

ASX Release

Release Date: 27 October 2021

Quarterly Activities Report to 30 September 2021

HIGHLIGHTS

- ◆ **Signing a \$US250m framework agreement with South Korean consortium for 20% interest in Dubbo Project and offtake from Korean Metals Plant (ASX Release 21 July 2021: Framework Agreement for 20% stake in Dubbo Project and Offtake)**
 - ◆ **Construction of the Korean Metals Plant continuing, commissioning planned to commence before calendar year end**
 - ◆ **The Dubbo Project optimisation study is being finalised, with results to be released on completion of final reporting**
 - ◆ **Inclusion in the S&P ASX/300 Index effective 30 September 2021 (S&P DJI Index Announcement 3 September 2021: S&P DJI Announces September 2021 Quarterly Rebalance)**
 - ◆ **Appointing ANZ as financial advisor for the debt financing of the Dubbo Project (ASX Release 6 October 2021: Dubbo Project Finance Update)**
-

Message from Managing Director

ASM's Managing Director, David Woodall, said:

"As the global energy transition continues, so does the global need for an alternative, reliable supply of critical metals and during the quarter we took a significant step towards meeting that demand by signing a Framework Agreement with a consortium of Korean businesses that creates a pathway towards financing the Dubbo Project.

Progress has been made to support the completion of the due diligence on the Dubbo Project under the Framework Agreement, and for preparations to commence commissioning the Korean Metals Plant before the end of the year. While the impact of the delta variant of COVID-19 has slowed completion of our planned activities, I am proud of our Korean and Dubbo Project teams on what they have achieved in trying times.

We are close to finalising the outcomes of the Dubbo Project optimisation study and look forward to updating the market with these outcomes. We continue to progress opportunities with Australian and Korean engineering and construction companies, including to provide key infrastructure and equipment planned for the Dubbo Project.

I have just spent 4 months in Korea to continue the progression of our development of delivering our "mine to metal" business. Looking ahead, ASM will continue to work with our Korean partners to

progress the equity investment into the Dubbo Project; commission the Korea Metals Plant; and continue our discussions with financiers and potential offtake partners for our high purity, low emissions metals products.”

CORPORATE

- ◆ Signed a conditional framework agreement with a consortium of South Korean investors for the acquisition of a 20% equity interest in ASM’s Dubbo Project holding company (**Framework Agreement**). Under the Framework Agreement a consortium fund will invest \$US250m for the 20% equity interest. (ASX Release 21 July 2021: Framework Agreement for 20% stake in Dubbo Project and Offtake)
- ◆ Under the Framework Agreement, the South Korean investors intend to establish a second fund to develop a domestic Korean permanent magnet manufacturing business that will enter into an offtake agreement for NdFeB (neodymium-iron-boron) alloy from ASM’s Korean Metals Plant. (ASX Release 21 July 2021: Framework Agreement for 20% stake in Dubbo Project and Offtake)
- ◆ Appointed Australian and New Zealand Banking Group Limited (**ANZ**) as ASM’s financial advisor for the debt financing of the Dubbo Project. ANZ has strong ties with Korean ECA and financial institutions that ASM considered valuable to progressing the debt financing. (ASX Release 6 October 2021: Dubbo Project Finance Update)

KOREAN METALS PLANT



Figure 1 - Conceptual Design of Korean Metal Plant

- ◆ Progressed construction of the Korean Metals Plant with the installation of the first five neodymium and titanium furnaces. The installation of the argon gas system and other key plant infrastructure is at 80% completion.
- ◆ Construction and commissioning of the Korean Metals Plant has been impacted by the COVID-19 delta variant, with a five month delay due to delayed delivery of key equipment and raw materials.
- ◆ The revised timeline has commissioning commencing late Q4 2021, with the 5200tpa full-scale plant due for completion in 2H 2022.
- ◆ Updated production guidance will be provided once the first phase of commissioning is complete.

For personal use only



Figure 2 - First two Titanium Furnaces Installed



Figure 3 - Installation of Neodymium Furnace Infrastructure

For personal use only



Figure 4 - Raw Material Feed Preparation Facility



Figure 5 - KMP Office and Research Facility

DUBBO PROJECT

- ◆ Finalising the Dubbo Project optimisation study work, with the report substantially progressed and an announcement of the outcomes targeted to occur before end of November 2021.
- ◆ Representatives of the South Korean investors under the Framework Agreement, progressed technical due diligence and conducted a visit to the Dubbo Project Site.



