Australian Strategic Materials

ASM.AX

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Executing the Downstream Strategy

NEED TO KNOW

- **Korean Metals Plant customer sales accelerating**
- **Strategic opportunities building with supply chain partners**
- **Capital raise provides funding to pursue metallization growth**

Korean Metals Plant positioned to deliver: ASM recently hosted a site visit to its Korean Metals Plant (KMP), it's rare earths metallisation and alloying facility. ASM's established capabilities at the KMP are an important cog in establishing an ex-China rare earths supply chain. It is one of a small number of operating assets that can deliver the mid-stream requirements to process rare earth oxides into the metals and alloys needed by rare earth magnet manufacturers. ASM is set to deliver an expansion of capacity from 1,300tpa to 3,600tpa, with further options to expand also identified. Capacity utilisation remains modest, but is now starting to build as downstream customers including Noveon, Neo Performance Materials and USA Rare Earths are underway with ramp ups of magnet making facilities.

Strategic opportunities becoming clearer: ASM is well positioned to pursue a range of partnership opportunities with upstream and downstream partners. As part of its Towards 2030 strategy Lynas has flagged its intent to increase participation in mid and downstream rare earths processing, it has established magnet MoUs and recent commentary highlights it is keen to expand its mid-stream capabilities through partnerships and JVs. ASM has an MoU is in place to expand its engagement with Neo Performance Materials, and it is already supplying most of the emerging US magnet manufacturers. It is also well placed to support major Korean vehicle and electronics customers in their diversification of their supply chains. These opportunities highlight the strength of ASMs position within the supply chain.

American Metals Plant decision; well-funded: A decision on the American Metals Plant is anticipated in coming months. Currently the US Dept of War (DoW) is assessing responses to its RFP to construct such a facility, if ASM is successful in winning this contract it would be a key catalyst for the stock. With cash of ~$84m, funding to expand the KMP is in hand, and ASM is also well positioned to advance the AMP and pursue potential partnerships.

Investment Thesis

The world needs solutions that ASM can deliver: ASM is particularly well placed to take advantage of strengthening rare earths markets, a forecast deficit in alloy production, and western support to diversify the rare earths supply chain away from China. Expansion of its metallisation facility in Korea and plant duplication in the US, leverages off its established capabilities at a time when the west is seeking such solutions. With its downstream capabilities sitting alongside the Dubbo Project, ASM is positioned to become an important integrated supplier of rare earths metals and alloys.

Valuation & Risks: NPV $2.28

We have updated our valuation to reflect the latest capital raising, FY25 earnings, peer comps, and minor adjustments to our KMP modelling. Overall, our NPV lifts to $2.26. Our valuation reflects the material upside on offer as ASM delivers on its expansion plans. Key risks include funding, execution, rare earths pricing, and strategic responses from China.

Equity Research Australia
Materials

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Australian Strategic Materials is one of few companies globally with demonstrated commercial capability to produce rare earths metals and alloys located outside of China. It produces these products at its Korean Metals Plant (KMP). In response to the heightened awareness of supply chain vulnerabilities that has emerged in 2025, it is now also advancing development of a metallisation plant in the US. Alongside this, ASM is developing the Dubbo Project in NSW, under a rare earths only initial focus. This will position ASM as a unique mine-to-metals producer within the ex-China rare earths supply chain. ASM is extremely well positioned to deliver solutions for the global rare earths supply chain, and remains leveraged to improving rare earths markets. This is an attractive combination that we expect will deliver value for ASM shareholders as it delivers on its growth plans.

Valuation	**A$2.28** *(from A$2.16)*
Current price	**A$0.57**
Market cap	**A$152m**
Cash on hand	**A$84m**

Upcoming Catalysts / Next News

Period	
Q1 2026	US DoW metallisation RFP decision
H1 2026	Expansion of KMP customer base
H1 2026	Site selection for US metals plant
H1 2026	Dubbo Project PFS

Share Price (A$)

This report has been prepared and issued by the named analyst of MST Access in consideration of a fee payable by: Australian Strategic Materials (ASM.AX)

Report prepared by MST Access, a registered business name of MST Financial Services Limited ABN 54 617 475 180 AFSL 500 557.

