

Australian Strategic Materials Ltd

ABN 90 168 368 401

Interim Report - 31 December 2019

Australian Strategic Materials Ltd

Directors' report

31 December 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Australian Strategic Materials Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019. Australian Strategic Materials Ltd changed its name from Australian Zirconia Holdings Pty Ltd on 25 March 2020.

Directors

The following persons were directors of Australian Strategic Materials Ltd during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

I J Gandel
N Earner
D I Chalmers
A D Lethlean
G Smith

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,758,528 (31 December 2018: \$1,894,356).

Dubbo Project

The Dubbo Project remains ready for construction, subject to financing, with the mineral deposit and surrounding land wholly owned, all major State and Federal approvals in place, an established flowsheet and a solid business case.

The continued focus on product development has led to the execution of a binding agreement with Ziron Tech (a South Korean company) to fund the final stage of research and feasibility into a clean process for converting metal oxide, including Dubbo Project metals, to metals of a highly marketable purity. Several conditions precedent that remained outstanding at 30 June 2019 have now been satisfied, and an investment of US\$1.2m has been made for the final stage of research which will include construction of a commercial scale equipment unit for testing. The new technology should allow the company to bypass traditional supply chains and sell products direct to the consumer. The commercial scale pilot plant being constructed is due to be commissioned in the second quarter of 2020.

Chinese authorities continue their war on pollution, with smaller operations being forced to upgrade facilities or close down. This extends to the rare earths industry in China, which has been consolidated in recent years, and to ionic clay mining and processing in southern provinces which has been largely eliminated. On top of this is the chronic shortage of water in northern China, affecting both rare earths and zirconium production. Risks for supply disruption of rare earths and zirconium products continue to grow, with few alternatives outside China at this time.

Market prices for zirconium and rare earths remained flat or slightly lower during the period, with some small companies reducing prices to reduce stocks. Zircon prices remained weak on the back of slow demand in China, while niobium and hafnium prices remained stable.

Significant changes in the state of affairs

In June 2019 Australian Strategic Materials (Holdings) Ltd executed of a binding agreement with Ziron Tech (a South Korean company) to fund the final stage of research and feasibility into a clean process for converting metal oxide, including Dubbo Project metals, to metals of a highly marketable purity. Several conditions precedent that remained outstanding at 30 June 2019 were satisfied in July 2019, and an investment of US\$1.2m has been made for the final stage of research which will include construction of a commercial scale equipment unit for testing.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial year

In early 2020 with the outbreak of Coronavirus Disease 2019 ("COVID-19" or "the coronavirus") unprecedented measures put in place by the Australian Government, as well as governments across the globe, to contain the coronavirus have had a significant impact on the economy. Management continues to consider the potential implications of coronavirus, which may include delaying the construction and commissioning of the pilot modification plant, and other optimisation work in progress focused on further improving the project economics. As at the date these financial statements were authorised, Management was not aware of any material adverse effects on the financial statements as a result of the coronavirus.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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



Nicolas Earner
Director

21 April 2020

Australian Strategic Materials Ltd

Contents

31 December 2019

Consolidated statement of comprehensive income	4
Consolidated balance sheet	5
Consolidated statement of cash flows	7
Notes to the consolidated financial statements	8
Directors' declaration	14
Independent auditor's review report to the members of Australian Strategic Materials Ltd	15

General information

The financial statements cover Australian Strategic Materials Ltd as a consolidated entity consisting of Australian Strategic Materials Ltd and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Australian Strategic Materials Ltd's functional and presentation currency.

Australian Strategic Materials Ltd is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Australian Strategic Materials Ltd

Principal place of business

89 Burswood Road, Burswood, Western Australia

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 April 2020.

