



Australian Strategic Materials



Annual Report 2021

Competent Persons

The Mineral Resources and Ore Reserves Statement as a whole has been approved by Mr D Ian Chalmers, FAusIMM, FAIG, (Non-Executive Director), who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Chalmers has provided his prior written consent to the inclusion in this report of the Mineral Resources and Ore Reserves Statement in the form and context in which it appears.

The information in this report that relates to the Dubbo Project Mineral Resource estimates is based on, and fairly represents, information which has been compiled by Mr Stuart Hutchin, MIAG, and an employee of Mining One Pty Ltd. Mr Hutchin has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

The information in this report that relates to the Dubbo Project Ore Reserve estimate is based on, and fairly represents, information which has been compiled by Mr Levan Ludjio MAusIMM(CP) and Mr Mark Van Leuven FAusIMM (CP), employees of Mining One Pty Ltd. Mr Ludjio and Mr Van Leuven have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Previously reported information

The information in this report that relates to previously reported exploration results is extracted from the Company's ASX announcements noted in the text of the announcement and are available to view on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcements and that the form and context in which the Competent Person's findings are presented have not been materially altered.

Disclaimer

This report contains certain forward-looking statements and forecasts, including possible or assumed reserves and resources, production levels and rates, costs, prices, future performance or potential growth of Australian Strategic Materials Ltd, industry growth or other trend projections. Such statements are not a guarantee of future performance and involve unknown risks and uncertainties, as well as other factors which are beyond the control of Australian Strategic Materials Ltd. Actual results and developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors. Nothing in this report should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities.

This document has been prepared in accordance with the requirements of Australian securities laws, which may differ from the requirements of United States and other country securities laws. Unless otherwise indicated, all Ore Reserve and Mineral Resource estimates included or incorporated by reference in this document have been, and will be, prepared in accordance with the JORC classification system of the Australasian Institute of Mining, and Metallurgy and Australian Institute of Geosciences.



Company information

ACN 168 368 401

Directors

I J Gandel (Non-Executive Chair)
D G Woodall (Managing Director)
N P Earner (Non-Executive Director)
D I Chalmers (Non-Executive Director)
G Smith (Non-Executive Director)

Joint Company Secretaries

J Jones (appointed 2 August 2021)
D Wilkins
J Carter (resigned 2 August 2021)

Registered office and principal place of business

Level 4, 66 Kings Park Road, West Perth WA 6005
Telephone: 61 8 9200 1681

Website

www.asm-au.com

Share registry

Advanced Share Registry Limited

110 Stirling Highway, Nedlands WA 6009
Telephone: 61 8 9389 8033 | Facsimile: 61 8 9262 3723

Auditor

PricewaterhouseCoopers

Brookfield Place, 125 St Georges Terrace,
Perth WA 6000

Securities exchange listing

Australian Securities Exchange (Perth)

Australian Strategic Materials Ltd shares are listed on the Australian Securities Exchange (ASX code: ASM)
Admitted to the Official List of ASX on 29 July 2020

In the spirit of reconciliation, ASM acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past, present and emerging, and extend that respect to all Aboriginal and Torres Strait Islander peoples today.



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Business Review

Message from the Chair



I'm delighted to present the 2021 Annual Report for Australian Strategic Materials Ltd (ASM), marking the end of a momentous first year as a listed company.

IAN GANDEL, CHAIR

ASM has experienced a remarkable year since demerging from Alkane Resources in July 2020, forging its own identity as an emerging integrated “mine to metal” producer of critical metals. The outcome has been extraordinarily successful and beneficial for shareholders.

Our primary focus for the year has been establishing our metals business, founded on the innovative low-energy process for refining high-purity metals from oxides, developed by our South Korean team. The resounding success of the pilot program, initially in joint venture with Ziron Tech, led to ASM's acquisition of 95% of Ziron Tech, including the pilot plant and all related intellectual property. Commercial scalability of the process was confirmed in November 2020, and in March this year a scoping study confirmed feasibility and strong economics for development of a 5,200tpa commercial metals plant in South Korea.

On behalf of the Board, I welcome and thank our South Korean team, led by Frank Moon, ASM's President Asia, for their excellent work over the past year. The metals plant in Ochang, South Korea, will initially produce titanium and rare earth magnet alloys for the South Korean manufacturing sector. We intend it to be the first of several metals plants around the world.

Our Dubbo Project, a long-term resource of rare earths, zirconium, niobium and hafnium, remains a core component of ASM's “mine to metal” strategy. Over the past year, our Australian engineering team has focused on updating and optimising the project design, cost and revenues. This includes identifying opportunities to further reduce the project's environmental footprint in support of our goal of achieving net zero carbon operational emissions.



In July 2021, ASM 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. The signing ceremony was attended by (L to R): Ms Catherine Raper, Australian Ambassador to the Republic of Korea; Mr David Ko, CEO of ACE Equity Partners LLC; Mr PS Ra, CEO of Cerritos Holdings Co. Ltd; Mr Jerry Kwak, CEO of Kamur Partners LLC; Mr Ian Gandel, Chair of ASM; The Honourable Mr Dan Tehan, Australian Minister for Trade, Tourism and Investment; and Mr David Woodall, Managing Director of ASM.

We are also delighted with the recent steps made towards financing and securing a strategic partner for the Dubbo Project. In June, Export Finance Australia confirmed conditional finance support to secure \$200 million of debt funding. Then in July we were pleased to announce 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.

On behalf of the Board, I extend my sincere thanks to our Managing Director, David Woodall, for his tireless and inspirational efforts over the past year, which involved him spending many months in South Korea and in quarantine, away from his family. I also take the opportunity to welcome the members of our new executive team who joined ASM in July. They are a diverse team with considerable experience and energy, hand-picked to help drive ASM through the next phase of growth and development.

The year ahead promises to be tremendously exciting, as ASM transitions into commercial operations with our South Korean metals plant, and heads towards breaking ground at the Dubbo Project. This could not be achieved without the support of a great many people at ASM in both Australia and South Korea, our consultants and key partners at Alkane, along with our many shareholders and stakeholders. My thanks to you all for your ongoing support.

Ian Gandel
Chair, Australian Strategic Materials Ltd

Company

ASM listed on the ASX in July 2020. In its first year as a listed company, ASM commenced implementation of its strategy to become an integrated “mine to metal” producer of critical metals for use in advanced and clean technologies.

About ASM

Australian Strategic Materials Ltd (ASM) is an emerging integrated producer of critical metals for advanced and clean technologies. The Company's “mine to metal” strategy is to extract, refine and manufacture high-purity metals and alloys, supplying direct to global technology manufacturers.

The two key pillars of ASM's integrated business are:

1. Establishment of metals plants in strategic global locations to produce high-purity critical metals, alloys and powders; and
2. Mining and recovery of critical metal oxides from the polymetallic Dubbo Project, about 400km northwest of Sydney, Australia.

ASM is establishing its first commercial-scale metals plant in Ochang, South Korea (Korean Metals Plant). Metals production is founded on an innovative, low-energy metallisation process that has less environmental impact than conventional methods. The Korean Metals Plant will produce a range of high-purity metal products from market-sourced raw materials and, in time, the Dubbo Project. Key products will include rare earth and titanium alloys and powders to support clean energy, electric vehicle, aerospace and med-tech manufacturing industries.

ASM intends to embed metals plants within key global technology markets, enabling seamless integration with manufacturing supply chains. This approach simplifies, diversifies and de-risks the supply chain for the global tech industry. It will also maximise the value captured along the supply chain, adding significant value for shareholders, strategic partners and Australia.

The Dubbo Project is founded on a large polymetallic resource containing rare earths, zirconium, niobium, and hafnium. ASM intends to develop the project to produce oxides for refining into critical metals at ASM's proposed metals plants. The Dubbo Project achieved government approval in 2015 and has key licences in place. ASM is progressing optimisation, financing and strategic partner agreements for the project, which will be a flagship for clean resource development.

Demerger from Alkane Resources Ltd

ASM was founded in 2000 by Alkane Resources Ltd (ASX:ALK). Alkane shareholders voted to demerge at an Extraordinary General Meeting on 16 July 2020. ASM was admitted to the ASX on 29 July 2020 and first quoted on 30 July 2020 (ASX:ASM).

In the year since listing, ASM has achieved significant growth.

Our Core Values

Integrity



We will

- act with personal integrity and fairness
- communicate openly, honestly and constructively
- build and maintain trust with our work mates
- be transparent in approaches to each other
- act with “walk the talk”

Effectiveness



We will

- be performance- and outcome-orientated
- focus on business goals and objectives
- assess appropriate allocation of resources, energy and time when undertaking tasks
- demonstrate constructive and deliberate actions to ensure delivery of service
- seek out opportunities for personal and professional growth

Sustainability



We will

- surpass our shareholders' expectations
- think both short- and long-term
- foster business relationships
- deliver on our obligations to environment and community

Safety and Wellbeing



We will

- operate according to company plans, standards, policies, procedures and guidelines
- demonstrate a duty of care to self and others
- be vigilant for and promote safety improvements
- identify hazards and control them in a timely manner
- demonstrate a balance between working and home life

Innovation



We will

- promote continuous improvement
- encourage and value new ideas
- assess and provide constructive feedback
- be prepared to ask “Why?” and challenge boundaries
- regularly benchmark our performance against similar businesses with the objective to improve
- think ahead, anticipate obstacles and provide solutions
- demonstrate initiative
- celebrate successes

Professionalism



We will

- be accountable and follow through with commitments
- volunteer and demonstrate enthusiasm for challenges
- operate with a bias for action
- strive to exceed the standards and expectations of the business
- lead by example, influence others in a positive way and acknowledge mistakes

Transparency



We will

- seek feedback in order to achieve open communication and foster collaboration
- offer constructive feedback to others that is timely, specific and descriptive
- be proactive in communicating outcomes across our sites and to the corporate team

Leadership team

The ASM executive team is led by Managing Director, David Woodall. Post close of the 2021 financial year, ASM announced its new executive team, hand-picked to take the Company through the next phase of growth and development.

The ASM executive team comprises:

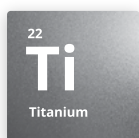
- **David Woodall** – Managing Director
- **Rowena Smith** – Chief Operating Officer
- **Jason Clifton** – Chief Financial Officer
- **Julie Jones** – General Counsel and Joint Company Secretary
- **Frank Moon** – President Asia
- **Tess Lackovic** – Chief Culture Officer
- **Peter Simko** – Chief Information Officer

About critical metals

The building blocks of new technologies are advanced materials, many of which rely on critical metals. Critical metals are so-named because they are in high demand, limited supply, and cannot currently be substituted with any other element to obtain the required functional materials properties.

Producing critical metals takes a number of metallurgical processing steps. Once extracted from the ground, the ore is crushed and processed through several stages to recover the metals as oxides. These metal oxides are then converted into metals using electrorefining techniques.

Titanium



Titanium is the ninth most abundant element on the planet. However, most of its mined raw materials are used for white titanium dioxide pigments, with less than 5% undergoing intensive processing to recover titanium metal. The titanium industry stands to benefit from the rise of 3D printing, which creates components without the high waste incurred through metal machining. Titanium metal is used in 3D printing of components for aerospace, defence, sports equipment and medical technologies.

ASM's innovative metallisation process consumes significantly less energy in producing titanium, which will also help reduce the costs of titanium manufacturing.

Rare earths



Rare earths are a group of critical metals with unique beneficial properties, used in a wide range of modern technologies and emerging industries. They are not actually rare, and are usually found together in geological deposits, requiring advanced metallurgical processing to recover and separate.

Rare earths comprise the 15 lanthanide elements on the periodic table, along with scandium and yttrium. The most abundant rare earths are lanthanum, cerium and neodymium, all considered light rare earths, along with praseodymium and samarium. These elements typically comprise approximately 85-90% of rare earth resources. The heavy rare earth elements make up the balance and are significantly less abundant. These comprise europium, gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium, lutetium and yttrium.

Rare earths each have their own individual demand drivers, challenges and technology innovations. The key driver of the rare earths industry in recent decades is their application in permanent rare earth magnets, where neodymium, praseodymium, dysprosium and terbium are used.

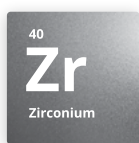


Titanium

Rare earth magnets (e.g. neodymium-iron-boron NdFeB magnets) are essential for a growing number of applications involving electric motors, especially sustainable technologies and industries, where they are a vital component of wind turbine generators and electric vehicles. The high energy-to-weight ratio of rare earth magnets has also facilitated the miniaturisation of computers, portable consumer electronics and smart devices. Other uses include medical imaging and diagnostic equipment, such as MRIs.

ASM will produce high-purity rare earth metals (including neodymium, praseodymium, terbium and dysprosium) and alloys (such as neodymium-iron-boron) suitable for the rare earth magnet industry. Upon development, the Dubbo Project has the potential to produce the full range of rare earths.

