



Annual Report 2023

Rare Earths.
Critical Minerals.
High-tech Metals.

Disclaimer

Competent Persons

The Mineral Resources and Ore Reserves Statement has been approved by Mr D Ian Chalmers, FAusIMM, FAIG, a technical advisor to the Company. 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 is based on information which has been compiled by Mr Stuart Hutchin, MIAG, an employee of Mining One Pty Ltd. The information in this report is based on information which has been compiled by Mr Levan Ludjio MAusIMM(CP) and Mr Mark Van Leuven FAusIMM (CP), employees of Mining One Pty Ltd.

Each of Mr Chalmers, Mr Hutchin, Mr Ludjio and Mr Van Leuven 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' (JORC Code).

Previously reported information

Information prepared and disclosed under the JORC Code has not materially changed since last reported in Company's ASX announcements available to view on the Company's website. The Company is not aware of any new information or data that materially affects the information included in this Annual Report and confirms that the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Forward-looking statements

This document contains certain statements which constitute "forward-looking statements".

Often, but not always, forward-looking statements can generally be identified by the use of forward-looking words such as "may", "will", "expect", "plan", "believes", "estimate", "anticipate", "outlook" and "guidance", or similar expressions, and may include, without limitation, statements regarding plans; strategies and objectives of management; anticipated production and production potential; estimates of future capital expenditure or construction commencement dates; expected costs or production outputs; estimates of future product supply, demand and consumption; statements regarding future product prices; and statements regarding the expectation of future Mineral Resources and Ore Reserves.

While these forward-looking statements reflect the Company's expectations at the date of this report, they are not guarantees or predictions of future performance or statements of fact. The information is based on the Company forecasts and as such is subject to variation related to, but not restricted to, economic, market demand/supply and competitive factors.

Forward-looking statements are only predictions and are subject to known and unknown risks, uncertainties, assumptions, and other important factors that could cause the actual results, performances or achievements of the Company to differ materially from future results, performances or achievements expressed, projected or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date thereof. Except as required by applicable laws or regulations, the Company does not undertake to publicly update or review any forward-looking statements, whether as a result of new information or future events. The Company cautions against reliance on any forward-looking statements or guidance, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption arising in connection with COVID-19.

Information on likely developments in the Group's business strategies, prospects and operations for future financial years and the expected results that could result in unreasonable prejudice to the Group (for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage) has not been included below in this report. The categories of information omitted include forward-looking estimates and projections prepared for internal management purposes, information regarding the Company's operations and projects, which are developing and susceptible to change, and information relating to commercial contracts.

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Company Information

ACN 168 368 401

Directors

IJ Gandel (Non-Executive Chair)
R Smith (Managing Director & CEO)
NP Earner (Non-Executive Director)
KJ Gleeson (Non-Executive Director)
GM Smith (Non-Executive Director)

Joint Company Secretaries

A Eames
D Wilkins

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Nedlands WA 6009

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Facsimile: +61 8 9262 3723

Auditor

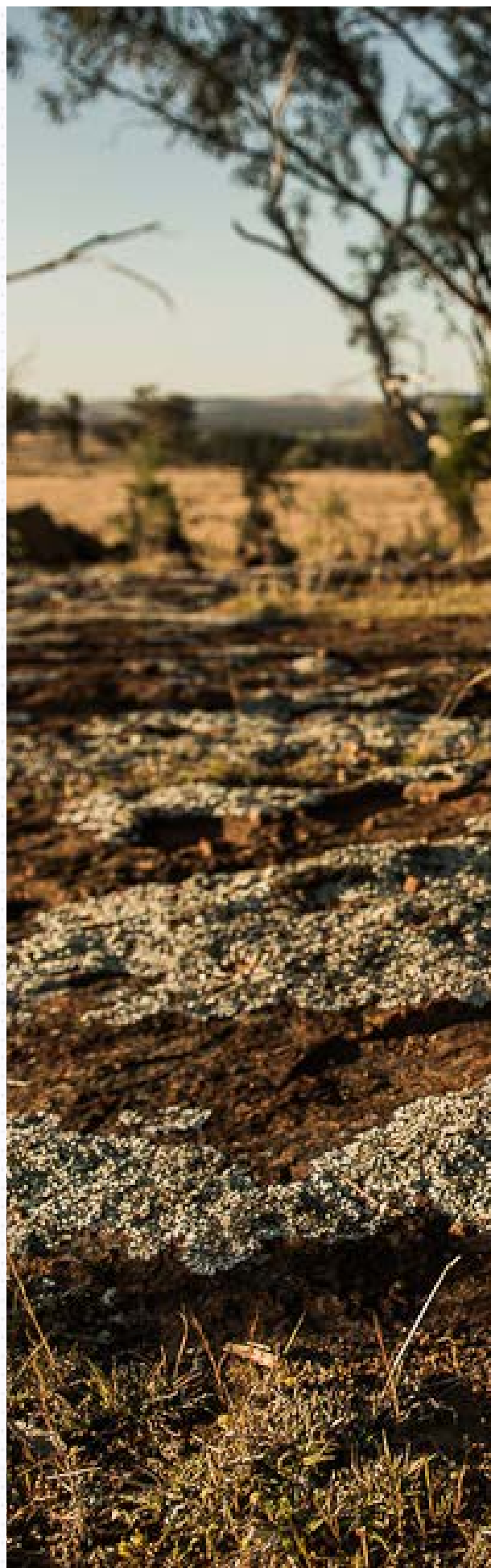
PricewaterhouseCoopers
Brookfield Place,
125 St Georges Terrace,
Perth WA 6000

Website

asm-au.com

Security exchange listing

ASX: ASM





Acknowledgement of Country

In the spirit of reconciliation Australian Strategic Materials acknowledges the Traditional Custodians of Country throughout Australia and their connections to land, sea and community.

We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

Specifically, we acknowledge the Traditional Custodians in the areas where we have our offices and operations:

- The Nyoongar Whadjuk people – Perth
- The Wilay Wiradjuri people – Dubbo and Toongi
- The Turrbal and Jagera/Yuggera people - Brisbane

The Toongi deposit at the Dubbo Project.

Message from the Chair

On behalf of the Board of Australian Strategic Materials Ltd (ASM), I am pleased to present the Company's Financial Year 2023 (FY23) Annual Report.

As the significance of rare earth elements and critical minerals continues to grow in a world embarking on a clean energy transition, ASM is positioning itself to deliver the materials required to support this mission.

Rare earths & critical minerals

In June 2023 the Australian Government released its much anticipated Critical Minerals Strategy 2023-2030. The Strategy sets out to be "an enduring framework which will guide the Government's future policy decisions to maximise the national benefits of Australia's internationally significant critical minerals endowments."

I, along with many in the resources sector, welcomed the Strategy. It highlighted the themes and focus areas that the industry has been discussing and advocating for some time. With this Strategy, and the continued geopolitical challenges we are witnessing, the vital role that rare earths and critical minerals will play in all our futures is clear to see.

As The Hon Madeleine King MP wrote in the Strategy document, "With our rich geological endowment and track record as a reliable exporter of energy and resources, Australia can play a pivotal role in delivering the processed minerals the world needs for a clean energy future."

I could not agree more. The challenge now is how we harness this incredible opportunity in Australia; to support industry, benefit communities, drive international partnerships and contribute to the sustainable energy transition.

ASM – a unique opportunity

ASM's mine to metals strategy represents a unique opportunity in Australia's national interest. Our end-to-end, alternative supply chain goes from mining our globally significant rare earths and critical minerals resource in Dubbo, Central West New South Wales, refining the materials on site, processing the oxides at our Korean Metals Plant and selling the high-tech metals and alloys to a global customer base.

Now, more than ever before, this vertically integrated approach addresses many of the challenges we see identified in not just Australia's strategic outlook, but from jurisdictions around the globe, from Japan and Korea to the US and the European Union.



ASM represents a secure, sustainable alternative to help meet the world's increasing demand for rare earths, critical minerals and high-tech metals and alloys.

Korean Metals Plant

In May 2022, we opened our first metals plant in Ochang, Korea. Delivery of this major strategic milestone was welcomed by government officials from Korea and Australia, who joined the ASM team at our opening ceremony.

Since that ceremony, it has been pleasing to witness the progress of the Korean Metals Plant (KMP). Our neodymium praseodymium metal and neodymium iron boron alloy production lines have been commissioned and are ramping up production aligned to demand. That demand is now coming from three new customers: NS World (Korea), Noveon Magnetics (US) and USA Rare Earth (US), the latter representing our first long-term binding sales agreement.

We are in production and delivering metals and alloys to a global customer base. This customer base manufactures products such as permanent magnets that are being applied into clean energy technologies including electric vehicles and wind turbines.

The capability we have developed – utilising an alternative supply chain – is a rarity in our sector but it is what we are focused on delivering, and we will continue to grow this integral aspect of our business.

The Dubbo Project

While the KMP represents a wonderful capability and much needed alternative supply of metals and alloys, the cornerstone of ASM's mine to metals strategy remains our prized Dubbo Project in NSW.

The Dubbo Project is a globally significant resource of light and heavy rare earth elements, zirconium, niobium and hafnium. It currently has a life of mine of 20 years in reserves and a further 50 years in its drilled resource. It is a world class project that the ASM team is committed to taking into production.



Participating at the Australian Chamber of Commerce in Korea and Investment NSW business breakfast in Seoul.

The progress we have made in this regard over the past year has been positive and we are targeting final investment decision by the end of calendar year 2024. There have been many significant milestones achieved but I was particularly pleased to see the State Significant Development Modification Report 1 receive Development Consent approval from the NSW Department of Planning and Environment in March. This was a critical approval that identified key improvements to the project, including opportunities to optimise ESG activities.

In addition, the Board would like to express its gratitude to both the NSW State Government and the Australian Federal Government for the strong support they have shown the Dubbo Project via the award of several grants, totalling \$17 million, over the past year. This funding has contributed to early establishment activities and the latest non-process infrastructure work.

The positive sentiment for the Dubbo Project within the community and from State and Federal governments continues to underline the integrity and credentials of this project.

Funding

To ensure the successful development of the Dubbo Project, ASM is targeting a project financing funding strategy based on a mix of equity, supported by offtakes and debt, with further support from export credit finance in relevant jurisdictions.

Over the past 12 months, the Company has broadened its potential offtake and strategic partner discussions to include new parties and jurisdictions. This move aligns with the significant pronouncements made by government(s) in the US, European Union, Japan and Korea regarding the security of rare earth and critical minerals. The policy shift we have seen from governments in this regard, and the narratives that have accompanied them, further highlight the strategically significant role the Dubbo Project can play for Australia and the world.

“

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Environment, Social, Governance

As the ASM team continue to progress the multiple strands of our financing strategy, I am confident that we have the compelling investment proposition required to secure the funding and partnerships needed to develop the Dubbo Project and ramp-up our metals output.

Part of that compelling proposition is the strong approach ASM takes to its ESG responsibilities and the credentials we have already established in this area. This year we have continued to go further, and I am proud to confirm that we have now put in place Scope 1 and 2 greenhouse gas emission targets for 2030.

These, along with our comprehensive sustainability approach, are outlined in this report (see page 42).

Concluding remarks

In March, I was delighted to welcome Rowena Smith as Managing Director to the ASM Board. This was a natural progression following Rowena's appointment as CEO in July 2022.

As demonstrated above, Rowena's first year at the helm of ASM has seen significant progress across the business. I would like to take this opportunity to commend and thank her, her management group and the entire ASM team in Australia and Korea for their commitment and efforts in delivering on our strategy and progressing our opportunity.

I would also like to thank all shareholders for their continued support during the year. The Board, management and staff are committed to delivering sustainable returns to all our shareholders and benefits to our many stakeholder groups. I am confident the year ahead will show further progress in our many areas of endeavour.

Ian Gandel
Chair

ASM's mine to metals business

DUBBO PROJECT



Mining



Separating and Refining



Products

Metal oxides and mixed chlorides

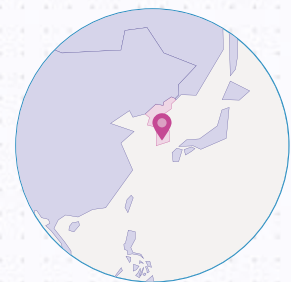
Shipped to Korean Metals Plant and global customers

Products:

Neodymium praseodymium oxide
Terbium oxide
Dysprosium oxide
Zirconium
Hafnium
Ferro Niobium

KOREAN METALS PLANT

3rd Party Oxide



Metallising



Products

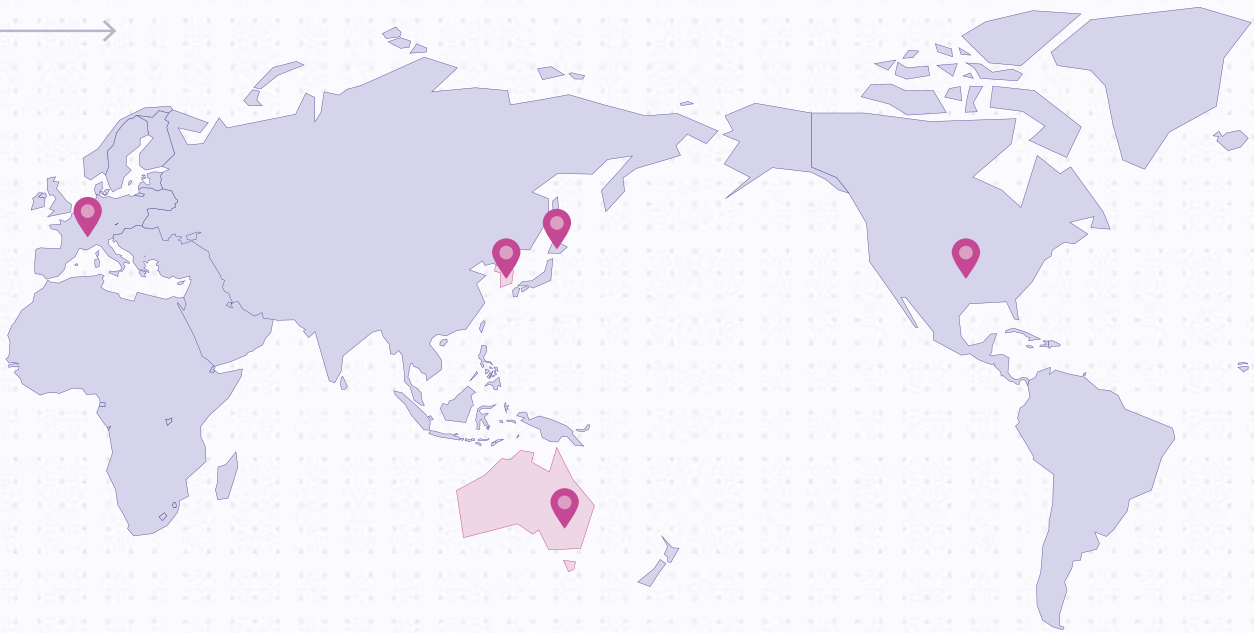
High-tech metals and alloys

Shipped direct to global customers

Products:

Neodymium praseodymium metal
Neodymium iron boron alloy
Titanium alloys
Terbium metal
Dysprosium metal
Zirconium metal
Hafnium metal

GLOBAL CUSTOMERS



**Advanced
manufacturing**



**New growth
industries**



**Sustainable
energy industries**



**Electric
vehicles**



**Wind
turbines**



Semiconductors



Medical devices



Batteries

About ASM

Australian Strategic Materials (ASM) is building a global rare earths and critical minerals business to provide the high-tech metals needed to solve the challenges of today and the future.

ASM's Dubbo Project is the Company's cornerstone rare earths and critical minerals mining and processing project. Located in Central West New South Wales, Australia, this globally significant resource of rare earths, zirconium, niobium and hafnium has a 20-year life of mine based on reserves and a potential further 50 years of mine life based on resources. The Dubbo Project has strong financials, all major approvals in place and compelling ESG credentials.

ASM intends to develop the Dubbo Project to produce a range of metal oxides and mixed chlorides. Over the past 16 years, ASM has worked in partnership with the Australian Nuclear Science and Technology Organisation (ANSTO) to complete significant successful test work and develop an advanced flowsheet design. ASM and ANSTO will continue this work to further maximise recoveries.

When the Dubbo Project is constructed, the products will be metallised at ASM's metals plant(s), the first of which is in Ochang, Korea. The Korean Metals Plant (KMP) opened in 2022 and is producing high-tech metals and alloys needed for sustainable energy industries, advanced manufacturing and other growth industries.

In addition to now ramping up production of its neodymium praseodymium products, the KMP is also developing its titanium alloy processing. As part of this work, the Company is progressing with the commercial scale development of its innovative metallisation technology, the LK process.

ASM wants to leave a legacy that delivers enduring benefits to the communities and regions where it operates and will work to ensure it manages environmental impacts, respects human rights, minimises greenhouse gas emissions, and supports local communities.





*KMP Representative Director
Mr Sung-Lea Cho (left) and
ASM Managing Director & CEO
Ms Rowena Smith at the Korean
Metals Plant with first NdPr metal
for shipment.*

Chief Executive Statement

During the 2023 financial year (FY23), ASM made strong progress against its mine to metals strategy. Delivering on strategic and operational milestones, we have laid the foundations for critical next steps at our Dubbo Project and Korean Metals Plant (KMP) that will drive our momentum in the year ahead.



Korean Metals Plant commences operation

The commissioning of our neodymium product lines at KMP during the year represented a fundamental step change in ASM's market position. We are now producing neodymium praseodymium (NdPr) metal consistently to customer specifications and delivering at the targeted daily rate.

In the 12 months from 1 July 2022 to 30 June 2023, we produced 47 tonnes of NdPr metal. Having officially opened the plant in May 2022, this has been a truly impressive feat by the team, and I am very proud of their efforts.

I have been equally proud to announce new customer offtake agreements in Korea and the United States for our NdPr metal and neodymium iron boron (NdFeB) alloy products. These contracts demonstrate the global reputation ASM is building as a producer of high-tech metals and alloys for advanced and clean technologies, and the growing demand for the products our materials enable, including permanent magnets.

The current nameplate production capacity at the KMP is 600 tpa of NdFeB alloy, with ramp-up planned in alignment to customer demand. This capacity is sufficient to meet our existing agreements. Customer qualification processes continue with a number of global magnet producers, and as further sales agreements are concluded we will consider when Phase 2 expansion to 3,600 tpa will occur.

I look forward to delivering further customer opportunities in the year ahead.

Safety & Health

Assets, once operational, present increased risks to our people. With more than 30 years' experience in the resources industry, I have seen the devastation that workplace safety incidents can cause – to individuals, teams and families.

The safety and health of our people is non-negotiable. As we build our business – developing a world class mining and processing asset, building global metal production plants, and cultivating partnerships across jurisdictions – the wellbeing of our people will remain foundational to our success.

I am pleased to advise that the group had zero Lost Time Injuries for the year ending 30 June 2023, with 154,382 hours worked, and no reportable safety, health or environment events for the year.

Throughout the year we had a strong focus on the establishment of the Health and Safety Management System, obtaining the formal ISO 45001 accreditation in April 2023. In addition, the foundation for the ASM System of Risk Management was also strengthened, as highlighted in the Risk section of this Annual Report (page 36).

Sustainability

Sustainability and our approach to Environmental, Social and Governance (ESG) activities are core to ASM's strategy. As a global business, we expect to be benchmarked and held to account against the highest international standards. By adopting the appropriate frameworks and standards from the outset and progressively establishing the systems and processes required to meet them, we are setting ASM up for sustainable success in the future.

We are already making progress in this space, across many areas. Significantly, I am pleased to report that the KMP has achieved its target of being carbon net zero in Scope 1 and 2 emissions in its first year of operation. This has been delivered through operational emissions reduction initiatives and supplemented by the purchase of carbon credits. This is an important benchmark that we will strive to maintain.

In addition, we have released our Scope 1 and 2 emissions targets for 2030 at the Dubbo Project, with a 2040 target currently in development. Ultimately, we are targeting carbon net zero at the Dubbo Project by 2050 but these early milestones provide us with an important pathway.

During FY23, we received our first comprehensive Sustainalytics ESG Risk Rating, putting us in the top quartile of best performing diversified metals businesses. We will use this annual assessment to continue our progress and drive further improvements in relation to our ESG activities.

This year's Annual Report highlights the significant ESG work we have already conducted and sets out our targets and commitments as we move forward. I look forward to reporting against this critical part of our business in the coming months and years, and I know that all our stakeholders – employees, communities, investors, customers, suppliers and government – will continue to follow with interest.

The Dubbo Project

During FY23, the Dubbo Project team delivered on a number of milestones for both the process flowsheet and the project site.

ASM's advanced flowsheet has been developed in collaboration with the Australian Nuclear Science and Technology Organisation (ANSTO) over the past 16 years. During the year, efforts have been focused on work to develop our

range of other products for potential customer engagement. This included producing samples of hafnia (Hf), zirconium basic sulphate filtercake calcined to zirconia (ZrO₂) and de-hafniated zirconia (DHZ).

In addition, during 2023, we conducted separation work on the heavy rare elements of terbium (Tb) and dysprosium (Dy). The two pilot plant campaigns, conducted by ANSTO, produced excellent results to provide further confidence in the design of the Dubbo Project's process flowsheet. The results showed that the pilot plant is capable of producing Tb and Dy oxide product streams that meet or exceed target specifications of >99.99% and >99.95%, respectively.

This highly technical work is demonstration of ASM's commitment to innovation and continuous improvement. With the support of ANSTO, our Dubbo Project team continue to explore and identify the optimum processes to deliver high-purity, industry leading products that will support the clean energy transition.

Other significant milestones achieved, include:

- Development consent approval from the NSW Department of Planning and Environment for the project's SSD Modification Report (March 2023);
- Completion by Hyundai Engineering Co. Ltd of Stage 1 Engineering, Procurement and Construction Definition (July 2023); and
- Non-process infrastructure study work awarded to Bechtel Australia Pty Ltd (August 2023).

These positive steps support our targeted timeline of commencing production by 2027.

Financial funding strategy

ASM is committed to developing the Dubbo Project – a unique orebody positioned to meet global demand. While we continue to target and engage with Korean offtake partners and strategic investors, an increased level of interest from the US, Europe and Japan saw us broaden our geographical search for potential funding partners during FY23.

Our funding structure encompasses offtake partners, equity and debt and we have made good progress in our engagement and conversations across these three pillars.

In November 2022, we successfully raised \$41.1 million via an institutional placement of \$30 million and a share purchase plan (SPP) of \$11.1 million. The placement saw strong interest from domestic and international institutional investors, with demand significantly exceeding shares available. The SPP was also oversubscribed, with an original target of \$10 million.

All ASM Directors participated in the capital raise, with our Chair and major shareholder Mr Ian Gandel and Non-Executive Director Ms Kerry Gleeson subscribing for \$4 million and \$50,000 respectively in the placement. All other Directors participated in the SPP.

Funds raised have provided support for ramp-up at KMP and development progress at the Dubbo Project, and I would like to thank the Board and all our shareholders for their support in this endeavour.

I am confident that the positive engagement we have enjoyed across our funding activities and the growing strategic significance of the Dubbo Project to Australia and the world, will combine to support our target of final investment decision by December 2024.

Building an industry in partnership

ASM is building an alternative rare earths and critical minerals supply chain to deliver the metals and alloys required for the clean energy transition. It will be necessary to work in partnership across all points of that supply chain as we continue to develop it. Notably for ASM, we are working hard to identify secure, supplementary rare earth oxide supply while we concurrently develop the Dubbo Project and ramp-up metal production at the KMP.

The binding agreement we signed with Vietnam Rare Earth JSC (VTRE) in May provides a second source of supply and we are continuing to explore the longer-term opportunities of that partnership. Part of that exploration falls under the three-way memorandum of understanding we signed with VTRE and ASX-listed miner Blackstone Minerals in July.

In addition, we must see the next steps of the Australian Government's Critical Minerals Strategy come into action, with further guidance on identifying strategically relevant projects that

are in the national interest and that will address the Strategy's key objectives, namely:

- Create diverse, resilient and sustainable supply chains through strong and secure international partnerships.
- Build sovereign capability in critical minerals processing.
- Use our critical minerals to help become a renewable energy superpower.
- Extract more value onshore from our resources, creating jobs and economic opportunity, including for regional and First Nations communities.

With the foundations we have in place, ASM's unique mine to metals model is well positioned to support the delivery of these objectives and I look forward to continuing the dialogue and collaboration with government to progress this important work.

A team focused on delivery

I'd like to take this opportunity to thank our Board for their support and counsel since my appointment as CEO in July last year. Since that time, we have strengthened our management team (see panel) and I am confident we have the right team in place to execute on our plan and deliver on shareholder expectations.

With a clear purpose and strategy, we have made significant progress over the past 18 months. However, it is important to recognise that we are not just building a business, we are helping to build an entire industry – providing the materials and products that will drive new growth industries and sustainable energy solutions.

I am excited by this opportunity and that excitement was reflected across the entire ASM team – in Australia and Korea – as we collaborated to redefine the ASM values earlier this year (see page 18). It was a motivating exercise and the values and behaviours we are embedding will set us up for further success.

Finally, I'd like to thank the ASM team for their commitment and efforts in moving our Company forward. I look forward to continuing to lead us on our journey.

Rowena Smith
Managing Director & CEO

Management Team



Clockwise from left: Chris Jordaan, Agata Krupa, Jason Clifton, Rowena Smith, Peter Finnimore and Annaliese Eames.

Jason Clifton

Chief Financial Officer

Jason joined ASM as Chief Financial Officer in July 2021, bringing over 20 years of financial, commercial, capital and strategic experience. In his previous role as Senior Vice President Financial Services at Woodside Energy Limited, he was responsible for treasury, tax, group finance and business finance. Jason has also worked in the banking industry, including roles as Chief Financial Officer of Bankwest and Chief Financial Officer of Westpac New Zealand.

Annaliese Eames

General Counsel and Joint Company Secretary

Annaliese joined ASM as General Counsel and Joint Company Secretary in January 2023, bringing over 15 years' of legal, commercial, strategic and corporate governance experience. Her depth of knowledge covers large scale project contracting, corporate, finance and intellectual property law. Before joining ASM, Annaliese was Managing Counsel with BHP, and prior to this held a variety of roles with a range of companies in the mining industry.

Peter Finnimore

Vice President Sales and Marketing

Peter is a sales and marketing executive with over 30 years' experience in the mining and metals sector. Prior to his appointment at

ASM, he was the Chief Commercial Officer at South 32 and held various senior roles at BHP. During his career, Peter has worked in various marketing roles in Japan, Australia, Russia, Cyprus and Switzerland, including for Rio Tinto and Rusal. He was a director of the International Aluminium Institute and the International Nickel Institute.

Chris Jordaan

Chief Operating Officer

Chris joined ASM in August 2023 with more than 30 years' in operational and corporate leadership roles in the petrochemical, processing and mining industries in South Africa, Australia and Papua New Guinea. Prior to accepting the COO role, he was President and CEO of Superior Gold, a gold mining company listed on the Toronto Stock Exchange. He has also held senior leadership roles within Newcrest Mining, BHP and several South African based companies.

Agata Krupa

Vice President Risk & Corporate Services

Agata joined ASM in December 2022. Prior to this appointment, she was the Global GM Risk & Compliance for South 32 for over four years and has held significant leadership positions within global organisations such as BHP and Bankwest. Originally working within the banking sector in the UK, Agata brings over 20 years' experience in enterprise-wide risk management and corporate services.

ASM Values

At ASM, we're building a global business that has the opportunity to make a positive and lasting difference to the world we all live in.

Through the extraction, refining and processing of our rare earths and critical minerals, our mine to metals strategy will supply the high-tech metals and alloys that enable new clean energies, electric vehicles, and advanced aerospace, electronics and communication technologies – solving the challenges of today and the future.

To deliver on our purpose, we require 'one team' guided by shared values.