Australian Strategic Materials Ltd
Consolidated statement of comprehensive income
For the half-year ended 31 December 2019

		Consolidated	
	Note	31 Dec 2019	31 Dec 2018
		\$	\$
Revenue			
Other income	3	733,283	818,367
Expenses			
Professional fees and consulting services		(150,954)	(179,274)
Dubbo consumables expenses		-	(162,356)
Audit fees		(13,282)	(6,928)
General and administration expenses		(79,374)	(141,540)
Pastoral company expenses		(456,087)	(601,433)
Finance costs		<u>(1,782,038)</u>	<u>(1,703,628)</u>
Loss before income tax (expense)/benefit		(1,748,452)	(1,976,792)
Income tax (expense)/benefit	4	<u>(10,076)</u>	<u>82,436</u>
Loss after income tax (expense)/benefit for the half-year attributable to the owners of Australian Strategic Materials Ltd		(1,758,528)	(1,894,356)
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the half-year attributable to the owners of Australian Strategic Materials Ltd		<u><u>(1,758,528)</u></u>	<u><u>(1,894,356)</u></u>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

Australian Strategic Materials Ltd
Consolidated balance sheet
As at 31 December 2019

		Consolidated	
	Note	31 Dec 2019	30 June 2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		17,311,735	26,968,287
Receivables		22,287	296,896
Inventories		3,662	56,490
Biological assets		37,402	81,127
Total current assets		<u>17,375,086</u>	<u>27,402,800</u>
Non-current assets			
Exploration and evaluation	5	89,541,515	88,783,436
Property, plant and equipment	6	27,519,685	26,958,677
Investments accounted for using the equity method	7	1,856,886	-
Biological asset		267,758	401,928
Other financial assets		20,000	20,000
Total non-current assets		<u>119,205,844</u>	<u>116,164,041</u>
Total assets		<u>136,580,930</u>	<u>143,566,841</u>
Liabilities			
Current liabilities			
Trade and other payables		227,378	296,801
Loans from related party	8	4,570,226	11,640,878
Provisions		11,882	10,860
Total current liabilities		<u>4,809,486</u>	<u>11,948,539</u>
Non-current liabilities			
Loans from related party	9	79,463,348	77,681,310
Deferred tax	10	26,003,391	25,874,708
Provisions		7,609	6,660
Total non-current liabilities		<u>105,474,348</u>	<u>103,562,678</u>
Total liabilities		<u>110,283,834</u>	<u>115,511,217</u>
Net assets		<u>26,297,096</u>	<u>28,055,624</u>
Equity			
Contributed equity	11	1	1
Reserves		39,873,309	39,873,309
Accumulated losses		(13,576,214)	(11,817,686)
Total equity		<u>26,297,096</u>	<u>28,055,624</u>

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

Australian Strategic Materials Ltd
Consolidated statement of changes in equity
For the half-year ended 31 December 2019

	Contributed equity \$	Capital Contribution \$	Accumulated losses \$	Total equity \$
Consolidated				
Balance at 1 July 2018	1	39,873,309	(8,570,104)	31,303,206
Loss after income tax benefit for the year	-	-	(1,894,356)	(1,894,356)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(1,894,356)	(1,894,356)
Balance at 31 December 2018	<u>1</u>	<u>39,873,309</u>	<u>(10,464,460)</u>	<u>29,408,850</u>

	Contributed equity \$	Capital Contribution \$	Accumulated losses \$	Total equity \$
Consolidated				
Balance at 1 July 2018	1	39,873,309	(11,817,686)	28,055,624
Loss after income tax benefit for the year	-	-	(1,758,528)	(1,758,528)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(1,758,528)	(1,758,528)
Balance at 31 December 2019	<u>1</u>	<u>39,873,309</u>	<u>(13,576,214)</u>	<u>26,297,096</u>

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

Australian Strategic Materials Ltd
Consolidated statement of cash flows
For the half-year ended 31 December 2019

