

Quarterly Activities Report to 30 June 2022

KEY POINTS

- ASM officially opened the Korean Metals Plant on 12 May 2022
- ASM awarded Hyundai Engineering Co., Ltd. a conditional contract to provide Engineering, Procurement and Construction Definition (EPCD) work for the Dubbo Project
- KCF Energy Co. Ltd invested USD 15 million into ASM and was issued ordinary shares at an issue price of AUD 8.90 per share
- Korea Development Bank provided loan facilities of up to AUD 24.4 million for operating and capital expenditure at the Korean Metals Plant
- ASM partnered with Macquarie Anglican Grammar School for their inaugural Macquarie Agricultural Pathways Program
- Following conclusion of the quarter, the ASM Board appointed Rowena Smith as CEO after David Woodall stepped down from his roles

ACTIVITIES

CORPORATE

Following conclusion of the quarter, the ASM Board appointed Rowena Smith as Chief Executive Officer after David Woodall stepped down from his roles.¹



Rowena had been ASM's Chief Operating Officer since joining the company in 2021. During that time she led the construction and commissioning of the Korean Metals Plant, as well as leading ASM's critical minerals and rare earths Dubbo Project team, delivering the Optimisation Study released in December 2021 and the negotiation of the Engineering, Procurement and Construction Definition contract signed with Hyundai Engineering in June 2022.

ASM Chair Ian Gandel said of the appointment:

"Rowena has demonstrated she is a highly capable leader, with extensive experience and an impressive track record in the mining sector. The Board has confidence Rowena's appointment will deliver a seamless leadership transition, enabling ASM to continue to focus on delivering its mine-to-metals strategy."

¹ ASX Announcement 18 July 2022: Managing Director & CEO Transition

KOREAN METALS PLANT

The Korean Metals Plant is an integral part of ASM's vertically integrated mine-to-metals business, enabling the production of high-tech metals.

Commissioning

During the quarter, ASM completed installation of the Korean Metals Plant's phase 1 equipment, and progressed its commissioning.

As has been previously reported, completion of equipment installation was behind the original schedule due to the ongoing impacts of COVID-19 and supply chain disruptions. The installation and commissioning of the neodymium iron boron (NdFeB) strip caster was particularly affected by these impacts. Equipment delivery was delayed, and the key personnel required to support installation and commissioning were unavailable due to travel restrictions. It is pleasing to now report that the installation is complete, and NdFeB commissioning will commence in quarter three.

In other product lines, neodymium praseodymium (NdPr) metal commissioning has progressed through the quarter and we are currently optimising process parameters to enable stable production of saleable product. Commissioning of the CuTi line is behind plan, with work scheduled to continue through the second half of 2022.

Production ramp-up for all product lines is currently being reviewed, and will align with the securing of customer sales contracts. ASM will provide updated guidance to the market as the review and sales contracts are completed.

Official opening ceremony

A highlight this quarter was the official opening of ASM's Korean Metals Plant on 12 May, following completion of construction of the expanded buildings and facilities.²

The official opening included a celebration and ceremony with guests from key representatives of the Australian and Korean governments and business community. ASM was honoured to have in attendance Australian Ambassador to the Republic of Korea Her Excellency Ms Catherine Raper, Mr Si-jong Lee Governor of Chungbuk Province, and Mr Se-dong Oh, Vice Mayor of Cheongju.

As the plant will be supported in time by feedstocks mined and processed from our Dubbo Project, Wiradjuri elder Peter Peckham, was also invited to attend the ceremony and share his ancient culture with our Korean guests and team.

² ASX Announcement 12 May 2022: ASM's first high purity critical metals plant officially opens in South Korea



Ribbon cutting ceremony - official opening of the Korean Metals Plant



VIPs participate in smoking ceremony - official opening of the Korean Metals Plant



Guests tour plant facilities - official opening of the Korean Metals Plant

DUBBO PROJECT

The Dubbo Project is an integral part of ASM's vertically integrated mine-to-metals business, providing a long-term, polymetallic resource for the supply of critical minerals.

Hyundai Engineering Co. EPCD contract

Toward the end of the quarter, Hyundai Engineering Co., Ltd. (HEC) was awarded a conditional contract to provide Engineering, Procurement and Construction Definition work (EPCD) for the Dubbo Project.³

The EPCD includes:

- Front End Engineering Design (FEED) services
- Early engineering of major vendor packages for inclusion in an Association for the Advancement of Cost Engineering standardised estimate (AACE Class 2 capital cost estimate)
- An operating cost estimate
- Detailed project schedule
- Major project plans and FEED-stage engineering documentation

Once a Notice to Proceed is issued to HEC, the EPCD work will commence and is anticipated to take approximately 14 months to complete. Completion of the EPCD will allow HEC to produce an open book cost estimate for the Dubbo Project. This will form the basis of an EPC offer by HEC to deliver the Dubbo Project.

