

ASX Release

10 April 2024

Mount Squires Project Option Agreement to unlock potential further rare earth supply

Highlights:

- Consistent with its mine to metals strategy, ASM has identified a potential supplementary rare earth supply, that includes a significant proportion of high value heavy rare earths
- Subject to metallurgical testing and drilling, this source may be suitable for processing at ASM's planned separation and refining facility at the Dubbo Project
- Agreement executed with Caspin Resources Limited (Caspin) to provide ASM with an option to earn up to 75% of the REE rights in Caspin's Mount Squires Project through staged earn in rights
- REE metallurgical testwork and drilling to be undertaken at the Mount Squires Project over the next 3-9 months prior to ASM deciding whether to exercise its option to enter into a joint venture agreement with Caspin

Australian Strategic Materials Limited (**ASM** or **the Company**) (**ASX:ASM**) is pleased to advise that it has executed an exclusive Option Agreement (**Agreement**) with Caspin Resources Limited (**Caspin**) (**ASX:CPN**) to enter into a joint venture agreement to earn up to 75% of the rare earth element (**REE**) rights in Caspin's Mount Squires Project, located in the West Musgrave region of Western Australia.

Overview of Mount Squires and synergies with ASM's Dubbo Project

Caspin has undertaken drilling programs for its 100% owned Mount Squires Project which have demonstrated REE results including a significant proportion of high value heavy REE.¹ Caspin's mineralogical study indicates REE mineralisation is hosted predominately in monazite, a common REE ore mineral, with positive implications for metallurgical testing. Caspin has steadily advanced its understanding of the REE mineralisation and recognised the potential for further discoveries at the Mount Squires Project.

The Agreement aligns with ASM's mine to metals strategy to identify additional REE sources to supplement its Dubbo Project. Subject to confirmation from metallurgical testing, the REE from the Mount Squires Project may be converted to a concentrate form and then be processed through the Dubbo Project separation and refining facility to create high purity rare earth oxides. Pursuant to the Agreement, ASM will undertake metallurgical testing and drilling programs to identify this potential before deciding whether to exercise its option to enter into a joint venture agreement with Caspin.

¹ Refer to Caspin Resources Limited ASX Release 'Extension of High Grade Heavy Rare Earths at Mount Squires' dated 21 August 2023

Management comment

Commenting on the agreement, ASM Managing Director and CEO Rowena Smith, said: “We are pleased to collaborate with Caspin to identify further raw material supply for ASM’s Dubbo Project separation and refining facility. This opportunity aligns with our mine to metals strategy to broaden its rare earth supply, particularly for high value heavy rare earths. Additionally, we see real value in developing the Dubbo Project as a rare earth separation and refining hub with the ability to unlock value for potential rare earth projects across Australia.”

About Caspin Resources Limited

Caspin is a mineral exploration company based in Perth, Western Australia. Caspin has extensive skills and experience in early-stage exploration and development of precious and critical metals. Caspin is actively exploring the Yarawindah Brook Project in the West Yilgarn province and the Mount Squires Project in the West Musgrave region, one of Australia’s last mineral exploration frontiers.

About the Mount Squires Project

The Mount Squires Project is a large scale, greenfield-style gold and base metal project that lies within the West Musgrave region of Western Australia and is 100% owned by Caspin. Caspin discovered significant REE mineralisation on the project in 2023, the first discovery of REE in the West Musgrave Province. The Mount Squires Project is located adjacent to the western border of BHP’s West Musgrave Project which hosts the large Nebo-Babel Ni-Cu sulphide deposits, approximately 1,700km northeast of Perth, Western Australia.

Key terms of the Agreement

- (a) **Staged Option:** Subject to meeting the following conditions, ASM will have the exclusive option to enter into a joint venture agreement with Caspin to earn up to 75% of the REE rights in the Mount Squires Project (**Option**):
 - (i) Initial Option Period: A period of 3 months during which ASM will undertake and pay for metallurgical testwork on existing samples from the Mount Squires Project.
 - (ii) Extended Option Period: Subject to completion of the Initial Option Period, a period of 6 months during which Caspin will undertake a drilling program (to be paid for by ASM) to produce samples which will be subject of metallurgical testwork undertaken by ASM, to a minimum amount of A\$250,000.
 - (iii) Option Exclusivity Period: Subject to completion of both the Initial Option Period and Extended Option Period, a further 2 months to allow the parties to negotiate and finalise a joint venture agreement.

- (b) **Joint Venture Agreement:** The joint venture agreement will provide for ASM to earn up to 75% interest in the REE rights of the Mount Squires Project. The joint venture agreement is to be negotiated by the parties but will be based on the following terms:
 - (i) Staged earn in:
 - A. Stage 1: 24 months during which ASM will spend A\$1.5 million to earn 51% interest in the REE rights in the Mount Squires Project. During this stage Caspin will operate the joint

venture. At the Completion of Stage 1 ASM will issue Caspin with ASM shares to a value of A\$500,000 (based on ASM's 20-day VWAP at the time of issue).

- B. Stage 2: 3 years during which ASM will spend A\$2 million to earn a further 24% interest in the REE rights in the Mount Squires Project. During this stage ASM would operate the joint venture. At the Completion of Stage 2 ASM will issue Caspin with ASM shares to a value of A\$1,000,000 (based on ASM's 20-day VWAP at the time of issue).
- (ii) Caspin to be free carried to a decision to mine with contribution and dilution provisions typical for an agreement of this nature.
 - (iii) An area of influence surrounding the project would facilitate additional prospective tenements to be included in the joint venture.
- (c) **Termination:** ASM has the ability to terminate at its convenience at any time after the Initial Option Period. Otherwise, the Agreement will automatically terminate on an unremedied breach by a party, insolvency of a party, upon entry into the joint venture agreement or upon the conclusion of the option period if ASM has not exercised the Option.

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This document has been authorised for release to the market by the Board.