Australian Strategic Materials
ABN 90 168 368 401

Interim Financial Report 31 December 2023

Rare Earths.
Critical Minerals.
High-tech Metals.

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 interim consolidated financial statements of the Group for the half-year ended 31 December 2023.

DIRECTORS

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

I Gandel	Non-Executive Chair
R Smith	Managing Director
G Smith	Non-Executive Director
K Gleeson	Non-Executive Director
N Earner	Non-Executive Director

PRINCIPAL ACTIVITIES

Business strategy

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 primary objective is to deliver value to shareholders and the communities in which it operates through the development and commercialisation of its unique mine to metals strategy.

The Dubbo Project is ASM's cornerstone rare earths and critical minerals mining and processing project. A globally significant resource of light and heavy rare earths, zirconium, niobium and hafnium, the Dubbo Project represents an alternative and reliable source of the critical minerals and rare earths needed to de-risk and relieve bottlenecking in the global supply chain.

ASM intends to develop the Dubbo Project to produce a range of metal oxides and mixed chlorides. Once constructed, products from the Dubbo Project will be metallised at ASM's metals plant(s), the first of which has been commissioned 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 sectors.

During the half-year, the principal and continuing activities of the Group aligned to ASM's core strategic objectives, relating to:

- The continuing evaluation and design of the Dubbo Project;
- Securing offtakes and progressing funding opportunities to support the Dubbo Project's development;
- Expanding the global customer base for metals and alloys produced at the KMP; and
- Securing third party critical mineral oxides to support the KMP's ramp-up while the Dubbo Project is in development.

ASM will deliver on these objectives while managing its business risks and opportunities, outlined on page 5 of this report. Importantly, underpinning this is the awareness that decisions made to improve short-term performance also consider the long-term sustainability of ASM's business and the communities in which it operates.

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 will either be metallised at the KMP or distributed to other global manufacturing customers.

Dubbo Project development work continued to progress well during the period, with important milestones achieved in relation to the technical flowsheet, project engineering design, environmental management and early establishment activities.

Front cover: Image shows neodymium iron boron (NdFeB) alloy produced at ASM's Korean Metals Plant.

Key milestones during the half-year included:

- Completion of Stage 1 of the Engineering, Procurement and Construction (EPC) Definition work conducted by Hyundai Engineering Company.
- Commencement and completion of the scoping phase of the Non-Process Infrastructure (NPI) Study Work conducted by Bechtel Australia Pty Ltd (Bechtel).
- Commencement of Non-Process Infrastructure (NPI) Study Work by Bechtel, following scoping phase.
- Commencement and progression of the solid residue storage facility study work by Stantec.
- Conclusion of terbium (Tb) and dysprosium (Dy) heavy rare earth separation test work by Australian Nuclear Science and Technology Organisation (ANSTO) on the Dubbo Project's process flowsheet.
- Completion of studies examining opportunities to reduce greenhouse gas emissions.

These and other essential activities will help ensure the Company is well positioned to commence construction following Final Investment Decision on the Dubbo Project.

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, wind turbines and other growth industries.

The KMP is now producing neodymium praseodymium (NdPr) metal and neodymium iron boron (NdFeB) alloy supplying to a growing international customer base. During the period, ASM continued to deliver NdPr metal to its first Korean metal customer NS World whilst progressing the development of its proprietary metallisation technology. This included continued production of copper titanium (CuTi) alloy samples for another Korean customer and continued technology development relating to dysprosium and terbium oxides.

During the period, ASM focused its efforts on four key areas to drive growth at the KMP:

- Securing new global metals and alloys customers;
- Production capacity ramp-up, aligned to customer demand;
- Progressing the development of proprietary metallisation technology; and
- Securing the supply of third party rare earth oxide feedstock.

