorded for the total Mineral Resource.

The Mineral Resource was classified as Measured and Inferred in accordance with the JORC Code (2012) reporting guidelines, based on a qualitative basis and taking the following factors into consideration:

- Drillhole spacing
- Number of informing samples
- Average distance to informing samples in comparison to the variogram model ranges
- Overall coherence and continuity of the modelled mineralisation wireframes.
However, SRK cautions that, under Clause 49 of the JORC (2012) Code, ‘the factors underpinning the estimation of Mineral Resources and Ore Reserves for industrial minerals are the same as those for other deposit types covered by the JORC Code. It may be necessary, prior to the reporting of a Mineral Resource or Ore Reserve, to take particular account of certain key characteristics such as likely product specifications, proximity to markets and general product marketability’.

For industrial garnet, product pricing is dependent on the application, quality, quantity purchased, source, and type of product. While there are currently no formal offtake agreements in place, SRK understands that AAM’s forward price protocol is based on market testing and non-binding indicative term sheets with several potential customers.

AAM has reported the Mineral Resource estimate as at December 2017 as presented in Section 4.5.4 of the Prospectus (Table 2-4).

Table 2-4: Mineral Resource estimate summary as at December 2017

<table>
<thead>
<tr>
<th>Zone</th>
<th>Description</th>
<th>Tonnage (Mt)</th>
<th>Density (t/BCM)</th>
<th>HM Grade (%)</th>
<th>OS (%)</th>
<th>Slimes (%)</th>
<th>Garnet (%)</th>
<th>GSIZEA (%)</th>
<th>GSIZEB (%)</th>
<th>GSIZEC (%)</th>
<th>GSIZED (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 FP</td>
<td></td>
<td>15.50</td>
<td>1.99</td>
<td>23.72</td>
<td>5.74</td>
<td>13.48</td>
<td>5.85</td>
<td>0.18</td>
<td>1.64</td>
<td>2.05</td>
<td>1.99</td>
</tr>
<tr>
<td>2 PC</td>
<td></td>
<td>11.20</td>
<td>1.98</td>
<td>20.23</td>
<td>22.71</td>
<td>13.67</td>
<td>5.41</td>
<td>0.16</td>
<td>1.57</td>
<td>2.22</td>
<td>1.46</td>
</tr>
<tr>
<td>Total Measured</td>
<td></td>
<td>26.70</td>
<td>1.99</td>
<td>22.25</td>
<td>12.88</td>
<td>13.56</td>
<td>5.66</td>
<td>0.17</td>
<td>1.61</td>
<td>2.12</td>
<td>1.77</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Zone</th>
<th>Description</th>
<th>Tonnage (Mt)</th>
<th>Density (t/BCM)</th>
<th>HM Grade (%)</th>
<th>OS (%)</th>
<th>Slimes (%)</th>
<th>Garnet (%)</th>
<th>GSIZEA (%)</th>
<th>GSIZEB (%)</th>
<th>GSIZEC (%)</th>
<th>GSIZED (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 PC Consolidated (PCC)</td>
<td>79.00</td>
<td>1.92</td>
<td>11.04</td>
<td>31.93</td>
<td>16.60</td>
<td>2.28</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>4 Dune</td>
<td>4.88</td>
<td>1.93</td>
<td>21.26</td>
<td>1.70</td>
<td>13.35</td>
<td>5.33</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Total Inferred Resources</td>
<td>83.88</td>
<td>1.92</td>
<td>11.63</td>
<td>30.19</td>
<td>16.42</td>
<td>2.46</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Mineral Resources</td>
<td>110.58</td>
<td>1.94</td>
<td>14.2</td>
<td>26</td>
<td>15.73</td>
<td>3.23</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Refer to section 4.5.4 in the Prospectus.

SRK has not independently verified the Mineral Resource estimate by means of recalculation; however, considers that the estimation process followed is valid and that the global representation of the reported Mineral Resource honours the input data. SRK has replicated the reported grade tonnages from the block model supplied.

SRK notes that detailed reporting of estimation aspects of the December 2017 Mineral Resource is contained elsewhere in the Prospectus and these are not repeated here.
3 Mining

3.1 Historical mining operations

Mining operations at the Project began in 2016, with vegetation clearing and removal of the topsoil (the top 10 cm) from an initial mining area.

Garnet mineralisation is hosted in unconsolidated material which is amenable to free digging, i.e. no drilling and blasting is required. Some thin interbedding material between the FP material and the PC material is slightly consolidated but is considered to be material which will allow free digging.

The initial mining area was mined to the base of the PC material and in a few places the underlying Consolidated Paleochannel (PPC) material was intersected.

There is no waste overburden that requires removal prior to mining operations commencing. The stripping ratio, i.e. tonnes waste/tonne process plant feed, is hence zero.

Mining from the initial mining area produced 239.2 kt of garnetiferous material at an average grade of 23.55% HM and 5.49% Garnet, for a total of 13,135 t of Garnet.

Trial mining operations were suspended in August 2017 when AAM was placed in voluntary administration.

At the time of SRK’s site visit to the Project, no mining or processing operations were being undertaken. Modifications to the Wet Concentrator Plant (WCP) were being made and concentrate bagging operations were being undertaken at the MSP.

SRK independently reported the historical production based on the depletion field (MINED field equal to 1) in the Datamine block model file AAM_Grade_Modfd.dm which was supplied by the Company (Table 3-1).

Table 3-1: SRK analysis of historical production

<table>
<thead>
<tr>
<th>Tonnage mined (kt)</th>
<th>Average density (t/BCM)</th>
<th>Average HM grade (%)</th>
<th>Average Garnet grade (%)</th>
<th>Average Oversize grade (%)</th>
<th>Average Slimes grade (%)</th>
<th>Contained Garnet (t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>239.2</td>
<td>1.97</td>
<td>23.55</td>
<td>5.49</td>
<td>10.53</td>
<td>12.49</td>
<td>13,135</td>
</tr>
</tbody>
</table>

A volumetric run-of-mine (ROM) survey of the Project was carried out at the end of July 2017, which indicated a ROM volume of approximately 50 kLCM, representing approximately 80 kt of material stored on the ROM pad (using a 1.6 t/LCM conversion factor). This material is available as feed material to support re-commissioning. This volume would support approximately 250 hours of feed material for the Fixed Screening Plant (FSP) and WCP, at an FSP feed rate of 320 tph.

Based on the block model information supplied to SRK, SRK estimates that mine production was undertaken to a maximum depth of 7.5 m when operations were suspended in October 2017.

Figure 3-1 presents a vertical cross section (× 2.5 vertical exaggeration) of the Project as built, representing the maximum mined depth as at October 2017.
SRK has not reviewed a Ground Control Management Plan or supporting pit design recommendations from a geotechnical perspective. Given that the mineralisation is hosted in unconsolidated material which provides for a free-digging mining operation, an overall angle of 35° was used for the final pit slope in the pit design, which SRK considers to be reasonable for a project of this nature and scale.

Initial mining at the Project was undertaken using a backhoe excavator loading into rigid-body 50 tonne payload capacity haul trucks, which transported the garnet-bearing material to the ROM stockpile location (1.25 km haulage distance).

As at October 2017, the WCP and MSP tailings were stored adjacent to the ROM pad, to the west of the processing plant area. SRK understands that a backfilling strategy will be employed in the future to minimise the Project’s environmental footprint and maximise the project economics.

The mined-out area of approximately 150 m (east–west) by 175 m (north–south), as at October 2017, is shown in the digital terrain model (DTM) in Figure 3-2, with north and south access ramps located on the eastern side of the mining area. Figure 3-3 shows the eastern pit wall (looking north) as well as the north access ramp.
Figure 3-2: Mined-out area (25 m grid)
Source: Pit pick-up DTM.

Figure 3-3: Mined-out pit – East pit wall with north access ramp

Figure 3-4 shows the location of the mined-out pit relative to the WCP area (white string) to the southeast of the initial mining area.
Figure 3-5 shows the initial mining area in relation to the Mineral Lease (ML28614) boundary. 239 kt of material was mined up to August 2017, representing around 1 per cent of the mineable inventory inside the pit design limits and above the base of the PCC.

Figure 3-4: Location of mined-out area relative to the WCP
Note: 100 m grid.

Figure 3-5: Initial mining area relative to Mineral Lease boundary
Note: 1,000 m grid.
3.2 Ore Reserve and production scheduling

SRK reviewed the reported Ore Reserve estimate, depleted for historical production (239 kt), and independently reported the block model inventory for the FP and PC material (Table 3-2).

SRK understands that AAM intends to mine the FP and PC material only. The pit has been designed to bottom out at the PCC material interface, because the material is harder and there is a significant but natural reduction in garnet grade between the PC material (average 5.41% garnet grade) and the PCC material (average 2.28% garnet grade).

All material in the block model was classified as Measured Mineral Resource. Only Zone 1 (FP) and Zone 2 (PC) will be mined in the pit. Details are listed in Table 3-2.

Table 3-2: Mineral Resource inside pit design boundary string and above base of pit floor (depleted for trial mining)

<table>
<thead>
<tr>
<th>Zone</th>
<th>Tonnage mined (Mt)</th>
<th>Average density (t/BCM)</th>
<th>Average HM grade (%)</th>
<th>Average Garnet grade (%)</th>
<th>Average Oversize (%)</th>
<th>Average Slimes (%)</th>
<th>Contained Garnet (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FP</td>
<td>15.2</td>
<td>1.99</td>
<td>23.7</td>
<td>5.8</td>
<td>5.8</td>
<td>13.5</td>
<td>0.89</td>
</tr>
<tr>
<td>PC</td>
<td>11.0</td>
<td>1.98</td>
<td>20.2</td>
<td>5.4</td>
<td>22.7</td>
<td>13.7</td>
<td>0.59</td>
</tr>
<tr>
<td>Combined</td>
<td>26.2</td>
<td>1.99</td>
<td>22.26</td>
<td>5.7</td>
<td>12.9</td>
<td>13.5</td>
<td>1.49</td>
</tr>
</tbody>
</table>

Source: Company.

AAM provided SRK with the planned production schedule (Figure 3-6). SRK has not independently verified this schedule for each of the production periods because the string files (indicating the material mined in a specific period) could not be provided to SRK.

The AAM-provided production schedule covers a period of 111 months, or 9.25 years.

The Ore Reserve, as determined by B3 Geology and Mining Consultants as at July 2018, is listed in Table 3-3.

Table 3-3: Ore Reserve Harts Range Project as at July 2018

<table>
<thead>
<tr>
<th>Zone</th>
<th>Description</th>
<th>Tonnes (Mt)</th>
<th>HM grade (%)</th>
<th>OS grade (%)</th>
<th>Slimes grade (%)</th>
<th>Garnet grade (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 and 2</td>
<td>Flood Plain (FP) and Paleochannel (PC)</td>
<td>23.79</td>
<td>22.10</td>
<td>13.10</td>
<td>13.30</td>
<td>5.60</td>
</tr>
</tbody>
</table>

In SRK’s opinion, the production schedule tonnages that represent the Proved Ore Reserve of 23.79 Mt and average grades of 22.10% HM and 5.60% Garnet are reasonable.

The Competent Persons (B3 Geology and Mining Consultants) have taken all Modifying Factors into account in determining the Proved Ore Reserve.
AAM plans to mine the garnet-bearing material as an owner operator using a suitably sized front-end loader (FEL), Komatsu WA 900 (11.5–13.0 LCM bucket size) and 36 tonne (40 short tons) payload capacity articulated dump trucks (ADTs).

In SRK’s opinion, the material should be suitable for extraction using a suitably sized FEL. The FEL should have adequate break-out force to mine the unconsolidated garnet-bearing material. The FEL would also provide more flexibility during mining operations, as the FEL is more mobile than a tracked backhoe excavator and can move more quickly to another operating face (assuming it is exposed) as required.

The planned use of ADTs to transport the excavated material to the ROM should be beneficial during the wet season because the unconsolidated material should ensure good trafficability.

The FP and PC material is planned to be mined as a single blended material type.

The following mining and processing specifications are noted:

- There is no waste overburden to be removed prior to mining the garnet-bearing material.
- The top 10 cm is removed as topsoil and stored along the pit rim edge for use in future rehabilitation work.
- There is no mining dilution; all mined material is fed to the scalping plant where oversize material, not containing garnets, is removed.
- There is 2 per cent ore loss and a 98 per cent mining recovery factor applies. All material is mined in a bulk mining operation.
• There is no selective mining, apart from at the PCC interface where mining with an FEL will achieve a clean interface.
• No grade control is used; the garnet-bearing material is mined in a bulk mining operation.
• The PCC material will be left in place and will not be mined.
• The average mining depth is expected to be around 5–6 m. Some areas of the deposit are almost 10 m thick.
• Planned scalping plant throughput is listed at 360 tph, effectively requiring 10 ADT truckloads per operating WCP hour.
• The FSP throughput is listed as 320 tph and the WCP throughput is 260 tph.
• The WCP tailings will be trucked from the WPC to the mined-out areas and will be placed in the mined-out areas as backfill.
• The WCP Heavy Mineral Concentrate (HMC) production is around 32 tph.
• The MSP feed rate is 32.5 tph.
• The MSP tailings, making up around 10% (3.0 tph) of the MSP feed, will be transported from the MSP area to the mining operation and placed in the mined-out areas as backfill.
• The planned duration of operations, once these re-commence, is 111 months or 9.25 years.
• There is no active pit dewatering. Previous operating experience has indicated that flooding of the pit base is not a material issue. Excess water in the starter pit following rain events has drained quickly after the rain events.

3.3 Mineral processing
SRK has not undertaken a detailed independent audit of processing aspects. However, it considers the completed trial commissioning processing as an adequate indication of the future processing performance.

3.3.1 Dry and wet concentrator plant processing
A 10-stage WCP processing circuit has been designed and constructed at the Project; the stages are listed below:
1 Coarse ore screening and removal of oversize material; scalping; mobile unit
2 Dry fine ore screening in the FSP
3 Trommel screening
4 Desliming
5 Primary concentration in spirals
6 Secondary concentration in spirals
7 Classifier overflow concentration in spirals
8 Product filtration
9 Tailings thickening
10 Slimes dewatering in centrifuges.

A schematic illustration of the processing circuit is shown in (Figure 3-7).
Commissioning of the WCP commenced in June 2017, and approximately 5,000 tonnes of garnet products were produced until the end of October 2017.
Maintenance and upgrade work to the WCP was being undertaken at the time of SRK’s site inspection in preparation for recommencement of operations.

![Wet concentrator plant current block flow diagram](image)

**Figure 3-7: Wet concentrator plant current block flow diagram**

The planned mining rate is 360 tph. The FSP throughput rate is 320 tph. The WCP has a nominal throughput capacity of 260 tph.

**SRK is of the opinion that the equipment sizings and design allowance are reasonable, and the utilisation assumption is appropriate for the flowsheet.**

New centrifuges have been installed to improve the desliming function, as this was shown to be a bottleneck during the start-up WCP test period prior to August 2017.

Figure 3-8 shows the scalping installation to remove barren oversize material. Figure 3-9 shows the FSP and Figure 3-10 shows the pre-screened product prior to feed to the trommel. Figure 3-11 shows the triple-start spiral banks for gravity concentration and Figure 3-12 shows the new desliming centrifuges and the thickener (in background). Stockpiled Heavy Mineral and Garnet concentrate WCP product is illustrated in Figure 3-13.

**SRK considers that the flowsheet selection is appropriately premised on the metallurgical testwork results and the processing trial completed. SRK considers it to be a conventional garnet processing flowsheet, typical of other garnet plants.**

The process technology selected is well-proven and is technically low risk for garnet/hornblende production.
3.3.2 Product specification

A generalised garnet concentrate specification based on grain size was established from the testwork. Table 3-4 lists the Project’s garnet product size specifications.

Table 3-4: Garnet product size specifications

<table>
<thead>
<tr>
<th>Garnet size</th>
<th>GSIZEA HRG12</th>
<th>GSIZEB HRG24</th>
<th>GSIZEC HRG36</th>
<th>GSIZED HRG100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper limit (micron)</td>
<td>Nil</td>
<td>-850</td>
<td>-425</td>
<td>-212</td>
</tr>
<tr>
<td>Lower limit (micron)</td>
<td>+850</td>
<td>+425</td>
<td>+212</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Figure 3-8: Scalping installation  
Figure 3-9: Fixed screening plant  
Figure 3-10: Pre-screened material  
Figure 3-11: Spiral banks for gravity concentration  
Figure 3-12: New desliming centrifuges and thickener  
Figure 3-13: Heavy mineral and Garnet concentrate stockpile
3.3.3 Alice Springs mineral separation plant

The MSP was not processing material at the time of SRK’s inspection, but SRK observed garnet re-bagging operations.

The MSP has a nominal throughput of 32.5 tph. Approximately 10% of the MSP feed is expected to report to the MSP tailings stream, which is transported to the mine site for disposal in the mined-out area.

The MSP block flow diagram is illustrated in Figure 3-14. HMC delivered to the MSP area is shown in Figure 3-15. Figure 3-16 shows the MSP building and Figure 3-17 the MSP product bins. The bagged product and storage shed are shown Figure 3-18 in and Figure 3-19 respectively.

![Figure 3-14: Block flow diagram of the mineral separation plant process](image1)

![Figure 3-15: Heavy mineral and Garnet concentrate stockpile](image2)  ![Figure 3-16: MSP building](image3)
3.3.4 Project infrastructure

In SRK’s opinion, the infrastructure at the Project is adequate to support the planned operation, including access and internal roads, borefield, accommodation village, site buildings, information technology (IT) and communications, sewage and waste water. The Plenty Highway has recently been upgraded and the road form the Stuart Highway turn-off to the mine site and WCP area is effectively surfaced.

Upgrades were being made to the FSP and the WCP installations during the SRK site visit, including new desliming centrifuges in the WCP circuit.

Capital expenditure in the order of A$4.5m during the second half of 2018 has allowed minor works to be undertaken on the IT and communications system, site security and the accommodation village, as well as necessary upgrades to the WCP.

The AAM financial model includes an annual sustaining capital expenditure allowance of A$711,000.

An allowance of A$106,000 has been made in the current year for exploration activities on the tenements.

3.3.5 Water supply

The current water supply from the borefield located about 5 km from the mine site provides the mine’s water requirements of 14 L/s (1,210 m$^3$/day). Water is supplied from the production bores to the processing operations via underground pipelines. The recent installation of the new centrifuges in the WCP circuit will assist in efficient slimes dewatering and recovery of the water.
3.3.6 Power supply

Electrical power is provided through an owner-operated diesel-fired power station, as is common practice in off-grid mining operations. The diesel-fired power station is adequately sized for the FSP and WCP. Power generating costs at the WCP are A$0.195/kWh. Diesel input charges are A$0.71/L. The power requirements of the WCP and associated infrastructure are around 814 kW.

The MSP has its own owner-operated diesel-fired power station. The diesel-fired power station is adequately sized for the MSP. Power generating costs at the MSP are A$0.23/kWh. Diesel input charges are A$0.65/L (lower unit diesel costs; less transport charges). The MSP power requirements are around 612 kW.

3.3.7 Labour sources

Labour for the mine and WCP processing operations is sourced from various locations around Australia. Site personnel are accommodated in the accommodation village. The MSP personnel commute from Alice Springs.

3.4 Environmental approvals and permits to work

SRK has sighted documentation prepared by AAM relating to the environmental aspects at the Project. The documentation, dated 7 October 2014, indicates that all environmental approvals and permits are either in place, under review or planned; these will allow production to continue unimpeded for the modelled LOM. SRK has made all reasonable enquiries into this status as at the Effective Date.

3.5 Financial model review

SRK performed a high-level review of the AAM financial model.

3.5.1 Capital expenditure

Annual sustaining capital expenditure of A$711,000 has been allowed for in the AAM financial model; it is based on an annual allowance of 2.5% of the installed capital expenditure amount – A$18m for the mine, FSP and WCP area installations, A$9m for the MSP area installations and a general allowance of A$36,000.

SRK considers the sustaining capital expenditure allowance a reasonable estimate for the Project.

An allowance of A$106,000 per year has been made for exploration activities at the tenements. This is based on expenditure required to uphold the title and the minimum required expenditure for the licences (based on the licence areas).

Upgrades to the FSP and WCP have been completed, and minor modification work completed at the MSP. These capital activities are being funded by AIM.

3.5.2 Operating expenditure

SRK performed a high-level review of the Project’s unit costs, based on the data in AAM’s financial model.

At steady-state operations, the mine is expected to extract 2,732 kt of ore per year and produce around 124.9 kt of garnet products (HRG) and 92.9 kt of hornblende–garnet (GBX) product annually.

Because there is no waste overburden at the mining operation, total mining costs are effectively the same as the ore mining costs, apart from a small amount of operating costs for removal and storage of topsoil (top 10 cm in the mining profile).
Mining costs were built up from hourly equipment charges (A$/h) and estimated productivities (tph). Mining costs include personnel charges, administration charges, workshop charges, rehabilitation charges, overhead charges and auxiliary equipment charges.

SRK considers the mining costs are built up in a systematic manner.

Direct operating costs (A$1.81/t ore mined) comprise the following:

- Excavating and loading (A$0.46/t ore)
- Transport of ore to the fixed screening plant (A$1.08/t ore)
- Auxiliary equipment charges (A$0.21/t ore)
- Light vehicles charges (A$0.02/t ore)
- Workshop charges (A$0.04/t ore).

In addition, mine administration charges, mine operating personnel and mine technical services charges are estimated at A$0.46/t ore mined.

Overall unit mining costs are expected to vary from A$2.17/t ore mined in 2019 to A$2.29/t ore mined in 2027 (excludes wet processing, dry processing, packaging and overheads).

In SRK’s opinion, the mining costs are reasonable, given the material is free-digging.

The estimated operating costs for the wet processing and dry processing have also been built up in a systematic manner.

The total expected unit operating costs, including mining costs, wet processing costs (FSP and WCP), dry processing costs (MSP), transport, packing and overheads, from 2019 onwards, are around A$11.82/t ore mined.

Figure 3-20 shows the average mining unit costs represent 19 per cent of the total unit operating costs; average wet processing unit costs represent 37 per cent of the total unit operating costs; average dry processing unit costs represent 29 per cent of the total unit operating costs; average packing unit costs represent 8 per cent of the total unit operating costs and overhead unit costs represent 7 per cent of the total unit operating costs (these numbers are rounded to the nearest per cent).

<table>
<thead>
<tr>
<th>Activity Based Cost</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wet processing costs</td>
<td>37%</td>
</tr>
<tr>
<td>Dry processing costs</td>
<td>29%</td>
</tr>
<tr>
<td>Packing and distribution</td>
<td>8%</td>
</tr>
<tr>
<td>Overhead charges</td>
<td>7%</td>
</tr>
<tr>
<td>Mining</td>
<td>19%</td>
</tr>
</tbody>
</table>

Figure 3-20: Activity-based operating cost

The combined mining and wet processing unit costs (cost centres at the mine) account for 56 per cent of the total unit operating costs and the MSP and packaging unit costs account for 37 per cent of the total unit operating costs.
3.5.3 Revenue

The unit revenue to unit total cost ratio is around 166 per cent, representing a 66 per cent revenue buffer over the expected total unit operating costs.

In SRK’s opinion, it is reasonable to expect that the garnet-bearing material can be mined profitably and would hence fulfil the JORC Code (2012) requirements of ‘economically mineable’.

3.5.4 Commodity prices

Garnet

Like most specialised commodities, the garnet market is not transparent. Garnets are not traded on an exchange, and the prices are not set by independent bodies. Garnet prices quoted by various market sources, such as Persistence Market Research, provide a guideline.

Producers of garnet products negotiate prices with individual consumers and price information is rarely reported. Commercial payment terms are negotiated between buyer and seller and can vary widely.

Spot prices for garnet products are rarely quoted, although they are not thought to influence contract pricing; rather, spot prices reflect material available off-contract in small volumes and are likely higher (when the market is good) or lower (when the market is poor) than contract prices.

The price profiles quoted by different journals or websites are usually similar over an extended term, although they might show a small, consistent offset. These sources quote the low price and the high price that represent the general consensus of industry correspondents who have reported spot transactions for the period. Spot transactions, by definition, use the spot price to settle. The spot price itself is open to negotiation between buyer and seller according to the perceived supply and demand conditions.

Garnet prices have increased over the past few years, fuelled by demand for products that use abrasive blasting and filtration.

However, SRK cautions that, under Clause 49 of the JORC (2012) Code, ‘the factors underpinning the estimation of Mineral Resources and Ore Reserves for industrial minerals are the same as those for other deposit types covered by the JORC Code. It may be necessary, prior to the reporting of a Mineral Resource or Ore Reserve, to take particular account of certain key characteristics such as likely product specifications, proximity to markets and general product marketability’.

For industrial garnet, product pricing is dependent on the application, quality, quantity purchased, source, and type of product. While there are currently no formal offtake agreements in place, SRK understands that AAM’s forward price protocol is based on market testing with a number of domestic and potential overseas clients, which included an assessment of product specification limits.

3.5.5 Discount rate

AAM used a discount rate of 10% in its financial model.

3.5.6 Financial model sensitivities

SRK performed high-level ‘stress testing’ on the AAM financial model to determine the approximate input parameter variation for revenue and operating costs, or a combination thereof, which would result in a break-even financial scenario for the Project.
SRK’s stress test findings are as follows:

- A reduction of the assumed HRG pricing by 35 per cent, while simultaneously reducing the assumed GBX pricing by 35 per cent, would still result in a marginally profitable operation.
- An increase of the unit operating costs by 60 per cent, while simultaneously maintaining the HRG pricing and the GBX pricing, would still result in a marginally profitable operation.
- A reduction of the assumed HRG pricing by 20 per cent, while simultaneously reducing the assumed GBX pricing by 20 per cent and increasing the unit operating costs by 25 per cent, would still result in a marginally profitable operation.
- A reduction of the assumed HRG pricing by 25 per cent, while simultaneous reducing the assumed GBX pricing by 25 per cent and increasing the unit operating costs by 15 per cent, would still result in a marginally profitable operation.

Based on these findings, it is reasonable to expect that the garnet-bearing material can be mined profitably at the operation and would hence fulfil the JORC Code (2012) requirements of ‘economically mineable’, prior to disclosing Ore Reserves in the public domain.