Figure 6 - Planned Dubbo Plant Location

OFFTAKE AND SUPPLY AGREEMENTS

- ◆ Advanced discussions with several parties to supply critical metals to the South Korean manufacturing sector.
- ◆ Focused on the delivery of metal offtake agreements with titanium product consumers and permanent magnet producers in South Korea.
- ◆ Progressed discussions with suppliers of key raw materials to obtain binding and committed offtake and supply agreements.

COMMUNITY

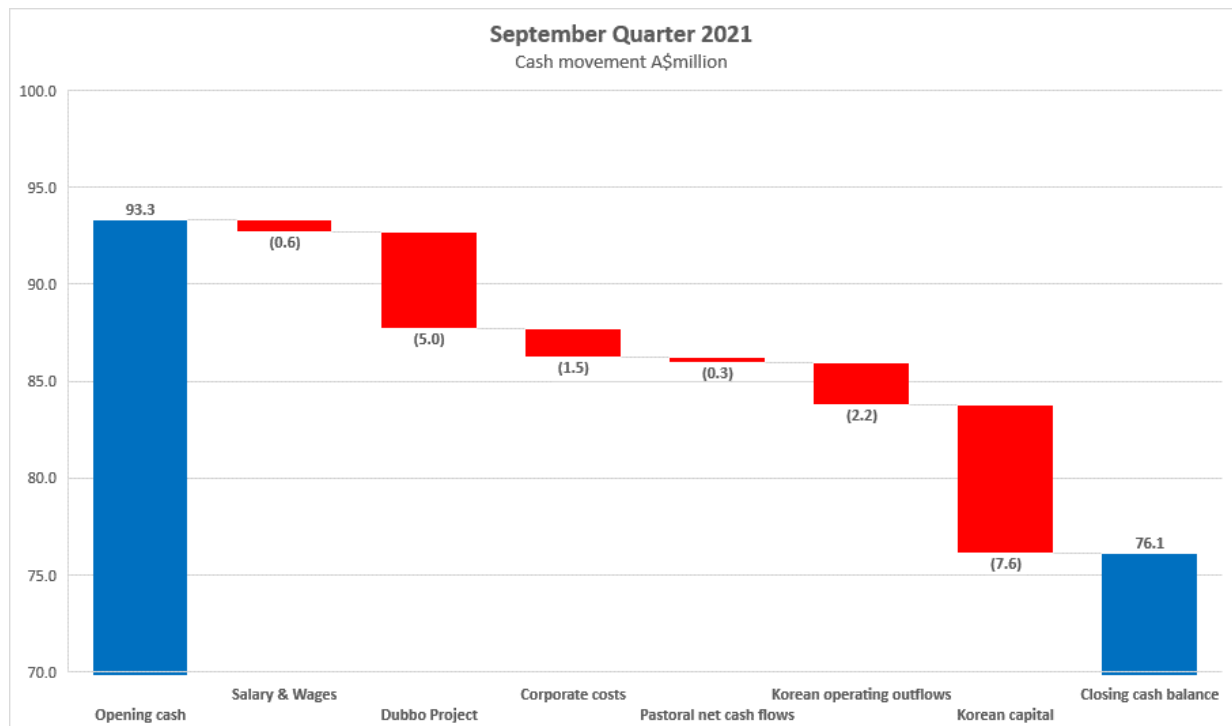
- ◆ Continued development of strategies to ensure ASM continues to achieve positive outcomes for all stakeholders.
- ◆ Operated the Toongi Pastoral Company under a COVID-19 Safety Management Plan to ensure safe operations for staff and contractors.
- ◆ Focused on development of resilient regional communities through the continued support of local economic opportunities for service providers.



Figure 7 - ASM's Toongi Pastoral Company

FINANCE

ASM's cash position as at 30 September 2021 was \$A76.1M. The following waterfall chart highlights the quarterly movement in cash held.



- ◆ Dubbo Project (\$5.0M) includes the purchase of additional water licences, engineering and metallurgical services.
- ◆ Korea Operating Outflows (\$2.2M) includes administrative and personnel costs of the Korean entities including purchase of feed stock for the Korean Metals Plant.
- ◆ Korea Capital (\$7.6M) includes purchase of equipment and machinery to construct the Korean Metals Plant.
- ◆ During the Quarter ended 30 September 2021, the cash payments of \$300,000, listed at item 6.1 in the Appendix 5B, were payments to Directors, including salary, Directors' fees, consulting fees and superannuation. In addition, \$13,000 was paid to an associate of a director for IT support.

