



Australian Strategic Materials Ltd

ABN 90 168 368 401

Interim Report - 31 December 2020



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Australian Strategic Materials Ltd
Directors' report
31 December 2020

The directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity' or 'the Group') consisting of Australian Strategic Materials Ltd (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

The following persons were directors of Australian Strategic Materials Ltd during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

I J Gandel
D G Woodall
N P Earner
D I Chalmers
G M Smith
A D Lethlean - resigned 28 July 2020

Principal activities

The Consolidated Entity ("ASM") is focused on producing specialty metals for advanced technologies and is the 100% owner of the Dubbo Project. Located in central-western NSW, ASM's 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.

With the recently acquired subsidiary, South Korea's Zirconium Technology Corporation ("Ziron Tech"), the Consolidated Entity is advancing the metallisation of all oxides to create a range of value-added metals from market-available precursors and on the completion of the development of the Dubbo Project.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Review of operations

The profit for the Consolidated Entity after providing for income tax amounted to \$2,606,000 (31 December 2019: loss of \$1,759,000).

This result included a profit before tax and non-recurring item of \$4,731,000 (31 December 2019: nil) in relation to loan forgiveness.

The Consolidated Entity was demerged with its cash reserves and no bank debt. All interests in the Dubbo Project and associated assets (including land and water rights), together with the Company's investment in South Korean metals technology company Rare Metals Resources Technology Corporation, were owned by the Consolidated Entity following the Demerger. On 17 July 2020, ASM entered into a restructure deed with Alkane Resources Ltd (the Ultimate Parent Company of the Consolidated Entity before demerger), to capitalise \$113,000,000 and forgive \$4,731,000 of the loans as part of the demerger.

The Dubbo Project (DP) remains environmentally approved and construction ready, with the mineral deposit and surrounding land wholly owned, all material State and Federal approvals in place, an established flowsheet and a solid business case.

Alkane Resources Ltd's shareholders approved the Demerger of the Consolidated Entity, with relevant resolutions tabled at the Extraordinary General Meeting (EGM) passed on 16th July 2020.

ASM continues the execution of its integrated business plan for the Dubbo Project, which aims to deliver value adding clean metals, and the optimisation of the June 2018 FEED Study, with work on simplifying the flowsheet, targeting lower overall capital and operating costs.

On 3 September 2020, ASM entered into a binding heads of agreement ("HOA") with Rare Metals Resources Technology Corporation ("RMR Tech") and Ziron Tech, which owns patented low emission, high purity metal-refining technology.

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On 3 November 2020, the Ziron Tech and RMR Tech restructure was completed. ASM has become the 100% owner of RMR Tech and indirect owner of 95% of Ziron Tech. ASM has also acquired the pilot plant constructed in 2020 to confirm the technology.

As consideration for the transaction, ASM will in due course:

- issue 1,306,417 ASM shares to current Ziron Tech shareholders (via a holding entity). These shares are 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\$ 20,000,000 have been made.

The Consolidated Entity now owns all of Ziron Tech's patents and related intellectual property and technology that were the subject of RMR Tech, as well as any intellectual property rights or interests that may be developed by Ziron Tech in the future.

ASM's wholly owned Korean subsidiary, RMR Tech, completed the construction and commissioning of the commercial pilot plant in Daejeon, South Korea. The plant, designed to produce low emission, high purity metals, was completed on time and budget.

Ziron Tech has received funding for the development of a low emission, high purity metal refining technology that can be applied to zirconium, titanium, and rare earths for permanent magnet alloys. This development continues with ASM owing the patents and exclusive rights to the commercialisation of the technology worldwide. The technology is intended to replace conventional energy intensive metallisation processes with a more environmentally friendly, sustainable and cost-effective alternative.

The Consolidated Entity's pilot plant in South Korea has been completed with successful production of titanium metal, alloy, and powders. The pilot plant has also successfully produced metals neodymium, praseodymium, dysprosium, neodymium - praseodymium alloy and zirconium. The Consolidated Entity is progressing an optimisation study of Dubbo Project that has the potential to positively impact the capital and operating costs of the project. This optimisation and a study on the metallisation plant is planned to be completed by the end of Q1 of calendar year 2021.