Key milestones during the half-year included:

- Signing the Company's first long-term binding NdFeB alloy sales and tolling framework agreement with USA Rare Earth, LLC (USARE).
- Delivery of six tonnes of NdPr metal to NS World and signing a further binding agreement for the sale of an additional six tonnes of metal.
- Progressing technical qualification processes with potential customers in both the US and the EU.
- Commencement of the application of ASM's metallisation technology to the heavy rare earths Tb and Dy.
- Delivery of its FY23 carbon net zero target for Scope 1 and Scope 2 emissions at the plant.

ASM remains committed to diversifying its product suite from the KMP through innovative research, enhancing its position as a leader in this field and aligning its offerings with emerging global opportunities.

Review of Financial Position

During the half-year ended 31 December 2023, the Group's overall loss decreased by 29%. This decrease was principally driven by increased interest income and lower share-based payments alongside a lower write down expense of Korean inventory to net realisable value of $879,000 (2022: $3,557,000).

	31 Dec 2023 $'000	31 Dec 2022 $'000	Movement $'000	 %
Sales revenue	2,211	2,378	(167)	(7)
Cost of sales	(2,216)	(2,226)	(10)	(0)
Gross Profit	(5)	152	(157)	(103)
Net loss before tax	(10,023)	(13,734)	(3,711)	(27)
Net loss after tax	(8,589)	(12,071)	(3,482)	(29)

The Group's net assets decreased by 4%, principally due to depreciation and amortisation expense on non-current assets offset by continuing Dubbo Project flowsheet enhancements, Non-Process Infrastructure studies, engineering design and early establishment activities.

	31 Dec 2023 $'000	30 June 2023 $'000	Movement $'000	Movement %
Cash	45,467	56,655	(11,188)	(20)
Net Assets	206,903	215,962	(9,059)	(4)
Issued Capital	268,241	268,316	(75)	(0)

Cash and Cashflows

Net operating cash outflows decreased by 69%, principally due to lower raw material inventory purchases and increased receipts from sales of NdPr metal sales and bank interest. Net investing cash outflows decreased by 25% principally due to increased Research and Development (R&D) incentives offsetting Dubbo Project exploration and evaluation activities and Korean property, plant and equipment investment. Financing cashflows decreased by 101% reflecting only interest payments with no capital raise activity during the half-year ended 31 December 2023.

	31 Dec 2023 $'000	31 Dec 2022 $'000	Movement $'000	Movement %
Net operating cash outflows	(7,242)	(23,286)	16,044	(69)
Net investing cash outflows	(3,604)	(4,813)	1,209	(25)
Net financing cash (outflows) / inflows	(373)	39,360	(39,733)	(101)
Net cash flows	(11,219)	11,261	(22,480)	(200)
Closing cash	45,467	71,901	(26,434)	(37)

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.

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 interim financial report for the half-year ended 31 December 2023 contains an independent auditor's review 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.

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 Australian and relevant international export credit finance agencies along with secure bankable offtakes.

During the period, ASM has continued to progress its broad approach to offtake and strategic investment and is in discussions with a number of original equipment manufacturers (OEMs) and suppliers across a range of jurisdictions. These discussions encompass the Dubbo Project's diverse product portfolio, canvassing opportunities for participation by ASM in the supply chain.

These commercial discussions are competitive and supported by ongoing technical validation processes of both Dubbo Project samples and ASM's metallisation capability at the KMP. These validation processes are key to demonstrating ASM's ability to produce products that meet customer requirements and the Company’s capability to deliver the mine to metals supply chain. During Q1 2024, ASM received confirmation that it had been selected for the shortlist of preferred suppliers in one of those processes. This will see ASM participating in advanced discussions regarding involvement in the relevant supply chain.

In October 2023, ASM participated in a trade delegation to the US, facilitated by the Australian Trade and Investment Commission (Austrade). The week-long visit encompassed engagements with government agencies, export credit finance agencies and potential investors – identifying strong potential funding pathways within the region. Notably, during the period, legislation was passed in the US to include Australia as a 'domestic source’, allowing Australian businesses from multiple sectors to access US Department of Defense loans, grants and subsidies provided for under the US “Defense Production Act”. ASM is exploring opportunities for funding and support pursuant to these changes for the Dubbo Project and is progressing these matters in its interactions with US government entities.