PRODUCT OUTLOOK AND MARKETING

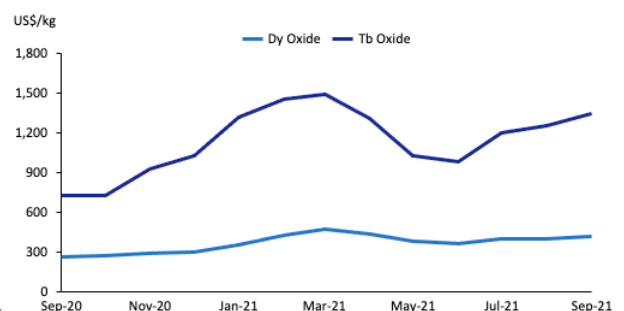
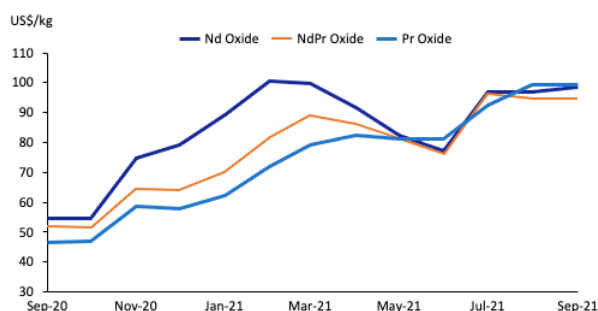
Electricity consumption control measures in China are leading to significant dislocations in critical materials' supply chains.

Material ¹		Sep 2020	Dec 2020	Mar 2021	June 2021	Sep 2021
Neodymium-Praseodymium Metal (min 99%)	US\$/kg	\$61.60	\$78.60	\$105.50	\$73.98	\$113.71
Dysprosium Metal (min 99%)	US\$/kg	\$337.00	\$375.70	\$535.00	\$365.52	\$524.08
Terbium Metal (min 99.9%)	US\$/kg	\$920.00	\$1,311.30	\$1,635.00	\$1,041.90	\$1,551.00
Zirconium Sponge (min 99.4% Zr) ⁵	US\$/kg	\$20.80	\$20.80	\$21.54.00	\$22.31	\$24.04
Fused Zirconia (98.5% ZrO ₂) ^{2,5}	US\$/t	\$3,680.00	\$3,472.00	\$4,153.00	\$5,230.00	\$6,516.00
Zirconium Oxychloride (36.0% ZrO ₂) ⁵	US\$/t	\$1,950.00	\$1,820.00	\$2,154.00	\$2,270.00	\$2,748.00
Hafnium Metal (<1% Zr)	US\$/kg	\$775.00	\$750.00	\$775.00	\$800.00	\$755.80
Ferro Niobium (65% Nb) ³	US\$/kg	\$34.80	\$39.50	\$42.70	\$45.00	\$47.30
Titanium Ingot (Ti 6Al 4V) ⁴	US\$/kg	\$18.20	\$18.10	\$17.60	\$16.50	\$17.90

Table 1 Critical Metals Pricing - Q3 2021

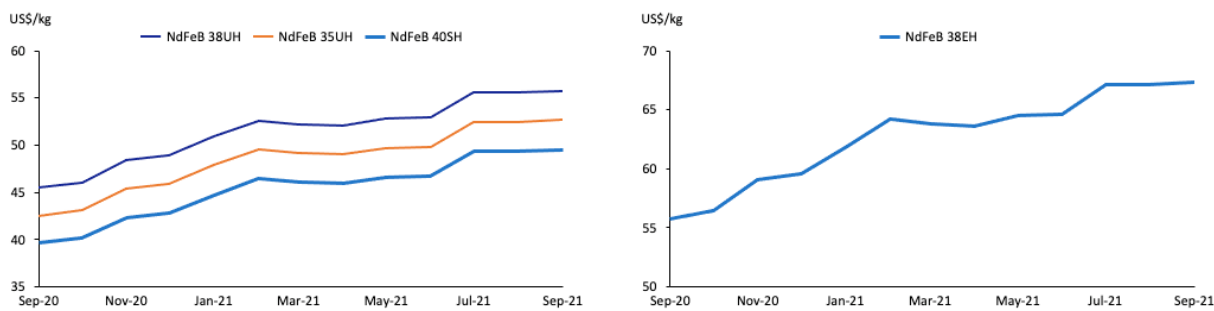
Sources: Argus Metals and Asian Metal. 1. All prices are FOB China unless otherwise stated, 2. ex-works China, 3. Du Rotterdam, Netherlands, 4. FOB United States, 5. US\$1.00=Yuan 6.50.