Figure 1: ASM Financial Summary

AUSTRALIAN STRATEGIC MATERIALS LTD — ASM.AX

Year end 30 June

MARKET DATA		
Share Price	A$/sh	**0.57**
52 week high/low	A$/sh	0.32 - 2.06
Valuation	**A$/sh**	**2.28**
Market Cap (A$m)	A$m	152
FY26 Y/E Net Cash / (Debt) (A$m)	A$m	43
Enterprise Value (A$m)	A$m	109
Shares on Issue	m	268
Options/Performance shares	m	18
Other Equity	m	0
Fully Diluted Shares on Issue	m	286

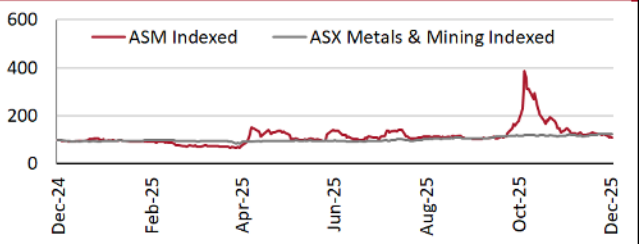
NPV (fully diluted)	A$m	A$ps
Korean Metals Plant	321	1.11
American Metals Plant	258	0.89
Dubbo Project	98	0.34
Corporate Costs	(60)	(0.21)
Net Cash / (Debt)	44	0.15
Total equity valuation	**660**	**2.28**

INVESTMENT FUNDAMENTALS (June Y/E)		FY24A	FY25A	FY26E	FY27E	FY28E
EPS Reported (undiluted)	cps	(0.2)	(0.1)	(0.1)	(0.1)	(0.0)
EPS Underlying (undiluted)	cps	0.0	0.0	(0.1)	(0.1)	(0.0)
DPS	cps	0.0	0.0	0.0	0.00	0.00
Dividend Yield	%	0%	0%	0%	0%	0%
OpCF/Share	A$	(0.06)	(0.06)	(0.08)	(0.06)	(0.02)
FCF/Share	A$	(0.09)	(0.09)	(0.13)	(0.11)	(0.76)
FCF Yield	%	-15%	-16%	-24%	-20%	-135%
Book Value / Share	A$	0.76	0.68	0.89	0.83	0.79
Year End Shares	m	181	181	271	271	271
Market Capitalisation (current)	A$m	152	152	152	152	152
Net Cash / (Debt)	A$m	31	5	43	12	(194)
Enterprise Value	A$m	121	147	109	140	346
EV/EBITDA	x	nm	nm	nm	nm	nm
Net Debt / Enterprise Value	x	(0.3)	(0.0)	(0.4)	(0.1)	0.6
Net Debt / Equity	%	-15%	-3%	-18%	-5%	91%
Assumptions		**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**
AUD USD	$	0.65	0.65	0.65	0.65	0.65
NdPr	US$/kg	90	90	90	90	90

Resource	Tonnes	TREO	MREO	
	Mt	%	%	Mt
Resource				
Measured	43	0.74%	0.17%	0.07
Inferred	32	0.74%	0.17%	0.05
Total Resource	**75**	**0.74%**	**0.17%**	**0.12**

Management & Board ownership	Shares (k)	Perf Rights (k)	Options (k)
Ian Gandel - NE Chair	38		847
Gavin Smith - NED	91		2
Kerry Gleeson - NED	30		1
Dominic Heaton - NED			
Rowena Smith - MD & CEO	152	1,674	0.4
Chris Jordaan - COO		776	
Stephen Motteram - CFO	124	742	103