Zirconium

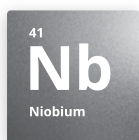


Zirconium has long been used in many advanced materials and technologies relied upon every day, as well as being a critical element for many emerging industries including clean energy, health and

aerospace. Today, zirconium-based ceramics are used in solid oxide fuel cells, special alloys, dental replacements and jet turbine coatings. Zirconium is also used in the nuclear power industry, kidney dialysis and smartphones. Nuclear-grade zirconium metal requires advanced metallurgical processing to remove the small amounts of hafnium that naturally occur with zirconium. (Hafnium is a neutron absorber, whereas zirconium is used for its low neutron absorption properties, along with high resistance to heat and chemical corrosion.)

ASM has the potential to produce nuclear-grade zirconium metal (99.9% purity), by separating zirconium and hafnium prior to metallisation.

Niobium



The Dubbo Project will be a source of niobium, which is mainly used as an alloying element in high-strength low-alloy (HSLA) steels for the construction and automotive sectors. Niobium enables

smaller, lighter steel components for applications including pipelines, bridges and in the transport sector, where better fuel efficiencies and lower carbon dioxide emissions result. Niobium alloys are also used in aerospace rocket engine nozzles, MRIs, capacitors for electric motors and mobile electronics.

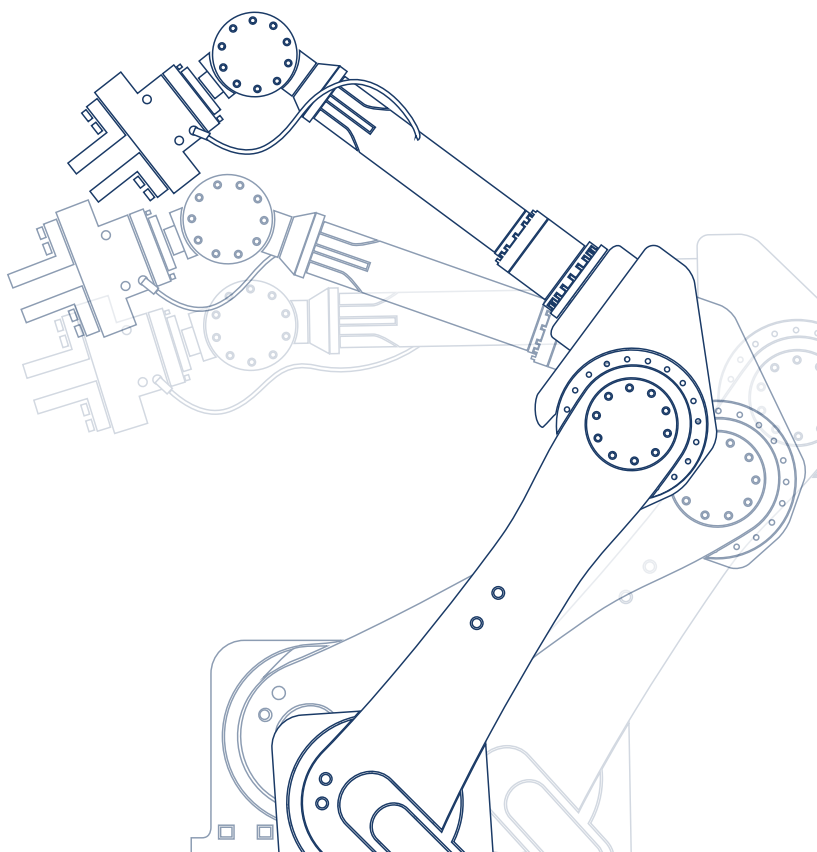
Hafnium



Global demand for hafnium is on the rise, as its unique properties make hafnium important for a diverse range of applications in key emerging industries.

Hafnium metal is currently highly desired for certain aerospace and industrial alloys, while hafnium oxide is emerging as a material of choice in semiconductors and data storage devices.

Most of the world's hafnium is produced as a by-product of the nuclear industry, which needs hafnium-free zirconium. (Hafnium is found with zirconium, from which it needs to be extracted using advanced metallurgical processing.) ASM has the potential to separate hafnium and zirconium to become a new source of hafnium.



Highlights

29 July 2020

ASM is admitted to the ASX, following demerger from Alkane Resources Ltd.

3 November 2020

ASM acquires 95% of Ziron Tech and all the patents and related intellectual property and technology that were the subject of the joint venture, including the metals pilot plant.

19 November 2020

ASM confirms commercial scalability of the innovative, low-energy metallisation process.

1 December 2020

ASM successfully produces neodymium-iron-boron (NdFeB) alloy from the FeNd alloy produced at the pilot plant.

11 February 2021

Tests by KIRAM scientists strongly indicate ASM's NdFeB alloy is suitable to produce rare earth permanent magnets.

2 March 2021

ASM completes a scoping study for a commercial-scale 5,200tpa metals plant in South Korea.

9 March 2021

ASM signs a Memorandum of Understanding with the Chungcheongbuk-do (Chungbuk) Provincial Government and Cheongju-si (Cheongju) City Government to locate the Korean Metals Plant within the Ochang Foreign Investment Zone in South Korea.

June quarter of 2021

ASM acquires a site in Ochang for development of its 5,200tpa Korean Metals Plant and awards contracts for key long-lead equipment.

Dubbo Project optimisation study is progressed with the view to updating earlier studies with the latest pricing and design improvements.

28 June 2021

Export Finance Australia confirms \$200 million conditional finance support for the Dubbo Project.

Metals Business

ASM consolidated its metals strategy with the acquisition and successful piloting of an innovative metallisation process. The Company progressed the development of its first commercial metals plant in South Korea by acquiring a site within the Ochang Foreign Investment Zone.



ASM held a “safety encouraging ceremony” at its new Ochang site in South Korea to promote good will for construction to proceed safely. Pictured, following the ceremony, are: ASM Chair, Mr Ian Gandel; Managing Director David Woodall; President Asia Frank Moon; and ASM’s team in South Korea.

Metallisation process development

ASM’s metals production is founded on an innovative metallisation process for refining high-purity metals and alloys from oxides. The process has less environmental impact than conventional methods, and was developed by Ziron Tech, a company established to commercialise the process invented by scientists at Chungnam National University in Daejeon, South Korea.

Acquisition of Ziron Tech

ASM initially entered into a joint venture partnership with Ziron Tech to progress the final stages of research and feasibility of the metallisation process, including construction of a pilot plant in Daejeon.

The pilot plant was commissioned in June 2020 (Alkane ASX Announcement 2 July 2020), successfully producing 30 kilograms of titanium alloy.

Following a number of successful production runs on the pilot plant, ASM announced its intention to acquire 95% of Ziron Tech in September 2020 and completed the deal in November (ASX Announcement 3 November 2020). Ziron Tech is now known as KSM Metals Co. Ltd. ASM now owns all the patents and related intellectual property and technology that were the subject of the joint venture, including the pilot plant.



ASM's pilot plant in Daejeon, South Korea.

Pilot plant test work

From July to December 2020, the ASM team conducted multiple production test runs on the pilot plant to prove commercial feasibility of the process.

Through these tests, the pilot plant successfully produced high-purity neodymium, praseodymium, neodymium-praseodymium alloy, dysprosium and zirconium – all from raw materials that could be sourced from ASM's Dubbo Project. Additional test runs produced titanium metal and alloys from market-sourced raw materials. Refer to the table for a list of key test runs.

The pilot plant test work also facilitated process improvements and refinements, which improved the production efficiency in terms of metals yield and power consumption. In the case of titanium metal, the process consumed 70% less energy than the conventional Kroll process (ASX Announcement 27 August 2020).

ASM confirmed commercial scalability of the process with the production of two 60kg “continuous-flow” batches of titanium copper alloy at a rate equivalent to approximately 1,000kg per day (ASX Announcement 19 November 2020).

Key outcome	Production	ASX
High-purity neodymium (Nd) metal	produced 7.6kg of neodymium metal assaying 99.8% Nd	ASX 30 Jul 2020
High-purity titanium (Ti) metal powder	produced 9.16kg titanium metal powder assaying 99.83% Ti	ASX 10 Aug 2020
High-purity praseodymium (Pr) metal	produced 5.3kg praseodymium metal assaying 99.3% Pr	ASX 19 Aug 2020
High-purity Ti metal, and consumed 70% less energy than conventional methods	produced 20.8kg titanium metal assaying 99.83% Ti	ASX 27 Aug 2020
High-purity NdPr	produced 9kg of neodymium praseodymium (NdPr) alloy assaying 99.65%	ASX 8 Sep 2020
High-purity dysprosium (Dy) metal (heavy rare earth)	produced 7.5kg dysprosium metal assaying 99.53% Dy	ASX 1 Oct 2020
High-purity industrial zirconium (Zr) (hafniated) metal powder	produced 8.6kg zirconium metal powder, assaying 98% Zr, 1.5% Hf	ASX 15 Oct 2020
Permanent magnet alloy FeNd	produced 200kg of ferro-neodymium alloy (FeNd - 80.3% Nd, 19.9% Fe)	ASX 11 Nov 2020
Confirmed commercial scalability of process, and doubled yield efficiency from earlier tests	produced 120kg of titanium copper alloy	ASX 19 Nov 2020



ASM's first commercial-scale metals plant will be located in Ochang, South Korea.

NdFeB alloy development

Working at the facilities of the Korean Institute of Rare Metals (KIRAM), ASM successfully produced neodymium-iron-boron (NdFeB) alloy from the FeNd alloy produced at the pilot plant. NdFeB is a key alloy used in the manufacture of rare earth permanent magnets. KIRAM certified the metallic structure and ratio of key metals (32%Nd, 67%Fe, 1%B) within the alloy (ASX Announcement 1 December 2020).

KIRAM scientists then produced and evaluated pre-sintered permanent magnets from ASM's NdFeB alloy powder (ASX Announcement 11 February 2021). The testing confirmed that the microstructure and magnetic properties of the pre-sintered magnets were consistent with commercially available alloys. This indicates the suitability of ASM's NdFeB alloy to produce rare earth permanent magnets.

Titanium powders

ASM progressed development of high-purity titanium powders, completing a 75kg "continuous-flow" production run at the pilot plant in January 2021. The Company supplied 20kg of the titanium powder for assessment to HANA AMT, a South Korean company that produces metal parts using 3D printing.

HANA AMT performed a detailed analysis of ASM's titanium powder, confirming a purity of 99.918%. The independent assay analysis demonstrated ASM's powder has higher purity than industry standards and is suitable for 3D printing (ASX Announcement 9 February 2021).

Dehafniated zirconium

The Korean Atomic Energy Institute (KAERI) confirmed a laboratory sample of dehafniated zirconium metal, produced from Dubbo Project ore, meets its standards for nuclear applications (ASX Announcement 15 October 2020).

Commercial-scale metals plant

Following the successful metallisation pilot program, ASM completed a scoping study for a commercial-scale metals plant in South Korea (ASX Announcement 2 March 2021).

The study confirmed feasibility and showed strong economics for the proposed 5,200tpa Korean Metals Plant, which is intended to initially produce high-purity NdFeB, titanium and zirconium metals and alloys, sourced from market-available raw materials.

The proposed commercial-scale plant will comprise multiple parallel production lines, replicating the operating units of the pilot plant. ASM is progressing detailed design engineering, which will provide a fully engineered scope of works and further refine capital estimates. A final investment decision is expected later in 2021.

Scoping study economics		
US\$35–45 million	US\$180–190 million	US\$45–50 million
Estimated capital	Estimated annual revenue	Estimated annual EBITDA

South Korean metals plant

In March 2021, ASM signed a memorandum of understanding (MoU) with the Chungcheongbuk-do (Chungbuk) Provincial Government and Cheongju-si (Cheongju) City Government to locate the Korean Metals Plant within the Ochang Foreign Investment Zone in South Korea (ASX Announcement 9 March 2021). The town of Ochangjungang-ro (Ochang) is located 115 kilometres south of the South Korean capital, Seoul, and 20 kilometres north of Daejeon, the site of the pilot plant.

Following Board approval to progress the first phase of development, with estimated capital outlay of US\$9.9 million, ASM acquired a site in Ochang for its South Korean metals plant. The Company commenced upgrading the site to accommodate the proposed 5,200tpa capacity metals plant and awarded contracts for key long-lead equipment.

ASM also commenced relocating the pilot plant to the Ochang site, where it will become the first operational production lines of the commercial plant. The Company intends to start small-scale production of titanium and NdFeB alloys for the South Korean manufacturing sector in the second half of 2021.