The Company has also continued discussions with export credit finance agencies from relevant jurisdictions regarding the potential provision of project finance. These discussions have been based on the potential source of content for use in the construction phase of the Dubbo Project and strategic investment. ASM will continue to progress these discussions with the intention of securing conditional letters of support.

In Australia, the federal government made two announcements during the period relevant to ASM’s strategic objectives. In October 2023, Prime Minister Anthony Albanese announced an additional $2 billion of funding for the Critical Minerals Facility and, in December 2023, it was reconfirmed that all products to be produced from the Dubbo Project remain on Australia’s updated Critical Minerals List. ASM is evaluating its approach for application to available funding under the Critical Minerals Facility and continues to progress its other offtake and funding discussions.

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 ASM's approach on how it manages these exposures.

Risks and Uncertainties

ASM's strategic business risks are risk exposures and uncertainties that could have a material effect on the Company's financial and operating prospects, and ability to achieve its 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 ASM's entire organisation or a substantial portion of it, resulting in notable consequences, which can be either positive or negative – and subsequently trigger changes to the Company's strategy.

The following information outlines the most significant strategic exposures identified across the Group. The risks are not listed in any particular order:

- Keeping ASM's people and communities safe and well
- Global economic uncertainty and liquidity
- Maintain competitive advantage through business innovation and pricing mechanisms
- Capital and funding
- Building and sustaining supply chains for critical goods and services
- Consistent operational performance
- Delivering on contractual relationships
- Maintaining ASM's license to operate
- Political risks, actions by government and/or authority
- Technology
- Climate Change
- Business resilience (pandemic, natural disasters, strikes/people action)
- Optimising ASM's assets mix
- Access to people and talent.

Further information on these risks and how they are managed can be found on pages 65 to 73 of the Annual Report for the year ended 30 June 2023, a copy of which is available on the Group's website at www.asm-au.com

Environmental and Social Initiatives

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

During the period, the Company released its Annual Report which included first greenhouse gas (GHG) reporting, highlighting ASM's approach to ESG management and the pathway to reduce our carbon emissions. In addition, the report set out ASM's environmental, social and governance (ESG) milestones and targets for 2024 and beyond. As part of this work, ASM has initiated the development of a comprehensive roadmap to achieve net zero carbon emissions by 2050.

During its first year of operation, KMP's Scope 1 and 2 emissions were offset through purchasing international carbon credits, invested in a Korea based Waste Energy recovery Cogeneration project while implementing various local initiatives to decrease its carbon footprint.

At the Dubbo Project, the following GHG emissions targets have been set:

- Scope 1: 40% emission reduction[1] by 2030 and carbon net zero by 2050;
- Scope 2: Net zero by 2030, optimising the use of renewable energy.

The 2040 target for reducing Scope 1 emissions on Dubbo site is currently in development.

[1]From the baseline predicted CO^2 emissions published in the Dubbo Project Modification Report 1 – State Significant Development 5251 dated March 2022.

During the period, ASM also advanced various initiatives strengthening ASM's ESG progress:

- Commenced climate change scenarios assessments;
- Entered into the second public Sustainalytics Assessment;
- Developed the pathway for Towards Sustainable Mining (TSM) compliance;
- Developed the preliminary decarbonisation plan for the Dubbo Project to support reaching ASM's Scope 1 and 2 targets; and
- Included an ESG target metric in Executive remuneration.

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 following 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

Appointment of Chief Operations Officer

Mr Chris Jordaan was appointed as Chief Operating Officer (COO) with effect from 24 August 2023. Mr Jordaan joins ASM 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.

