

# ASX Release

Release Date: 28 July 2021

## Quarterly Activities Report to 30 June 2021

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### HIGHLIGHTS

*ASM continued to execute its “mine to metal” strategy*

- Finalised A\$92m capital raising. (ASX Release 21 April 2021: Completion of Non-Renounceable Entitlement Offer and Shortfall Notice)
- Received A\$200m letter of support from Export Finance Australia for Dubbo Project. (ASX Release 28 June 2021: Export Finance Australia issues letter of support for the Dubbo Project)
- Appointed six key leadership team members. (ASX Release 25 June 2021: ASM boosts leadership team ahead of key decisions)
- Continued to advance discussions with potential Korean equity and offtake partners
- On track to commence production from the Korean Metals Plant in H2 2021

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ASM’s Managing Director David Woodall said ASM was at a critical stage of its evolution as key projects matured and major milestones were reached.

*“The last quarter and the period since then have been transformational for ASM, with key financial support from the Australian Government, the backing from investors for our equity raising, and the Framework Agreement with the South Korean Investing Partnership that sets us on a path to realizing our ‘mine to metal’ vision,” Mr Woodall said.*

*“I’d like to thank shareholders for their support of our equity raising, which puts us in a very strong position to pursue the great opportunities we have to create an alternative supply chain for the critical metals that will power modern industries such as electric vehicles, renewable energy and aerospace.*

*I’m also very pleased that we have recruited a high-caliber leadership team that is working with me and the Board to drive ASM’s future.*

*Looking forward, we expect to start production from our relocated pilot metals plant in Korea next quarter, while building towards the completion of the Korean Metals Plant. We will also complete the optimisation study for the Dubbo Project.*

*Most importantly, we will be working with our new Korean partners to complete the conditions of our Framework Agreement, which will ultimately provide us with \$250m of equity for the Dubbo Project, and a foundation customer for strip metal alloy from our Korean Metals Plant.”*

Post the close of the June Quarter, on 21 July 2021 ASM announced US\$250m framework agreement with South Korean consortium for 20% in Dubbo Project and offtake from Korean Metals Plant (ASX Release 21 July 2021: ASM signs \$US250m framework agreement with South Korean consortium for 20% in Dubbo Project and offtake from Korean Metals Plant).



*Image of signing ceremony for the Framework Agreement. Attendees from L to R: Ms Catherine Raper, Australian Ambassador to the Republic of Korea; Mr David Ko, CEO of ACE Equity Partners LLC; Mr PS Ra, CEO of Cerritos Holdings Co., Ltd; Mr Jerry Kwak, CEO of Kamur Partners LLC; Mr Ian Gandel, Chair of ASM; The Honourable Mr Dan Tehan, Australian Minister for Trade, Tourism and Investment; and Mr David Woodall, Managing Director of ASM.*

## CORPORATE

- Finalised the successful \$92m Capital Raising, which provided funding for ASM to focus on advancing key workstreams including engineering and development of the Korean Metals Plant and the FEED Study for the Dubbo Project, while also providing additional working capital and funding of corporate costs.
- Obtained conditional support from Export Finance Australia (EFA) for A\$200 million of debt funding for the Dubbo Project in Central NSW.
- Appointed key leadership team comprising: Rowena Smith, Chief Operating Officer; Jason Clifton, Chief Financial Officer; Frank Moon, President Asia; Julie Jones, General Counsel; Tess Lackovic, Chief Culture Officer; and Peter Simko, Chief Information Officer.
- Issued an updated investor presentation on 11 May 2021. (ASX Release 11 May 2021: Investor Presentation).
- Continued discussions with potential strategic, financing, and engineering and construction, partners in Korea to present the potential economic benefits of ASM's "mine to metal" strategy.
- ASM's cash position as at 30 June 2021 was A\$93.3M.

## KOREAN METALS PLANT

- Progressed the development of the Company's first commercial metals plant in South Korea by acquiring a site within the Ochang Foreign Investment Zone (**Korean Metals Plant**).