**In SRK’s opinion, the Proved Ore Reserve estimate of 23.79 Mt with average grades of 22.10 per cent HM and 5.60 per cent Garnet is a reasonable tonnage estimate and grade estimate of the economically extractable material.**

**Competent Persons (B3 Geology and Mining Consultants) have considered all Modifying Factors in determining the Ore Reserve estimate.**
4 Conclusion

SRK has carried out a detailed technical review of the Project and did not find any material risks.

The Mineral Resource, Proved Ore Reserve and Mine Plan are supported by reasonable assumptions; however, the reader is cautioned that the garnet market is based on contracted agreements and that the revenue forecast for the Project is based on non-binding, indicative term-sheets only.

The Company has not entered into any formal offtake agreements.

Compiled by:

David Slater
Principal Consultant

Peer Reviewed by:

Michael Cunningham
Principal Consultant

Sjoerd Duim
Principal Consultant (Mining)

Karen Lloyd
Associate Principal Consultant
5 References

All Mining Legal Pty Ltd, 05 February 2019 Solicitors Report on Tenements.


SRK Report Client Distribution Record

Project Number: TIN001
Report Title: Independent Expert Report on the Harts Range Garnet Mine Project, Northern Territory
Date Issued: 8 February 2019

<table>
<thead>
<tr>
<th>Name/Title</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert Brand, Managing Director and Chief Financial Officer</td>
<td>Australian Industrial Minerals Limited</td>
</tr>
</tbody>
</table>

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<th>Rev No.</th>
<th>Date</th>
<th>Revised By</th>
<th>Revision Details</th>
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<tbody>
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<td>0</td>
<td>29/11/2018</td>
<td>David Slater</td>
<td>Draft Report</td>
</tr>
<tr>
<td>1</td>
<td>12/12/2018</td>
<td>Karen Lloyd</td>
<td>Final Report</td>
</tr>
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<td>2</td>
<td>8/02/2019</td>
<td>Karen Lloyd</td>
<td>Updated Final Report</td>
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7. FINANCIAL INFORMATION

7.1 Introduction

The financial information contained in this Section includes:

(a) summary statutory audited historical statement of profit or loss and other comprehensive income for the financial years ended 31 December 2016 and 31 December 2017 for AAM and period ended 30 June 2018 for the Company;

(b) summary statutory audited historical statements of cash flow for the financial years ended 31 December 2016 and 31 December 2017 for AAM and period ended 30 June 2018 for the Company;

(c) statutory audited historical statement of financial position as at 31 December 2016 and 31 December 2017 for AAM and 30 June 2018 for the Company; and

(d) the pro forma historical statement of financial position as at 30 June 2018, together referred to as the Historical Financial Information.

All amounts disclosed in this Section are presented in Australian dollars.

The information in this Section 7 should also be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

7.2 Basis of preparation of the Historical Financial Information

Background

The Historical Financial Information included in this Section has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (including the Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act. The Historical Financial Information is presented in an abbreviated form insofar as it does not include all the presentation, disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act. Significant accounting policies applied to the Historical Financial Information are noted at the end of this Section under the heading ‘Notes to the Historical Financial Information - (b) Accounting Policies’.

The Historical Financial Information has been reviewed and reported on by Crowe Horwath Perth as set out in the Investigating Accountant’s Report in Section 8. Investors should note the scope and limitations of the Investigating Accountant’s Report.

The Historical Financial Information has been prepared for the purpose of the Offers.

The Historical Financial Information of the Company has been extracted from the audited consolidated financial statements for the period from incorporation on 1 December 2017 to 30 June 2018 and the audited financial statements of AAM for financial years ended 31 December 2016 and 31 December 2017 which were audited by Walker Wayland Audit (WA) Pty Ltd.

The unmodified Auditor’s report on the 31 December 2016 financial statements of AAM contained an emphasis of matter in respect of going concern noting “the
company has incurred a net loss after tax for the year ended 31 December 2016 of $1,556,895 (2015: $922,606) and experienced net cash outflows of $409,163 (2015: outflow $4,350,060). The financial report has been prepared on the going concern basis of accounting which assumes that the Company will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of business. This includes expenditure on the Company’s mine development and commissioning of the Harts Range and Mineral Separation Plants. In arriving at this position, the Directors recognise the company is dependent on the issue of further preference shares or additional debt funding post year end to meet these commitments. In February 2017, the Company received further debt funding of $2,000,000 from Trailstone UK II Ltd thus indicating there is no material uncertainty over the Company’s ability to continue as a going concern”.

A qualified audit opinion was issued for the financial statements of AAM for the year ended 31 December 2017. The auditor’s basis for the qualified opinion was “the Company’s inventories are carried in the balance sheet at $1,152,193 (2016: $175,869). We have not been able to gain sufficient audit evidence in relation to the inventory balance at 31 December 2017”. In addition, the Auditor’s report on the 31 December 2017 financial statements of AAM contained an emphasis of matter in respect of going concern noting “the company has incurred a net loss of $1,872,564 (2016: $1,556,895) and experienced net cash outflows of $2,478,048 (2016: $3,479,035). There is significant uncertainty whether the company can continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial statements”.

The unmodified Auditor’s report on the 30 June 2018 financial statements of the Company contained an emphasis of matter in respect of going concern noting “there is a material uncertainty whether the group can continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. The ability of the group to continue as a going concern is dependent upon its ability to generate additional funding through further capital raising and the ability to generate surplus cash from its operations”.

The information set out in this Section and the Company’s selected financial information should be read together with:

(a) management’s discussion and analysis set out in this Section;
(b) the risk factors described in Section 5;
(c) the use of proceeds of the Public Offer as described in Section 2.8;
(d) the indicative capital structure as described in Section 4.20;
(e) the Investigating Accountant’s Report set out in Section 8; and
(f) the other information contained in this Prospectus.

Investors should note that historical results are not a guarantee of future performance.
7.3 Statutory Audited Historical Statement of Profit or Loss and Other Comprehensive Income

The table below presents the Historical Statement of Profit or Loss and Other Comprehensive Income for the financial years ended 31 December 2016 and 31 December 2017 for AAM and for the period ended 30 June 2018 for the Group.

<table>
<thead>
<tr>
<th>Note</th>
<th>FY16 AAM (audited)</th>
<th>FY17 AAM (audited)</th>
<th>1 Dec 17 to 30 Jun 18 (audited) (Group)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development refund</td>
<td>7.5.1a</td>
<td>$985,528</td>
<td>$1,614,916</td>
</tr>
<tr>
<td>Net gain on transfer of payables to Creditors’ Trust</td>
<td>7.5.1b</td>
<td>-</td>
<td>$1,199,464</td>
</tr>
<tr>
<td>Gain on sale of available for sale assets</td>
<td>-</td>
<td>-</td>
<td>577,576</td>
</tr>
<tr>
<td>Gain on bargain purchase</td>
<td>7.5.1c</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other income</td>
<td>-</td>
<td>$27,859</td>
<td>$9,021</td>
</tr>
<tr>
<td>Operating costs net of gains</td>
<td>(3,875,420)</td>
<td>(2,108,026)</td>
<td>(1,259,205)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(61,092)</td>
<td>(40,087)</td>
<td>(12,336)</td>
</tr>
<tr>
<td>Share-based payment</td>
<td>7.5.1d</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(480,610)</td>
<td>(1,631,365)</td>
<td>(343,980)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(48,131)</td>
<td>(915,677)</td>
<td>(5,317)</td>
</tr>
<tr>
<td>(Loss)/profit before tax</td>
<td>(3,451,866)</td>
<td>(1,872,564)</td>
<td>20,296,801</td>
</tr>
<tr>
<td>Income tax benefit</td>
<td>1,894,971</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(Loss)/profit for the period</td>
<td>(1,556,895)</td>
<td>(1,872,564)</td>
<td>20,296,801</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>265,679</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive (loss)/gain</td>
<td>(1,291,216)</td>
<td>(1,872,564)</td>
<td>20,296,801</td>
</tr>
</tbody>
</table>
7.4  Cash flow statements

Statutory Audited Historical Cash Flows

The table below presents the Historical Cash Flows for the financial years ended 31 December 2016 and 31 December 2017 for AAM and for the period ended 30 June 2018 for the Group.

<table>
<thead>
<tr>
<th>Note</th>
<th>FY16 AAM (audited)</th>
<th>FY17 AAM (audited)</th>
<th>1 Dec 17 to 30 Jun 18 (Group)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from research and development refund</td>
<td>985,528</td>
<td>1,154,949</td>
<td>-</td>
</tr>
<tr>
<td>Interest received</td>
<td>27,859</td>
<td>14,281</td>
<td>3,610</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>(4,492,422)</td>
<td>(3,647,278)</td>
<td>(181,116)</td>
</tr>
<tr>
<td><strong>Net cash outflow from operating activities</strong></td>
<td>(3,479,035)</td>
<td>(2,478,048)</td>
<td>(177,506)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of available for sale assets</td>
<td>-</td>
<td>-</td>
<td>796,600</td>
</tr>
<tr>
<td>Payments for property, plant and equipment</td>
<td>(15,155,279)</td>
<td>(7,617,847)</td>
<td>(1,179,647)</td>
</tr>
<tr>
<td>Payments for exploration and evaluation assets</td>
<td>(196,267)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payment for subsidiary net of cash acquired</td>
<td>-</td>
<td>-</td>
<td>(5,449,321)</td>
</tr>
<tr>
<td><strong>Net cash outflow from investing activities</strong></td>
<td>(15,351,546)</td>
<td>(7,617,847)</td>
<td>(5,832,368)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from issue of preference shares</td>
<td>16,428,933</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>1,992,485</td>
<td>9,500,000</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from issue of shares</td>
<td>-</td>
<td>-</td>
<td>11,000,000</td>
</tr>
<tr>
<td><strong>Net cash inflow from financing activities</strong></td>
<td>18,421,418</td>
<td>9,500,000</td>
<td>11,000,000</td>
</tr>
<tr>
<td><strong>Net (decrease)/increase in cash held</strong></td>
<td>(409,163)</td>
<td>(595,895)</td>
<td>4,990,126</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>1,691,922</td>
<td>1,317,931</td>
<td>-</td>
</tr>
<tr>
<td>Effects of exchange rate differences on cash and cash equivalents</td>
<td>35,172</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>1,317,931</td>
<td>722,036</td>
<td>4,990,126</td>
</tr>
</tbody>
</table>
7.5 Statements of Financial Position

The table below presents the Historical Statements of Financial Position as at 31 December 2016 and 31 December 2017 for AAM and as at 30 June 2018 for the Group.

<table>
<thead>
<tr>
<th>Note</th>
<th>31 Dec 16 AAM (audited) $</th>
<th>31 Dec 17 AAM (audited) $</th>
<th>30 Jun 18 (Group) (audited) $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,317,931</td>
<td>722,036</td>
<td>4,990,126</td>
</tr>
<tr>
<td>Receivables</td>
<td>102,998</td>
<td>1,750,571</td>
<td>128,903</td>
</tr>
<tr>
<td>Available for sale assets</td>
<td>411,798</td>
<td>565,175</td>
<td>-</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>132,498</td>
<td>89,782</td>
<td>113,054</td>
</tr>
<tr>
<td>Prepayments</td>
<td>-</td>
<td>-</td>
<td>696,241</td>
</tr>
<tr>
<td>Inventories</td>
<td>175,869</td>
<td>1,152,193</td>
<td>282,210</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>2,141,094</td>
<td>4,279,756</td>
<td>6,210,534</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security deposits</td>
<td>437,314</td>
<td>437,314</td>
<td>437,314</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>28,155,344</td>
<td>35,732,294</td>
<td>27,389,719</td>
</tr>
<tr>
<td>Exploration and evaluation</td>
<td>781,748</td>
<td>781,748</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>1,894,971</td>
<td>1,894,971</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>31,269,377</td>
<td>38,846,327</td>
<td>27,827,033</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>33,410,471</td>
<td>43,126,083</td>
<td>34,037,567</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>1,624,041</td>
<td>2,590,951</td>
<td>772,863</td>
</tr>
<tr>
<td>Employee provisions</td>
<td>178,235</td>
<td>217,973</td>
<td>267,484</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>1,802,276</td>
<td>2,808,924</td>
<td>1,040,347</td>
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<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td>402,152</td>
<td>422,674</td>
<td>450,692</td>
</tr>
<tr>
<td>Borrowings</td>
<td>14,335,525</td>
<td>24,765,483</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>-</td>
<td>-</td>
<td>202,847</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>14,737,677</td>
<td>25,188,157</td>
<td>653,539</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>16,539,953</td>
<td>27,997,082</td>
<td>1,693,886</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>16,870,518</td>
<td>15,129,001</td>
<td>32,343,681</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued capital</td>
<td>24,765,635</td>
<td>24,765,635</td>
<td>12,046,880</td>
</tr>
<tr>
<td>Reserves</td>
<td>(1,944,531)</td>
<td>(1,813,484)</td>
<td>-</td>
</tr>
<tr>
<td>Accumulated (loss)/retained earnings</td>
<td>(5,950,586)</td>
<td>(7,823,150)</td>
<td>20,296,801</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>16,870,518</td>
<td>15,129,001</td>
<td>32,343,681</td>
</tr>
</tbody>
</table>
7.5.1 Management’s discussion and analysis on the historical statements of comprehensive income, statements of cash flows and balance sheets

(a) Research and development refund

The Company has made claims for refunds of eligible research and development expenditure under an Australian Government incentive scheme. This expenditure is related to work performed during the construction and commissioning of the Harts Range Project.

(b) Net gain on transfer of payables to Creditors’ Trust

AAM transferred payables to a Creditors’ Trust during the period of voluntary administration. The gain represents the extinguishment of liabilities in respect of these payables.

(c) Gain on bargain purchase

The gain represents the difference between the fair value of the net assets of AAM acquired and the purchase price paid by the Company.

(d) Share-based payment

The Company issued 9,755,000 Shares in the Company with a fair value of $0.05365 cents per Share as a Share-based payment to each of Mr Robert Brand (Managing Director and CEO of the Company) and Mr Curtis Brand (director of the Company’s subsidiary, Australian Abrasive Minerals Pty Ltd, and COO of the Company), being a total of 19,510,000 Shares, resulting in an expense of $1,046,680. The purpose of the payment was, among other things, to acquire the services of Mr Robert Brand and Mr Curtis Brand to manage the development of the Harts Range Project.

The Company issued 10,261,200 Shares in the Company on 7 June 2018 with a fair value of $0.05365 cents per share totalling $550,615 to a promoter for introducing new investors to the Company. This expense has been netted off in share capital against the value of funds raised.

(e) Deferred tax asset

The deferred tax asset recognised in the balance sheet of AAM at 31 December 2017 was not recognised by the Company on acquisition, as the change in ownership of AAM and suspension of activities during AAM’s period of voluntary administration created uncertainty as to the recoverability of tax losses. The Company is in the process of conducting a review of the availability of tax losses. Until this review is completed the Directors consider it prudent not to recognise AAM’s carried forward tax losses as an asset.

(f) Borrowings

The Company acquired all of AAM’s borrowings from Trailstone UK II Limited, the previous parent entity of AAM, during 2018. As a result of this, these borrowings are recorded as an intercompany loan between the Company and AAM and hence no longer appear on the Company’s consolidated balance sheet.
7.5.2 **Historical and Pro Forma Historical Statements of Financial Position**

The table below sets out the Historical Statement of Financial Position, the pro forma adjustments that have been made to the Historical Statement of Financial Position and the Pro Forma Historical Balance Sheet incorporating these adjustments as at 30 June 2018.

The pro forma adjustments reflect the impact of the Offers as if they had occurred at 30 June 2018.

Details of the individual pro-forma transactions that have been applied to the historical consolidated balance sheet of the Company as at 30 June 2018 are as follows:

- During the period from 1 July 2018 to 31 December 2018 the Company acquired additional plant and equipment and continued plant commissioning work at the Harts Range Project and at the Mineral Separation Plant resulting in associated cash outflows of approximately $4,850,000.

- Cash operating and administration expenditure during the period from 1 July 2018 to 31 December 2018 totalled $1,382,099.

- The Company issued 10,439,590 shares in September 2018 at $0.20 per share to raise $2,087,918.

- The issue of 21,750,000 Shares in the Company on conversion of Convertible Notes issued by the Company in December 2018. The Convertible Notes are subject to mandatory conversion to Shares on the Company receiving the conditional approval of the ASX to admit the Company on the Official List of the ASX (an IPO event), a change of control of the Company occurring, or a subsequent capital raising greater than $5,000,000 being undertaken by the Company separate to the Public Offer (refer to Section 12.3 for further detail). The issue of Convertible Notes raised gross proceeds of $3,480,000 at an issue price of $1.00 per Convertible Note and convert to Shares at a conversion price of the lower of 80% of the Public Offer price and $0.16 on an IPO event, with similar terms for other conversion events. If there is no conversion event within 12 months of the issue date of the Convertible Notes, the Convertible Notes will convert at a conversion price of the lower of a 30% discount to an independent valuation of the Company and $0.16 per Share.

- The Company settled the acquisition of the remaining 10% holding in ML 23868 that it did not already own. The purchase price of $500,000 was agreed on 31 October 2018, to be settled by the issue of 2,500,000 Shares in the Company at a deemed offer price of $0.20 per Share to the vendor, Branvest Pty Ltd ATF the Brand Family Trust (an entity controlled by Director, Mr Robert Brand).

- The issue of 20,000,000 Shares in the Company at an issue price of $0.25 per Share in accordance with the Public Offer to raise gross proceeds of $5,000,000 to finalise commissioning of the Harts Range Project, fund working capital and costs of the Public Offer (refer to Section 2.8 for further detail).

- The costs associated with the Public Offer and the listing of the Company on the Official List are estimated to be $850,088. Of the total, $735,810 has been deducted from contributed equity as these costs are directly attributable to the Public Offer. The remaining balance of $114,278 has been expensed.
• In October 2018 the Company issued 2,000,000 unquoted options to a promoter of the Company in consideration for services provided to the Company. The option issue has been valued at $89,000 and is included in retained earnings. The terms of the options are:

  o Exercise price 5 cents greater than the issue price for the Company’s Shares under the Public Offer; and

  o Expiry date 18 months after the date upon which the Company’s Shares are first admitted to trading on the Official List of the ASX.

• The Company entered into an agreement with the Lead Manager of the Public Offer (being, Taylor Collison) and agreed to issue Taylor Collison 2,000,000 unquoted options (being, the Broker Options) valued at $106,000 in part consideration for services provided as Lead Manager to the Public Offer. This cost has been included in transaction costs related to the Public Offer. The key terms of the Broker Options are:

  o Exercise price of 30 cents;

  o Issue date, the day upon which the Company’s shares are first admitted to trading on the Official List of the ASX; and

  o Expiry date 30 months after the issue date.

The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of the Company’s view of its future financial position.

<table>
<thead>
<tr>
<th>Note</th>
<th>Historical Balance Sheet 30 June 2018 (audited)</th>
<th>Pro Forma Adjustments</th>
<th>Pro Forma Historical Balance Sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td>7.5.2 (c)</td>
<td>4,990,126</td>
<td>3,497,733</td>
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<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
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<td>Other financial assets</td>
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<td>113,055</td>
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<tr>
<td>Prepayments</td>
<td></td>
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<tr>
<td>Inventories</td>
<td></td>
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<td>-</td>
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<tr>
<td><strong>Total current assets</strong></td>
<td></td>
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<td>3,510,786</td>
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<tr>
<td><strong>Non-current assets</strong></td>
<td>7.5.2 (d)</td>
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<td>Security deposits</td>
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<tr>
<td>Property, plant and equipment</td>
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<td>5,350,000</td>
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<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td>34,037,567</td>
<td>8,860,786</td>
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<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>772,863</td>
<td>-</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td></td>
<td>267,484</td>
<td>-</td>
</tr>
<tr>
<td>Employee provisions</td>
<td></td>
<td>1,040,347</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td></td>
<td>772,863</td>
<td>-</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td></td>
<td>267,484</td>
<td>-</td>
</tr>
<tr>
<td>Employee provisions</td>
<td></td>
<td>1,040,347</td>
<td>-</td>
</tr>
<tr>
<td>Note</td>
<td>Historical Balance Sheet 30 June 2018 (audited)</td>
<td>Pro Forma Adjustments</td>
<td>Pro Forma Historical Balance Sheet</td>
</tr>
<tr>
<td>------</td>
<td>-----------------------------------------------</td>
<td>------------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
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<td>Provisions</td>
<td>450,692</td>
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<td>653,539</td>
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<tr>
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<td>1,693,886</td>
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<td>1,693,886</td>
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<tr>
<td>Net assets</td>
<td>32,343,681</td>
<td>8,860,786</td>
<td>41,204,467</td>
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<tr>
<td>Equity</td>
<td></td>
<td></td>
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<tr>
<td>Issued capital</td>
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<td>10,332,108</td>
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<tr>
<td>Share-based payment reserve</td>
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<td>195,000</td>
<td>195,000</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>20,296,801</td>
<td>(1,666,322)</td>
<td>18,630,479</td>
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<tr>
<td>Total equity</td>
<td>32,343,681</td>
<td>8,860,786</td>
<td>41,204,467</td>
</tr>
</tbody>
</table>

Notes to the Historical Financial Information

The significant accounting policies adopted by the Company in the preparation of the Historical Financial Information and the Pro Forma Historical Balance Sheet are detailed below. The accounting policies have been consistently applied to periods presented unless otherwise stated.

(a) Basis of preparation

The historical financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of the Australian Accounting Standards (equivalent to International Financial Reporting Standards), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

Going Concern

The historical financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The ability of the Group to continue as a going concern is dependent upon the success of the fundraising under the Prospectus. The Directors believe that the Company will continue as a going concern. As a result, the Financial Information has been prepared on a going concern basis. However, should the fundraising under the Prospectus be unsuccessful, the entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the Group not continue as a going concern.
(b) Accounting policies

(i) Basis for Consolidation

The consolidated financial information includes the financial position and performance of the Company and its controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the Group have been eliminated in full for the purpose of this consolidated financial information.

The consolidated financial information of the Group is prepared in the same financial reporting year of the separate entities, using uniform accounting policies for like transactions and other events in similar circumstances. As at 30 June 2018 all controlled entities have a June financial year end. Prior to this AAM had a financial year end of 31 December.

Subsidiaries are all entities over which the Group has control. The Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. The financial information of the subsidiaries are included in the consolidated financial information from the date on which control commences until the date on which control ceases.

(ii) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

Business combinations are accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date. This is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase is recognised in profit or loss.
All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

(iii) **Inventories**

Inventories, ore stockpiles and work in progress and finished stocks are physically measured or estimated and valued at the lower of cost and net realisable value. Net realisable value less costs to sell is assessed annually based on the amount estimated to be obtained from sale of the item of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

(iv) **Financial instruments**

*Initial Recognition and Measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately.

*Classification and Subsequent Measurement*

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

*Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.
Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm’s length transactions, reference to similar instruments and option pricing models. A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy, described as follows: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at reporting date; inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows have expired or the asset is transferred to another party whereby the Group no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or have expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting
agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

(v) Exploration and evaluation assets

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. As the asset is not available for use, it is not depreciated or amortised.

A regular review is undertaken for each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

An impairment exists when the carrying value of expenditure exceeds its estimated recoverable amount. The area of interest is then written down to its recoverable amount and the impairment losses are recognised in profit or loss.

Exploration and evaluation of assets acquired in a business combination are initially recognised at fair value. They are subsequently measured at cost less any accumulated impairment.

(vi) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset’s employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation and amortisation

Depreciation and amortisation is calculated on a straight line basis over the estimated useful lives of the asset. The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.
(vii) **Provision – employee benefits**

Provision is made for the Group’s liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(viii) **Provision – rehabilitation**

The Group is required to rehabilitate a mine and processing site at the end of their producing lives to a condition acceptable to the relevant authorities. Rehabilitation includes any decommissioning costs together with other rehabilitation activities.

The expected cost of any approved rehabilitation program, discounted to its net present value, is provided in the period in which its obligation arises. The cost is capitalised when it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of closure. Over time the liability is increased for the change in net present value based on a risk-adjusted pre-tax discount rate appropriate to the risk inherent in the liability. The unwinding of the discount is included in financing cost. Expected rehabilitation costs are based on the discounted value of the estimated future cost of detailed plans prepared for each site. Where there is a change in the expected rehabilitation costs, the value of the provision and any related asset are adjusted, and the effect is recognised in the income statement on a prospective basis over the remaining life of the operation.

(ix) **Issued capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown as a deduction from the equity proceeds, net of any tax effects.

(x) **Impairment of non-financial assets**

At the end of each reporting period, the Group determines whether there is an evidence of an impairment indicator for non-financial assets. Where an indicator exists, and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated. The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash generating unit.
Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(xi) **Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Tax Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

(xii) **Income tax**

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

**Current Tax**

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the period and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

**Deferred Tax**

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss, taxable temporary differences arising on the initial recognition or goodwill and temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or liability is settled.
Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Current and deferred tax is recognised as income or an expense in the statement of comprehensive income for the period except where it relates to items that may be recognised directly to equity, in which case the tax is adjusted directly against equity.

(xiii) **Revenue and other income**

Revenue is recognised to the extent that the economic benefits will flow to the Group, the revenue can be measured reliably and specific criteria relating to the type of revenue has been satisfied. Revenue is measured at the fair value of the consideration received, net of discounts, rebates and applicable taxes.

**Other Income**

Other income is recognised on an accrual basis when the Group is entitled to it.

(xiv) **Borrowing costs**

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are capitalised if they are directly attributable to the acquisition or construction of a qualifying asset.

The capitalisation of borrowing costs:

(A) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred;

(B) is suspended during extended periods in which active development, improvement and construction of the assets are interrupted; and

(C) ceases when substantially all the activities necessary to prepare the assets are complete.

These costs are amortised using the straight-line method over the estimated useful life of the related property, plant and equipment to which it is capitalised.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss in the period in which these are incurred using the effective interest method.
(xv) **Contingencies**

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

(xvi) **Critical accounting estimates and judgements**

The preparation of financial statements requires the use of certain accounting estimates. Management needs to exercise judgement in applying the Company’s accounting policies.

(A) **Determination of mineral resources and ore reserves**

The Group estimates its Mineral Resources and Ore Reserves in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition (the ‘JORC Code’) as a minimum standard. The information on Mineral Resources and Ore Reserves were prepared by or under the supervision of Competent Persons as defined in the JORC Code.

There are numerous uncertainties inherent in estimating Mineral Resources and Ore Reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Significant judgement is required in assessing the available Ore Reserves. Factors that must be considered in determining Ore Reserves and Mineral Resources are the ability to convert Mineral Resources to Ore Reserves and the relevant time frame, market and future developments.