Appointment of Chief Financial Officer

The appointment of Mr Stephen Motteram to the role of Chief Financial Officer (CFO) was announced in November 2023, with a commencement date of 22 January 2024. Mr Motteram is a senior finance executive with more than 20 years of international experience in banks and commodities trading firms, including Noble Group and National Australia Bank. His extensive experience covers project development, capital raising, financial control, contract negotiations, investment analysis, mergers, acquisitions and treasury operations. Mr Motteram is a Certified Practicing Accountant (CPA) and graduate of the Australian Institute of Company Directors (AICD).

Annual General Meeting

ASM held its Annual General Meeting on 22 November 2023. All resolutions were passed on a poll.

DIVIDENDS

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

EVENTS SINCE THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 31 December 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 1 to 4 for further detail on planned developments.

MARKET OUTLOOK

In December 2023, the US government announced two policy developments relevant to ASM's product suite of critical minerals.

The passing of the 2024 National Defense Authorisation Act (NDAA) through the Senate on 14 December 2023 is the first step through the legislature that would establish an exemption for Australia from US defense export control licensing, effectively affording Australian companies "domestic status" in competing for business with the US government. In addition, the Biden administration proposed a tightening of Inflation Reduction Act (IRA) rules so that from 2024, Electric Vehicle (EV) tax credit eligibility will only be available for vehicle models using battery components manufactured or assembled outside a foreign entity of concern (FEOC). This will then be extended to the extraction, processing or recycling of all critical materials in a vehicle (including rare earths for the motor) by 2025.

As a result, the Department of Energy now lists only 17 models that qualify for the full tax credit compared to 27 in 2023[2]. With over 90%[3] of global NdFeB alloy production located in China, automakers may look to ramp up activity with alternative suppliers who already operate commercial scale alloying capacity, including ASM. Although conditions throughout the supply chain were softer than expected in the second half of 2023, in part due to the United Auto Workers strike and the broader downturn in the business cycle, the long-term outlook remains positive as western Original Equipment Manufacturers and their Tier 1 suppliers build out their electrified powertrain capabilities.

NdFeB

Rare earth element (REE) prices rose in Q4 2023 by an average of 4.9% for oxides and 1.1% for metals, while high grade NdFeB alloy prices rose by 0.1%.

In 2023, US electric vehicle sales (including hybrids and plug-in hybrids) achieved a penetration rate of 17% of a total vehicle market of 15.5 million units, a figure that is expected to increase to nearly 24% in 2024. With NdFeB alloys a key component in the motors of most electric vehicles and with the changes to the IRA outlined above, it is possible that we will see a bifurcation in pricing for alloys processed without links to FEOCs.

Zirconia

Although zirconia prices fell in Q4 2023 to finish the year at $5,800/t[4], 2023 still registered the fourth highest yearly average price for the last ten years. Consultancy TZMI notes that they expect consumption to rise in 2024 by 3.7% to 1.15 million tonnes, due to improved buying sentiment from late last year, especially for high-quality zircon. Further growth is then forecast into the medium term, driven by urbanisation and decarbonisation trends in the rest of the world that would reduce producers' reliance on the market in China.

Hafnium

Spot prices for hafnium metal in Europe closed the year at $5,350/kg as a lull in year-end trading activity, as well as the high costs of holding metal, saw a retreat from record levels of close to $7,000/kg seen in Q3 2023. Nevertheless, the outlook for hafnium remains positive with the market expected to enter a period of scarcity for users in a number of key demand segments as units are either internalised within Russia and China or prioritised within existing supply chains for nuclear industry requirements.

[2] Source: www.fueleconomy.gov/feg/tax2023.shtml
[3] All figures for rare earths, NdFeb alloys and EVs are from/derived from Adamas Intelligence
[4] All figures for zirconia and hafnia are from/derived from Argus Non-Ferrous Markets

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 ASIC Legislative Instrument 2016/191, relating to the 'rounding-off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001.*

On behalf of the Directors

Rowena Smith

Rowena Smith
Managing Director and CEO
Perth
14 March 2024

pwc

Auditor's Independence Declaration

As lead auditor for the review of Australian Strategic Materials Limited for the half-year ended 31 December 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 review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ian Campbell
Partner
PricewaterhouseCoopers

Perth
14 March 2024

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General information

The interim 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 half-year. The interim 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, 6005

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 interim financial statements.