ASM has identified its values with the collaboration and input of employees and stakeholders. What we have embedded will serve as a compass for our decision making and help us achieve our goals more effectively.

Our core values create a foundation for how we interact with each other, our customers, suppliers, investors, government, and the communities we serve. They are more than just words; they are the principles that define us and we are proud to stand by them.





Care

- We act with care and respect
- We safeguard the well-being of each other and the communities we operate in
- We listen and respond with compassion
- We do our part for a more sustainable future



Integrity

- We do what we say we are going to do
- We act honestly, fairly and ethically
- We are trustworthy
- We hold each other accountable on our commitments and speak up on our mistakes



Excellence

- We have the courage to pursue new ways of doing things
- We foster simplicity and creativity to stay competitive
- We explore ideas for a low cost and low carbon future
- We strive for continuous improvement



Team

- We are inspired by our common purpose
- We work together and back each other
- We create a culture of belonging and collaboration
- We reflect on our learnings and celebrate our wins

Dubbo Project

The Dubbo Project is the cornerstone of ASM's vertically integrated business, providing a long-term resource of rare earths and critical minerals.

Throughout the year, ASM continued to progress development of the project, with a key focus on:

- Securing project finance through a broadened search for offtake partners and strategic investors.
- State and Federal government engagement and support, receiving \$17 million in grants.
- Undertaking further flowsheet testing work to refine the product suite, support sales and marketing activities and drive customer engagement.
- Completing the first phase of the EPC Definition study with Hyundai Engineering Co.
- Securing MOD1 Development Consent.



FY23 Highlights

2022

Nov / Dec 2022
NSW Government Critical Minerals Fund grants received for \$500k and \$10m (see page 22)

2023

Jan 2023
Hyundai Engineering Co. commence EPC Definition work (see page 25)

Mar 2023
Approval of Project Development Consent Modification 1 (see page 24)

May 2023
Federal Government Critical Minerals Fund grant received for \$6.5m (see page 22)



An aerial view of the Dubbo Project.

Key Facts



Rare earths and critical minerals resource

Includes neodymium, praseodymium, dysprosium, terbium, zirconium, niobium and hafnium.



Strong financials

Forecast 23.5% Pre-tax IRR.
Forecast CapEx estimate AUD 1,678 million.¹



20-year life of mine based on reserves

Potential for further 50 years based on resources and subject to approvals.



Construction readiness

All major approvals in place.
Land and water licences owned.



Advanced flowsheet

Developed in partnership with ANSTO over 16 years.



Close to established infrastructure

25kms from Dubbo, NSW Australia
400kms northwest of Sydney.



Workforce opportunities

Up to 1,000 local jobs during the construction period.
Approximately 270 local jobs when operational.



Greenhouse gas emissions

Scope 1 – targeting 40% reduction by 2030, and carbon net zero by 2050.
Scope 2 – targeting carbon net zero by 2030.

Jun 2023

Revised Framework Agreement with KCF
Energy extended

Jun 2023

Terbium and dysprosium separation work conducted at ANSTO (see page 23)

Throughout FY23

Active discussions with potential strategic investors and offtake partners

¹Refer to ASX release 7 December 2021: Dubbo Project Delivers Strong Financials

Funding & Grants

Three successful grant applications were submitted to support the Dubbo Project during the year, two with the NSW State Government and one with the Federal Government.

The successful grants are:

NSW Government's Critical Minerals & High-Tech Metals Activation Fund - Stream 1

Value: \$500,000

Activity: For studies to finalise the process flowsheet for the Dubbo Project's Heavy Rare Earths (terbium and dysprosium) solvent extraction circuit. Developed in collaboration with the Australian Nuclear Science and Technology Organisation (ANSTO).

Date: Work commenced June 2023

NSW Government's Critical Minerals & High-Tech Metals Activation Fund - Stream 2

Value: \$10,000,000

Activity: To support early establishment activities for the Dubbo Project. Activities involve the upgrade of local roads and bridges to ensure high-standard road access for the project's development and operation.

Date: Work scheduled to commence July 2024

Australian Government's Critical Minerals Development Program – Tranche 2

Value: \$6,500,000

Activity: To progress the Dubbo Project's environmental, procurement and construction (EPC) Definition activities with respect to non-process infrastructure. Activities will advance the project design maturity of key areas outside of the process plant, including:

- Residue storage & handling facilities;
- Site water management;
- Utility design and supply;
- Greenhouse gas emission reduction studies; and
- Site establishment planning.

Date: Work commenced 30 June 2023
Contract awarded August 2023



Pilot plant separation work at ANSTO achieved terbium and dysprosium oxide purity of >99.99% and >99.95% respectively.

Dubbo Project & ANSTO significant test work

ASM has worked with the Australian Nuclear Science and Technology Organisation (ANSTO) in the development of the Dubbo Project's process flowsheet over the past 16 years. The project's Demonstration Pilot Plant is located at ANSTO's Lucas Heights facility in Sydney.

During the year, process engineering and metallurgical test work was completed to support product marketing activities and continue process plant flowsheet confirmation.

A significant number of activities were concluded, including:

- Development of the METSIM® mass and energy model completed for the current base case flowsheet for the Dubbo Project. Model framework and hierarchy independently audited and verified by METSIM® International.
- ANSTO dehafinated zirconia (DHZ) pilot plant campaign completed and reported to ASM.
- Bench scale testing of rare earth precipitation completed at ANSTO.
- Wastewater treatment and reagent recovery options review completed by third party.
- Plant filtration third party review and supporting test work completed by ANSTO.
- Hafnium recovery improvement options reviewed and modelled.
- Magnesium Oxide (MgO) Neutralisation pilot plant campaign and Hafnium (Hf) desk top modelling exercise completed and reported to ASM.
- Product specification flexibility within the current processing flowsheet has been investigated to support customer offtake discussions.

Heavy rare earth separation success

Separation work conducted by ANSTO on the heavy rare earth elements of terbium (Tb) and dysprosium (Dy) produced excellent results during 2023, providing further confidence in the design capability of the Dubbo Project's advanced process flowsheet.

Two pilot plant campaigns were conducted (June and August) using synthetic samples, with the objective of confirming the adjusted flowsheet requirements for separation and targeting production of Tb and Dy oxides at >99.9% purity.

The work was funded via a \$500,000 grant secured under Stream 1 of the NSW Government's Critical Minerals and High-Tech Metals Activation Fund (see page opposite).

Following the second campaign, results showed that the pilot plant is capable of producing Tb and Dy oxide product streams that meet or exceed target specifications of >99.99% for Tb and > 99.95% for Dy, at steady state.

The results demonstrate ASM's strong technical capability and the long-term opportunity to deliver high-purity heavy rare earth oxides, critical for the growing global permanent magnet market.

SSD Modification Report 1 approval

After a thorough submission and review process, the Dubbo Project State Significant Development (SSD) Modification Report 1 (MOD1) received Development Consent approval from the NSW Department of Planning and Environment (DPE) on 2 March 2023.

This MOD1 determination followed ASM's December 2021 Optimisation Study, which delivered several environmental and social design improvements in plans already approved for the Dubbo Project.

The Optimisation Study design improvements included:

- **Increasing the project's brine concentrator capacity:** increasing the recycling of water and reagents, and halving water consumption at the project.
- **Refurbishment of the local railway line:** simplifying project logistics and significantly reducing the number of truck movements through the Dubbo community. This will also provide new categories of local entry-level jobs.

- **Inclusion of a chlor-alkali plant:** reducing the transport of hazardous goods on the roads of Dubbo and NSW. This will allow the production of reagents at the project site, reducing production, storage and handling costs.
- **Adjustment to the site layout:** to accommodate additional plant, as well as the relocation of infrastructure areas, decreasing the overall disturbance footprint by 5.4 Ha.
- Increase of personnel for processing plant operations to approximately 270.

Throughout the approvals process, ASM's Dubbo Project team completed numerous environmental studies, including noise, air quality and emissions, to submit the MOD1 in early 2022 and then provided written responses to submissions made during the public exhibition process.

Approval was granted at the end of this process after the DPE considered that the Dubbo Project development, as modified, would remain substantially the same development as initially approved in 2015.

See page 44 for more details.



Hyundai Engineering Co. completes Stage 1 EPC work

Following the issue of a notice to proceed in January 2023, Stage 1 of the Dubbo Project's Engineering Procurement and Construction (EPC) Definition work commenced with Hyundai Engineering Co. Ltd (HEC).

Work undertaken within Stage 1, included:

- Review of historical project documentation.
- Development of HEC understanding of the project and strategy for further development.
- Production of key engineering design criteria and standards for the following engineering intensive phases in separable portions 2 and 3.
- Development of procurement packages and specifications for key equipment, including review of an advance work packaging approach and identification of long lead items.
- Update of process plant 3D model to confirm alignment with processing flowsheet.

Stage 1 activities were completed in July 2023 and identified additional areas of non-process infrastructure (NPI) work to be completed ahead of Stage 2 commencement. This includes progressing the maturity of design of areas outside of the process plant, including: residue storage and handling facilities, site water management, greenhouse gas emission reduction studies, and site establishment planning. Funding to undertake this NPI work will, in part, be provided by the Australian government's CMDP grant (see Funding & Grants on page 22).

ASM commenced a tender process for this work in June 2023, with the contract awarded to Bechtel Australia in August 2023.

Stage 2 of the EPC Definition work will further develop engineering design to allow for identification and selection of technology requirements at the Dubbo Project. ASM will evaluate when Stage 2 will commence as the additional areas of NPI work progress.



Stage 1 of the EPC Definition work was completed by Hyundai Engineering Company in 2023.

Environmental, Social, Governance

Commodities from the Dubbo Project's unique orebody will be separated and refined using innovative technologies and processes at an on site processing facility. ASM acknowledges the potential environmental and social impacts associated with its operations and is committed to actively managing and minimising them.

ASM's journey into responsible environmental, social and governance (ESG) practices is an ongoing commitment and during the year ASM has taken significant steps in many key areas.

Notably, in support of ASM's 2050 carbon net zero target, the Company has this year set out Scope 1 and 2 carbon emission targets for 2030 and continues to develop its 2040 target (see page 48). In addition, the Company also provides in this report a comprehensive sustainability approach and overview of activities across the business (see page 42).

Specific ESG projects undertaken at the Dubbo Project over the past year, include:

- Greenhouse gas reduction opportunities strategy implemented, studies commenced, with initial opportunities identified and necessary trade-off studies included in financial year 2024 work plan and budget.
- Process plant reagent substitution investigations in progress to minimise fugitive emissions from processing reactions.
- Investigations into replacement of diesel-powered mobile equipment with electric commenced.
- Planning commenced to install solar and battery storage on relevant ASM properties and the project site office facility.



Solar panels are already in use at ASM's wholly owned subsidiary, Toongi Pastoral Company (TPC). TPC manages the agricultural land surrounding the Dubbo Project's mining and processing areas.

Resources and Reserves

Mineral Resources

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 and Y₂O₃

Ore Reserves

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	0.040	0.44	0.029	0.136	0.735
Total	18.90	1.85	0.040	0.44	0.029	0.136	0.735

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

Note:

As at 30 June 2023, the Mineral Resources and Ore Reserves for the Toongi deposit, which is the basis of the Dubbo Project, are the same as those stated in Company's Optimisation Study dated 7 December 2021.

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.

Governance and internal controls

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

- Oversight and approval of each annual statement by a competent person
- 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
- Board approval of new and materially changed estimates

Korean Metals Plant

The Korean Metals Plant (KMP) in Ochang, South Korea is an integral part of ASM's mine to metals business, producing high-tech metals and alloys for sustainable energy, new growth and advanced manufacturing industries.

Following its official opening in May 2022, the KMP team has successfully commissioned the plant's neodymium praseodymium (NdPr) metal and neodymium iron boron (NdFeB) alloy production lines. In addition, the KMP continued commercial scale commissioning and process development of ASM's metallisation technology (the LK Process), with positive results achieved in producing copper titanium alloy.

Significantly, the KMP has achieved its target of being carbon net zero in Scope 1 and 2 emissions from commencement of operations. In FY23, Scope 1 and 2 emissions were fully offset through the purchase of 1,127 tonnes of carbon credits.

With production underway, ASM was pleased to announce two new customer offtake agreements for the sale of neodymium products during the year and continues its production ramp-up in line with customer demand.



FY23 Highlights

2022

Sep 2022

First sale of NdPr metal to NS World Co., Ltd (see page 30)

Dec 2022

Agreement signed with Chungcheongbuk Province and Vietnam Rare Earth JSC (see page 32)

Dec 2022

Commissioning of (NdPr) metal completed (see page 31)

Mar 2023

Commissioning of the NdFeB strip alloy caster complete (see page 31)

2023



ASM's Korean Metals Plant was formally opened in May 2022

May 2023

Binding supply agreement signed with Vietnam Rare Earth JSC (see page 32)

May 2023

Binding sale agreement signed with Noveon Magnetics Inc. (see page 30)

Key Facts



Rare earths and critical minerals metallisation facility



Located in Ochang Foreign Investment Zone

Approximately 115 kms south of Seoul, Korea



Opened

12 May 2022



Scope 1 & 2 carbon net zero

Purchase of 1,127 tonnes of CO₂e certified carbon credits to fully offset FY23 Scope 1 & 2 emissions



ISO accredited

ISO 14001:2015
ISO 9001:2015
ISO 45001:2018



Neodymium products initial focus

NdPr metal & NdFeB alloy



Titanium alloys in development

CuTi alloy



20,000m²

Area of site facility



Employees

>70



Members of the USA Rare Earth team at ASM's Korean Metals Plant.

First sale of metal & alloy

During the year, ASM achieved a major milestone by announcing its first global customers for the high-tech metals and alloys produced at the KMP.

In September 2022, ASM signed a binding sales agreement for the sale of neodymium praseodymium (NdPr) metal with NS World Co., Ltd. The agreement with the Korean company was for the delivery of up to 10 tonnes of NdPr metal, for use in the production of bonded magnets for the automotive and electronics industries.

NS World took full delivery of the order during financial year 2023 and also signed a further agreement for the sale of an additional six tonnes of the metal - to be delivered in the first half of financial year 2024.

ASM announced a second customer agreement in May 2023, with US-based rare earth magnet manufacturer Noveon Magnetics Inc. (Noveon). The initial agreement for the sale of 100 tonnes of neodymium iron boron (NdFeB) alloy represents the foundation to build a strategic partnership relating to long-term offtake for rare earth materials supporting magnet production.

After significant engagement during FY23 but subsequent to 30 June 2023, ASM announced a long-term binding sales agreement with USA Rare Earth, LLC (USARE). The five-year sales and tolling framework agreement is for the supply of NdFeB alloy to support USARE's production ramp-up of high-performance rare earth magnets, with delivery anticipated to commence in 2024.

ASM continues to work with all companies in the schedule and delivery of agreed volumes, while also seeking to identify further long-term opportunities.

In addition, ASM is exploring new sales opportunities in multiple geographies as the Company seeks to grow its customer portfolio.

ASM team
at NS World
offices in Korea.



Commissioning update

Commissioning of neodymium praseodymium (NdPr) metal was completed at the KMP in the second Quarter of FY22, with commissioning of the neodymium iron boron (NdFeB) strip alloy caster successfully completed during the following Quarter.

With commissioning of both the NdPr metal furnaces and the NdFeB strip alloy caster complete, ramp-up progressed in alignment with customer demand and the completion of sales agreements. The KMP continues to work with customers on the product qualification process, ensuring the product specifications for each individual customer are met.

The current nameplate production for NdFeB alloy of 600 tpa is sufficient to meet ASM's confirmed binding sales agreements for the KMP. Our efforts continue to focus on securing the sales to meet this current nameplate production and beyond.

ASM will consider when Phase 2 expansion to 3,600tpa will occur to align with customer demand. This is currently anticipated to happen in 2024, to meet the expected increase in demand.

Metallisation technology

ASM's innovative metallisation technology (the LK Process) is capable of producing high-grade metal alloys without the need for chlorination, thus reducing the subsequent chlorine gas hazards. This is an alternative to the Kroll Process for production of titanium, zirconium and hafnium metals.

The technology also presents an alternative to the traditional production methods for dysprosium and terbium metals. There are potential synergies to add further value to zirconium, hafnium, dysprosium and terbium oxides produced at the Dubbo Project and these opportunities continue to be explored.

ASM continues its efforts to achieve commercial scale commissioning of its metallisation technology in the production of copper titanium (CuTi) at the KMP. The nameplate capacity of the titanium furnace to produce CuTi is 1,600 tpa. Ramp-up to 1,600 tpa will occur on commissioning, establishment of commercial viability and establishing sufficient customer demand.



ASM continues to explore alternative feedstock options to provide security of supply for the KMP.

Securing our supply chain

During the year, ASM took significant steps to secure its supply of rare earth oxides into the KMP, via the development of a strategic partnership with Vietnam Rare Earth JSC (VTRE). An initial binding agreement was signed with VTRE in April 2023 for the purchase of 100 tonnes of rare earth oxides to ensure the KMP has the required feedstock to continue its production ramp-up of neodymium praseodymium products.

As part of the agreement, both parties also committed to good faith negotiations for a longer term supply agreement and, subsequent to 30 June, the companies announced a three-way, non-binding memorandum of understanding between ASM, VTRE and Blackstone Minerals Ltd, an ASX listed company with established mining and beneficiation operations in Vietnam.¹ This three-way partnership will explore further opportunities to develop Vietnam's rare earth mining and refining opportunities to create an alternative secure supply.

ASM remains committed to developing the Dubbo Project and processing Dubbo Project materials through the KMP. However, until the project is operational, ASM will continue to explore alternative feedstock options to provide security of supply for its metallisation plant. In turn, this supports ASM to broaden its options for offtake partners for the Dubbo Project.

¹Refer ASX announcement 26 July 2023: ASM signs three-way MOU with VTRE and Blackstone

The team at the Korean Metals Plant celebrating World Safety Day.



Environmental, Social, Governance

Our journey into responsible environmental, social and governance (ESG) practices is an ongoing commitment. During its first year of operation, the KMP has continued to demonstrate its progress in this area.

Notably, the KMP has obtained the following formal ISO accreditations:

- **October 2021: ISO 14001: 2015**
Environmental Management Systems
- **October 2021: ISO 9001: 2015**
Quality Management Systems
- **April 2023: ISO 45001: 2018**
Occupational Health and Safety Management Systems

The KMP's strong governance and revised approach to risk management was recognised in June 2023 when ASM subsidiary Korean Strategic Materials was named one of the top five companies at the Risk Assessment Excellence Case Competition in the Chungcheongbuk Province. The award was endorsed by the Cheongju Branch of the Daejeon Regional Office of the Ministry of Employment and Labor for the implementation of industry leading risk assessment practices.

This formal recognition is an important step in embedding the foundations of another international standard - the ISO 31000:2018 in Risk Management.

In its first year of operation, the KMP delivered on its target of carbon net zero for Scope 1 and 2 emissions. Two key drivers for this significant achievement were:

- Adopting a continuous improvement approach to energy efficiency and committing to aligning with the South Korean government's strategy and target of generating 35% of its electricity from renewables by 2040.
- The purchase of carbon credits to offset Scope 1 and 2 carbon emissions. The carbon credits were invested in a local South Korean project by Hyundai Greenpower Co. Ltd, Steel Waste Energy Co-generation Project (Steel). The project utilises surplus waste gases produced by Steel to generate electricity, which would otherwise be emitted to the atmosphere after incineration. The investment in 1,127 tonnes of greenhouse gas emissions credits fully offset the Scope 1 and 2 emissions generated at the KMP processing plant during FY23.¹

Read more about our approach to sustainability from page 42.

¹The purchase of carbon credits to offset FY23 emissions was completed in August 2023.

Market Outlook

ASM's mine to metals business model will provide a diverse range of products critical to supporting advanced manufacturing, the sustainable energy transition and new growth industries.



Market Review

Financial Year 2023 (FY23) saw a step change in Australian government support for critical mineral supply chains, with the signing of important bi-lateral agreements and the release of the Critical Minerals Strategy 2023 – 2030. In October 2022, Australia and Japan signed The Critical Minerals Partnership to support the adoption of clean energy technologies through the joint advancement of the supply chains on which they depend. This was followed in May by the signing of the Climate, Critical Minerals and Clean Energy Compact between Australia and the US to promote the sustainable supply and processing of critical minerals.

In addition, the signing of the EU's Critical Raw Materials Act in March further served to highlight the paramount importance being placed on securing critical minerals' supply chains by governments around the world. This has been a theme at the forefront of discussions with potential counterparties across the suite of ASM's products, as large users downstream seek to secure long term partnerships with independent suppliers of critical raw materials in stable jurisdictions.

The Dubbo Project

Prices for rare earth oxides fell back over the course of FY23 as the market continued to feel the effects of supply chain disruptions resulting from COVID-19 and the semiconductor shortage that marked the first years of the decade. This has led to an accumulation of some raw materials and components in the automotive midstream, while a slump in the consumer electronics segment has also weighed on demand. However, in recent months there have been signs that conditions in the automotive market are normalising and with wait times for electric vehicles (EVs) falling, this should in turn lead to restocking activity at drive system assemblers and magnet manufacturers alike before the end of the year.

Conversely, prices for other Dubbo products including ferroniobium and hafnium have risen over the last 12 months. For the latter in particular, burgeoning end user demand from the aerospace, industrial gas turbine (IGT), semiconductor and nuclear sectors is being at least partially met by historical stocks, so that it is likely prices throughout the value chain could rise further as these are exhausted. The zirconia market, where end user demand is more closely linked to the business cycle, is currently experiencing a downturn in line with weaker consumer sentiment in the world's largest economies.



The Korean Metals Plant achieved first shipment of NdPr metal in September 2022.

Korean Metals Plant

Sales agreements for neodymium iron boron (NdFeB) alloy were signed with US companies Noveon and USA Rare Earths in May and August respectively, while the Company continues to hold discussions with a number of other counterparties relating to long-term offtake agreements. With intent turning to action in the development of regional supply chains to better serve the major demand centres of north Asia, North America, and Europe, ASM is well placed to cement further partnerships for the delivery of metal and alloys from its Korean Metals Plant (KMP).

Resilient demand for magnets to satisfy burgeoning consumer appetite for EVs in China, Europe and the US, has helped support prices for high grade magnet alloys in comparison to lower grades, where the slump in demand for consumer electronics has weighed more heavily. Together with a 40% year to date rise in EV car registrations globally in the first six months of 2023, magnet deployment has increased by 53%¹ as loadings per vehicle rise with the trend for larger models.

Outlook

The long-term outlook remains positive for ASM, given the potential use of Dubbo Project and KMP products in industries focused on advanced technologies that support mega trends such as decarbonisation, clean energy and automation. The outlook for rare earths used in EVs is particularly positive as continuing growth in EV sales will come off an increasingly higher base. The International Energy Agency recently upgraded its projections for EV deployment under its Stated Policies Scenario to 20 million vehicles in 2025 and 40 million in 2030, up from 15.9 million and 27.7 million respectively last year.

Simultaneously, growing demand for hafnium units from semiconductor manufacturers, combined with established usage from the nuclear, IGT and aerospace industries has led the market to experience a period of significant supply constraint, not least because units in China are being internalised. This serves to further highlight the importance for governments and industry alike of securing independent, stable sources of supply – not just for hafnium but for all critical minerals.

¹ Figures derived from Adamas Intelligence' EV Motor Materials Monthly Reports

Risk

Our Risk Management approach is designed to support ASM's critical short- and long-term business activities, achieving the desired level of risk management maturity and improved business performance.

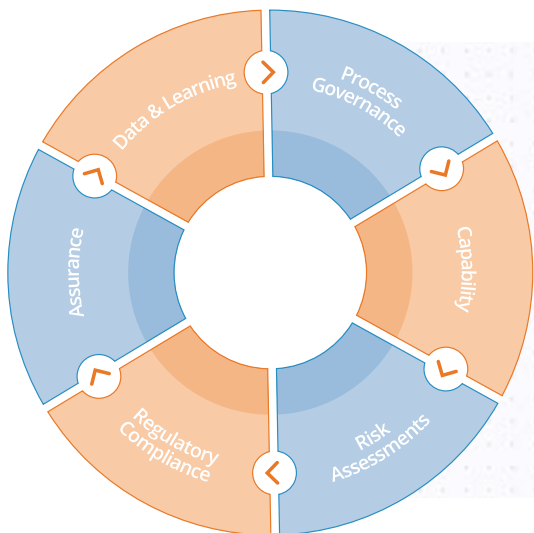
Managing our risks to maintain sustainable growth

The minimum mandatory requirements for the management of risks that can materially impact our ability to achieve our purpose, strategy and business plans are defined in our risk management standard. The approach and standard are delivered through our system of risk management which is aligned to the principles of the International Standard for Risk Management AS/NZS ISO 31000:2018.

At ASM, we are committed to a continuous enhancement journey to mature our risk management practices, capability and building a risk-aware culture. Financial Year 2023 strengthened risk management foundations and transparency across our site-based workforce, management team and Board of directors, demonstrating our commitment to addressing potential challenges, while safeguarding our stakeholders' interests.



Members of the Korean Metals Plant team conduct a safety walk through of the operation.



ASM System of Risk Management (proposed 2027 End State)

Our system of risk management enables everyone at ASM to identify, manage and respond to threats and opportunities, to support the delivery of our goals and business outcomes.

- ✔ We report transparent and complete real-time risk data, easily accessed from a single platform.

 - Single administration platform for risks, events, hazards, obligations and actions.
 - Integrated reporting from single source.
 - Mobile application functionality for infield verifications and observations.
 - Continuous learning routines.
- ✔ We have a mature, clearly defined and understood three lines model, providing regular quality assurance over our controls.

 - 1st line verifications performed regularly.
 - 2nd line stewardship health checks, assessing control effectiveness and ongoing compliance to our standards.
 - 3rd line assurance assessing systems over 1st and 2nd line execution.
 - Co-ordinated plan across 2nd and 3rd lines activities.
- ✔ We understand the regulations that apply to our business, and we have processes to manage and monitor our compliance.

 - Regulatory obligations registers in place at each operation.
 - Ongoing monitoring program for obligations management effectively escalating non-compliance.
 - Real-time update of obligations registers with external regulatory changes.
- ✔ We all understand our risk management roles and accountabilities, and keep building our skills to make informed risk-based decisions.

 - Effective risk management capability training programs for all ASM employees.
 - Regular refresher and new starter risk and compliance training.
 - Highly capable on site/off site risk management support.
- ✔ We have simple risk processes and fit for purpose tools, enabling continuous and dynamic risk management activities.

 - Documented risk and compliance processes and procedures.
 - Toolbox guiding on a range of risk techniques.
 - Core risk rhythms and routines for all operations and functions established and operating.
 - Governance in place for improvements to risk standard and processes.
- ✔ We identify and prioritise our risks and continuously address gaps in our controls.

 - Comprehensive risk registers in place at each operation and function.
 - Risk and control owners assigned for material risks.
 - Regular assessments of all risks and controls.
 - Organisation risk appetite and tolerance levels established and monitored.

Risk Appetite

Our risks are managed within the context of the Board-approved risk appetite statement, which outlines the level of risk that ASM considers in the pursuit of its goals. We are governed by a Board of directors and we are committed to conduct all our activities legally and ethically.

The Risk Management Committee is established to oversee ASM's system of risk management and reports to the Board on matters involving risk, including recommending a risk appetite level.

ASM has developed policies and procedures to guide its employees, whilst ensuring there are clear parameters for risk appetite tolerance with respect to essential outcomes from areas of activities and jurisdictional impacts and influences.

Core Risks in Practice

Our risks are regularly assessed and managed at both a Company-wide strategic level and at a tactical level for operational activities, project developments and corporate functions risks. Our dual top-down and bottom-up risk management approach enables an effective escalation of emerging signals and risks, which helps us stay proactive and immediate in our response.