Changes in the forecast prices of commodities, foreign currency exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being restated. Such changes in Ore Reserves could impact depreciation and amortisation rates, asset carrying values and provisions for decommissioning and restoration.

(B) **Impairment of capitalised exploration and evaluation expenditure**

The Company assesses impairment of all assets at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decided to exploit the related tenement or, if not, whether it
successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved and probable Ore Reserves and Mineral Resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which the determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable Ore Reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which the determination is made.

Capitalised exploration and evaluation expenditure that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(C) Impairment of property, plant and equipment

The Company assesses impairment of all assets at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. Where a review for impairment is conducted the recoverable amount is assessed by reference to the higher of ‘value in use’ (being the net present value of expected future cash flows of the relevant cash-generating unit) and ‘fair value less costs to sell’.

In determining value in use, future cash flows are based on:

- Estimates of the quantities of Ore Reserves and Mineral Resources for which there is a high degree of confidence of economic extraction;
- Future production levels;
- Future commodity prices; and
- Future cash costs of production and capital expenditure.
Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

(D) **Provision for decommissioning and rehabilitation**

Decommissioning and restoration costs are a normal consequence of mining and the majority of this expenditure is incurred at the end of the mine life. In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine) and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain, and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques, discount rates or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

The carrying amount of the provision as at 30 June 2018 is $384,510. The Company estimates that the costs will be realised towards the end of the mine life and calculates the provision using the DCF method based on expected costs to be incurred to rehabilitate the disturbed area. These costs are discounted at 2.65% pa.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

(c) **Cash and cash equivalents**

<table>
<thead>
<tr>
<th>Description</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Historical cash and cash equivalents as at 30 June 2018</td>
<td>4,990,126</td>
</tr>
<tr>
<td>Pro forma transactions:</td>
<td></td>
</tr>
<tr>
<td>Payments for plant &amp; equipment and capitalisation of</td>
<td>(4,850,000)</td>
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<tr>
<td>commissioning costs in the period from 1 July 2018 to 31</td>
<td></td>
</tr>
<tr>
<td>December 2018</td>
<td></td>
</tr>
<tr>
<td>Operating costs in the period from 1 July 2018 to 31</td>
<td>(1,382,099)</td>
</tr>
<tr>
<td>December 2018</td>
<td></td>
</tr>
<tr>
<td>Pre-IPO issue of Shares September 2018</td>
<td>2,087,918</td>
</tr>
<tr>
<td>Proceeds from issue of Convertible Notes</td>
<td>3,399,055</td>
</tr>
<tr>
<td>Proceeds from the issue of Shares under the Public Offer</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Transaction costs relating to the Public Offer</td>
<td>(757,141)</td>
</tr>
</tbody>
</table>
(d) **Property, plant and equipment**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Historical property, plant &amp; equipment as at 30 June 2018</td>
<td>27,389,719</td>
</tr>
<tr>
<td><strong>Pro forma transactions:</strong></td>
<td></td>
</tr>
<tr>
<td>Payments for plant &amp; equipment and capitalisation of commissioning costs in</td>
<td>4,850,000</td>
</tr>
<tr>
<td>the period from 1 July 2018 to 31 December 2018</td>
<td></td>
</tr>
<tr>
<td>Issue of 2,500,000 Shares at $0.20 per Share to acquire 10% holding in ML</td>
<td>500,000</td>
</tr>
<tr>
<td>23868</td>
<td></td>
</tr>
<tr>
<td><strong>Pro forma historical property, plant and equipment of the Company as at 30 June 2018</strong></td>
<td>32,739,719</td>
</tr>
</tbody>
</table>

(e) **Issued capital**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Historical contributed equity of the Company as at 30 June 2018</td>
<td>12,046,880</td>
</tr>
<tr>
<td><strong>Pro forma transactions:</strong></td>
<td></td>
</tr>
<tr>
<td>Pre-IPO issue of Shares September 2018</td>
<td>2,087,918</td>
</tr>
<tr>
<td>Issue of 2,500,000 Shares at $0.20 per Share to acquire 10% holding in ML</td>
<td>500,000</td>
</tr>
<tr>
<td>23868</td>
<td></td>
</tr>
<tr>
<td>Conversion of Convertible Notes</td>
<td>3,480,000</td>
</tr>
<tr>
<td>Issue of Shares under the Public Offer net of costs</td>
<td>4,264,190</td>
</tr>
<tr>
<td><strong>Pro forma historical contributed equity of the Company as at 30 June 2018</strong></td>
<td>22,378,988</td>
</tr>
</tbody>
</table>

(f) **Retained earnings**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Historical retained earnings of the Company as at 30 June 2018</td>
<td>20,296,801</td>
</tr>
<tr>
<td><strong>Pro forma transactions:</strong></td>
<td></td>
</tr>
<tr>
<td>Operating and administrative costs July to December 2019</td>
<td>(1,382,099)</td>
</tr>
<tr>
<td>Transaction costs relating to the Public Offer</td>
<td>(114,278)</td>
</tr>
<tr>
<td>Share-based payment</td>
<td>(89,000)</td>
</tr>
</tbody>
</table>
Interest and issue costs of Convertible Notes  
\[(80,945)\]  
\[18,630,479\]  

(g) **Committments**

There are commitments in respect of mineral and exploration licences held by AAM required in order to retain these licences. The commitments include both annual rental payments and minimum expenditure commitments prescribed in licence conditions and legislation. The Directors believe the Company will have sufficient funds to meet these requirements. In addition, the Group have capital commitments in relation to commissioning of the Harts Range Project as well as operating lease commitments.

$\$

**Exploration and mining leases**

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 12 months</td>
<td>343,834</td>
</tr>
<tr>
<td>Between 12 months and 5 years</td>
<td>1,445,491</td>
</tr>
<tr>
<td>Greater than 5 years</td>
<td>1,975,559</td>
</tr>
<tr>
<td><strong>Total commitments</strong></td>
<td><strong>3,764,884</strong></td>
</tr>
</tbody>
</table>

**Minimum lease payments under non-cancellable operating leases**

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 12 months</td>
<td>42,080</td>
</tr>
<tr>
<td>Between 12 months and 5 years</td>
<td>72,653</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>114,733</strong></td>
</tr>
</tbody>
</table>

(h) **Contingent assets and liabilities**

There were no contingent assets or liabilities as at 30 June 2018.

(i) **Acquisition of subsidiaries**

**Acquisition of Australian Abrasive Minerals Pty Ltd (“AAM”)**

The Company owns 100% of the share capital of AAM and gained control of AAM on 13 April 2018 following the execution and effectuation of a Deed of Company Arrangement, at which point the Administrators returned control of AAM to the Directors of AAM.

The Company has considered whether the acquisition falls within the scope of AASB 3 Business Combinations and therefore is required to be accounted for as a business combination. A business combination involves an acquirer obtaining control of one or more businesses by transferring cash, incurring liabilities or issuing shares. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors. The Company believes that the acquisition meets the definition of a
A summary of the details with respect to the acquisition of AAM, is set out below.

The assets acquired, and liabilities assumed have been measured at their acquisition date fair values.

In assessing the acquisition date fair value of the property, plant and equipment assets of $27,121,930 management have determined that the relevant assets are capable of being utilised in such a manner as to generate cash surpluses from the operations of AAM. The achievement of operational cash surpluses is based on a mine plan and associated financial cash flow model prepared by management. Certain inputs to the mine plan and financial model are based on estimates and judgements made by management that are subject to risk. Section 5 of the Prospectus details some of the risks that may impact on those estimates and judgements.

In estimating acquisition date fair values of the property plant and equipment assets, management have also considered the work undertaken and opinions reached by the Technical Expert as detailed in Section 6 of the Prospectus.

Should AAM not be able generate operational cash surpluses from the assets acquired then the provisional accounting estimate may be subject to downward revision, and / or the assets subject to a future impairment charge.

<table>
<thead>
<tr>
<th>Fair value at acquisition date</th>
<th>Carrying value</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>14,679</td>
<td>14,679</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>45,287</td>
<td>45,287</td>
</tr>
<tr>
<td>Inventories</td>
<td>699,943</td>
<td>699,943</td>
</tr>
<tr>
<td>Other assets</td>
<td>523,717</td>
<td>523,717</td>
</tr>
<tr>
<td><strong>Non-current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial assets</td>
<td>437,314</td>
<td>437,314</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>27,121,930</td>
<td>36,767,327</td>
</tr>
<tr>
<td>Exploration and development assets</td>
<td>-</td>
<td>781,748</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>-</td>
<td>2,191,161</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td>27,559,244</td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td>28,842,870</td>
<td>41,461,176</td>
</tr>
<tr>
<td><strong>Non-current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(j) **Subsequent events**

The Company’s subsidiary, Michaelmas Pty Ltd, was deregistered 9 January 2019.

Except for the matter noted above the Directors are not aware of any significant change in the state of affairs of the Group or events subsequent to 30 June 2018 not already disclosed above that would have a material impact on the Financial Information.

(k) **New standards and interpretations issued but not yet mandatory or early adopted**

**AASB 9 Financial Instruments**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The Group’s financial assets subject to AASB 9’s new expected credit loss model are cash and trade receivables, which arise from the provision of services and the sale of goods.

Under AASB9, the Group is required to calculate its provision for doubtful debts on the expected credit loss model. The Group will adopt the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The impact of the impairment requirements of AASB 9 on cash and cash equivalents and trade receivables is not anticipated to result in a material impact to the financial statements.

**AASB 15 Revenue from Contracts with Customers**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018.

The Group does not anticipate having any material contracts where the period between the transfer of the promised good or service to the customer and the payment by the customer exceeds one year. As a consequence, the Group does not anticipate needing to adjust any of the transaction prices for the time value of money.

While the Group will be required to change its accounting policy no material adjustments to the amounts recognised in the financial statements is anticipated.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term provisions</td>
<td>422,674</td>
<td>422,674</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>4,399,998</td>
<td>13,841,746</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>296,190</td>
<td>296,190</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>5,118,862</td>
<td>14,560,610</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>23,329,287</td>
<td>26,505,845</td>
</tr>
</tbody>
</table>
AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019.

The standard will eliminate the classification of operating leases and finance leases. Subject to exceptions a ‘right of use’ asset will be capitalised in the statement of financial position, measured at present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs.

The Group will adopt this standard from 1 January 2019, but the impact of its adoption is yet to be assessed by the Group.
8. INVESTIGATING ACCOUNTANT’S REPORT
Dear Directors

INVESTIGATING ACCOUNTANT’S REPORT


Introduction

We have been engaged by Australian Industrial Minerals Limited (“AIM” or the “Company”) to report on the historical financial and pro forma financial information of the Company and its controlled entities (the “Group”) for the seven month period ended 30 June 2018 for inclusion in the prospectus (“Prospectus”) of AIM dated on or about 8 February 2019 in connection with AIM’s initial public offering and listing on the Australian Securities Exchange (“ASX”), pursuant to which the Company is offering 20,000,000 ordinary fully paid shares at an issue price of $0.25 per share to raise $5,000,000 (before costs) (the “Offer” or “Public Offer”). The Prospectus also contains an offer of 2,000,000 Broker Options to the Lead Manager (or its nominee), together (the “Offers”).

Expressions and terms defined in the Prospectus have the same meaning in this Report.

The future prospects of the Group, other than the preparation of Proforma Historical Financial Information, assuming completion of the transactions summarised in Section 7 of the Prospectus, are not addressed in this Report. This Report also does not address the rights attaching to the shares and options to be issued pursuant to the Prospectus, nor the risks associated with an investment in shares in the Group.

Background

Australian Industrial Minerals Limited (formerly Tinsel Assets Pty Ltd) was incorporated on 1 December 2017.

On 24 August 2017, Richard Tucker, John Bumbak and Rahul Goyal of KordaMentha Pty Ltd were appointed Administrators of Australian Abrasive Minerals Pty Ltd. Australian Abrasive Minerals Pty Ltd is an Australian based mining company focused solely on the development of the Harts Range Garnet Project situated in the Northern Territory of Australia. Its core assets comprise a mineral separation plant located at Wamboden, Northern Territory, plant and equipment and a portfolio of garnet exploration properties located in the Northern Territory.
On 13 February 2018 AIM acquired the 92% equity investment and $14m secured debt held by Trailstone UK II Ltd in Australian Abrasive Minerals Pty Ltd (Administrator Appointed).

On 13 April 2018 creditors of Australian Abrasive Minerals Pty Ltd (Administrator Appointed) passed a resolution that the company enter into a Deed of Company Arrangement (DoCA) proposed by AIM. Following the DoCA, AIM acquired the remaining 8% equity in Australian Abrasive Minerals Pty Ltd to assume 100% ownership.

Further details of the Harts Range Garnet Project is set out in Section 7 of the Prospectus, as well as the Independent Technical Report in Section 6 of the Prospectus.

The proforma financial information presented in Section 7 to this Report is the historical financial information of the Company for the seven month period ended 30 June 2018, assuming that the significant events that have occurred since 1 July 2018 to the date of this report, and the proposed transactions set out in the ‘Details of the Offer’ section of the Prospectus had been completed as at that date.

The proforma financial information of AIM, as prepared by the Company, has been prepared using a balance date of 30 June 2018 corresponding to the most recently available information. For completeness, the historical financial information relating to Australian Abrasive Minerals Pty Ltd for the years ended 30 June 2016 and 2017 is also included.

The intended use of the funds raised by the issue of Shares under the Prospectus is set out in Section 2.8 of the Prospectus.

Scope

Historical financial information

You have requested Crowe Horwath Perth to review the historical financial information of the Group comprising:

- the audited Statements of Financial Position, Performance and Cash Flows of the Group for the period from incorporation (1 December 2017) to 30 June 2018;
- the audited Statements of Financial Position, Performance and Cash Flows for Australian Abrasive Minerals Pty Ltd (Administrators Appointed) for the year ended 31 December 2017; and

This historical financial information has been prepared in accordance with the stated basis of preparation being the recognition and measurement principles of the Australian Accounting Standards and the Group's adopted accounting policies.

The historical financial information has been extracted from the financial report of AIM for the period ended 30 June 2018, the financial report of Australian Abrasive Minerals Pty Ltd (Administrators Appointed) (“AAM Administrators Appointed”) for the year ended 31 December 2017 and Australian Abrasive Minerals Pty Ltd (“AAM”) for the year ended 31 December 2016.

The financial report of AIM for the seven-month period from incorporation to 30 June 2018, was audited by Walker Wayland Audit (WA) Pty Ltd (Walker Wayland) in accordance with Australian Auditing
Standards and the Corporations Act 2001. Walker Wayland issued an unmodified audit opinion on the financial report; however, the auditor did include an emphasis of matter relating to the material uncertainty around AIM’s ability to continue as a going concern.

The financial report of AAM (Administrators Appointed) for the year ended 31 December 2017 was audited by Walker Wayland in accordance with the Australian Auditing Standards and they issued a modified audit opinion on the basis they were unable to obtain sufficient appropriate audit evidence confirming the inventory balance of $1,152,193. They also included an emphasis of matter paragraph relating to the material uncertainty around AIM (Administrator Appointed)'s ability to continue as a going concern.

The financial report of AAM for the year ended 31 December 2016 was audited by Walker Wayland in accordance with the Australian Auditing Standards and they issued an unmodified opinion, however the auditor did include an emphasis of matter paragraph relating to the going concern basis of preparation of the financial statements.

The historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

**Pro forma historical financial information**

You have requested Crowe Horwath Perth to review the proforma historical statement of financial position as at 30 June 2018, referred to as “the proforma historical financial information”.

The proforma historical financial information has been derived from the historical financial information of the Group after adjusting for the effects of the significant events and proforma adjustments described in Section 7. The stated basis of preparation is the recognition and measurement principles of the Australian Accounting Standards applied to the historical financial information and the events or transactions to which the subsequent events and pro forma adjustments relate, as described in Section 7, as if those events or transactions had occurred as at the date of the historical financial information.

Due to its nature, the proforma historical financial information does not represent the Group’s actual or prospective financial position or statement of financial performance.

**Directors’ responsibility**

The Directors of the Group are responsible for the preparation and presentation of the historical financial information and proforma historical financial information, including the selection and determination of significant events and proforma adjustments made to the historical financial information and included in the proforma historical financial information, as presented in Section 7. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of historical financial information and proforma historical financial information that are free from material misstatement, whether due to fraud or error.
Our responsibility

Our responsibility is to express a limited assurance conclusion on the historical financial information and proforma historical financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review consists of making such enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Our procedures included:

- A consistency check of the application of the stated basis of preparation, to the historical and proforma historical financial information;
- A review of the Group’s and its auditors’ work papers, accounting records and other documents;
- Enquiry of directors, management personnel and advisors;
- Consideration of subsequent events and proforma adjustments described in Section 7; and
- Performance of analytical procedures applied to the proforma historical financial information.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information as set out in Section 7 of the Prospectus, and comprising:

- The statement of comprehensive income and statement of cash flows of AIM for the period from incorporation to 30 June 2018; and
- The statement of financial position of AIM as at 30 June 2018.

Is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 7.5.2 of the Prospectus.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the proforma historical financial information as described in Section 7 of the Prospectus, and comprising the proforma statement of financial position as at 30 June 2018 of AIM, is not presented fairly in all material respects, in accordance with the stated basis of preparation, as described in Section 7.5.2 of the Prospectus.

Emphasis of matter- Provisional accounting estimates

We draw attention to Note 7.5.2 (i) of the Prospectus, which describes the basis of accounting for the acquisition of AAM, and the existence of conditions that give rise to the existence of a material
uncertainty that may cast doubt on the $27,121,930 fair value of property plant and equipment acquired through the acquisition of the AAM business. Our conclusion is not modified in respect to this matter.

Other Matters

We draw attention to Note 7.2 of the Prospectus, which notes that the audit report on the financial statements (dated 1 February 2019) of AIM for the period ended 30 June 2018 contains an emphasis of matter in respect to going concern noting that the ability of the group to continue as a going concern is “dependent on its ability to generate additional funding through further capital raising and the ability to generate surplus cash from its operations”.

Funds raised through the Offer will alleviate this going concern issue.

Subsequent Events

There have been no material items, transactions or events subsequent to 30 June 2018 not otherwise disclosed in the Prospectus or this Report which have come to our attention during the course of our review that would require comment in, or adjustment to, the content of this Report or which would cause such information included in this Report to be misleading.

Restriction of use

Without modifying our conclusions, we draw attention to the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Responsibility

Crowe Horwath Perth has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included. Crowe Horwath Perth has not authorised the issue of the Prospectus. Accordingly, Crowe Horwath Perth makes no representation regarding, and takes no responsibility for, any other documents or material in, or omissions from, the Prospectus.

Disclosure of Interest

Crowe Horwath Perth does not have any pecuniary interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Crowe Horwath Perth will receive a professional fee for the preparation of this Report.

Yours sincerely

CROWE HORWATH PERTH

SEAN MCGURK
Partner
9. SOLICITOR’S REPORT ON TENEMENTS
5 February 2019

Mr Robert Brand
Director
Australian Industrial Minerals Limited
PO Box 886
SOUTH PERTH WA 6951

Dear Sirs

SOLICITOR’S REPORT ON TENEMENTS

This Solicitor’s Report (Report) is prepared for the inclusion in a prospectus to be issued in the following 14 days by Australian Industrial Minerals Limited (ACN 623 197 142) (previously known as Tinsel Assets Pty Ltd (Tinsel)) (Company).

Scope

1. We have been requested to report on certain mining tenements in which the Company has an interest or intends to acquire an interest (Tenements).

2. The Tenements are located in the Northern Territory and are listed in the Tenement Schedule (Schedule) at the end of this Report.

3. This Report is limited to the Searches detailed at clause 4 of this Report.

Searches

4. For the purpose of this Report, we have conducted searches and made enquiries in respect of the Tenements as follows (Searches):

   (a) we have obtained Ministers Certificates for the Tenements from the Northern Territory Department of Primary Industry and Resources (Department) pursuant to the Mineral Titles Act 2010 (NT) (Mining Act) on 22 January 2019;

   (b) we have obtained searches of underlying native title, petroleum and pastoral tenure through the online STRIKE system maintained by the Department on 23 January 2019;

   (c) we have obtained Land Property Searches through the Integrated Land Information System maintained by the NT Land Titles office on 21 January 2019;

   (d) we have obtained extracts of registered native title claims and native title determinations that apply to the Tenements, as determined by the National Native Title Tribunal (NNTT). This material was obtained on 21 January 2019. Details of native title claims and determinations are set out in Part II of the attached Schedule; and
(e) we have obtained searches from the Register of Sacred Sites maintained by the Aboriginal Areas Protection Authority (Authority) under the Northern Territory Aboriginal Sacred Sites Act 1989 (NT) (Sacred Sites Act) on 22 January 2019. The details of the Sacred Sites are set out in Part II of the attached Schedule.

Opinions

5. As a result of the searches and enquiries, but subject to the assumptions and qualifications set out in this Report, we are of the view that, as at the date of the relevant Searches, this Report provides an accurate statement as to:

(a) (Company’s Interest): the Company’s interest in the Tenements;

(b) (Good Standing): the validity and good standing of the Tenements; and

(c) (Third party interests): third party interests, including encumbrances, in relation to the Tenements.

6. We note that the Tenements are held directly by the Company’s wholly owned subsidiary, Australian Abrasive Minerals Pty Ltd ACN 118 292 756 (AAM).

Description of the Tenements

7. The Tenements comprise two Exploration Licences and two Mineral Leases granted under the Mining Act. Part I of the Schedule provides a list of the Tenements. The following provides a description of the nature and key terms of these types of mining tenements as set out in the Mining Act and potential successor tenements.

Exploration Licence

8. Application: In accordance with the Mining Act, an application for a mineral exploration licence (or “EL”) must be made to the Minister in the approved form. An application must include a description of the blocks comprising the proposed title area of the exploration licence and a technical work program (which includes the proposed expenditure for carrying out technical work) for the first two operational years of the exploration licence.

9. Rights: The holder of a mineral exploration licence has the right to occupy the land and conduct exploration for minerals on the land.

10. The following activities may be conducted by the title holder on an exploration licence:

(a) digging pits, trenches and holes and sinking bores and tunnels, in the title area;

(b) activities for ascertaining the quality, quantity or extent of ore or other material in the title area by drilling or other methods; and

(c) the extraction and removal of samples of ore and other substances in amounts reasonably necessary for the evaluation of the potential for mining in the area.

11. Larger samples of ore may be removed with the authorisation of the Minister.

12. Area: The title area of an exploration licence may comprise a minimum of 4 adjoining blocks and a maximum of 250 blocks. The Minister may grant an exploration licence with a title area smaller than 4 adjoining blocks if there are circumstances that justify the smaller area.
13. **Compulsory surrender:** Unless the Minister decides otherwise, the title area of an exploration licence must be reduced at the end of each period of 2 operational years. "Operational Year" is defined in the Mining Act to mean the period of 12 months immediately after the title comes into force and each subsequent period of 12 months. This includes the last operational year if the title holder applies for a renewal of the exploration licence.

14. The Minister has broad discretion to decide, on his own initiative or on application of the title holder, that a reduction is not required, the size of the reduction and to defer the timing of the reduction. However, if the title holder has failed to comply with the expenditure conditions of the licence, the Minister is not required to consider any such application made by the holder.

15. **Term:** The Minister may grant an exploration licence for a term not exceeding 6 years. Prior to the end of the term of an exploration licence, the title holder may apply to the Minister for the renewal of the exploration licence for all or some of the blocks in the title area. The Minister may renew the exploration licence for a term not exceeding 2 years but the exploration licence may be renewed more than once.

16. **Retention Status:** The holder of an exploration licence may apply to the Minister to have the exploration licence, or part of the exploration licence, designated as an exploration licence in retention (ELR). The application may only be made where there is an ore body or anomalous zone of possible economic potential in the title area and mining is not currently commercially viable or may be currently commercially viable but further work is required to assess its feasibility.

17. If an ELR is granted the area of the ELR will be excluded from the area of the exploration licence, unless the ELR is issued for all of the title area of the exploration licence in which case the ELR will replace the exploration licence.

18. The ELR may be issued for a term not exceeding 5 years and renewals may be sought for further periods of 5 years. The rights of the holder of an ELR include the right to occupy the title area and to continue conducting the activities authorised for an exploration licence.

19. An ELR gives the holder an exclusive right to apply for a mineral lease over all or part of the title area.

20. If the Minister is satisfied that the mining and processing of minerals on the ELRs are commercially viable, the Minister may issue a notice to the title holder requiring the title holder to either apply for a mineral lease over all or part of the area of the ELR or give reasons why the title holder has not so applied. The Minister may cancel the ELR if the title holder fails to provide reasons or apply for a mineral lease within the time specified in the notice or, if reasons are provided by the title holder, the Minister is satisfied that it is the interests of the Territory that the ELR should be cancelled.

21. **Conditions:** Exploration licences are granted subject to the following statutory conditions:

   (a) before conducting authorised activities on an exploration licence, the title holder must give notice of entry and its intention to conduct activities to any landowners (which include, among others, holders of pastoral leases and native title holders) or occupiers of land in the title area;

   (b) the holder of an exploration licence must:

      (i) carry out exploration work in accordance with the technical work program and the expenditure requirements for the exploration licence;

      (ii) give notice to the Minister within 28 days of discovery of a mineral that may be of economic or commercial interest;
(iii) notify the Minister and provide such samples and data as the Minister requires within 28 days of finding underground water during the conduct of authorised activities;

(iv) provide the Minister with a technical work program for the authorised activities to be conducted on the title in the next operational year; and

(c) the holder of an exploration licence must not:

(i) extract or remove ore, except for sampling purposes or as otherwise authorised by the Minister; and

(ii) sell a mineral discovered in the title area, unless the sale has been approved by the Minister.

22. **Priority to apply for mineral lease**: The holder of an exploration licence has an exclusive right to apply for a mineral lease for all or part of the title area.

23. **Amalgamation**: The Minister may decide to amalgamate all or part of 2 or more adjoining title areas if the exploration licences are held by the same person and authorise the same activities. An amalgamation may be done on the Minister's own initiative (after consulting with the title holder) or on application by the holder of the original titles. The effect of an amalgamation is that the original titles are cancelled and a new exploration licence issued in replacement.

24. **Transfer**: The holder of a mineral title (which includes an exploration licence) may apply to the Minister for approval and registration of transfer a legal or equitable interest in the title. The Minister is required to approve and register the transfer unless satisfied there are circumstances why he or she should refuse the application.