The interim financial statements were authorised for issue by the directors on 14 March 2024. The directors have the power to amend and reissue the interim financial statements.

Australian Strategic Materials Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

	Note	Consolidated 31 Dec 2023 $'000	Consolidated 31 Dec 2022 $'000
Revenue	3	2,211	2,378
Cost of sales		(2,216)	(2,226)
Gross profit/(loss)		(5)	152
Other income		1,491	493
Expenses			
Operating expenses	4	(1,375)	(4,479)
Professional fees and consulting services		(666)	(805)
Employee remuneration		(3,979)	(3,818)
Share-based payments	15	15	(1,381)
Directors' fees and salaries		(630)	(725)
General and administration expenses		(2,319)	(1,947)
Pastoral company expenses		(609)	(524)
Depreciation and amortisation expense		(845)	(968)
Fair value movement in biological assets		(683)	463
Finance costs		(442)	(543)
Net foreign exchange gain		24	348
Loss before income tax benefit		(10,023)	(13,734)
Income tax benefit		1,434	1,663
Loss after income tax benefit for the half-year		(8,589)	(12,071)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Gain/(loss) on translation of foreign operations:		(351)	1,941
Items that will not be reclassified to profit or loss			
Remeasurements of net defined benefit plan		(29)	-
Other comprehensive income/(loss) for the half-year, net of tax		(380)	1,941
Total comprehensive loss for the half-year		(8,969)	(10,130)
Income/(loss) for the half-year is attributable to:			
Non-controlling interest		9	(3)
Owners of Australian Strategic Materials Limited		(8,598)	(12,068)
		(8,589)	(12,071)
Total comprehensive income/(loss) for the half-year is attributable to:			
Non-controlling interest		9	(3)
Owners of Australian Strategic Materials Limited		(8,978)	(10,127)
		(8,969)	(10,130)
		Cents	**Cents**
Basic loss per share		(5)	(8)
Diluted loss per share		(5)	(8)

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

Australian Strategic Materials Limited
Condensed consolidated balance sheet
As at 31 December 2023

	Note	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Assets			
Current assets			
Cash and cash equivalents		45,467	56,655
Trade and other receivables		1,565	4,251
Inventories	5	24,378	25,447
Biological assets		265	962
Total current assets		71,675	87,315
Non-current assets			
Property, plant and equipment	6	67,554	66,700
Intangible assets		2,004	2,538
Exploration and evaluation assets		114,968	109,340
Biological assets		1,059	1,089
Other assets		216	238
Total non-current assets		185,801	179,905
Total assets		257,476	267,220
Liabilities			
Current liabilities			
Trade and other payables		3,972	3,394
Interest bearing liabilities	7	17,161	17,295
Provisions	8	506	464
Unearned revenue	9	3,173	2,525
Total current liabilities		24,812	23,678
Non-current liabilities			
Interest bearing liabilities	7	363	410
Deferred tax		16,734	18,096
Provisions	8	3,193	2,842
Unearned revenue	9	5,471	6,232
Total non-current liabilities		25,761	27,580
Total liabilities		50,573	51,258
Net assets		206,903	215,962
Equity			
Issued capital	10	268,241	268,316
Reserves	11	14,618	15,013
Accumulated losses		(76,011)	(67,413)
Equity attributable to the owners of Australian Strategic Materials Limited		206,848	215,916
Non-controlling interest		55	46
Total equity		206,903	215,962

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

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 half-year		-	-	(12,068)	(3)	(12,071)
Other comprehensive income for the half-year, net of tax		-	1,941	-	-	1,941
Total comprehensive income/(loss) for the half-year		**-**	**1,941**	**(12,068)**	**(3)**	**(10,130)**
Contributions of equity net of transaction costs		39,830	-	-	-	39,830
Share-based payments	15	-	1,381	-	-	1,381
Remeasurement of net defined benefit plan		-	64	-	-	64
Deferred tax recognised in equity		191	-	-	-	191
Balance at 31 December 2022		**268,446**	**15,722**	**(53,209)**	**74**	**231,033**