⚠️ Top Company Level Risks

- 1 Safety & Security incident
- 2 Cyber security incident
- 3 ESG readiness
- 4 Achieving appropriate offtakes and funding for Dubbo and KMP
- 5 Failure to secure feedstock for KMP
- 6 Bribery and Corruption
- 7 Cashflow management
- 8 Fraud
- 9 Legal & regulatory breaches
- 10 Shaping our culture and managing our people talent
- 11 Commercialisation of KMP
- quality and quantity of NdFeB alloy
- 12 Logistics and supply chain (VTRE specific)



Our strategic business risks, as well as company level and material operational risks are regularly reported to the management team and the Board of directors to ensure appropriate channels of communication and transparency in support of risk-based decisions.

Strategic Business Risks

Strategic risks are those that have the potential to impact delivery of the Company's long-term strategy. Management of our strategic risks applies a forward long-term looking approach that involves scenario planning, thorough analysis of industry trends and clear understanding of our strengths and weaknesses. By acknowledging, understanding and addressing strategic risks, we position ourselves to capitalise on opportunities and maintain a competitive advantage in the market.

Our strategic risk assessments inform our risk appetite and shape our strategy in response to internal and external challenges.

Company Level Risks

Company risks are those that have the potential to impact on annual company objectives and financial performance. Management of our company level risks applies an annual assessment and verification process to analyse internal and external factors that can impact our annual business goals and profitability. Managing these material exposures is essential to maintain stability, resilience and growth, as well as navigate uncertainties in our dynamic business landscape.

These risks are material in nature and inform the Key Risk Indicators used for regular monitoring of strategic risks and risk appetite tolerance movements.

Operational Risks

Operational risks are those that can lead to disruptions in daily operations, financial losses, injuries or even fatalities and tend to be short-term or immediate in nature. These can be material or non-material, as guided by our risk management standard. Management of our operational level risks involves a regular risk management process embedded within our workforce to identify, assess and manage exposures arising from internal processes and regular operational activities.

Strategic Business Risks

- 1 Keeping our people and communities safe and well

- 2 Global economic uncertainty and liquidity

- 3 Maintaining competitive advantage through business innovation and pricing mechanisms

- 4 Capital and funding

- 5 Building and sustaining supply chains for critical goods and services

- 6 Consistent operational performance

- 7 Delivering on contractual relationships

- 8 Maintaining our license to operate

- 9 Political risks, actions by government and/or authority

- 10 Technology

- 11 Climate Change

- 12 Business resilience (pandemic, natural disasters, strikes/people action)

- 13 Optimising our asset mix

- 14 Access to people and talent

For full details on our Strategic Business Risks – including management's responses – please go to page 65.



Metals furnaces at the Korean Metals Plant.

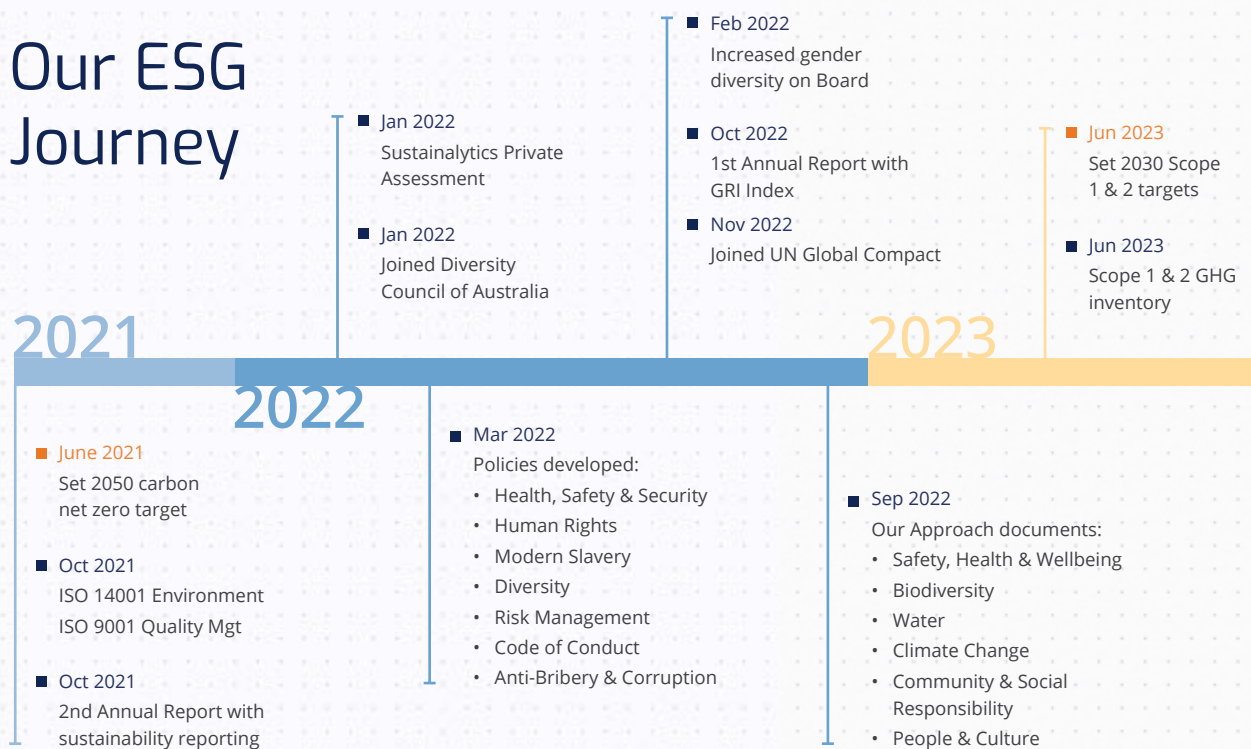


Sustainability

ASM seeks to contribute positively to the efforts needed to solve the global challenges of today and the future. Our portfolio of rare earths, critical minerals and high-tech metal products can be used in green technology solutions such as wind turbines, electric vehicles, and battery storage. ASM understands the importance of managing environmental impacts, respecting human rights, minimising greenhouse gas emissions, and supporting local communities. The Company intends to leave a legacy that delivers enduring benefits to the communities and regions where it operates.



Our ESG Journey



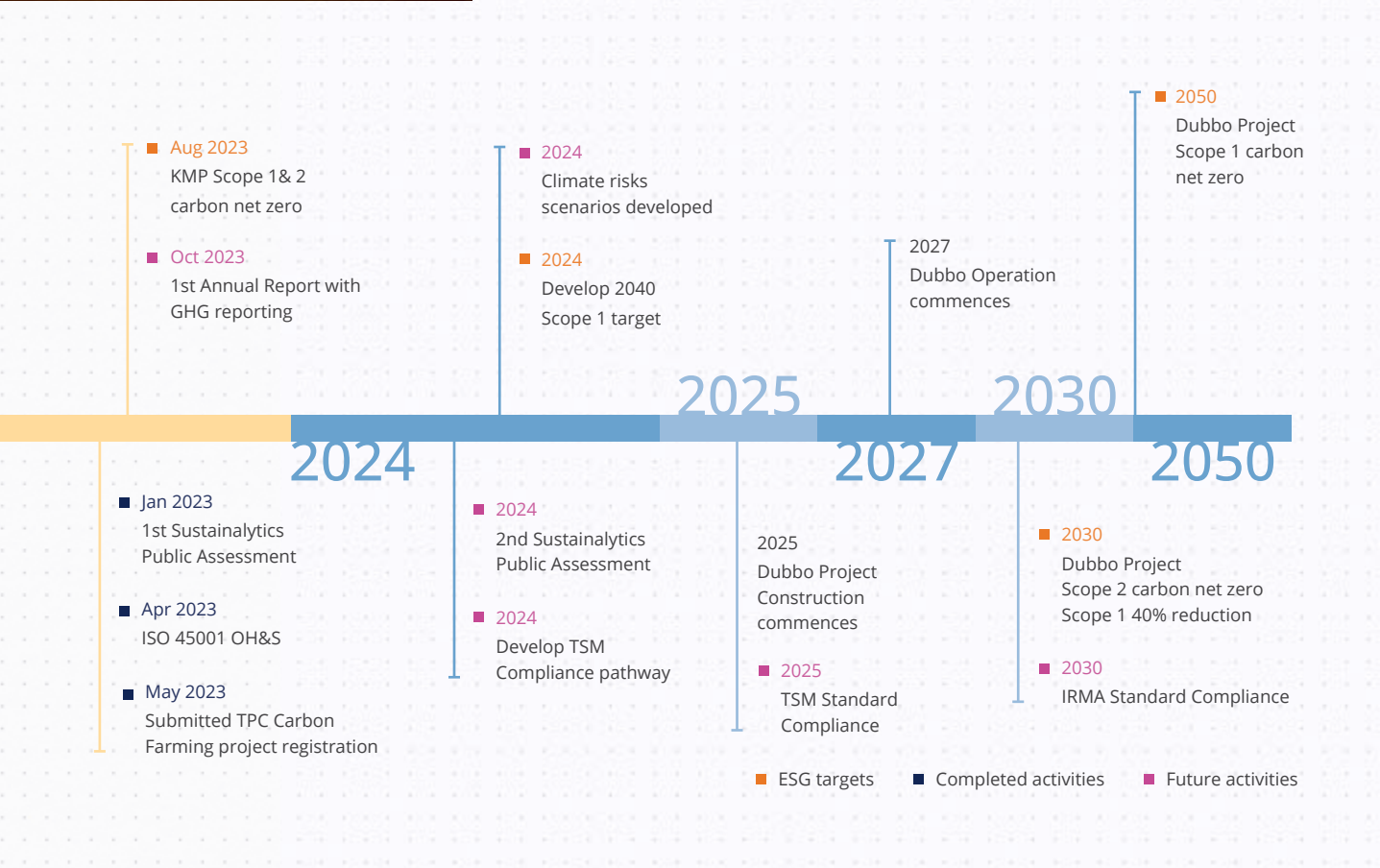


Our approach

ASM acknowledges the potential environmental impacts associated with its operations and is committed to actively managing and minimising greenhouse gas emissions. To achieve this, ASM acknowledges the need for ongoing advancements in technology, which the Company plans to integrate throughout its operations to continuously improve its carbon footprint and sustainability efforts targeting 2030 emission reductions and 2050 net zero carbon.

Sustainability reporting continues to evolve at pace, as a global standard for the financial impacts of ESG risk are introduced (International Sustainability Standards Board (ISSB) IFRS S1 & S2). Alongside these, mandatory sustainability-related financial reporting in Australia and other global jurisdictions is emerging. Further, there are continued stakeholder and regulatory expectations of a transparent and responsible supply chain, which are driving site-based assurance against standards, such as the Initiative for Responsible Mining Assurance (IRMA), and Towards Sustainable Mining (TSM).

ASM considers all these developments and requirements in its planning and implementation of ESG standards and disclosure.



Environment

Dubbo Project

Modification 1

In 2021, ASM identified opportunities to optimise the design of the Dubbo Project to maximise operational efficiencies at the mine and deliver social and environmental benefits. The key changes included adjustments to the site layout to accommodate additional plant and the relocation of infrastructure areas.

A Modification Report was publicly exhibited in March-April 2022. The NSW Department of Planning and Environment (DPE) received advice from seven agencies, Dubbo Regional Council and Siding Springs Observatory. DPE received one submission from a special interest group (comment) and four from members of the general public – one in support, one objection and two comments. The one public submission in objection raised concerns regarding amenity impacts in relation to the proposed extended construction hours and consequent noise impacts. The DPE imposed strict noise limits and restricted out of hours operations to ensure there would be no significant increase in noise impacts.

The Dubbo Project received approval of the Modification Report, SSD-5251 (MOD1), from the DPE on 2 March 2023.

MOD1 will deliver significant social and environmental benefits when compared to the original approved project. Key features of the revised design include:

- Annual project water consumption reduced by more than 50%.
- Transportation of dangerous goods by road or rail decreased by adding of a chlor-alkali plant.
- Volume of liquid waste reduced and process water recycled through adding a brine concentrator.

- Storage facilities for liquid residue reduced from 413 Hectares (Ha) to 21 Ha.
- Rail transport of reagents brought forward to align with project commencement.
- Overall land disturbance area reduced by 5.4 Ha.
- Net reduction of impacts to native vegetation by 10.7 Ha with unlikely impacts on biodiversity values in comparison to the approved project.

Dubbo Project Environmental Management plans are now being revised to incorporate MOD1 changes. Some plans are required to be completed prior to construction of the project.

Environmental Monitoring

An environmental monitoring system was installed near the Toongi Hall, the nearest sensitive receptor, in March 2022. The system has provided a full year of meteorological and air quality data up to 30 June 2023. This baseline data will be added to the nearly 20 years of environmental data collected around the project site.

The results of surface and groundwater monitoring are compiled in an Annual Review, along with ecological data collected from analogue vegetation monitoring sites and the biodiversity offset areas.

To ensure comprehensive monitoring, additional monitoring equipment will be installed prior to the commencement of construction.

Biodiversity

ASM is currently working towards its ambition of employing a nature-positive approach on biodiversity. The Company is committed to promoting biodiversity and protecting native species through applying the mitigation hierarchy during planning and rehabilitating where impact is unavoidable.

ASM's Dubbo Project has a Biodiversity Management Plan (BMP) that provides a framework for managing and monitoring biodiversity. This incorporates the fenced biodiversity offset areas (1,021 Ha) associated with the Dubbo Project, which are designated for the restoration and maintenance of native habitats, especially vulnerable species. Under a Conservation Property Vegetation Plan negotiated with Local Land Services, these areas are registered on title and protected in perpetuity. To accommodate the MOD 1 reconfiguration of the approved disturbance areas, which will achieve an overall net reduction in biodiversity impacts, the BMP will be updated and made available on the ASM website.

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 totalling approximately 3,715 Ha.

Management activities during the reporting period included:

- Annual survey of four control sites, comprising Grey Box, Fuzzy Box, White Cypress Pine and White Box woodlands.
- Annual survey of Pink-tailed Worm-lizard distribution across six artificial habitat monitoring sites combined with opportunistic searches under rocks.
- Management of existing native grasslands, particularly in biodiversity offset areas.
- Ongoing pest animal control programs. Feral pig numbers are significantly increasing across western NSW after three favourable seasons.
- Ongoing fence maintenance around biodiversity offset areas to protect such areas from livestock and pest animals.
- Ongoing control of noxious weeds.
- Ongoing thinning of White Cypress Pine to increase native grass cover and understorey, improving biodiversity.

The biodiversity offset areas, which are fenced off from livestock, have experienced natural regeneration of native vegetation following three years of above average rainfall from 2020 to 2022. The dense Cypress Pine woodlands were affected by natural die-back, possibly induced by a change in climate, during the severe drought in 2019. As a result, these areas are now more light-filled with abundant native tree and shrub regeneration.



ASM's Dubbo Project has a Biodiversity Management Plan that provides a framework for managing and monitoring biodiversity.



ASM acknowledges the need for ongoing advancements in technology, which the Company plans to integrate throughout its operations to continuously improve its carbon footprint and sustainability efforts.

Water Management

ASM holds sufficient river and groundwater licences – including some high security licences – to develop the Dubbo Project as a 1Mtpa operation.

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 and Environment – Water.

ASM understands its role in responsible natural resource management within the catchment, and takes a holistic approach to managing soils, biodiversity and water.

ASM also understands the need for water in the catchment to be shared between the environment, towns, irrigators and industry. As such, ASM engages with the Macquarie-Cudgegong Customer Advisory Group, which provides a forum for community consultation. As the Dubbo Project has not commenced construction, ASM takes advantage of the opportunity to trade water on the temporary market. That water can then be used in the Macquarie Valley for irrigation of crops or industrial uses.

A Stage 1 (construction phase) Water Management Plan (2016), approved by the NSW governing authority, is available on the ASM website. This plan will be updated to accommodate minor project design changes described in MOD1. The DPE considered that the proposed modification would provide considerable improvement to overall water efficiency and a substantial reduction in water use for the Dubbo Project's operations.

Water management activities during the reporting period included:

- Approval of a brine concentrator in the plant design, which would allow for beneficial re-use of water on site and almost halve the project's water use from external sources to about 2GL/year.
- Continued stakeholder discussions regarding water use and temporary trade of ASM's water to agricultural and manufacturing businesses.
- Periodic monitoring of bores and surface water, particularly given above average rainfall since early 2020.
- Engagement of consultants to commence design and construction of erosion and sediment control structures for the site, in preparation for protection of surface water quality and progressive rehabilitation.



Soil coring at Toongi Pastoral Company for baseline carbon estimation.

Climate Change

ASM supports the Task Force on Climate-related Financial Disclosures (TCFD) and the new International Financial Reporting Standards Standard 2 (IFRS S2) and will progressively apply their recommendations as the Company grows. ASM is committed to evaluating, assessing, and managing both physical (catastrophic and natural disaster events) and transition (low carbon economy) risks of climate change, recognising the stage of development of the Dubbo Project and operation of the Korean Metals Plant.

As part of the FY24 reporting, ASM will commence an assessment against a low carbon scenario and a rapidly warming scenario to test both potential transition and physical risks and opportunities. Supplementary to this, ASM plans to consider the Scope 3 requirements and to conduct formal Board training on the nature, timing and magnitude of climate-related risks in FY24.

To demonstrate this commitment, ASM has initiated the development of a comprehensive roadmap to achieve net zero carbon emissions by 2050. This year, ASM has established Scope 1 and 2 targets for the Korean Metals Plant and the Dubbo Project to continuously improve their carbon footprint and sustainability efforts. (see page 48 for more details).

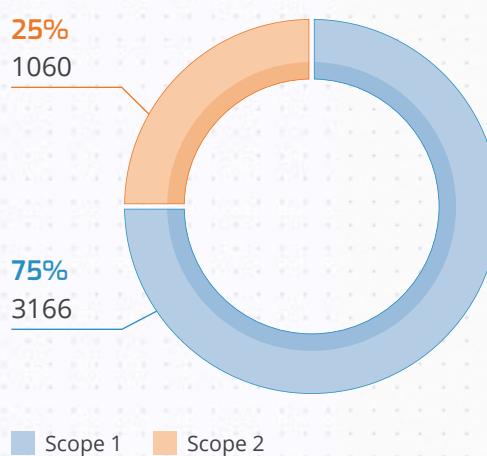
ASM also continues registration of Carbon Estimation Areas within its Dubbo Project property as a carbon farming project under the Australian Government's Emissions Reduction Fund (ERF). This process began in FY21. Under the ERF, measured increases of in-soil carbon content earn Australian carbon credit units (ACCU). ASM is exploring how these can contribute to the Dubbo Project's carbon offsets.

Greenhouse Gas Emissions

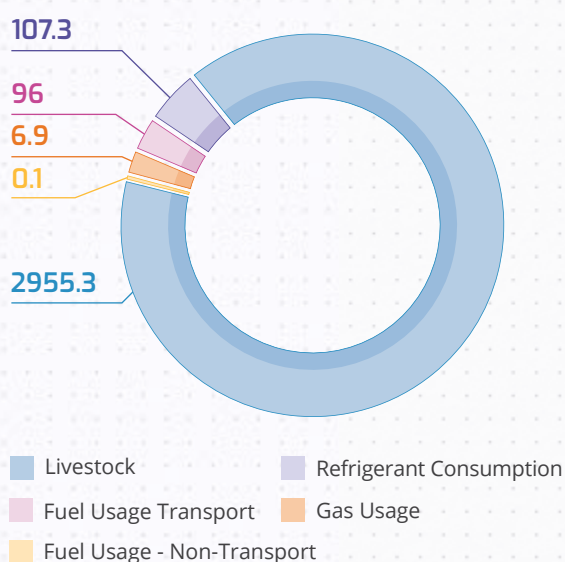
In line with ASM's focus on understanding the impact of its current operations, the Company has developed a greenhouse gas (GHG) inventory for FY23 for Scope 1 (direct emissions) and Scope 2 (indirect emissions), in alignment with the Greenhouse Gas Protocol. This marks the first time ASM has reported energy and emissions data and is a significant milestone in understanding the potential impact of its operations.

The GHG inventory for FY23 includes the operations of the Korean Metals Plant, Toongi Pastoral Company, and the Perth Corporate Office. This is inclusive of our Scope 1 emissions from direct energy use (diesel, natural gas), use of industrial gases, livestock emissions, refrigerants and Scope 2 emissions from grid electricity usage. When the Dubbo Project is operational, it is anticipated that the overall emissions will increase due to its inclusion within operational activities.

Total Greenhouse Gas Emissions (Scope 1 and Scope 2 - t CO₂e) in FY23



Scope 1 Emissions by Activity (t CO₂e)



Greenhouse Gas Emissions by Operation in FY23¹

	Korean Metals Plant (KMP)	Toongi Pastoral Company (TPC)	Perth Corporate Office (PCO)	Total
Scope 1 Emissions (t CO ₂ e)	132	3,034	-	3,166
Scope 2 Emissions (t CO ₂ e)	995	61	4	1,060
Total Emissions – Scope 1 and Scope 2 (t CO₂e)	1,127	3,094	4	4,225

¹ Due to rounding to the nearest whole number, some totals may not correspond with the sum of separate figures.

Korean Metals Plant

ASM has set a target for the Korean Metals Plant (KMP) to achieve carbon net zero for Scope 1 and 2 emissions from commencement of operation. During its first year of operation, the KMP implemented various initiatives to decrease its carbon footprint and was successful in fully offsetting its emissions in FY23.

Greenhouse Gas (GHG) Emissions Targets

2023

Scope 1 and Scope 2 - Net Zero

2040

35% electricity from renewables

New Technologies: The KMP has a highly credentialed research & development team, developing innovative low-emission technology for the metallisation processes.

Renewable Energy Integration: The KMP has adopted a continuous improvement approach to energy efficiency and is committed to aligning with the South Korean government's strategy and target of generating 35% of its electricity from renewables (e.g. solar power) by 2040.

Purchasing Carbon Credits: Where appropriate, the KMP will look to offset carbon emissions through the purchase of carbon credits. For the period 1 July 2022 to 30 June 2023, KMP purchased 1,127 tonnes of greenhouse gas emissions credits. The carbon credits were invested in a local South Korean project by Hyundai Greenpower Co. Ltd, Steel Waste Energy Co-generation Project (Steel). The project utilises surplus waste gases produced by Steel to generate electricity, which would otherwise be emitted to the atmosphere after incineration.

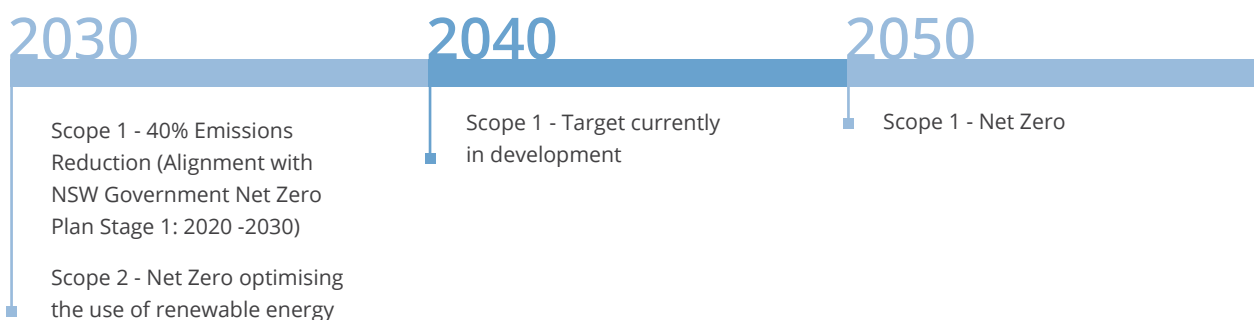
ASM has set a target for the KMP to achieve carbon net zero for Scope 1 and Scope 2 emissions from 2023.



Dubbo Project

The Dubbo Project is located in the NSW government's designated Central-West Renewable Energy Zone, which provides an opportunity to source renewable energy options. In addition, and as ASM continues to develop its operations, several targets and opportunities for emissions reduction are being investigated. Despite not being operational, ASM has also conducted the life of mine emissions calculations for the Dubbo Project to better understand the Company's emissions footprint.

Greenhouse Gas GHG Emissions Targets



Net Zero (Scope 1) by 2050: ASM has set targets for Scope 1 emissions at the Dubbo Project, aiming for a 40% reduction by 2030 and net zero emissions by 2050.

ASM is currently developing a 2040 target and the pathway to achieve the 2030 and 2050 targets, in support of becoming a key contributor to a sustainable low-carbon economy.

Net Zero (Scope 2) by 2030: ASM is currently developing its pathway to achieve its Scope 2 2030 targets. To achieve the target of net zero Scope 2 emissions by 2030, the Dubbo Project will focus on emissions associated with electricity generation, intending to optimise the use of renewable energy.

Greenhouse Gas Management Plan: Prior to construction, the Dubbo Project will develop a comprehensive Greenhouse Gas Management Plan. This will ensure effective management and reduction of GHG emissions during its operations. The GHG Management Plan will implement best practices to minimise GHG emissions and improve energy efficiency. It may consider conducting regular maintenance of the

Company's light vehicles, dump trucks, loaders, drills, graders, and other mobile equipment to optimise energy usage and reduce emissions, exploring electrification options of our fixed plant options (i.e. converting gas to electricity) and increasing the integration of renewable energy sources like hydrogen, alongside investigating the possibility of transitioning to an electric mining fleet.

Research Into Emission Reduction

Opportunities: ASM will continue to explore innovative ways to minimise GHG emissions through various means, including management plans, studies, research, and grants. This will include active review of schemes that may provide additional opportunities to reduce GHG emissions and increase productivity in alignment with the NSW Government Net Zero Plan Stage 1: 2020-2030.

Assessment, Tracking and Reporting: ASM will facilitate thorough assessment and reporting of GHG emissions and energy consumption against the set targets for GHG reduction at the Dubbo Project to promote accountability and progress monitoring towards these targets.

Social

People and Culture

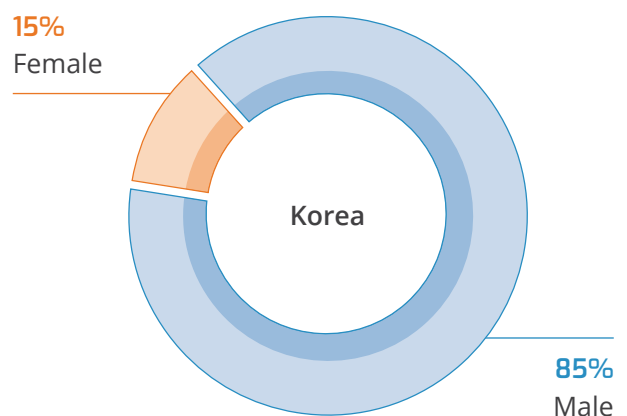
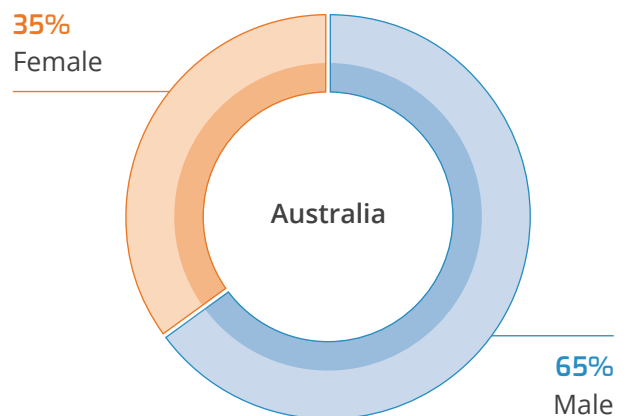
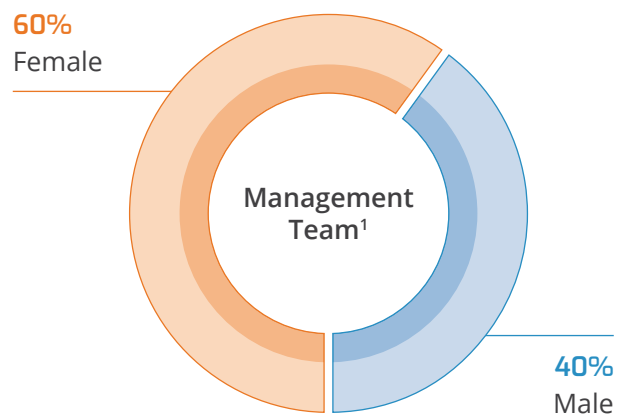
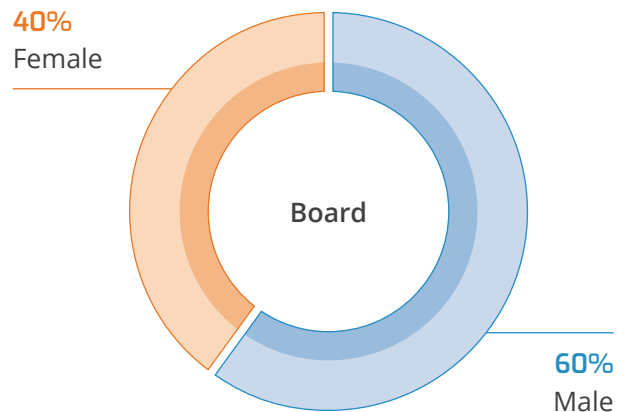
ASM seeks to foster a culture of innovation, equal opportunity and integrity among its workforce, partners and supply chain. ASM has its headquarters in Perth, where most of the management team is located. The remaining employees are dispersed across Australia and in Korea.