25. **Cancellation**: The Minister may cancel an exploration licence if satisfied that the holder: has contravened a condition of the mineral title, has failed to pay an amount due to the Territory under the Mining Act, has not used good work practices in conducting its authorised activities, no longer has the financial resources to carry out the work program or has not conducted authorised activities on the title area for a continuous period of 2 years.

**Mineral Lease**

26. **Applications**: A person may apply in accordance with the Mining Act to the Minister for the grant of a mineral lease, however a holder of an exploration licence or retention licence over the relevant area has priority.

27. An application for a mineral lease must include a description of the land comprising the proposed area of the mineral lease, evidence of an ore body or anomalous zone of likely economic value in the proposed area of the mineral lease (unless the mineral lease is granted for purposes ancillary to a mining operation being carried out by the title holder on another mineral lease) and a summary of the work proposed to be carried out on the mineral lease.

28. **Rights**: A mineral lease gives the holder the exclusive right to conduct mining in the title area and to conduct the following activities:

(a) exploration for minerals in the title area;

(b) evaluation, processing or refining of minerals in the title area;

(c) treatment of tailings and other materials;
(d) storage of waste and other materials; and

(e) other activities which are specified in the ML in connection with an activity mentioned above.

29. A mineral lease also gives the title holder the right to conduct mining for extractive minerals and tourist fossicking.

30. A mineral lease may also be granted for the purpose of conducting activities ancillary to mining conducted on another mineral lease granted to the title holder. The holder has exclusive rights to occupy the land comprised of the mineral lease.

31. **Term:** The Minister may grant a mineral lease for the term the Minister considers appropriate. The mineral lease may be renewed more than once for a term the Minister considers appropriate.

32. **Conditions:** The title holder is required to comply with all contractual arrangements entered into with the Territory and to conduct activities in relation to the area of the mineral lease in a way that interferes as little as possible with the rights of other occupiers of land in the vicinity of the lease area.

33. In addition to the specific conditions which apply to each particular type of mineral title, all mineral titles are subject to certain general conditions set out in the Mining Act. These general conditions include (among others):

   (a) the title holder must actively conduct authorised activities in the title area;
   
   (b) the title holder must comply with the Mining Act and all other applicable laws;
   
   (c) the written consent of the relevant landowner or applicable Minister or local government authority must be obtained before improvements on land can be damaged or disturbed;
   
   (d) notice is to be given to the Minister upon recovery of drill core, cuttings or other geological samples;
   
   (e) reporting requirements (including annual technical reports, expenditure reports, production reports, reserve reports and a final report upon the mineral title ceasing to be in force); and
   
   (f) payment of fees, rent and royalties to the Territory.

34. **Transfer:** The holder of a mineral title (which includes a mineral lease) may apply to the Minister for approval and registration of transfer a legal or equitable interest in the title. The Minister is required to approve and register the transfer unless satisfied there are circumstances why he or she should refuse the application.

**Aboriginal Heritage**

35. The Company must ensure that it does not breach any applicable legislation relating to Aboriginal heritage (see below).

36. A Tenement may contain sites or objects of Aboriginal significance. In the Northern Territory, these sites are recorded in a Register of Sacred Sites maintained in accordance with the Sacred Sites Act, however this is not an exhaustive list and the Sacred Sites Act protects both sites recorded on the Register and sites which are not yet recorded.
Commonwealth Legislation

37. The Aboriginal and Torres Strait Islander Heritage Act 1984 (Cth) (Commonwealth Heritage Act) is aimed at the preservation and protection of any Aboriginals and objects that may be located on the Tenements.

38. Under the Commonwealth Heritage Act, the Minister for Aboriginal Affairs may make interim or permanent declarations of preservation in relation to significant Aboriginal areas or objects, which have the potential to halt exploration activities. Compensation is payable by the Minister for Aboriginal Affairs to a person who is, or is likely to be, affected by a permanent declaration of preservation.

39. It is an offence to contravene a declaration made under the Commonwealth Heritage Act.

Northern Territory Legislation

40. Sacred sites in the Northern Territory are protected by the Sacred Sites Act.

41. Under the Sacred Sites Act it is an offence for a person to enter or remain on a sacred site, to carry out work on or use a sacred site or to desecrate a sacred site. "Sacred site" has the definition given to it in the Aboriginal Land Rights (Northern Territory) Act 1976 (Cth) which is "a site that is sacred to Aboriginals or is otherwise of significance according to Aboriginal tradition, and includes any land that, under a law of the Northern Territory, is declared to be sacred to Aboriginals or of significance according to Aboriginal tradition."

42. A person who proposes to use or carry out work on land must apply to the Aboriginal Areas Protection Authority (Authority) for an Abstract of Records for the area on which operations are proposed. The Abstract of Records identifies both registered and recorded sacred sites on the tenements. Registered sacred sites are those that Aboriginal custodians have asked the Authority to protect and that have subsequently been documented and evaluated by the Authority and entered on the Register of Sacred Sites. Recorded sacred sites have not been evaluated or placed on the Register of Sacred Sites but there is information indicating that they are nonetheless significant according to Aboriginal tradition and therefore "sacred sites" within the meaning of the Sacred Sites Act.

43. If the area of proposed operations is proximate to one of the recorded or registered sites described on the Abstract of Records, and steps cannot be taken to avoid these sites, a tenement holder may elect to apply for an Authority Certificate from the Authority. Once an application has been received the Authority is required to consult with the custodians of sacred sites on or in the vicinity of the land to which the application relates that are likely to be affected by the proposed works. The applicant for an Authority Certificate may also request the Authority to arrange a conference between the applicant and the custodians of the sacred sites.

44. The Authority is required to issue an Authority Certificate to the applicant if the Authority is satisfied that the work or use of the land proposed by the applicant could proceed without there being a substantive risk of damage to or interference with a sacred site on the vicinity of the land or an agreement has been reached between the custodians of the sacred site and the applicant.

45. An Authority Certificate will:

(a) describe the part or parts of the land on which the work proposed may be carried out (or not carried out, as the case may be) with sufficient particularity to enable the land and part or parts to be identified; and

(b) setting out the conditions, if any, on which the work may be carried out.

46. It is a defence to a prosecution under the offence provisions of the Sacred Sites Act that the defendant
carried out the work on, or used, the sacred site in accordance with the conditions of an Authority Certificate.

Native Title

Introduction

47. On 3 June 1992 the High Court of Australia held in *Mabo v Queensland (No 2) (1992) 175 CLR 1* (*Mabo No 2*) that the common law of Australia recognises native title. The High Court held that in order to maintain a native title claim the persons making such claim must show that they enjoyed certain customary rights and privileges in respect of a particular area of land and that they have maintained their traditional connection with that land.

48. Such a claim will not be recognised if the native title has been extinguished, either by voluntary surrender to the Crown, death of the last survivor of a community entitled to native title, abandonment of the land in question by that community or the granting of an "inconsistent interest" in the land by the Crown. An example of inconsistent interest would be the granting of a freehold or some types of leasehold interest in the land. The granting of a lesser form of interest will not extinguish native title unless it is wholly inconsistent with native title.

49. In order for native title to be recognised the following conditions must be met:

(a) the rights and interests are possessed under the traditional laws that are currently acknowledged and the traditional customs are currently observed by the relevant Indigenous people;

(b) those Indigenous people have a 'connection' with the area in question by those traditional laws and customs; and

(c) the rights and interests are recognised by the common law of Australia.

50. The *Racial Discrimination Act 1975 (Cth) (RDA)*, which was enacted by the Federal Parliament, is binding on the State of Western Australia and makes racial discrimination unlawful. Some legal commentators have raised the question of whether, in the case of the grant of a post 1975 mining tenement, if such grant is found to be discriminatory and therefore unlawful under the RDA, the result may be either that the grant of the mining tenement is invalid, or that such grant would give rise to a claim for compensation by the affected Aboriginal group against the Commonwealth.

51. The Commonwealth Parliament responded to the Mabo decision by passing the *Commonwealth Native Title Act 1993 (NTA)*.

The Native Title Act 1993

52. The NTA provides for:

(a) the establishment of the NNTT where Indigenous people may lodge claims for native title rights over land and have those claims registered;

(b) the Courts to assess native title claims and determine if native title rights exist and where a Court completes the assessment of a native title claim, to issue a native title determination that specifies whether or not native title rights exist; and

(c) that an act (such as the grant or renewal of a mining tenement) carried out after 23 December 1996 (a *Future Act*) must comply with certain requirements for the Future Act to be valid under the NTA. These requirements are called the *Future Act Provisions*. 

7
The Future Act Provisions

53. The Future Act Provisions vary depending on the Future Act to be carried out. We note that the grant of a tenement does not need to comply with Future Act Provisions if in fact native title has never existed over the land covered by the tenement, or has been validly extinguished prior to the grant of the tenement.

54. Unless it is clear that native title does not exist (for example in relation to freehold land), the usual practice of the State or Territory is to comply with the Future Act Provisions when granting a tenement. This ensures the grant will be valid in the event a court determines that native title rights do exist over the land subject to the tenement, and as such, the Future Act Provisions apply.

55. The Future Act Provisions vary depending on the Future Act to be carried out. In the case of the grant of a mining tenement, typically there are three alternatives:

(a) the Right to Negotiate;
(b) an Indigenous Land Use Agreement (ILUA); and
(c) the Expedited Procedure.

These are summarised below.

Right to Negotiate

56. The Right to Negotiate (RTN) involves a formal negotiation between the State, the applicant for the tenement and any registered native title claimants and holders of native title rights. The RTN objective is for the parties to negotiate in good faith and agree the terms on which the tenement can be granted. The applicant for the tenement is usually liable for any compensation that the parties agree to pay to the registered native title claimants and holders of native title. The parties may also agree on conditions that will apply to activities carried out on the tenement, for example, in relation to heritage surveys.

57. If an agreement is not reached, or not likely to be reached, after 6 months of the notification of the application to the native title party, the matter may be referred to the NNTT for determination on whether the tenement can be granted and if so, on what conditions. The NNTT has six months from the date of the application for determination to make a decision.

ILUA

58. An ILUA is a contractual arrangement governed by the NTA. Under the NTA, an ILUA must be negotiated with all registered native title claimants for a relevant area. The State and the applicant for the tenement are usually the other parties to the ILUA.

59. An ILUA must set out the terms on which a tenement can be granted. An ILUA will also specify conditions on which activities may be carried out within the tenement. The applicant for a tenement is usually liable for any compensation that the parties agree to pay to the registered native title claimants and holders of native title in return for the grant of the tenement being approved. These obligations pass to a transferee of the tenement.

60. Once an ILUA is agreed and registered, it binds the whole native title claimant group and all holders of native title in the area (including future claimants), even though they may not be parties to it.

61. The Central Land Council and MZI Resources Ltd (formerly known as Matilda Zircon Limited and Olympia Resources Limited) (referred to herein as MZI) entered into an Area Agreement ILUA dated 6
March 2003 which was registered on 20 November 2003 (Area Agreement ILUA). The Area Agreement ILUA was varied on 17 November 2003 by way of a deed of variation (ILUA Variation).

62. In November 2006, MZI agreed to be bound by the Area Agreement ILUA with respect to (relevantly) EL 24360.

63. In April 2010 AAM purchased the relevant tenements from MZI and subsequently applied for a mineral lease over part of EL 24360. The resulting ML 28614 was notified on 20 April 2011. The parties agreed that the production of minerals on ML 28614 would be subject to certain financial arrangements under the Mining Agreement Mineral Lease No 28614 between Central Land Council and AAM dated 11 December 2012 (2012 Mining Agreement). The 2012 Mining Agreement also provides for the general conduct of activities on EL 24360.

64. Although the definition of ‘Agreement’ in the 2012 Mining Agreement provides that ‘Agreement means this Indigenous Land Use Agreement’, the 2012 Mining Agreement is not registered as an ILUA. Despite this, EL 24360 and EL 28696 are subject to the Area Agreement ILUA and ML 28614 is subject to the 2012 Mining Agreement. ML 23868 is also subject to the Area Agreement ILUA as its successor tenement (EL 10150) was subject to the Area Agreement ILUA.

65. Whilst the terms and conditions of the Area Agreement ILUA and the 2012 Mining Agreement are confidential in nature, they are similar to those we would normally expect to see in such documents.

**Expedited Procedure**

66. The NTA establishes a simplified, fast-track process for the carrying out of a Future Act that is likely to have minimal impact on native title rights (Expedited Procedure). The grant of a tenement can occur under the Expedited Procedure if:

(a) the grant will not interfere directly with the carrying on of the community of social activities of the persons who are the holders of native title in relation to the land;

(b) the grant is not likely to interfere with areas or sites of particular significance, in accordance with their traditions, to the persons who are holders of native title in relation to the land; and

(c) the grant is not likely to involve major disturbance to any land or waters concerned or create rights whose exercise is likely to involve major disturbances to any land.

67. If the State/Territory considers the above criteria are satisfied, it commences the Expedited Procedure by giving notice of the proposed grant of the tenement in accordance with the NTA. Persons have until three months after the notification date to take steps to become a registered native title claimant or native title holder in relation to the land to be subject to the tenement.

68. If there is no objection lodged by a registered native title claimant or native title holder within four months of the notification date, the State/Territory may grant the tenement.

69. If one or more registered native title claimants or native title holders object within the four months of the notice period, the NNTT must determine whether the grant is an act attracting the Expedited Procedure. If the NNTT determines that the Expedited Procedure applies, the State/Territory may grant the tenement. Otherwise, the Further Act Provisions, such as the RTN or ILUA, must be followed before the tenements can be granted.

**Registered Native Title Claims and Determinations**

70. Our Searches indicate that all of the Tenements fall wholly within the Mt Riddock Pastoral Lease determined Native Title Claim (DCD2017/003).
71. The status of the native title claims is summarised in Part II of the Schedule.

72. The native title claimants and holders of native title under the determinations are entitled to certain rights under the Future Act Provisions.

Validity of Tenements under the NTA

73. The sections below examine the validity of the Tenements under the NTA.

Tenements granted before 23 December 1996

74. Our Searches indicate that none of the Tenements were granted before 23 December 1996.

Tenements granted after 23 December 1996

75. Our Searches indicate that all of the Tenements were granted after 23 December 1996. Refer to Part I of the Schedule for the Tenements.

76. We have assumed that these Tenements were granted in accordance with the Future Act Provisions and as such are valid under the NTA.

Tenements renewed after 23 December 1996

77. Renewals of mining tenements made after 23 December 1996 must comply with the Future Act Provisions in order to be valid under the NTA.

78. An exception is where the renewal is the first renewal of a mining tenement that was validly granted before 23 December 1996 and the following criteria are satisfied:

(a) the area to which the mining tenement applies is not extended;

(b) the term of the renewed mining tenement is no longer than the term of the old mining tenement; and

(c) the rights to be created are not greater than the rights conferred by the old mining tenement.

79. Any future renewals of the Tenements will need to comply with the Future Act Provisions in order to be valid under the NTA. The registered native title claimants and holders of native title identified in this Report will need to be involved as appropriate under the Future Acts Provisions.

Access issues

Pastoral lease

80. Our searches indicate that all of the Tenements sit wholly within the Mt Riddock Station Pastoral Lease which is owned by Steven Phillip Cadzow as trustee of the Steven Cadzow Family Trust No. 1.

81. The Mining Act requires, as a condition of each exploration licence, that the title holder follow the procedure set out in the Mineral Titles Regulations (NT) (Regulations) for giving notice to landowners before starting to conduct authorised activities under an exploration licence. "Landowners" is defined in the Mining Act to include, among other things, a person recorded in the land register as a person entitled to a lease from the Crown under the Pastoral Land Act 2011 (NT).

82. Under the Regulations, the title holder is required to give written notice of its intention to commence conducting authorised activities on the land at least 14 days before the proposed commencement. The notice must include the name and contact details of the title holder, the name and contact details
of the person conducting the authorised activities, the nature of the exploration to be conducted, the intended start date and an estimate of the duration of the program, a map of the land on which the exploration is to be conducted and the details of the proposed place of entry onto the land.

83. After entering the land, the title holder is also required to take all reasonable steps to advise the occupiers of the land of its entry before it starts to conduct authorised activities.

84. The holder of a mineral title is not permitted to conduct authorised activities on pastoral land within:

(a) 200m of a building that is not enclosed by a fence; or

(b) 50m of a fence that encloses a building.

85. We are advised that AAM does not currently have any access and compensation agreements in place with Mr Cadzow in relation to the Tenements. While it is not a statutory requirement that access agreements be entered into, we recommend that the Company enter into such agreements to ensure the requirements of the Mining Act are satisfied and to avoid any future disputes arising in relation to amounts of compensation which may be applicable.

Other potential interests

86. We have identified that all of the Tenements are wholly within the area covered by Exploration Permit 284.

87. Exploration Permit 284 is an application for a petroleum exploration permit made by NT Gas Aust. Pty Ltd under the Petroleum Act (NT) (Petroleum Act).

88. Once granted, a petroleum exploration permit will give the holder the exclusive right to explore for but not produce petroleum in the title area. The permit allows the holder to carry out exploratory operations for oil and gas and operations to establish the nature and extent of any petroleum resource discovered, including the feasibility of production.

89. Titles granted under the Petroleum Act operate concurrently with titles granted under the Mining Act.

90. Section 81 of the Petroleum Act provides that the holder of a petroleum interest (which includes an exploration permit) must pay compensation to “any occupier of land comprised in the petroleum interest who has a registered interest in the land” for deprivation of use or enjoyment of the land, including improvements on the land and any damage caused by the permit holder to the land or improvements on the land.

91. Exploration activities may not be commenced under the Petroleum Act unless the permit holder has given notice to “any occupier of the land who has a registered interest in that land of the proposed date of commencement, nature and duration” of those exploration activities.

92. Petroleum is specifically excluded from the definition of “mineral” in the Mining Act and, as such, an exploration or mining permit granted under Mining Act will confer no rights to explore for or mine petroleum.

Material Agreements

93. Terms sheet for the acquisition of the assets comprising the Harts Range Project: the parties to the agreement for the sale and purchase of the Harts Range Project dated 16 October 2009 (Terms Sheet) are Matilda Zircon Limited, (formerly known as Olympia Resources Limited, now known as MZI Resources Limited and referred to herein as MZI), Bravest Pty Ltd (Bravest) and Universal Abrasives Pty Ltd, now AAM (AAM). MZI has not executed the copy of the Terms Sheet provided to us.
94. Relevantly, the Terms Sheet provided for the purchase by AAM of a 100% interest in EL 24360.

95. Under the Terms Sheet, the parties agreed to negotiate a formal sale and purchase agreement, however as we have not been provided with a copy of such agreement, it is expected that the parties did not enter any such formal agreement.

96. The Terms Sheet also includes the payment of a royalty pursuant to a royalty agreement dated 31 May 1999 between John William Benger, Imperial Granite & Minerals Pty Ltd (Imperial) and MZI. By way of a settlement agreement in June 2010 the obligation to pay the royalty was released. Under the same settlement agreement, MZI transferred its 90% interest in ML 23868 to Imperial. As at 22 January 2019, Branvest retained ownership of a 10% interest in ML 23868, however see paragraphs 114 to 116 below for further discussion as to the purchase by AAM of Branvest's interest.

97. There are no ongoing liabilities or obligations owing by AAM or to AAM under the Terms Sheet.


99. The purpose of the 2016 TSA is to provide for the sale of a 90% interest in ML 23868 from Imperial to AAM.

100. There are no ongoing liabilities or obligations owing by AAM or to AAM under the 2016 TSA.

101. Assignment Deed (Pre-Appointment Debts): the parties to the Assignment Deed (Pre-Appointment Debts) dated 8 February 2018 (Pre-Appointment Deed) were Trailstone UK II Ltd (Trailstone) as assignor and the Company as assignee. The purpose of the Pre-Appointment Deed was to assign debt to Tinsel that was owed to Trailstone by AAM pursuant to various agreements between Trailstone and AAM that occurred prior to the appointment of administrators to AAM.

102. Under the Pre-Appointment Deed, the Company was to pay $4,399,998 plus GST (Purchase Price) to Trailstone for which Trailstone transferred its interest in the 'Debt' and the 'Relevant Documents' to the Company. Together, 'Debt' and 'Relevant Documents' include:

(a) the total amount of debt as at 8 February 2018 owing by AAM to Trailstone under the terms of the loan agreement (see (c) below) and any other amounts including but not limited to, debts, liabilities or performance rights owing under the loan agreement or the security;

(b) the general security deed between Trailstone and AAM dated on or about 13 June 2014 as amended from time to time;

(c) the loan agreement between Trailstone and AAM dated 14 March 2014 as amended from time to time; and

(d) the mortgage granted by AAM in favour of Trailstone over EL 24360, EL 28696, ML 28614 and ML 23868 (which was discharged on 8 November 2018).

103. The Completion date under the Pre-Appointment Deed was 9 February 2018. A condition of the assignment under the Pre-Appointment Deed was that the Deed of Assignment (Post-Appointment Debt) between Trailstone, the Company, AAM (administrators appointed), Mineral Separation Plant Pty Ltd (administrators appointed), Richard Scott Tucker, John Allan Bumbak, Rahul Goyal, Robert Brand and Curtis Brand was executed contemporaneously (Post-Appointment Deed). If the Post-Appointment Deed was not executed, then the Pre-Appointment Deed would be void.

104. Passing of title and risk in the Debt and Relevant Documents was transferred to the Company upon completion.
105. The representations and warranties included in the Pre-Appointment Deed are similar to those we would normally expect to see in such a document. As expected, the Pre-Appointment Deed also includes a release of Trailstone for all loss (which has a broad meaning) in relation to the Assignment.

106. **Deed of Assignment (Post-Appointment Debt):** the parties to the Deed of Assignment (Post-Appointment Debt) (Post-Appointment Deed) were Trailstone, the Company, AAM (administrators appointed), Mineral Separation Plant Pty Ltd (administrators appointed), Richard Scott Tucker, John Allan Bumbak, Rahul Goyal, Robert Brand and Curtis Brand and was executed on 8 February 2018. The purpose of the Post-Appointment Deed was to assign to Tinsel the debts owed by AAM under various agreements between Trailstone and AAM which accrued after the appointment of administrators to AAM.

107. Under the Post-Appointment Deed, the Company was to pay the amount of $1.00 to Trailstone and Trailstone would transfer its interest in the ‘Debt’ and the ‘Relevant Documents’ to the Company. Together, ‘Debt’ and ‘Relevant Documents’ include:

   (a) the total amount of debt at 8 February 2018 owing by AAM to Trailstone under the terms of the loan agreement (see (b) below) and any other amounts including to but not limited to debts, liabilities or performance rights owing to Trailstone under the loan agreement or the security;

   (b) the loan agreement between Trailstone and AAM dated on or about 13 October 2017 as amended from time to time;

   (c) the general security deed between Trailstone, AAM and Mineral Separation Plant Pty Ltd (administrators appointed) dated on or about 13 October 2017 as amended from time to time; and

   (d) the mortgage granted by AAM in favour of Trailstone over EL 24360, EL 28696, ML 28614 and ML 23868 (which was discharged on 8 November 2018).

108. Completion under the Post-Appointment Deed was 9 February 2018. A condition of the assignment under the Post-Appointment Deed was that the Deed of Assignment (Pre-Appointment Debt) between Trailstone and the Company, was executed at the same time. If the Pre-Appointment Deed was not executed, then the Post-Appointment Deed would be void.

109. Passing of title and risk in the Debt and Relevant Documents was transferred to the Company upon completion.

110. The representations and warranties included in the Post-Appointment Deed are similar to those we would normally expect to see in such a document. The Post-Appointment Deed also includes a release to Trailstone for all loss in relation to the Assignment.

111. **Deed:** the parties to the deed dated 7 May 2018 are AAM (Administrators Appointed) and the Company.

112. The purpose of the Deed is that AAM acknowledge that any advances provided by the Company:

   (a) will be ‘Secured Money’ as defined in the General Security Deed between Trailstone and AAM dated 13 June 2014 (we have not seen a copy of this General Security Deed) and the mortgage granted by AAM in favour of Trailstone dated 14 March 2014 (which was discharged on 8 November 2018); and

   (b) were provided to enable AAM to enter into and comply with the deed of company arrangement and investigate the listing of AAM on the ASX.
113. These advances however did not include monies paid under the Assignment Deed (Pre-Appointment Debts) and the Deed of Assignment (Post-Appointment Debt).

114. **Tenement Sale Agreement**: the parties to the Tenement Sale Agreement dated 30 October 2018 are Branvest, AAM and the Company (2018 TSA). The sole director of Branvest is Mr Robert Brand, also being a director of the Company and of AAM.

115. The purpose of the 2018 TSA is to provide for the sale of a 10% interest in ML 23868 from Branvest to AAM.

116. At the date of this report, the 2018 TSA had not completed. However upon completion, there will be no further obligations owing by AAM or to AAM under the 2018 TSA.

### Qualifications and Assumptions

117. This Report is subject to the following qualifications and assumptions:

   (a) This Report is accurate as at the date(s) the Searches that were performed.

   (b) We have assumed the accuracy and completeness of all Tenement searches, register extracts and other information or responses which were obtained from the relevant department or authority including the NNTT.

   (c) We assume that the registered holder of a Tenement has a valid legal title to the Tenement.

   (d) This Report does not cover any third party interests, including encumbrances, in relation to the Tenements that are not apparent from the Searches and the information provided to us.

   (e) With respect to the granting of the Tenements, we have assumed that the Territory and the applicant for the Tenements complied with the applicable Future Act Provisions.

   (f) We have assumed the accuracy and completeness of any instructions or information which we have received from the Company or any of its officers, agents and representatives.

   (g) Unless apparent from our Searches or the information provided to us, we have assumed compliance with the requirements necessary to maintain a Tenement in good standing.

   (h) Reference in the Schedule to any area of land is taken from details shown on Searches obtained from the relevant department. It is not possible to verify the accuracy of those areas without conducting a survey.

   (i) The information in the Schedule is accurate as at the date of the relevant Searches.