The Consolidated Entity is now focusing on commencing the detailed design and construction of a 5,200Mt continuous metal plant in Korea. This is the first phase of the Company's strategy to develop a metal plant to meet some of the demand for critical materials in the Korean manufacturing sector. ASM continues to advance discussions for a potential partner in the "mine to manufacturer" business.

The ongoing impacts of the Covid 19 virus and trade tensions between China and the US on critical metals has impacted the demand, supply and resultant pricing of some elements. China's exports of rare earth permanent magnets have been flat with average prices remaining stable. Prices for other metals have remained relatively stable, with the exception of industrial grade zirconium sponge from China which has dropped significantly as small producers reduce stocks to boost cash flow.

Significant changes in the state of affairs

On 17 July 2020, ASM entered into a restructure deed with Alkane Resources Ltd, as part of the demerger to capitalise \$113,000,000 and forgive \$4,731,000 of the loans.

On 29 July 2020, ASM was demerged with its cash reserves and no bank debt. All interests in the Dubbo Project and associated assets (including land and water rights), together with ASM's investment in South Korean metals technology company RMR Tech was 100% owned by ASM following the demerger.

On 3 September 2020, ASM entered into a HOA with RMR Tech and Ziron Tech, which owns patented low emission, high purity metal-refining technology. As part of the Ziron Tech and RMR Tech restructure, ASM has become the 100% owner of RMR Tech and indirect owner of 95% of Ziron Tech with the acquisitions completed on 3 November 2020. ASM has also acquired the pilot plant constructed in 2020.

In early 2020 with the outbreak of Coronavirus Disease 2019 ("COVID-19" or "the coronavirus") unprecedented measures put in place by the Australian Government, as well as governments across the globe, to contain the coronavirus have had a significant impact on the economy. Management continues to consider the potential implications of coronavirus, which may include delaying the construction and commissioning of the pilot modification plant for the Dubbo Project, and other Dubbo Project optimisation work in progress focused on further improving the project economics. As at the date these financial statements were authorised, Management was not aware of any material adverse effects on the financial statements as a result of the coronavirus.

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There were no other significant changes in the state of affairs of the Consolidated Entity during the financial half-year.

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



D G Woodall
Director

26 February 2021



Auditor's Independence Declaration

As lead auditor for the review of Australian Strategic Materials Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review, and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Australian Strategic Materials Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Helen Bathurst'.

Helen Bathurst
Partner
PricewaterhouseCoopers

Perth
26 February 2021

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Australian Strategic Materials Ltd

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General information

The financial statements cover Australian Strategic Materials Ltd as a Consolidated Entity consisting of Australian Strategic Materials Ltd and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Australian Strategic Materials Ltd's functional and presentation currency.

Australian Strategic Materials Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Australian Strategic Materials Ltd

Principal place of business

89 Burswood Road, Burswood, Western Australia

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 February 2021. The directors have the power to amend and reissue the financial statements.

Australian Strategic Materials Ltd
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

	Note	Consolidated 31 Dec 2020 \$'000	31 Dec 2019 \$'000
Revenue			
Other income	3	5,554	733
Expenses			
Professional fees and consulting services		(1,352)	(151)
Employee remuneration		(737)	-
Directors' fees and salaries		(73)	-
General and administration expenses		(741)	(93)
Pastoral company expenses		(462)	(456)
Finance charges		-	(1,782)
Profit/(loss) before income tax (expense)/benefit		2,189	(1,749)
Income tax benefit/(expense)		417	(10)
Profit/(loss) after income tax (expense)/benefit for the half-year attributable to the owners of Australian Strategic Materials Ltd		2,606	(1,759)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Loss on the revaluation of financial assets at fair value through other comprehensive income, net of tax		(1)	-
Foreign currency translation		(43)	-
Other comprehensive income for the half-year, net of tax		(44)	-
Total comprehensive income for the half-year attributable to the owners of Australian Strategic Materials Ltd		2,562	(1,759)
		Cents	Cents
Basic earnings per share		2.18	(35,180,000.00)
Diluted earnings per share		2.13	(35,180,000.00)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Australian Strategic Materials Ltd
Consolidated balance sheet
As at 31 December 2020