ASM's team based in Dubbo manages the Toongi Pastoral Company (TPC) and Dubbo Project, while the team in Brisbane has progressed the ongoing project development and delivery work. During 2023, ASM has introduced a remuneration policy for non-executive employees to further attract and retain employees. Community engagement and investment programs are in place, ensuring active involvement of the local community in the planning for operation. This includes collaboration with local indigenous people, the protection of cultural heritage sites and how we all work towards Free, Prior and Informed Consent (FPIC).

Diversity

ASM's Australian operations have continued to deliver strong gender diversity results. Between 2022 and 2023, gender diversity remained strong across the Board, management team and Australia.

¹Mr Chris Jordaan was appointed ASM's Chief Operating Officer effective 24 August 2023. With the addition of Mr Jordaan, the ASM management team has a 50% female, 50% male split.



Data represents permanent and fixed term ASM Group employees at 30 June 2023

Health and Safety

ASM is focused on the safety, health and well-being of its people, environment and communities. The Company has continued to build and strengthen a culture of caring and promoting a safe working environment through the promotion of trust, care and self-responsibility. This includes proactive work in risk identification, assessment, controls and verification. ASM encourages and supports all employees to become safety leaders at work and hold each other responsible for the expected behaviours and safe work practices required to reduce the potential for occurrences of occupational illness and injury, and promote healthy lifestyles.

COVID-19 continued to have an impact on ASM's operations over the year. Through strong contingency plans and controls, these impacts were kept to a minimum with no direct impact to operational output.

Health and Safety Figures

ASM continued to maintain its focus on safety over the year and is pleased to report that the group recorded the milestone of one year Lost Time Injury free at 30 June 2023, with 154,382 hours worked and had zero reportable safety, health or environment events for the year.

There were four recordable injuries sustained during the year, three related to soft tissue hand injuries at the Korean Metals Plant (KMP) and one injury of knee ligament tear sustained to one of the farm workers at TPC. ASM is pleased to report all workers have made a full return to health and work duties, with engineered corrective solutions implemented to prevent recurrence of these incidents.

Health and Safety Management Systems

ASM is committed to enhancing its health and safety management systems through proactive efforts in risk identification, assessment, controls and verification. In the short time since its operation, ASM has achieved accreditation with ISO 45001:2018 Health and Safety Management System for the KMP. This accomplishment adds to the KMP's existing accreditations against ISO standards: ISO 14001:2015 – Environmental Management Systems and ISO 9001:2015 – Quality Management Systems, which establishes the Company's commitment to high standards of management and operations.

ASM's commitment to safety was recognised when it was selected as one of the five category winners in an awards program held by the Cheongju Regional Office of the Ministry of Employment and Labour in South Korea with a focus on creating a safety management system centered around risk assessment to prevent major accidents effectively. The awards aimed to recognise companies that have established exemplary systems where employers and workers collaborate to identify hazardous and risk factors in the workplace. The companies were also evaluated based on their ability to develop and implement improvement measures. With competition from 213 other companies, ASM's achievement is commendable, considering the quality of competitors and the relatively short time that the KMP has been in operation.

To ensure a proactive approach to safety, ASM's leadership conducts monthly joint site inspections involving both the management team and workers. This integrated approach allows for open discussions and the exchange of views on safety-related matters.

Emergency Response Management

ASM prioritises effective emergency response management to ensure the safety and well-being of its employees and stakeholders. To validate the preparedness and response capabilities, regular audits are conducted, evaluating the implementation and understanding of the emergency response procedures and the readiness of first responders to address potential emergencies.

Recognising the importance of psychological support during workplace accidents or disasters, ASM leadership has entered into a memorandum of understanding (MOU) with the Chungbuk disaster counselling support centre, represented by the Red Cross. Through this collaboration, KMP employees have access to psychological counselling services in the event of workplace accidents or disasters. In addition, employees received training on emergency response measures and the use of automated external defibrillators (AEDs) and are able to participate in community volunteering activities organised by the Red Cross. In unison, these actions foster a sense of preparedness within the community.

ASM's Fatality Risk Control Programme (FRCP) constitutes a fundamental aspect of its emergency response management approach. This programme was developed to mandate critical controls aimed at preventing fatalities, serious incidents and injuries arising from common hazards and associated risks in operational activities. By focusing on nine high-risk activities within the industry, ASM actively improves safety measures and mitigates potential risks, ensuring a safer working environment for everyone involved.

Community and Social Responsibility

ASM intends to leave a legacy that delivers enduring benefits to the communities and regions where it operates. ASM knows that having strong and positive relationships with local communities is critical to being a responsible and sustainable company.

First Nations Engagement

Over the past two decades, ASM has consulted with local Elders and Aboriginal organisations associated with the land on which the Dubbo Project is located. This includes the Dubbo Aboriginal Community Working Party, Three Rivers Regional Assembly, and the Dubbo Local Aboriginal Land Council. The Dubbo Project Community Consultative Committee has two Aboriginal members.

ASM continues to review cultural heritage sites within the project footprint and ensures traditional owners are engaged and consulted on heritage issues, as per Part of the National Parks and Wildlife Act (1974).

ASM continues to identify heritage sites (outside of the project footprint) additional to those described in the Dubbo Project's Environmental Impact Statement (EIS 2013); these sites have been protected from farming activities.

Activities during the reporting period included:

- Meetings between ASM management team and representatives from Aboriginal organisations and Elders to listen to their priorities and grow relationships.
- Invitation to Traditional Custodians to walk "On Country".
- Dubbo Project Community Consultative Committee meetings.
- Engaging with the local Aboriginal community to provide welcome to country, smoking ceremonies and cultural awareness lessons for all significant site visits and functions.

Sponsorships & Engagement

During the year, ASM continued to engage with the local community in Dubbo through regular community newsletter distribution and via the community information line.

ASM management and representatives also met with various government stakeholders, community and business leaders, local Aboriginal groups and potential local suppliers.

Key initiatives supported include:

- NSW Mining and Exploration Conference (Orange);
- Resources Energy Environment Foundation Forum (Dubbo);
- Association of Independent Schools Years 7-9 Careers Exploration Event;
- Little River Landcare/Local Land Services Soil Biology Workshop (TPC);
- Careers Information Day (Dubbo College Senior Campus);
- Clontarf Foundation Employment Forum;
- Dubbo Show;
- NSW Minerals Council – Mining Careers Dinner (Dubbo);
- Dubbo Field Naturalist & Conservation Society field trip to Toongi;
- Dubbo Project Community Consultative Committee; and
- NSW Minerals Council ESG Working Group.

Other highlights during the reporting period include:

- Engagement with government agencies through the consultation and assessment phase of MOD1.
- ASM's Brisbane-based project delivery team hosting a site visit from Transport for NSW to Toongi siding to examine the complexities of a rail pathway around the newly constructed Mindyarra Maintenance Facility in Dubbo.
- Hosting staff from the Biodiversity Credit Supply Taskforce at Toongi to promote what has been a successful demonstration of biodiversity conservation within an active agricultural enterprise.
- Hosting a team of geophysicists from the Korean Institute of Geoscience and Mineral Resources (KIGAM) to carry out drone surveys across the Toongi ore body.
- Publication of two research papers by a PhD candidate in collaboration with Mining, Exploration and Geoscience (Geological Survey of NSW).



Christian Munge from the Toongi Pastoral Company (right) at the 2023 Dubbo Show.

Students from the MAP program help with fence building on Toongi farmland.



Macquarie Anglican Grammar School partnership for MAP Program

ASM and its subsidiary Toongi Pastoral Company (TPC) partnered with Macquarie Anglican Grammar School for its Macquarie Agricultural Pathways (MAP) program.

The program provides for a targeted group of Year 7 students at the school to engage in weekly farm visits to TPC sites. Here they will develop the skills necessary for employment in the agriculture sector directly, or to prepare for entry into Tertiary-based programs.

The first group of students started the program in July 2022.

"This is at the core of what we are striving to achieve at Macquarie, the development of resilient young people who are ready and willing to make a difference in the world."

Craig Mansour,
Headmaster

Participation & Memberships

In November 2022, ASM became a participant of the United Nations Global Compact (UNGC) in support of the Ten Principles on human rights, labour, environment and anti-corruption. ASM commits to making the UNGC and principles part of the strategy, culture and day-to-day operations of the Company, and to engage in collaborative projects that advance the broader development goals of the United Nations, particularly the Sustainable Development Goals. ASM will provide an annual submission of a Communication on Progress (CoP) that describes the Company's efforts to implement the Ten Principles.

In addition, ASM is proud to be a member of the Diversity Council of Australia: an independent not-for-profit peak body leading diversity and inclusion in the workplace. The membership and network with the UNGC and the Diversity Council of Australia allows ASM to assess and benchmark the impact of its business practices, fostering continuous improvement and exemplifying its commitment to be accountable to its ESG commitments.

Governance

ASM's actions are governed by an experienced Board committed to administering our policies and procedures with openness and integrity. This year, ASM continued to strengthen its governance framework, focusing on environment and sustainability. As a result, it commenced work on a health, safety, security and environment management system. ASM also established several new policies, which can all be viewed on the ASM website.

To demonstrate commitment to responsible mining, ASM's long-term intention is to comply with the Initiative for Responsible Mining Assurance (IRMA)'s standard when the Dubbo Project is fully established and operating. Over the next five to seven years, the nature of ASM's activities presents an opportunity to work towards readiness for IRMA by 2030. As an interim step, ASM aims to integrate the Towards Sustainable Mining (TSM) certification and assurance scheme by 2025.

Since 2020, ASM has been providing sustainability content within the Annual Reports. In addition, ASM has reported the

information cited in the Global Reporting Initiative (GRI) content index with reference to the GRI Standards since 2022. The GRI Index is available on ASM's website.

ASM is also rated by external ESG Risk Rating agencies such as Sustainalytics, which has provided public ratings on its website. In Q1 2023, ASM's inaugural public assessment was completed. The Company was assessed as having high exposure to ESG issues while having strong management of ESG material risk, contributing to an overall ESG risk rating of high risk (32.6) and placing ASM in the top quartile of Diversified Metals companies assessed.

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: asm-au.com/about-asm-home/governance

Financial Report



Australian Strategic Materials Limited
Corporate directory
30 June 2023

Directors

Ian Gandel	Non-Executive Chair
Rowena Smith	Managing Director – appointed 6 March 2023
Gavin Smith	Non-Executive Director
Kerry Gleeson	Non-Executive Director
Nic Earner	Non-Executive Director
David Woodall	Managing Director – resigned 15 July 2022

Joint company secretaries

Dennis Wilkins
Annaliese Eames – appointed 30 January 2023
Julie Jones – resigned 2 February 2023

Principal registered office in Australia

Level 4, 66 Kings Park Road West Perth WA 6005
Telephone: 61 8 9200 1681 Facsimile: 61 8 9200 1682

Share register

Advanced Share Registry Limited
110 Stirling Highway, Nedlands WA 6009

Auditor

PricewaterhouseCoopers
Brookfield Place, 125 St Georges Terrace, Perth WA 6000

Stock exchange listing

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

Website

<http://www.asm-au.com>

Australian Strategic Materials Limited
Directors' report
30 June 2023

The Board of Directors (the "Board" or the "Directors") of Australian Strategic Materials Limited ("ASM" or the "Company") and its controlled entities (the "Group") are pleased to present their Directors' Report together with the consolidated financial statements of the Group for the year ended 30 June 2023.

Directors

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

I Gandel	Non-Executive Chair
R Smith	Managing Director – appointed 6 March 2023
G Smith	Non-Executive Director
K Gleeson	Non-Executive Director
N Earner	Non-Executive Director
D Woodall	Managing Director – resigned 15 July 2022

Information on Directors and Company Secretaries

The following information is current at the date of this report.

Ian Jeffrey Gandel LLB, BEc, FCPA, FAICD - Non-Executive Chairman

Mr Gandel is a successful Melbourne based businessman 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 was the CEO of a chain of serviced offices. Mr Gandel has been an investor in the mining industry since 1994. Mr Gandel is currently a substantial holder in several publicly listed Australian companies and, through his private investment vehicles, now holds and explores tenements in his own right in Western Australia.

Mr Gandel has been a Non-Executive Director of ASM since 2014 and Non-Executive Chair since 2017, and is a member of ASM's Audit Committee, Remuneration Committee and Risk Committee.

Current listed Directorships also include Non-Executive Chair of Alkane Resources Ltd (Director since 2006). Past listed Directorships (previous 3 years) include Non-Executive Chairman of Alliance Resources Ltd (2003 to 2022).

Rowena Jane Smith B.Com, MAICD – Managing Director and Chief Executive Officer

Ms Smith has over 30 years' experience in the mining and minerals processing sector holding senior roles in strategy, operations and commercial. Prior to joining ASM, she was Chief Sustainability Officer at South32, accountable for sustainability strategy, risk management and HSE business processes. Her other past roles include Vice President Supply at South32, General Manager of BHP's Kwinana Nickel Refinery, and operational leadership roles within Rio Tinto's aluminium smelting business.

Ms Smith has been Managing Director of ASM since March 2023, and is a member of ASM's Audit Committee and Risk Committee. Ms Smith was appointed as Chief Executive Officer in July 2022, and prior to her appointment, Ms Smith joined ASM as the Chief Operating Officer in July 2021.

Nicholas Paul Earner BEng (Hons) - Non-Executive Director

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 was employed by Straits Resources Ltd for a four-year period, including two years as Executive General Manager – Operations, supervising up to 1,000 employees in open cut and underground gold mines and an underground copper mine. During the eleven years before that he had various roles at Rio Tinto Coal Australia's Mount Thorley Warkworth coal mine and BHPB/WMC Olympic Dam copper-uranium-gold operations. Mr Earner's eight years at Olympic Dam included roles managing the Concentrator and Hydromet functions which included substantial milling, leaching and solvent extraction circuits. His other positions included Production Superintendent – Smelting, and Senior Engineer – Process Control, Instrumentation and Communications.

Australian Strategic Materials Limited
Directors' report
30 June 2023

Mr Earner has been a Non-Executive Director of ASM since 2017 and is a member of ASM's Remuneration Committee and Nomination Committee.

Current listed Directorships also include Managing Director of Alkane Resources Ltd (since 2017). Past listed Directorships (previous 3 years) include Non-Executive Director of Genesis Minerals Ltd (2019 to 2021).

Gavin Murray Smith B.Com, MBA, MAICD - Non-Executive Director

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 subsidiaries. Mr Smith is member of the industry advisory boards of the CSIRO and the Victorian Skills Authority.

Mr Smith has been a Non-Executive Director of ASM since 2017 and is Chair of ASM's Remuneration Committee and Audit Committee, in addition to being a member of ASM's Risk Committee and Nomination Committee.

Current listed Directorships also include Non-Executive Director of Alkane Resources Ltd (since 2017).

Kerry Jo-Anne Gleeson LLB (Hons), FAICD - Non-Executive Director

Ms Gleeson is an experienced independent Non-Executive Director, Chair and Committee Member with over two decades of experience as a director, senior executive and board advisor of various ASX listed companies. Ms Gleeson has worked nationally and internationally across broad and complex industry sectors, including mining and resources, industrial and agricultural, manufacturing, transport and distribution and international education. Ms Gleeson is a qualified lawyer in both the UK and Australia, and spent 15 years in private practice, including as a partner of an English law firm, before emigrating to Melbourne and joining Blake Dawson Waldron (now Ashurst).

Ms Gleeson has been a Non-Executive Director of ASM since 2022 and is Chair of ASM's Risk Committee and Nomination Committee, in addition to being a member of ASM's Audit Committee and Remuneration Committee.

Current listed Directorships include Non-Executive Director of St Barbara Ltd (since 2015), Chair of St Barbara Ltd (since 2023) and Non-Executive Director of Chrysol Corporation Ltd (since 2021). Past listed Directorships (previous 3 years) include Non-Executive Director of New Century Resources Ltd (2020 to 2023).

David Graham Woodall B.Eng, MSc (Mineral Economics), AICD – Managing Director

Mr Woodall is a mining engineer with over 30 years' experience in senior executive roles in operations, project development and evaluations in the mineral resource industry including gold, copper, iron ore and nickel. He has held senior positions in Australia, Fiji, Central Asia, Indonesia, China, PNG and North America.

Mr Woodall resigned in July 2022.

Dennis Wilkins B.Bus, ACIS, AICD - Joint Company Secretary

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 has served as a Company Secretary of ASM since 2018. Current listed Directorships include Non-Executive Director of Key Petroleum Limited (since 2007).

Annaliese Eames LLB (Law) - Joint Company Secretary and General Counsel

Ms Eames has more than 15 years of legal, commercial, strategic, and corporate governance experience. Her depth of knowledge covers large scale project contracting, corporate, finance and intellectual property law. Before joining ASM, Annaliese was Managing Counsel with BHP, and prior to this held a variety of roles with a range of companies in the mining industry.

Ms Eames has served as Joint Company Secretary since January 2023.

Julie Jones LLB (Law) - Joint Company Secretary and General Counsel

Ms Jones has more than 18 years of legal, commercial, strategic and corporate governance experience, underpinned by a strong background in mining and manufacturing.

Ms Jones resigned in February 2023.

Principal activities

During the year the principal and continuing activities of the Group consisted of:

- Refining and manufacture of neodymium metal and alloy products including equipment commissioning and further product development at our Korean Metals Plant (KMP) located in Ochang, South Korea.
- The exploration and evaluation of the Dubbo Project located in Dubbo, New South Wales, Australia.
- Funding activities including a successful capital raise in November 2022.

For further detail, please refer to our Operating and Financial Review on pages 4 to 7 of this report.

Dividends

There were no dividends paid, recommended nor declared during the current or previous financial year.

OPERATING AND FINANCIAL REVIEW

Review of Operations

Dubbo Project

ASM intends to develop the Dubbo Project to produce oxides and mixed chlorides of rare earths, zirconium, niobium and hafnium, which can either be metallised at the KMP, or distributed to other global manufacturing customers.

Dubbo Project evaluation activities have continued to progress well during the year, focusing on technical flowsheet enhancements, engineering design, approvals and early establishment activities which are important milestones building towards ASM's final investment decision (FID) targeted by December 2024.

The Dubbo Project was awarded three government grants during the year, providing support to finalise our heavy rare earth extraction process flowsheet, early road establishment activities and non-process infrastructure design including residue storage, water management, green house gas emission reduction studies and site establishment planning. This included technical process flowsheet work with the Australian Nuclear Science and Technology Organisation (ANSTO) on our heavy rare earth terbium (Tb) and dysprosium (Dy) extraction with preliminary Dy results achieving 99.95% quality.

ASM's team also negotiated a variation to the Dubbo Project Engineering, Procurement and Construction Definition (EPCD) contract with Hyundai Engineering Co., Ltd. (HEC). This allowed Stage 1 contracted works commenced in January 2023.

Pleasingly during March 2023, ASM also received NSW government approval for the Dubbo Project SSD Modification Report 1 (MOD1), which determined several improvements to the existing approved plan. This included improvements in recycling of water and reagents, halving water consumption at the project, inclusion of rail to minimise truck movement, on site chlor-alkali plant to reduce the cost of reagents and their handling and transportation and increased plant employment

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opportunities to approximately 270. Throughout the MOD1 approvals process, ASM's Dubbo Project team completed numerous environmental studies, including noise, air quality and emissions.

Key milestones during the year included:

June 2022	Award of EPCD contract to HEC.
September 2022	Signed Memorandum of Understanding (MoU) with Korean Development Bank (KDB) to establish rare earths supply chain.
December 2022	Awarded \$500,000 under Stream 1 of the NSW Government's Critical Minerals and High-Tech Metals Activation Fund (CMAF) to support finalising our heavy rare earth process flowsheet.
December 2022	Awarded \$10,000,000 under Stream 2 of NSW Government's CMAF for early road establishment activities.
January 2023	Commenced HEC EPCD stage 1.
March 2023	MOD1 received NSW government approval.
May 2023	Awarded \$6,500,000 under Tranche 2 of the Australian Government's Critical Minerals Development program to support non-process infrastructure work.

Dubbo Project strategic milestones for the next financial year include continued evaluation and design activities, securing bankable offtakes, progressing equity from strategic partners (including governments), ongoing early establishment activities and commencement of Export Credit Agency (ECA) covered debt process with Australia and other relevant jurisdictions.

Korean Metals Plant

ASM's Korean Metals Plant (KMP) is strategically located in Korea to service the rising global demand for permanent magnets in electric vehicles and wind turbines.

In Korea, ASM's primary focus during the year was the development and commercial production capacity optimisation of neodymium praseodymium (NdPr) metal, neodymium magnet (NdFeB) alloy and copper titanium (CuTi) alloy. The plant commenced first sales of NdPr metal in September 2022 to Korean customer NS World, secured its first NdFeB alloy sales contract in May 2023 to US customer Noveon Magnetics Inc and commissioned its NdFeB alloy strip caster. During June 2023, the KMP received ISO 45001 (OHS Management) accreditation, adding to existing accreditation for ISO 9001 (Quality) and ISO 14001 (Environment) demonstrating our ongoing commitment to safety and quality in our operations.

The year ended 30 June 2023 was the KMP's first year of production with the plant producing 47 tonnes of NdPr metal (30 June 2022: nil) of which 10 tonnes were sold to foundation customer NS World. NdFeB alloy and Titanium alloy production during the year was solely related to testing, commissioning and delivery of customer sample requirements.

Key milestones during the year included:

July 2022	Commenced NdPr metal production and ramp-up.
September 2022	Signed first NdPr metal sales agreement for 10 tonnes and commenced delivery.
September 2022	Successfully produced 466 kilograms of copper titanium (CuTi) ingot using the LK process. With process development continuing.
December 2022	Signed a non-binding business agreement with Chungcheongbuk Province in Korea and Vietnam Rare Earth Company (VTRE) to co-operate to build a global rare earths supply chain.
December 2022	Distributed samples of NdFeB strip alloy to a US magnet maker for inspection.
December 2022	Signed Memorandum of Understanding (MoU) with Japanese trading house Marubeni Corporation to explore mutually beneficial opportunities, including Japanese distribution of ASM products.
May 2023	Signed binding agreement with VTRE for metal plant feedstock supply.
May 2023	Signed NdFeB alloy sales agreement with US-based rare earth magnet manufacturer Noveon Magnetics Inc.

KMP strategic milestones next financial year include expanding NdPr metal and NdFeB alloy customer base, continuing technical validation of the NdFeB strip alloy to customer requirements, first delivery of NdFeB alloy and ramp-up of NdFeB alloy towards name plate production of 600 tonnes per annum (tpa), aligned to sales. As further sales are concluded and delivery schedules determined, ASM will consider when Phase 2 expansion to 3,600 tpa will occur to align with customer demand.

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Review of Financial Position

During the year ended 30 June 2023, the Group's overall loss increased by 8%. This increase resulted from the continuation of business development activities focusing on evaluation of the Dubbo Project, commercialisation of the Korean Metals Plant and funding activities. The overall loss includes a \$7,490,000 write down of Korean raw materials to net realisable value which was partially offset by first NdPr metals sales and sales of surplus inventory in Korea.

	30 June 2023	30 June 2022	Movement	
	\$'000	\$'000	\$'000	%
Sales revenue	4,441	1,870	2,571	137
Cost of sales	(4,268)	-	(4,268)	(100)
Gross Profit	173	1,870	(1,697)	(91)
Net loss before tax	(28,701)	(28,224)	(477)	(2)
Net loss after tax	(26,303)	(24,257)	(2,046)	(8)

The Group's net assets increased by 8%, principally due to ASM's November 2022 capital raising and ongoing investment in Korean commissioning and ramp-up, along with Dubbo Project technical flowsheet enhancements, engineering design and early establishment activities.

	30 June 2023	30 June 2022	Movement	
	\$'000	\$'000	\$'000	%
Cash	56,655	60,220	(3,565)	(6)
Net Assets	215,962	199,697	16,265	8
Issued Capital	268,316	228,425	39,891	17

The Group's 17% movement in issued share capital for the year included ASM's November 2022 capital raising and vesting of performance rights (refer note 18 of the financial statements).

Cash and Cashflows

Net operating cash outflows decreased by 9%, principally due to receipts from first sales of NdPr metal sales and bank interest offsetting raw materials purchased to support the KMP ramp-up activities. Net investing cash outflows decreased by 76% following construction of key Korean infrastructure in 2021. Financing cash inflows were on par with prior year due to ASM's November 2022 capital raising, which strengthened the balance sheet to support ongoing KMP and Dubbo Project commercialisation, development and evaluation activities.

	30 June 2023	30 June 2022	Movement	
	\$'000	\$'000	\$'000	%
Net operating cash outflows	(34,305)	(37,594)	3,289	(9)
Net investing cash outflows	(7,977)	(33,532)	25,555	(76)
Net financing cash inflows	39,061	38,036	1,025	3
Net cash flows	(3,221)	(33,090)	29,869	(90)
Closing cash	56,655	60,220	(3,565)	(6)

Going Concern

Based on the Group's cash flow forecast, the Group may require additional funding to enable the Group to continue to realise its strategic business activities and meet all associated corporate, production, evaluation and development commitments over the period.

As a result of the above, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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The Directors are satisfied that there are reasonable grounds to believe that the Group will be able to continue to meet its debts as and when they fall due and that it is appropriate for the financial statements to be prepared on a going concern basis.

The Directors have based this determination on the demonstrated ability of the Group to raise capital, the intention to raise new capital and their assessment of the probability of progressing project financing.

The attached financial report for the year ended 30 June 2023 contains an independent auditor's report which highlights the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. For further information, refer to note 1 of the financial statements, together with the auditor's report.

Business strategy

Our primary objective is to deliver value to shareholders and the communities in which we operate through the development and commercialisation of our rare earths and critical minerals, mine to metals business strategy, which we will achieve by:

- Leveraging our core competency in asset management and development to drive value;
- Securing strategic partnerships and funding to develop our Dubbo Project and expand our metals plant value chain;
- Building a strong balance sheet within a disciplined cost and capital allocation risk to return framework; and
- Leveraging our customer and community value proposition to deliver products that exceed expectations and support the evolution of the global renewable energy industry, nurturing a more sustainable way to live.

Our mine to metals business strategy plans to integrate our Dubbo Project rare earths and critical minerals with downstream processing into high-value metals and alloys via the KMP or parties in the critical minerals value chain.