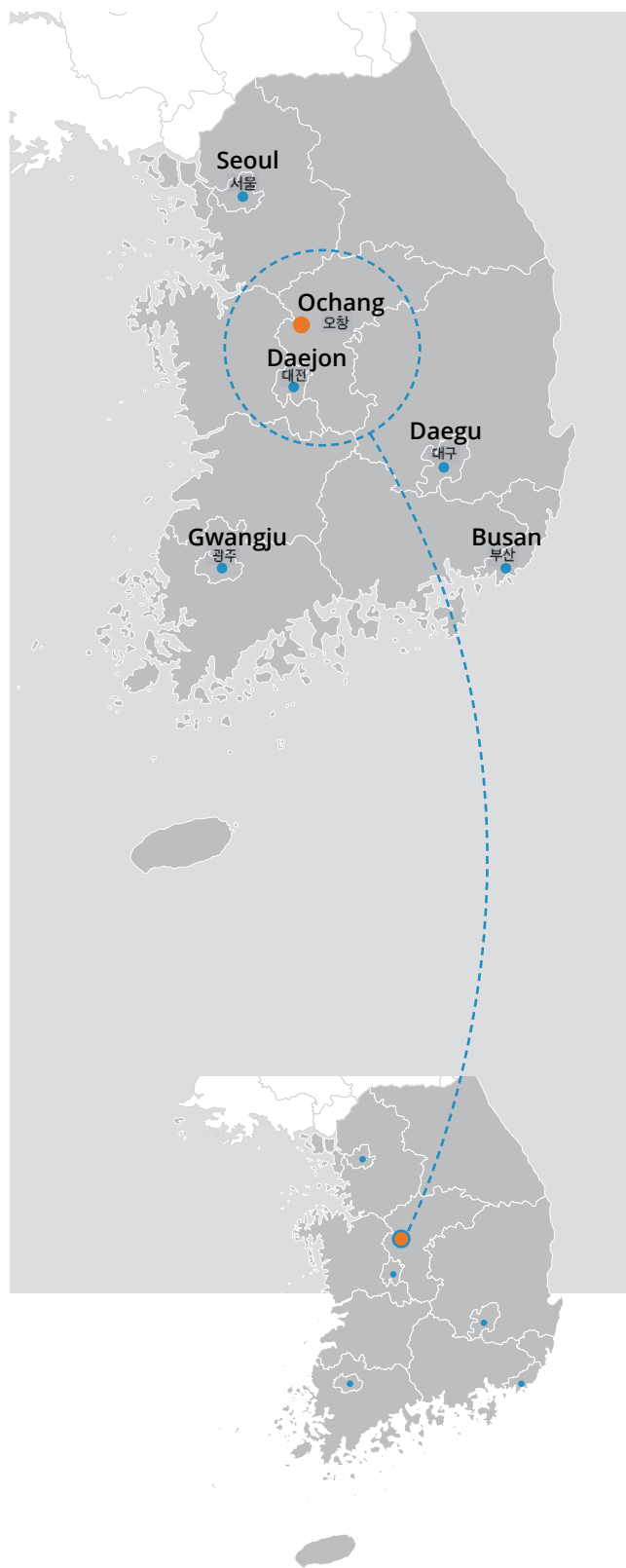
Pending the final investment decision on the commercial-scale metals plant, the project is on target to ramp up to 5,200tpa production by mid-2022. There is potential to expand the capacity of the plant to over 16,000tpa by the end of 2024, to meet the potential South Korean demand.

Offtake and supply agreements

During the year, ASM progressed metal offtake agreements with titanium product consumers and rare earth permanent magnet producers in South Korea.

In July 2021, post close of the 2021 reporting period, the Company signed a conditional framework agreement with a consortium of South Korean investors that includes provision for a ten-year offtake agreement for up to 2,800tpa of NdFeB (neodymium-iron-boron) alloy from the Korean Metals Plant (ASX Announcement 21 July 2021).

ASM also progressed discussions with the view to obtaining agreements for supply of key raw materials for critical metals production. In addition, ASM intends for most Dubbo Project products to be supplied to its own metals plants, including the Korean Metals Plant.



Dubbo Project

Mining and recovery of critical metal oxides from the polymetallic Dubbo Project forms an important part of ASM's "mine to metal" strategy. The Company is finalising an optimisation study to pave the way towards construction.

Project overview

The Dubbo Project is founded on a large polymetallic resource containing rare earths, zirconium, niobium, and hafnium, located 25 kilometres south of Dubbo in central western New South Wales. ASM intends to develop the project to produce critical metal oxides for refining into metals at ASM's proposed metals plants.

The development will comprise open cut mining, a mineral processing plant, liquid and solid waste transport and storage systems, transport infrastructure and utilities (water, electricity and gas). The minerals processing plant will process crushed ore using sulphuric acid leach and solvent extraction refining to recover zirconium, hafnium, niobium and rare earth oxides. At a processing rate of 1Mtpa, the existing resource gives the project a potential life of at least 75 years.

The project achieved government approval in 2015, based on a substantial body of environmental, engineering and process development work. Mining Lease 1724 was granted by the NSW Department of Primary Industries, Mining, Exploration and Geoscience in December 2015. Also in place are an Environment Protection Licence (March 2016) and a Conservation Property Vegetation Plan (PVP00199) to protect and conserve 1,021 hectares of biodiversity offsets in perpetuity.





The Dubbo Project resource is located near Toongi, 25km south of Dubbo in central western NSW.

ASM is undertaking an optimisation study to update earlier studies with the latest pricing and design improvements. The Company intends the Dubbo Project to be a flagship for clean resource development, with the optimisation study identifying several design opportunities to further reduce the project's environmental footprint.

Offtake and finance

Financing and strategic partner

ASM continued discussions with potential strategic partners and funding agencies throughout the year. This led to the announcement of conditional finance support for the Dubbo Project from Export Finance Australia to secure A\$200 million of debt funding (ASX Announcement 28 June 2021). The Dubbo Project closely aligns to the Australian Government's initiative to develop the critical minerals sector, announced in November 2019.

Following close of the reporting period, the Company announced it had signed a conditional framework agreement with a consortium of South Korean investors for the acquisition of a 20% equity interest in ASM's holding company for the project for US\$250 million (ASX Announcement 21 July 2021).

Dubbo Project offtake

With the establishment of ASM's metals business, the Company intends for the majority of Dubbo Project products to be supplied to its own metals plants, including the proposed Korean Metals Plant in Ochang, South Korea.

The South Korean conditional framework agreement includes provision for a ten-year offtake agreement for up to 2,800tpa of NdFeB (neodymium-iron-boron) alloy from the Korean Metals Plant (ASX Announcement 21 July 2021). The volumes outlined in the proposed offtake agreement anticipate that 100% of the neodymium oxide planned to be produced at the Dubbo Project will be processed at the Korean Metals Plant post construction.

Optimisation study

In 2020, ASM engaged Hatch Engineering to undertake an optimisation study of the Dubbo Project. Its goal is to update earlier studies, in particular the 2018 Engineering and Financials Update (ASX Announcement 4 June 2018), targeting updated pricing, improved process efficiency and optimised design. The optimisation study incorporates updates to the process design criteria, flowsheet, utilities, reagents, consumables and logistics, contributed by a number of independent consultants, culminating in an update to the capital and operating costs for the project.

Optimised flowsheet

To reflect ASM's focus on producing high-purity metals from Dubbo Project offtake, the Company undertook testwork to further optimise the process flowsheet, to enhance the economics of the project and incorporate the latest rare earth technological advancements. The resulting simplified product range comprises mainly oxides to feed ASM's metals plants. Oxide products include zirconia, dehafniated zirconia (DHZ), hafnium oxide, niobium oxide and various rare earth oxides and crystallised chlorides.

Hatch proceeded with the optimisation study based on the optimised flow sheet. Design improvements that were incorporated included: simplification of the zirconia circuits, reduced reagent consumptions, enhanced product recoveries, maximisation of water recovery, co-generation of power from the sulphuric acid steam, simplification of the rare earth recovery areas and ratification of rare earth products.

Update of operating costs

ASM engaged a number of consultants to update the costs for utilities, reagents, and consumables. Potential suppliers provided quotes for supply, capital costs and delivery. An updated review of project logistics was also undertaken, taking into account sourcing, pricing, mode of transport, materials handling, storage and safety. Updated labour personnel numbers and salaries were also incorporated.

Plant equipment

ASM progressed discussions with companies regarding engineering and equipment manufacture for the Dubbo Project. This included exploring opportunities to leverage the full breadth and depth of South Korean manufacturing capabilities.

The Company also continued discussions with several South Korean companies regarding potential build, own, operate (BOO) opportunities for renewable power and a chlor-alkali plant to produce hydrochloric acid and caustic soda onsite.

Project execution plans

ASM progressed work on detailed operational readiness and project execution plans during the year as part of the larger optimisation study. This included drafts of the project charter, governance and execution guidelines. Project budget and schedule confirmation will be finalised as part of the optimisation study deliverables.

ASM expects to complete the optimisation study in Q3 2021 and announce the outcomes post review. As a next step, ASM intends to transition to Front End Engineering Design (FEED) with Board approval.



Mineral Resources and Ore Reserves

As at 30 June 2021, the Mineral Resources and Ore Reserves for the Toongi deposit, which is the basis of the Dubbo Project, are the same as those stated at 30 June 2020. These estimates were provided by independent industry consultants Mining One Pty Ltd and are reported by ASM in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC 2012). Mineral Resources are wholly inclusive of Ore Reserves, which are based on economic parameters applied to the Mineral Resources, reflecting an initial project horizon of 20 years.

Dubbo Project Mineral Resources (as at 30 June 2021)

Resource Category	Tonnes (Mt)	ZrO ₂ (%)	HfO ₂ (%)	Nb ₂ O ₅ (%)	Ta ₂ O ₅ (%)	Y ₂ O ₃ (%)	TREO* (%)
Measured	42.81	1.89	0.04	0.45	0.03	0.14	0.74
Inferred	32.37	1.90	0.04	0.44	0.03	0.14	0.74
Total	75.18	1.89	0.04	0.44	0.03	0.14	0.74

*TREO% is the sum of all rare earth oxides excluding ZrO₂, HfO₂, Nb₂O₅, Ta₂O₅, Y₂O₃

Dubbo Project Ore Reserves (as at 30 June 2021)

Reserve Category	Tonnes (Mt)	ZrO ₂ (%)	HfO ₂ (%)	Nb ₂ O ₅ (%)	Ta ₂ O ₅ (%)	Y ₂ O ₃ (%)	TREO* (%)
Proved	18.90	1.85	0.04	0.440	0.029	0.136	0.735
Total	75.18	1.89	0.04	0.44	0.03	0.14	0.74

*TREO% is the sum of all rare earth oxides excluding ZrO₂, HfO₂, Nb₂O₅, Ta₂O₅, Y₂O₃

Governance and internal controls

ASM has governance arrangements and internal controls with respect to its estimates of Mineral Resources and Ore Reserves for the Dubbo Project, including:

- Oversight and approval of each annual statement by the Director – Technical;
- Establishment of internal procedures and controls to meet JORC Code 2012 compliance in all external reporting;
- Independent review of new and materially changed estimates;
- Annual reconciliation with internal planning to validate reserve estimates; and
- Board approval of new and materially changed estimates.

ESG

ASM has strong Environmental, Social and Governance (ESG) foundations. The Company is environmentally responsible, with a focus on practices that nurture conservation. ASM cultivates innovation, equal opportunity, integrity and safety.

Approach

ASM's purpose is to more sustainably produce critical metals that are essential for advanced and clean technologies, such as wind turbines, solar panels, electric vehicles and battery storage. It is critical that the materials used in these clean technologies are responsibly sourced from manufacturers that adhere to the highest Environmental, Social and Governance (ESG) standards.

ASM understands the importance of managing environmental impacts, respecting human rights, minimising greenhouse gas emissions and supporting local communities.

The Company recently appointed an executive team (see page 10) that has specific accountability for ESG. Over the next year, ASM will develop an ESG framework, taking into account the key risks and opportunities as the Company transitions into operations.

ASM's first commercial metals plant is expected to be commissioned in South Korea during the 2022 financial year. The Company is also progressing the polymetallic Dubbo Project (in development since 2000), which will produce rare earths, zirconium, niobium and hafnium from a resource in NSW, Australia.



Environment

ASM strives to minimise the disturbance footprint of its operations in Australia and South Korea, and considers the principles of a circular economy to minimise waste and use of energy and consumables.

The Company's metals plants will be founded on an innovative, low-energy metallisation process that has less environmental impact than conventional methods.

In developing the Dubbo Project, ASM's environmentally responsible approach to design and operations will help minimise the environmental impact of the project. In the time since the project was approved in May 2015, ASM has completed studies to optimise key project environmental areas, including disturbance footprint, utility requirements, water and waste management, materials handling and transportation activities. The plant will also feature a power cogeneration plant to utilise the heat and steam produced by the process.

ASM continues to seek opportunities to support its goal of achieving net zero carbon operational emissions.

Dubbo Project Environmental Management Strategy

Although the Dubbo Project has not commenced construction on site, ASM prepares an annual review of environmental activities in accordance with the requirements of the Mining Lease (ML 1724) and Project Approval (SSD-5251), obtained in 2015.

The annual environmental reports describe the environmental performance, baseline monitoring activities, rehabilitation activities and community engagement undertaken for the year.

The annual environmental reports are available on ASM's website, along with a comprehensive Environmental Management Strategy (EMS) and associated management plans. ([View environmental reports and management plans](#))

Conservation and land management

Since 2016, ASM's wholly owned subsidiary, the Toongi Pastoral Company (TPC), has managed the agricultural land, farm assets and offset areas associated with the Dubbo Project – a total of approximately 3,715 hectares. TPC applies the latest farming technologies and practices to ensure sustainable land management, increasing biodiversity, soil health and farm productivity.