12-Month Relative Performance vs S&P/ASX Metals & Mining



Profit & Loss (A$m)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	5.7	5.1	14.6	46.9	160.6
Expenses	(28.2)	(27.4)	(37.1)	(66.0)	(166.3)
EBITDA	**(22.5)**	**(22.3)**	**(22.5)**	**(19.1)**	**(5.7)**
D&A	(1.8)	(1.8)	(1.5)	(2.2)	(9.2)
EBIT	**(24.3)**	**(24.1)**	**(24.0)**	**(21.3)**	**(14.9)**
Interest	(0.9)	(1.0)	0.7	2.1	1.8
Tax	(0.0)	0.6	-	-	-
Underlying NPAT	**(25.2)**	**(24.6)**	**(23.3)**	**(19.2)**	**(13.2)**
Exceptionals	-	-	-	-	-
Reported Profit	**(25.2)**	**(24.6)**	**(23.3)**	**(19.2)**	**(13.2)**
Profit before tax	(25.2)	(25.1)	(23.3)	(19.2)	(13.2)

Balance Sheet (A$m)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash	47.6	19.0	64.5	53.1	107.3
Receivables	1.3	1.1	1.1	1.1	1.1
Inventory	17.8	9.6	9.6	9.6	9.6
PP&E	68.2	72.6	82.5	90.4	130.2
Exploration	121.2	123.0	129.0	135.0	287.0
Other	2.9	2.0	2.0	2.0	2.0
Assets	**259.0**	**227.2**	**288.6**	**291.1**	**537.1**
Creditors	4.8	3.3	3.3	3.3	3.3
Debt (incl leases)	16.9	14.1	21.4	41.4	301.4
Unearned Revenue	11.2	7.2	4.8	2.7	1.7
Provisions	3.4	3.7	3.7	3.7	3.7
Other	18.1	17.4	17.3	16.7	14.6
Liabilities	**54.4**	**45.7**	**50.6**	**67.9**	**324.8**
Net Assets	**204.6**	**181.5**	**238.0**	**223.2**	**212.3**

Cashflow (A$m)	FY24A	FY25A	FY26E	FY27E	FY28E
Net Cash From Operations	(20.8)	(20.6)	(22.3)	(18.9)	(5.5)
Interest	2.0	1.5	1.7	3.1	2.8
Tax	-	-	(0.1)	(0.6)	(2.1)
Other	3.2	2.9	-	-	0.0
Net Operation Cash Flows	**(15.6)**	**(16.2)**	**(20.8)**	**(16.4)**	**(4.8)**
Capex	-	-	(9.0)	(8.0)	(196.0)
Capitalised Exploration	(13.0)	(10.6)	(6.0)	(6.0)	(4.0)
Other	5.3	2.6	-	-	-
Free Cash Flow	**(23.3)**	**(24.2)**	**(35.8)**	**(30.4)**	**(204.8)**
Capital raised (net of cost)	15.1	(0.1)	75.2	-	-
Borrowings drawn/(repaid) (net of costs)	-	(3.4)	7.0	20.0	260.0
Other (incl Divs)	(0.7)	(1.0)	(1.0)	(1.0)	(1.0)
Net Increase / (Decrease) in Cash	**(9.0)**	**(28.7)**	**45.5**	**(11.4)**	**54.2**

Source: MST

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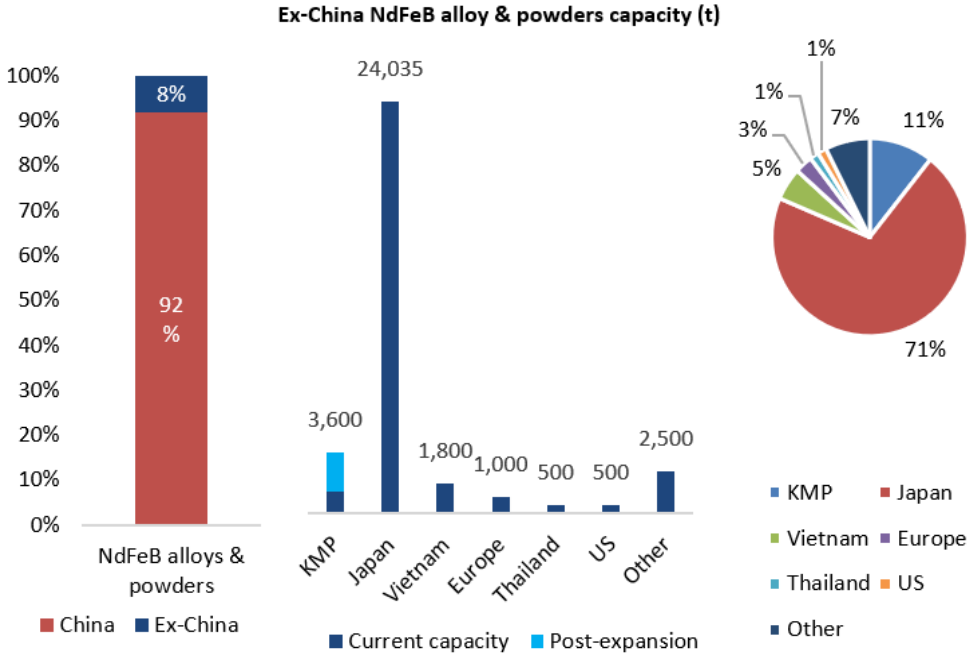
The ASM Korean Metals Plant