Our priorities include offtakes and expanding our customer base for the KMP, continuing the evaluation and design of our Dubbo Project, and progressing our strategic funding opportunities to support our development whilst managing our strategic business risks and opportunities outlined on pages 8 to 16 of this report.

Our strategy clearly articulates our priorities for the Group. Importantly, underpinning this is the awareness that decisions made to improve short-term performance also consider the long-term sustainability of our business and the communities in which we operate.

Project Finance, Offtakes and Marketing

To develop the Dubbo Project, ASM is targeting a project financing funding strategy based on a mix of equity and debt, supported by export credit finance and secure bankable offtakes.

During the year, ASM broadened its potential offtake and strategic partner discussions to include new parties and jurisdictions. These parties included global industrial conglomerates, product end-users and financial investors across the USA, European Union (EU), Japan and Korea. ASM also continued discussions with potential debt providers to explore project finance options supported by our debt financial adviser Australian and New Zealand Banking Group Limited (ANZ). These parties included Australian and other government funding agencies along with global project finance banks including existing conditional support from Export Finance Australia (EFA) to secure \$200 million subject to satisfying conditions precedent as announced in June 2021.

Furthermore, ASM continued to advance broader funding strategy activities via a successful capital raising along with grant applications. Importantly, management remain strategically focused on engagement with a range of parties that are aligned with our offtake and investment strategies. This was underpinned by marketing activities which included the distribution of neodymium praseodymium (NdPr) metal, neodymium iron boron (NdFeB) alloy product samples, zirconia and copper titanium samples to prospective Korean, Japanese, EU and US customers. These activities are planned to continue into 2024.

GOVERNANCE AND RISK

The Group takes a pragmatic approach to risk management. The Directors provide oversight for risks and opportunities on a regular basis, ensuring that the Group's objectives and activities are aligned with our approach on how we manage these exposures.

ASM has a Risk Management Policy in place that guides the management of key business risks. In October 2022, the Directors approved a detailed System of Risk Management design and approach, RMS. The RMS framework sets the appropriate governance and provides a methodology for regular routines and tools to enable enterprise-wide management of threats and opportunities relevant to ASM's development, operations and strategic activities. The approach includes an implementation of an integrated technology platform to administer risks and event data. The platform will enable improved risk data transparency and reporting to management and the Board, for oversight and direction, as well as supporting an annual review of ASM's risk appetite.

The Group believes it is crucial for Directors to be part of this process and has an established Audit Committee and a Risk Management Committee with oversight of governance and risk activities.

Risks and Uncertainties

Our strategic business risks are risk exposures and uncertainties that could have a material effect on ASM's financial and operating prospects and our ability to achieve our strategic objectives as described in this report. These risks and uncertainties arise from a range of factors, including the Company's international operations, the current status of the Dubbo Project, the nature of the rare earths and critical minerals industry and changing economic factors. These risks have the potential to impact our entire organisation or a substantial portion of it, resulting in notable consequences, which can be either positive or negative – and subsequently trigger changes to our strategy.

These risks are overseen by the Board on recommendations from the Risk Committee, Audit Committee and the executive team. ASM responds to these risks by implementing strategies which are regularly reviewed by management, to ensure we remain within the Board approved risk appetite.

STRATEGIC BUSINESS RISKS

Keeping our people and communities safe and well

Opportunity

Keeping our people and community safe and well underpins the culture we aspire to and sets our expectations of each other. Caring for our workforce and always considering the impact our activities can have on the environments we operate in, positions us well for local communities' support, as well as potential customers and investors.

Threat

The impact of not having a safe working environment and best practices, can be devastating for our employees, communities, and retention of personnel. It can alter lives and impact shareholder returns, business continuity, financial performance, growth and ultimately ASM's license to operate.

Our Response

- We proactively engage with our people and community to understand concerns and nurture valued relationships.
- We monitor developments in practices and technologies to ensure we proactively implement best practices to keep our people and communities safe and well. We have a documented and tested Corporate Emergency Management Plan that provides our support to Crisis Management involving local communities in Korea and Dubbo.
- We have assistance programs for our employees in case of disasters and hardship.
- Operating with care and compassion is one of our core values.

Our Response

- We have a clear focus on health, safety and wellbeing in everything we do.
- We have robust Emergency Response Plans in place at all sites.
- We have a system of risk management program that guides us on how to effectively manage potential health and safety exposures.
- We actively and regularly assess our operational risks and controls at each site, integrating risk management routines and conversations in day to day activities.
- We have a suite of comprehensive HSS policies, standards and systems designed to prevent potential fatality and injury threats; or help manage actual events if they occur.
- We engage, develop, and train our people so that our work is well designed, monitored and executed.
- We investigate actual and potential significant events and share our learnings across the organisation, so we all learn from controls that fail.
- We perform regular audits to check how well designed our controls are, and whether they operate effectively.
- We quickly adopt appropriate best practices and technologies in safety and environmental protection.

Global economic uncertainty and liquidity

Opportunity

By investing selectively in our existing operations and growth options, external opportunities, or by making returns to shareholders, we aim to maximise total shareholder returns over time.

Threat

Any deterioration in economic conditions including any increase in inflation and interest rates or decrease in demand may have an adverse impact on ASM's financial performance or growth. It can also have consequences on ASM's ability to obtain project financing funding in timely manner or on terms acceptable to it.

Our Response

- We monitor market opportunities to diversify customers and supply chains whilst considering opportunities and partnerships to optimise our investment portfolio.

Our Response

- We have various commercial strategies, including contracts with mechanisms that provide protection in the event of price fluctuations (e.g., fixed prices, defined price reviews, caps and floors on pricing) and ongoing monitoring of market conditions.
- We adjust our capital allocation plans according to market conditions whilst maintaining minimum liquidity buffer.
- We mostly sell our products with reference to floating, market-based prices, which are broadly correlated with floating global currency markets and the input costs we are exposed to but that also include other contractual mechanisms to ensure protection in the event of price fluctuations or significant market movements.
- We carry out reviews of commodity prices and exchange rates, which we use to inform our operational plans.

Maintaining competitive advantage through business innovation and pricing mechanisms

Opportunity

To stay competitive, we position our organisation to effectively identify, develop and adopt sustainable business models for pricing across our rare earth and critical mineral portfolio.

Threat

Critical minerals production and derived demand and pricing is nascent and rapidly evolving. The pricing for the critical minerals will depend on the availability of markets offering acceptable prices. Other factors such as government intervention in markets, stockpiling, new trade policies, barriers and sanctions can also significantly impact pricing. Subsequent price volatility could adversely impact on financial performance and growth if ASM is unable to adapt. To secure funding to develop the Dubbo Project ASM will need to enter into contracts for the sale of the critical minerals on terms that are bankable. There is no guarantee that contracts will be secured on such favourable terms or there may be a delay in obtaining such contracts.

Our Response

- We proactively engage with existing and prospective customers and suppliers to understand their product requirements and objectives.
- We monitor broader market developments for emerging sale or supply opportunities.
- We actively engage with price reporting agencies (PRAs) and other industry stakeholders to continually assess our pricing mechanisms to ensure alignment with market conditions and actively seek to develop improved market-based mechanisms.

Our Response

- We have a dedicated marketing function engaging with prospective customers whilst monitoring and potentially developing market pricing innovations.
- We continue to monitor market commodity volumes for both sales and supply opportunities.
- We have a clearly defined approach to pricing, innovation, and improvement which includes industry engagement on enhancing pricing mechanisms.
- We analyse and monitor market trend and customer relationships.
- At KMP, we are progressing development of new in-house technologies.

Capital and funding

Opportunity

By investing selectively in our existing operations and growth options, external opportunities, or by making returns to shareholders, we aim to maximise total shareholder returns over time.

Threat

Our projects require substantial capital investment going forward, particularly the Dubbo Project, which may be challenging for traditional funding. Offtake agreements if secured on economic terms may assist in obtaining funding on acceptable terms.

Nonetheless the quantum of export credit finance, commercial debt and/or equity funding available to us may not be sufficient; not available in a timely manner; or on acceptable terms to execute our strategy and therefore impacting on ASM's financial performance and growth.

Our Response

- We continue to focus on capital options by considering a diverse mix of equity and debt including available government support mechanisms across all jurisdictions.

Our Response

- We target a project financing funding mix of equity and debt, supported by export credit finance and secure bankable offtakes.
- We seek strategic investors and relationships, for example offtakes, such that financing is de-risked for investors and debt providers.
- We create strong relationships with our brokers, financiers and investors.
- We provide adequate resourcing in finance and marketing functions to monitor the finances and performance of the business.
- We can sell down interests in Dubbo or KMP to release equity.

Building and sustaining supply chains for critical goods and services

Opportunity

Optimal and sustainable management of supply chain risk positions our business to operate safely and reliably, at the lowest possible cost and in a manner that meets or exceeds the expectations of our stakeholders.

It also provides us with the ability to influence how others in our industry approach sustainable sourcing and to position us to benefit as trade flows respond to rising protectionism, social consciousness, and general trends to de-risk value chains.

Of particular note, the supply chain for rare earth oxides (REOs) is developing which provides us with a genuine opportunity to establish ourselves as a credible non-Chinese supplier of both REOs and metal/alloy material.

Threat

We are dependent on contractors, suppliers and key personnel for vital goods and services to our operations, including raw materials, services and equipment. Compounding this threat is reality that the supply chain for many of our key raw materials (particularly REOs) is still in development stage ex-China. Any supply or service disruption may have an adverse effect on financial performance, growth and return to shareholders.

Our Response

- We build strong strategic partnerships with key suppliers on a long-term, mutually beneficial basis. This involves working collaboratively (and contractually) to ensure risks are appropriately shared and mutual support is provided as we work to establish robust and sustainable supply chains.
- We have local procurement initiatives designed to increase opportunities for local suppliers including payment terms that support local and small business.

Our Response

- We have a system of procurement management and approval authority in place that guides us on how to effectively select and manage our goods and services including multi-source supply where required; optimising inventory levels; flexing commercial terms and maintaining up-to-date business continuity plans.
- We understand, assess and continually monitor the risks in our supply chains, including the supply of critical goods and services, potential shortages, critical suppliers, vendor liquidity, logistics, climate change and decarbonisation, and modern slavery.

Consistent operational performance

Opportunity

- We look to continuously improve our operations and product range to deliver stable and consistent performance meeting the requirements of our customers.
- We invest in developing processes to sustain and improve our production performance to deliver a broader range of products for current and future customers.

Our Response

- We actively and regularly assess our operational risks and controls at each site, integrating risk management routines and conversations in day to day activities.
- We continuously assess and enhance the efficiency of our operations by integrating our operational procedures, which encompass operational planning, work design and standards, as well as process control enhancement.
- We build strong relationships with our customers to ensure that we understand their requirements and work to meet those.

Threat

- ASM has recently commissioned the Korean Metals Plant which is currently undergoing ramp up and technical product validation with initial customers.
- Consistent operational performance may be affected by supply chain constraints, as well as shifts in regulatory environment.
- ASM may encounter difficulties in meeting and consistently fulfilling customer requirements which will impact on the ramp up schedule and cash flow.
- If ASM cannot reliably and securely meet profitability goals, it may have an adverse impact on the capacity to accomplish the strategic goals, disrupt the supply chain and harm shareholder returns.

Our Response

- We work collaboratively with customers to understand their technical specifications.
- We operate in line with ISO certified requirements in Quality, Environment, Occupational Health, Safety and Risk Management.
- We carry out regular quality assurance processes over our operation and production.

Delivering on contractual relationships

Opportunity

Realising our strategic objectives and financial prospects will be dependent on contracts with a variety of parties in differing jurisdictions. We manage those contracts to build positive relationships, deliver in line with our Purpose and meet our strategic commitments.

Threat

- There is a possibility that ASM's contracts are not honoured or not extended, or that memoranda of understanding with parties do not result in binding contracts.
- ASM's contracts are exposed to the possibility of disruptions caused by a range of factors, some of which may be outside of either our or our counterparties' control. Disruptions to contractual performance could potentially have a significant adverse impact on the business, reputation, financial performance, and overall financial health.
- Many of ASM's contracts are or will be for longer terms and in a variety of jurisdictions. ASM may encounter difficulties managing issues that emerge over that term.

Our Response

- We seek to enter into contracts with parties and in jurisdictions that are aligned with our strategic objectives, purpose and values.
- We actively build relationships with our counterparties to ensure we understand the issues faced by them and to ensure successful delivery of contractual obligations.

Our Response

- We obtain formal advice on our contractual commitments and the jurisdictional requirements that may apply to them.
- We apply our risk management practices to identify potential issues that may impact on contractual performance and introduce measure to address or minimise the impact.
- We establish open and transparent communication with our contractual counterparties to resolve issues amicably before escalation.
- We continuously monitor and evaluate the performance of the parties throughout the contract term and address any deviations from the agreed upon obligations promptly.

Maintaining our license to operate

Opportunity

Proactive, collaborative and transparent engagement with our stakeholders builds relationships based on trust and shared understanding. Our stakeholders include communities, traditional owners and governments we operate in. Our ongoing license to operate is built on our contribution to our stakeholders and broader society.

Threat

Failure to maintain our reputation with some or all stakeholders and communities, as well as appropriately consider our impacts on environment and compliance with regulation may have a negative effect on financial performance and growth. ASM relies on Government and government agencies to grant appropriate permits and approvals to allow the development and the ongoing operation of the Dubbo Project. If permits, licences or approvals are revoked, not granted, or are delayed, or the terms are onerous, this may delay or hinder the development of the Dubbo project, increase costs and impact the supply chain.

Our Response

- Our purpose and strategy expressly balance economic outcomes with social and environmental outcomes, now and into the future. In the decisions we take, we look to minimise impact, respect human rights, and create enduring social, environmental, and economic value for all our stakeholders.
- We are working with industry bodies to obtain responsible mining certification and align our environmental, social and governance (ESG) reporting and monitoring to industry standards.

Our Response

- We undertake formal risk analysis on all risks that can impact our license to operate.
- We use Sustainalytics ratings to benchmark our ESG progress and identify areas we can improve.
- We have fit for purpose ESG commitments and strategies.
- We work to build strong, positive, and meaningful relationships with local communities and with the traditional owners.
- We monitor and audit our compliance with relevant regulatory and legislative requirements.
- We proactively monitor legislative changes to ensure we continue to comply.
- We have appropriately resourced our teams to respond to ongoing commitments, changing environments and external pressures.

Political risks, actions by government and/or authority

Opportunity

Proactive engagement leading to strong relationships with governments, regulators, industry bodies and authorities provides a mutual understanding of drivers for decision-making. This increases clarity around policy and regulatory environments, enables appropriate and tailored responses to issues and provides investment certainty.

Threat

Any change in the legislative and administrative regimes, taxation laws, interest rates and other legal and government policies may have an adverse effect on the assets, operations and financial performance.

Our Response

- We monitor global political activity, policy, and legislative and regulatory changes both globally and in the jurisdictions in which we operate. We engage with relevant authorities to understand and mitigate potential impacts on our business performance.
- We partner with selected industry associations to provide insights and views to help shape regulations impacting the industry in which we operate.

Our Response

- We have specialised knowledge through in-house expertise or the use of external experts, including tax, legal, sustainability, regulatory and external affairs advice where appropriate.
- We use a system of risk management with respect to regulatory compliance to anticipate and analyse risks, to design and implement plans that aims to ensure ongoing compliance with changing legislative and regulatory frameworks.

Technology

Opportunity

To stay competitive, we position our organisation to effectively identify, develop and adopt sustainable improvements for technology and innovation in our operations and projects.

Threat

Critical minerals technology and consumer trends are evolving rapidly, which could adversely impact on financial performance and growth if we are unable to adapt.

Our Response

- We proactively engage with existing and prospective customers to ascertain requirements and objectives.
- We monitor broader market developments for emerging opportunities.
- We continually assess our operations for area of technical improvement via the implementation of new technology or testing of processes improvements.
- We have highly credentialed dedicated research and development team, that is focussed on identifying improvements and innovations to our processes and is developing our own innovative low carbon technology for the metallisation process, the LK Process.
- We recognise that the intellectual property we develop is an important asset and therefore we invest in and develop processes and procedures designed to maintain and protect our intellectual property.

Our Response

- We focus dedicated investment on research and development whilst monitoring market innovations.
- We have a clearly defined approach to innovation, improvement and technology.
- We proactively engage with government research and development organisations (including Australian Nuclear Science and Technology Organisation (ANSTO), Korean Ministry of Trade, Industry and Energy (MOTIE), Korea Institute of Geoscience and Mineral Resource (KIGIM)) where appropriate.

Climate Change

Opportunity

Aligning our business strategy, including how we operate and what we produce, with stakeholder expectations, future technologies and evolving climate and environmental policies and regulations, contributes to a resilient and high performing portfolio, and assists in addressing the physical risks of climate change.

Threat

Failure to manage environmental risks may impact our ability to secure development approvals, permits or licences and increase legal exposures adversely impacting on financial performance and growth, as well as our ability to operate.

Our Response

- We are transparent in our disclosure of environment related opportunities and threats in our annual reporting.
- We focus on our sustainability approach, inclusive of our environmental requirements, aligned with best practice goals and standards and work to proactively identify ways in which we can reduce our carbon emissions.
- We are working with industry bodies to obtain responsible mining certification and align our ESG reporting to industry standards.

Our Response

- We engage with stakeholders to ensure our operations are well designed, monitored and executed.
- We have a fit for purpose companywide ESG approach, with established targets and a forward workplan.
- We seek to manage water resources to promote better water use and effective catchment management.
- We integrate biodiversity land management, carbon farming and rehabilitation processes into our business planning to minimise impacts on surrounding ecosystems.
- We are aware of our greenhouse gas emissions and are actively working on reducing our carbon footprint.

Business resilience (pandemic, natural disasters, strikes/people action)

Opportunity

Achieving stable and predictable performance enhances the value proposition to our shareholders, other stakeholders, and the communities in which we operate. The better we prepare for and learn from events, the better we are placed to respond and aim to reduce the impact of future events – strengthening our organisational resilience.

Threat

Failure to manage major events or natural catastrophes could result in a significant event or other long-term damage that could harm the company's access to logistics chains and critical goods and services, financial performance, and license to operate.

Our Response

- We have business continuity and disaster response plans in place with trigger action response scenarios.
- We have trained and competent persons and equipment to respond to emergency incidents, including large scale community emergencies.

Our Response

- When facing potential catastrophes, we put safety and wellbeing at the heart of everything we do.
- We use a system of risk management in design, construction, and operation phases to anticipate and analyse risks, to design and implement plans that aim to prevent or limit business impacts.
- We purchase capped insurance coverage against many, but not all, potential losses or liabilities arising from major events or natural catastrophes.

Optimising our asset mix

Opportunity

Our mine to metals strategy positions us well to be an alternative integrated producer of critical metals that will enable the development of clean and advanced technologies. Development and acquisitions of critical minerals projects, including non-operating/operating and non-controlling/controlling interests in these operations and projects, present us with opportunities to increase our participation and strengthen the end-to-end supply chain. Partnering with other critical minerals stakeholders also creates opportunities for us in early-stage development and expansion into current and new jurisdictions.

Threat

Rapidly changing global sentiment presents a threat to the sustainability of our current portfolio mix if we do not act. In responding to stakeholder expectations, we could make decisions to dispose of operations, projects, and investments at less than market value, or miss critical opportunities. Increasing demand for critical minerals may drive higher valuations of operations and projects that we want to acquire, making acquisitions challenging. Geopolitical developments may limit those jurisdictions in which we can operate or those counterparties with which we can partner or transact.

Our Response

- We will be flexible on opportunistic acquisitions and divestments including non-controlling/controlling and non-operating/operating shareholdings in incorporated or unincorporated joint ventures across our value chain.
- If a Joint Venture arrangement is pursued, we will seek to partner with like-minded organisations who see the strategic long-term value of establishing a robust and sustainable mine to metals supply chain.

Our Response

- We are actively shaping our critical minerals portfolio cognisant of the emerging global critical mineral value chain across jurisdictions that impact on our ability to achieve our goals.
- We understand the importance of economies of scale in the processing end of our business and will focus on ensuring our cost structures are globally competitive.
- We will develop world-class capability in all aspects of rare earth processing from mine through to metals and alloys.

Access to people and talent

Opportunity

Our position as an emerging global leader in critical rare earths minerals with a reputation for diversity, innovation, sustainability and safety enhances our ability to attract and retain talent.

Our global operating model provides greater access to talent which can be positioned across the company to better meet business challenges and capture opportunities to develop our succession planning.

Threat

Inability to attract the right expertise, as well as engage and retain key talent may adversely impact reputation, financial performance, ability to execute our commitments and strategic growth.

In an emerging skill market for critical minerals specialists and teamed with growing competition for such specialists there may be a shortage of appropriately skilled talent to deliver on our objectives which may impact on our reputation, financial performance and growth.

Our Response

- We have a leadership and talent management model which aligns our personnel to our preferred culture and behaviours.
- We proactively engage with our people and stakeholders to build a trusted value proposition to current and prospective employees.
- We have a strong values model that represents our culture ambition as well as guiding the talent recruitment and people decisions.

Our Response

- We design our reward program to position ourselves relative to the market, enabling us to competitively attract appropriate skills and experience, motivate engagement and loyalty from employees and improve business performance.
- We review our reward proposition every year to ensure we remain competitive.
- We actively manage this retention risk by routinely reviewing our strategy against capability requirements, including retention programs.

Environmental and Social Initiatives

In November 2022, ASM joined the United Nations Global Compact, a voluntary leadership platform for the development, implementation and disclosure of responsible business practices. As a participant of the United National Global Compact, ASM is committed to aligning its business with universal principles on human rights, labour, environment, and anti-bribery and corruption and take actions that advance societal goals.

During December 2022, ASM engaged Morningstar Sustainalytics to undertake a public assessment of the Group's ESG risk rating. This assessment measured the Group's exposure to, and management of, material ESG issues across all global entities and was made publicly available on Sustainalytics website during January 2023. In June 2023, ASM formally set its ESG approach, targets and a forward workplan.

Environment Regulation

The Group is bound by the requirements and guidelines of the relevant environmental protection authorities for the management and rehabilitation of mining tenements owned or previously owned by the Group. Mining tenements are being maintained and rehabilitated in accordance with these guidelines. The Group is also bound by the requirements of its operating license in Korea. There have been no known breaches of any of these requirements and guidelines.

We continue to focus on ensuring positive relationships with regulators and local communities, and compliance with regulatory requirements in all jurisdictions in which we operate.

Corporate

Capital Raising

On 2 November 2022 the Company successfully completed a \$30.0 million share placement (before costs) to institutional investors at \$1.73 per share. In December 2022 the Company completed a share purchase plan (SPP) with subscriptions totalling approximately \$11.1 million, ahead of the original \$10 million target. Given the strong support shown by shareholders, ASM used its discretion under the terms of the SPP to accept all shareholder applications.

ASM's Directors Mr Gandel and Ms Gleeson participated in the Placement subscribing for \$4,000,000 and \$50,000 respectively. The total of 23,749,165 shares were issued with 15,000,159 shares issued pursuant to the institutional placement on 8 November 2022 and 8,749,006 shares issued pursuant to the SPP on 5 December 2022.

Appointment of Chief Executive Officer and Managing Director

On 18 July 2022 the Company announced that it had appointed highly experienced mining executive Ms Rowena Smith to the position of Chief Executive Officer. Subsequently, on 6 March 2023 the Company announced Ms Smith's appointment as Managing Director. Ms Smith has previously served the Group as ASM's Chief Operations Officer and prior to joining ASM was South32's Chief Sustainability Officer and Vice President Supply, leading teams across Australia, South Africa, Mozambique, Columbia and the United States. She has also held leadership roles with Rio Tinto and BHP for Nickel West, including as Head of Resource Planning, Development and Projects, Manager Strategy and Acquisitions, and General Manager Kwinana Nickel Refinery.

Appointment of General Counsel and Joint Company Secretary

Ms Annaliese Eames was appointed to the position of General Counsel and Joint Company Secretary on 30 January 2023. Ms Eames has over 15 years of legal, commercial, strategic and corporate governance experience. Ms Eames brings a depth of knowledge in large scale project contracting, corporate, finance and intellectual property law. Immediately prior to accepting the General Counsel role, Ms Eames was Managing Counsel with BHP and prior to this had held a variety of roles with a diverse range of companies in the mining industry. Ms Eames succeeded Ms Julie Jones, who resigned in November 2022 to pursue a new opportunity and completed her valued contribution to ASM on 2 February 2023.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Events since the end of the financial year

On 26 July 2023, ASM announced the signing of a three-way non-binding memorandum of understanding (MOU) with Blackstone Minerals Limited (Blackstone) and rare earth element (REE) refiner Vietnam Rare Earth Company (VTRE). This MOU provides a framework for the companies to collaborate across several areas including REE mining opportunities, strengthen capability to secure REE mining concessions, potential for co-investment and securing long-term offtake of REE oxides.

On 3 August 2023, ASM announced the signing of a long-term metal sales and tolling agreement with USA Rare Earth LLC. The agreement is binding for a term of five years and provides for the supply of neodymium iron boron (NdFeB) alloy to support USA Rare Earth's production ramp-up of high performance rare earth magnets.

On 17 August 2023, ASM announced the award of a consultancy services agreement to Bechtel Australia Pty Ltd for the provision of engineering services for non-process infrastructure to support advancing the Company's Dubbo Project.

On 21 August 2023, ASM announced the appointment of Mr Chris Jordaan as Chief Operating Officer effective from 24 August 2023 and the resignation of Mr Jason Clifton Chief Financial Officer effective from 10 November 2023.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

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

Refer to the Operations and Financial Review on pages 4 to 7 for further detail on planned developments.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each Director were:

	Full Board		Nomination Committee		Risk Committee		Audit Committee		Remuneration Committee	
	Attended	Held	Attended ³	Held ³	Attended	Held	Attended	Held	Attended	Held
I Gandel	17	17	-	-	4	4	3	3	4	4
R Smith ¹	4	4	-	-	2	2	-	-	2	2
D Woodall ²	-	-	-	-	-	-	-	-	-	-
G Smith	17	17	-	-	4	4	3	3	4	4
N Earner	17	17	-	-	4	4	3	3	4	4
K Gleeson	17	17	-	-	4	4	3	3	4	4

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

¹ R Smith was appointed as Managing Director effective 6 March 2023.

² D Woodall resigned as Managing Director effective 15 July 2022.

³ There were no Nomination Committee meetings held during the year ended 30 June 2023. However, a number of matters within the scope of the Nomination Committee such as review of skills matrix and executive and board nominations were addressed by the Board during the year.

REMUNERATION REPORT (AUDITED)

The directors present the Australian Strategic Materials Limited 2023 remuneration report, outlining key aspects of our remuneration policy, framework and remuneration awarded this year.

The report is structured as follows:

- a) Key management personnel (KMP) covered in this report
- b) Remuneration policy and link to performance
- c) Elements of remuneration
- d) Link between remuneration and performance
- e) Remuneration expenses for executive KMP
- f) Contractual arrangements with executive KMP
- g) Non-executive director arrangements
- h) Other statutory information

a) Key management personnel covered in this report

Details of KMP of the Company and their movements during the year ended 30 June 2023 are set out below:

Name	Position	Term as KMP
<i>Non-Executive Directors</i>		
I Gandel	Non-executive Chairman	Full financial year
G Smith	Non-executive Director	Full financial year
N Earner	Non-executive Director	Full financial year
K Gleeson	Non-executive Director	Full financial year
<i>Executive Directors and other KMP</i>		
R Smith	Managing Director and Chief Executive Officer	Full financial year
J Clifton	Chief Financial Officer	Full financial year
D Woodall	Managing Director	Resigned 15 July 2022
F Moon	President Asia	Resigned 28 February 2023

On 21 August 2023, ASM announced the appointment of Mr Chris Jordaan as Chief Operating Officer effective from 24 August 2023 and the resignation of Mr Jason Clifton Chief Financial Officer effective from 10 November 2023. There have been no other changes to Directors or KMP since the end of the reporting period.

b) Remuneration policy and link to performance

Our remuneration committee is made up of non-executive directors. The committee reviews and determines our remuneration policy and structure annually to ensure it remains aligned to the business needs and meets our remuneration principles. From time to time, the committee also engages external consultants to assist with this review, see page 26 for further information. In particular, the Board aims to ensure that remuneration practices are:

- Competitive and reasonable, enabling the Company to attract and retain key talent;
- Align to the Company's strategic and business objectives and the creations of shareholder value;
- Transparent and easily understood; and
- Acceptable to shareholders.