Yours faithfully

All Mining Legal Pty Ltd
PART I – TENEMENT SCHEDULE

<table>
<thead>
<tr>
<th>No.</th>
<th>Tenement</th>
<th>Registered Holder</th>
<th>Application Date</th>
<th>Grant Date</th>
<th>Expiry Date</th>
<th>Area</th>
<th>Expenditure</th>
<th>Registered Caveats, Agreements and Encumbrances</th>
<th>Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>EL24360³</td>
<td>Australian Abrasive Minerals Pty Ltd⁴</td>
<td>16/08/2004</td>
<td>15/09/2006</td>
<td>14/09/2018⁵</td>
<td>34 Sub-Blocks⁶</td>
<td>The first year expenditure commitment was $27,000.00. This commitment was met with the tenement holder lodging a report claiming $324,031.00 in expenditure for year 1. The second year expenditure commitment</td>
<td>Dealing 93059 (Agreement) registered 22/09/10 between Bravest Pty Ltd, MZI Resources Ltd and Australian Abrasive Minerals Pty Ltd.</td>
<td>See Note 2.</td>
</tr>
</tbody>
</table>

Note ¹: Under the Mining Act applicants for an exploration licence are required to submit a technical work program for the first 2 operational years of the exploration licence with their application. The technical work program includes details of the proposed expenditure for the first two years of that licence. The tenement holder is then required to lodge expenditure reports confirming those commitments have been met. After the first two years of the term, the tenement holder is then required to lodge technical work programs containing details of proposed expenditure on a yearly basis.

Note ²: The amount of security required is calculated by the Department based on the Mining Management Plan (MMP) submitted by the tenement holder. The MMP is required to be reviewed annually and, if necessary, amended. If the MMP needs to be amended, the MMP has to be submitted to the Department for assessment and the amount of security may be re-calculated. The current MMP for the Harts Range Mine covers EL24360, EL28696 and ML28614 and the amount of security held by the Department is $437,314.00. The 12 month anniversary date for the Harts Range Mine (current authorisation 0768-01) was 27 September 2018. We understand that Australian Abrasive Minerals Pty Ltd submitted an updated MMP on 10 September 2018 and is currently liaising with the Department in this respect. We further understand that the Harts Range Mine is currently on care and maintenance but that Australian Abrasive Minerals Pty Ltd has plans to move to active operations. In this event, the amount of security held by the Department will be reassessed.

Note ³: EL24360 and EL28696 form part of a combined reporting group GR078. The exploration licences are the only titles in the group. The reporting year for GR078 is 16 October – 15 October each year with the expenditure reports and annual technical reports due for all of the tenements within 60 days of the end of the reporting year (i.e. by 15 December each year).

Note ⁴: Australian Abrasive Minerals Pty Ltd is a wholly owned subsidiary of Australian Industrial Minerals Limited.

Note ⁵: EL24360 was originally granted for a term of 6 years expiring on 14 September 2012. EL24360 has since been renewed three times for a further period of 2 years each time and was due to expire on 14 September 2018. On 7 September 2018 Australian Abrasive Minerals Pty Ltd made an application for the renewal of EL24360. The Minister may renew EL24360 for a term not exceeding two years. At 22 January 2019, the renewal had not yet been granted.

Note ⁶: The exploration licence was originally granted over an area of 61 sub-blocks but, on renewal in June 2017, 27 sub-blocks were surrendered. Under the Mining Act, the title area of an exploration licence must be reduced at the end of each period of 2 operational years of the licence, however, the tenement holder can apply for the surrender requirements to be waived, reduced or deferred (see s.29(4) Mining Act). The surrender in 2017 was the first time the area of the licence had been reduced since the tenement was granted in 2004.
<table>
<thead>
<tr>
<th>No.</th>
<th>Tenement</th>
<th>Registered Holder</th>
<th>Application Date</th>
<th>Grant Date</th>
<th>Expiry Date</th>
<th>Area</th>
<th>Expenditure ¹</th>
<th>Registered Caveats, Agreements and Encumbrances</th>
<th>Securities ²</th>
</tr>
</thead>
</table>

was $50,000.00. This commitment was met with the tenement holder lodging a report claiming $53,636.49 in expenditure for year 2.

The third year expenditure commitment was $37,192.00. This commitment was not met with the tenement holder lodging a report claiming $32,003.00 in expenditure for year 3.

The fourth year expenditure commitment was $35,000.00. This commitment was met with the tenement holder lodging a report claiming $91,241.00 in expenditure for year 4.

The fifth year expenditure commitment was $50,000.00. This commitment was not met with the tenement holder lodging a report claiming

---

**Note**: It is a condition of all exploration licences that the holder must meet its annual expenditure requirements (see section 32(2) of the Mining Act). The Minister may cancel a mineral title if the holder contravenes a condition of the mineral title (section 105 of the Mining Act). However, under section 100 of the Mining Act, the title holder may apply to the Minister to have the conditions (including the expenditure conditions) of a mineral title varied. Based on a review of the Ministers Certificate for EL24360 it appears that a variation of expenditure in respect of third year shortfall was applied for on 9 November 2009 and obtained.
<table>
<thead>
<tr>
<th>No.</th>
<th>Tenement Holder</th>
<th>Registered Holder</th>
<th>Application Date</th>
<th>Grant Date</th>
<th>Expiry Date</th>
<th>Area</th>
<th>Expenditure</th>
<th>Registered Caveats, Agreements and Encumbrances</th>
<th>Securities</th>
</tr>
</thead>
</table>

$47,430.00 in expenditure for year 5.6

The sixth year expenditure commitment was $55,000.00. This commitment was met with the tenement holder lodging a report claiming $55,130.00 in expenditure for year 6.

The seventh year expenditure commitment was $60,000.00. This commitment was met with the tenement holder lodging a report claiming $60,044.00 in expenditure for year 7.

The eighth year expenditure commitment was $101,500.00. This commitment was met with the tenement holder lodging a report claiming $113,558.00 in expenditure for year 8.9

The ninth year expenditure commitment was $7,000.00. This

Note 6: See comments in Note 7 regarding failure to meet expenditure conditions. Based on a review of the Ministers Certificate for EL24360 it appears that a variation of expenditure in respect of the fifth year shortfall was applied for on 28 October 2011 and obtained.

Note 9: The amalgamated expenditure report was lodged by the tenement holder late on 22 December 2014. Late fees were incurred and paid.
<table>
<thead>
<tr>
<th>No.</th>
<th>Tenement</th>
<th>Registered Holder</th>
<th>Expiry Date</th>
<th>Expire Date</th>
<th>Area</th>
<th>Grant Date</th>
<th>Application Date</th>
<th>Securities</th>
<th>Registered Caveats</th>
<th>Agreements and Encumbrances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note 10: See comments in Note 7 regarding failure to meet expenditure conditions. Based on a review of the Ministers Certificate for EL24360 it appears that a variation of expenditure in respect of the tenth year shortfall was applied for on 30 December 2016 and obtained.

Note 11: See comments in Note 7 regarding failure to meet expenditure conditions. Based on a review of the Ministers Certificate for EL24360, it appears that a variation of expenditure conditions in respect of this shortfall was applied for on 3 December 2017 and has been approved.
<table>
<thead>
<tr>
<th>No.</th>
<th>Tenement</th>
<th>Registered Holder</th>
<th>Application Date</th>
<th>Grant Date</th>
<th>Expiry Date</th>
<th>Area</th>
<th>Expenditure ¹</th>
<th>Registered Caveats, Agreements and Encumbrances</th>
<th>Securities ²</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>EL28696</td>
<td>Australian Abrasive Minerals Pty Ltd</td>
<td>21/03/2011</td>
<td>12/10/2011</td>
<td>11/10/2019 ¹³</td>
<td>15 Sub-blocks ¹⁴</td>
<td>$500.00 in expenditure for year ¹²</td>
<td>N/A</td>
<td>See Note 2.</td>
</tr>
</tbody>
</table>

Note ¹²: See comments in Note 7 regarding failure to meet expenditure conditions. Based on a review of the Ministers Certificate for EL24360, it appears that a variation of expenditure conditions in respect of this shortfall was applied for on 11 December 2018 and has not yet been approved.

Note ¹³: EL28696 was originally granted for an initial term of 6 years. A renewal was sought and granted on 20 December 2017. The tenement is now due to expire on 11 October 2019.

Note ¹⁴: The exploration licence was originally applied for over an area of 29 sub-blocks. On 12 October 2013, a reduction of 14 blocks was granted such that the current area of the licence is now 15 sub-blocks.

Note ¹⁵: See comments in Note 7 regarding failure to meet expenditure conditions. Based on a review of the Ministers Certificate for EL28696 it appears that a variation of expenditure condition in respect of this shortfall was applied for on 23 November 2012 and obtained.
<table>
<thead>
<tr>
<th>No.</th>
<th>Tenement</th>
<th>Registered Holder</th>
<th>Application Date</th>
<th>Grant Date</th>
<th>Expiry Date</th>
<th>Area</th>
<th>Expenditure</th>
<th>Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$3,017.00 in expenditure for year 3.(^{16})</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>The fourth year expenditure commitment was $10,000.00. This commitment was met with the tenement holder lodging a report claiming $14,512.45 in expenditure for year 4.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>The fifth year expenditure commitment was $36,000.00. This commitment was not met with the tenement holder lodging a report claiming $19,139.00 in expenditure for year 5.(^{17})</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>The sixth year expenditure commitment was $55,500.00. This commitment was not met with the tenement holder lodging a report claiming $3,680.00 in expenditure for year 6.(^{18})</td>
<td></td>
</tr>
</tbody>
</table>

Note \(^{16}\): See comments in Note 7 regarding failure to meet expenditure conditions. Based on a review of the Ministers Certificate for EL28696 it appears that a variation of expenditure condition in respect of this shortfall was applied for on 23 December 2014 and obtained.

Note \(^{17}\): See comments in Note 7 regarding failure to meet expenditure conditions. A variation of expenditure condition in respect of this shortfall was applied for on 30 December 2016.

Note \(^{18}\): See comments in Note 7 regarding failure to meet expenditure conditions. Based on a review of the Ministers Certificate for EL28696 it appears that a variation of expenditure conditions in respect of this shortfall was applied for on 6 October 2017 and has been approved.
<table>
<thead>
<tr>
<th>No.</th>
<th>Tenement</th>
<th>Registered Holder</th>
<th>Application Date</th>
<th>Grant Date</th>
<th>Expiry Date</th>
<th>Area</th>
<th>Expenditure</th>
<th>Registered Caveats, Agreements and Encumbrances</th>
<th>Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>ML28614</td>
<td>Australian Abrasive Minerals Pty Ltd</td>
<td>07/02/2011</td>
<td>29/11/2013</td>
<td>28/11/2038</td>
<td>4815 Hectares</td>
<td>N/A&lt;sup&gt;20&lt;/sup&gt;</td>
<td>N/A</td>
<td>See Note 2.</td>
</tr>
<tr>
<td>4</td>
<td>ML23868</td>
<td>Australian Abrasive Minerals Pty Ltd (90%)</td>
<td>24/04/2003</td>
<td>12/08/2005</td>
<td>11/08/2030</td>
<td>2530 Hectares</td>
<td>N/A&lt;sup&gt;22&lt;/sup&gt;</td>
<td>Dealing 93073 (Agreement) registered 19 October 2010 between Imperial Granite &amp; Minerals Pty Ltd, MZI Resources Ltd and John William</td>
<td>23</td>
</tr>
</tbody>
</table>

Note<sup>19</sup>: See comments in Note 7 regarding failure to meet expenditure conditions. Based on a review of the Ministers Certificate for EL28696, it appears that a variation of expenditure conditions in respect of this shortfall was applied for on 11 December 2018 and has not yet been approved.

Note<sup>20</sup>: The Mining Act does not impose expenditure commitments for Mineral Leases. Previous actual expenditure on ML28614 for the period 29 November 2016 to 28 November 2017 exceeds $750,000.00. The expenditure report for the period 29 November 2017 to 28 November 2018 was lodged on 18 January 2019.

Note<sup>21</sup>: see paragraphs 114 to 116 above with respect to an agreement that Australian Abrasive Minerals Pty Ltd purchase the 10% interest in ML23868 held by Branvest Pty Ltd.

Note<sup>22</sup>: The Mining Act does not impose expenditure commitments for Mineral Leases. Previous reported actual expenditure on ML23868 for the period 12 August 2016 to 13 August 2017 was $0.00. The expenditure report for ML23868 for the reporting period 12 August 2017 to 11 August 2018 was submitted on 26 September 2018 with a reported actual expenditure of $0.00.

Note<sup>23</sup>: We understand from the Department that MMP authorisation number 0768-01 which covers the other Tenements does not extend to ML23868 and there is currently no MMP which applies to ML23868. Until a MMP has been lodged and approved for ML23868, Australian Abrasive Minerals Pty Ltd is not able to conduct any ground disturbing work on that title.
PART II – NATIVE TITLE CLAIMS AND ABORIGINAL HERITAGE

Native Title Claims

<table>
<thead>
<tr>
<th>Tenement Number</th>
<th>Federal Court Number</th>
<th>Application Name</th>
<th>Registered</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>EL28696, EL 24360,</td>
<td>NTD61/2015</td>
<td>Mount Riddock Pastoral Lease</td>
<td>Yes</td>
<td>Determined – Native Title exists in parts of the determination area</td>
</tr>
<tr>
<td>ML23868 and ML 28614</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Aboriginal Heritage Information

<table>
<thead>
<tr>
<th>Type of Site</th>
<th>Site Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered Sacred Sites</td>
<td>5852-11</td>
</tr>
</tbody>
</table>

Note 24: The Registered and Recorded sacred sites set out in the below table are located across EL28696, EL 24360, ML23868 and ML28614. The attached map shows the approximate locations of the Registered and Recorded sacred sites and the associated restricted works areas.

Note 25: Registered sacred sites are those that Aboriginal custodians have asked the Aboriginal Areas Protection Authority (Authority) to protect and that have subsequently been documented and evaluated by the Authority and entered on the Register of Sacred Sites maintained by the Authority in accordance with the Northern Territory Aboriginal Sacred Sites Act 1989 (NT).

Note 26: Recorded sacred sites have not been evaluated or placed on the Register of Sacred Sites but there is information indicating that they are nonetheless significant according to Aboriginal tradition and therefore “sacred sites” within the meaning of the Northern Territory Aboriginal Sacred Sites Act 1989 (NT).
ATTACHMENT A – SACRED SITES MAP
10. BOARD, MANAGEMENT AND INTERESTS

10.1 Directors and key personnel

The Board of the Company consists of:

(a) **Mr Bruce Hancox** – Non-Executive Chairman – Refer to Section 4.16 for Mr Hancox’s biography;

(b) **Mr Robert Brand** – Managing Director – Refer to Section 4.16 for Mr Brand’s biography; and

(c) **Mr Julian Babarczy** - Non-Executive Director– Refer to Section 4.16 for Mr Babarczy’s biography.

Other senior management positions held by the Company are Mr Curtis Brand appointed as Chief Operating Officer and Mr Paul Mason appointed as the Chief Financial Officer and Company Secretary. Biographies for Messrs Brand and Mason are also contained in Section 4.16.

The Company is aware of the need to have sufficient management to properly supervise the development of the Company’s Harts Range Project and the Board will continually monitor the management roles in the Company. As the Company’s Project requires an increased level of involvement, the Board will look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company’s Harts Range Project.

10.2 Disclosure of Interests

Other than as set out in the table below, the Company has paid no remuneration to its Board since incorporation to the date of this Prospectus and no remuneration will be paid or accrued until such time as the Company is admitted to the Official List.

AAM has paid remuneration totalling $55,800 to its board of directors from the date it was acquired by the Company to the date of this Prospectus.

For each of the Directors, the proposed annual remuneration for the financial year following the Company being admitted to the Official List together with the relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus and on completion of the Offers is set out in the table below.

<table>
<thead>
<tr>
<th>Director</th>
<th>Remuneration</th>
<th>Shares</th>
<th>Options</th>
<th>Performance Rights</th>
<th>Convertible Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Bruce Hancox</td>
<td>$80,000²</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Mr Robert Brand</td>
<td>$300,000³</td>
<td>12,255,000⁴</td>
<td>Nil</td>
<td>10,600,000⁵</td>
<td>Nil</td>
</tr>
<tr>
<td>Mr Julian Babarczy⁶</td>
<td>$60,000⁵</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

**Notes:**

1. Excludes statuary superannuation.
2. Refer to Section 12.5 for a summary of the material terms and conditions of Mr Hancox' letter of appointment.

3. The Company notes that Mr Robert Brand has been paid a salary of $25,000 per month (excluding superannuation) since 1 June 2018 in accordance with his employment agreement (refer to Section 12.6 for the material terms and conditions of Mr Brand’s employment agreement [including, terms of the salary, bonus and incentive remuneration payable to Mr Brand]). Further, the Company notes that Mr Robert Brand was previously employed by AAM however his employment ceased in August 2017 when AAM went into voluntary administration. During this period, Mr Robert Brand continued to provide consulting services to AAM and received a fee of approximately $87,500 for these services to 31 May 2018 (being, the date prior to the commencement of his formal employment agreement on 1 June 2018). Mr Robert Brand does not presently receive any additional Director fees for his services.

4. 9,755,000 of these Shares are held by Branvest Pty Ltd ATF the Robert Brand Superannuation Fund, being an entity controlled by Director, Mr Robert Brand and 2,500,000 of these Shares are to be issued to Branvest Pty Ltd ATF the Brand Family Trust in consideration for the acquisition by the Company of a 10% interest in ML 23868 held by Branvest (refer to Section 12.2 for further detail in relation to the Branvest Acquisition).

5. The Performance Rights are proposed to be issued to Mr Brand by the Company on or prior to the date the Company is admitted to the Official List. Refer to Section 13.5 for the key terms and conditions of the Performance Rights (which the Company notes, are subject to the final approval of the ASX).

6. Refer to Section 12.7 for a summary of the material terms and conditions of Mr Babarczy’s letter of appointment.

10.3 Agreements with Directors and Related Parties

The Company’s policy in respect of related party arrangements is:

(a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and

(b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

The agreements between the Company and related parties are summarised in Section 12.

10.4 Agreements with Management

The material agreements between the Company and key management personnel are summarised in Section 12.

10.5 Deeds of indemnity, insurance and access

The Company has entered into a deed of indemnity, insurance and access with each of its Directors. Under these deeds, the Company has agreed to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company will also be required to maintain insurance policies for the benefit of the relevant officer and allow the officers to inspect board papers in certain circumstances.
11. CORPORATE GOVERNANCE

11.1 ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted The Corporate Governance Principles and Recommendations (3rd Edition) as published by ASX Corporate Governance Council (Recommendations).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Plan is available in a dedicated corporate governance information section of the Company's website (www.aiminerals.com.au).

11.2 Board of Directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

(a) maintain and increase Shareholder value;

(b) ensure a prudential and ethical basis for the Company’s conduct and activities; and

(c) ensure compliance with the Company’s legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

(a) leading and setting the strategic direction and objectives of the Company;

(b) appointing the Chairman of the Board, Managing Director or Chief Executive Officer and approving the appointment of senior executives and the Company Secretary;

(c) overseeing the Executive’s implementation of the Company’s strategic objectives and performance generally;

(d) approving operating budgets, major capital expenditure and significant acquisitions and divestitures;

(e) overseeing the integrity of the Company’s accounting and corporate reporting systems, including the external audit (satisfying itself financial statements released to the market fairly and accurately reflect the Company’s financial position and performance).
overseeing the Company’s procedures and processes for making timely and balanced disclosure of all material information that a reasonable person would expect to have a material effect on the price or value of the Company’s securities;

reviewing, ratifying and monitoring the effectiveness of the Company’s risk management framework, corporate governance policies and systems designed to ensure legal compliance; and

approving the Company’s remuneration framework.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors’ participation in the Board discussions on a fully-informed basis.

11.3 Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto:

(a) membership of the Board of Directors will be reviewed regularly to ensure the mix of skills and expertise is appropriate; and

(b) the composition of the Board has been structured so as to provide the Company with an adequate mix of directors with industry knowledge, technical, commercial and financial skills together with integrity and judgment considered necessary to represent shareholders and fulfil the business objectives of the Company.

The Board currently consists of three (3) directors of whom one (1) is considered independent, being Mr Bruce Hancox. The Board considers the current balance of skills and expertise is appropriate for the Company for its currently planned level of activity.

To assist the Board in evaluating the appropriateness of the Board’s mix of qualifications, experience and expertise, the Board will maintain a Board Skills Matrix.

The Board undertakes appropriate checks before appointing a person as a Director or putting forward to Shareholders a candidate for election as a Director.

The Board ensures that Shareholders are provided with all material information in the Board’s possession relevant to a decision on whether or not to elect or re-elect a Director.

The Company shall develop and implement a formal induction program for Directors which allows new directors to participate fully and actively in Board decision-making at the earliest opportunity, and enable new Directors to gain an understanding of the Company’s policies and procedures.

11.4 Identification and management of risk

The Board’s collective experience will enable accurate identification of the principal risks that may affect the Company’s business. Key operational risks and their management will be recurring items for deliberation at Board meetings.
11.5 **Ethical standards**

The Board is committed to the establishment and maintenance of appropriate ethical standards.

11.6 **Independent professional advice**

Subject to the Chairman’s approval (not to be unreasonably withheld), the Directors, at the Company’s expense, may obtain independent professional advice on issues arising in the course of their duties.

11.7 **Remuneration arrangements**

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors’ remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed $400,000 per annum.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors’ time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

11.8 **Trading policy**

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its directors, officers, employees and contractors. The policy generally provides that for directors, the written acknowledgement of the Chair (or the Board in the case of the Chairman) must be obtained prior to trading.

11.9 **External audit**

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.
11.10 Audit committee

The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and the Company’s operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company’s internal financial control system and risk management systems and the external audit function.

11.11 Diversity policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

11.12 Departures from Recommendations

Under the ASX Listing Rules, the Company will be required to provide a statement in its annual financial report or on its website disclosing the extent to which it has followed the Recommendations during each reporting period. Where the Company has not followed a Recommendation, it must identify the Recommendation that has not been followed and give reasons for not following it.

The Company’s compliance and departures from the Recommendations as at the date of this Prospectus are set out in Annexure B to this Prospectus.
12. MATERIAL CONTRACTS

Set out below is a brief summary of the certain contracts to which the Company is a party and which the Directors have identified as material to the Company or are of such a nature that an investor may wish to have details of particulars of them when making an assessment of whether to apply for Shares.

To fully understand all rights and obligations of a material contract, it would be necessary to review it in full and these summaries should be read in this light.

12.1 Material Agreements in Solicitor’s Report

Refer to pages 9 and 11 of the Solicitor’s Report on Tenements (set out in Section 9 of this Prospectus) for a summary of, among other things, the terms of the following agreements:

(a) the terms sheet for the acquisition of assets comprising the Harts Range Project between Matilda Zircon Limited (formerly Olympia Resources Limited, now known as MZI Resources Limited), Branvest Pty Ltd (a related party of the Company by virtue of being an entity controlled by Director, Mr Robert Brand) and AAM dated 16 October 2009;

(b) the mining agreement between the Central Land Council and AAM dated 11 December 2012; and

(c) the tenement sale agreement between Imperial Granite & Minerals Pty Ltd and AAM dated 25 February 2016.

12.2 Branvest Acquisition Agreement

On 30 October 2018, the Company, AAM and Branvest Pty (ACN 009 034 262) ATF for the Brand Family Trust (a related party of the Company by virtue of being an entity controlled by Director, Mr Robert Brand) (Branvest) entered into a tenement sale agreement pursuant to which AAM has agreed to acquire the remaining interest in ML 23868 which it did not already own (being, a 10% interest) and the related mining information from Branvest (Branvest Acquisition Agreement).

The material terms and conditions of the Branvest Acquisition Agreement are as follows:

(a) (Consideration): The consideration payable for the acquisition is the 2,500,000 Shares.

(b) (Conditions Precedent): Completion of the acquisition is conditional upon the following conditions precedent being satisfied or waived:

(i) (Minister consent): AAM obtaining any necessary written consent of the Minister under the Mining Act for the transfer;

(ii) (Other authorisations): The parties obtaining all authorisations required by law to give effect to the Branvest Acquisition Agreement; and

(iii) (Warranties): The warranties being true, accurate and not misleading as at completion of the acquisition,

(together, the Conditions Precedent).
The parties must use its reasonable endeavours to cause the Conditions Precedent to be satisfied or waived by 30 April 2019. If the Conditions Precedent are not satisfied or waived by 30 April 2019, either party may terminate the Branvest Acquisition Agreement by notice to the other party.

The Branvest Acquisition Agreement otherwise contains terms and conditions considered standard for an agreement of its nature (including representations and warranties).

12.3 Convertible Note Agreements

The Company has entered into a number of converting note subscription agreements (Convertible Note Agreements) under which investors (Convertible Noteholders) have subscribed for, and the Company has issued, unsecured convertible notes in the capital of the Company with a face value of $1.00 each (Face Value) (Convertible Notes) to raise a total of $3,480,000.

A summary of the material terms and conditions of the Convertible Note Agreements are as follows:

(a) (Conversion): The Company must convert the Convertible Notes into Shares (Conversion Shares) at the Conversion Price (defined below):

(i) upon the occurrence of either:

(A) the Company receiving the conditional approval of the ASX to admit the Company to the Official List of the ASX (in a form acceptable to the Company at its sole discretion) (IPO Event);

(B) the Company issuing Shares under a capital raising (Capital Raising Shares) to raise a minimum of $5,000,000 (other than under the Public Offer) (Capital Raising Event); or

(C) where a Control Event occurs;

(together, a Conversion Event), within 10 business days after the commencement of the Conversion Event (Conversion Period); or

(ii) on the date that is 12 months after the date of issue of the Convertible Notes, or such other date as is agreed between the Company and Noteholders in writing (Maturity Date).

(b) (Conversion Price): Conversion Price has the following meaning:

(i) where the Convertible Notes convert on the occurrence of an IPO Event, the lesser of the price per share which is equal to 80% of the issue price of the Shares issued under the Public Offer and the maximum conversion price, being $0.16 (Maximum Conversion Price);

(ii) where the Convertible Notes convert on the occurrence of a Capital Raising Event, the lesser of the price per share which is equal to 80% of the issue price of the Capital Raising Shares and the Maximum Conversion Price;
(iii) where the Convertible Notes convert on the occurrence of a Control Event, the lesser of the price per share equal to 80% of the last price per share at which the Control Event occurred and the Maximum Conversion Price; or

(iv) if the Notes convert on the Maturity Date, the lesser of the price per share equal to 70% of the fair market value of the share (determined in accordance with the provisions set out in the Convertible Note Agreement) and the Maximum Conversion Price.

(c) **Terms of Conversion**: On conversion of the Convertible Notes, the Noteholder irrevocably directs the Company to apply the Face Value of the Convertible Notes as the subscription price for the Conversion Shares.