Consolidated	Note	Issued capital $'000	Reserves $'000	Accumulated Losses $'000	Non-controlling interest $'000	Total Equity $'000
Balance at 1 July 2023		**268,316**	**15,013**	**(67,413)**	**46**	**215,962**
Loss after income tax benefit for the half-year		-	-	(8,598)	9	(8,589)
Other comprehensive income for the half-year, net of tax		-	(380)	-	-	(380)
Total comprehensive income/(loss) for the half-year		**-**	**(380)**	**(8,598)**	**9**	**(8,969)**
Contributions of equity net of transaction costs		(2)	-	-	-	(2)
Share-based payments	15	-	(15)	-	-	(15)
Deferred tax recognised in equity		(73)	-	-	-	(73)
Balance at 31 December 2023		**268,241**	**14,618**	**(76,011)**	**55**	**206,903**

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

	Consolidated	
	31 Dec 2023 $'000	**31 Dec 2022 $'000**
Cash flows from operating activities		
Receipts from customers	3,136	2,592
Payments to suppliers and employees	(13,811)	(26,229)
	(10,675)	(23,637)
Interest received	1,076	283
Other income	2,365	77
Finance costs paid	(8)	(9)
Net cash outflow from operating activities	**(7,242)**	**(23,286)**
Cash flows from investing activities		
Payments for property, plant and equipment	(1,435)	(2,503)
Payments for exploration and evaluation	(4,449)	(1,978)
Payments for the purchase of biological assets	(88)	(1,268)
Payments for patents	(108)	-
Proceeds from government grants received	2,476	936
Net cash outflow from investing activities	**(3,604)**	**(4,813)**
Cash flows from financing activities		
Proceeds from issue of shares	-	41,085
Payments of interest	(373)	(354)
Share issue transaction costs	-	(1,371)
Net cash (outflow)/inflow from financing activities	**(373)**	**39,360**
Net (decrease)/increase in cash and cash equivalents	(11,219)	11,261
Cash and cash equivalents at the beginning of the financial half-year	56,655	60,220
Effects of exchange rate changes on cash and cash equivalents	31	420
Cash and cash equivalents at the end of the financial half-year	**45,467**	**71,901**

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

Note 1. Significant accounting policies

Basis of preparation

This condensed consolidated interim financial report for the half-year ended 31 December 2023 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the company during the half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding half-year, except for the policies provided throughout the notes to the financial statements.

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 half-year.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the 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 current half-year financial statements.

Going concern
The interim 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 $7.2 million and investing activities of $3.6 million for the half-year ended 31 December 2023 (31 December 2022: cash outflows included operating activities of $23.3 million and investing activities of $4.8 million). At 31 December 2023, the Group had cash on hand of $45.5 million (30 June 2023: $56.7 million). The Group has net working capital as at 31 December 2023 of approximately $46.9 million and outstanding commitments of $24.0 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 13).

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.
- Project funding for the Dubbo Project. ASM continues to engage with global banks, export credit agencies and government agencies including evaluating an application for Australian Critical Minerals Fund (CMF), supported by debt adviser Australian and New Zealand (ANZ) and offtake discussions.
- Satisfying Export Finance Australia (EFA) conditions precedent to access $200 million in finance support for the Dubbo Project as announced on 28 June 2021.

Note 1. Significant accounting policies (continued)

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.