		Consolidated	
	Note	31 Dec 2019	31 Dec 2018
		\$	\$
Cash flows from operating activities			
Rent received (inclusive of GST)		393,735	331,249
Payments to suppliers (inclusive of GST)		(276,074)	(739,733)
		117,661	(408,484)
Other income		200,426	-
Interest received		214,921	326,132
Finance costs paid		(325)	(19,103)
Net cash from/(used in) operating activities	14	532,683	(101,455)
Cash flows from investing activities			
Payments for investments		(126,533)	-
Payments for property, plant and equipment		(133,361)	(24,356)
Payments for exploration and evaluation		(1,334,339)	(5,047,062)
Payments for financial assets at fair value through other comprehensive income		(1,730,353)	-
Payments for purchase of biological assets		-	(160,682)
Proceeds from sale of biological asset		87,394	107,674
Net cash used in investing activities		(3,237,192)	(5,124,426)
Cash flows from financing activities			
Proceeds from borrowings from related party		-	5,555,574
Repayment of borrowings to related party		(6,952,043)	-
Net cash (used in)/from financing activities		(6,952,043)	5,555,574
Net (decrease)/increase in cash and cash equivalents		(9,656,552)	329,693
Cash and cash equivalents at the beginning of the financial half-year		26,968,287	26,317,347
Cash and cash equivalents at the end of the financial half-year		17,311,735	26,647,040

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

Note 1. Significant accounting policies

This interim financial report has been prepared because the Group is preparing for an initial public offering ("IPO") on the Australian Securities Exchange ("ASX"). The report is required for the purpose of including the financial performance for the 6 month period to 31 December 2019 and financial position as at 31 December 2019 in the public prospectus that will be lodged with the ASX prior to the IPO. It is a requirement under ASIC 'Regulatory Guide 228 Prospectuses: Effective disclosure for retail investors', that the half year financial report be prepared and reviewed if more than 75 days have lapsed since the half year-end.

While this interim report for the half-year ended 31 December 2019 is a non-statutory report, it is a General Purpose Financial Report and 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'.

These general purpose financial statements do 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 2019.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Principles of equity accounting

Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The carrying amount of equity-accounted investments is tested for impairment.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity adopted AASB 16 Leases from 1 July 2019.

The consolidated entity has elected to use the simplified transition approach as allowed under AASB 16 as well as apply the following practical expedients permitted by the standard:

Note 1. Significant accounting policies (continued)

- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term less than 12 months as at 1 July 2019 as short-term leases;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has reviewed its contracts that were in place at 1 July 2019 or have been entered into since and determined that there are no long term operating leases. As a result, there is no impact on the current or prior reporting periods upon adoption of AASB 16.

There are no other standards that are yet effective and that would be expected to have a material impact on the entity in its current or future reporting periods and on foreseeable future transactions.

Note 2. Critical accounting judgements, estimates and assumptions

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

Carrying value of non-current assets

Non-current assets include capitalised exploration and evaluation expenditures. The consolidated entity has capitalised significant exploration and evaluation expenditure on the basis either that such expenditure is expected to be recouped through future successful development (or alternatively sale) of the areas of interest concerned or on the basis that it is not yet possible to assess whether it will be recouped and activities planned to enable that determination.

Going concern

The consolidated entity had net assets of \$26,297,096 as at 31 December 2019 (30 June 2019: \$28,055,624), and a working capital surplus of \$12,565,600 as at 31 December 2019 (30 June 2019: \$15,454,260). The net assets includes the balance of loans owing to Alkane Resources Ltd ("the ultimate parent entity") of \$84,033,574 (30 June 2019: \$89,322,188). The loans are AUD denominated and \$4,570,226 (30 June 2019: \$11,640,879) is payable on demand with the balance of undiscounted loan balance of \$110,000,000 payable on 22 March 2027. Notwithstanding, the directors consider that the going concern basis of accounting is appropriate as the Ultimate Parent Entity Alkane Resources Ltd has given an undertaking not to call the loans unless the consolidated entity can pay down the debt without interfering with normal business operations. The undertaking has been provided for a minimum of twelve months from the date of signing this financial report.