- Commenced relocation of the pilot metals plant to the Korean Metals Plant. The pilot plant is on target to commence production in H2 2021.
- Commenced upgrades to the Ochang site to accommodate the 5,200-tonne capacity commercial-scale metals plant.
- Awarded contracts for key long-lead equipment for the Korean Metals Plant. The commercial-scale metals plant is on target to commence production by mid-2022.
- Installation of the pilot plant and the commercial-scale metals plant at the Korean Metals Plant enables the production of titanium and key rare earth metal alloys for sale directly into the South Korean market.



*Image of Mr Ian Gandel, Chair and Mr David Woodall, Managing Director with the Korean Metals Plant Team.*

## **DUBBO PROJECT**

- Progressed the optimisation study for the Dubbo Project, which remains on target to be completed in Q3 2021.
- Continued discussions with South Korean parties focused on renewable power and chlor-alkali plants, incorporating potential build-own-operate (BOO) opportunities, in parallel with the project development.

## **OFFTAKE AND SUPPLY AGREEMENTS**

- Advanced discussions with several parties to supply critical metals to the South Korean manufacturing sector.
- Focused on the delivery of metal offtake agreements with titanium product consumers and permanent magnet producers in South Korea.

- Targeting signed offtake agreements in H2 2021.
- Progressed discussions with suppliers of key raw materials with view to obtaining binding and committed agreements.

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## COMMUNITY

- Continued to develop strategies to ensure we do the right thing for people and the planet.
- Continued our engagement with Dubbo and surrounding communities.
- ASM staff participated in and supported the Western Region Schools Science and Engineering Challenge, and Toongi Pastoral Company [the Company's subsidiary] hosted a Fire Rescue Service aerial fire response training day.

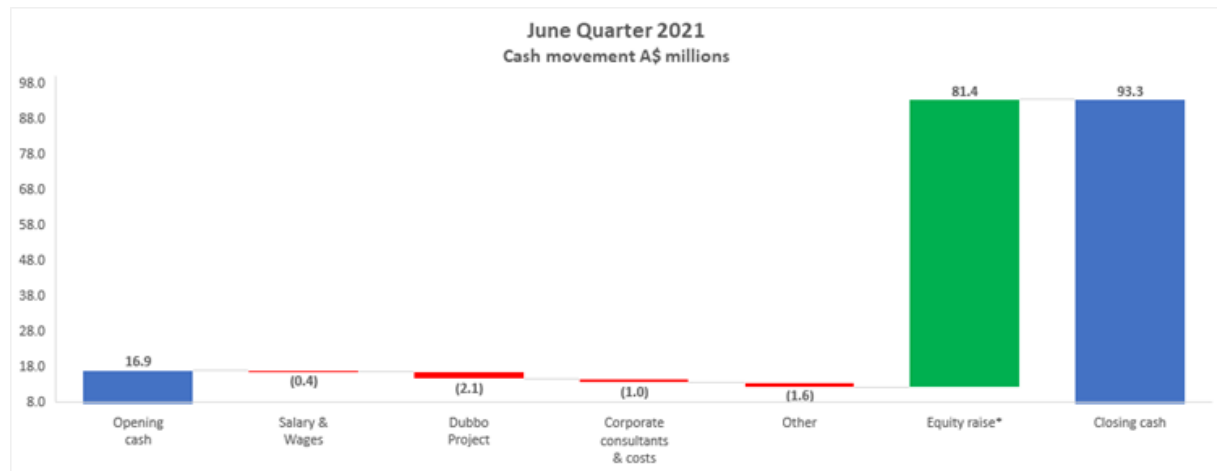


*Image of the Fire Rescue Service aerial fire response training day at Toongi Pastoral Company.*



## FINANCE

ASM's cash position as at 30 June 2021 was A\$93.3M. The following waterfall chart highlights the quarterly movement in cash held.