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 and in determining the allocation of the resources. The operating segments of the Group are:

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

Operating segment information
The table below shows segment information provided to the executive management team for the reportable segments for the half-year ended 31 December 2023:

Consolidated 31 December 2023	Corporate $'000	Dubbo Project $'000	Korea $'000	Consolidated $'000
Total segment revenue	-	1,016	1,195	2,211
Total segment result	(3,199)	(591)	(4,799)	(8,589)
Total segment assets	46,717	149,823	60,936	257,476
Total segment liabilities	17,666	5,091	27,816	50,573
Consolidated 31 December 2022				
Total segment revenue	-	336	2,042	2,378
Total segment result	(4,830)	(198)	(7,043)	(12,071)
Consolidated 30 June 2023				
Total segment assets	52,699	148,676	65,845	267,220
Total segment liabilities	19,328	3,918	28,012	51,258

Note 3. Revenue

	Consolidated	
	31 Dec 2023 $'000	31 Dec 2022 $'000
Metal sales - Korea	1,195	2,042
Pastoral sales	1,016	336
	2,211	2,378

Note 4. Operating expenses

	Consolidated	
	31 Dec 2023 $'000	31 Dec 2022 $'000
Inventory write off	879	3,557
Other [i]	496	922
	1,375	4,479

[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. Inventories

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Current assets		
Toongi Pastoral Company supplies	268	156
Korea Materials [i]	24,110	25,291
	24,378	25,447

[i] Of the Korean materials inventory recorded at 31 December 2023, $22,443,000 (30 Jun 2023: $23,748,000) is recorded at net realisable value.

Amounts recognised in the profit or loss
Inventories recognised as an expense during the half-year ended 31 December 2023 amounted to $2,216,000 (31 December 2022: $2,226,000). These were included in cost of sales in the condensed consolidated statement of profit or loss and other comprehensive income.

Note 6. Property, plant and equipment

Impairment of property, plant and equipment
For the half-year ended 31 December 2023, the Group assessed whether there were any indicators of impairment. The Group's market capitalisation fell below its net assets subsequent to 31 December 2023 whilst the critical minerals sector experienced volatility and depressed investor sentiment, management considered these factors as impairment indicators at 31 December 2023. Subsequent to 31 December 2023, the Group market capitalisation remained below the Group's net assets 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.

	Indicator for impairment testing		Valuation method used	
CGU	**31 December 2023**	**30 June 2023**	**31 December 2023**	**30 June 2023**
Korea	Yes	Yes	FVLCD	FVLCD
Dubbo	Yes	Yes	FVLCD	FVLCD

Note 6. Property, plant and equipment (continued)

Key assumptions used
At 31 December 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 using the cost approach. This approach determines fair value with reference to the depreciated replacement cost of the assets adjusted for obsolescence. The Group has considered the risks of both technological and economic obsolescence in determining fair value and concluded that no such adjustment was required.

Separately, estimates of recoverable amounts for the Dubbo CGU were prepared using the FVLCD method, with the Group utilising recent independent valuations to support the FVLCD estimates required for the applicable assets.

At 31 December 2023, no impairment expense was recognised (30 June 2023: Nil).

Note 7. Interest bearing liabilities

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Current liabilities		
Lease liability [i]	136	137
Borrowings [ii]	17,025	17,158
	17,161	17,295
Non-current liabilities		
Lease liability [i]	363	410
	17,524	17,705

[i] As at 31 December 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 in Korean Won (₩). The executed KDB facilities 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 (31 December 2023: equivalent to $17.0 million) and capital facility of ₩4.0 billion (31 December 2023: equivalent to $4.5 million). Additionally, ASM entered into ₩3.0 billion (31 December 2023: equivalent to $3.4 million) Overdraft Facility under the same terms as the Loan Facility.

At 31 December 2023, only the operating facility had been drawn totalling ₩15.0 billion (equivalent to $17.0 million) (30 June 2023: ₩15.0 billion equivalent to $17.2 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 is 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 8. Provisions

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Current liabilities		
Annual leave	454	434
Long service leave	52	30
	506	464
Non-current liabilities		
Long service leave	57	49
Korean pension benefit	480	476
Provision for decommissioning	2,656	2,317
	3,193	2,842
	3,699	3,306

Note 9. Unearned revenue

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Current liabilities		
Government Grant - Australia	2,700	2,525
Government Grant - Korea [i]	473	-
	3,173	2,525
Non-current liabilities		
Government Grant - Korea [i]	5,471	6,232
	8,644	8,757

[i] 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.

