

Corporate Governance Statement

Approach to Corporate Governance

Australian Strategic Materials Ltd ACN 168 368 401 (**Company**) has established a corporate governance framework commencing from when the Company was admitted to the official list of ASX on 29 July 2020. In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4th edition (**Principles & Recommendations**). The Company is committed to the highest level of ethics & governance and has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at www.asm-au.com, under the section marked "Governance":

Charters

Board
Audit Committee
Nomination Committee
Remuneration Committee
Risk Management Committee

Policies and Procedures

Policy and Procedure for Selection and (Re)Appointment of Directors
Process for Performance Evaluation
Policy on Assessing the Independence of Directors
Diversity Policy
Code of Conduct
Policy on Continuous Disclosure and Market Communications
Compliance Procedures (summary)
Procedure for the Selection, Appointment and Rotation of External Auditor
Shareholder Communication and Investor Relations Policy
Risk Management Policy (summary)
Securities Trading Policy
Induction Program
Whistleblower Policy
Anti-Bribery and Corruption Policy

The Company reports below on whether it has followed each of the recommendations for the period from admittance to the official list of ASX on 29 July 2020 to 30 June 2021 (**Reporting Period**). This statement was approved by a resolution of the Board on 24 August 2021.

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1

The Company has established the respective roles and responsibilities of its Board and management, those matters expressly reserved to the Board and those delegated to management and has documented this in its *Board Charter*.

Recommendation 1.2

The Company undertakes appropriate checks before appointing a person or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The checks which are undertaken, and the information provided to shareholders are set out in the Company's *Policy and Procedure for the Selection and (Re)Appointment of Directors*.

Recommendation 1.3

The Company has a written agreement with each director and senior executive setting out the terms of their appointment. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Managing Director, any of its directors, and any other person or entity who is a related party of the Managing Director or any of its directors has been disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

Recommendation 1.4

The Company Secretaries are accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board as outlined in the Company's *Board Charter*.

Recommendation 1.5

The Company has a *Diversity Policy*, which includes requirements for the Nomination Committee to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them.

The Board intends to adopt a Diversity Strategy which will detail the Company's measurable objectives for achieving gender diversity in accordance with the *Diversity Policy*.

The respective proportions of men and women on the Board, in senior executive positions and across the whole organisation are set out in the following table. "Senior executive" for these purposes refers to Key Management Personnel (excluding Board members):

Category	Total	Number of women	% women
Whole organisation (including Board and senior executives)			
Board	5	0	0
Senior Executive positions (excluding Board)			

Recommendation 1.6

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors.

During the Reporting Period a formal evaluation of the Board and its committees did not take place in accordance with the process disclosed in the Company's *Process for Performance Evaluations*. However, during the Reporting Period, the Company was de-merged from Alkane Resources Limited. The de-merger process necessitated the consideration of the composition of the board and the skillsets required. The Company considers this informal process is an equivalent proxy for that outlined in the Company's policy. The Board will undertake a formal review in the 2021/2022 Reporting Period.

Recommendation 1.7

The Managing Director is responsible for evaluating the performance of senior executives.

The Nomination Committee is responsible for evaluating the Managing Director.

During the Reporting Period evaluations of senior executives and the Managing Director did take place in accordance with the process disclosed in the Company's *Process for Performance Evaluation*.

Principle 2 – Structure the board to add value**Recommendation 2.1**

The Board has established a separate Nomination Committee and has adopted a Nomination Committee Charter. The members of the Nomination Committee during the Reporting Period were Mr Gandel (Chair), Mr Earner, Mr Smith and Mr Chalmers, all of whom are non-executive directors, one of whom is considered independent. The Charter describes the role, composition, functions and responsibilities of the Nomination Committee.

Details of Nomination Committee meetings during the Reporting Period are set out in a table in the Directors' Report on page 34 of the Company's 2021 Annual Report.

Recommendation 2.2

The composition of the Board during the Reporting Period included directors with technical, operational, finance and broking and general business skills and experience. The Board believes that these skills have been adequate for the Company's status in the past, but that augmenting the Board with additional members would enhance diversity and the depth of experience and expertise required as the Company matures.

Recommendation 2.3

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles & Recommendations.

The independent director of the Company during the Reporting Period was Mr Gavin Smith.

The ASX Corporate Governance Council recommends that a majority of the directors on a board should be independent. During the Reporting Period the Company has not followed this recommendation. The composition of the Board during the Reporting Period was considered appropriate as it ensured continuity in relation to the Company's business and affairs following the de-merger from Alkane Resources Limited (**Alkane**).

In particular, it is noted that during the Reporting Period the Board included Alkane's two executive directors, Mr Earner, Alkane's managing director, and Mr Chalmers, Alkane's Technical Director. As directors of the Company, Mr Earner and Mr Chalmers have been able to provide guidance and assistance to, and share their expertise and detailed technical knowledge of, the Company's business and affairs with Mr Woodall, who was appointed to the Board in February 2020, and thereby assist with the Company's transition to a standalone entity following the demerger.

