

ASX Announcement

Release Date: 16 May 2022

USD 15 million Subscription Agreement at AUD 8.90 per ASM share

Key points

- Additional equity of USD 15 million raised at a share price of AUD 8.90
- July 2021 Framework Agreement revised
- Negotiations are ongoing for a five-year offtake agreement for 2,800 dry metric tonnes of NdFeB alloy from the Korean Metals Plant (KMP)

Australian Strategic Materials Limited (**ASX: ASM, the Company**) is pleased to advise that KCF Energy Co. Ltd (**KCF**), a company registered in Seoul, Korea, and owned by the Korean Consortium¹ has agreed to invest USD 15 million of equity funding in ASM by subscribing for ordinary shares at an issue price of AUD 8.90 per share² (**KCF Equity Investment**).

Concurrently with the KCF Equity Investment, the parties have agreed to revise the Framework Agreement³ (**Revised Framework Agreement**). Under the Revised Framework Agreement, the parties have agreed to negotiate on a non-exclusive basis for investments in ASM, Australian Strategic Materials (Holdings) Ltd (**ASMH**), KSM Metals Co, Ltd (**KSMM**), and for a 2,800 5-year offtake agreement for the supply of NdFeB alloy.

The investments to be negotiated under the Revised Framework Agreement, are for the Korean Consortium to:

- facilitate a strategic investor to acquire 10% of ASMH shares for USD 125 million,
- make an additional USD 105 million equity investment in ASM (which would be subject to shareholder approval), and
- invest USD 50 million via a convertible bond for a 30% stake in KSMM (ASM's subsidiary that owns the Korean Metals Plant).

The Revised Framework Agreement builds on the relationship established between ASM and the Korean Consortium while providing flexibility for ASM to secure the right strategic partner for its Dubbo Project.

The investments are targeted to occur after the delivery of the milestone work ASM is currently negotiating with Hyundai Engineering and Construction (**HEC**). The work ASM is negotiating with HEC

¹ The Korea Consortium is comprised of Cerritos Holdings Co., Ltd, Polo Equity Partners LLC (f.k.a. Kamur Partners LLC), ACE Equity Partners LLC. Refer ASX release 21 July 2021: ASM signs \$US250m framework agreement with South Korean consortium for 20% in Dubbo Project and offtake from Korean Metals Plant)

² Converted into USD at the exchange rate based on the closing price of the Australian dollar (as against the USD) as quoted by the Reserve Bank of Australia on the last business day before the Completion Date

³ Refer ASX releases 21 July 2021 and 24 January 2022

⁴ Refer ASM release 25 February 2022

includes front-end engineering and design, early design of key work packages, and an open book project cost estimate. ASM is targeting this milestone work to be completed by mid-2023.

ASM's Managing Director David Woodall said:

"We welcome this investment in ASM from our Korean partners as we continue discussions and agree on terms to progress our Dubbo Project and importantly ASM's mine-to-metals strategy."

"The potential transactions represent a phased investment into ASM, ASMH, and KSMM and are an endorsement of ASM's significant progress in Korea. This includes the delivery of our first metals plant in Korea, which is an alternative supplier of strategic metals."

"We are pleased to maintain our close relationship with Korea and our partners, who are highly supportive of ASM's mine-to-metals strategy. These partners wish to secure their supplies of the metals needed to drive Korea's manufacturing industry."

The KCF Equity Investment and the Revised Framework Agreement replace the conditional investment of USD 250 million for 20% equity interest in ASMH described in the Framework Agreement. The KCF Equity Investment will be completed by issuing shares utilising the Company's existing placement capacity under ASX Listing Rule 7.1. Unless terminated earlier, the Revised Framework Agreement runs until 30 June 2023. The final terms for the potential investments under the Revised Framework Agreement remain the subject of negotiation and will be subject to all necessary regulatory approvals and shareholder approval, as appropriate.

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

ABOUT AUSTRALIAN STRATEGIC MATERIALS www.asm-au.com

Australian Strategic Materials Ltd (ASM) is a vertically integrated materials business and emerging "mine to metals" 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, 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. A pilot plant in South Korea demonstrated 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 has been opened in South Korea to initially supply a range of critical metals, including rare earth metals and alloys, zirconium, and titanium.