	Note	Consolidated 31 Dec 2020 \$'000	30 Jun 2020 \$'000
Assets			
Current assets			
Cash and cash equivalents		12,426	18,544
Receivables		385	107
Consumables		367	4
Biological assets		357	403
Total current assets		<u>13,535</u>	<u>19,058</u>
Non-current assets			
Property, plant and equipment		30,438	27,567
Exploration and evaluation		93,141	90,665
Intangibles	4	4,963	-
Investments accounted for using the equity method	5	-	1,721
Receivables		-	127
Biological assets		632	380
Other receivables		151	20
Total non-current assets		<u>129,325</u>	<u>120,480</u>
Total assets		<u>142,860</u>	<u>139,538</u>
Liabilities			
Current liabilities			
Trade and other payables		454	344
Borrowings	6	-	117,731
Provisions		136	145
Other current liabilities		634	-
Total current liabilities		<u>1,224</u>	<u>118,220</u>
Non-current liabilities			
Deferred tax		25,626	26,043
Provisions		37	33
Total non-current liabilities		<u>25,663</u>	<u>26,076</u>
Total liabilities		<u>26,887</u>	<u>144,296</u>
Net assets/(liabilities)		<u>115,973</u>	<u>(4,758)</u>
Equity			
Contributed equity	7	117,560	1
Reserves		11,805	11,324
Accumulated losses		(13,477)	(16,083)
Equity/(deficiency) attributable to the owners of Australian Strategic Materials Ltd		115,888	(4,758)
Non-controlling interest		85	-
Total equity/(deficiency)		<u>115,973</u>	<u>(4,758)</u>

The above consolidated balance sheet should be read in conjunction with the accompanying notes

Australian Strategic Materials Ltd
Consolidated statement of changes in equity
For the half-year ended 31 December 2020

Consolidated	Contributed equity	Capital contribution	Accumulated losses	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	1	39,873	(11,818)	28,056
Loss after income tax expense for the half-year	-	-	(1,759)	(1,759)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,759)	(1,759)
Balance at 31 December 2019	<u>1</u>	<u>39,873</u>	<u>(13,577)</u>	<u>26,297</u>

Consolidated	Contributed equity	Capital contribution	Translation reserve	Other reserves	Non-controlling interests	Accumulated losses	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020	1	11,324	-	-	-	(16,083)	(4,758)
Profit after income tax benefit for the half-year	-	-	-	-	-	2,606	2,606
Other comprehensive income for the half-year, net of tax	-	-	(43)	(1)	-	-	(44)
Total comprehensive income for the half-year	-	-	(43)	(1)	-	2,606	2,562
<i>Transactions with owners in their capacity as owners:</i>							
Contributions of equity (note 7)	113,000	-	-	-	-	-	113,000
Share-based payments	-	-	-	525	-	-	525
Non-controlling interests	-	-	-	-	85	-	85
Shares to be issued (note 7)	4,559	-	-	-	-	-	4,559
Balance at 31 December 2020	<u>117,560</u>	<u>11,324</u>	<u>(43)</u>	<u>524</u>	<u>85</u>	<u>(13,477)</u>	<u>115,973</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Australian Strategic Materials Ltd
Consolidated statement of cash flows
For the half-year ended 31 December 2020

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Cash flows from operating activities		
Rent received (inclusive of GST)	-	394
Payments to suppliers and employees (inclusive of GST)	(1,871)	(276)
	<u>(1,871)</u>	<u>118</u>
Other income	83	200
Interest received	59	215
Finance costs paid	(1)	-
Transaction costs relating to acquisition of subsidiary	(536)	-
	<u>(536)</u>	<u>-</u>
Net cash (used in)/from operating activities	<u>(2,266)</u>	<u>533</u>
Cash flows from investing activities		
Payments for investments	-	(127)
Payments for property, plant and equipment	(1,802)	(133)
Payments for exploration and evaluation	(1,968)	(1,334)
Payments for investments	-	(1,730)
(Payments for)/proceeds from sale of biological asset	(196)	87
Net cash acquired with subsidiaries	114	-
	<u>114</u>	<u>-</u>
Net cash used in investing activities	<u>(3,852)</u>	<u>(3,237)</u>
Cash flows from financing activities		
Repayment of borrowings to related party	-	(6,952)
	<u>-</u>	<u>(6,952)</u>
Net cash used in financing activities	<u>-</u>	<u>(6,952)</u>
Net decrease in cash and cash equivalents	(6,118)	(9,656)
Cash and cash equivalents at the beginning of the financial half-year	<u>18,544</u>	<u>26,968</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>12,426</u></u>	<u><u>17,312</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Australian Strategic Materials Ltd
Notes to the consolidated financial statements
31 December 2020