Mr Gandel is a substantial shareholder (as defined in the Corporations Act 2001 (Cth)) of the Company. The Board acknowledge Mr Gandel's interest as a substantial shareholder of the Company is consistent with that of other shareholders and that his shareholding does not cause potential for real conflict between his interests and the majority of the other shareholders of the Company nor affect his ability to exercise independent judgment. However, in the interests of transparency and to err on the side of conservatism, the Board has determined that Mr Gandel is not an independent director.

The length of service of each director is set out in the Directors' Report on pages 32-33 of the Company's 2021 Annual Report.

Recommendation 2.4

The Board did not have during the reporting period a majority of directors who were independent. Given all the circumstances attendant upon the Company (including its objectives, the nature and extent of its actual and proposed operations, its capital base and other resources, the costs associated with a board comprised of more than the current number and the need for a board comprised of persons with a blend and diversity of traits, skills, gender, experience, expertise, entrepreneurialism, innovation, tenacity, vision and dedication in order to enliven the prospects of creating value for shareholders) it is thought by the Board that to appoint further directors (whose perceived independence is beyond doubt) or to procure the departure of one of the existing directors is unnecessary. The composition of the Board is considered appropriate at this time because it will ensure continuity in relation to the Company's business and affairs.

Recommendation 2.5

The Chair of the Board during the Reporting Period was Ian Gandel (deemed not independent by the Board, refer comments in 2.3 above). The role of CEO is undertaken by the Managing Director, Mr David Woodall.

Recommendation 2.6

The Company has an induction program that it uses when new directors join the Board and when new senior executives are appointed. The goal of the program is to assist new directors to participate fully and actively in Board decision-making at the earliest opportunity and to assist senior executives to participate fully and actively in management decision-making at the earliest opportunity. The Company's *Induction Program* is disclosed on the Company's website.

The Nomination Committee regularly reviews whether the directors as a group have the skills, knowledge and familiarity with the Company and its operating environment required to fulfil their role on the Board and the Board committees effectively using a Board skills matrix. Where any gaps are identified, the Nomination Committee considers what training or development should be undertaken to fill those gaps. In particular, the Nomination Committee ensures that any director who does not have specialist accounting skills or knowledge has a sufficient understanding of accounting matters to fulfil his or her responsibilities in relation to the Company's financial statements.

Principle 3 – Act ethically and responsibly

Recommendation 3.1

The Company has established *Our Core Values*, which are disclosed on the Company's website.

Recommendation 3.2

The Company has established a *Code of Conduct* for its directors, senior executives and employees, which is disclosed on the Company's website. The *Code of Conduct* states that any breach of the Code is to be reported directly to the Managing Director, Chair or Report and Investigation Officer (if one is appointed), with any material breach to be reported to the full Board.

Recommendation 3.3

The Company has formulated a *Whistleblower Policy*, which is disclosed on the Company's website. The Audit Committee is responsible for carrying out the processes under the policy.

Recommendation 3.4

The Company has established an *Anti Bribery and Corruption Policy*, which is disclosed on the Company's website. The *Anti Bribery and Corruption Policy* states that the Compliance Officer shall investigate any reported breaches or potential breaches of this Policy, with any material breach to be reported to the full Board.

Principle 4 – Safeguard integrity in corporate reporting

Recommendation 4.1

The Board has established an Audit Committee. The members of the Audit Committee during the Reporting Period were Mr Smith (Chair), Mr Gandel and Mr Earner, one of whom is an independent non-executive director.

The Company has also established a *Procedure for the Selection, Appointment and Rotation of its External Auditor*. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external



auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

Details of director attendance at Audit Committee meetings during the Reporting Period are set out in a table in the Directors' Report on page 34 of the Company's 2021 Annual Report.

The Board has adopted an *Audit Committee Charter* which describes the Audit Committee's role, composition, functions and responsibilities.

Recommendation 4.2

Before the Board approved the Company financial statements for the half-year ended 31 December 2020 and the full-year ended 30 June 2021 it received from the Managing Director and the Chief Financial Officer a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3

The Company provides interim (currently quarterly) updates of the Company's progress across all areas of the business, including select financial information, as well as financial guidance. The Managing Director is responsible for all such updates/guidance, which are reviewed by the Board. Individual components are also reviewed by senior management with responsibility for the specific component subject matter. The financial information is compiled by the Chief Financial Officer in accordance with generally accepted accounting practices. This process is included in the *Policy on Continuous Disclosure and Market Communications*, which is disclosed on the Company's website.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1

The Company has established written policies and procedures for complying with its continuous disclosure obligations under the ASX Listing Rules. A summary of the Company's *Policy on Continuous Disclosure and Market Communications* and *Compliance Procedures* are disclosed on the Company's website.