A few weeks after the contract signing, ASM welcomed HEC CEO, Mr Hyeon-sung Hong and several of his management team to Dubbo and the project site. This visit was to facilitate building relationships that will assist HEC deliver successful outcomes for the Dubbo Project EPCD work.



Signing ceremony for EPCD conditional contract – Seoul, Korea

³ ASX Announcement 9 June 2022: Hyundai Engineering Co., Ltd. awarded conditional contract for design work for the Dubbo Project

Visit from Korean Chungbuk provincial government

ASM also welcomed a delegation from Korea's Chungbuk provincial government, for a visit to the Dubbo Project site and the broader Dubbo region.

The Chungbuk provincial government provided support to ASM to help establish the Korean Metals Plant in their province. The delegation that visited in June, were keen to seek further mutually beneficial opportunities for cooperation, and to bolster a closer economic relationship between Dubbo and Chungbuk.

Modification report (MOD1) public submissions

The modification report (MOD1) ASM submitted earlier in the year to the NSW Department of Planning and Environment (DPE) was on public exhibition until 19 April. The MOD1 reflected several Dubbo Project design improvements resulting from the Optimisation Study completed in December 2021.⁴

During the exhibition period, individuals or organisations could submit written responses on the report to the DPE. At the close of the exhibition period, the department had received six public submissions and nine submissions from government agencies. ASM is currently preparing responses to the submissions. Determination from the DPE is then expected later in the year.

Onsite project office

Construction of the Dubbo Project's onsite office, which commenced earlier in the year, was completed this quarter, and an Occupation Certificate received.



Dubbo Project site office

⁴ ASX Announcement 7 December 2021: Dubbo Project Optimisation Delivers Strong Financials

SALES AND SUPPLY AGREEMENTS

Prospective customer engagement

During the quarter we held a number of face-to-face meetings with prospective Korean and US customers, progressing discussions for potential sales contracts and offtake agreements from the Korean Metals Plant and Dubbo Project respectively.

Commercial-in-confidence discussions included interest from various potential magnet customers for the supply of neodymium metals and alloys from the Korean Metals Plant. Further face-to-face meetings with prospective customers to agree commercial terms continue beyond the quarter.

Appointment of marketing consultant

Megatrends, combined with current geopolitical conditions and government initiatives, have spurred increased interest from end users in securing new and alternative sources of critical minerals and high-tech metals. This represents a significant opportunity for ASM, given the polymetallic nature of the Dubbo Project, which includes rare earths, zirconium, niobium and hafnium. As a result of this interest, after the quarter, ASM appointed marketing consultant Peter Finnimore to further assist with the company's marketing strategy.

COVID-19

Throughout the quarter, ASM continued to observe COVID-19 management protocols across our office and site locations in Australia and South Korea. These protocols are in line with our commitment to ensure safe operations for our staff and contractors.

COMMUNITY

ASM is committed to establishing strong and positive relationships with the communities where we operate. We want to work together to build resilient communities and return a positive, lasting legacy.

Macquarie Anglican Grammar School Partnership

During this quarter, ASM was delighted to formalise its partnership with Macquarie Anglican Grammar School in Dubbo. ASM, and its subsidiary Toongi Pastoral Company, is partnering with the school to deliver their Macquarie Agricultural Pathways (MAP) program.

The MAP program will give a targeted group of Year 7 students the opportunity to engage in weekly farm visits to Toongi Pastoral Company sites. The students will take an active role in day to day farm operations and be introduced to all areas of an environmental and agricultural business. Through the MAP program, the students will transition what they learn in the classroom into the real world, and develop the skills necessary for employment in the Agriculture sector directly, or to prepare for entry into Tertiary-based programs.

The first group of students to participate in the program has been selected and will start in Term 3 of the school year.



*Macquarie Anglican Grammar School Principal
Craig Mansour, with TPC Farm Manager, Fergus Job*

Dubbo Project Community Consultative Committee

On 2 May, the Dubbo Project Community Consultative Committee held a meeting at Toongi. Dubbo Regional Council Mayor Mathew Dickerson joined the meeting as an observer. ASM's NSW General Manager Mike Sutherland provided an update to the committee on the Dubbo Project.

Prior to the meeting, committee members and Mayor Dickerson undertook a site inspection of project commencement works. Mike Sutherland also showed the group where the Dubbo Project processing plant and upgraded Toongi railway siding will be constructed.