Note 1. Significant accounting policies

Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2020 has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

This condensed consolidated interim financial report does not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

As at 31 December 2020, the Group made a net profit after tax of \$2,606,000 (31 December 2019: loss after tax of \$1,759,000). This result included in the profit before tax a non-recurring item of \$4,731,000 (31 December 2019: nil) in relation to loan forgiveness as part of the demerger. The ongoing capital requirements of the Group are dependent on the Group's ability to raise funds in the future.

The Directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the twelve-month period from the date of signing this financial report. Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the basis of preparation is appropriate.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended accounting standards or interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

Note 2. Operating segments

The Group comprises a single business segment predominately in the critical metals industry and a single geographical location being Australia. During the period, acquisitions of subsidiaries in Korea were completed, but at this stage it is not considered a material segment separate from the Australian operations. The segment details are therefore fully reflected in the results and balances reported in the statement of comprehensive income and statement of financial position.

Australian Strategic Materials Ltd
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Note 3. Other income

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Net foreign exchange loss	(10)	(3)
Net gain on loan forgiveness	4,731	-
Interest income	54	215
Pastoral company income	496	134
Other	283	387
	<hr/>	<hr/>
Other income	5,554	733

Net gain on loan forgiveness

On 17 July 2020, the Company entered into a restructure deed with Alkane Resources Ltd as part of the demerger to capitalise \$113,000,000 and forgive \$4,731,000 of the loans to Australian Strategic Materials Ltd.

Note 4. Intangibles

The intangible assets are related to the internally generated intellectual property, which was part of the acquisition of the Korean entities. Refer to note 10 for further information on the acquisition.

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
<i>Non-current assets</i>		
Intellectual property (IP)	4,963	-
	<hr/>	<hr/>

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

The group will amortise intangible assets with a limited useful life using the straight-line method. The useful life to be used is currently under review.

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Note 5. Investments accounted for using the equity method

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
<i>Non-current assets</i>		
Interest in Joint Venture	-	1,721
	<u>-</u>	<u>1,721</u>
<i>Reconciliation</i>		
Reconciliation of the carrying amounts at the beginning and end of the current and previous financial half-year are set out below:		
Opening carrying amount	1,721	-
Additions	-	1,730
Share of loss of Joint Venture	-	(9)
Reclassification to subsidiary	(1,721)	-
	<u>(1,721)</u>	<u>-</u>
Closing carrying amount	-	1,721
	<u>-</u>	<u>1,721</u>

During the period, ASM entered into a Heads of Agreement (“HOA”) with Rare Metals Resources Technology Corporation (“RMR Tech”) and Zirconium Technology Corporation (“Ziron Tech”). ASM has become the 100% owner of RMR Tech after completing the transactions listed in the HOA. RMR Tech became a subsidiary of ASM, therefore, the accounting for investment in RMR Tech changed from equity method to consolidation accounting.

Note 6. Borrowings

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
<i>Current liabilities</i>		
Loans from related party	-	117,731
	<u>-</u>	<u>117,731</u>

The loans in the prior period were AUD denominated and repayable to Alkane Resources Ltd (the Ultimate Parent Company of the Consolidated Entity before demerger) on demand and attracted no interest.

On 17 July 2020, Alkane Resources Ltd and Australian Strategic Materials Ltd entered into a restructure deed as part of the demerger to capitalise \$113,000,000 and forgive \$4,731,000 of loans to Australian Strategic Materials Ltd.

