

ASX Release

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ASM TO ACQUIRE 95% OF ZIRONTECH

Highlights:

- ASM to acquire a 95% interest in joint venture partner Ziron Technology Corporation (Ziron Tech)
- ASM to acquire the ownership of all associated intellectual property including patented metal-refining technology
- Ziron Tech team will continue development of metallisation technology within ASM

Australian Strategic Materials (ASX: ASM) "ASM" has entered into a binding heads of agreement (HOA) to acquire 95% of its joint venture partner Ziron Technology Corporation (**Ziron Tech**), which owns patented low emission, high purity metal-refining technology. ASM will also acquire the pilot plant constructed in 2020 to confirm the technology.

The patented technology is a more environmentally friendly, sustainable and cost-effective alternative to existing conventional, energy-intensive metallisation processes. The technology has been successfully applied during pilot plant testwork to all major metals found within ASM's Dubbo Project including zirconium, hafnium, and rare earths for permanent magnet alloys. In addition, it provides an opportunity to expand its business with the production of titanium metal and associated alloys.



Figure 1: ASM's ZironTech Team

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Under the HOA ASM will appoint Ziron Tech's founder, Professor Jonghyeon Lee as Chief Technical Advisor to lead the Ziron Tech team and the continued development of clean metal processing. ASM is progressing negotiations to commence a feasibility study for larger scale development and commercialisation of the plant.

ASM Managing Director, David Woodall said: "Our joint venture and strong relationship with Ziron Tech since 2016 has achieved significant milestones, with the successful production of metals using this clean technology. This agreement marks the start of the next phase of this positive partnership with Ziron Tech as it becomes part of ASM."

"With Professor Lee and his team on board, we are looking forward to establishing the first commercial scale metal plant in Korea using the technology, which will help meet the growing demand for ASM's range of high-purity and value-added critical metals used in advanced technologies, including electric vehicles and clean energy," Mr Woodall said.

Ziron Tech founder and major shareholder, Professor Jonghyeon Lee said: "We are pleased to further formalise our partnership with ASM and become an integral part of the company. The metal production method we have been testing is set to transform the traditional process of metal production, with it being more efficient and environmentally friendly."

Key terms of the HOA

- The HOA and transaction is subject to conditions, including ASM and Ziron Tech Boards approval (including of formal documentation), as well as receipt of any required regulatory approvals and authorisations.
- ASM will acquire 100% of the current joint venture company RMR Tech Corporation (**RMR Tech**) from its initial investment of 10%.
- RMR Tech will then acquire 95% of the shares in Ziron Tech.
- Professor Lee will retain a 5% stake in Ziron Tech and become Chief Technology Advisor for ASM's metallisation business. ASM will have a call option over Professor Lee's 5% stake in Ziron Tech.
- As consideration for the transaction, ASM will:
 - Issue 1,306,417 ASM shares for consideration of US\$2m to current Ziron Tech shareholders (via a holding entity) at an issue price of \$2.068 per share based on a 10-trading day VWAP to 2nd September 2020 and using an AUD:USD exchange rate of 0.74. These shares will be subject to voluntary escrow for 12 months; and
 - grant existing Ziron Tech shareholders (via a holding entity) a Net Smelter Return of 5% from any global commercial metallisation facility established using the technology, subject to a 50% step-down of the royalty after payments of US\$20m have been made.
- Through the proposed acquisitions, the ASM group will own all of Ziron Tech's patents and related intellectual property and technology that were the subject of the RMR Tech joint venture, as well as any intellectual property rights or interests that may be developed by Ziron Tech in the future.

ASM and ZironTech expect to finalise the detailed documentation in relation to this transaction by the end of September 2020 and complete the transaction by the end of October 2020.

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This document has been authorised for release to the market by David Woodall, Managing Director.

About Australian Strategic Materials – www.asm-au.com

ASM is focused on producing specialty metals and oxides for advanced technologies and is the 100% owner of the Dubbo Project.

Located in central-western NSW, ASM's cornerstone Dubbo Project has a long-term resource of zirconium, rare earths, niobium and hafnium – a globally significant source of these critical materials for a diverse range of emerging and sustainable technologies.

ASM, together with its partners, is advancing oxide separation and metallisation technologies to create a range of value-added materials from the Dubbo Project. ASM's pilot plant in South Korea has been completed with successful production of titanium and neodymium metal. ASM is progressing an optimisation study for the Dubbo Project inclusive of flotation that has potential to positively impact the capital and operating costs of the project. The metals feasibility study is planned to be completed by the end of 2020 with the optimisation study to be completed by the end of Q1 2021 .