Note 10. Issued capital

	Consolidated			
	31 Dec 2023 Shares	30 Jun 2023 Shares	31 Dec 2023 $'000	30 Jun 2023 $'000
Ordinary shares - fully paid	166,791,982	166,705,227	268,241	268,316

Note 10. Issued capital (continued)

Movements in ordinary share capital

	Number of shares	Total $'000
Opening balance 30 June 2023	166,705,227	268,316
Issue of shares on vesting of performance rights	86,755	-
Less: transaction costs arising on share issue	-	(2)
Deferred tax credit recognised directly into equity	-	(73)
Balance 31 December 2023	166,791,982	268,241

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.

Note 11. Reserves

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Capital contribution reserve	11,324	11,324
Share-based payments reserve	3,307	3,322
Retirement benefit obligation reserve	(29)	35
Foreign currency reserve	16	332
	14,618	15,013

Note 12. Contingent liabilities

The Group has contingent liabilities estimated at up to $7,743,680 for the potential acquisition of parcels of land surrounding the Dubbo Project (30 June 2023: $7,398,421). 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, allowing this to commence. On 30 June 2023, $41,200,000 remains contingent on the commencement of staged activities which include:

- Stage 2 further develops engineering design to allow for the identification and selection of technology requirements for $7,000,000; and
- Stage 3 provides for the remainder of the EPCD services for 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.

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

Note 13. Commitments

a) Capital commitments
At 31 December 2023, the Group had contractual commitments to capital expenditure of $14,660,000 (30 June 2023: 8,313,000).

b) Other commitments
At 31 December 2023 the Group estimated commitment for metals plant feedstock supply was $9,371,000 (30 June 2023: $9,426,000).

Note 14. Events after the half-year

No matter or circumstance has arisen since 31 December 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 15. Share-based payments

During the half-year ended 31 December 2023, 665,398 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.

Grant date	23 November 2023	23 November 2023	6 December 2023
Value of the underlying security at grant date	$1.525	$0.920	$1.335
Number of performance rights issued	166,363	443,636	55,399
Exercise price	nil	nil	nil
Dividend yield	nil	nil	nil
Risk free rate	4.36%	4.11%	3.85%
Volatility	65%	65%	65%
Performance period (years)	1	3	3
Commencement of the measurement period	1 July 2023	1 July 2023	1 December 2023
Test date	1 July 2024	30 June 2026	30 November 2026
Remaining performance period (years)	0.5	2.5	2.9

The weighted average fair value of the performance rights granted during the half-year was $1.11.

At 31 December 2023, 1,089,365 of the performance rights and options granted have not vested and are not exercisable. The weighted average remaining contractual life of performance rights and options is 1.8 years (30 June 2023: 1.5 years).

For the half-year ended 31 December 2023, the Group has recognised a net gain of $15,000 due to forfeiture of executive performance rights on resignation resulting in expense reversal of $318,000 (31 December 2022: $1,381,000).

In the Directors' opinion:

- the financial statements and notes set out on pages 11 to 22 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 31 December 2023 and of its performance for the financial half-year ended on that date; and

- subject to the matters set out in note 1 of the financial report there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Rowena Smith
Managing Director and CEO

14 March 2024
Perth

Independent auditor's review report to the members of Australian Strategic Materials Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Australian Strategic Materials Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the condensed consolidated balance sheet as at 31 December 2023, the condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Australian Strategic Materials Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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

Material uncertainty relating to going concern

We draw attention to Note 1 in the half-year financial report, which indicates that the Group has cash outflows from operating activities of $7.2 million and investing activities of $3.6 million for the half year ended 31 December 2023 and is dependent on sourcing new customers 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 on the Group’s ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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Responsibilities of the directors for the half-year financial report

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

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ian Campbell
Partner

Perth
14 March 2024

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