Registration of carbon farming project

In the 2021 financial year, ASM commenced registration of the property as a carbon farming project under the Australian Government's Emissions Reduction Fund (ERF). Under the ERF, measured increases of in-soil carbon content earn Australian carbon credit units (ACCU), with one ACCU earned for each tonne of carbon dioxide equivalent (tCO₂-e) stored. Earned ACCUs have the potential to contribute to the carbon offsets for the Dubbo Project.



Biodiversity

ASM's Biodiversity Management Plan (BMP) provides a framework for managing and monitoring biodiversity, including the designated biodiversity offset areas (1,021 ha) associated with the Dubbo Project. The biodiversity offset areas are designated for the restoration and maintenance of native habitats, especially for vulnerable species. They are managed by TPC and protected in perpetuity under a Conservation Property Vegetation Plan negotiated with Local Land Services.

Management activities during the reporting period include:

- Annual survey of four "control" sites, comprising Grey Box, Fuzzy Box, White Cypress Pine and White Box woodlands;
- Management of existing native grasslands, particularly in designated biodiversity offset areas;
- Ongoing pest animal control programs;
- Ongoing fence maintenance around biodiversity offset areas to protect from pest animals;
- Ongoing control of noxious weeds; and
- Ongoing White Cypress Pine thinning to increase native grass cover and understory, improve biodiversity.



Pink-tailed Worm-lizard

An important component of ASM's biodiversity management activities surround protection and enhancement of habitat for the Pink-tailed Worm-lizard (PTWL) (*Aprasia parapulchella*), a vulnerable local species listed by both the state of NSW and Commonwealth. The Company's PTWL Management Plan and a PTWL Biodiversity Offset Management Plan were approved by DPE on 8 February 2017 and are available on the ASM website.

Water management

ASM holds sufficient river and groundwater licences (including some high security licences) to develop the Dubbo Project as a 1Mtpa operation at Toongi. The project has been designed to minimise water consumption and maximise water recycling.

The Dubbo Project is within the Cockabroo Creek and Wambangalang Creek sub-catchments of the Macquarie River Catchment. The river water licences are in the Cudgegong-Macquarie Water Sharing Plan regulated by the NSW Department of Planning, Industry and Environment (DPIE) – Water.

ASM understands its role in undertaking responsible natural resource management within the catchment, and takes a holistic approach to managing soils, biodiversity and water. The Company appreciates the need for water in the catchment to be shared between the environment, towns, irrigators and industry. ASM also engages with the Macquarie-Cudgegong Customer Advisory Group, which provides a forum for community consultation.

A Stage 1 (construction phase) Water Management Plan, approved by the (then) NSW Department of Planning and Environment (DPE) on 12 October 2016, is available on the ASM website.

Water management activities during the reporting period include:

- Addition of a brine concentrator to the plant design, which will further reduce water consumption;
- Continued stakeholder discussions regarding water use and temporary trade of ASM's water to agriculture and manufacturing businesses;
- Periodic monitoring of bores and surface water, particularly given above average rainfall since early 2020; and
- Engagement of consultants to commence design and construction of erosion and sediment control structures for the site, as part of preparations for protection of surface water quality and progressive rehabilitation.

Social

Culture

ASM lives its values (see page 9) by fostering a culture of innovation, equal opportunity and integrity amongst its workforce, partners and supply chain. The Company recognises that attracting, retaining, and developing the right people is critical to achieving its vision and strategic plan.

This year the Company recruited its experienced executive team through a blind hiring process, which was used specifically to minimise potential unconscious bias throughout the recruitment process.

Over the next year, ASM's executive team will build their functions focusing on delivery of the South Korean Metals Plant, progressing the Dubbo Project and creating a high-performance culture.

The South Korean team of 30 team members will continue to grow as construction and production ramp up to approximately 150 team members. ASM's team based in Dubbo manages the Toongi Pastoral Company and Dubbo Asset, whilst the team in Brisbane has been progressing the Dubbo Project optimisation study.

Health and Safety

ASM is committed to improving the health, safety and wellbeing of its team members and providing a safe workplace. No reportable injuries occurred during the 2021 financial year.

As with all businesses, COVID-19 has impacted ASM's employees and the communities in which it operates. The Company responded by supporting its employees with their unique circumstances, reinforcing safety and hygiene protocols in offices and facilities, and moving office employees to remote work as required. ASM will continue to monitor the changing COVID-19 environment and strongly supports local and government initiatives, including testing, masks and social distancing, as well as encouraging vaccinations to keep all employees, their families and communities in which the Company operates safe.

First Nations engagement

Since 2001, when the initial heritage assessments were undertaken at Toongi, the local Aboriginal community has been consulted in relation to the Dubbo Project. Over the past two decades, consultation has continued with Elders and Aboriginal organisations, including Dubbo Aboriginal Community Working Party, Three Rivers Regional Assembly, Dubbo Local Aboriginal Land Council.

Consultation and engagement were undertaken during preparation of the Environmental Impact Statement (EIS) in 2013, when local Aboriginal people surveyed 2,864ha of the project study area to identify heritage sites. Following project approval, measures to manage these heritage sites were included in the Heritage Management Plan (HMP) approved by DPE on 8 February 2017.



In the spirit of reconciliation, ASM acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past, present and emerging, and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

In Australia:

Wilay Wiradjuri people – Dubbo and Toongi

Noongar Whadjuk people – Perth

Turrbal and Jagera/Yuggera peoples – Brisbane

ASM continues to review cultural heritage sites within the project footprint and ensures traditional owners are engaged and consulted on heritage issues, as per the codes and guidelines established by Heritage NSW (which comply with the NSW National Parks and Wildlife Service Act 1974). ASM has identified heritage sites (outside of the project footprint) additional to those described in the EIS (2013); these sites have been protected from farming activities.

Activities during the reporting period include:

- Meetings between ASM's Managing Director and representatives from Aboriginal organisations and Elders to listen to their priorities and grow relationships (May 2021);
- Invitation to Traditional Custodians to walk "On Country"; and
- Two Aboriginal representatives nominated for the Dubbo Project Community Consultative Committee.



Native Secrets

Five years ago, local First Nations company Native Secrets began distilling natural oils from White Cypress Pine (*Callitris glaucophylla*) trees being thinned from the TPC property. The oils extracted from White Cypress Pine wood and leaves have unique pharmaceutical properties. In July 2021, Native Secrets' products were exhibited at a trade exhibition in Seoul, South Korea.

Dubbo community

ASM is an active and engaged member of the Dubbo community and continues to build strong relationships with government, commercial and community stakeholders.

ASM supports Dubbo community development through the establishment of permanent infrastructure, sponsorship of local events and organisations, provision of training and career opportunities, and the creation of local economic opportunities for service providers. The Company takes an active part on the Dubbo Project Community Consultative Committee and nurtures its community relationships through clear and regular communications about its activities.

The Dubbo Project is centred on a unique ore body that will require a large processing plant to recover and separate the contained metals. This will establish a new manufacturing business in regional NSW, providing many jobs for highly skilled people. It is anticipated the project will retain local talent and attract others to Dubbo with their families as they establish careers with ASM. There will also be employment opportunities during construction for locals who embrace ASM's culture and are seeking additional skills training.

Sponsorships & engagement

During the reporting period, ASM continued to engage with various interest groups and schools, newsletters (October 2020 and March 2021), and maintenance of a 24-hour community information line. In May 2021, ASM Managing Director David Woodall met with a range of government stakeholders, community and business leaders, local Aboriginal groups and potential local suppliers in the Dubbo region.

During the year, ASM donated 10ML of water to Taronga Western Plains Zoo for watering the grounds and animal habitats, and supported the Western Region Schools Science and Engineering Challenge.



Local Land Services workshops

The Toongi Pastoral Company continues to grow relationships with local businesses and organisations, and in April 2021 hosted a workshop run by Central West Local Land Services. Around 30 local farmers and interested people attended this practical workshop, which focused on the identification and management of Threatened Ecological Communities (TECs) that include Grey Box grassy woodlands. The workshop was part of a project that is partnering with landholders in the region to improve the condition of TECs and raise awareness of how best to manage remnant patches as part of a farming enterprise.

Governance

ASM's actions are governed by an experienced Board committed to administering the Company's policies and procedures with openness and integrity. In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4th edition (Principles & Recommendations).

The Company's Corporate Governance Statement is available on the ASM website, along with the Board charter and details of Board sub-committees.

Also listed are key policies and procedures, including those pertaining to appointment and independence of directors, diversity, code of conduct, risk management, and anti-bribery and corruption. ([View Corporate Governance Statement, policies and procedures](#)).

Diversity Policy

The Board has adopted a Diversity Policy that outlines the Company's commitment to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees, to enhance Company performance. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees.

The Diversity Policy outlines the process by which the Board, in its capacity as the Nomination Committee, will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company. The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives.

Anti-Bribery and Corruption (ABC) Policy

ASM is committed to maintaining a high standard of integrity and to operating fairly, honestly and legally, in order to ensure that it complies with international regulations with regards to anti-bribery and corruption. The Company is committed to an open and transparent management approach in order to avoid potential conflicts of interest.

The Company is committed to maintaining a high standard of ethical conduct in all business dealings. ASM does not obtain or retain business through any unethical or illegal means. The Company has developed this policy to prohibit inappropriate conduct associated with bribery and corruption.

Risk Management Policy

ASM is committed to the implementation and maintenance of an integrated risk management program for all its activities in accordance with the Australian / New Zealand Standard on Risk Management AS/NZS ISO 31000:2009 Risk management – Principles and guidelines.

This policy promotes an understanding and create an awareness and culture of Risk Management within ASM.



Financial Report

Directors' report

The directors present their report, together with the financial statements, on the Consolidated Entity (also 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 year ended 30 June 2021.

Directors

The following persons were directors of Australian Strategic Materials Ltd during the whole of the financial 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 an emerging integrated producer of critical metals for advanced and clean technologies. The Group's principal activities in the year were:

- Progression of an optimisation study and financing for the Dubbo Project, which is 100% owned by ASM. Located in central western NSW, the Dubbo Project is founded on a long-term resource of rare earths, zirconium, niobium and hafnium.
- Confirmation of feasibility and commercial scalability of the innovative metallisation process developed by KSM Metals Co Ltd (formerly named Zirconium Technology Corporation). The innovative process for producing high-purity critical metals and alloys from oxides has less environmental impact than conventional methods and consumes less energy.
- Acquisition of 100% of RMR Tech ("RMR") and 95% of KSM Metals Co. Ltd ("KSM").
- Progression of scoping and engineering of a commercial-scale 5,200tpa Korean Metals Plant in Ochang, South Korea.

The Consolidated Entity is advancing the metallisation of critical metal oxides to create a range of value-added metals (including neodymium-iron-boron, titanium and zirconium) at its proposed Korean Metals Plant from market-available precursors and, in time, the Dubbo Project.

Dividends

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

Review of operations

The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to \$783,000 (30 June 2020: \$4,265,000).

This result included a profit before tax and non-recurring item of \$4,731,000 (30 June 2020: nil) in relation to loan forgiveness.

In July 2021, ASM was demerged with its cash reserves and no bank debt from Alkane Resources Ltd (ASX:ALK). 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 ("RMR Tech"), 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 shareholder loans as part of the demerger.

The shareholders of Alkane Resources Ltd approved the demerger of ASM, with relevant resolutions tabled at the Extraordinary General Meeting (EGM) passed on 16 July 2020. ASM was admitted to the ASX on 29 July 2020 and first quoted on 30 July 2020 (ASX: ASM).

The Dubbo Project (DP) has all key environmental approvals and is 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.

On 21 April 2021, the Company finalised a \$91,919,000 (before costs) capital raising which provided funding to focus on advanced key workstreams including engineering and development of the Korean Metals Plant and the FEED study for the Dubbo Project while also providing additional working capital and funding of corporate costs.

At the start of the reporting period, ASM and KSM commenced a series of test runs on the metallisation pilot plant commissioned in June 2020. Developed by KSM, the process refines high-purity metals and alloys from oxides with less environmental impact than conventional methods, as it consumes less energy. The pilot program successfully produced high-purity neodymium, praseodymium, neodymium-praseodymium alloy, dysprosium, zirconium and titanium.

On 19 November 2020, ASM announced the pilot program had confirmed commercial scalability of the process.

On 3 September 2020, ASM entered into a binding heads of agreement ("HOA") with RMR (the joint venture company that owned the metallisation pilot plant) and KSM, which owns the innovative low-energy metallisation process.

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

As consideration for the transaction, ASM has:

- Issued 1,306,417 ASM shares to current KSM shareholders (via a holding entity). These shares are subject to voluntary escrow for 12 months; and
- Granted existing KSM 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 KSM'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 KSM in the future.

On 2 March 2021, ASM announced a scoping study for a commercial-scale 5,200tpa Korean Metals Plant. The study confirmed feasibility and showed strong economics for the proposed plant, which would initially produce high-purity NdFeB, titanium and zirconium metals and alloys, sourced from market-available raw materials.