Recommendation 5.2

The Company has established a *Policy on Continuous Disclosure and Market Communications* which is disclosed on the Company's website. This policy states that all material market announcements are promptly provided to directors.

Recommendation 5.3

As described in the Company's *Policy on Continuous Disclosure and Market Communications*, any new and substantive investor or analyst presentation is to be released to the ASX ahead of the presentation.

Principle 6 – Respect the rights of security holders

Recommendation 6.1

The Company provides information about itself and its governance to investors via its website at www.asm-au.com as set out in its *Shareholder Communication and Investor Relations Policy*.

Recommendation 6.2

The Company has designed and implemented an investor relations program to facilitate effective two-way communication with investors. The program is set out in the Company's *Shareholder Communication and Investor Relations Policy*.

Recommendation 6.3

The Company has in place a *Shareholder Communication and Investor Relations Policy* which outlines the policies and processes that it has in place to facilitate and encourage participation at meetings of shareholders.

Recommendation 6.4

The Company has in place a *Shareholder Communication and Investor Relations Policy* which acknowledges that all substantive resolutions are to be decided by a poll rather than by a show of hands.

Recommendation 6.5

Shareholders are given the option to receive communications from, and send communications to, the Company and its share registry electronically.

The Company's contact email address (info@asm-au.com) is published on the website. The website also provides a "contact us" facility, a subscription facility for Company updates and a link to the share registry's website from which shareholders can download a range of relevant forms. Shareholders can register with the share registry to access their personal information and shareholding details via the internet.

Principle 7 – Recognise and manage risk

Recommendation 7.1

The Board has established a Risk Committee. The members of the Risk Committee during the Reporting Period were Mr Smith (Chair from 2 December 2020), Mr Earner, Mr Woodall (Chair from commencement of the Reporting Period until 2 December 2020), one of whom is an independent non-executive director.

The committee extends an open invitation to all other Directors to attend meetings of the Risk Management Committee as observers.

The Board has adopted a *Risk Management Committee Charter* which describes the Risk Management Committee's role, composition, functions and responsibilities.

Details of director attendance at Risk Management Committee meetings during the Reporting Period are set out in a table in the Directors' Report on page 34 of the Company's 2021 Annual Report.

Recommendation 7.2

The Risk Management Committee intends to review the Company's risk management framework quarterly to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board. The Risk Management Committee did not carry out these reviews during the Reporting Period.

Recommendation 7.3

The Company does not have an internal audit function. The Audit Committee is tasked with overseeing the evaluation and improvement of the effectiveness of the Company's risk management and internal control processes. The Audit Committee reviews the Company's policies and procedures to assess, monitor and manage financial risks; liaises with management and the external auditors; and monitors the management of material business risks through interaction with management and the Risk Management Committee. Periodically management commissions external consultants to perform diagnostics and reviews of internal controls and IT maturity and cyber security.

Recommendation 7.4

The Company operates in the mineral resources sector and is subject to a variety of risks that have the potential to have a material impact on its business. These risks include, but are not limited to:

- Environmental risks

As with most resource projects, the Company's activities have the potential to impact on the environment giving rise to substantial costs for environmental rehabilitation, damage, control and losses. Exploration, development and operational activities are subject to State and Federal laws and regulations concerning the environment. The Company strives to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. In achieving its aim of maintaining stable functioning ecosystems in the environs of its activities, the Company uses careful design; creation of biodiversity offsets; progressive rehabilitation; and rigorous monitoring, management and report plans.

- Social risks

The Company strives to retain its social licence to operate and to minimise reputational and social sustainability risks by maintaining a stakeholder engagement strategy which includes supporting the development of more resilient regional communities, dedicated environmental and community liaison officers, communications forums and information dissemination. Failure to adequately manage community relations may have the potential to interfere with or disrupt the Company's operations.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1

The Board has established a Remuneration Committee. The Remuneration Committee comprises non-executive directors Messrs Gandel, Earner, Chalmers and Smith, of which Mr Smith, appointed chair of the Remuneration Committee on 2 December 2020, is considered independent whilst Mr Gandel is not considered to be independent (refer to 2.3 above). Mr Gandel, as the chair of the Remuneration Committee from the beginning of the Reporting Period until 2 December 2020, not being independent is a departure from this recommendation.

Details of director attendance at Remuneration Committee meetings during the Reporting Period are set out in a table in the Directors' Report on page 34 of the Company's 2021 Annual Report.

The Board has adopted a *Remuneration Committee Charter* which describes the role, composition, functions and responsibilities of the Remuneration Committee.

Recommendation 8.2

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report and commences at page 34 of the Company's 2021 Annual Report. This disclosure includes a summary of the Company's policies regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements.

Recommendation 8.3

The Company's *Securities Trading Policy* includes a provision prohibiting participants entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under any equity-based remuneration plans.