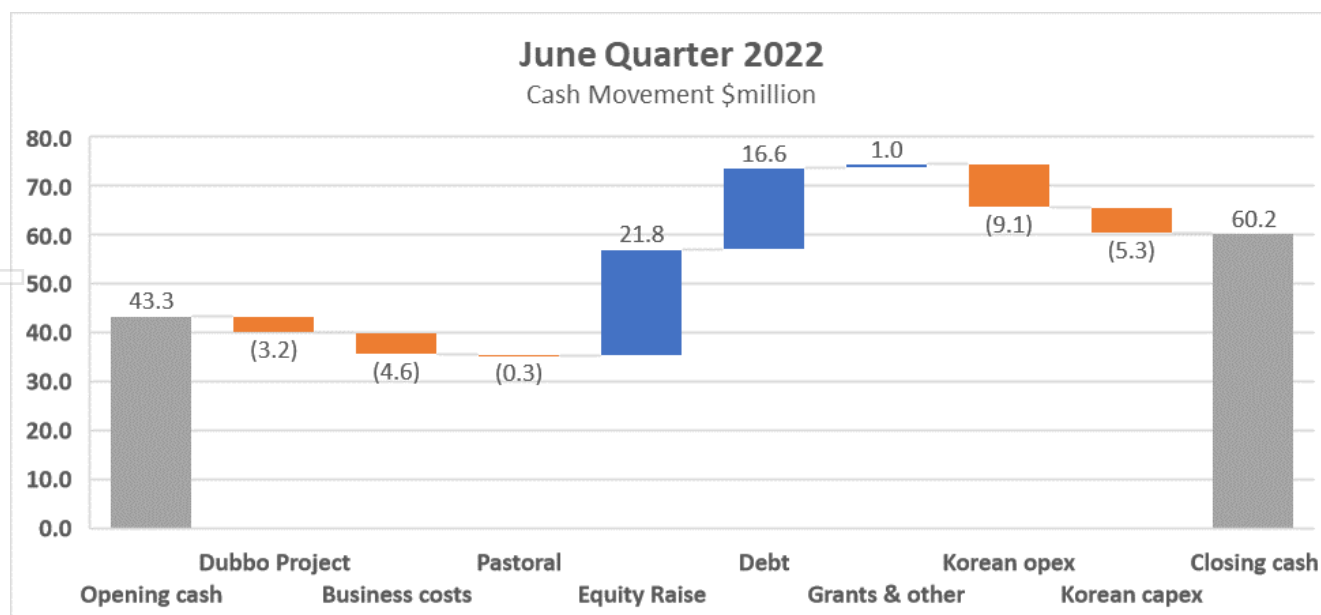


Dubbo Project Community Consultative Committee tour group (L-R): Mayor Mathew Dickerson, Janice Hosking, Michael Silver (Chair CCC), Manny Portelli, Royce Munro

FINANCE

ASM's cash position as at 30 June 2022 was \$60.2M. The following waterfall chart highlights cash movements during the including:

- \$3.2M of investment in the Dubbo Project, which includes the purchase of engineering and metallurgical services
- \$9.1M of expenditure relating to inventory feed stock for the Korean Metals Plant, along with administrative and personnel costs of the Korean entities
- \$5.3M of investment in the Korean Metals Plant, which includes the purchase of equipment and machinery
- USD 15M (\$21.8M) of cash was received from KCF Energy Co. Ltd's (KCF) equity investment into ASM via ordinary shares issue subscription at a price of AUD 8.90 per share⁵
- \$16.6M of cash was drawn down from debt facilities with Korea Development Bank (KDB) in South Korea. During the quarter the Group executed two debt facilities with KDB. Firstly, an Industrial Facility for operating and capital expenditure and secondly, an Overdraft Facility for the Korean Metals Plant (refer item 7 in Appendix 5B for further details)
- \$1.0M in grant and other, principally from Research & Development incentives received related to the Dubbo Project
- \$0.5M in cash payments to Directors, including salary, Director's fees, consultancy fees and superannuation. Payments to related parties included \$66,000 for Director's travel and \$81,000 paid to Alkane Resources Limited for personnel and office services (refer 6.1 in Appendix 5B)



⁵ ASX Announcement 16 May 2022: USD 15 million Subscription Agreement at AUD 8.90 per ASM share

MINING TENEMENTS

Australian Strategic Materials Limited confirms the following information as of 30 June 2022 (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 exploration or other mining activities have occurred for the quarter (as required by ASX Listing Rule 5.3.1).

--- ENDS ---

FOR MORE INFORMATION PLEASE CONTACT:

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This document has been authorised for release to the market by Rowena Smith, CEO.