In March 2021, ASM signed a memorandum of understanding (MoU) with the Chungcheongbuk-do (Chungbuk) Provincial Government and Cheongju-si (Cheongju) City Government to locate its Korean Metals Plant within the Ochang Foreign Investment Zone in South Korea. Upgrades to the Ochang site have commenced to accommodate the 5,200tpa capacity commercial-scale metals plant.

On 28 June 2021 Export Finance Australia (EFA) issued a non-binding letter of conditional finance support for A\$200,000,000 of debt funding for the Dubbo Project. EFA will commence a detailed due diligence of the Dubbo Project and is contingent on a number of conditions, summarised below:

- Securing offtake commitments for metal products, which diversify critical metal supply chains;
- Execution of a lump sum turnkey fixed date contract with an acceptable engineering contractor for the engineering, construction and commissioning of the Project;
- Finalising the Project's funding plan including the raising of equity and securing funding from other lenders;
- Meeting eligibility criteria, credit and risk requirements, including, but not limited to, EFA's "know your customer" and anti-bribery requirements and checks; and
- The Project receiving the required regulatory and environmental approvals.

Management continues to consider the potential impacts of the COVID-19 pandemic, which may include delaying the construction and commissioning of 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 coronavirus.

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 shareholder 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 and KSM, which own innovative low-energy, high-purity metallisation process. As part of the RMR and KSM restructure, ASM has become the 100% owner of RMR and indirect owner of 95% of KSM with the acquisitions completed on 3 November 2020. ASM also acquired the pilot plant constructed in 2020.

On 21 April 2021, the Company finalised a \$91,919,000 (before costs) capital raising which provided funding to focus on advancing key workstreams including engineering and development of the Korean Metals Plant and the optimisation study for the Dubbo Project, while also providing additional working capital and funding of corporate costs.

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

Matters subsequent to the end of the financial year

On 21 July 2021, ASM signed a \$US250,000,000 framework agreement with a South Korean consortium for 20% in the Dubbo Project and offtake from the Korean Metals Plant. The key points are:

- ASM has 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.
- Under the Agreement a consortium fund will invest \$US250,000,000 for the 20% equity interest.
- The Investing Partnership intends 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.
- The Agreement creates a pathway for ASM to develop the Dubbo Project and execute its "mine to metal" strategy.

No other matter or circumstance has arisen since 30 June 2021 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.

Likely developments and expected results of operations

ASM was demerged on 29 July 2020. The Consolidated Entity 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.

The Consolidated Entity intends to continue evaluation activities in relation to the Dubbo Project and progress the development of the Company's first commercial metals plant in South Korea in line with details provided in the Review of Operations.

Environmental regulation

The Consolidated Entity is subject to significant environmental regulation in respect of its Dubbo Project exploration and evaluation activities.

The Consolidated Entity aspires to the highest standards of environmental management and insists its entire staff and contractors maintain that standard. A significant environmental incident is considered to be one that causes a major impact or impacts to land biodiversity, ecosystem services, water resources or air, with effects lasting greater than one year. There were no significant environmental incidents reported at any of the Consolidated Entity's operations.

Information on directors

Ian Jeffrey Gandel – Non-Executive Chair

LLB, BEc, FCPA, FAICD

Appointed Non-Executive Chair 18 March 2014.

Mr Gandel is a successful Melbourne based business person with extensive experience in retail management and retail property. He has been a director of the Gandel Retail Trust and has had an involvement in the construction and leasing of Gandel shopping centres. He has previously been involved in the Priceline retail chain and the CEO chain of serviced offices.

Mr Gandel has been an investor in the mining industry since 1994. Mr Gandel is currently a substantial holder in a number of publicly listed Australian companies and, through his private investment vehicles, now holds and explores tenements in his own right in Western Australia. Mr Gandel is currently Non-Executive Chair of Alliance Resources Ltd (appointed as a director on 15 October 2003 and in June 2016 was appointed Non-Executive Chair). He is Non-Executive Chair of Alkane Resources Ltd. He is also the Non-Executive Chair of Octagonal Resources Ltd (appointed 10 November 2010) (this company sought delisting from the ASX in February 2016 and converted to Pty Ltd status in April 2016).

David Graham Woodall – Managing Director

MSc (Mineral Economics) and Graduate Diploma (Business)

Appointed Managing Director 12 February 2020.

Mr Woodall is a mining engineer with over 30 years' experience in senior and corporate and executive roles in operations, project development and evaluations in the mineral resources industry including gold, copper, iron ore, and nickel.

He has held senior positions in Australia, Fiji, Central Asia, Indonesia, China, PNG and North America.

Prior to joining ASM, he was the CEO of an ASX listed Canadian-focused base metals development company. Prior to that, Mr Woodall ran his own consultancy company, was the Executive General Manager, International Operations for Newcrest Mining and was the Director of Operations for Fortescue Metals Group.

Mr Woodall is a member of the Australian Institute of Mining and Metallurgy (AusIMM) and a member of the Australian Institute of Company Directors (AICD).

Nicholas Paul Earner – Non-Executive Director

BEng (hons)

Appointed Non-Executive Director 1 September 2017.

Mr Earner is a chemical engineer and graduate of University of Queensland with over 25 years' experience in technical and operational optimisation and management, and has held a number of executive roles in mining and processing.

Mr Earner joined the Alkane group as Chief Operations Officer in August 2013, with responsibility for the safe and efficient management of Alkane Resources Ltd's operations at Tomingley and the Dubbo Project. Under his supervision, the successful development of Tomingley transitioned to profitable and efficient operations. His guidance also drove engineering and metallurgical aspects of the Dubbo Project, prior to its transition into the separately listed Australian Strategic Materials Ltd.

Prior to his appointment as Alkane Resources Ltd's Chief Operations Officer in August 2013, he had roles at Straits Resources Ltd, Rio Tinto Coal Australia's Mount Thorley Warkworth coal mine and BHP/WMC Olympic Dam copper-uranium-gold operations.

Mr Earner is the Managing Director of Alkane Resources Ltd and a Non-Executive Director of Genesis Minerals Ltd (Genesis).

David Ian Chalmers – Non-Executive Director

MSc, FAusIMM, FAIG, FIMM, FSEG, MSGA, MGSA, FAICD

Appointed Non-Executive Director 18 March 2014.

Mr Chalmers is a geologist and graduate of the Western Australia Institute of Technology (Curtin University) and has a Master of Science degree from the University of Leicester in the United Kingdom. He has worked in the mining and exploration industry for over 50 years, during which time he has had experience in all facets of exploration and mining through feasibility and development to the production phase. Mr Chalmers has had a 30-year involvement in the rare metal and rare earth industry, and he managed the geology, process development and global marketing effort for the Dubbo Project, advancing it to the threshold of development.

Mr Chalmers is also currently the Technical Director of Alkane Resources Ltd and has held that role since 2017. Prior to that, he held the role of Managing Director.

Gavin Murray Smith – Non-Executive Director

B.Com, MBA, MAICD

Appointed Non-Executive Director 12 December 2017.

Mr Smith is an accomplished senior executive and non-executive director within multinational business environments. He has more than 35 years' experience in information technology, business development, and general management in a wide range of industries and sectors. As Non-Executive Director of Bosch Subsidiaries and Joint Ventures in Australia and New Zealand, Mr Smith has led the restructuring and transformation of the local Bosch subsidiary. Mr Smith is a member of the industry advisory boards of the CSIRO and Monash University, and a Non-Executive Director of Alkane Resources Ltd.

Dennis Wilkins – Joint Company Secretary

B.Bus, ACIS, AICD

Appointed Company Secretary 29 March 2018.

Mr Wilkins is the founder and principal of DWCorporate Pty Ltd, a corporate advisory firm servicing the natural resources industry.

Since 1994 he has been a director of, and involved in the executive management of, several publicly listed resource companies with operations in Australia, PNG, Scandinavia and Africa. Since July 2001 Mr Wilkins has been running DWCorporate Pty Ltd, where he advises on the formation of, and capital raising for, emerging companies in the Australian resources sector.

Mr Wilkins is currently a director of Key Petroleum Limited.

James Carter – Joint Company Secretary

Appointed joint Company Secretary 20 May 2020, resigned 2 August 2021.

Mr Carter is a CPA and Chartered Company Secretary with over 20 years' international experience in the resources industry. He has held senior finance positions across listed resources companies since 2001.

Ms Julie Jones replaced Mr Carter as joint Company Secretary on 2 August 2021.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Board		Audit Committee		Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
I J Gandel	13	13	2	2	2	2
D G Woodall	13	13	-	-	-	-
D I Chalmers	13	13	-	-	2	2
G M Smith	13	13	2	2	2	2
N P Earner	13	13	2	2	2	2
A D Lethlean*	1	1	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

** A D Lethlean resigned as director on 28 July 2020.*

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Consolidated Entity, in accordance with the requirements of the *Corporations Act 2001* and its regulations.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration;
- Details of remuneration;
- Service agreements; and
- Additional disclosures relating to key management personnel.

Remuneration governance

The Company has established a Remuneration Committee to assist the Board in fulfilling its corporate governance responsibilities with respect to remuneration by reviewing and making appropriate recommendations to the Board on:

- The overall remuneration strategy and framework for the Company;
- The operation of the incentive plans, which apply to the executive team, including the appropriateness of key performance indicators and performance hurdles; and
- The assessment of performance and remuneration of the executive directors, non-executive directors and other key management personnel.

The Remuneration Committee is a committee of the Board. At the date of this report the members were non-executive directors and included G M Smith (Chair), I J Gandel, N P Earner and D I Chalmers.

Their objective is to ensure that remuneration policies and structures are fair, competitive and aligned with the long-term interests of the Company and its shareholders.

The Company's annual Corporate Governance Statement provides further information on the role of this committee. The full statement is available at URL: www.asm-au.com.au/company/governance.

Statutory performance indicators

The Company aims to align executive remuneration to the Company's strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the Group's financial performance for the current year as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the specific measures in determining the variable amounts of remuneration to be awarded to key management personnel. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration rewarded.

	30 June 2021
Loss for the year attributable to owners (\$'000)	(783)
Basic loss per share (cents)*	(1)
Dividend payments (\$'000)	-
Share price at period end (\$)*	7.80

* The Company was admitted to the Official List of ASX on 29 July 2020.

Principles used to determine the nature and amount of remuneration

The objective of the Consolidated Entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Are competitive and reasonable, enabling the Company to attract and retain key talent while building a diverse, sustainable and high-achieving workforce;
- Are aligned to the Company's strategic and business objectives and the creation of shareholder value;
- Promote a high-performance culture regarding that leadership at all levels is a critical element in this regard;
- Are transparent; and
- Are acceptable to shareholders.

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Consolidated Entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high-performance and high-quality personnel.

In consultation with external remuneration consultants (refer to the section 'Use of remuneration consultants' below), the Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Consolidated Entity.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors (NEDs) fees and payments are reviewed annually by the Remuneration Committee. The Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chair's fees are determined independently to the fees of other non-executive directors, based on comparative roles in the external market. The Chair is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. In accordance with ASM's Constitution, the remuneration of the non-executive directors of ASM in each financial year will not exceed the maximum aggregate amount determined by ASM shareholders in general meeting from time to time. The maximum aggregate amount is currently \$500,000, inclusive of superannuation and exclusive of reimbursement of expenses (with the Company proposing to put a resolution to shareholders at the 2021 Annual General Meeting to increase this maximum aggregate to \$950,000).

This remuneration may be divided among the ASM NEDs in such proportions as they decide. The maximum aggregate remuneration amount has been set so as to enable the appointment of additional ASM NEDs if required.

Executive remuneration

The Consolidated Entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration Committee based on individual and business unit performance, the overall performance of the Consolidated Entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Consolidated Entity and provides additional value to the executive.

The long-term incentives ('LTI') include share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures as well as performance-related milestones. These include increase in shareholders' value relative to the entire market. The Remuneration Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2021.

Use of remuneration consultants

During the financial year ended 30 June 2021, the Consolidated Entity, through the Remuneration Committee, engaged Godfrey Remuneration Group Pty Limited, remuneration consultants, to provide details of market remuneration practices for specific key management personnel roles in the market capitalisation ranges relevant to the Company and to review its existing remuneration policies and provide recommendations on structuring STI and LTI programs. This has resulted in share-based payments remuneration in the form of options (LTI) being implemented. Godfrey Remuneration Group Pty Limited was paid \$3,500 for these services.

An agreed set of protocols were put in place to ensure that the remuneration recommendations would be free from undue influence from key management personnel. These protocols include requiring that the consultant not communicate with affected key management personnel without a member of the Remuneration Committee being present, and that the consultant not provide any information relating to the outcome of the engagement with the affected key management personnel. The Board is also required to make inquiries of the consultant's processes at the conclusion of the engagement to ensure that they are satisfied that any recommendations made have been free from undue influence. The Board is satisfied that these protocols were followed and as such there was no undue influence.

At the 2020 AGM, 99% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Consolidated Entity are set out in the following tables.