## PRODUCT OUTLOOK AND MARKETING

- Bloomberg noted that the global economy is in a stronger position at the start of the second half of 2021 than at the end of 2020, primarily driven by the improved COVID-19 vaccination rates, and Government stimulus programs. This continual improvement in the world economy, along with the drive for sustainable, secure and stable supply of critical metals, provides a significant opportunity for ASM's "mine to metal" strategy.
- Adamas Intelligence notes changes to Tesla's Model Y and Model 3 vehicles from induction motors to permanent magnet synchronous motors (PMSM) in an environment where magnet rare earth prices have increased. These PMSM long range vehicles contain an additional 1.3 kg of the NdFeB magnets than those driven by the induction motors. This change by Tesla to the PMSM vehicles is seen as the new norm in electric vehicles in the future.

Material <sup>1</sup>		Jun 2020	Sep 2020	Dec 2020	Mar 2021	June 2021
Neodymium-Praseodymium Metal (min 99%)	US\$/kg	\$50.60	\$61.60	\$78.60	\$105.50	\$73.98
Dysprosium Metal (min 99%)	US\$/kg	\$342.00	\$337.00	\$375.70	\$535.00	\$365.52
Terbium Metal (min 99.9%)	US\$/kg	\$787.0	\$920.0	\$1,311.3	\$1,635	\$1,041.84
Zirconium Sponge (min 99.4% Zr) <sup>4</sup>	US\$/kg	\$24.50	\$20.80	\$20.80	\$21.54	\$22.31
Fused Zirconia (98.5% ZrO <sub>2</sub> ) <sup>4</sup>	US\$/t	\$3,750	\$3,680	\$3,472	\$4,153	\$5,230
Zirconium Oxychloride (36.0% ZrO <sub>2</sub> ) <sup>4</sup>	US\$/t	\$2,060	\$1,950	\$1,820	\$2,154	\$2,270
Hafnium Metal (<1% Zr)	US\$/kg	\$775.0	\$775.0	\$750.0	\$775.0	\$800.00
Ferro Niobium (65% Nb) <sup>2</sup>	US\$/kg	\$35.0	\$34.8	\$39.5	\$42.70	\$45.00
Titanium Ingot (Ti 6Al 4V) <sup>3</sup>	US\$/kg	\$17.4	\$18.2	\$18.1	\$17.64	\$16.54

Table 1 Critical Metals Pricing - Q2 2021

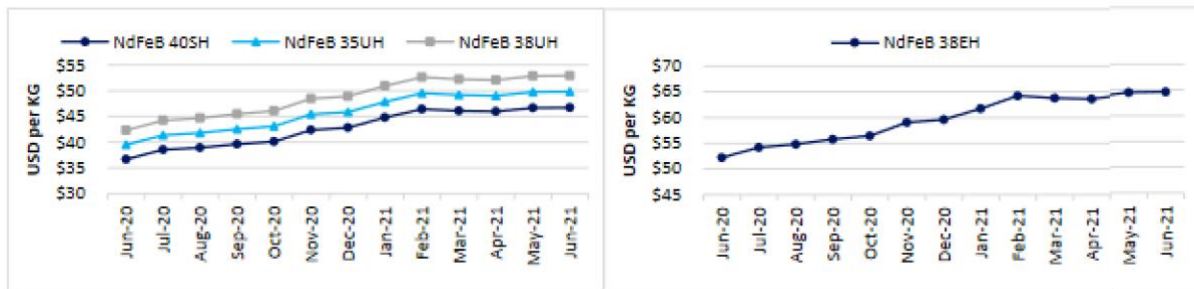
Sources: Argus Metals and Asian Metal. 1. All prices are FOB China unless otherwise noted, 2. Du Rotterdam, Netherlands, 3. FOB United States, 4. US\$1.00=Yuan 6.50.

- During the June Quarter, rare earth prices retreated from the highs seen in the March Quarter, with Adamas noting price reductions in June for NdPr of 6.7%, Nd<sub>2</sub>O<sub>3</sub> of 6.4%, and Pr<sub>6</sub>O<sub>11</sub> flat, with prices in a similar range as in the December 2020 Quarter. This trend is forecast to change with expected increases in purchase volumes driven by end-use demand in rare earth magnets following a usual seasonal lull in May.