The remuneration committee at the date of this report included G Smith (Chair), I Gandel, K Gleeson, and N Earner with R Smith as an invitee. The committee operates in accordance with our charter which is available on our website: asm-au.com

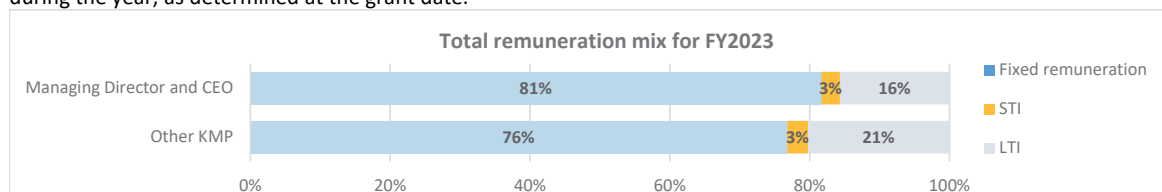
Element	Purpose	Performance metrics	Potential value	Changes for FY2024
Total Fixed remuneration (TFR)	Provide competitive market salary including superannuation and non-monetary benefits	Nil	Positioned at market rate	No change
Short term incentive (STI)	Reward for in-year performance, retention via STI Performance Rights which vest subject to performance conditions being met per the annual performance scorecard	Aligned with weighted performance scorecard set for the financial year	CEO: 30% of TFR Execs: 30% of TFR	No change
Long term incentive (LTI)	Alignment to long-term shareholder value	3-year relative total shareholder return (TSR) performance	CEO: 80% of TFR Execs: 30% of TFR	No change

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Balancing short-term and long-term performance

Balancing short-term and long-term performance annual incentives are set at a maximum of 30% of fixed remuneration, in order to drive performance without encouraging undue risk-taking. This also encourages talent retention.

Long-term incentives are assessed over a three-year period and are designed to promote long-term stability in shareholder returns. The target remuneration mix for FY2023 is shown in table below. It reflects the STI opportunity for the current year that will be available if the performance conditions are satisfied at target, and the value of the LTI performance rights granted during the year, as determined at the grant date.



Assessing performance and claw-back of remuneration

The remuneration committee is responsible for assessing performance against KPIs and determining the STI and LTI to be paid. To assist in this assessment, the committee receives detailed reports on performance from management which are based on independently verifiable data such as financial measures, market share and data from independently run surveys. In the event of serious misconduct or a material misstatement in the Company's financial statements, the remuneration committee can recommend to the Board that it cancel or defer performance-based remuneration and the Board may also claw back performance-based remuneration paid in previous financial years.

c) Elements of remuneration

i) Total Fixed annual remuneration (TFR)

Executives may receive their fixed remuneration as cash, or cash with non-monetary benefits such as health insurance, car allowances and advisory services. TFR is reviewed annually, or on promotion. It is benchmarked against market data for comparable roles in companies in a similar industry and with similar market capitalisation. The remuneration committee aims to position executives at or near the median, with flexibility to take into account capability, experience, value to the organisation and performance of the individual.

Superannuation was included in TFR in FY2023. Fixed remuneration was increased for 1 executive, with an average increase of 17%. This was done to align the remuneration with the median level for comparative on promotion to Managing Director and CEO. No fixed remuneration increase was given to any other executive KMP.

ii) Short term incentives (STI) FY2023

Feature	Description		
Maximum opportunity	CEO and other executives: 30% of fixed remuneration.		
Performance metrics	The STI metrics align with our strategic priorities being market competitiveness, operational excellence, shareholder value and fostering talented and engaged people.		
	Metric and Targets Band	100%	Weighting
	Cash management 30 June cash balance	>\$40m	20%
	Executed NdFeB alloy sales agreements	End September 2023	15%
	Average saleable tonnes per month of alloy and metal by June	40 tonnes	25%
	Percentage of revenue covered by offtake progress to at least MOU and due diligence	40%	25%
	Notice of proceed issued for Dubbo Project EPCD	End January 2023	15%
Delivery of STI	Award issued as vested shares based on weight performance during FY2023.		
Board discretion	The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any STI award.		

iii) Long term incentives (LTI)

Executive KMP participate, at the Board's discretion, in the LTI plan comprising annual grants of performance rights which are subject to a 3-year relative Total Shareholder Return (TSR) performance condition. Structure of long-term incentive plan is shown in the table below.

Feature	Description								
Maximum opportunity	CEO: up to 80% of fixed remuneration; other executives: up to 30% of fixed remuneration.								
Performance metrics	Vesting of LTI performance rights is linked to the long-term share price in 2025 and weighted based on share price performance at that time.								
	<table border="1"> <thead> <tr> <th>Metric - Weighting Band</th> <th>0%</th> <th>50%</th> <th>100%</th> </tr> </thead> <tbody> <tr> <td>FY2025 Share Price</td> <td>\$1.73</td> <td>\$3.46</td> <td>\$6.92</td> </tr> </tbody> </table>	Metric - Weighting Band	0%	50%	100%	FY2025 Share Price	\$1.73	\$3.46	\$6.92
	Metric - Weighting Band	0%	50%	100%					
FY2025 Share Price	\$1.73	\$3.46	\$6.92						
This is designed to focus executives on delivering sustainable long-term shareholder returns.									
Share price measurement	Volume weighted average share price calculated over 10 trading days immediately following the release of the 2025 Full Year Statutory Financial Report.								
Forfeiture and termination	Performance rights will lapse if performance conditions are not met. Performance rights will be forfeited on cessation of employment unless the Board determines that there is a qualifying reason.								






d) Link between remuneration and performance

FY2023 performance and impact on remuneration

The Group's performance in FY2023 remained steady despite challenges faced by resource development companies in the global critical minerals markets. Management continued to progress Korean sales opportunities, commenced Dubbo EPCD and continued to build our presence in prospective Dubbo offtake markets whilst delivering a cash balance well above target. However, production and sales were slower than anticipated and whilst prospective offtake discussions progressed no MOU was executed. For more information on strategic priorities and FY2023 results, see page 7 of the operating and financial review.

As a result of the continued strategic development, the Board awarded management 35% of their maximum short-term incentives. Senior management received the benefits after satisfying the required service and performance conditions. These equity instruments had been granted during FY2023 under the short-term incentive schemes.

Performance against key measures and impact on variable remuneration

Metric	100% Target	Weighting	Performance	Impact on incentive award	
<i>STI</i>			<i>35% of maximum STI awarded</i>		
Cash management 30 June cash balance	>\$40m	20%	Group cash forecast >\$40m at year end	Above target	
Executed NdFeB alloy sales agreements	End September 2022	15%	Sales agreement executed 16 May 2023	Below target	
Average saleable tonnes per month of alloy and metal by June	40 tonnes	25%	Average saleable tonnes <15t	Below target	
Percentage of revenue covered by offtake progress to at least MOU and due diligence	40%	25%	Offtake discussions progressed throughout the year, and binding MOU remains a key target	Below target	
Notice of proceed issued for Dubbo Project EPCD	End January 2023	15%	Notice to proceed was issued on 9 January 2023 commencing Stage 1 of EPCD	Above target	

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Statutory performance indicators

We aim to align our executive remuneration to our strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the Group's financial performance over the last five years as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMP disclosed in the table above. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

	2023	2022	2021 ¹
Loss for the year attributable to owners of Australian Strategic Materials Limited (\$'000)	(26,303)	(24,257)	(809)
Basic loss per share (cents)	(8)	(17)	(1)
Increase / (decrease) in share price (%) on prior year	(68)	(56)	458

¹ ASM was first listed on ASX in July 2020 therefore only three years disclosed in the table above.

e) Remuneration expenses for executive KMP

The following table shows details of the remuneration expense recognised for the Group's non-executive directors and executive key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

Name	Year	Cash salary and fees \$	Non-monetary benefits \$	Annual and long service provision \$	Post-employment benefits ⁶ \$	Other ⁷ \$	Performance rights \$	Total \$
<i>Non-Executive Directors</i>								
I Gandel	2023	171,946	-	-	18,054	-	-	190,000
	2022	172,727	-	-	17,273	-	-	190,000
G Smith	2023	140,899	-	-	-	-	-	140,899
	2022	146,800	-	-	-	-	-	146,800
N Earner	2023	100,000	-	-	10,500	-	-	110,500
	2022	115,909	-	-	11,591	-	-	127,500
K Gleeson ¹	2023	134,299	-	-	14,101	-	-	148,400
	2022	42,917	-	-	4,292	-	-	47,209
D Chalmers ²	2023	-	-	-	-	-	-	-
	2022	75,530	-	-	7,553	-	-	83,083
<i>Executive Directors and other KMP</i>								
R Smith ³	2023	563,540	91,900	54,325	25,296	-	174,112	909,173
	2022	473,378	2,303	42,518	23,570	-	90,928	632,697
J Clifton	2023	474,707	7,049	18,841	25,296	-	170,226	696,119
	2022	460,347	3,901	37,798	23,570	-	125,975	651,591
D Woodall ⁴	2023	47,892	1,487	-	6,323	191,126	1,065,154	1,311,982
	2022	576,431	6,976	61,995	23,570	-	659,597	1,328,569
F Moon ⁵	2023	238,220	48,401	-	2,223	63,025	-	351,869
	2022	354,111	65,485	-	3,234	-	-	422,830
Total KMP remuneration expensed	2023	1,871,503	148,837	73,166	101,793	254,151	1,409,492	3,858,942
	2022	2,418,150	78,665	142,311	114,653	-	876,500	3,630,279

¹ K Gleeson was appointed as a director effective 1 February 2022.

² D Chalmers resigned as a director effective 1 March 2022.

³ R Smith was appointed as Chief Executive Officer effective 6 July 2022 and became a Managing Director effective from 6 March 2023.

⁴ D Woodall resigned as Managing Director effective 15 July 2022.

⁵ F Moon resigned as President Asia effective 28 February 2023.

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

⁷ Other benefits include termination benefits paid to D Woodall and F Moon.

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

	Fixed remuneration		At risk – STI and LTI	
	2023	2022	2023	2022
<i>Non-Executive Directors</i>				
I Gandel	100%	100%	-	-
G Smith	100%	100%	-	-
N Earner	100%	100%	-	-
K Gleeson	100%	100%	-	-
D Chalmers	-	100%	-	-
<i>Executive Directors and other KMP</i>				
R Smith	81%	86%	19%	14%
J Clifton	76%	81%	24%	19%
D Woodall	100%	51%	-	49%
F Moon	100%	100%	-	-

f) Contractual arrangements with executive KMP

KMP	Total Fixed Remuneration	Position	Date commenced and duration	Notice by individual / company	Termination (without cause)	Termination (with cause) or by individual
R Smith ¹	\$610,000	Managing Director and Chief Executive Officer	5 July 2021, ongoing contract	3 months	Additional 3 months payment; STI and LTI become vested and exercisable	Subject to the Board
J Clifton	\$500,000	Chief Financial Officer	12 July 2021, ongoing contract	3 months	Additional 3 months payment; STI and LTI become vested and exercisable	Payment up to the date of termination
D Woodall ²	\$600,000	Managing Director	10 February 2020, ongoing contract	3 months	Additional 3 months payment; STI and LTI become vested and exercisable	Payment up to the date of termination
F Moon ³	\$388,000	President Asia	1 June 2021, ongoing contract	3 months	Additional 3 months payment; STI and LTI become vested and exercisable	Payment up to the date of termination

¹ R Smith was appointed as Chief Executive Officer effective 6 July 2022 and became a Managing Director effective from 6 March 2023.

² D Woodall resigned as Managing Director effective 15 July 2022.

³ F Moon resigned as President Asia effective 28 February 2023. F Moon's total fixed remuneration is KRW 333,200,000 and converted at the foreign exchange rate on 1 June 2021 (\$388,000).

Different contractual terms apply to the following individuals:

- R Smith's inception contract included a sign on issue of performance rights, these rights were issued on 5 July 2021 and included in remuneration disclosure on page 25.
- J Clifton's inception include a sign on issue of options, these options were issued on 5 July 2021 and included in remuneration disclosure on page 25.

g) Non-executive director arrangements

Non-executive directors receive a board fee and fees for chairing or participating on board committees, see table below. They do not receive performance-based pay or retirement allowances. The fees are inclusive of superannuation. The chairman does not receive additional fees for participating in or chairing committees.

Fees are reviewed annually by the Board taking into account comparable roles and market data provided by the Board's independent remuneration adviser. The current base fees did not change from the previous financial year.

The maximum annual aggregate directors' fee pool limit is \$950,000 and was approved by shareholders at the annual general meeting on 30 November 2021.

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	Board	Audit Committee	Risk Committee	Remuneration Committee	Nominations Committee
	\$	\$	\$	\$	\$
Chairman of the Board ¹	190,000	-	-	-	-
Other Non-Executive Directors	103,000	-	-	-	-
Committee Chair	-	14,400	14,400	15,000	15,000
Committee Member	-	8,500	8,500	7,500	-

¹ Inclusive of committee work.

All non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

h) Other statutory information

i) Performance based remuneration granted and forfeited during the year

Table below shows for each KMP the value of performance rights that were granted, exercised and forfeited during FY2023. The number of options and deferred shares and percentages vested/forfeited for each grant are disclosed in section (iii) on page 25 below.

	Total STI			LTI Performance Rights	
	Total opportunity \$	Awarded %	Forfeited %	Value granted ¹ \$	Value exercised \$
2023					
R Smith	71,529	35% ²	65% ²	169,850	-
J Clifton	62,064	35% ²	65% ²	55,491	-
F Moon ³	46,204	-	100%	41,312	-
Total	179,797			266,653	-

¹ The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of performance rights granted during the year as part of remuneration.

² STI granted for 2023 were measured based on performance criteria subsequent to the year end with 35% vesting and 65% forfeiture during July 2023.

³ F Moon resigned as President Asia on 28 February 2023. STI and LTI performance rights which were granted during the year has been forfeited on the resignation date.

ii) Terms and conditions of the share-based payment arrangements

Options of KMP

Grant date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	Performance achieved	% Vested
16/06/2021	12/07/2024	12/07/2024	\$6.36	\$3.90	to be determined	n/a
16/06/2021	12/07/2026	12/07/2026	\$6.36	\$3.90	to be determined	n/a

The number of options over ordinary shares in the Company provided as remuneration to key management personnel is shown in section (iii) below. The options carry no dividend or voting rights.

The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Australian Securities Exchange during the 30 trading days prior to the date of commencement of employment.

Performance Rights of KMP

Rights to deferred shares under the executive STI and LTI scheme are granted during the year. Shares vest proportionally subject to performance conditions after one year (for STI) or relative to TSR after three years (for LTI) from the grant date. On vesting, each right is convertible into one ordinary share. The executives do not receive any dividends and are not entitled to vote in relation to the rights during the vesting period. If an executive ceases employment before the rights vest, the rights will be forfeited, except in limited circumstances that are approved by the Board on a case-by-case basis.

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The fair value is measured using the Monte Carlo valuation method for LTI and Black-Scholes valuation method for STI at the grant date of the performance rights. Refer to the disclosure in Note 26 for the key variables used in the valuation for each performance rights and options granted to key management personnel during the year ended 30 June 2023.

Grant date	Vesting date	Grant date value
19 May 2020	13 October 2023	\$0.59
19 May 2020	13 October 2023	\$0.14
22 June 2021	12 July 2024	\$6.40
22 June 2021	12 July 2026	\$6.40
19 December 2022	30 June 2023	\$1.50
19 December 2022	30 June 2025	\$0.64

iii) Reconciliation of options, performance rights and ordinary shares held by KMP

The table below shows a reconciliation of options held by KMP from the beginning to the end of FY2023. There were no vested options as at 1 July 2023. All vested options were exercisable.

2023 Name and Grant dates	Balance at the start of the year	Granted as compensation	Vested		Exercised	Forfeited		Other changes	Balance at the end of the year	
	Unvested		Number	%		Number	%		Vested and exercisable	Unvested
J Clifton										
16 June 2021	62,624 ¹	-	-	-	-	-	-	-	-	62,624
16 June 2021	62,624 ¹	-	-	-	-	-	-	-	-	62,624

¹ LTI's options were issued to J Clifton as sign-on incentives for the commencement of his employment. 50% will vest and exercisable after 3 years and 50% will vest and exercisable after 5 years. The options had a service condition only and there were no performance conditions associated with these options.

The table below shows how many performance rights were granted, vested and forfeited during the year.

Name	Year granted	Balance at the start of the year Number	Granted during the year Number	Performance rights				Balance at the end of the year (unvested) Number	Maximum value yet to vest ² \$
				Vested		Forfeited / Lapsed			
				Number	%	Number	%		
R Smith	2021	54,714 ⁴	-	-	-	-	-	54,714	350,170
	2022	44,420	-	-	-	(44,420) ³	100	-	-
	2023	-	313,234	-	-	-	-	313,234	241,379
J Clifton	2022	41,040	-	-	-	(41,040) ³	100	-	-
	2023	-	128,217	-	-	-	-	128,217	117,555
D Woodall ¹	2020	3,000,000	-	1,000,000	33	(2,000,000)	67	-	-
F Moon	2023	-	95,454	-	-	(95,454)	100	-	-

¹ D Woodall resigned as Managing Director effective 15 July 2022. Of the 3,000,000 performance rights, 2,000,000 performance rights were forfeited and 1,000,000 vested and were issued on 19 July 2022. Refer to Note 26 for further details.

² The maximum value of the performance rights yet to vest has been determined as the amount of the grant date fair value of the rights that is yet to be expensed. The minimum value of performance rights yet to vest is nil, as the shares will be forfeited if the vesting conditions are not met.

³ The Board exercised its discretion to abandon the incentive program and as a result all 85,460 performance rights were cancelled on 8 August 2022.

⁴ LTI's performance rights were issued to R Smith as sign-on incentives for the commencement of her employment. 50% will vest after 3 years and 50% will vest after 5 years. The performance rights had a service condition only and there were no performance conditions associated with these rights.

Assessing performance and claw-back of remuneration

While there is no formal malus/clawback policy, the Board has ultimate discretion to adjust the STI and LTI outcomes upwards or downwards (including zero), in exceptional circumstances, where the STI and LTI generated outcomes are inconsistent with the Company's performance or resulted in misalignment with Shareholders (eg. fatality, financial misstatement, misconduct, reputational damage, etc.).

Australian Strategic Materials Limited
Directors' report
30 June 2023

Use of remuneration consultants

The Company did not engage any external remuneration consultants during the financial year.

Voting and comments made at the Company's 30 June 2022 Annual General Meeting ('AGM')

At the 2022 AGM, 93% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

iv) 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 Company, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Net change other	Balance at the end of the year
<i>Non-Executive Directors</i>				
I Gandel	31,584,110	-	2,312,138	33,896,248
G Smith	71,117	-	17,342	88,459
N Earner	150,000	-	17,342	167,342
K Gleeson	-	-	28,902	28,902
<i>Executive Directors and other KMP</i>				
R Smith	-	-	-	-
J Clifton	-	-	-	-
D Woodall ¹	7,500	-	(7,500)	n/a
F Moon ²	-	-	-	n/a

¹ D Woodall resigned as Managing Director on 15 July 2022. "Net change other" reflects the number of shares held at this date.

² F Moon resigned as President Asia on 28 February 2023.

This concludes the remuneration report, which has been audited.

Indemnity and insurance of officers

During the financial year, the Company paid a premium in respect of a contract to insure the Directors, officers and company secretaries 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.

The Company has entered into deeds of indemnity, access and insurance (Deeds) with each of the Directors. These Deeds remain in effect as at the date of this report. Under the Deeds, the Company indemnifies each Director to the maximum extent permitted by law against legal proceedings or claims made against or incurred by a Director in connection with being a Director of the Group or breach by the Group of its obligations under a Deed.

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.

Audit and 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 27 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*.

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.

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.

The Financial Report has been prepared in Australian dollars and all values are rounded to the nearest thousand dollars, unless otherwise stated.

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



Rowena Smith
Managing Director and CEO
29 September 2023



Auditor's Independence Declaration

As lead auditor for the audit of Australian Strategic Materials Limited for the year ended 30 June 2023, 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 that reads 'Helen Bathurst'.

Helen Bathurst
Partner
PricewaterhouseCoopers

Perth
29 September 2023

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Australian Strategic Materials Limited

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General information

The financial statements cover Australian Strategic Materials Limited as a Group consisting of Australian Strategic Materials Limited 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 Limited's functional and presentation currency.

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

Australian Strategic Materials Limited
Level 4, 66 Kings Park Road, West Perth, Western Australia

A description of the nature of the Group'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 by the directors on 29 September 2023. The directors have the power to amend and reissue the financial statements.

Australian Strategic Materials Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	Consolidated	
		2023 \$'000	2022 \$'000
Revenue	3	4,441	1,870
Cost of sales		(4,268)	-
Gross profit		173	1,870
Other income		1,754	306
Expenses			
Operating expenses	4	(8,936)	(5,826)
Professional fees and consulting services		(1,798)	(5,745)
Employee remuneration		(8,166)	(8,227)
Share based payments	26	(1,529)	(876)
Directors' fees and salaries		(1,234)	(1,263)
General and administration expenses		(4,633)	(3,514)
Pastoral company expenses		(1,209)	(2,124)
Depreciation and amortisation expense		(1,799)	(1,857)
Fair value movement in biological assets		(1,007)	535
Finance costs	5	(884)	(90)
Net foreign exchange gain/(loss)		567	(1,413)
Loss before income tax benefit		(28,701)	(28,224)
Income tax benefit	6	2,398	3,967
Loss after income tax benefit for the year		(26,303)	(24,257)
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Gain/(Loss) on translation of foreign operations		1,113	(790)
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of net defined benefit plan		35	-
Other comprehensive income/(loss) for the year, net of tax		1,148	(790)
Total comprehensive loss for the year		<u>(25,155)</u>	<u>(25,047)</u>
(Loss)/income for the year is attributable to:			
Non-controlling interest		(31)	18
Owners of Australian Strategic Materials Limited		(26,272)	(24,275)
		<u>(26,303)</u>	<u>(24,257)</u>
Total comprehensive (loss)/income for the year is attributable to:			
Non-controlling interest		(31)	18
Owners of Australian Strategic Materials Limited		(25,124)	(25,065)
		<u>(25,155)</u>	<u>(25,047)</u>
		Cents	Cents
Basic loss per share	28	(8)	(17)
Diluted loss per share	28	(8)	(17)

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

Australian Strategic Materials Limited
Consolidated balance sheet
As at 30 June 2023

		Consolidated	
	Note	2023	2022
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	7	56,655	60,220
Trade and other receivables	8	4,251	2,266
Inventories	9	25,447	13,117
Biological assets	10	962	451
Total current assets		<u>87,315</u>	<u>76,054</u>
Non-current assets			
Inventories	9	-	984
Property, plant and equipment	11	66,700	64,177
Intangible assets	13	2,538	3,616
Exploration and evaluation assets	12	109,340	104,225
Biological assets	10	1,089	1,346
Other assets		238	298
Total non-current assets		<u>179,905</u>	<u>174,646</u>
Total assets		<u>267,220</u>	<u>250,700</u>
Liabilities			
Current liabilities			
Trade and other payables	14	3,394	3,479
Interest bearing liabilities	15	17,295	176
Provisions	16	464	479
Unearned revenue	17	2,525	6,554
Total current liabilities		<u>23,678</u>	<u>10,688</u>
Non-current liabilities			
Interest bearing liabilities	15	410	17,095
Deferred tax	6	18,096	20,609
Provisions	16	2,842	2,611
Unearned revenue	17	6,232	-
Total non-current liabilities		<u>27,580</u>	<u>40,315</u>
Total liabilities		<u>51,258</u>	<u>51,003</u>
Net assets		<u>215,962</u>	<u>199,697</u>
Equity			
Issued capital	18	268,316	228,425
Reserves	19	15,013	12,336
Accumulated losses		<u>(67,413)</u>	<u>(41,141)</u>
Equity attributable to the owners of Australian Strategic Materials Limited		215,916	199,620
Non-controlling interest		46	77
Total equity		<u>215,962</u>	<u>199,697</u>

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

Australian Strategic Materials Limited
Consolidated statement of changes in equity
For the year ended 30 June 2023

Consolidated	Note	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2021		207,162	12,250	(16,866)	59	202,605
Profit/(loss) after income tax benefit for the year		-	-	(24,275)	18	(24,257)
Other comprehensive loss for the year, net of tax		-	(790)	-	-	(790)
Total comprehensive income/(loss) for the year		-	(790)	(24,275)	18	25,047
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	18	21,278	-	-	-	21,278
Share-based payments	26	-	876	-	-	876
Deferred tax recognised in equity		(15)	-	-	-	(15)
Balance at 30 June 2022		228,425	12,336	(41,141)	77	199,697
Consolidated	Note	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2022		228,425	12,336	(41,141)	77	199,697
Loss after income tax benefit for the year		-	-	(26,272)	(31)	(26,303)
Other comprehensive income for the year, net of tax		-	1,148	-	-	1,148
Total comprehensive income/(loss) for the year		-	1,148	(26,272)	(31)	(25,155)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	18	39,776	-	-	-	39,776
Share-based payments	26	-	1,529	-	-	1,529
Deferred tax recognised in equity		115	-	-	-	115
Balance at 30 June 2023		268,316	15,013	(67,413)	46	215,962

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

Australian Strategic Materials Limited
Consolidated statement of cash flows
For the year ended 30 June 2023

	Note	Consolidated	
		2023 \$'000	2022 \$'000
Cash flows from operating activities			
Receipts from customers		4,218	1,414
Payments to suppliers and employees		(40,036)	(39,212)
		<u>(35,818)</u>	<u>(37,798)</u>
Interest received		1,161	29
Other income		378	246
Finance costs paid		<u>(26)</u>	<u>(71)</u>
Net cash outflow from operating activities	20	<u>(34,305)</u>	<u>(37,594)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(3,220)	(31,464)
Payments for exploration and evaluation		(7,517)	(8,410)
Payments for the purchase of biological assets		(1,532)	(1,140)
Proceeds from government grants received		<u>4,292</u>	<u>7,482</u>
Net cash outflow from investing activities		<u>(7,977)</u>	<u>(33,532)</u>
Cash flows from financing activities			
Proceeds from issue of shares	18	41,085	21,816
Proceeds from borrowings		-	16,758
Share issue transaction costs		(1,309)	(538)
Payments of interest		<u>(715)</u>	<u>-</u>
Net cash inflow from financing activities		<u>39,061</u>	<u>38,036</u>
Net decrease in cash and cash equivalents		(3,221)	(33,090)
Cash and cash equivalents at the beginning of the financial year		60,220	93,324
Effects of exchange rate changes on cash and cash equivalents		<u>(344)</u>	<u>(14)</u>
Cash and cash equivalents at the end of the financial year	7	<u><u>56,655</u></u>	<u><u>60,220</u></u>

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

Australian Strategic Materials Limited
Notes to the consolidated financial statements
30 June 2023

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Note 1. 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 (IFRS) as issued by the International Accounting Standards Board (IASB).

Accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements. Where possible, wording has been simplified to provide clearer commentary on the financial report of the Group. Accounting policies determined non-significant are not included in the financial statements. There have been no changes to the Group's accounting policies that are no longer disclosed in the financial statements.