The key management personnel of the Consolidated Entity consisted of the following directors of Australian Strategic Materials Ltd:

- I J Gandel
- D G Woodall
- N P Earner
- D I Chalmers
- G M Smith
- A D Lethlean (resigned upon Demerger on 28 July 2020)

And the following persons:

- F Moon – President Asia
- A MacDonald – General Manager, Marketing (resigned 12 March 2021)
- J Carter – Joint Company Secretary

Since the end of the reporting period, the following changes to key management personnel are as follows:

- J Carter resigned as joint Company Secretary on 2 August 2021.
- J Jones was appointed as joint Company Secretary on 2 August 2021.
- J Clifton was appointed as Chief Financial Officer on 12 July 2021.
- R Smith was appointed as Chief Operations Officer on 5 July 2021.

There have been no other changes to Directors or key management personnel since the end of the reporting period.

	Cash salary and fees	Post-employment benefits	Annual and long service provision ¹	Performance rights ²	Total
2021	\$	\$	\$	\$	\$
Non-Executive Directors:					
I J Gandel	112,508	10,688	-	-	123,196
G M Smith	85,900	-	-	-	85,900
D I Chalmers	67,213	6,386	-	-	73,599
N P Earner	71,094	6,754	-	-	77,848
Executive Directors:					
D G Woodall	452,637	20,442	54,643	661,409	1,189,131
Other key management personnel:					
F Moon ³	425,980	277	-	-	426,257
A MacDonald ⁴	263,239	14,941	(30,485)	-	247,695
	1,478,571	59,488	24,158	661,409	2,223,626

(1) The amounts disclosed in this column represent the movements in the associated provisions. They may be negative where a key management personnel has taken more leave than accrued during the year.

(2) Performance rights have been granted and valued, however vesting is subject to performance hurdles.

(3) F Moon was paid through Soon Hyun Huh, a company in which he has a controlling interest. From 1 June 2021, F Moon was employed directly by the Group.

(4) Resigned 12 March 2021.

(5) J Carter's services were provided to the Company via the intercompany services agreement between the Company and Alkane Resources Ltd as part of the demerger.

(6) Post-employment benefits are provided through superannuation contributions and national pension scheme.

	Cash salary and fees	Post-employment benefits	Annual and long service provision	Performance rights**	Total
2020	\$	\$	\$	\$	\$
Executive Directors:					
D G Woodall	121,180	11,512	10,720	255,503	398,915
Other key management personnel:					
S Messiter*	91,324	8,676	-	-	100,00
A MacDonald	47,469	4,389	72,938	-	124,796
	259,973	24,577	83,658	255,503	623,711

* S. Messiter ceased to be a key management personnel from 1 July 2020.

** Prior period vesting period for performance rights remuneration for D Woodall has been reassessed during the current financial year and an amount of \$255,503 has been included in the above table.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk – LTI	
	2021	2020	2021	2020
Non-Executive Directors:				
I J Gandel	100%	-	-	-
G M Smith	100%	-	-	-
D I Chalmers	100%	-	-	-
N P Earner	100%	-	-	-
Executive Directors:				
D G Woodall	44%	36%	56%	64%
Other key management personnel:				
F Moon	100%	100%	-	-
A MacDonald	100%	100%	-	-

On 19 May 2020, 3,000,000 performance rights were granted to Executive Director, D Woodall, with a total shareholder return and milestone performance hurdles.

The performance rights with total shareholder return performance hurdles (1,800,000 performance rights) were valued at \$0.59/performance right based on the Monte Carlo valuation model using the following assumptions:

- \$1.14 starting share price;
- 3 year performance period;
- 0.26% risk-free interest rate; and
- 71.75% volatility.

Vesting occurs after the end of the performance period ended 30 July 2023, with a nil exercise price with performance targets as per below:

Absolute total shareholder return	% Performance rights vesting
Final share price <150% of starting share price	Nil
Final share price >= 150% and less than 200% of starting share price	33.33%
Final share price >=200% and less than 300% of starting share price	66.67%
Final share price >= 300% of starting share price	100%

The performance rights (1,200,000 performance rights) that are milestone based have the performance metrics provided in the table below.

Performance metrics	Weighting	Vested	Performance period
In the event a strategic partner organised by ASM buys >15% of ASM/Project	25%	0%	Performance period ends 30 July 2023
In the event off-take agreement >40% of project revenue is signed	25%	0%	Performance period ends 30 July 2023
In the event debt >40% of project capital is signed	25%	0%	Performance period ends 30 July 2023
In the event a Korean metals plant is successfully commissioned on a positive cash flow basis	25%	0%	Performance period ends 30 July 2023

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: D G Woodall
 Title: Managing Director
 Agreement commenced: 10 February 2020
 Term of agreement: Ongoing
 Details: Total fixed remuneration: \$600,000
 Notice period: 3 months

Name: F Moon
 Title: President Asia
 Agreement commenced: 1 June 2021
 Term of agreement: Ongoing
 Details: Total fixed remuneration: \$365,000
 Notice period: 3 months

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
I J Gandel	-	-	31,584,110	-	31,584,110
G M Smith	-	-	71,117	-	71,117
N P Earner	-	-	725,499	-	725,499
D I Chalmers	-	-	1,218,833	-	1,218,833
D Woodall	-	-	7,500	-	7,500
J Carter	-	-	83,318	(83,173)	145
A MacDonald (resigned 12 March 2021)	-	-	595,327	(595,327)	-
	-	-	34,285,704	(678,500)	33,607,204

Performance rights holding

The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
D Woodall	-	3,000,000	-	-	3,000,000
	-	3,000,000	-	-	3,000,000

This concludes the remuneration report, which has been audited.

Indemnity and insurance of officers

ASM Ltd (the Parent Company) has entered into deeds of indemnity, access and insurance with each of the directors. These deeds remain in effect as at the date of this report. Under the deeds, the Ultimate Parent Company indemnifies each director to the maximum extent permitted by law against legal proceedings or claims made against or incurred by the directors in connection with being a director of the Consolidated Entity, or breach by the Consolidated Entity of its obligations under the deed.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No liability has arisen under this indemnity as at the date of this report.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors, in accordance with advice provided by the Audit Committee, are of the opinion that the services as disclosed in note 19 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Rounding of amounts

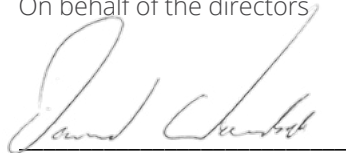
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain 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 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



D G Woodall
Director

14 September 2021



Auditor's Independence Declaration

As lead auditor for the audit of Australian Strategic Materials Limited for the year ended 30 June 2021, 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 audit, and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'Helen Bathurst', with a stylized flourish at the end.

Helen Bathurst
Partner
PricewaterhouseCoopers

Perth
14 September 2021

Financial Statements

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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 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

Level 4, 66 Kings Park Road, West Perth, 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 14 September 2021. The directors have the power to amend and reissue the financial statements.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2021

	Note	Consolidated	
		\$'000	\$'000
Revenue	3	1,377	212
Other income	4	5,237	861
Expenses from continuing operations			
Professional fees and consulting services		(1,915)	(624)
Employee remuneration		(1,829)	-
Directors' fees and salaries		(581)	-
General and administration expenses		(2,316)	(439)
Pastoral company expenses		(978)	(848)
Finance charges		-	(3,585)
Depreciation and amortisation expense		(970)	(80)
Share of loss of RMR Tech		-	(10)
Loss before income tax benefit		(1,975)	(4,513)
Income tax benefit	5	1,166	248
Loss after income tax benefit for the year		(809)	(4,265)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		9	-
Other comprehensive income for the year, net of tax		9	-
Total comprehensive loss for the year		(800)	(4,265)
Loss for the year is attributable to:			
Non-controlling interest		(26)	-
Owners of Australian Strategic Materials Ltd	18	(783)	(4,265)
		(809)	(4,265)
Total comprehensive loss for the year is attributable to:			
Non-controlling interest		-	-
Owners of Australian Strategic Materials Ltd		(800)	(4,265)
		(800)	(4,265)

	Note	Consolidated	
		Cents	Cents
Basic loss per share	31	(1)	(85,300,000)
Diluted loss per share	31	(1)	(85,300,000)

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

Consolidated balance sheet

As at 30 June 2021

		Consolidated	
	Note	2021	2020
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	6	93,324	18,544
Receivables	7	739	107
Consumables		243	4
Biological assets	8	581	403
Total current assets		94,887	19,058
Non-current assets			
Property, plant and equipment	9	31,451	27,567
Exploration and evaluation	10	96,742	90,665
Intangibles	11	4,668	-
Investments accounted for using the equity method	12	-	1,721
Receivables	7	-	127
Biological assets	8	663	380
Other financial assets		224	20
Total non-current assets		133,748	120,480
Total assets		228,635	139,538
Liabilities			
Current liabilities			
Trade and other payables	13	1,202	344
Borrowings	14	-	117,731
Provisions	15	159	145
Other		22	-
Total current liabilities		1,383	118,220
Non-current liabilities			
Deferred tax	5	24,561	26,043
Provisions	15	27	33
Other		59	-
Total non-current liabilities		24,647	26,076
Total liabilities		26,030	144,296
Net assets/(liabilities)		202,605	(4,758)
Equity			
Issued capital	16	207,162	1
Reserves	17	12,250	11,324
Accumulated losses	18	(16,866)	(16,083)
Equity/(deficiency) attributable to the owners of Australian Strategic Materials Ltd		202,546	(4,758)
Non-controlling interest		59	-
Total equity/(deficiency)		202,605	(4,758)

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

Consolidated statement of changes in equity

For the year ended 30 June 2021

	Contributed equity	Capital contribution	Accumulated losses	Total deficiency in equity
	\$'000	\$'000	\$'000	\$'000
Consolidated				
Balance at 1 July 2019	1	39,873	(11,818)	28,056
Loss after income tax benefit for the year	-	-	(4,265)	(4,265)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(4,265)	(4,265)
Adjustment for reclassification	-	(28,549)	-	(28,549)
Balance at 30 June 2020	1	11,324	(16,083)	(4,758)

	Contributed equity	Capital contribution	Translation reserve	Other reserves	Accumulated losses	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated							
Balance at 1 July 2020	1	11,324	-	-	(16,083)	-	(4,758)
Loss after income tax benefit for the year	-	-	-	-	(783)	(26)	(809)
Other comprehensive income for the year, net of tax	-	-	9	-	-	-	9
Total comprehensive income for the year	-	-	9	-	(783)	(26)	(800)

Transactions with owners in their capacity as owners:

Contributions of equity, net of transaction costs (note 16)	206,845	-	-	-	-	-	206,845
Share-based payments	-	-	-	917	-	-	917
Deferred tax recognised in equity	316	-	-	-	-	-	316
Non-controlling interests	-	-	-	-	-	85	85
Balance at 30 June 2021	207,162	11,324	9	917	(16,866)	59	202,605

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

Consolidated statement of cash flows

For the year ended 30 June 2021

	Note	Consolidated	
		2021	2020
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		1,145	215
Payments to suppliers (inclusive of goods and services tax)		(6,676)	(1,508)
		(5,531)	(1,293)
Interest received		75	338
Other income		242	734
Finance costs paid		(1)	(1)
Net cash used in operating activities	27	(5,215)	(222)
Cash flows from investing activities			
Payments for investments		(414)	(1,730)
Payments for property, plant and equipment		(2,955)	(223)
Payments for exploration and evaluation		(5,840)	(2,474)
Payments for biological assets		(196)	(457)
Proceeds from sale of biological assets		-	117
Net cash acquired with subsidiaries		114	-
Net cash used in investing activities		(9,291)	(4,767)
Cash flows from financing activities			
Proceeds from issue of shares	16	91,919	-
(Payments for)/Proceeds from borrowings from related party		-	(3,435)
Share issue transaction costs		(2,633)	-
Net cash from/(used in) financing activities		89,286	(3,435)
Net increase/(decrease) in cash and cash equivalents		74,780	(8,424)
Cash and cash equivalents at the beginning of the financial year		18,544	26,968
Cash and cash equivalents at the end of the financial year		93,324	18,544

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') 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.

New standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2021. The Consolidated Entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Going concern

As at 30 June 2021, the Group made a net loss after tax of \$809,000 (2020 net loss: \$4,265,000). The net asset position of the Group increased from a net asset deficiency of \$4,758,000 at 30 June 2020 to a net asset position of \$202,605,000 as at 30 June 2021.

The Group is continuing with exploration and evaluation activities in relation to the Dubbo Project, as well as progressing the development of the Group's first commercial metals plant in South Korea. As a result, the Group is not yet generating commercial levels of revenue and will therefore rely on funding from its shareholders or other sources to continue as a going concern.

The directors have prepared a cash flow forecast, and are satisfied that at the date of signing of the financial report, there are reasonable grounds to believe that the Group will be able to continue to settle its liabilities and meet its debts as and when they fall due. As a result the directors consider it appropriate for the financial statements to be prepared on a going concern basis.