(d) **Interest**:

(i) The Convertible Notes accrue interest at a rate of 8% per annum from the date of issue of the Convertible Notes until the date that the Convertible Notes are converted into Conversion Shares or redeemed by the Company.

(ii) In the event that the Convertible Notes are either redeemed or converted into Conversion Shares on the occurrence of an IPO Event, all accrued but unpaid interest must be paid to the Noteholder in cash within 5 Business Days of either:

(A) the date of redemption **(Redemption Date)**; or

(B) the date the Company is admitted to the Official List of the ASX),

as applicable.

(iii) In the event that the Convertible Notes are converted into Conversion Shares on the occurrence of a Capital Raising Event, Control Event or on the Maturity Date, all accrued but unpaid interest will be capitalised and converted into Conversion Shares on the date of conversion of the Convertible Notes.

(e) **Redemption on Default**: If an event of default occurs (including, without limitation, where the Company is in material breach of any covenant or undertaking contained in the Convertible Note Agreement and that breach is unremedied within twenty (20) business days of written notice of the breach from the Convertible Noteholder to the Company, or an insolvency event), the Company must immediately repay the Face Value of the Convertible Notes, together with all accrued interest, to the Noteholder.

(f) **Discharge and Release**: The Company is immediately discharged and released from its liabilities, obligations and covenants under the Convertible Note Agreements on the occurrence of conversion or redemption of a Convertible Note.

The Convertible Note Agreements otherwise contains terms considered standard for agreements of this nature (including representations and warranties).
12.4 Lead Manager Mandate

The Company and Taylor Collison have entered into a lead manager mandate (Lead Manager Mandate) under which Taylor Collison has been engaged to exclusively arrange and act as lead manager to the Public Offer (Lead Manager). The material terms of the Lead Manager Mandate as are follows:

(a) **Fees**: The Company agrees to pay Taylor Collison the following fees (exclusive of GST):

   (i) a management fee of 1% on the total amount raised under the Public Offer;

   (ii) a selling fee of 5% on the total amount raised under the Public Offer; and

   (iii) a corporate services fee of 2,000,000 Options, exercisable at $0.30 each on or before the date which is 30 months from the date the Company is admitted to the Official List.

The Lead Manager is responsible for paying any selling fees to brokers or other Australian financial services licensees who participate in the Public Offer.

(b) **Expenses**: All reasonable expenses incurred by Taylor Collison in the provision of its services will be reimbursed by the Company. Taylor Collison will seek the Company’s approval before incurring any individual expensive greater than $1,000 per month. Further, Taylor Collison may appoint legal advisors to provide it with legal advice in relation to the Public Offer, these fees will be at the account of the Company and are capped at $15,000.

(c) **Termination**: The Company or Taylor Collison may terminate the Lead Manager Mandate by the giving of 7 days written notice upon the occurrence of certain events, including but not limited to, where the other party commits a material breach which is not remedied or commits a negligent act or breach of law.

(d) **Trade Sale**: In the event the Public Offer does not proceed because of a trade sale completed within 12 months of the date of the termination of the Lead Manager Mandate, the Company is to pay Taylor Collison a break fee of $500,000 (exclusive of GST) on the date of settlement of the trade sale.

The Lead Manager Mandate otherwise contains terms and conditions considered standard for an agreement of its nature.

12.5 Non-Executive Chairman Appointment Letter – Mr Bruce Hancox

The Company has entered into an appointment letter with Mr Bruce Hancox pursuant to which Mr Hancox is appointed a Non-Executive Chairman of the Company on the following terms:

(a) **Fees**: Director fees of $80,000 per annum (plus superannuation) are payable by the Company to Mr Hancox commencing the date the Company is admitted to the Official List of the ASX.
(b) **Term**: The term of Mr Hancox’s appointment is subject to provisions of the Constitution and the ASX Listing Rules relating to retirement by rotation and re-election of directors and will automatically cease at the end of any meeting at which Mr Hancox is not re-elected as a director by Shareholders.

(a) **Expenses**: The Company will reimburse Mr Hancox for all reasonable out-of-pocket expenses incurred by Mr Hancox in performing his duties and for which prior approval has been obtained.

The appointment letter otherwise contains terms and conditions that are considered standard for agreements of this nature.

### 12.6 Employment Agreement – Mr Robert Brand

The Company has entered into an employment agreement with Mr Robert Brand pursuant to which Mr Brand is appointed as “Managing Director and Chief Executive Officer” of the Company commencing on 1 June 2018. The material terms of the employment agreement are as follows:

(a) **Term**: Mr Brand’s employment will continue until the employment agreement is validly terminated in accordance with its terms.

(b) **Termination without notice**: The Company may immediately terminate the employment agreement without notice or payment in lieu of notice if Mr Brand:

   (i) breaches any provision of the employment agreement in any material respect; or

   (ii) engages in serious misconduct; or

   (iii) wilfully or persistently fails to discharge his duties or responsibilities; or

   (iv) become bankrupt or makes an arrangement or composition with creditors; or

   (v) is absent from work for 3 consecutive months or a total of 3 months in any 12-month period (except for parental leave or other leave of absence approved by the Board); or

   (vi) engages in any misconduct or commits any other act which act common law would entitle the Company to terminate the employment immediately.

(c) **Termination with notice**: The employment agreement can be terminated by:

   (i) the giving of 6 months written notice by Mr Brand; or

   (ii) the giving of 6 months written notice by the Company or 6 months’ payment in lieu of notice (or a combination of both) (at the discretion of the Company).

The Company is not required to make any termination payments where the employment agreement is terminated summarily.
(d) **(Fixed Remuneration):** Mr Robert Brand will receive a salary of $300,000 per annum (plus superannuation) payable in equal monthly instalments.

(e) **(Incentive Based Remuneration):** Mr Robert Brand will be issued a total of 10,600,000 Performance Rights as incentive based remuneration on or prior to the date the Company is admitted to the Official List (being, 2,650,000 Class A, 2,650,000 Class B, 2,650,000 Class C and 2,650,000 Class D Performance Rights) convertible into Shares upon the satisfaction of certain milestones (refer to Section 13.5 for further details regarding the terms and conditions of the Performance Rights).

(f) **(Bonus):** Mr Robert Brand is entitled to a monthly bonus where the Company achieves break even cash flow. The value of the monthly bonus will be such amount as agreed between the Company and Mr Robert Brand but in any event, must not be less than 20% of the positive cash flow in the relevant calendar month. The total value of all such bonus payments to Mr Brand will be capped at $146,000.

(g) **(Expenses):** The Company will pay for all business-related travel and accommodation expenses. In addition, Mr Brand will be reimbursed for out-of-pocket expenses properly incurred by Mr Brand in performing his duties under the employment contract and for which prior approval has been obtained.

The employment contains other terms and conditions that are considered standard for agreements of this nature (including, confidentiality and post-employment restraints).

12.7 **Non-Executive Director Appointment Letter – Mr Julian Babarczy**

The Company has entered into an appointment letter with Mr Julian Babarczy pursuant to which Mr Babarczy is appointed a Non-Executive Director of the Company on the following terms:

(a) **(Fees):** Director fees of $60,000 per annum (plus superannuation) are payable by the Company to Mr Babarczy commencing on the date the Company is admitted to the Official List of the ASX.

(b) **(Term):** The term of Mr Babarczy’s appointment is subject to provisions of the Constitution and the ASX Listing Rules relating to retirement by rotation and re-election of directors and will automatically cease at the end of any meeting at which Mr Babarczy is not re-elected as a director by Shareholders.

(c) **(Expenses):** The Company will reimburse Mr Babarczy for all reasonable out-of-pocket expenses incurred by Mr Babarczy in performing his duties and for which prior approval has been obtained.

The appointment letter otherwise contains terms and conditions that are considered standard for agreements of this nature.

12.8 **Employment Agreement – Mr Curtis Brand**

The Company has entered into an employment agreement with Mr Curtis Brand (a related party of the Company by virtue of Curtis Brand’s relation to Director, Mr Robert Brand) pursuant to which Mr Brand is appointed as “Chief Operating
Officer" commencing on 1 June 2018. The material terms of the employment agreement are as follows:

(a) **Term**: Mr Brand’s employment will continue until the employment agreement is validly terminated in accordance with its terms.

(b) **(Termination without notice)**: The Company may immediately terminate the employment agreement without notice or payment in lieu of notice if Mr Brand:

(i) breaches any provision of the employment agreement in any material respect; or

(ii) engages in serious misconduct; or

(iii) wilfully or persistently fails to discharge his duties or responsibilities; or

(iv) become bankrupt or makes an arrangement or composition with creditors; or

(v) is absent from work for 3 consecutive months or a total of 3 months in any 12-month period (except for parental leave or other leave of absence approved by the Board); or

(vi) engages in any misconduct or commits any other act which act common law would entitle the Company to terminate the employment immediately.

(c) **(Termination with notice)**: The employment agreement can be terminated by:

(i) the giving of 3 months written notice by Mr Brand; or

(ii) the giving of 3 months written notice by the Company or 3 months’ payment in lieu of notice (or a combination of both) (at the discretion of the Company).

The Company is not required to make any termination payments where the employment agreement is terminated summarily.

(d) **(Fixed Remuneration)**: Mr Curtis Brand will receive a salary of $250,000 per annum (plus superannuation) payable in equal monthly instalments.

(e) **(Incentive Based Remuneration)**: Mr Curtis Brand will be issued a total of 10,600,000 Performance Rights as incentive based remuneration on or prior to the date the Company is admitted to the Official List (being, 2,650,000 Class A, 2,650,000 Class B, 2,650,000 Class C and 2,650,000 Class D Performance Rights) convertible into Shares upon the satisfaction of certain milestones (refer to Section 13.5 for further details regarding the terms and conditions of the Performance Rights).

(f) **(Expenses)**: The Company will pay for all business-related travel and accommodation expenses. In addition, Mr Brand will be reimbursed for out-of-pocket expenses properly incurred by Mr Brand in performing his duties under the employment agreement and for which prior approval has been obtained.
The employment agreement contains other terms and conditions that are considered standard for agreements of this nature (including, confidentiality and post-employment restraints).
13. ADDITIONAL INFORMATION

13.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

13.2 Rights attaching to Shares

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company’s registered office during normal business hours.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

(i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and

(iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder’s name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the
amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) **Variation of rights**

Pursuant to section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the
holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Alteration of Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

13.3 **Rights attaching to Options**

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be $0.30 (**Exercise Price**)

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on the date which is 18 months after the date the Company is admitted to the Official List of the ASX (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

(i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
(ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

(iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.
13.4 Rights attaching to Broker Options

The Options to be issued to the Lead Manager (the Broker Options) will be on the same terms and conditions as those set out in Section 13.3 above other than for the following:

(a) **Exercise Price**

The amount payable upon exercise of each Broker Option will be $0.30.

(b) **Expiry Date**

Each Broker Option will expire at 5:00 pm (WST) on the date that is 30 months from the date the Company is admitted to the Official List of the ASX (Expiry Date). A Broker Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

13.5 Performance Rights

The Company notes that terms and conditions of the Performance Rights are subject to the final approval of the ASX.

**Rights attaching to the Performance Rights:**

(a) **Performance Rights** Each Performance Right is a performance right in the capital of the Company.

(b) **General meetings** Each Performance Right confers on the holder (Holder) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to holders of fully paid ordinary shares in the capital of the Company (Shareholders). Holders do not have the right to attend general meetings of Shareholders.

(c) **No voting rights** A Performance Right does not entitle the Holder to vote on any resolutions proposed by the Company except as otherwise required by law.

(d) **No dividend rights** A Performance Right does not entitle the Holder to any dividends.

(e) **No rights to return of capital** A Performance Right does not entitle the Holder to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.

(f) **Rights on winding up** A Performance Right does not entitle the Holder to participate in the surplus profits or assets of the Company upon winding up.

(g) **Not transferable** A Performance Right is only transferable in special circumstances (i.e. death or total or permanent disability, severe financial hardship or serious illness or injury) with the consent of the board of the Company (which may be withheld in its absolute discretion).

(h) **Reorganisation of capital** If at any time the issued capital of the Company is reconstructed, all rights of a Holder may be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
(i) **Application to ASX** The Performance Rights will not be quoted on ASX. However, if the Company is listed on ASX at the time of conversion of the Performance Rights into Shares, the Company must within seven (7) after the conversion, apply for the official quotation of the Shares arising from the conversion on ASX.

(j) **Participation in entitlements** Holders of Performance Rights will not be entitled to participate in new issues of capital offered to holders of Shares during the currency of the Performance Rights such as entitlement issues. If the Company makes an entitlement issue of Shares pro rata to existing Shareholders, there will be no adjustment to the terms and conditions of the Performance Rights.

(k) **Adjustment for bonus issues of Shares** If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the number of Shares which must be issued on the exercise of a Performance Right will be increased by the number of Shares which the Holder would have received if the Holder had exercised the Performance Right before the record date for the bonus issue.

(l) **No other rights** The Performance Rights give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

(m) **Compliance with laws** If the Corporations Act, the Listing Rules or the Constitution conflicts with these terms and conditions, or these terms and conditions do not comply with the Corporations Act, the Listing Rules or the Constitution, the Holder authorises the Company to do anything necessary to rectify such conflict or non-compliance, including but not limited to, unilaterally amending these terms and conditions.

**Conversion of the Performance Rights:**

(a) **Conversion on achievement of milestone** Subject to paragraph (e), a Performance Right in the relevant class will convert into one Share upon achievement of:

(i) **Class A Performance Right**: each Class A Performance Right will convert into one Share upon the HRM operating at rates equal to 9,300 tonnes production of HMC (which is the potential production rate of the Project) over any consecutive period of 14 days. The measurement will be evidenced by the print out from the weightometer installed on the HMC product conveyor, designated 300-WIT-003A, and endorsed by the HRM Process Manager (Milestone or Class A Milestone).

(ii) **Class B Performance Right**: each Class B Performance Right will convert into one Share upon AAM achieving an annualised rate of $10 million EBITDA over any one (1) month period (being, $833,333) as evidenced by AAM’s Monthly Management Accounts prepared and endorsed by the Chief Financial Officer (Milestone or Class B Milestone).

(iii) **Class C Performance Right**: each Class C Performance Right will convert into one Share upon AAM achieving an annualised rate of $15 million EBITDA over any one (1) month period (being, $1.25 million) as evidence by AAM’s Monthly Management Accounts.
prepared and endorsed by the Chief Financial Officer (Milestone or Class C Milestone).

(iv) **(Class D Performance Right):** each Class D Performance Right will convert into one Share upon the Company achieving an annualised rate of $20 million EBITDA over any one (1) month period (being, $1.67 million) as evidenced by AAM’s Monthly Management Accounts prepared and endorsed by the Chief Financial Officer (Milestone or Class D Milestone).

Each Performance Right will expire sixty (60) days after the end date of the Performance Period.

Where:

AAM means Australian Abrasive Minerals Pty Ltd (ACN 118 292 756).

EBITDA means the Company’s earnings before interest, taxes, depreciation, and amortisation and is calculated by adding net profit, interest, taxes, depreciation and amortisation.

Chief Financial Officer means the person appointed by the Company as its chief financial officer from time to time.

HMC means heavy mineral concentrate that is produced at HRM.

HRM means the Harts Range Mine.

HRM Process Manager means the person appointed by the Company as its HRM process manager from time to time.

Performance Period means a period of five (5) years, commencing on the date the Company is admitted to trading on the Official List of the ASX.

(b) **(Vesting Notification)** The Company must, within five (5) business days of determining that a Milestone has been satisfied, issue to the Holder a notice (Vesting Notice) informing the Holder of which Milestone has been satisfied.

(c) **(Termination of Employment):**

(i) Subject to paragraphs (d)(ii) and (e) or as otherwise agreed to between the Holder and the Board, where the Holder ceases to be an employee or consultant of the Company or AAM (as applicable) by reason of death, disability, bona fide redundancy, resignation or any other reason with approval of the Board during the term of the Performance Rights:

(A) any vested Performance Rights held by the Holder that have not already been converted into Shares shall automatically convert into Shares; and

(B) any Performance Rights held by the Holder which have not vested on the date the Holder ceases to be an employee or consultant of the Company (as applicable) will lapse.
Where in the opinion of the board, a Holder:

(I) acts fraudulently or dishonestly; or
(II) is in breach of his or her obligations to the Company or AAM,

then the Board may;

(III) deem any unvested Performance rights of the Holder to have lapsed; and/or
(IV) deem all or any Performance Rights which converted into Shares held by the Holder to be forfeited – in which event the Holder is deemed to have agreed to sell his Shares to the Company pursuant to an Employee Share Scheme Buy Back (as defined in the Corporations Act) for no consideration or be deemed to have appointed any officer of the Company as his or her agent to sell the Shares on market.

Where in the opinion of the Board, a Holder’s Performance Rights vest as a result of the fraud, dishonesty or breach of obligations of another person and, in the opinion of the Board, the Performance Rights would not otherwise have vested, the Board may determine that the Performance Rights have not vested and may, subject to applicable laws, determine:

(I) where Shares have not been issued upon the vesting of a Performance Right, that the Performance Rights have not vested and reset the applicable Milestones;

(II) where Performance Rights have converted to Shares, the Shares are forfeited by the Holder and may, at the discretion of the Board, reissue any number of Performance Rights to the Holder subject to new Milestones; or

(III) any other treatment in relation to Performance Right or Share to ensure no unfair benefit is obtained as a result of such actions of another person.

(Conversion on change of control): Subject to paragraph (e), upon the occurrence of either:

(I) a takeover bid under Chapter 6 of the Corporations Act having been made in respect of the Company having received acceptances for more than 50% of the Company’s Shares on issue and being declared unconditional by the bidder, any Performance Rights granted will vest, where, in the Board’s absolute discretion, pro rata performance if in line with the applicable Milestone over the period from the date of grant to the date of the takeover bid; or
the Board may, in its absolute discretion, determine that all or a specified number of a Holder’s Performance Rights vest where the Board is satisfied that the applicable milestone has been satisfied on a pro rata basis over the period from the date of grant to the relevant date where:

(A) a Court orders a meeting to be held in relation to a proposed compromise or arrangement for the purposes of or in connection with a scheme from the reconstruction of the Company or its amalgamation with any other company or companies;

(B) any person becomes bound or entitled to acquire shares in the Company under:

(I) section 414 of the Corporations Act (upon the arrangement being approved); or

(II) Chapter 6A of the Corporations Act (compulsory acquisition following a takeover bid);

(C) the Company passes a resolution for voluntary winding up; or

(D) an order is made for the compulsory winding up of the Company.

If no determination is made or the Board determines that some or all of a Holder’s Performance Rights do not vest, those Performance Rights will automatically lapse.

(e) **Deferral of conversion if resulting in a prohibited acquisition of Shares** If the conversion of a Performance Right under paragraph (a), (c) or (d) would result in any person being in contravention of section 606(1) of the Corporations Act 2001 (Cth) **[General Prohibition]** then the conversion of that Performance Right shall be deferred until such later time or times that the conversion would not result in a contravention of the General Prohibition. In assessing whether a conversion of a Performance Right would result in a contravention of the General Prohibition:

(i) Holders must give written notification to the Company if they consider that the conversion of a Performance Right may result in the contravention of the General Prohibition. The absence of such written notification from the Holder will entitle the Company to assume the conversion of a Performance Right will not result in any person being in contravention of the General Prohibition.

(ii) The Company may (but is not obliged to) by written notice to a Holder request a Holder to provide the written notice referred to in paragraph (e)(i) within seven (7) days if the Company considers that the conversion of a Performance Right may result in a contravention of the General Prohibition. The absence of such written notification from the Holder will entitle the Company to assume the conversion of a Performance Right will not result in any person being in contravention of the General Prohibition.
(f) **(Redemption if Lapse or Expiry):**

(i) If a Milestone is not satisfied within five (5) years of the date that the Company is admitted to trading on the Official List of ASX, any unvested Performance Rights will automatically lapse;

(ii) If a Milestone is not satisfied within sixty (60) days after the end date of the Performance Period, any unvested Performance Rights will expire; or

(iii) Upon lapsing or expiry, the Company may automatically redeem each Performance Right in that class, for the sum of $0.00001 within ten (10) Business Days of non-satisfaction of the Milestone or expiry.

(g) **(Conversion procedure)** The Company will issue the Holder with a new holding statement for any Share issued upon conversion of a Performance Right within five (5) Business Days following the conversion (other than a conversion under paragraphs (c) and (d) above, where Shares will be issued within one (1) month of the date of termination or one (1) month of the effective date of the change of control (respectively)).

(h) **(Ranking upon conversion)** The Shares into which the Performance Rights may convert will rank pari passu in all respects with existing Shares.

13.6 **Interests of Directors**

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) any property acquired or proposed to be acquired by the Company in connection with:
   
   (i) its formation or promotion; or
   
   (ii) the Offers; or

(c) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

(d) as an inducement to become, or to qualify as, a Director; or

(e) for services provided in connection with:
   
   (i) the formation or promotion of the Company; or
   
   (ii) the Offers.
13.7 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

(a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;

(b) promoter of the Company; or

(c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) any property acquired or proposed to be acquired by the Company in connection with:
   (i) its formation or promotion; or
   (ii) the Offers; or

(c) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

(d) the formation or promotion of the Company; or

(e) the Offers.

SRK Consulting (Australasia) Pty Ltd has acted as Independent Technical Expert and has prepared the Independent Technical Report which is included in Section 6 of this Prospectus. The Company estimates it will pay SRK Consulting (Australasia) Pty Ltd a total of $39,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, SRK Consulting (Australasia) Pty Ltd has not received fees from the Company for any other services.

Crowe Horwath Perth has acted as Investigating Accountant and has prepared the Investigating Accountant’s Report which is included in Section 8 of this Prospectus. The Company estimates it will pay Crowe Horwath Perth a total of $20,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Crowe Horwath Perth has not received any fees from the Company for any other services.

Walker Wayland Audit (WA) Pty Ltd has acted as auditor to the Company. The Company estimates it will pay Walker Wayland Audit (WA) Pty Ltd a total of $65,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Walker Wayland Audit (WA) Pty Ltd has received fees of $27,000 (excluding GST) from the Company for audit services not related to this Prospectus.
Taylor Collison will receive 6% of the total amount raised under the Prospectus (plus GST) following the successful completion of the Public Offer for its services as Lead Manager to the Public Offer. In addition, Taylor Collison will be issued the Broker Options upon completion of the Offer. Taylor Collison will be responsible for paying all capital raising fees that Taylor Collison and the Company agree with any other financial service licensees. Further details in respect to the Lead Manager Mandate with Taylor Collison are summarised in Section 12.4. During the 24 months preceding lodgement of this Prospectus with the ASIC, Taylor Collison has not received any fees from the Company for any other services.

All Mining Legal Pty Ltd has acted as the solicitors to the Company and has prepared the Solicitors Report on Tenements which is included in Section 9 of this Prospectus. The Company estimates it will pay All Mining Legal Pty Ltd a total of $6,500 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, All Mining Legal Pty Ltd has not received fees from the Company for any other services.

Aust-Asia Stratum Resources has acted as Industry and Market Consultant to the Company and has prepared the Industry and Market Report which is included in Section 3 of this Prospectus. The Company estimates it will pay Aust-Asia Stratum Resources a total of $5,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Aust-Asia Stratum Resources has not received fees from the Company for any other services.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offers. The Company estimates it will pay Steinepreis Paganin $150,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has not received fees from the Company for any other services.

### 13.8 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as Proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

(a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and

(b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

SRK Consulting (Australasia) Pty Ltd has given its written consent to being named as Independent Technical Expert in this Prospectus, the inclusion of the Independent Technical Report in Section 6 of this Prospectus in the form and context in which the report is included and the inclusion of statements contained in Section 4 of this Prospectus in the form and context in which those statements
are included. SRK Consulting (Australasia) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Crowe Horwath Perth has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant’s Report included in Section 8 in the form and context in which the information and report is included. Crowe Horwath Perth has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Walker Wayland Audit (WA) Pty Ltd has given its written consent to being named as auditor of the Company in this Prospectus and the inclusion of the audited financial information of the Group contained in the Investigating Accountant’s Report included in Section 8 and the inclusion of the audited financial information contained in Section 7 in the form and context in which it appears. Walker Wayland Audit (WA) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Taylor Collison has given its written consent to being named as the lead manager to the Company in this Prospectus. Taylor Collison has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

All Mining Legal Pty Ltd has given its written consent to being named as solicitors to the Company in relation to reporting on title in this Prospectus and to the inclusion of the Solicitor’s Report on Tenements in Section 9 of this Prospectus in the form and context in which the report is included. All Mining Legal Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Aust-Asia Stratum Resources has given its written consent to being named as Industry and Market Consultant to the Company in this Prospectus and to the inclusion of the Industry and Market Report in Section 3 of this Prospectus in the form and context in which the report is included. Aust-Asia Stratum Resources has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as solicitors to the Company in relation to the Offers in this Prospectus. Steinepreis Paganin has not withdrawn its consent to be named in this Prospectus prior to the lodgement of this Prospectus with the ASIC.

Link Market Services Limited has given its written consent to being named as the share registry to the Company in this Prospectus. Link Market Services Limited has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

13.9 Expenses of the Public Offer

The total expenses of the Public Offer (excluding GST) (including non-cash benefits) are estimated to be approximately $850,000 and are expected to be applied towards the items set out in the table below:

<table>
<thead>
<tr>
<th>Item of Expenditure</th>
<th>Full Subscription ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASX Fees</td>
<td>136,000</td>
</tr>
<tr>
<td>ASIC Fees</td>
<td>3,206</td>
</tr>
<tr>
<td>Lead Manager Fees*</td>
<td>406,000</td>
</tr>
<tr>
<td>Legal Fees</td>
<td>156,500</td>
</tr>
<tr>
<td>Independent Technical Expert’s Fees</td>
<td>39,000</td>
</tr>
</tbody>
</table>
Industry and Market Consultant’s Fees  
Investigating Accountant’s Fees  
Printing and Distribution  
Miscellaneous  

**TOTAL**  

* Taylor Collison will be responsible for paying all capital raising fees that Taylor Collison and the Company agree with any other licensed securities dealers or Australian financial services licensee out of these fees paid by the Company to Taylor Collison. For a summary of the Lead Manager Mandate refer to Section 12.4. The Company notes that these fees include the Broker Options which have been valued at $106,000.