Key estimates and judgements

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the financial report are found in the following notes:

Note 6 'Income tax'

Note 9 'Inventories'

Note 11 'Property, plant and equipment'

Note 12 'Exploration and evaluation assets'

Note 16 'Provisions'

New or amended Accounting Standards and Interpretations

The Group 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 any new or amended Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Reclassifications of items in the financial statements

Minor reclassifications of items in the financial statements of the previous period have been made in accordance with the classification of items in the financial statements for the year ended 30 June 2023.

Going concern

The consolidated financial statements have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the normal course of business.

The Group has cash outflows from operating activities of \$34.3 million and investing activities of \$8 million for the year ended 30 June 2023 (30 June 2022: cash outflows included operating activities of \$37.6 million and investing activities of \$33.5 million). At 30 June 2023, the Group had cash on hand of \$56.7 million (30 June 2022: \$60.2 million). The Group has net working capital as at 30 June 2023 of approximately \$63.6 million and outstanding commitments of \$17.7 million relating to Korean Metals Plant feedstock supply and equipment, Dubbo Engineering, Procurement and Construction Definition (EPCD) activities, Dubbo land acquisitions, and exploration obligations (refer Note 23).

Note 1. Basis of preparation (continued)

Based on the Group's cash flow forecast, the Group may require additional funding to enable the Group to continue to realise its strategic business activities and meet all associated corporate, exploration, construction and development commitments.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the Group:

- Continuing to source new customers for sale of product produced from the Korean Metals Plant and offtake agreements for the Dubbo Project;
- Raising additional equity capital. The Directors are of the view that the Group will be able to raise further equity capital as they were successful in raising approximately \$41.1 million in equity (before costs) during November 2022;
- Raising debt financing for the Dubbo Project. ASM has appointed the Australian and New Zealand Banking Group Limited (ANZ) as a debt financial advisor based on ANZ's experience and strong relationships in Australia and Korea, including with Australian and Korean export finance agencies. ASM is currently working with ANZ to secure funding for the development of the Dubbo Project financing commitments; and
- Satisfying Export Finance Australia (EFA) conditions precedent to access \$200 million in finance support for the Dubbo Project as announced on 28 June 2021.

As a result of the above, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

However, the Directors believe that the Group will be successful in the above matters and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for the biological assets and Korean pensions benefit which are measured at fair value.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 29.

Principles of consolidation

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 Group. They are de-consolidated from the date that control ceases.

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

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

Where the Group 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 Group 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.

Note 1. Basis of preparation (continued)

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 Group 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 Group 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 Group'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.

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.

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. Operating segments

Description of segments

The Group identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance in determining the allocation of the resources. The operating segments of the Group are:

- Corporate: which includes corporate activities.
- Dubbo: which includes the evaluation and feasibility of the Dubbo project and the Pastoral company.
- Korea: which includes the Korean Metals Plant.

Recognition and measurement

The accounting policies used by the Group in reporting segments internally are the same as those contained throughout the notes to the financial statements and in the prior period.

Intersegment transactions were made at market rates. Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non market interest are not adjusted to fair value based on market interest rates. Intersegment loans and transactions are eliminated on consolidation.

Operating segment information

The table below shows segment information provided to the executive management team for the reportable segments for the year ended 30 June 2023:

	Corporate	Dubbo	Korea	Consolidated
	\$'000	\$'000	\$'000	\$'000
Consolidated 30 June 2023				
Total segment revenue	-	1,447	2,994	4,441
Total segment result	(8,008)	(1,888)	(16,407)	(26,303)
Total segment assets	52,699	148,676	65,845	267,220
Total segment liabilities	19,328	3,918	28,012	51,258
Additions to non-current segment assets	-	9,208	3,653	12,861
Consolidated 30 June 2022				
Total segment revenue	-	1,870	-	1,870
Total segment result	(10,707)	(1,028)	(12,522)	(24,257)
Total segment assets	36,856	144,894	68,950	250,700
Total segment liabilities	19,529	4,055	27,419	51,003
Additions to non-current segment assets	-	13,987	26,582	40,569

Note 3. Revenue

Recognition and measurement

The Group derives revenue from the sale of metal products and biological assets, which is governed by sales contracts with customers. Revenue is recognised in relation to sales at the time control transfers to the customers at the date of loading/shipment. Sales are made under ex works incoterms, where the buyer is responsible for freight and shipping, and generally recognised at the point in time when the metals products are loaded onto a vehicle or vessel for shipment. For those sales not made under ex works incoterms, the revenue timing is upon the delivery of the products into the customer's control.

Note 3. Revenue (continued)

	Consolidated	
	2023 \$'000	2022 \$'000
Metal sales - Korea	2,994	-
Pastoral sales	1,447	1,870
	<u>4,441</u>	<u>1,870</u>

Note 4. Operating expenses

	Consolidated	
	2023 \$'000	2022 \$'000
Inventory write off	7,490	2,392
Other ^[i]	1,446	3,434
	<u>8,936</u>	<u>5,826</u>

^[i] Other operating expenses include administration and general expenditure not capitalised with respect to the construction and operation of the Korean Metals Plant.

Note 5. Finance costs

Recognition and measurement

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Finance costs for interest bearing liabilities

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Refer note 15 for further details.

Borrowing costs are expensed as part of finance costs in the period incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Refer note 15 for further details.

Provisions: unwinding of discount

The unwinding of the discount is recognised as a finance cost. Refer to note 16.

	Note	Consolidated	
		2023 \$'000	2022 \$'000
Interest expense	15	780	71
Provisions: unwinding of discount	16	73	-
Finance charges for lease liabilities	15	31	19
		<u>884</u>	<u>90</u>

Note 6. Income tax

ASM and its wholly-owned Australian controlled entities implemented a tax consolidation group as of 21 July 2020 and the entities in the tax consolidated group have entered into a tax sharing agreement, which limits the joint and several liability of the wholly-owned entities in the case of a default by the Parent entity, Australian Strategic Materials Limited. The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Australian Strategic Materials Limited for any current tax payable assumed and are compensated by Australian Strategic Materials Limited for any current tax receivable.

Recognition and Measurement

Current taxes

The income tax expense/benefit for the year comprises current income tax expense/income and deferred income tax expense/income. Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted at reporting date. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses if recognised.

Current and deferred income tax (expense)/benefit is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred taxes

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or liability is settled. Deferred tax is credited in the consolidated statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that ASM will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

ASM determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Offsetting deferred tax balances

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.

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>(a) Income tax benefit</i>		
Increase in deferred tax assets	(4,096)	(7,216)
Increase in deferred tax liabilities	1,698	3,249
Total deferred tax benefit	<u>(2,398)</u>	<u>(3,967)</u>

Note 6. Income tax (continued)

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>(b) Numerical reconciliation of income tax benefit to prima facie tax payable.</i>		
Loss before income tax benefit	(28,701)	(28,224)
Tax at the Australian tax rate of 30% (2022: 30%)	(8,610)	(8,467)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	3,905	3,029
Tax rate differential on foreign income	1,498	1,002
Under provision in prior year	1,646	842
Non-assessable income	(690)	(278)
Deductible equity raising costs	(147)	(95)
Income tax benefit	<u>(2,398)</u>	<u>(3,967)</u>

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>(c) Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Tax losses	13,172	8,787
Accruals and provisions	240	499
Equity raising costs	505	301
Other	40	159
Offset against deferred tax liabilities	(13,957)	(9,746)
Deferred tax asset	<u>-</u>	<u>-</u>

Movements	Tax losses	Accruals and provisions	Equity raising costs	Other	Total
At 1 July 2021	2,086	103	317	39	2,545
(Charged)/credited to profit or loss	6,701	396	(1)	120	7,216
(Charged)/credited to equity	-	-	(15)	-	(15)
At 30 June 2022	8,787	499	301	159	9,746
(Charged)/credited to profit or loss	4,385	(259)	89	(119)	4,096
(Charged)/credited to equity	-	-	115	-	115
At 30 June 2023	<u>13,172</u>	<u>240</u>	<u>505</u>	<u>40</u>	<u>13,957</u>

Note 6. Income tax (continued)

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>(d) Deferred tax liability</i>		
Deferred tax liability comprises temporary differences attributable to:		
Exploration	31,775	30,238
Property, plant and equipment	207	113
Other	71	4
Set-off of deferred tax asset	(13,957)	(9,746)
Deferred tax liability	<u>18,096</u>	<u>20,609</u>

Movements	Exploration	Property, plant and equipment	Other	Total
At 1 July 2021	27,103	-	3	27,106
Charged to profit or loss	3,135	113	1	3,249
Charged to equity	-	-	-	-
At 30 June 2022	30,238	113	4	30,355
Charged to profit or loss	1,537	94	67	1,698
Charged to equity	-	-	-	-
At 30 June 2023	31,775	207	71	32,053

	Consolidated	
	2023	2023
	\$'000	\$'000
<i>(e) Unused tax losses and temporary differences for which no deferred tax asset has been recognised</i>		
Deferred tax assets have not been recognised in respect of the following and are stated at the tax rates applicable to the relevant statutory authority:		
Deductible temporary differences	3,133	381
Tax revenue losses	1,848	1,542
Total unrecognised deferred tax assets	<u>4,981</u>	<u>1,923</u>

Key judgements, estimates and assumptions

The Group 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 Group recognises liabilities for anticipated tax audit issues based on the Group'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.

Note 7. Cash and cash equivalents

Recognition and measurement

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.

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current assets</i>		
Cash at bank	56,655	60,220

Note 8. Trade and other receivables

Recognition and measurement

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Subsequently receivables are recognised at the amounts considered receivable (financial assets at amortised cost).

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current assets</i>		
Trade receivables	1,095	528
Prepayments	649	1,505
Non trade receivables ⁽ⁱ⁾	2,507	233
	<u>4,251</u>	<u>2,266</u>

⁽ⁱ⁾ Non trade receivables includes R&D Tax Incentives of \$2,301,356. Refer to note 12 for further details.

The Group's exposure to various risks associated with the financial instruments is discussed in note 21. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Note 9. Inventories

Recognition and measurement

Inventory raw materials are physically measured and are valued at the lower of cost and net realisable value. Cost of raw materials comprises the direct purchase costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

Consumables relating to plant and equipment and farm supplies are recognised as inventory and measured at cost.

Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

Note 9. Inventories (continued)

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current assets</i>		
Toongi Pastoral Company supplies	156	193
Korea Materials ⁽ⁱ⁾	25,291	12,924
	<u>25,447</u>	<u>13,117</u>
<i>Non-current assets</i>		
Korea Materials - at cost	-	984
	<u>25,447</u>	<u>14,101</u>

⁽ⁱ⁾Of the Korean materials inventory recorded at 30 June 2023, \$23,748,000 (30 June 2022: \$9,217,000) is recorded at net realisable value.

Amounts recognised in the profit or loss

Inventories recognised as an expense during the year ended 30 June 2023 amounted of \$4,268,000 (30 June 2022: nil). These were included in cost of sales in the consolidated statement of profit or loss and other comprehensive income.

Key judgements, estimates and assumptions

The Group's assessment of the net realisable value and classification of its inventory holdings requires the use of estimates, including the cost to complete. During the year, inventory writedowns of \$7,490,000 occurred for raw materials or work in progress (30 June 2022: \$2,392,000). These were recognised as an operating expense in the consolidated statement of profit or loss and other comprehensive income.

Note 10. Biological assets

Recognition and measurement

The Group recognises biological assets when, and only when, the Group controls the assets as a result of past events, it is probable that future economic benefits associated with such assets will flow to the Group 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 the consolidated statement of profit or loss and other comprehensive Income for the period in which it arises.

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

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

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current assets</i>		
Biological asset	962	451
<i>Non-current assets</i>		
Biological asset	1,089	1,346
	<u>2,051</u>	<u>1,797</u>

Note 10. Biological assets (continued)

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Reconciliation of carrying amount:</i>		
Opening carrying amount	1,797	1,243
Purchase of livestock	1,380	1,019
Sale of livestock	(1,006)	(1,331)
Births	452	467
Losses	(55)	(59)
Transfers	(19)	(367)
Fair value movement of biological assets	(498)	825
Closing carrying amount	<u>2,051</u>	<u>1,797</u>

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Fair value movement in biological assets:</i>		
Market value movement ⁽ⁱ⁾	(1,505)	(506)
Biological transformation ⁽ⁱⁱ⁾	(19)	(367)
Births	452	467
Attrition	(55)	(59)
Other	120	(57)
	<u>(1,007)</u>	<u>(522)</u>

⁽ⁱ⁾ As a biological asset, AASB 141 *Agriculture* requires the livestock to be valued at fair value less costs to sell at all times prior to sale.

⁽ⁱⁱ⁾ Biological transformation in accordance with AASB 141 *Agriculture*, includes reclassification of an animal as it moves from being a newborn calf, grows, ages, and progresses through the various stages to become a trading animal.

Note 11. Property, plant and equipment

Recognition and measurement

Buildings, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Land and other infinite useful life assets are stated at historical cost less any impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 Group 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.

Right of use assets

The Group leases various land, buildings, plant and equipment resulting in a right-of-use asset (ROU). Right-of-use assets are measured at cost and subsequently depreciated inline with the Group's accounting policy of like assets. Cost comprising the following:

Note 11. Property, plant and equipment (continued)

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs;
- Any restoration costs.

Depreciation

Depreciation is calculated using straight-line method over estimated useful life as follows:

Buildings	40 years
Plant and equipment	3-10 years

Depreciation is expensed as incurred, unless it relates to an asset or operation in the construction phase, in which it is capitalised.

Derecognition

An item of plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is no longer expected to bring about future economic benefits to the Group.

Any gain or loss from derecognising the asset is included in the profit or loss in the period the item is derecognised. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

Work in progress

The value of assets under construction is measured at the cost of the asset less impairment. The cost of the asset also includes the cost of assembly and replacement parts that are eligible for capitalisation. Depreciation does not commence until the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Note 11. Property, plant and equipment (continued)

Non-current assets	Land & Buildings \$'000	Plant & Equipment \$'000	Work in Progress \$'000	Right of Use Asset \$'000	Total \$'000
Balance at 1 July 2021	28,846	2,459	29	117	31,451
Additions	12,951	389	17,639	521	31,500
Disposals	-	(22)	-	-	(22)
Exchange differences	(73)	(88)	-	(6)	(167)
Transfers between classes	4,650	187	(4,837)	-	-
Changes in restoration and rehabilitation estimate	2,140	-	-	-	2,140
Depreciation expense	(185)	(418)	-	(122)	(725)
Balance at 30 June 2022	48,329	2,507	12,831	510	64,177
Cost or fair value	48,563	3,101	12,831	638	65,133
Accumulated depreciation	(234)	(594)	-	(128)	(956)
Balance at 30 June 2022	48,329	2,507	12,831	510	64,177
Balance at 1 July 2022	48,329	2,507	12,831	510	64,177
Additions	43	154	3,477	391	4,065
Disposals	(118)	(8)	(307)	(254)	(687)
Exchange differences	345	116	260	12	733
Transfers between classes	358	4,399	(4,757)	-	-
Changes in restoration and rehabilitation estimate	51	-	-	-	51
Depreciation expense	(766)	(743)	-	(130)	(1,639)
Balance at 30 June 2023	48,242	6,425	11,504	529	66,700
Cost or fair value	49,259	7,780	11,504	797	69,340
Accumulated depreciation	(1,017)	(1,355)	-	(268)	(2,640)
Balance at 30 June 2023	48,242	6,425	11,504	529	66,700

Note 11. Property, plant and equipment (continued)

Key judgements, estimates and assumptions

The estimations of useful lives, residual value and depreciation methods require management judgement and are reviewed annually. If they need to be modified, the change is accounted for prospectively from the date of reassessment until the end of the revised useful life (for both the current and future years). Such revisions are generally required when there are changes in economic circumstances impacting specific assets or groups of assets, such as changes to contract length or when an asset designation from idle to non-idle occurs. These changes are limited to specific assets and as such, any reasonably possible change in the estimate is unlikely to have a material impact on the estimations of useful lives, residual value or amortisation methods.

Impairment of property, plant and equipment

For the year ended 30 June 2023, the Group assessed whether there were any indicators of impairment. The Group's market capitalisation at 30 June 2023 was below its net assets and management considered this factor as an impairment indicator at 30 June 2023. Subsequent to 30 June 2023, the Group market capitalisation recovered and is above the Group's net assets as at the date of this financial report.

The recoverable amount of the Group's cash generating units (CGUs) was determined by calculating the higher of fair value less cost of disposal (FVLCD) and value in use (VIU).

Summary of the impairment and method used to assess the impairment

The following table summarises the outcomes from impairment testing conducted across the Group's material non-current assets under AASB 136.

CGU	Indicator for impairment testing		Valuation method used	
	2023	2022	2023	2022
Korea	Yes	No	FVLCD	-
Dubbo	Yes	No	FVLCD	-

Key assumptions used

At 30 June 2023, estimates of recoverable amounts for non-current assets within the Korea CGU were prepared using the FVLCD method to assess whether impairments were required. Given the recent construction and commissioning of the KMP the Group has determined FVLCD by reference to the depreciated replacement cost of the assets, the Group has considered the risks of both technological and economic obsolescence.

Separately, estimates of recoverable amounts for the Dubbo CGU were prepared using the FVLCD method and the Group sourced independent valuations at 30 June 2023 to support the FVLCD estimates required for the applicable assets.

At 30 June 2023, no impairment expense was recognised (30 June 2022: Nil).

Note 12. Exploration and evaluation assets

Recognition and measurement

Exploration and evaluation costs include acquisition of rights to explore, and costs associated with exploration and evaluation in relation to separate areas of interest for which rights of tenure are current. The balance is carried as a non-current asset on the consolidated balance sheet where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable ore reserve. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the consolidated statement of profit or loss and other comprehensive income.

No amortisation is charged during the exploration and evaluation phase. Payments for exploration and evaluation expenditure are recorded net of any government grants and partner contributions.

Note 12. Exploration and evaluation assets (continued)

	Consolidated	
	2023 \$'000	2022 \$'000
Opening balance	104,225	96,742
Expenditure capitalised during the year ^[i]	7,416	8,410
R&D tax incentives on capitalised costs ^[ii]	(2,301)	(927)
Closing balance	<u>109,340</u>	<u>104,225</u>

^[i] Additions during the year ended 30 June 2023 relate to Engineering, Procurement and Construction (EPC) Definition work, metallurgical, engineering and project management.

^[ii] During the year the Group received R&D Tax Incentives of \$2,301,356 (2022: \$927,387) on costs capitalised to exploration and evaluation.

Key judgements, estimates and assumptions

Key judgements are applied to make certain estimates as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which the determination is made.

Note 13. Intangible assets

Recognition and measurement

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or 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.

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Non-current assets</i>		
Intellectual property (IP)	5,387	5,397
Less: Accumulated amortisation	(2,849)	(1,781)
	<u>2,538</u>	<u>3,616</u>

The intangible assets are related to the internally generated intellectual property, which was part of the acquisition of the Korean entities.

Note 14. Trade and other payables

Recognition and measurement

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the period which remains unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost.

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	479	157
Accruals	2,201	3,090
Other payables	714	232
	<u>3,394</u>	<u>3,479</u>

Note 15. Interest bearing liabilities

Recognition and measurement

Initial recognition and measurement

Interest bearing liabilities are recognised initially at fair value, net of directly attributable transaction costs.

Subsequent measurement - financial liabilities at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss and other comprehensive income.

Derecognition

An interest bearing liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current liabilities</i>		
Lease Liability ⁽ⁱ⁾	137	176
Borrowings ⁽ⁱⁱ⁾	17,158	-
	<u>17,295</u>	<u>176</u>
<i>Non-current liabilities</i>		
Lease liability ⁽ⁱ⁾	410	337
Borrowings ⁽ⁱⁱ⁾	-	16,758
	<u>410</u>	<u>17,095</u>
	<u>17,705</u>	<u>17,271</u>

Note 15. Interest bearing liabilities (continued)

⁽ⁱ⁾As at 30 June 2023, the Group leased various assets under leases expiring within 1 to 8 years. The interest rates are fixed and payable over a period of the lease term from the inception of the lease. These leases are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

⁽ⁱⁱ⁾On 10 June 2022, ASM executed two loan facilities with the Korean Development Bank (KDB) in South Korea which are denominated Korean Won (₩). The KDB facilities executed included an Industrial Facility for operating and capital expenditure and an Overdraft Facility. The Industrial Facility is comprised of an operating facility of ₩15.0 billion (30 June 2023: equivalent to \$17.2 million) and capital facility of ₩4.0 billion (30 June 2023: equivalent to \$4.6 million). Additionally, ASM entered into ₩3.0 billion (30 June 2023: equivalent to \$3.4 million) Overdraft Facility under the same terms as the Loan Facility.

At 30 June 2023, only the operating facility had been drawn totalling ₩15.0 billion (equivalent to \$17.2 million) (30 June 2022: ₩15.0 billion equivalent to \$16.8 million), this debt is due for full repayment in June 2024 and has been classified as current liability.

Secured liabilities and assets pledged as security

The KDB operating Industrial Facility loan is not secured against any Group assets.

Fair value

For the majority of the borrowings, the fair values approximate their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

The interest rate on these loans are fixed upon draw down. The interest on the operating Industrial Facility loan is 4.23%.

Debt covenants

There are no debt covenants associated with the Korea Development Bank loan facility.

Note 16. Provisions

Recognition and measurement

Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Employee leave benefits

Provision is made for the Groups expected liability for future employee benefits arising from services rendered by employees up to reporting date.

Short-term employee benefits are expected to be settled wholly within 12 months after the end of the period in which employees render the related service, are recognised in respect of the employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The amounts are presented as current employee entitlements in the consolidated balance sheet.

The liability for long service leave is measured at the present value of the estimated future cash outflows to be made by the Group for those employees with greater than 5 years of service up to the reporting date. Long-term benefits not expected to be settled within 12 months are discounted by using rates attached to high quality corporate bonds at the end of the reporting period with terms that match, as closely as possible, the estimated future cash outflows. Related on-costs are also included in the liability.

Note 16. Provisions (continued)

Decommissioning and restoration

In accordance with the applicable legal and constructive obligations, a provision for site rehabilitation in respect of returning the land to its original state is recognised when land is disturbed. Decommissioning and restoration costs are recognised in full based on the net present value of the estimated cost of decommissioning and restoring the environmental disturbance that has occurred up to the reporting date. To the extent that future economic benefits are expected to arise, these costs are capitalised and amortised over the remaining life of the mine and the provision is accreted periodically as the discounting of the liabilities unwinds. The unwinding of the discount is recorded as a finance cost.

Any changes in the estimates for the costs or other assumptions against the cost of relevant assets are accounted for on a prospective basis. In determining the costs for site restoration there is uncertainty regarding the nature and extent of restoration due to community expectations and future legislation.

Korean pensions benefit

The Group operates defined benefit pensions plan in Korea. Defined benefit plan determines the amount of pension benefits an employee will receive when they retire. The level of benefits provided depends on members' age, length of service and their salary up to retirement. The liability recognised in the consolidated balance sheet in respect of defined benefit plans is the present value of the defined benefit liability as of the end of the reporting period less the fair value of plan assets. The defined benefit liability is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit liability is calculated by discounting the expected future cash outflows at the rate of interest for high quality corporate bonds with similar payout timing and maturities.

The remeasurement component of the net defined benefit liability is recognised in the statement of other comprehensive income. When a scheme amendment, curtailment or settlement occurs, any gain or loss on past service cost or settlement is recognised in the consolidated statement of profit or loss.

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current liabilities</i>		
Annual leave ^[1]	434	445
Long service leave	30	22
Other	-	12
	<u>464</u>	<u>479</u>
<i>Non-current liabilities</i>		
Long service leave	49	32
Korean pensions benefit	476	439
Provision for decommissioning	2,317	2,140
	<u>2,842</u>	<u>2,611</u>
	<u><u>3,306</u></u>	<u><u>3,090</u></u>

Note 16. Provisions (continued)

^[i]The current portion of annual leave liability includes all of the accrued annual leave. The provision amount of \$434,000 (2022: \$445,000) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group 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 or paid within the next 12 months.

	Consolidated	
	2023	2022
	\$'000	\$'000
Current leave obligations expected to be settled after 12 months	217	224

Key judgements, estimates and assumptions

The Group assesses its decommissioning and restoration provision annually. Significant judgement is required in determining the provision for plant site rehabilitation and closure as there are many factors that could impact the ultimate liability payable to rehabilitate the Korean plant site including changes in legislation, technology or other circumstances. When these factors change or become known in the future, such differences will impact the decommissioning and restoration in the period in which the change becomes known.

Note 17. Unearned revenue

Recognition and measurement

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as an offset to the asset and is recognised in the consolidated statement of profit or loss and other comprehensive income on a systematic basis over the life of the asset. Where grant criteria are not fully satisfied a portion of the grant may be repaid subject to performance condition requirements.

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current liabilities</i>		
Unearned revenue ^[i]	2,525	6,554
<i>Non-current liabilities</i>		
Unearned revenue ^[ii]	6,232	-
	<u>8,757</u>	<u>6,554</u>

^[i]During the year ended 30 June 2023, cash grants were received from Federal and State governments for the following exploration and evaluation programs:

- Critical Minerals Development Program – ASM was awarded a contributory grant of \$6,500,000 (net of GST) to progress the Dubbo Project's Engineering, Procurement and Construction (EPC) Definition activities with respect to non-process infrastructure. An initial payment of \$2,275,000 (net of GST) was received in June 2023. ASM must comply with the terms of the agreement or will have to repay all funds received.
- Critical Minerals and High-Tech Metals Activation Fund – ASM was awarded a contributory grant of \$500,000 (net of GST) to finalise the process flowsheet for the Dubbo Project's Heavy Rare Earths solvent extraction circuit. The first instalment of \$250,000 (net of GST) was received in March 2023. ASM must comply with the terms of the agreement or will have to repay all funds received.

Note 17. Unearned revenue (continued)

⁽ⁱⁱⁱ⁾Unearned revenue relates to a cash grant received from the South Korean government to support the development of the Korean Metals Plant. Should any criteria not be fully satisfied by 31 December 2024 a portion of the grant may be required to be repaid. During the year ended 30 June 2023 the South Korean government revised this grant's completion date from 31 December 2022 to 31 December 2024 resulting in the reclassification of unearned revenue from current to non-current.

Note 18. Issued capital

Recognition and measurement

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

	Consolidated		2022 \$'000
	2023 Shares	2022 Shares	
Ordinary shares – fully paid	166,705,227	141,956,062	268,316
<i>Movements in ordinary shares</i>			
		Number of shares	Total \$'000
Opening balance 1 July 2021		139,506,006	207,162
Issue of shares in accordance with subscription agreement		2,450,056	21,816
Less: Transactions costs arising on share issue		-	(538)
Deferred tax credit recognised directly into equity		-	(15)
Balance 30 June 2022		141,956,062	228,425
Issue of shares on vesting of performance rights		1,000,000	-
Issue of shares for institutional placement		15,000,159	25,950
Issue of shares in accordance with share purchase plan		8,749,006	15,135
Less: transaction costs arising on share issue		-	(1,309)
Deferred tax credit recognised directly into equity		-	115
Balance 30 June 2023		166,705,227	268,316

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 8 November 2022, the Company issued 15,000,159 institutional shares, and on 5 December 2022, the Company issued 8,749,006 Share Purchase Plan shares.

Note 19. Reserves

Recognition and measurement

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 *Financial Instruments*.

Share-based payments reserve

The reserve is used to recognise the grant date fair value of options and performance rights issued to employees and executive directors.

Retirement benefit obligation reserve

The reserve is used to recognise the actuarial gains and losses on the retirement benefit obligation that are recognised outside of profit or loss.