Strong restocking demand from processing plants amid limited spot supplies have seen prices for oxide rare earths rebound by an average of 14% from the June Quarter, with Pr₆O₁₁ and Nd₂O₃ registering the largest gains of 19% and 17% respectively. Heavy rare earth oxides have been particularly impacted by a ban on imports to China from leading supplier Myanmar, which saw shipments fall by 93% MoM in August. So far this year Myanmar had accounted for nearly 80% of all rare earth ore imports into China.



Rare Earth Oxide Prices. Source: Adamas Intelligence October 2021

NdFeB alloy prices have continued to climb, rising on average by 6% from the June Quarter, as production has been disrupted by electricity shortages in China that have forced a number of processing plants to suspend activity. In July deployment of NdFeB magnets in China and the USA, which collectively account for over 60% of the market today, grew by over 200% YoY.



NdFeB Alloy Prices. Source: Adamas Intelligence October 2021

Titanium ingot prices rose by 9% from the June Quarter. Capacity cutbacks stemming from high magnesium prices are impacting output at Asian located producers.

Fused zirconia and zirconium oxychloride (ZOC) prices rose by 25% and 21% respectively to at least 10-year highs in the September Quarter. Rising costs for zircon sands and other commodity inputs are applying upward price pressure to zirconia products.

MINING TENEMENTS

Australian Strategic Materials Limited confirms the following information as of 30 September 2021 (as required by ASX Listing Rule 5.3.3).

Tenements	Mining tenements acquired during the quarter	Mining tenements disposed of during the quarter	Mining tenements held at the end of the quarter	Tenement location
EL 5548	N/A	N/A	100%	Dubbo NSW
EL 7631	N/A	N/A	100%	Dubbo NSW
ML 1724	N/A	N/A	100%	Dubbo NSW

No substantive mining exploration activities for the Quarter (as required by ASX Listing Rule 5.3.1).

--- ENDS ---

FOR MORE INFORMATION PLEASE CONTACT:

Investors

David Woodall
Managing Director, ASM Ltd
+61 8 9200 1681

Media

Paul Ryan
Citadel-MAGNUS
+61 409 296 511
Pryan@citadelmagnus.com

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

ABOUT AUSTRALIAN STRATEGIC MATERIALS – www.asm-au.com

Australian Strategic Materials Ltd (ASM) is an integrated materials business and emerging “mine to metal” producer of critical metals. The company’s cornerstone Dubbo Project (100% owned) is a potential long-term resource of rare earths, zirconium, niobium, and hafnium located in central western NSW, Australia. It represents an alternative, sustainable and secure source of these metals, which are critical for a diverse range of advanced and clean technologies.

ASM’s metals business is founded on an innovative metallisation process that converts oxides into high-purity metals, alloys, and powders using less energy than conventional methods. The pilot plant in South Korea has proven the commercial scalability of the process and successfully produced a range of high-purity metals and alloys, including titanium, neodymium, praseodymium, dysprosium, and zirconium. Following this success, ASM’s first metallisation plant is under construction in South Korea to initially supply a range of critical metals including rare earths, zirconium, and titanium.

For personal use only

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Australian Strategic Materials Ltd

ABN

90 168 368 401

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(1,484)	(1,484)
	(e) administration and corporate costs	(3,787)	(3,787)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	13	13
1.5	Interest and other costs of finance paid	(7)	(7)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	416	416
1.9	Net cash from / (used in) operating activities	(4,849)	(4,849)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(10,296)	(10,296)
	(d) exploration & evaluation (Dubbo Project)	(1,894)	(1,894)
	(e) investments	-	-
	(f) other non-current assets	(136)	(136)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(12,326)	(12,326)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)*	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	93,324	93,324
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,849)	(4,849)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(12,326)	(12,326)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	76,149	76,149

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	70,017	87,197
5.2	Call deposits	6,132	6,127
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	76,149	93,324

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	313
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

During the quarter ended 30 September 2021, the cash payments of \$ 300,000, listed at item 6.1 above, were payments to Directors, including salary, Directors' fees, consulting fees and superannuation. In additional \$13,000 was paid to an associate of a director for IT support.

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(4,849)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1,894)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(6,743)
8.4 Cash and cash equivalents at quarter end (item 4.6)	76,149
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	76,149
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	11.3
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

N/A

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 October 2021

Authorised by: David Woodall, Managing Director
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.