Biological Assets

The Company recognises biological assets when, and only when, the Company controls the assets as a result of past events, it is probable that future economic benefits associated with such assets will flow to the Company and the fair value or cost of the assets can be measured reliably. Expenditure incurred on biological assets are measured on initial recognition and at the end of each reporting period at its fair value less costs to sell in terms. The gain or loss arising on initial recognition of such biological assets at fair value less costs to sell and from a change in fair value less costs to sell of biological assets are included in Statement of Comprehensive Income for the period in which it arises.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, biological assets, certain classes of property, plant and equipment and derivative financial instruments.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Consolidated Entity only. Supplementary information about the Parent Entity is disclosed in note 23.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Strategic Materials Ltd ('Company' or 'Parent Entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Australian Strategic Materials Ltd and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, balance sheet and statement of changes in equity of the Consolidated Entity. Losses incurred by the Consolidated Entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Australian Strategic Materials Ltd's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Current and non-current classification

Assets and liabilities are presented in the balance sheet based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets

The Consolidated Entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Consolidated Entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on

the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Impairment of non-financial assets

At each balance sheet date, the Consolidated Entity reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

The recoverable amount of a CGU is the higher of its fair value less costs to dispose (FVLCTD) and its value-in-use (VIU). FVLCTD is the best estimate of the amount obtainable from the sale of a CGU in an arm's length transaction between knowledgeable willing parties, less the costs of disposal. This estimate is determined on the basis of available market information taking into account specific circumstances.

VIU is the present value of the future cash flows expected to be derived from the assets or group of assets (CGUs). Cash flow projections are based on economic and regulatory assumptions and forecast trading conditions prepared by management.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Subsidiaries

Subsidiaries are all entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Consolidated Entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of

the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

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.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Impairment of capitalised exploration and evaluation expenditure

Exploration and evaluation costs have been capitalised on the basis that the Consolidated Entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices.

Where economic recoverable reserves for an area of interest have been identified, and a decision to develop has occurred, capitalised expenditure is classified as mine development.

To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which the determination is made.

Goodwill and other indefinite life intangible assets

The Consolidated Entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill

The Consolidated Entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Consolidated Entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The Consolidated Entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated Entity recognises liabilities for anticipated tax audit issues based on the Consolidated Entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Note 3. Revenue

	Consolidated	
	2021	2020
	\$'000	\$'000
Pastoral company revenue	1,377	212

Note 4. Other income

	Consolidated	
	2021	2020
	\$'000	\$'000
Net foreign exchange loss	(46)	(2)
Net gain on loan forgiveness	4,731	-
Interest income	69	404
Pastoral company income	-	338
Lease income	151	121
Sundry income	332	-
Other income	5,237	861

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 5. Income tax

	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Income tax (benefit)/expense</i>		
Current tax	-	(417)
Deferred tax - origination and reversal of temporary differences	(1,166)	169
Aggregate income tax benefit	(1,166)	(248)
Deferred tax included in income tax benefit comprises:		
Increase/(decrease) in deferred tax liabilities	(1,166)	169
<i>Numerical reconciliation of income tax (benefit)/expense and tax at the statutory rate</i>		
Loss before income tax benefit	(1,975)	(4,513)
Tax at the statutory tax rate of 30% (2020: 30%)	(593)	(1,354)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	836	1,106
Tax rate differential on foreign income	88	-
Non-assessable income	(1,419)	-
Deductible equity raising costs	(78)	-
Income tax benefit	(1,166)	(248)
	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Amounts credited directly to equity</i>		
Deferred tax liabilities	(316)	-

	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Tax losses	2,086	-
Accruals and provisions	103	67
Borrowing costs	-	36
Blackhole expenses	317	12
Property, plant and equipment	3	35
Other	36	-
Offset against deferred tax liabilities	(2,545)	(150)
Deferred tax asset	-	-
	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Deferred tax liability</i>		
Deferred tax liability comprises temporary differences attributable to:		
Prepayments	3	3
Exploration	27,103	26,190
Set-off of deferred tax asset	(2,545)	(150)
Deferred tax liability	24,561	26,043
Movements:		
Opening balance	26,043	25,874
Charged/(credited) to profit or loss	(1,166)	169
Credited to equity	(316)	-
Closing balance	24,561	26,043

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 6. Cash and cash equivalents

	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Current assets</i>		
Cash at bank	93,324	18,544

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 7. Receivables

	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Current assets</i>		
Accounts receivables	392	97
Prepayments	347	10
	739	107
<i>Non-current assets</i>		
Receivable from related party	-	127
	739	234

Accounting policy for trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Note 8. Biological assets

	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Current assets</i>		
Biological assets	581	403
<i>Non-current assets</i>		
Biological assets	663	380
	1,244	783

Biological assets comprise sheep and cattle owned by subsidiary Toongi Pastoral Company Pty Ltd as part of farming operations on the surrounding land to the Dubbo Project mining lease.

Livestock are classified as current assets if they are to be sold within one year.

Note 9. Property, plant and equipment

	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Non-current assets</i>		
Land and buildings - at cost	28,895	27,060
Less: Accumulated depreciation	(49)	(26)
	28,846	27,034
Plant and equipment - at cost	2,922	534
Less: Accumulated depreciation	(346)	(199)
	2,576	335
Capital Work in Progress	29	198
	31,451	27,567

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land & Buildings	Plant & Equipment	Work in Progress	Right of Use Asset	Total
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	26,448	391	119	-	26,958
Additions	-	-	689	-	689
Transfers between classes	604	6	(610)	-	-
Depreciation expense	(19)	(61)	-	-	(80)
Balance at 30 June 2020	27,033	336	198	-	27,567
Additions	-	1,027	1,783	122	2,932
Disposals	-	(5)	-	-	(5)
Additions through asset acquisition (note 24)	-	1,214	-	-	1,214
Transfers between classes	1,835	117	(1,952)	-	-
Depreciation expense	(22)	(230)	-	(5)	(257)
Balance at 30 June 2021	28,846	2,459	29	117	31,451

All property, plant and equipment is stated at historical cost less accumulated depreciation and impairment charges. Historical cost includes:

- expenditure that is directly attributable to the acquisition of items;
- the present value of the estimated costs of dismantling and removing the asset and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An assets carrying value amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings 40 years

Plant and equipment 3-7 years

Note 10. Exploration and evaluation

	Consolidated	
	2021	2020
	\$'000	\$'000
Opening balance	90,665	88,783
Expenditure capitalised during the year	6,077	1,882
Closing balance	96,742	90,665

Exploration and evaluation costs are carried forward on an area of interest basis. Costs are recognised and carried forward where rights to tenure of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable resources, and active and significant exploration and evaluation activities in, or in relation to, the area of interest continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit is not larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine properties under development. No amortisation is charged during the exploration and evaluation phase.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Costs carried forward in respect of an area of interest that is abandoned are written off in the period in which the decision to abandon is made.

There may exist, on the Consolidated Entity's exploration properties, areas subject to claim under native title or containing sacred sites or sites of significance to Aboriginal people. As a result, exploration properties or areas within tenements may be subject to exploration or mining restrictions.

Note 11. 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 24 for further information on the acquisition.

	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Non-current assets</i>		
Intellectual property (IP)	5,380	-
Less: Accumulated amortisation	(712)	-
	4,668	-

Accounting policy for intangible assets

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.

Intellectual property

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Note 12. Investments accounted for using the equity method

	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Non-current assets</i>		
Interest in associate	-	1,721
<i>Reconciliation</i>		
Reconciliation of the carrying amounts at the beginning and end of the current and previous financial 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)	-
Closing carrying amount	-	1,721

During the year, ASM entered into a Heads of Agreement ("HOA") with RMR and KSM. ASM has become the 100% owner of RMR after completing the transactions listed in the HOA. RMR became a subsidiary of ASM, therefore, the accounting for investment in RMR changed from equity method to consolidation accounting.

Note 13. Trade and other payables

	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	221	344
Other payables	981	-
	1,202	344

Trade and other payables represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial period which are unpaid. Trade payables are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented in current liabilities unless payment is not due within 12 months from the reporting date.

Note 14. Borrowings

	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Current liabilities</i>		
Loans from related party	-	117,731

The loans in the prior year 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 15. Provisions

	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Current liabilities</i>		
Employee benefits	159	145
<i>Non-current liabilities</i>		
Employee benefits	27	33
	186	178

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Consolidated Entity does not have an unconditional right to defer settlement. However, based on past experience, the Consolidated Entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2021	2020
	\$'000	\$'000
Employee benefits obligation expected to be settled after 12 months	25	22

Accounting policy for employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 16. Issued capital

	Consolidated			
	2021 Shares	2020 Shares	2021 \$'000	2020 \$'000
Ordinary shares - fully paid	139,506,006	5	207,162	1

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2019	5		1
Balance	30 June 2020	5		1
Issue of shares as part of demerger		119,049,773	\$0.95	113,000
Consideration for purchase of RMR group		1,306,417	\$3.49	4,559
Share placement		13,541,666	\$4.80	65,000
Rights issue		5,608,145	\$4.80	26,919
Less: Transactions costs arising on share issue		-		(2,633)
Deferred tax credit recognised directly into equity		-		316
Balance	30 June 2021	139,506,006		207,162

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 a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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, as part of the acquisitions of RMR and KSM, 1,306,417 shares were to be issued for consideration of \$4,559,000 to current KSM 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.

On 21 April 2021, the Company finalised \$91,919,000 (before costs) capital raising which provided funding to focus on advanced key workstreams including engineering and development of the Korean Metals Plant and the FEED study for the Dubbo Project while also providing additional working capital and funding of corporate costs.

Note 17. Reserves

	Consolidated	
	2021	2020
	\$'000	\$'000
Foreign currency reserve	9	-
Share-based payments reserve	917	-
Capital contributions reserve	11,324	11,324
	12,250	11,324

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Capital contributions reserve

This reserve has been used to recognise the discounted value of a loan from Alkane Resources Ltd prior to the demerger in accordance with AASB 9.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Note 18. Accumulated losses

	Consolidated	
	2021	2020
	\$'000	\$'000
Accumulated losses at the beginning of the financial year	(16,083)	(11,818)
Loss after income tax benefit for the year	(783)	(4,265)
Accumulated losses at the end of the financial year	(16,866)	(16,083)

Note 19. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Company, and its network firms:

	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Audit services - PricewaterhouseCoopers</i>		
Audit or review of the financial statements	92	121
<i>Other services - PricewaterhouseCoopers</i>		
Taxation services	41	-

Note 20. Contingent liabilities

The Consolidated Entity has contingent liabilities estimated at up to \$5,375,000 for the potential acquisition of parcels of land surrounding the Dubbo Project (2020: \$3,670,000). The landholders have the right to require the Consolidated Entity to acquire their property when the development consent conditions for the Dubbo Project have been met.

Note 21. 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 \$179,000 within the next twelve months (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 \$2,623,000 for the acquisition of parcels of land surrounding the Dubbo Project (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 property as provided for under the agreement with Australian Strategic Materials (Holdings) Limited as development consent conditions have been met for the Dubbo Project. In addition, \$2,610,000 has been committed regarding activities for the Dubbo Project.

Note 22. Related party transactions

Parent entity

Australian Strategic Materials Ltd is the parent entity of the Group.

Subsidiaries

Interests in subsidiaries are set out in note 25.

Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2021	2020
	\$'000	\$'000
Payment for goods and services:		
Purchase of goods from other related party	4	-

Nuclear IT, a director related entity, provides information technology consulting services to the Consolidated Entity which includes the coordination of the purchase of information technology hardware and software.

Related party payables

As at 30 June 2021, committee fees totalling \$3,750 remained payable to the group's Non-Executive Director, Mr D I Chalmers (2020: nil).

Note 23. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2021	2020
	\$'000	\$'000
Profit/(loss) after income tax	4,631	(680)
Total comprehensive income	4,631	(680)

Balance sheet

	Parent	
	2021	2020
	\$'000	\$'000
Total current assets	90,613	112,973
Total assets	208,288	112,973
Total current liabilities	333	117,731
Total liabilities	338	117,731
Equity		
Issued capital	207,162	1
Share-based payments reserve	917	-
Capital contributions reserve	11,323	11,324
Accumulated losses	(11,452)	(16,083)
Total equity/(deficiency)	207,950	(4,758)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity
- Investments in JV are accounted for at cost, less any impairment, in the parent entity; and
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 24. Asset acquisition

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

Through the acquisitions, the ASM group now owns all of KSM’s patents and related intellectual property and technology that were the subject of the RMR joint venture, as well as any intellectual property rights or interests that may be developed by KSM in the future. Professor Jonghyeon Lee holds the remaining 5% of KSM.