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

	Consolidated	
	2023	2022
	\$'000	\$'000
Capital contribution reserve	11,324	11,324
Share-based payments reserve	3,322	1,793
Retirement benefit obligation reserve	35	-
Foreign currency reserve	332	(781)
	15,013	12,336

Note 20. Cash flow information

(a) Reconciliation of loss after income tax to net cash outflow from operating activities

	Consolidated	
	2023	2022
	\$'000	\$'000
Loss after income tax benefit for the year	(26,303)	(24,257)
Adjustments for:		
Depreciation and amortisation	1,799	1,857
Finance charges	79	138
Share-based payments	1,529	876
Inventory - non-cash movement	1,007	(535)
Inventory – write off	7,490	-
Provision for decommissioning – unwind of discount	(241)	-
Gain / loss on disposal of assets	(1)	(2)
Unrealised FX gain/(loss)	(567)	1,314
Change in operating assets and liabilities:		
Increase in receivables	(4,360)	(1,735)
Increase in inventory	(12,030)	(14,222)
(Increase)/decrease in biological and other assets	(413)	130
Increase in deferred tax asset	(2,513)	(3,952)
(Decrease)/increase in trade and other payables	(62)	2,224
Increase in other provisions	281	570
Net cash outflow from operating activities	<u>(34,305)</u>	<u>(37,594)</u>

(b) Net debt reconciliation

	Consolidated	
	2023	2022
	\$'000	\$'000
Cash and cash equivalents (note 7)	56,655	60,220
Interest bearing liabilities - repayable within one year (note 15)	(17,295)	(176)
Interest bearing liabilities - repayable after one year (note 15)	(410)	(17,095)
Net debt	<u>38,950</u>	<u>42,949</u>

Includes lease liability expiring within 1 to 8 years and an Industrial facility loan with the Korea Development Bank (drawn portion of the loan facility is \$17.2 million).

Note 21. Risk management

Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they 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.

Note 21. Risk management (continued)

Financial risk management

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 Group'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 Group.

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 Group 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 Group's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Market risk

Foreign currency risk

The Group operated internationally and is exposed to foreign exchange risk arising from currency exposures with respect to changes in USD/AUD, KRW/AUD and KRW/USD exchange rates. The Group is exposed to currency risk on purchases that are denominated in a currency other than the respective functional currency of Group entities, primarily the United States Dollar (USD) and Korean Won (KRW).

The Group's expenditure obligations in Korea are primarily in KRW. Funding requirements in Korea are met by transfer of USD from the Australian based parent entity and converted into KRW or deposited into USD bank account. As a result, the Group is exposed to fluctuations in the USD/KRW to Australian currency. These exposures are not subject to a hedging instrument. The Group's risk from movements in foreign currency rates, relates to USD held within Australia and Korea and KRW held in Korea. The risk exposure is minimised by holding sufficient funds in KRW to meet the immediate cash requirements of the subsidiaries. Once funds are converted to KRW, they are only used to pay expenses in KRW.

The financial assets and liabilities that are exposed to foreign currency risk at the end of the reporting period, expressed in Australian dollars are:

	2023 \$'000	2022 \$'000
Cash and cash equivalents - USD	2,471	11,073
Cash and cash equivalents - KRW	4,135	19,646
Trade receivables - KRW	1,270	1,156
Trade payables - KRW	(1,270)	(74)
Interest bearing liabilities - KRW	(17,705)	(17,095)
	<u>(11,099)</u>	<u>14,706</u>

Note 21. Risk management (continued)

Price risk

Commodity price risk in the Group primarily results from price fluctuations and the availability of rare earth oxides required by the Korean operations. The Group considers the outlook for rare earths regularly in considering the need for active financial risk management. As the Group progressed towards production of a saleable product the Group will monitor and develop a policy to mitigate its exposure to price risk.

Interest rate risk

Interest rate risk is the risk that fair values and cash flows of the Group's financial instruments will be affected by changes in the market interest rates. The Group's main interest rate risk arises through its cash and cash equivalents, other financial assets and financial liabilities held within financial institutions. The Group minimises this risk by utilising fixed rate instruments where appropriate.

Summarised market risk sensitivity analysis:

	30 June 2023			30 June 2022		
	Carrying Amount \$'000	+100BP \$'000	-100BP \$'000	Carrying Amount \$'000	+100BP \$'000	-100BP \$'000
Cash-and cash equivalents	56,655	567	(567)	60,220	602	(602)
Receivables (current) ⁽ⁱ⁾	3,603	36	(36)	952	10	(10)
Other financial assets	238	2	(2)	20	-	-
Trade and other payables	11,985	120	(120)	7,685	77	(77)
	<u>72,481</u>	<u>725</u>	<u>(725)</u>	<u>68,877</u>	<u>689</u>	<u>(689)</u>

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial asset fails to meet its contractual obligations and arises principally from the Group's receivables from customers and related entities. The Group's exposure to credit risk is primarily in its trade and other receivables and is influenced mainly by the individual characteristics of the customer based on recent sales experience, historical loss rates and forward-looking information that is available. In accounting for credit risk the Group applies the simplified approach to measuring expected credit losses, determining a lifetime expected loss allowance for all trade receivables.

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.

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. The Group's cash deposits are all on call or in term deposits and attract a rate of interest at normal short-term money market rates.

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.

Note 21. Risk management (continued)

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.

Liquidity risk management involves maintaining sufficient cash on hand or undrawn credit facilities to meet the operating and capital requirements of the business.

Maturity analysis of financial assets and liabilities based on management expectation. The tables below reflect an undiscounted contractual maturity analysis for financial liabilities:

	Within 1 year	1 to 5 years	Over 5 years	Total contractual outflows
Year ended 30 June 2023	\$'000	\$'000	\$'000	\$'000
Financial liabilities due for payment				
Trade and other payables	(3,394)	-	-	(3,394)
Unearned revenue	(2,525)	(6,232)	-	(8,757)
Interest bearing liabilities	(17,295)	(410)	-	(17,705)
	<u>(23,214)</u>	<u>(6,642)</u>	<u>-</u>	<u>(29,856)</u>
Year ended 30 June 2022	\$'000	\$'000	\$'000	Total contractual outflows
				\$'000
Financial Liabilities due for payment				
Trade and other payables	(3,479)	-	-	(3,479)
Unearned revenue	(6,554)	-	-	(6,554)
Interest bearing liabilities	(176)	(17,802)	-	(17,978)
	<u>(10,209)</u>	<u>(17,802)</u>	<u>-</u>	<u>(28,011)</u>

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

Note 22. Contingent liabilities

The Group has contingent liabilities estimated at up to \$7,398,421 for the potential acquisition of parcels of land surrounding the Dubbo Project (30 June 2022: \$4,247,801). The landholders have the right to require the Group to acquire their property when the development consent conditions for the Dubbo Project have been met.

On 9 June 2022, ASM and Hyundai Engineering Co., Ltd (HEC) signed an agreement to provide engineering, procurement and construction definition work (EPCD). On 9 January 2023, ASM executed a variation to the EPCD which allowed this to commence. At 30 June 2023, \$41,200,000 remains contingent on commencement of staged activities which includes:

- Stage 2 further develops engineering design to allow for identification and selection of technology requirements for \$7,000,000; and
- Stage 3 provides for the remainder of the EPCD services to all HEC to provide an open book estimate and offer to implement the Dubbo Project under an engineering, procure and contract (EPC) for \$34,200,000 (net of \$500,000 deposit paid in July 2022).

The Group will evaluate when Stage 2 will commence as the additional areas of non-process infrastructure work progresses.

Note 23. Commitments

a) Capital commitments

	Within 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Year ended 30 June 2023				
Mineral tenement leases	100	-	-	100
Dubbo Project - parcels of land	1,996	-	-	1,996
Dubbo Project – engineering and design activities	2,307	2,500	-	4,807
Korean Metals Plant – construction equipment	1,410	-	-	1,410
	<u>5,813</u>	<u>2,500</u>	<u>-</u>	<u>8,313</u>
Year ended 30 June 2022				
Mineral tenement leases	100	-	-	100
Dubbo Project - parcels of land	1,419	-	-	1,419
Dubbo Project – engineering and design activities	1,307	-	-	1,307
Korean Metals Plant – construction equipment	5,746	-	-	5,746
	<u>8,572</u>	<u>-</u>	<u>-</u>	<u>8,572</u>

Mineral tenement leases

In order to maintain current rights of tenure to exploration and mining tenements, the Group has certain obligations for payment. These costs are discretionary, however if the expenditure commitments are not met then the associated exploration and mining leases may be relinquished.

Parcels of land

The Group has capital commitments for the acquisition of parcels of land surrounding the Dubbo Project. The amount to be paid is market value contractual terms 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.

b) Other commitments

On 30 April 2023, the Group signed binding agreement with Vietnam Rare Earth Company (VTRE) for metals plant feedstock supply. Under the terms of the agreement, VTRE will deliver 100 tonnes of product within the next 12 months. At 30 June 2023, the Group estimated commitment amount based on the product price at the reporting date was \$9,426,000.

Note 24. Events after the reporting period

On 26 July 2023, ASM announced the signing of a three-way non-binding memorandum of understanding (MOU) with Blackstone Minerals Limited (Blackstone) and rare earth element (REE) refiner Vietnam Rare Earth Company (VTRE). This MOU provides a framework for the companies to collaborate across several areas including REE mining opportunities, strengthen capability to secure REE mining concessions, potential for co-investment and securing long-term offtake of REE oxides.

On 3 August 2023, ASM announced the signing of long-term metal sales and tolling agreement with USA Rare Earth LLC. The agreement is binding for five years and includes the supply of neodymium iron boron (NdFeB) alloy.

On 17 August 2023, ASM announced the award of a consultancy services agreement to Bechtel Australia Pty Ltd for the provision of engineering services for non-process infrastructure to support advancing the Company's Dubbo Project.

On 21 August 2023, ASM announced the appointment of Mr Chris Jordaan as Chief Operating Officer effective from 24 August 2023 and the resignation of Mr Jason Clifton Chief Financial Officer effective from 10 November 2023.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 25. Related party transactions

Parent entity

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

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2023	2022
	\$	\$
Short-term employee benefits	2,085,377	2,627,098
Post-employment benefits	101,793	114,653
Long-term benefits	8,129	12,028
Termination benefits	254,151	-
Share-based payments	1,409,492	876,500
	<u>3,858,942</u>	<u>3,630,279</u>

Detailed remuneration disclosures are provided in the remuneration report on pages 19 to 26.

Transactions with other related parties

The following transactions occurred with other related parties:

	Consolidated	
	2023	2022
	\$	\$
Purchase of goods and services from other related parties:		
Nuclear IT ⁽ⁱ⁾	-	114,277
Alkane Resources Ltd	356,400	430,156
Gandel Metals Pty Ltd	97,268	152,974

⁽ⁱ⁾ From 1 March 2022 Nuclear IT ceased to be a related entity upon resignation of Director.

Alkane Resources Ltd, a Director related entity, for personnel and office services under its ongoing Trade Service Agreement with ASM.

Gandel Metals Pty Ltd, a Director related entity, for travel related services.

Receivable from and payable to related parties

As at 30 June 2023, no outstanding payable to Gandel Metals Pty Ltd for travel related services (2022: \$24,531).

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 26. Share-based payments

Recognition and measurement

Share-based payments

Share-based compensation benefits are provided to employees via the Group's incentive plans. The objective of the plans is to assist in the recruitment, reward, retention and motivation of eligible persons of the Group. The incentive plans consist of short-term and long-term incentive plans. Information relating to these plans is set out in the remuneration report and below.

The fair value of performance rights and options granted under the short-term and long-term incentive plans is recognised as an employee benefits expense with corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the performance rights and options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service non-market performance vesting conditions. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

Non-market conditions

Non-market vesting conditions and the impact of service conditions are included in assumptions about the number of rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of rights that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss and other comprehensive income, with a corresponding adjustment to equity.

Market conditions

The initial estimate of fair value for market based and non-vesting conditions is not subsequently adjusted for differences between the number of rights granted and number of rights that vest. When the rights are exercised, the appropriate number of shares are transferred to the employee. The proceeds received are net of any directly attributable transaction costs are credited directly to equity.

The fair value of deferred shares granted to employees for nil consideration under the employee share scheme is recognised as an expense over the relevant service period, being the year to which the incentive relates and the vesting period of the shares. The fair value is measured using the Monte Carlo valuation method for long-term incentive plans and binominal tree method for short-term incentive plans at the grant date of the shares and is recognised in equity in the share-based payment reserve.

The Group's remuneration framework is set out in the remuneration report, including all details of the performance rights plans, the associated performance hurdles and vesting criteria. Participation in the plans is at the discretion of the Board of Directors and no individual has a contractual right to participate in the plans or to receive any guaranteed benefits.

Options

No options granted or expired during the year. Share options outstanding at the end of the year have the following expiry dates and exercise price:

Grant date	Expiry date	Exercise price	2023 Number	2022 Number
16 June 2021	12 July 2024	\$6.36	62,624	62,624
16 June 2021	12 July 2026	\$6.36	62,624	62,624
			125,248	125,248

At 30 June 2023, 125,248 of the options granted have not vested and are not exercisable.

Note 26. Share-based payments (continued)

Set out below are summaries of performance rights granted under the plan:

	2023 Number	Weighted average fair value at grant date	2022 Number	Weighted average fair value at grant date
Outstanding as at 1 July	3,217,010	\$1.28	3,000,000	\$0.81
Granted ⁽ⁱ⁾	744,442	\$0.91	217,010	\$7.82
Forfeited/lapsed ⁽ⁱⁱ⁾	(2,257,750)	\$1.28	-	\$0.00
Vested ⁽ⁱⁱⁱ⁾	(1,000,000)	\$2.64	-	\$0.00
Outstanding as at 30 June	<u>703,702</u>	\$1.33	<u>3,217,010</u>	\$1.28
Vested and exercisable as at 30 June	<u>45,410</u>	\$1.43	<u>-</u>	\$0.00

⁽ⁱ⁾ During the year ended 30 June 2023, 223,934 short term and 520,508 long term performance rights were granted to employees and key management personnel. The fair value at grant date of the performance rights, which have non-market-based performance conditions, was estimated using a binominal tree methodology. The fair value at grant date of the performance rights, which have market-based performance conditions, was estimated using a Monte Carlo simulation.

⁽ⁱⁱ⁾ On 19 July 2022, of the 3,000,000 performance rights hold by David Woodall, 2,000,000 were forfeited and 1,000,000 vested through the issue of ordinary shares in the Company. The fair value of the performance rights at the date of modification was determined to be \$2.64. The incremental fair value of \$1,065,154 recognised as an expense for the year ended 30 June 2023. The fair value of the modified performance rights was determined using the stock price of the separation date. The expense related to the modified portion accelerated immediately.

The table below details the terms and conditions of the grants and the assumptions used in estimating fair value:

Grant date	19/10/22	19/12/22	19/12/22	14/03/23	14/03/23	1/06/23	1/06/23
Value of the underlying security at grant date	\$2.04	\$0.64	\$1.50	\$0.64	\$1.28	\$0.64	\$1.08
Exercise price	nil	nil	nil	nil	nil	nil	nil
Dividend yield	nil	nil	nil	nil	nil	nil	nil
Risk free rate	3.14%	3.17%	3.16%	3.17%	3.16%	3.17%	3.16%
Volatility	n/a	65%	n/a	65%	n/a	65%	n/a
Performance period (years)	1	3	1	3	1	3	1
Commencement of the measurement period	1/07/22	1/07/22	1/07/22	1/07/22	1/07/22	1/07/22	1/07/22
Test date	1/07/23	30/06/25	30/06/23	30/06/25	30/06/23	30/06/25	30/06/23
Remaining performance period (years)	0	2	0	2	0	2	0

The weighted average remaining contractual life of performance rights and options is 1.5 years (30 June 2022: 1.4 years).

Total expenses arising from share-based payment transactions recognised during the period as share-based payment expense in the consolidated statement of profit of loss and other comprehensive income:

	2023 \$'000	2022 \$'000
Options	130	125
Performance rights	1,399	751
	<u>1,529</u>	<u>876</u>

Note 27. 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	
	2023	2022
	\$	\$
<i>Audit services - PricewaterhouseCoopers</i>		
Audit or review of the financial statements	233,527	119,210
<i>Other services - PricewaterhouseCoopers</i>		
Tax compliance services	-	76,540
Tax advisory services	-	18,870
Consulting services	66,103	10,060
<i>Total other non-audit services</i>	66,103	105,470
Total services provided by PricewaterhouseCoopers	299,630	224,680

Note 28. Loss per share

Recognition and measurement

Basic loss per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, 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 year.

Diluted loss 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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Consolidated	
	2023	2022
	\$'000	\$'000
Loss after income tax	(26,303)	(24,257)
Non-controlling interest	31	(18)
Loss after income tax attributable to the owners of Australian Strategic Materials Limited	(26,272)	(24,275)
	Cents	Cents
Basic loss per share	(8)	(17)
Diluted loss per share	(8)	(17)

Note 28. Loss per share (continued)

	2023 Number	2022 Number
Weighted average number of ordinary shares used in calculating basic loss per share	312,396,979	139,808,068
Weighted average number of ordinary shares used in calculating diluted loss per share	312,396,979	139,808,068
The number of potential ordinary share not considered dilutive are as follows:		
Performance rights and options	<u>828,950</u>	<u>3,204,928</u>

Potential ordinary shares

Performance rights and options granted to employees are considered to be potential ordinary shares. Details relating to options and performance rights are set out in Note 26. They have not been included in the determination of basic loss per share. Performance rights and options outstanding are not included in the calculation of diluted loss per share because they are antidilutive for the years ended 30 June 2023 and 30 June 2022. These options could potentially dilute basic earnings per share in the future.

Note 29. Parent entity financial information

Recognition and measurement

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, other than investments in subsidiaries, which have been recorded at cost less any impairments.

The individual financial statements for the parent entity, Australian Strategic Materials Limited, show the following aggregate amounts:

	Parent	
	2023 \$'000	2022 \$'000
<i>Statement of profit or loss and other comprehensive income</i>		
Loss after income tax	(47,263)	(10,699)
Total comprehensive loss	(47,263)	(10,699)
	Parent	
	2023 \$'000	2022 \$'000
<i>Balance sheet</i>		
Current assets	64,207	48,515
Total assets	200,994	211,483
Current liabilities	1,196	1,727
Total liabilities	(12,554)	(7,909)
<i>Equity</i>		
Issued capital	268,316	228,425
Share-based payments reserve	3,321	1,793
Capital contributions reserve	11,324	11,324
Accumulated losses	(69,413)	(22,150)
Total equity	<u>213,548</u>	<u>219,392</u>

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

The parent entity did not have any guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

Note 29. Parent entity financial information (continued)

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments - Property, plant and equipment

The parent entity did not have any capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

Note 30. Interests in subsidiaries

Recognition and measurement

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group 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 Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated unless the transaction provides evidence of the impairment of the asset transferred.

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

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2023 %	2022 %
Australian Strategic Materials (Holdings) Ltd	Australia	100%	100%
Toongi Pastoral Company Pty Ltd	Australia	100%	100%
ASM Metals Corporation Pty Ltd	Australia	100%	100%
ASM Technology Corporation Pty Ltd	Australia	100%	100%
ASM Korea Co. Ltd	South Korea	100%	100%
KSM Technology Co. Ltd	South Korea	95%	95%
KSM Metals Co., Ltd	South Korea	100%	100%

Note 31. Deed of cross guarantee

The following entities are parties to a deed of cross guarantee made on 28 June 2023 under which each company guarantees the debts of the others:

Holding entity - Australian Strategic Materials Limited
Group entity - Australian Strategic Materials (Holdings) Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and Directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Australian Strategic Materials Limited, they also represent the 'Extended Closed Group'.

Note 31. Deed of cross guarantee (continued)

Set out below is a consolidated statement of profit or loss and other comprehensive income and balance sheet of the 'Closed Group'.

	2023
	\$'000
Consolidated statement of profit or loss and other comprehensive income of the 'Closed Group'	
Revenue	1,447
Other income	1,673
Professional fees and consulting services	(1,798)
Employee remuneration	(5,188)
Share based payments	(1,529)
Directors' fees and salaries	(1,234)
General and administration expenses	(4,633)
Pastoral company expenses	(1,209)
Depreciation and amortisation expense	(165)
Fair value movement in biological assets	(1,007)
Net foreign exchange gain	390
Intercompany impairment	<u>(32,914)</u>
Loss before income tax benefit	(46,167)
Income tax benefit	<u>2,686</u>
Loss after income tax benefit	(43,481)
Other comprehensive income for the year, net of tax	<u>-</u>
Total comprehensive loss for the year	<u><u>(43,481)</u></u>
	2023
	\$'000
Equity - accumulated losses	
Accumulated losses at the beginning of the financial year	(26,789)
Loss after income tax benefit	<u>(43,481)</u>
Accumulated losses at the end of the financial year	<u><u>(70,270)</u></u>

Note 31. Deed of cross guarantee (continued)

Balance sheet	2023	2022
	\$'000	\$'000
Current assets		
Cash and cash equivalents	52,520	40,574
Trade and other receivables	2,982	872
Inventories	156	193
Biological assets	962	451
	<u>56,620</u>	<u>42,090</u>
Non-current assets		
Property, plant and equipment	34,306	34,069
Exploration and evaluation assets	109,340	104,225
Biological assets	1,089	1,346
Other assets	34,583	56,606
	<u>179,318</u>	<u>196,246</u>
Total assets	<u>235,938</u>	<u>238,336</u>
Current liabilities		
Trade and other payables	2,125	2,472
Provisions	452	470
Unearned revenue	2,525	-
	<u>5,102</u>	<u>2,942</u>
Non-current liabilities		
Deferred tax	18,096	20,609
Provisions	49	32
	<u>18,145</u>	<u>20,641</u>
Total liabilities	<u>23,247</u>	<u>23,583</u>
Net assets	<u>212,691</u>	<u>214,753</u>
Equity		
Issued capital	268,316	228,425
Reserves	14,645	13,117
Accumulated losses	(70,270)	(26,789)
Total equity	<u>212,691</u>	<u>214,753</u>

Australian Strategic Materials Limited
Directors' declaration
30 June 2023

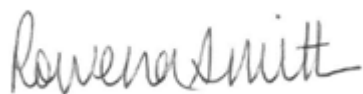
In the Directors' opinion:

- (a) the financial statements and notes set out on pages 30 to 68 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 Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date, and
- (b) subject to the matters set out in note 1, there are reasonable grounds to believe that the Company and Group will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 31 will be able to meet any liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 31.

The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



Rowena Smith
Managing Director and CEO

29 September 2023
Perth



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 2023 and of its financial performance for the year then ended
- (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 2023
- 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
- 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.

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Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group has cash outflows from operating activities of \$34.3 million and investing activities of \$8 million for the year ended 30 June 2023 and that the Group is dependent on sourcing new customers for product sales and raising further funding. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 \$2,671,000 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 	<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 property, plant and equipment Carrying value of exploration and evaluation assets These are further described in the <i>Key audit matters</i> section of our report.



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.

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.

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><i>Carrying value of property plant and equipment (refer to note 11 of the Consolidated Financial Statements)</i></p> <p>As at 30 June 2023, the Group recognised \$66.7 million of Property, Plant and Equipment. As the Group's market capitalisation was less than its net assets at reporting date this was considered an indicator of impairment requiring assessment under AASB 136 Impairment of assets.</p> <p>As required by Australian Accounting Standards, the Group has performed an assessment to determine the recoverable amount of property plant and equipment using the fair value less cost of disposal method. No impairment was recognised as a result of this assessment.</p> <p>The assessment of impairment was a key audit matter because of the significant judgement involved in estimating the recoverable amount of the assets and the material impact on the financial report.</p>	<p>We performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> • Assessed the reasonableness of the division of assets into cash generating units and the appropriateness of the allocated assets and liabilities to each CGU. • Assessed, together with PwC valuation experts, the reasonableness of the valuation methodology against the requirements of Australian Accounting Standards. • Examined the independent valuation reports obtained by the Group to assist their estimation of the recoverable value of certain property, plant and equipment assets • Assessed the competency, qualification, experience and objectivity of the Group's external



Key audit matter	How our audit addressed the key audit matter
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<p><i>Carrying value of exploration and evaluation assets (Refer to note 12 of the Consolidated 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 <i>Exploration for and Evaluation of Mineral Resources</i>. Due to the relative size of this balance in the consolidated balance sheet, as well as the judgemental application the accounting standard 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>This was a key audit matter because of the size of the balance and judgement in considering the risk of impairment of the assets, should results of exploration activities indicate these costs will not be recoverable.</p>	<p>valuer</p> <ul style="list-style-type: none"> Considered the adequacy of the disclosure made in note 11 of the Consolidated Financial Statements in light of the requirements of Australian Accounting Standards. <p>We performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> Evaluated the Group's assessment that there had been no indicators of impairment for its exploration and evaluation assets, including performing inquiries with management and directors to develop an understanding of the current status and future intentions for the Group's exploration projects. Assessed whether the Group retained right of tenure for all of its exploration licence areas by obtaining licence status records from relevant government databases.
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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 2023, 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 Director's Report, Shareholders' Information and Company Directory. 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 through our opinion on the financial report.

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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

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 19 to 26 of the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Australian Strategic Materials Limited for the year ended 30 June 2023 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
29 September 2023

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 6 October 2022.

	Ordinary shares	
	Number of holders	Number of shares
1 - 1,000	5,466	2,413,043
1,001 - 5,000	3,934	9,800,354
5,001 - 10,000	1,180	8,778,244
10,001 - 100,000	1,412	37,861,068
100,001 and over	142	107,922,527
	12,134	166,775,236
The number of equity security holders holding less than a marketable parcel of securities are:	2,615	263,718

Distribution of Equity Securities

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

Twenty Largest Shareholders

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

		Listed ordinary shares	
		Number of shares	% of shares on issue
1	ABBOTSLEIGH PTY LTD	27,648,027	16.58
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,547,603	6.92
3	CITICORP NOMINEES PTY LIMITED	10,518,694	6.31
4	LILYCREEK PTY LTD <THE LILYCREEK A/C>	4,526,000	2.71
5	MAGNABAY PTY LTD <THE MAGNABAY A/C>	4,526,000	2.71
6	AUBURNVALLEY PTY LTD <THE AUBURNVALLEY A/C>	4,526,000	2.71
7	MR JUNSHI WANG	3,241,400	1.94
8	BNP PARIBAS NOMS PTY LTD <GLOBAL MARKETS DRP>	2,461,874	1.48
9	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	2,192,546	1.31
10	ABBOTSLEIGH PTY LTD <ABBOTSLEIGH S/F A/C>	1,737,468	1.04
11	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,705,701	1.02
12	MILFORD PARK SUPERANNUATION PTY LTD <MILFORD GROVE SUPERFUND A/C>	1,330,000	0.8
13	ILG ESTATE CO 2 PTY LTD	1,127,689	0.68
14	ILG ESTATE CO 3 PTY LTD	1,127,688	0.68

		Listed ordinary shares	
		Number of shares	% of shares on issue
15	ILG ESTATE CO 4 PTY LTD	1,127,688	0.68
16	ILG ESTATE CO 1 PTY LTD	1,127,688	0.68
17	LEEFAB PTY LTD	955,000	0.57
18	MR PATRICK JOHN MCHALE	932,500	0.56
19	LNL TRUST CO LTD	658,956	0.4
20	GW TRUST CO LTD	647,460	0.39
		83,665,982	50.17

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	33,896,248
Chapelgreen Pty Ltd	13,578,000

Voting Rights

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

Distribution of employee options/performance rights

As at 6 October 2023, there are 652,666 unlisted employee options /performance rights.

The number of beneficial holders, by size of holding, of employee options / performance rights are:

Holding Ranges	Holders
1 - 1,000	0
1,001 - 5,000	0
5,001 - 10,000	0
10,001 - 100,000	3
100,001 and over	2
Total	5

Schedule of mining tenements

as at 30 June 2023

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