Note 3. Other income

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$	\$
Net foreign exchange gain/(loss)	(2,836)	(2,346)
Other income	387,694	376,076
Interest income	214,921	326,132
Pastoral company income	133,504	118,505
	<hr/>	<hr/>
Other income	733,283	818,367
	<hr/>	<hr/>

Note 3. Other income (continued)

(a) Revenue

Revenue from the sale of goods is recognised when the group satisfies its performance obligations under its contract with the customer, by transferring such goods to the customer's control. Control is generally determined to be when the customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good.

(b) Interest income

Interest income from financial assets at fair value through profit or loss is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost and financial assets at fair value through other comprehensive income calculated using the effective interest method is recognised in profit or loss as part of other income.

(c) Pastoral company income

Pastoral income is comprised of agistment and livestock sales derived from farming activity.

Note 4. Income tax

Accounting policy for income tax

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

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

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

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

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

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

The Consolidated Entity and its ultimate Parent Entity, Alkane Resources Ltd have implemented the tax consolidation legislation. The head entity, Alkane Resources Ltd, and the controlled entities in the tax consolidated group, account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. Current tax liabilities (or assets) and deferred tax assets arising from unused tax losses and unused tax credits are derecognised in the Consolidated Entity's accounts and instead recognised in the head entity's accounts. Assets or liabilities arising under the funding agreement with the Ultimate Parent Entity are recognised as amounts receivable or payable to that entity.

Australian Strategic Materials Ltd
Notes to the consolidated financial statements
31 December 2019

Note 5. Non-current assets - exploration and evaluation

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Opening balance	88,783,436	83,387,571
Expenditure capitalised during the period	758,079	5,840,000
Amounts provided for or written off	-	(444,135)
	<u>89,541,515</u>	<u>88,783,436</u>

Note 6. Non-current assets - property, plant and equipment

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Land and buildings - at cost	26,946,898	26,456,133
Less: Accumulated depreciation	(15,810)	(7,739)
	<u>26,931,088</u>	<u>26,448,394</u>
Plant and equipment - at cost	527,943	527,943
Less: Accumulated depreciation	(167,744)	(137,224)
	<u>360,199</u>	<u>390,719</u>
Capital WIP	<u>228,398</u>	<u>119,564</u>
	<u>27,519,685</u>	<u>26,958,677</u>

	Land & Buildings	Plant & Equipment	WIP	Total
	\$	\$	\$	\$
Balance at 1 July 2019	26,448,395	390,719	119,563	26,958,677
Additions	-	-	599,600	599,600
Transfers in/(out)	490,765	-	(490,765)	-
Depreciation expense	(8,072)	(30,520)	-	(38,592)
Balance at 31 December 2019	<u>26,931,088</u>	<u>360,199</u>	<u>228,398</u>	<u>27,519,685</u>

Note 7. Non-current assets – Investments accounted for using the equity method

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Unlisted securities	<u>1,730,353</u>	<u>-</u>

Through the shareholder agreement, Australian Strategic Materials (Holdings) Ltd is guaranteed 50% representation on the board of RMR Tech and participates in all significant financial and operating decisions. The Consolidated Entity has therefore determined that it has a significant influence over this entity, even though it only holds 10% of the voting rights.

Australian Strategic Materials Ltd
Notes to the consolidated financial statements
31 December 2019

Note 8. Current liabilities - loans from related party

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Current liabilities		
Loans from related party	<u>4,570,226</u>	<u>11,640,879</u>

The loans are AUD denominated and the current liability is repayable to the ultimate parent entity on demand.

Note 9. Non-current liabilities - loans from related party

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Loans from related party	<u>79,463,348</u>	<u>77,681,310</u>

The total loan balance is \$110,000,000 AUD denominated repayable by 22 March 2027. The above balances reflect the discounted value of this related party loan.