A Strategic Asset in the Global Rare Earths Supply Chain

ASM recently hosted a site visit to its Korean Metals Plant. This facility is one of a small number of operations globally that is expected to make up ~11% of ex-China rare earths metallisation and alloying capacity after expansion.

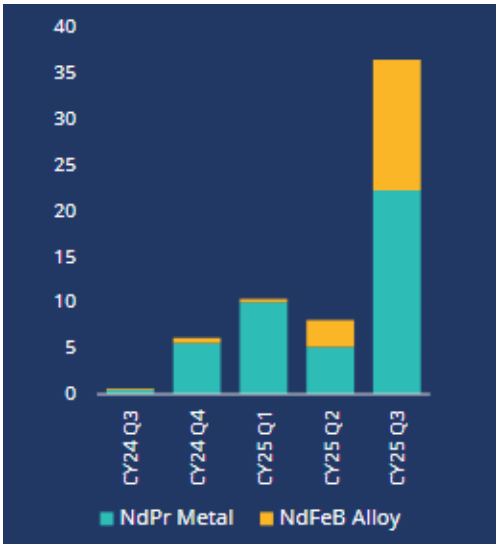
Figure 2: China dominates NdFeB alloy production, KMP to provide 11% of ex-China capacity



Source: Rare Earth Magnet Market Outlook to 2040, Adamas Intelligence (2024)

The KMP facility has the capability to produce neodymium and praseodymium metals and NdFeB alloys for use in the manufacture of permanent rare earth magnets. Importantly, it has also recently begun to produce heavy rare earth (HRE) metals including dysprosium and terbium, which involves a more complex and technically challenging process than the manufacture of light rare earth metals. Current KMP capacity stands at 1,300tpa of NdFeB alloy. Following the significant step up in Q3 2025 metal and alloy sales, KMP utilisation now stands at around ~10%, and this is set to lift in line with downstream customer magnet manufacturing ramp ups.

Figure 3: KMP production ramping up - Tonnes despatched



Source: ASM

The KMP expansion is underway, this will lift capacity to 3,600tpa. Early-stage consideration is also being given to a further stage of expansion to 5,600tpa. The company is very well funded following recent equity raisings, it currently has approximately $84m cash on the balance sheet. This will support the expansion in Korea (~A$12m to go to 3,600tpa) as well as contribute towards replication of the Korean facility in the US - the American Metals Plant (AMP). The AMP is expected to cost approximately US$60m, similar to the amount invested to date at the KMP. The US DoW has requested proposals for the construction of such a facility in the US, with funding support likely to be provided to the winner. ASM is in consideration for this award, with a DoW decision anticipated in the coming months.

The KMP facility fills a critical part of the ex-China rare earths supply chain. There is a relatively large number of rare earth mining operations at varying stages of development globally, while magnet manufacturing is also a focus of attention with a growing number of western developments in train. The mid-stream metallising and alloying capacity will also need to be built out to support this supply chain. ASM, with its proven capabilities at the KMP, is ideally placed to be a meaningful part of the solution to delivering this capacity.