Rare Earth Oxide Prices. Source: Adamas Intelligence July 2021

- Adamas Intelligence noted an increase of 164.3% year-on-year to the end of May 2021 resulting in a 170.2% increase in the use of NdFeB in passenger EV traction motors and generators. This is encouraging for ASM as the KMP progresses to commence the production of the NdFeB alloy for permanent magnets in Korea.



NdFeB Alloy Prices. Source: Adamas Intelligence July 2021.

- The zirconia market continues to be impacted by Covid19 and shortages of raw materials including from China & Richards Bay.

## MINING TENEMENTS

Australian Strategic Materials Limited confirms the following information as of 30 June 2021 (as required by ASX Listing Rule 5.3.3).

Tenements	Mining tenements acquired during the quarter	Mining tenements disposed of during the quarter	Mining tenements held at the end of the quarter	Tenement location
EL 5548	N/A	N/A	100%	Dubbo NSW
EL 7631	N/A	N/A	100%	Dubbo NSW
ML 1724	N/A	N/A	100%	Dubbo NSW

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**FOR MORE INFORMATION PLEASE CONTACT:**

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*This document has been authorised for release to the market by David Woodall, Managing Director.*

**ABOUT AUSTRALIAN STRATEGIC MATERIALS – [www.asm-au.com](http://www.asm-au.com)**

**Australian Strategic Materials Ltd (ASM)** is an integrated materials business and emerging “mine to metal” producer of critical metals. The company’s cornerstone Dubbo Project (100% owned) is a potential long-term resource of rare earths, zirconium, niobium, and hafnium located in central western NSW, Australia. It represents an alternative, sustainable and secure source of these metals, which are critical for a diverse range of advanced and clean technologies.

ASM’s metals business is founded on an innovative metallisation process that converts oxides into high-purity metals, alloys, and powders using less energy than conventional methods. The pilot plant in South Korea has proven the commercial scalability of the process and successfully produced a range of high-purity metals and alloys, including titanium, neodymium, praseodymium, dysprosium, and zirconium. Following this success, ASM’s first metallisation plant will be constructed in South Korea to initially supply a range of critical metals including rare earths, zirconium, and titanium.

A Dubbo Project optimisation study will be completed by the end of Q3 2021, targeting improved capital and operating costs, along with an increased revenue stream. Elements of this optimisation study include simplifying the flowsheet and increasing recoveries of rare earths.

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Australian Strategic Materials Ltd

ABN

90 168 368 401

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(458)	(1,280)
	(e) administration and corporate costs	(1,526)	(3,691)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	7	75
1.5	Interest and other costs of finance paid	-	(1)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)		
	- Transaction costs relating to acquisition of subsidiary	-	(536)
	- Pastoral company operating cashflows	(197)	(438)
	- Other	122	242
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(2,052)</b>	<b>(5,629)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(1,027)	(2,955)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) exploration & evaluation (Dubbo Project)	(1,807)	(5,840)
	(e) investments	-	-
	(f) other non-current assets	-	(196)
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)		
	Net cash acquired with subsidiary	-	114
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(2,834)</b>	<b>(8,877)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)*	83,919	91,919
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2,633)	(2,633)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>81,286</b>	<b>89,286</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	16,924	18,544
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,052)	(5,629)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,834)	(8,877)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	81,286	89,286
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>93,324</b>	<b>93,324</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	87,197	9,803
5.2	Call deposits	6,127	7,121
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>93,324</b>	<b>16,924</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	294
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

*During the quarter ended 30 June 2021, the cash payments of \$ 294,000, listed at item 6.1 above, were payments to Directors, including salary, Directors' fees, consulting fees and superannuation.*

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,052)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1,807)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(3,859)
8.4	Cash and cash equivalents at quarter end (item 4.6)	93,324
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	93,324
8.7	<b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	24.2
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>		
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A		

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

N/A

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

N/A

*Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.*

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28/07/2021

Authorised by: By the Board  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.