13.10 **Continuous disclosure obligations**

Following admission of the Company to the Official List, the Company will be a “disclosing entity” (as defined in section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

Price sensitive information will be publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

13.11 **Electronic Prospectus**

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at www.aiminerals.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

13.12 **Financial Forecasts**

Given the fact the Company has only recently commenced small scale production and is in the process of a proposed ramp-up of operations, there are significant uncertainties associated with forecasting future revenues and expenses. On this basis and having considered the matters set out in ASIC Regulatory Guide 170, the Directors do not believe that they have a reasonable basis to include financial forecasts in this Prospectus.
13.13 **Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship**

The Company will apply to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

13.14 **Privacy statement**

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.
14. **DIRECTORS’ AUTHORISATION**

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

_______________________________
Bruce Hancox  
Non-Executive Chairman  
For and on behalf of  
Australian Industrial Minerals Ltd
15. GLOSSARY

Where the following terms are used in this Prospectus, they have the following meanings:

$ means an Australian dollar.

AAM means Australian Abrasive Minerals Pty Ltd (ACN 118 292 756).

Application Form means the application form attached to or accompanying this Prospectus relating to the Public Offer.

ASIC means Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the official listing rules of ASX.

Aust-Asia Stratum Resources means Aust-Asia Stratum Resources (registration number T9272131), the registered business name held by Mr Murray Lines.

Board means the board of Directors as constituted from time to time.

Broker Offer means the offer of 2,000,000 Broker Options to the Lead Manager as set out in Section 2.2.

Broker Offer Application Form means the application form attached to or accompanying this Prospectus relating to the Broker Offer.

Broker Offer Closing Date means the closing date of the Broker Offer as set out in the indicative timetable in the Key Offer Information Section of this Prospectus (subject to the Company reserving the right to extend the Broker Offer Closing Date or close the Broker Offer early).

Broker Options means 2,000,000 Options to be issued to Lead Manager on the terms set out in Section 13.4.

Cleansing Offer means the offer of 1 Share as set out in Section 2.3.

Cleansing Offer Application Form means the application form attached to or accompanying this Prospectus relating to the Cleansing Offer.

Cleansing Offer Closing Date means the closing date of the Cleansing Offer as set out in the indicative timetable in the Key Offer Information Section of this Prospectus (subject to the Company reserving the right to extend the Cleansing Offer Closing Date or close the Cleansing Offer early).

Closing Date or Public Offer Closing Date means the closing date of the Public Offer as set out in the indicative timetable in the Key Offer Information Section of this Prospectus (subject to the Company reserving the right to extend the Closing Date or close the Public Offer early).

Company or AlMinerals means Australian Industrial Minerals Limited (ACN 623 197 142).

Constitution means the constitution of the Company.
Control has the meaning set out in section 50AA of the Corporations Act but with the omission of section 50AA(4).

Control Event means either:

(a) the sale, transfer or disposal of all or substantially all of the assets of the Company to a third party;

(b) any person or persons who between them, at the Execution Date, do not Control or beneficially own more than 50% of the Shares or other voting, income or capital participation rights, subsequently holds or Controls more than 50% of such Shares or other rights; or

(c) any other event which has the effect of a change in Control of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company at the date of this Prospectus.

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act.


Investigating Accountant means Crowe Howarth Perth (ABN 96 844 819 235), member of Crowe Horwath International.

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Lead Manager means Taylor Collison Limited (AFSL No. 247083).

Lead Manager Mandate has the meaning given to that term in Section 12.4.

Mining Act means Minerals Title Act 2010 (NT).

Minister means the Minister for the Department of Primary Industry and Resources in the Northern Territory or the Minister for time to time responsible for the administration of the Mining Act.

Offers means the Broker Offer, the Cleansing Offer and the Public Offer or either one of them as the context requires.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX in accordance with the ASX Listing Rules.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Project means the Harts Range Project, located in the Northern Territory, Australia.

Prospectus means this prospectus.
**Public Offer** means the offer of 20,000,000 Shares pursuant to this Prospectus as set out in Section 2 of this Prospectus.

**Section** means a section of this Prospectus.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of Shares.

**Tenements** means the mining tenements in which the Company has an interest as set out at Section 4.1 of this Prospectus and further described in the Solicitor’s Report on Tenements set out in Section 9 of this Prospectus or any one of them as the context requires.

**WST** means Western Standard Time as observed in Perth, Western Australia.
## Annexure A – JORC Code (2012 Edition) Table 1

<table>
<thead>
<tr>
<th>Criteria</th>
<th>JORC Code explanation</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sampling techniques</strong></td>
<td>Nature and quality of sampling (e.g., cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</td>
<td>Samples were taken directly through a cyclone attached to the drill rig and lined up in order on the ground. Subsamples were then taken after logging and composited into 2 m sample intervals. Average sample was 2 kg.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Aspects of the determination of mineralisation that are Material to the Public Report.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>In cases where ‘industry standard’ work has been done this would be relatively simple (e.g., reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay’). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g., submarine nodules) may warrant disclosure of detailed information.</td>
<td></td>
</tr>
<tr>
<td><strong>Drilling techniques</strong></td>
<td>Drill type (e.g., core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (e.g., core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</td>
<td>All drilling was done by aircore rig to a maximum depth of 15 m. All drilling was geologically supervised.</td>
</tr>
<tr>
<td>Criteria</td>
<td>JORC Code explanation</td>
<td>Commentary</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Drill sample recovery</td>
<td>Method of recording and assessing core and chip sample recoveries and results assessed.</td>
<td>Measures taken to maximise sample recovery and ensure representative nature of the samples.</td>
</tr>
<tr>
<td></td>
<td>A bucket was held directly under the cyclone to avoid sample loss and the entire sample collected.</td>
<td>No sample bias identified with no obvious sample loss.</td>
</tr>
<tr>
<td></td>
<td>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</td>
<td>No sample bias identified with no obvious sample loss.</td>
</tr>
<tr>
<td>Logging</td>
<td>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</td>
<td>Logging was qualitative and performed on site by a qualified geologist.</td>
</tr>
<tr>
<td></td>
<td>Logging carried out on site by qualified experienced geologist recording lithology as well as hardness.</td>
<td>Logging was qualitative and performed on site by a qualified geologist.</td>
</tr>
<tr>
<td></td>
<td>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</td>
<td>All drilling intervals were logged by a qualified geologist on site as drilling progressed.</td>
</tr>
<tr>
<td></td>
<td>The total length and percentage of the relevant intersections logged.</td>
<td>All drilling intervals were logged by a qualified geologist on site as drilling progressed.</td>
</tr>
<tr>
<td>Sub-sampling techniques and sample preparation</td>
<td>If core, whether cut or sawn and whether quarter, half or all core taken.</td>
<td>Not applicable</td>
</tr>
<tr>
<td></td>
<td>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</td>
<td>Samples were essentially dry as all above water table and no water used in drilling.</td>
</tr>
<tr>
<td></td>
<td>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</td>
<td>Sample splitting and compositing appropriate for alluvial garnet sands and gravels.</td>
</tr>
<tr>
<td></td>
<td>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</td>
<td>Sample quality was maintained by monitoring sample volume and cleaning the cyclone on a regular basis.</td>
</tr>
<tr>
<td></td>
<td>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</td>
<td>No field duplicates were taken</td>
</tr>
</tbody>
</table>
### Section 1 Sampling Techniques and Data

<table>
<thead>
<tr>
<th>Criteria</th>
<th>JORC Code explanation</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whether sample sizes are appropriate to the grain size of the material being sampled.</td>
<td>Sample sizes appropriate for alluvial garnet sands and gravels</td>
<td></td>
</tr>
<tr>
<td>Quality of assay data and laboratory tests</td>
<td>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</td>
<td>All samples assayed at Diamantina Laboratory in Perth who are experts in TBE sinks (industry standard for mineral sands) and mineralogical examination.</td>
</tr>
<tr>
<td>For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</td>
<td>Not applicable</td>
<td></td>
</tr>
<tr>
<td>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</td>
<td>All assays carried out by Diamantina Laboratory in Perth. Diamantina stringent internal QA/QC procedures were followed including duplicates and standards.</td>
<td></td>
</tr>
<tr>
<td>The verification of significant intersections by either independent or alternative company personnel.</td>
<td>Geological intersections verified in field by Tamara Nicolle (a full-time employee of AAM) insitu in test pit</td>
<td></td>
</tr>
<tr>
<td>The use of twinned holes.</td>
<td>No twinned holes undertaken, however close spaced drilling in a homogenous geological environment was considered sufficient (verified statistically).</td>
<td></td>
</tr>
<tr>
<td>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</td>
<td>Geological, metallurgical and engineering data along with GPS co-ordinates were recorded manually on A4 logging sheets and entered into Micromine software.</td>
<td></td>
</tr>
<tr>
<td>Discuss any adjustment to assay data.</td>
<td>no adjustments were made</td>
<td></td>
</tr>
<tr>
<td>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</td>
<td>Individual holes surveyed using handheld GPS with accuracy of +/- 5m. Detailed topography surveyed in July 2017.</td>
<td></td>
</tr>
<tr>
<td>Specification of the grid system used.</td>
<td>Co-ordinates were recorded in MGA94 (Zone 53 GDA)</td>
<td></td>
</tr>
</tbody>
</table>
### Section 1 Sampling Techniques and Data

<table>
<thead>
<tr>
<th>Criteria</th>
<th>JORC Code explanation</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality and adequacy of topographic control.</td>
<td></td>
<td>Topographic ground survey was done on the drilled area in July 2017 by a contract surveyor. Topography was verified and all hole collars adjusted.</td>
</tr>
<tr>
<td>Data spacing and distribution</td>
<td>Data spacing for reporting of Exploration Results.</td>
<td>Drilling was done on a grid of 200m x 100m spacing.</td>
</tr>
<tr>
<td></td>
<td>Whether the data spacing and distribution is sufficient to establish the degree of</td>
<td>Drill spacing deemed adequate and verified in 2017 using Datamine software and geostatistics using ‘Supervisor’.</td>
</tr>
<tr>
<td></td>
<td>geological and grade continuity appropriate for the Mineral Resource and Ore Reserve</td>
<td></td>
</tr>
<tr>
<td></td>
<td>estimation procedure(s) and classifications applied.</td>
<td></td>
</tr>
<tr>
<td>Orientation of data in relation to geological</td>
<td>Whether the orientation of sampling achieves unbiased sampling of possible structures</td>
<td>The depositional environment is essentially horizontal and hence vertical holes were drilled so there is no sampling bias.</td>
</tr>
<tr>
<td>structure</td>
<td>and the extent to which this is known, considering the deposit type.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>If the relationship between the drilling orientation and the orientation of key</td>
<td>No sampling bias identified</td>
</tr>
<tr>
<td></td>
<td>mineralised structures is considered to have introduced a sampling bias, this should</td>
<td></td>
</tr>
<tr>
<td></td>
<td>be assessed and reported if material.</td>
<td></td>
</tr>
<tr>
<td>Sample security</td>
<td>The measures taken to ensure sample security.</td>
<td>Samples were labelled with a sample number and despatched by road to Diamantina Laboratory in Perth. Chain of Custody applied.</td>
</tr>
<tr>
<td>Audits or reviews</td>
<td>The results of any audits or reviews of sampling techniques and data.</td>
<td>All data reviewed and audited extensively in 2017 by Tamara Nicolle and Mining Plus using Datamine software.</td>
</tr>
<tr>
<td>Criteria</td>
<td>JORC Code explanation</td>
<td>Commentary</td>
</tr>
<tr>
<td>-------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Mineral tenement and land tenure status</td>
<td>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</td>
<td>The Harts Range Project (&quot;Project&quot;) is located within exploration licence EL25098, EL24360 and EL27186. Mining lease (ML) 28614, which sits within EL24360 covers all of the recently defined Measured Resource and a large portion of the Inferred Resource. In 2010 Australian Abrasive Minerals Pty Ltd (AMM) purchased the tenements containing the inferred resources from Olympia Resources Limited (now known as MZI Resources Ltd) (&quot;MZI&quot;)</td>
</tr>
<tr>
<td></td>
<td>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</td>
<td>ML28614 was granted to AAM on 29/11/2013, expires on 28/11/2038 with an area of 4815ha</td>
</tr>
<tr>
<td>Exploration done by other parties</td>
<td>Acknowledgment and appraisal of exploration by other parties.</td>
<td>Prior to AAM's involvement in the area, the garnet resources of Aturga Creek, Ongeva Creek and the Plenty River had been investigated by MZI (then Olympia Resources Limited), Chambigne Garnet Pty Ltd and GMA Garnet Pty Ltd. MZI identified garnet resources within paleochannels, a sequence of longitudinal dunes and within channels of the Aturga Creek, Ongeva Creek and the Plenty River deposits.</td>
</tr>
</tbody>
</table>
### Geology

Deposit type, geological setting and style of mineralisation.

In the vicinity of Spinifex Bore and covering the area of the newly defined Harts Range Mine Mineral resource, two main geological units were logged during the drilling. Fine to medium grained orange fluvial sands (2-4 metres in thickness) deposited during floods and underlying unconsolidated paleochannel material (+/- pebbles), up to 8 metres in thickness. Underlying the unconsolidated paleochannel material is cemented (lithified) paleochannel sediments (also containing rich garnet zones) which are variably cemented. In general, this material was too hard to drill with the aircore blade bit and many holes were terminated as soon as this material was reached. Underlying both the cemented paleochannel and unconsolidated paleochannel were basement schists and clays characterised by abundant biotite and chlorite. Outside of the Measured Resource area to the east, dunal material of up to 8 metres thick was recorded, generally overlying cemented paleochannel material, calcrete and basement schists.

### Drill hole Information

A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:

- easting and northing of the drill hole collar
- elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar
- dip and azimuth of the hole
- down hole length and interception depth
- hole length.

If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.

In the vicinity of Spinifex Bore and covering the area of the newly defined Harts Range Mine Mineral resource, two main geological units were logged during the drilling. Fine to medium grained orange fluvial sands (2-4 metres in thickness) deposited during floods and underlying unconsolidated paleochannel material (+/- pebbles), up to 8 metres in thickness. Underlying the unconsolidated paleochannel material is cemented (lithified) paleochannel sediments (also containing rich garnet zones) which are variably cemented. In general, this material was too hard to drill with the aircore blade bit and many holes were terminated as soon as this material was reached. Underlying both the cemented paleochannel and unconsolidated paleochannel were basement schists and clays characterised by abundant biotite and chlorite. Outside of the Measured Resource area to the east, dunal material of up to 8 metres thick was recorded, generally overlying cemented paleochannel material, calcrete and basement schists.
<table>
<thead>
<tr>
<th>Section 2 Reporting of Exploration Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Criteria</strong></td>
</tr>
<tr>
<td>Data aggregation methods</td>
</tr>
<tr>
<td>Relationship between mineralisation widths and intercept lengths</td>
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<tr>
<td>Balanced reporting</td>
</tr>
</tbody>
</table>
### Section 2 Reporting of Exploration Results

<table>
<thead>
<tr>
<th>Criteria</th>
<th>JORC Code explanation</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other substantive exploration data</td>
<td>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</td>
<td>Bulk density, mineralogical, assay and geology results are all detailed in the report.</td>
</tr>
<tr>
<td>Further work</td>
<td>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</td>
<td>The infill drilling program in the ML area was carried out in 2010. Recent modelling and statistical work determined that the drill spacing was sufficient for Measured Resources. No further drilling is planned at this stage on ML28614. Further resource work will be undertaken on the adjacent ML23868 in 2019. The purpose of this work is upgrade and define the resources to JORC 2012 compliance.</td>
</tr>
</tbody>
</table>

Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.

### Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

<table>
<thead>
<tr>
<th>Criteria</th>
<th>JORC Code explanation</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Database integrity</td>
<td>Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.</td>
<td>All available drill hole data was obtained from all parties involved and reviewed thoroughly by AAM for correctness. The data was compiled into a single database.</td>
</tr>
</tbody>
</table>
### Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

<table>
<thead>
<tr>
<th>Criteria</th>
<th>JORC Code explanation</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Data validation procedures used.</td>
<td></td>
<td>The data was originally verified in Micromine software and later in 2017 statistically verified by AAM and Mining Plus using Datamine software and compared with available sections. Additional cross-sections were generated using the updated survey data and were found to be very consistent with those previously generated.</td>
</tr>
<tr>
<td>Site visits</td>
<td>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</td>
<td>No site visits were conducted by the Competent Person (Brad Knell) but co-author Tamara Nicolle has visited the site several times. The geology was easily verified insitu in the trial pit as mining has already begun on site.</td>
</tr>
<tr>
<td>If no site visits have been undertaken indicate why this is the case.</td>
<td></td>
<td>The competent person (Brad Knell from B3 Geology and Mining Consultants) has reviewed the documentation and models generated by Tamara Nicolle and Mining Plus. No drill sites were available for a site visit and AAM co-author has verified the insitu geology in the trial pit.</td>
</tr>
<tr>
<td>Geological interpretation</td>
<td>Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.</td>
<td>The geological model is considered extremely robust. Composites within the geological zones have been analysed to ensure that the grade distribution is indicative of a single population with a low coefficient of variation. A composite flat model was accumulated to generate plans of lithological thickness and grade. These plans compare well with the distributions shown by the drillholes.</td>
</tr>
<tr>
<td>Nature of the data used and of any assumptions made.</td>
<td></td>
<td>The data used for the estimation was based on the drilling program carried out in 2010. This was relatively closely spaced and reviewed as adequate for resource purposes. A later small program done in 2012 was discarded as the assays were done on a different grain size cut off (45µm compared to 63µm in the 2010 drilling). All exploration and feasibility studies were done on the 63µm cutoff.</td>
</tr>
<tr>
<td>The effect, if any, of alternative interpretations on Mineral Resource estimation.</td>
<td></td>
<td>An inverse distance cubed (ID3) method was used for estimation. An alternative method of nearest neighbour was also used to test the data. The ID3 was deemed to be most reliable.</td>
</tr>
</tbody>
</table>
### Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

<table>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The use of geology in guiding and controlling Mineral Resource estimation.</td>
<td>Underlying the unconsolidated paleochannel material is cemented (lithified) paleochannel sediments (also containing rich garnet zones) which are variably cemented. In general, this material was too hard to drill. This unit identified as PCC (paleochannel cemented) is used as the bottom of ore because at this stage it is not considered mineable (or processable). The unit is easily recognisable in the trial pit and is relatively horizontal in nature. This unit defines the lower boundary of the ore zones. None of the PCC garnet mineralisation is included in the mineral reserve.</td>
</tr>
<tr>
<td></td>
<td>The factors affecting continuity both of grade and geology.</td>
<td>The depositional direction for both the flood plain (FP) and the paleochannel (PC) units were determined statistically. FP was approx 235° and the PC was approx 255°. Both units essentially pinch out at the eastern and western extents of the mineral resource area and have thus determined the size limits of the resource. Beyond these areas a mineralised dunal sand is present but this is not considered as part of the mineral reserve for the purposes of this report.</td>
</tr>
<tr>
<td>Dimensions</td>
<td>The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.</td>
<td>The mineral resource extends 1,400m in the north-south direction and approximately 1,800m in the east-west direction. The maximum depth is around 11m, but average is 8m deep.</td>
</tr>
</tbody>
</table>
Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

<table>
<thead>
<tr>
<th>Criteria</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Estimation and modelling techniques</td>
<td>The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.</td>
<td>The drillhole data was divided into lithological domains prior to modelling. Zone 1 = Flooplain (FP), Zone 2 = Paleochannel (PC), Zone 3 = Cemented paleochannel (PCC) and Zone 4 = dunal material. Composites within the zones were analysed to ensure the grade distribution was indicative of a single population. The coefficient of variation (cv) was low for all zones but some extreme values present in log histograms and log probability plots showed some top-cutting was warranted. Spatial continuity was also undertaken in each zone using the Snowdens software package 'Supervisor'. A kriging neighbourhood analysis was undertaken to review the appropriate block size for estimation. Block sizes of 50m x 100m x 2m were used. The block model and grade estimation were done using the inverse distance cubed method in Datamine software. Three search passes were done in line with the variogram ranges - at 400m x 200m x 2m followed by 1.5 times and 2 times the distances.</td>
</tr>
<tr>
<td>The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.</td>
<td>Global statistics were compared for the model and composite grades. Blocks that did not get estimated were given the average grade for the zone. Estimates were also compared to the previous modelling in 2010.</td>
<td></td>
</tr>
<tr>
<td>The assumptions made regarding recovery of by-products.</td>
<td>No assumptions were made regarding other minerals present in the heavy mineral, only garnet content was considered.</td>
<td></td>
</tr>
<tr>
<td>Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation).</td>
<td>There are no deleterious residual products</td>
<td></td>
</tr>
<tr>
<td>In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.</td>
<td>Block sizes of 50m x 100m x 2m were used, which were approximately half the drill spacing.</td>
<td></td>
</tr>
<tr>
<td>Any assumptions behind modelling of selective mining units.</td>
<td>On the basis of processing capabilities, it is important that the 2 economic zones (FP and PC) are mined simultaneously so no selective mining units were modelled.</td>
<td></td>
</tr>
</tbody>
</table>
### Section 3 Estimation and Reporting of Mineral Resources

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<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Any assumptions about correlation between variables.</td>
<td>None undertaken or considered valid for the type of deposit.</td>
</tr>
<tr>
<td></td>
<td>Description of how the geological interpretation was used to control the resource estimates.</td>
<td>The geological units were wireframed using Datamine software. These wireframes were then used as hard boundaries to define the lithological zones in the block model.</td>
</tr>
<tr>
<td></td>
<td>Discussion of basis for using or not using grade cutting or capping.</td>
<td>Only minor top-cutting was done to deal with a small number of extreme values. This had little to no effect on the resource estimation.</td>
</tr>
<tr>
<td></td>
<td>The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.</td>
<td>The model was validated visually in section and using Swathe plot analysis in ‘Supervisor’. Global statistics were also compared for the model and composite grades. Visual validation using flat model representations of variables from the model showed good correlation to drillholes.</td>
</tr>
<tr>
<td>Moisture</td>
<td>Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.</td>
<td>Tonnages were estimated on a dry basis. Natural moisture is assumed to be around 2-3% based on data taken from the mining process. Some further testing carried out in November 2017.</td>
</tr>
<tr>
<td>Cut-off parameters</td>
<td>The basis of the adopted cut-off grade(s) or quality parameters applied.</td>
<td>No cut-off grades have been used.</td>
</tr>
<tr>
<td>Mining factors or assumptions</td>
<td>Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.</td>
<td>An assumption was made that the 2 economic zones will be mined simultaneously for ease of processing. There is also essentially no overburden on top of the ore so only topsoil and subsoil would be removed in the mining process. No waste overlying the ore was therefore factored into the model.</td>
</tr>
</tbody>
</table>
### Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

<table>
<thead>
<tr>
<th>Criteria</th>
<th>JORC Code explanation</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Metallurgical factors or assumptions</strong></td>
<td>The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.</td>
<td>No metallurgical assumptions or modifying factors are applied to the resource</td>
</tr>
<tr>
<td><strong>Environmental factors or assumptions</strong></td>
<td>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.</td>
<td>There are no deleterious residual products</td>
</tr>
<tr>
<td><strong>Bulk density</strong></td>
<td>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.</td>
<td>In situ bulk densities have been measured in the trial pit.</td>
</tr>
<tr>
<td></td>
<td>The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.</td>
<td>Not applicable</td>
</tr>
<tr>
<td></td>
<td>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</td>
<td>No assumptions were made on the bulk densities, these are based upon actual measurements or industry standard. Calculations were done using the derived formula: $\text{DENSITY} = \frac{(0.61\times(100-HM)^{2.65}+(HM\times3.4))}{(100-SLIMES)}$</td>
</tr>
</tbody>
</table>
### Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

<table>
<thead>
<tr>
<th>Criteria</th>
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<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classification</td>
<td>The basis for the classification of the Mineral Resources into varying confidence categories.</td>
<td>Assignment of the resource classification has been made on the drill spacing and the continuity has been determined geologically to be appropriate for this style of deposit.</td>
</tr>
<tr>
<td></td>
<td>Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Whether the result appropriately reflects the Competent Person’s view of the deposit.</td>
<td></td>
</tr>
<tr>
<td>Audits or reviews</td>
<td>The results of any audits or reviews of Mineral Resource estimates.</td>
<td>The resource has been reviewed by Brad Knell and found to be a robust resource estimate.</td>
</tr>
<tr>
<td>Discussion of relative accuracy/confidence</td>
<td>Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.</td>
<td>The levels of accuracy for the Measured Resource was reviewed and deemed appropriate for the style of deposit for a global estimate. Local variations are replicated in the resource model and hence local accuracy is also valid within the deposit.</td>
</tr>
<tr>
<td></td>
<td>The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.</td>
<td>No production data is available for reconciliation purposes.</td>
</tr>
<tr>
<td>Criteria</td>
<td>JORC Code explanation</td>
<td>Commentary</td>
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<tr>
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</tr>
<tr>
<td>Mineral Resource estimate for conversion to Ore Reserves</td>
<td>Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve.</td>
<td>The mineral resource is classified as Measured and has sufficient geological continuity to support the level of confidence.</td>
</tr>
<tr>
<td></td>
<td>Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves.</td>
<td>Resources are reported as additional to (Exclusive of)</td>
</tr>
<tr>
<td>Site visits</td>
<td>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</td>
<td>None undertaken as no operations are active.</td>
</tr>
<tr>
<td></td>
<td>If no site visits have been undertaken indicate why this is the case.</td>
<td>The trial pit remains open and was visited by co-author Tamara Nicolle.</td>
</tr>
<tr>
<td>Study status</td>
<td>The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves.</td>
<td>Several Pre-feasibility level studies have been conducted since 2004, including the development of resource models and mine plans incorporating financial analysis as well as marketing appraisal.</td>
</tr>
<tr>
<td>Cut-off parameters</td>
<td>The basis of the cut-off grade(s) or quality parameters applied.</td>
<td>None applied</td>
</tr>
</tbody>
</table>
### Section 4 Estimation and Reporting of Ore Reserves

(Criteria listed in section 1, and where relevant in sections 2 and 3, also apply to this section.)