ABOUT AUSTRALIAN STRATEGIC MATERIALS

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. Long-term, the materials produced from the Dubbo Project will be used for refining into critical metals at ASM’s proposed metals plants, the first of which is in Ochang, South Korea. ASM’s Korean Metals Plant will produce critical metals and alloys to customer specifications, with the initial focus on neodymium iron boron (NdFeB) and titanium alloy. www.asm-au.com

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 June 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(7,796)	(19,790)
	(d) staff costs	(3,290)	(9,296)
	(e) administration and corporate costs	(1,705)	(13,501)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	27	68
1.5	Interest and other costs of finance paid	(13)	(13)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material) <i>Cash received from pastoral activities.</i>	478	1,643
1.9	Net cash from / (used in) operating activities	(12,299)	(40,889)

1.2(c) Production costs include inventory purchased for the Korean Metallisation Plant.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(5,806)	(28,387)
	(d) exploration & evaluation (Dubbo Project)	(2,883)	(8,410)
	(e) investments	-	-
	(f) other non-current assets	(795)	(1,140)
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	74
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material) <i>Cash received from government grants.</i>	798	7,743
2.6	Net cash from / (used in) investing activities	(8,686)	(30,120)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)*	21,816	21,816
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	(464)	(464)
3.5	Proceeds from borrowings	16,625	16,625
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	37,977	37,977

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	43,300	93,324
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(12,299)	(40,889)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8,686)	(30,120)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	37,977	37,977
4.5	Effect of movement in exchange rates on cash held	(71)	(71)
4.6	Cash and cash equivalents at end of period	60,220	60,220

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	55,219	43,298
5.2	Call deposits	5,000	2
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)	60,220	43,300

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	530
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p>During the quarter ended 30 June 2022, the cash payments of \$530,000, listed at item 6.1 above, were payments to Directors, including salary, Director's fees, consultancy fees and superannuation. Payments to related parties included \$66,000 for Directors travel and \$81,000 paid to Alkane Resources Limited for personnel and office services.</p> <p>Payments for IT services are no longer reported as the relevant related party has retired from the Board of Directors.</p>		

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	24,445	16,625																												
7.2	Credit standby arrangements	-	-																												
7.3	Other (please specify)	-	-																												
7.4	Total financing facilities	-	-																												
7.5	Unused financing facilities available at quarter end		7,820																												
7.6	<p>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.</p> <p><i>During the quarter ended 30 June 2022, the Group executed two loan facilities with Korea Development Bank in South Korea. Firstly, an Industrial Facility for operating and capital expenditure and secondly an Overdraft Facility for the Korean Metals Plant</i></p> <table border="1"> <thead> <tr> <th></th> <th>Industrial Facility - Opex</th> <th>Industrial Facility - Capex</th> <th>Overdraft Facility</th> </tr> </thead> <tbody> <tr> <td>Facility amount</td> <td>KRW 15,000,000,000</td> <td>KRW 4,000,000,000</td> <td>KRW 3,000,000,000</td> </tr> <tr> <td>Amount drawn</td> <td>KRW 15,000,000,000</td> <td>Undrawn</td> <td>Undrawn</td> </tr> <tr> <td>Repayment date</td> <td>10 June 2024</td> <td>Quarterly repayments for 5 years commencing from date of loan draw down.</td> <td>2 years from date of loan draw down.</td> </tr> <tr> <td>Lender</td> <td>KDB Bank</td> <td>KDB Bank</td> <td>KDB Bank</td> </tr> <tr> <td>Interest</td> <td>4.22% KDB 2-year industrial financial debenture rate (on date of transfer) + 1.05% pa.</td> <td>KDB 5-year industrial financial debenture rate (on date of transfer) + 0.68% pa.</td> <td>KDB overdraft base rate + 1.06% per annum</td> </tr> <tr> <td>Security</td> <td>Unsecured</td> <td>Unsecured</td> <td>Unsecured</td> </tr> </tbody> </table>				Industrial Facility - Opex	Industrial Facility - Capex	Overdraft Facility	Facility amount	KRW 15,000,000,000	KRW 4,000,000,000	KRW 3,000,000,000	Amount drawn	KRW 15,000,000,000	Undrawn	Undrawn	Repayment date	10 June 2024	Quarterly repayments for 5 years commencing from date of loan draw down.	2 years from date of loan draw down.	Lender	KDB Bank	KDB Bank	KDB Bank	Interest	4.22% KDB 2-year industrial financial debenture rate (on date of transfer) + 1.05% pa.	KDB 5-year industrial financial debenture rate (on date of transfer) + 0.68% pa.	KDB overdraft base rate + 1.06% per annum	Security	Unsecured	Unsecured	Unsecured
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8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(12,299)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(2,883)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(15,182)
8.4	Cash and cash equivalents at quarter end (item 4.6)	60,220
8.5	Unused finance facilities available at quarter end (item 7.5)	7,820
8.6	Total available funding (item 8.4 + item 8.5)	68,040
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	4.5
	<p><i>Note: if the entity has reported positive relevant outgoings (i.e. 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></p>	
8.8	<p>If item 8.7 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p> <p>Answer: N/A</p>	

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: 28 July 2022

Authorised by: The Board of Directors

(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 the Board.
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.

ASX Listing Rules Appendix 5B (17/07/20)

+ See chapter 19 of the ASX Listing Rules for defined terms.