Note 7. Contributed equity

	Consolidated			
	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2020
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	119,049,778	5	113,001	1
Shares to be issued (note 10)	1,306,417	-	4,559	-
	<u>120,356,195</u>	<u>5</u>	<u>117,560</u>	<u>1</u>

Note 7. Contributed equity (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On 17 July 2020, Alkane Resources Ltd and Australian Strategic Materials Ltd entered into a restructure deed as part of the demerger to capitalise \$113,000,000 and forgive the loans of \$4,731,000 to Australian Strategic Materials Ltd. The amount capitalised to share capital (\$113,000,000) represents the management's valuation of the ASM business.

On 3 November 2020, 1,306,417 shares were to be issued for consideration of \$4,559,000 to current Ziron Tech shareholders (via a holding entity) at an issue price of \$3.49 per share based on the share price of ASM on 3 November 2020. These shares will be subject to voluntary escrow for 12 months.

Note 8. Contingent liabilities

The Consolidated Entity has contingent liabilities estimated at up to \$4,886,000 for the potential acquisition of parcels of land surrounding the Dubbo Project (30 June 2020: \$3,670,000). The landholders have the right to require the Consolidated Entity to acquire their properties upon the commission of the Dubbo Project.

Note 9. Commitments

Mineral tenement leases

In order to maintain current rights of tenure to exploration and mining tenements, the Consolidated Entity will be required to outlay amounts of approximately \$127,000 within the next twelve months (30 June 2020: \$169,000). These costs are discretionary, however if the expenditure commitments are not met then the associated exploration and mining leases may be relinquished.

Capital commitments

The Consolidated Entity has capital commitments estimated at \$2,482,000 for the potential acquisition of parcels of land surrounding the Dubbo Project (30 June 2020: \$3,200,000). The amount to be paid is based upon a multiple of market values and is subject to movement. The landholders have the right to require Australian Strategic Materials (Holdings) Limited to acquire their properties as provided for under the agreement with Australian Strategic Materials (Holdings) Limited as development consent conditions have been met for the Dubbo Project.

Note 10. Asset acquisition

On 3 September 2020, ASM entered into a HOA with RMR Tech and Ziron Tech. ASM has become the 100% owner of RMR Tech, and RMR Tech has become 95% owner of Ziron Tech after completing the restructure arrangements as stated in the HOA on 3 November 2020. RMR Tech became a subsidiary of ASM, therefore, the accounting for investment in RMR Tech changed from equity method to consolidation accounting.

Through the acquisitions, the ASM group now owns 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. Professor Jonghyeon Lee will hold the remaining 5% of Ziron Tech.

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Note 10. Asset acquisition (continued)

Details of the purchase consideration are as follows:

Purchase consideration	\$'000
Acquisition date fair value of investment already held	1,721
Ordinary shares to be issued	4,559
Convertible Note and associated interest	123
Cash paid	7
	<hr/>
Total purchase consideration	<u><u>6,410</u></u>

The fair value consideration of \$4,559,000 for the 1,306,417 shares issued as part of the consideration paid for RMR Tech was based on published share price on 3 November 2020 of \$3.49 per share.

The transaction meets the asset concentration test criteria. The fair value of the gross assets acquired is concentrated in a single identifiable asset, which is the patents and related intellectual property and technology. The fair value of the purchase consideration has been allocated to the assets acquired and liabilities assumed as the date of the acquisition as per the table below:

	Fair value \$'000
Cash and cash equivalents	121
Other current assets	322
Plant and equipment	1,214
Intangible assets	4,963
Other non-current assets	138
Other payables	(258)
Less: non-controlling interests	(90)
	<hr/>
Net assets acquired and liabilities assumed	<u><u>6,410</u></u>

Note 11. Events after the reporting period

No matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

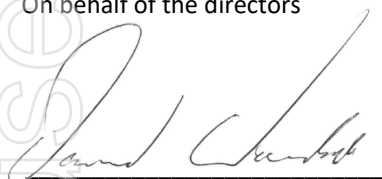
Australian Strategic Materials Ltd
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In the directors' opinion:

- the financial statements and notes set out on pages 6 to 14 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date and;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



D G Woodall
Director

26 February 2021



Independent auditor's review report to the members of Australian Strategic Materials Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Australian Strategic Materials Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Australian Strategic Materials Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. 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 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.

Price Waterhouse Coopers

PricewaterhouseCoopers

Helen Bathurst

Helen Bathurst
Partner

Perth
26 February 2021

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