Note 10. Non-current liabilities - deferred tax

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Deferred tax liability	<u>26,003,391</u>	<u>25,874,708</u>

Deferred tax liabilities relate to deductible temporary differences in relation to exploration and evaluation for the Dubbo Project.

Note 11. Equity - contributed equity

	Consolidated			
	31 Dec 2019	30 June 2019	31 Dec 2019	30 June 2019
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>5</u>	<u>5</u>	<u>1</u>	<u>1</u>

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.

Note 12. Commitments

Capital Commitments

The Consolidated Entity has capital commitments estimated at \$2,980,000 for the potential acquisition of parcels of land surrounding the Dubbo Project (June 2019: \$2,980,000). The amount to be paid is based upon a multiple of market values and is subject to movement. The landholders have the right to require Australian Strategic Materials (Holdings) Limited to acquire their property as provided for under the agreement with Australian Strategic Materials (Holdings) Limited as development consent conditions have been met for the Dubbo Project.

Note 13. Events after the reporting period

In early 2020 with the outbreak of Coronavirus Disease 2019 ("COVID-19" or "the coronavirus") unprecedented measures put in place by the Australian Government, as well as governments across the globe, to contain the coronavirus have had a significant impact on the economy. Management continues to consider the potential implications of coronavirus, which may include delaying the construction and commissioning of the pilot modification plant, and other optimisation work in progress focused on further improving the project economics. As at the date these financial statements were authorised, Management was not aware of any material adverse effects on the financial statements as a result of the coronavirus.

No other matters or circumstances have arisen since 31 December 2019 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 14. Reconciliation of loss after income tax to net cash from/(used in) operating activities

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$	\$
Loss after income tax (expense)/benefit for the half-year	(1,758,528)	(1,894,356)
Adjustments for:		
Depreciation and amortisation	38,591	20,685
Non deductible finance charges	1,782,038	1,703,628
Change in operating assets and liabilities:		
Decrease/(increase) in receivables	299,387	(71,375)
Decrease/(increase) in inventories	230,721	(280,498)
Decrease in provisions	1,970	(2,060)
Increase in trade and other payables	15,823	451,949
Increase/(decrease) in deferred tax liabilities	10,076	(82,436)
Changes in fair value of biological assets	(87,395)	53,008
Net cash from/(used in) operating activities	<u>532,683</u>	<u>(101,455)</u>

Australian Strategic Materials Ltd
Directors' declaration
31 December 2019

In the directors' opinion:

- the financial statements and notes set out on pages 5 to 13 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date and;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Nicolas Earner
Director

21 April 2020



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

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Australian Strategic Materials Ltd (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with the accounting policies as described in Note 1 to the financial statements and have determined that the accounting policies in Note 1, which form part of the financial report, are appropriate to meet the needs of the members and internal purposes. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not presented fairly, in all material respects, in accordance with the accounting policies as described in Note 1 to the financial statements. As the auditor of Australian Strategic Materials Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Australian Strategic Materials Ltd does not present fairly, in all material respects, the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date, in accordance with the accounting policies as described in Note 1 to the financial statements.

***PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of
Australian Financial Services Licence No 244572***
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Emphasis of Matter – basis of accounting and restriction on use

We draw attention to Note 1 in the half-year financial report, which describes the basis of accounting. The half-year financial report has been prepared for the purpose of meeting the requirement of Australian Strategic Materials Ltd and its members. As a result, the half-year financial report may not be suitable for another purpose. Our report is intended solely for Australian Strategic Materials Ltd and its members and should not be used by parties other than Australian Strategic Materials Ltd and its members. Our opinion is not modified in respect of this matter.

A handwritten signature in black ink that reads 'Helen Bathurst'.

Helen Bathurst
Authorised Representative
PricewaterhouseCoopers Securities Ltd

Perth
21 April 2020