Details of the purchase consideration are as follows:

	\$'000
Purchase consideration	
Acquisition date fair value of investment previously held	1,721
Ordinary shares to be issued	4,559
Convertible Note and associated interest	123
Transaction costs	414
Cash paid by RMR to purchase KSM Metals shares	7
	<u>6,824</u>

The fair value consideration of \$4,559,000 for the 1,306,417 shares issued as part of the consideration paid for RMR 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	114
Other current assets	339
Plant and equipment	1,214
Intellectual property	5,342
Other non-current assets	158
Other payables	(258)
Less: non-controlling interests	(85)
Net assets acquired	<u>6,824</u>

Note 25. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Note Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
Australian Strategic Materials (Holdings) Ltd (name changed from Australian Strategic Materials Ltd on 14 February 2020)	Australia	100.00%	100.00%
Toongi Pastoral Company Pty Ltd	Australia	100.00%	100.00%
Rare Metals Resources Technology Corporation*	South Korea	100.00%	10.07%
KSM Technology Co. Ltd (previously named Zirconium Technology Corporation)	South Korea	95.00%	-
ASM Metals Corporation Pty Ltd	Australia	100.00%	-
ASM Technology Corporation Pty Ltd	Australia	100.00%	-
Korea Strategic Metal Co	South Korea	100.00%	-

* Rare Metals Resources Technology Corporation name changed to ASM Korea Co. Ltd on the 17 August 2021.

Note 26. Events after the reporting period

On 21 July 2021, ASM signed a \$US250,000,000 framework agreement with a South Korean consortium for 20% in the Dubbo Project and offtake from the Korean Metals Plant. The key points are:

- ASM has signed a conditional framework agreement with consortium of South Korean investors for the acquisition of a 20% equity interest in ASM's Dubbo Project holding company.
- Under the Agreement a consortium fund will invest \$US250,000,000 for the 20% equity interest.
- The Investing Partnership intends 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.
- The Agreement creates a pathway for ASM to develop the Dubbo Project and execute its "mine to metal" strategy.

No other matter or circumstance has arisen since 30 June 2021 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.

Note 27. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2021	2020
	\$'000	\$'000
Loss after income tax benefit for the year	(809)	(4,265)
Adjustments for:		
Depreciation and amortisation	970	80
Finance charges	70	3,585
Equity accounted movement	-	10
Share based payments	917	-
Loan forgiveness income	(4,731)	-
Change in operating assets and liabilities:		
Decrease/(increase) in receivables	(633)	220
Increase in inventory	(239)	(247)
Increase in trade and other payables	858	143
Decrease in deferred tax liabilities	(1,165)	(248)
Increase in other provisions	7	160
(Increase)/decrease in biological assets	(460)	340
Net cash used in operating activities	(5,215)	(222)

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Consolidated	
	2021	2020
	\$'000	\$'000
Cash and cash equivalents	93,324	18,544
Related party borrowings - repayable within one year *	-	(117,731)
Net debt	93,324	(99,187)

	Cash	Related party borrowings repayable within one year *	Total
	\$'000	\$'000	\$'000
Opening net debt	18,544	(117,731)	(99,187)
Cash flows	74,780	-	74,780
Other non-cash movements	-	117,731	117,731
Closing net debt	93,324	-	93,324

* The loans in the prior year 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. Refer note 14.

Note 28. Key management personnel disclosures

Directors

The following persons were directors of Australian Strategic Materials Ltd during the financial year:

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

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, during the financial year:

F Moon
J Carter
A MacDonald (resigned 12 March 2021)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Consolidated Entity is set out below:

	Consolidated	
	2021	2020
	\$'000	\$'000
Short-term employee benefits	1,478	260
Post-employment benefits	60	24
Long-term benefits	24	84
Share-based payments	661	256
	2,223	624

Note 29. 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.

Note 30. Financial risk management

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks and mitigating strategies.

The Consolidated Entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Market risk

Foreign currency risk

The majority of the Group's expenditure are in Australian dollars as such the risk is not significant and is not currently required to be managed through the use of derivatives.

Price risk

The Consolidated Entity is currently not in production and has minimal income so there is no current requirement to mitigate commodity risk through the use of derivatives.

Interest rate risk

The Group's main interest rate risk arises through its cash and cash equivalents and other financial assets held within financial institutions. The Group minimises this risk by utilising fixed rate instruments where appropriate.

Summarised market risk sensitivity analysis:

	30 June 2021			30 June 2020		
	Carrying Amount	+100BP	-100BP	Carrying Amount	+100BP	-100BP
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Cash and cash equivalents	93,324	373	(373)	18,544	130	(130)
Receivables (current)*	393	-	-	97	-	-
Receivables (non-current)*	-	-	-	127	1	(1)
Other financial assets	20	-	-	20	1	(1)
Trade and other payables	1,202	5	(5)	(334)	-	-
	94,939	378	(378)	18,454	132	(132)

* The receivables balance excludes prepayments and tax balances which do not meet the definition of financial assets and liabilities.

There is no exposure to foreign exchange risk or commodity price risk for the above financial assets and liabilities.

Credit risk

The Consolidated Entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Consolidated Entity based on recent sales experience, historical collection rates and forward-looking information that is available.

In determining the recoverability of a trade or other receivable using the expected credit loss model, the Group performs a risk analysis considering the type and age of the outstanding receivables, the creditworthiness of the counterparty, contract provisions, letter of credit and timing of payment.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

(i) Risk management

The Group limits its exposure to credit risk in relation to cash and cash equivalents and other financial assets by only utilising banks and financial institutions with acceptable credit ratings.

(ii) Credit quality

Tax receivables and prepayments do not meet the definition of financial assets. The Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial liabilities as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Board of Directors monitors liquidity levels on an ongoing basis.

The Group's financial liabilities generally mature within 3 months, therefore the carrying amount equals the cash flow required to settle the liability.

Note 31. Earnings per share

	Consolidated	
	2021	2020
	\$'000	\$'000
Loss after income tax	(809)	(4,265)
Non-controlling interest	26	-
Loss after income tax attributable to the owners of Australian Strategic Materials Ltd	(783)	(4,265)
	Cents	Cents
Basic loss per share	(1)	(85,300,000)
Diluted loss per share	(1)	(85,300,000)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	114,644,807	5
Weighted average number of ordinary shares used in calculating diluted earnings per share	114,644,807	5

The number of potential ordinary shares not considered dilutive are as follows:

Performance rights	3,000,000	-
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Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Australian Strategic Materials Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 32. Capital risk management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, pay dividends to shareholders, issue new shares or sell assets.

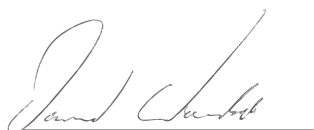
Directors' declaration

- the financial statements and notes set out on pages 45 to 76 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 30 June 2021 and of its performance for the financial year ended on that date; and
- the financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



D G Woodall
Director
14 September 2021

Independent auditor's report

To the members of Australian Strategic Materials Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Australian Strategic Materials Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended, and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2021
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information, and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope	Key audit matters
<ul style="list-style-type: none"> For the purpose of our audit we used overall Group materiality of \$2,286,000 which represents approximately 1% of the Group's total assets. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose total assets of the Group because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds. 	<ul style="list-style-type: none"> Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. The accounting processes are structured around a Group finance function at its head office in Perth. 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee: <ul style="list-style-type: none"> Carrying value of exploration and evaluation assets Basis of preparation These are further described in the <i>Key audit matters</i> section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
<p>Carrying value of exploration and evaluation assets</p> <p><i>(Refer to note 10 of the financial statements)</i></p> <p>The Group's Dubbo Project is a large exploration asset that is subject to the impairment indicators assessment required by AASB 6 Exploration for and Evaluation of Mineral Resources. Due to the relative size of this balance in the consolidated balance sheet, as well as the judgemental application of AASB 6 this has been considered a key audit matter.</p> <p>Judgement was required by the Group to assess whether there were indicators of impairment of the capitalised exploration and evaluation assets due to the need to make estimates and assumptions about future events and circumstances, such as whether the mineral resources may be economically viable to mine in the future.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> Assessed whether the Group retained right of tenure for all of its exploration licence areas by obtaining licence status records from relevant government databases. For a sample of additions to exploration and evaluation assets during the year, inspected relevant supporting documentation such as invoices, and compared the amounts to accounting records. For a sample of additions to exploration and evaluation assets during the year, tested the nature of the expense being capitalised and whether this was in accordance with AASB 6. Inquired of management and directors as to the future plans for the capitalised exploration and evaluation assets and assessed plans for future expenditure to meet minimum licence requirements.
<p>Basis of preparation</p> <p><i>(Refer to note 1 of the financial statements)</i></p> <p>As described in Note 1 to the financial report, the financial statements have been prepared by the Group on a going concern basis, which contemplates that the Group will continue to meet its commitments, realise its assets and settle its liabilities in the normal course of business.</p> <p>The Group is continuing with exploration and evaluation activities in relation to the Dubbo project, as well as progressing the development of the Group's first commercial metals plant in South Korea. As a result, the Group is not yet generating commercial levels of revenue and will therefore rely on funding from its shareholders or other sources to continue as a going concern. These funds will be used to meet expenditure requirements in relation to the Dubbo Project and continue the construction of the Korean commercial metals plant.</p> <p>Assessing the appropriateness of the Group's basis of preparation for the financial report was a key audit matter due to its importance to the financial report and the level of judgement involved in assessing future funding and operational status, in particular with respect to the Group forecasting future cash flows for a period of at least 12 months from the audit report date (cash flow forecasts).</p>	<p>In assessing the appropriateness of the Group's going concern basis of preparation for the financial report, we performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> evaluated the appropriateness of the Group's assessment of its ability to continue as a going concern, including whether the level of analysis is appropriate given the nature of the Group, the period covered is at least 12 months from the date of our auditor's report and relevant information of which we are aware as a result of the audit has been included, enquired of management and the directors as to their knowledge of events or conditions that may cast significant doubt on the Group's ability to continue as a going concern, evaluated selected data and assumptions used in the Group's cash flow forecasts, including agreeing assumptions to external and internal data, where available, developed an understanding of what forecast expenditure in the cash flow forecast is committed, and what could be considered discretionary, and evaluated whether, in view of the requirements of Australian Accounting Standards, the financial report provides adequate disclosures about these events or conditions.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Corporate directory and Directors' report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 34 to 40 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Australian Strategic Materials Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Helen Bathurst

Helen Bathurst
Partner

Perth
14 September 2021

Additional Information

Additional information required by Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 21 September 2021.

Shareholder information

Additional information required by Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 21 September 2021.

Distribution of Equity Securities

Analysis of numbers of equity security holders by size of holding:

	Ordinary shares	
	Number of holders	Number of shares
1 - 1,000	5,593	2,382,280
1,001 - 5,000	3,491	8,471,551
5,001 - 10,000	872	6,381,869
10,001 - 100,000	938	24,731,433
100,001 and over	98	97,538,873
	10,992	139,506,006
The number of equity security holders holding less than a marketable parcel of securities are:	279	5,795

Twenty Largest Shareholders

The names of the 20 largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of holders	Number of shares
1	ABBOTSLEIGH PTY LTD	29,848,395	21.4
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,112,570	11.55
3	CITICORP NOMINEES PTY LIMITED	7,041,255	5.05
4	CHAPELGREEN PTY LTD <CHAPELGREEN A/C>	6,337,500	4.54
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,833,344	3.46
6	MILFORD PARK SUPERANNUATION PTY LTD <MILFORD GROVE SUPERFUND A/C>	1,565,000	1.12
7	FYVIE PTY LTD <UTHMEYER FAMILY NO 2 A/C>	1,511,360	1.08
8	HOME IDEAS SHOW PTY LTD <UB PROMOTIONS S P FUND A/C>	1,504,869	1.08
9	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	1,455,357	1.04
10	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	1,447,264	1.04
11	BNP PARIBAS NOMS PTY LTD	1,100,395	0.79
12	JACANA GLEN PTY LTD <LARKING SUPER FUND NO 2 A/C>	1,015,000	0.73
13	LEEFAB PTY LTD	1,000,000	0.72
14	MR PATRICK JOHN MCHALE	964,166	0.69
15	AUBURNVALLEY PTY LTD <THE AUBURNVALLEY A/C>	960,296	0.69
16	MAGNABAY PTY LTD <THE MAGNABAY A/C>	960,291	0.69
17	LILYCREEK PTY LTD <THE LILYCREEK A/C>	960,290	0.69
18	FRASERVALLEY PTY LTD <THE FRASERVALLEY A/C>	772,205	0.55
19	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	756,477	0.54
20	BF & JT NOMINEES PTY LTD <B & J HANNEBERY S/F A/C>	750,000	0.54
		80,896,034	57.99

Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Shares
Abbotsleigh Pty Ltd and Mr Ian Jeffrey Gandel	31,584,110
Chapelgreen Pty Ltd	9,990,582

Voting Rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

Unquoted Securities

At 21 September 2021, the Company had the following unlisted securities on issue:

Class	Number of Securities	Number of Holders	Holders of 20% or more of the class	
			Holder Name	Number of Securities
Employee Performance Rights LTI FY2020	3,000,000	1	David Woodall	3,000,000

Use of Funds

The Company has, during the year ended 30 June 2021, used the funds that it had at the time of admission in a way consistent with its initial business objectives.

Corporate Governance Statement

The Company's annual Corporate Governance Statement has been published and released to the ASX separately. It is available on the Company's website at www.asm-au.com/company/governance/

Schedule of mining tenements – as at 30 June 2021

Project/Location	Tenement	Interest	Nature of interest
Dubbo, NSW	EL 5548	100%	Equity
	EL 7631	100%	Equity
	ML 1724	100%	Equity