<table>
<thead>
<tr>
<th>Criteria</th>
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<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining factors or assumptions</td>
<td>The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design).</td>
<td>Detailed mine design allowing for initial off path tailings and then continuous in-pit tailings.</td>
</tr>
<tr>
<td></td>
<td>The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-stripping, access, etc.</td>
<td>Mining involves the use of an excavator and dump trucks to an average depth of 5m, with no overburden and 10cm of topsoil removed and stockpiled for future rehabilitation.</td>
</tr>
<tr>
<td></td>
<td>The assumptions made regarding geotechnical parameters (e.g. pit slopes, stope sizes, etc.), grade control and pre-production drilling.</td>
<td>The angle of repose of dry sand is used for pit slopes (33°)</td>
</tr>
<tr>
<td></td>
<td>The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate).</td>
<td>Not applicable as trial mining and processing has been undertaken.</td>
</tr>
<tr>
<td></td>
<td>The mining dilution factors used.</td>
<td>No dilution factors applied as mining is essentially from surface down to hard cemented paleochannel as a base of the free-dig.</td>
</tr>
<tr>
<td></td>
<td>The mining recovery factors used.</td>
<td>98% recovery factor applied</td>
</tr>
<tr>
<td></td>
<td>Any minimum mining widths used.</td>
<td>No minimum mining widths used, boundaries of the resource truncate close to drill limits.</td>
</tr>
<tr>
<td></td>
<td>The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion.</td>
<td>Not applicable</td>
</tr>
<tr>
<td></td>
<td>The infrastructure requirements of the selected mining methods.</td>
<td>Limited infrastructure required for truck and excavator operation.</td>
</tr>
<tr>
<td>Criteria</td>
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<td>Commentary</td>
</tr>
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</table>
| Metallurgical factors or assumptions    | The metallurgical process proposed and the appropriateness of that process to the style of mineralisation. | The Harts Range mineral concentrator follows a relatively standard flowsheet to produce a heavy mineral concentrate targeting a 45-50% garnet content via the following unit operations:  
  - Ore feed and primary coarse ore screening for oversize removal.  
  - Dry fine ore screening to remove undersize material.  
  - Secondary coarse screening via a rotation wash trammel.  
  - Desliming via hydrocyclones.  
  - Primary gravity concentration via multi stage spirals.  
  - Secondary gravity concentration via two flat bottomed classifiers in series.  
  - Classifier over flow scavenger spirals (for fine garnet recovery).  
  - Product filtration.  
  - Tails thickening.  
  - Slimes dewatering via decanter centrifuge |
<p>|                                         |                                                          | Whether the metallurgical process is well-tested technology or novel in nature.                                                                                                                                                      |
|                                         |                                                          | The main recovery process is well tested and widely applied technology for mineral sands recovery. The dry fine screening and decanter centrifuge are well tested technologies, however their application in mineral sands processing is somewhat novel. |
|                                         | The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied. | Several test work campaigns have been completed between 2003 and 2016, varying in methodology and resultant recoveries based on different considered flowsheets at the time. Sample sizes range from a few hundred kg up to a bulk sample of 12.5t processed in 2009. While not fully optimised during operation the results from actual processing operations have largely mirrored the mass balances developed from the test work programs. |
|                                         |                                                          | Any assumptions or allowances made for deleterious elements. No deleterious elements are contained in the deposit or detected during test work.                                                                                                                                 |
|                                         | The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole. | The trial pit was undertaken for a mining and processing performance evaluation. During the operation of the processing plant, concentrate yields and grades where achieved that |</p>
<table>
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<tr>
<th>Criteria</th>
<th>JORC Code explanation</th>
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<tr>
<td></td>
<td>matched the mass balance determined from the test work programs.</td>
<td></td>
</tr>
<tr>
<td>For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet the specifications?</td>
<td>Only heavy mineral content and the content of garnet has been considered.</td>
<td></td>
</tr>
<tr>
<td>Environmental</td>
<td>The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported.</td>
<td>All environmental issues have been addressed and will be monitored throughout the Project by an external consultant.</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided or accessed.</td>
<td>A wet concentrator plant is adjacent to the deposit with mineral separation plant located at Alice Springs. A water bore field for process water has been established.</td>
</tr>
<tr>
<td>Costs</td>
<td>The derivation of, or assumptions made, regarding projected capital costs in the study.</td>
<td>Based on recapitalisation of infrastructure based on actual costs</td>
</tr>
<tr>
<td>The methodology used to estimate operating costs.</td>
<td>Estimate based on actual performance</td>
<td></td>
</tr>
<tr>
<td>Allowances made for the content of deleterious elements.</td>
<td>No deleterious elements are contained in the deposit or detected during test work.</td>
<td></td>
</tr>
<tr>
<td>The derivation of assumptions made of metal or commodity price(s), for the principal minerals and co-products.</td>
<td>Market analysis has been performed both locally and internationally</td>
<td></td>
</tr>
<tr>
<td>The source of exchange rates used in the study.</td>
<td>0.80 exchange rates used in the financial model over the 10-year life of mine.</td>
<td></td>
</tr>
<tr>
<td>Derivation of transportation charges.</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>Criteria</td>
<td>JORC Code explanation</td>
<td>Commentary</td>
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<td></td>
<td>The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc.</td>
<td>Mineral separation processing is in house located at Alice Springs.</td>
</tr>
<tr>
<td></td>
<td>The allowances made for royalties payable, both Government and private.</td>
<td>Provision for all government royalties has been made in the financial model.</td>
</tr>
<tr>
<td>Revenue factors</td>
<td>The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc.</td>
<td>Comprehensive client/product specification including transport cost tabulations have been completed.</td>
</tr>
<tr>
<td></td>
<td>The derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products.</td>
<td>See above, all values based on market related prices and in so doing no assumptions were made during the cost/revenue modelling.</td>
</tr>
<tr>
<td>Market assessment</td>
<td>The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future.</td>
<td>The marketing of industrial abrasives requires extensive promotion, marketing and distribution effort and investment in strategic stock holdings far removed from the mining operation to satisfy the fragmented nature of the market, and AAM have this infrastructure in place</td>
</tr>
<tr>
<td></td>
<td>A customer and competitor analysis along with the identification of likely market windows for the product.</td>
<td>Marketing studies carried out by AAM in 2010 identified a global shortfall in supply over demand of around 100,000tpa of garnet by 2015</td>
</tr>
<tr>
<td></td>
<td>Price and volume forecasts and the basis for these forecasts.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract.</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc.</td>
<td>Cashflow forecasts completed including NPV and IRR mitigating risk</td>
</tr>
<tr>
<td></td>
<td>NPV ranges and sensitivity to variations in the significant assumptions and inputs.</td>
<td></td>
</tr>
<tr>
<td>Criteria</td>
<td>JORC Code explanation</td>
<td>Commentary</td>
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<tr>
<td>Social</td>
<td>The status of agreements with key stakeholders and matters leading to social licence to operate.</td>
<td>Local employment opportunities has been explored and tested during trial mining</td>
</tr>
<tr>
<td>Other</td>
<td>To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves:</td>
<td>AAM has obtained all necessary environmental and government approvals for mining, processing and water extraction on ML28614. The approved Environmental Management Plan ensures that the Project will meet industry best environmental management practices. AAM has also prepared a comprehensive rehabilitation plan which will minimise impacts associated with mine closure</td>
</tr>
<tr>
<td></td>
<td>• Any identified material naturally occurring risks.</td>
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<td></td>
<td>• The status of material legal agreements and marketing arrangements.</td>
<td></td>
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<td></td>
<td>• The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent.</td>
<td></td>
</tr>
<tr>
<td>Classification</td>
<td>The basis for the classification of the Ore Reserves into varying confidence categories.</td>
<td>Classified to Proved Reserves on the basis of trial mining undertaken and the mineral resource being classified as Measured Resource.</td>
</tr>
<tr>
<td></td>
<td>Whether the result appropriately reflects the Competent Person’s view of the deposit.</td>
<td>The result satisfies all aspects relating to the Mineral Resource conversion to a proved reserve</td>
</tr>
<tr>
<td></td>
<td>The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (If any).</td>
<td></td>
</tr>
<tr>
<td>Audits or reviews</td>
<td>The results of any audits or reviews of Ore Reserve estimates.</td>
<td>The Competent Person audited the resource and reserve report as a third party.</td>
</tr>
</tbody>
</table>
### Section 4 Estimation and Reporting of Ore Reserves

*(Criteria listed in section 1, and where relevant in sections 2 and 3, also apply to this section.)*

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<tr>
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| Discussion of relative accuracy/confidence    | Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate. | Statistical analysis completed during the resource modelling on the drill density concluded the current spacing to be sufficient to a Measured resource. The continuity of the resource was validated/supported by the geostatistical range analysis completed. Based on both previous statements the resource has a high confidence/low risk associated with it and is reflected in the classification applied to the resource/reserve. Risk is further reduced by:  
  • Tonnage estimate completed using density assignment based upon the relative HM% contained within each block.  
  • Model validated through Swathe plots, cross sections and flat model application ensuring confidence in the resultant model.  
  • Mine plan updated using the latest resource model; with modifying factors such as mining recovery and slope design based upon trial mining. |
|                                               | The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. |                                                                                                                                                                                                          |
|                                               | Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage. |                                                                                                                                                                                                          |
|                                               | It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available. |                                                                                                                                                                                                          |
ANNEXURE B – CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement is current as at 31 October 2018 and has been approved by the Board of the Company on that date.

This Corporate Governance Statement discloses the extent to which the Company will, as at the date it is admitted to the official list of the ASX, follow the recommendations set by the ASX Corporate Governance Council in its publication Corporate Governance Principles and Recommendations (Recommendations). The Recommendations are not mandatory, however the Recommendations that will not be followed have been identified and reasons provided for not following them along with what (if any) alternative governance practices the Company intends to adopt in lieu of the recommendation.

The Company has adopted a Corporate Governance Plan which provides the written terms of reference for the Company’s corporate governance duties.

Due to the current size and nature of the existing Board and the magnitude of the Company’s operations, the Board does not consider that the Company will gain any benefit from individual Board committees and that its resources would be better utilised in other areas as the Board is of the strong view that at this stage the experience and skill set of the current Board is sufficient to perform these roles. Under the Company’s Board Charter, the duties that would ordinarily be assigned to individual committees are currently carried out by the full Board under the written terms of reference for those committees.


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<tr>
<th>RECOMMENDATIONS (3RD EDITION)</th>
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<th>EXPLANATION</th>
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<tr>
<td>Principle 1: Lay solid foundations for management and oversight</td>
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<tr>
<td><strong>Recommendation 1.1</strong> A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the Board, the Chair and management, and includes a description of those matters expressly reserved to the Board and those delegated to management.</td>
<td>YES</td>
<td>The Company has adopted a Board Charter that sets out the specific roles and responsibilities of the Board, the Chair and management and includes a description of those matters expressly reserved to the Board and those delegated to management. The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board’s composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors’ access to Company records and information, details of the Board’s relationship with management, details of the Board’s performance review and details of the Board’s disclosure policy. A copy of the Company’s Board Charter, which is part of the Company’s Corporate Governance Plan, is available on the Company’s website.</td>
</tr>
<tr>
<td><strong>Recommendation 1.2</strong> A listed entity should:</td>
<td>YES</td>
<td>(a) The Company has guidelines for the appointment and selection of the Board in its Corporate Governance Plan. The Company’s Nomination Committee Charter (in the Company’s Corporate Governance Plan) requires the Nomination Committee (or, in its absence, the Board) to</td>
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<td>RECOMMENDATIONS (3RD EDITION)</td>
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<td>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a Director.</td>
<td></td>
<td>ensure appropriate checks (including checks in respect of character, experience, education, criminal record and bankruptcy history (as appropriate)) are undertaken before appointing a person, or putting forward to security holders a candidate for election, as a Director. (b) Under the Nomination Committee Charter, all material information relevant to a decision on whether or not to elect or re-elect a Director must be provided to security holders in the Notice of Meeting containing the resolution to elect or re-elect a Director.</td>
</tr>
<tr>
<td>Recommendation 1.3</td>
<td>YES</td>
<td>The Company’s Nomination Committee Charter requires the Nomination Committee (or, in its absence, the Board) to ensure that each Director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director’s or senior executive’s appointment. The Company has written agreements with each of its Directors and senior executives.</td>
</tr>
<tr>
<td>Recommendation 1.4</td>
<td>YES</td>
<td>The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. In accordance with this, the Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.</td>
</tr>
<tr>
<td>Recommendation 1.5</td>
<td>PARTIALLY</td>
<td>(a) The Company has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect of gender diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives, if considered appropriate, and to assess annually both the objectives [if any have been set] and the Company’s progress in achieving them. (b) The Diversity Policy is available, as part of the Corporate Governance Plan, on the Company’s website. (i) The Board does not presently intend to set measurable gender diversity objectives because, if it becomes necessary to appoint any new Directors or senior executives, the Board considers the application of a measurable gender diversity objective requiring a specified proportion of women on the Board and in senior executive roles will, given the small size of the Company and the Board, unduly limit the Company from applying the Diversity Policy as a whole and the Company’s policy of appointing based on skills and merit; and</td>
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<td>RECOMMENDATIONS (3RD EDITION)</td>
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<td>has defined “senior executive” for these purposes; or if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in the Workplace Gender Equality Act.</td>
<td></td>
<td>(ii) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined “senior executive” for these purposes) for each financial year will be disclosed in the Company’s Annual Report.</td>
</tr>
</tbody>
</table>

**Recommendation 1.6**

A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

**YES**

(a) The Company’s Nomination Committee (or, in its absence, the Board) is responsible for evaluating the performance of the Board, its committees and individual Directors on an annual basis. It may do so with the aid of an independent advisor. The process for this is set out in the Company’s Corporate Governance Plan, which is available on the Company’s website.

(b) The Company’s Corporate Governance Plan requires the Company to disclose whether or not performance evaluations were conducted during the relevant reporting period. The Company intends to complete performance evaluations in respect of the Board, its committees (if any) and individual Directors for each financial year in accordance with the above process.

**Recommendation 1.7**

A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of its senior executives; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

**YES**

(a) The Company’s Nomination Committee (or, in its absence, the Board) is responsible for evaluating the performance of the Company’s senior executives on an annual basis. The Company’s Remuneration Committee (or, in its absence, the Board) is responsible for evaluating the remuneration of the Company’s senior executives on an annual basis. A senior executive, for these purposes, means key management personnel (as defined in the Corporations Act) other than a non-executive Director. The applicable processes for these evaluations can be found in the Company’s Corporate Governance Plan, which is available on the Company’s website.

(b) The Company’s Corporate Governance Plan requires the Company to disclose whether or not performance evaluations were conducted during the relevant reporting period. The Company intends to complete performance evaluations in respect of the senior executives (if any) for each financial year in accordance with the applicable processes.
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<tr>
<th>RECOMMENDATIONS (3RD EDITION)</th>
<th>COMPLY</th>
<th>EXPLANATION</th>
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<tbody>
<tr>
<td><strong>Principle 2: Structure the Board to add value</strong></td>
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</table>
| **Recommendation 2.1** | NO | (a) The Company does not have a Nomination Committee. The Company’s Nomination Committee Charter provides for the creation of a Nomination Committee (if it is considered it will benefit the Company), with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director.  
(b) The Company does not have a Nomination Committee as the Board considers the Company will not currently benefit from its establishment. In accordance with the Company’s Board Charter, the Board carries out the duties that would ordinarily be carried out by the Nomination Committee under the Nomination Committee Charter, including the following processes to address succession issues and to ensure the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively:  
(i) devoting time at least annually to discuss Board succession issues and updating the Company’s Board skills matrix; and  
(ii) all Board members being involved in the Company’s nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules. |
| The Board of a listed entity should: | | |
| (a) have a nomination committee which: | | |
| (i) has at least three members, a majority of whom are independent Directors; and | | |
| (ii) is chaired by an independent Director, | | |
| and disclose: | | |
| (iii) the charter of the committee; | | |
| (iv) the members of the committee; and | | |
| (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; | | |
| or | | |
| (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively. | | |
| **Recommendation 2.2** | YES | Under the Nomination Committee Charter (in the Company’s Corporate Governance Plan), the Nomination Committee (or, in its absence, the Board) is required to prepare a Board skill matrix setting out the mix of skills and diversity that the Board currently has (or is looking to achieve) and to review this at least annually against the Company’s Board skills matrix to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.  
The Company has a Board skill matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership. A copy is available on the Company’s website.  
The Board Charter requires the disclosure of each Board member’s qualifications and expertise. Full details as to each Director and senior executive’s relevant skills and experience are available in the Company’s Annual Report. |
| A listed entity should have and disclose a Board skill matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership. | | |
### Recommendation 2.3

A listed entity should disclose:

- **(a)** the names of the Directors considered by the Board to be independent Directors;
- **(b)** if a Director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and
- **(c)** the length of service of each Director

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| **YES** | **(a)** The Board Charter requires the disclosure of the names of Directors considered by the Board to be independent. The Company will disclose those Directors it considers to be independent in its Annual Report and on its ASX website. The Board considers that the Chairman, Mr Bruce Hancox, is independent. Mr Robert Brand is not considered independent due to having an executive role in the Company. Mr Julian Babarczy is not considered independent as he has the ability to control the disposal of substantial shareholdings in the Company held by funds controlled by Regal Funds Management, where he is employed as a fund manager.  
**(b)** The Chairman, Mr Bruce Hancox, is a director of an entity with a significant shareholding in the Company. The Board is of the opinion that this does not impact the independence of Mr Hancox as an unrelated third party has a controlling interest in that entity and Mr Hancox has no control or influence over that entity, the board of that entity or its shareholding in the Company. The Company will fully disclose in its Annual Report and on the ASX website any instances where these relationships apply and an explanation of the Board’s opinion why the relevant Director is considered to be independent.  
**(c)** The current Directors of the Company were appointed on the following dates: Bruce Hancox 26 September 2018  
Robert Brand 26 September 2018  
Julian Babarczy 7 February 2018  
The Company’s Annual Report will disclose the length of service of each Director, as at the end of each financial year. |

### Recommendation 2.4

A majority of the Board of a listed entity should be independent Directors.

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<tr>
<td><strong>NO</strong></td>
<td><strong>The Company’s Board Charter requires that, where practical, the majority of the Board should be independent. The Board currently comprises a total of three directors, of whom one is considered to be independent. As such, independent directors do not currently form a majority of the Board. The independent director is the Chair of the Board. The Board does not currently consider it appropriate to have a majority of independent directors on the Board given:</strong></td>
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### RECOMMENDATIONS (3RD EDITION)

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<th>RECOMMENDATION</th>
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<tr>
<td><strong>Recommendation 2.5</strong>&lt;br&gt;The Chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.</td>
<td>YES</td>
<td>(a) The Board Charter provides that, where practical, the Chair of the Board should be an independent Director and should not be the CEO/Managing Director. The Chair of the Company is an independent Director and is not the CEO/Managing Director.</td>
</tr>
<tr>
<td><strong>Recommendation 2.6</strong>&lt;br&gt;A listed entity should have a program for inducting new Directors and providing appropriate professional development opportunities for continuing Directors to develop and maintain the skills and knowledge needed to perform their role as a Director effectively.</td>
<td>YES</td>
<td>In accordance with the Company’s Board Charter, the Nominations Committee (or, in its absence, the Board) is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities. The Company Secretary is responsible for facilitating inductions and professional development.</td>
</tr>
</tbody>
</table>
| **Principle 3: Act ethically and responsibly**  
**Recommendation 3.1**<br>A listed entity should:<br>(a) have a code of conduct for its Directors, senior executives and employees; and<br>(b) disclose that code or a summary of it. | YES | (a) The Company’s Corporate Code of Conduct applies to the Company’s Directors, senior executives and employees.<br>(b) The Company’s Corporate Code of Conduct (which forms part of the Company’s Corporate Governance Plan) is available on the Company’s website. |
| **Principle 4: Safeguard integrity in financial reporting**  
**Recommendation 4.1**<br>The Board of a listed entity should:<br>(a) have an audit committee which:<br>(i) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and | NO | (a) The Company does not have an Audit and Risk Committee. The Company’s Corporate Governance Plan contains an Audit and Risk Committee Charter that provides for the creation of an Audit and Risk Committee (if it is considered it will benefit the Company), with at least three members, all of whom must be independent Directors, and which must be chaired by an independent Director who is not the Chair.<br>(b) The Company does not have an Audit and Risk Committee as the Board considers the Company will not currently benefit from its establishment. In |
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<th>EXPLANATION</th>
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<tr>
<td>(ii) is chaired by an independent Director, who is not the Chair of the Board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</td>
<td>COMPLY</td>
<td>accordance with the Company’s Board Charter, the Board carries out the duties that would ordinarily be carried out by the Audit and Risk Committee under the Audit and Risk Committee Charter including the following processes to independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner: (i) the Board devotes time at annual Board meetings to fulfil the roles and responsibilities associated with maintaining the Company’s internal controls function and arrangements with external auditors; and (ii) all members of the Board are involved in the Company’s audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.</td>
</tr>
</tbody>
</table>

**Recommendation 4.2**

The Board of a listed entity should, before it approves the entity’s financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

YES The Company’s Audit and Risk Committee Charter requires the CEO and CFO (or, if none, the person(s) fulfilling those functions) to provide a sign off on these terms. The Company intends to obtain a sign off on these terms for each of its financial statements in each financial year.

**Recommendation 4.3**

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

YES The Company’s Corporate Governance Plan provides that the Board must ensure the Company’s external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

**Principle 5: Make timely and balanced disclosure**

**Recommendation 5.1**

A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and

YES (a) The Board Charter provides details of the Company’s disclosure policy. In addition, the Corporate Governance Plan details the Company’s disclosure requirements as required by the ASX Listing Rules and other relevant legislation.
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<td>(b) disclose that policy or a summary of it.</td>
<td></td>
<td>(b) The Corporate Governance Plan, which incorporates the Board Charter, is available on the Company website.</td>
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**Principle 6: Respect the rights of security holders**

**Recommendation 6.1**
A listed entity should provide information about itself and its governance to investors via its website.

| YES | Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company’s website. |

**Recommendation 6.2**
A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

| YES | The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to shareholders and is available on the Company’s website as part of the Company’s Corporate Governance Plan. |

**Recommendation 6.3**
A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

| YES | Shareholders are encouraged to participate at all general meetings and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material stating that all Shareholders are encouraged to participate at the meeting. |

**Recommendation 6.4**
A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

| YES | The Shareholder Communication Strategy provides that security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company’s website on which all information provided to the ASX is immediately posted. Shareholders queries should be referred to the Company Secretary at first instance. |

**Principle 7: Recognise and manage risk**

**Recommendation 7.1**
The Board of a listed entity should:
(a) have a committee or committees to oversee risk, each of which:
   (i) has at least three members, a majority of whom are independent Directors; and
   (ii) is chaired by an independent Director, and disclose:

<p>| NO | (a) The Company does not have an Audit and Risk Committee. The Company’s Corporate Governance Plan contains an Audit and Risk Committee Charter that provides for the creation of an Audit and Risk Committee (if it is considered it will benefit the Company), with at least three members, all of whom must be independent Directors, and which must be chaired by an independent Director. A copy of the Corporate Governance Plan is available on the Company’s website. |</p>
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<td>(iii) the charter of the committee;</td>
<td><strong>YES</strong></td>
<td>(b) The Company does not have an Audit and Risk Committee as the Board consider the Company will not currently benefit from its establishment. In accordance with the Company’s Board Charter, the Board carries out the duties that would ordinarily be carried out by the Audit and Risk Committee under the Audit and Risk Committee Charter. These duties include devoting time at Board meetings to fulfil the roles and responsibilities associated with overseeing risk and maintaining the entity’s risk management framework and associated internal compliance and control procedures.</td>
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<td>(iv) the members of the committee; and</td>
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<td>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</td>
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<tr>
<td>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity’s risk management framework.</td>
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**Recommendation 7.2**

The Board or a committee of the Board should:

(a) review the entity’s risk management framework with management at least annually to satisfy itself that it continues to be sound; and

(b) disclose in relation to each reporting period, whether such a review has taken place.

YES

(a) The Audit and Risk Committee Charter requires that the Audit and Risk Committee (or, in its absence, the Board) should, at least annually, satisfy itself that the Company’s risk management framework continues to be sound.

(b) The Company’s Corporate Governance Plan requires the Company to disclose at least annually whether such a review of the company’s risk management framework has taken place.

**Recommendation 7.3**

A listed entity should disclose:

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

YES

(a) The Audit and Risk Committee Charter provides for the Audit and Risk Committee to monitor the need for an internal audit function.

(b) The Company does not have an internal audit function. Periodical informal reviews of the Company’s financial systems, documents and processes are undertaken, and any recommendations for improvement are reported to the Board as part of the Company’s risk management processes.

**Recommendation 7.4**

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

YES

The Audit and Risk Committee Charter requires the Audit and Risk Committee (or, in its absence, the Board) to assist management to determine whether the Company has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company’s Corporate Governance Plan requires the Company to disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.
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<td><strong>Principle 8: Remunerate fairly and responsibly</strong></td>
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<td>risks. The Company will disclose this information in its Annual Report and on its ASX website as part of its continuous disclosure obligations.</td>
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**Recommendation 8.1**  
The Board of a listed entity should:  
(a) have a remuneration committee which:  
   (i) has at least three members, a majority of whom are independent Directors; and  
   (ii) is chaired by an independent Director,  
and disclose:  
   (iii) the charter of the committee;  
   (iv) the members of the committee; and  
   (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or  
(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.  

| | NO | (a) The Company does not have a Remuneration Committee. The Company’s Corporate Governance Plan contains a Remuneration Committee Charter that provides for the creation of a Remuneration Committee (if it is considered it will benefit the Company), with at least three members, a majority of whom must be independent Directors, and which must be chaired by an independent Director.  
(b) The Company does not have a Remuneration Committee as the Board considers the Company will not currently benefit from its establishment. In accordance with the Company’s Board Charter, the Board carries out the duties that would ordinarily be carried out by the Remuneration Committee under the Remuneration Committee Charter. This includes devoting time at the annual Board meeting to assess the level and composition of remuneration for Directors and senior executives to ensure that such remuneration is appropriate and not excessive. |

**Recommendation 8.2**  
A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives and ensure that the different roles and responsibilities of non-executive Directors compared to executive Directors and other senior executives are reflected in the level and composition of their remuneration.  

| | YES | The Company’s Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of Directors and senior executives, which is disclosed on the Company’s website. |

**Recommendation 8.3**  
A listed entity which has an equity-based remuneration scheme should:  

<p>| | YES | (a) The Company has an equity-based remuneration scheme. The Company has a policy on whether participants are permitted to enter into |</p>
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<td>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.</td>
<td></td>
<td>transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. (b) A copy of the policy will be provided on the Company’s website/Annual Report.</td>
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