The Korean Metals Plant

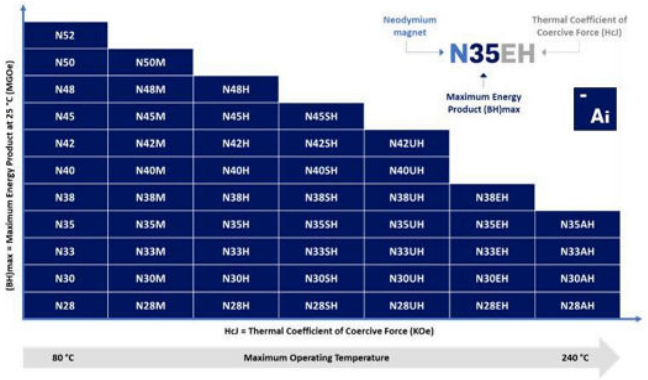
The KMP facility is located in Ochang, approximately 115km south of Seoul, in Korea. It opened in 2022 and has since demonstrated capability to produce a range of rare earth metals and alloys. Rare earths metallisation and alloy manufacture is a specialised process that requires an ability to operate to narrowly defined specifications Furthermore, contrasting with typical metal smelting and refining, rare earth metallisation and alloy manufacture is not a commoditised process, each customer will require a product manufactured to bespoke specifications.

Figure 5 below shows the range of magnet specifications that alloy makers can target. Each magnet grade has a different composition and therefore price point.

Figure 4: Korean Metals Plant

Source: ASM

Figure 5: Rare Earth Magnet specifications



Source: ASM

Reflecting these specification requirements, qualification processes are extended and time consuming. Having the ability to produce to varying specifications for different customers is a key challenge for new entrants.

The facility sources rare earth oxide feedstock from global suppliers and converts it into rare earth (Nd or Pr) metals and NdFeB alloys. The facility is currently comprised of four furnaces, a shot blasting machine, and one strip caster. Approximately 75 people are employed on site. This will grow to around 180 as capacity ramps up to 3,600tpa.

Figure 6: KMP furnace for light rare earth metals production

Source: MST

Figure 7: KMP strip caster for NdFeB alloy production

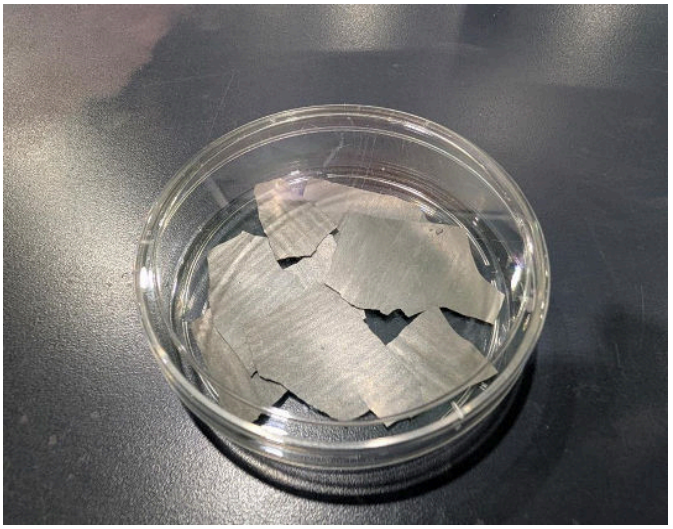
Source: MST

To expand capacity to 3,600tpa, 14 additional furnaces and an additional strip caster will be required. The key long lead item in this process is the strip caster with a lead time of around 18months for delivery. These can be manufactured by either Chinese or Japanese suppliers. We anticipate that the second strip caster will be sourced from Japan, avoiding any potential complications around the supply of Chinese rare earth manufacturing equipment. Installation of additional furnaces would be more rapid, potentially enabling an acceleration of metals sales ahead of the expansion in alloying capacity that comes with the second strip caster. While the expansion is not yet underpinned with firm orders, ASM are of the view there is sufficient strength in the demand outlook to support expanded capacity.

Figure 8: NdPr metal ingots

Source: MST

Figure 9: NdFeB alloy flakes



Source: MST

Key customer update:

- **Noveon Magnetics:** Noveon is the largest current customer of KMP. It is the most advanced US NdFeB magnet manufacturer, operating out of its plant in San Marcos, Texas (although several others are set to start up shortly). An initial agreement to supply 100t of NdeFeB alloy was entered into with ASM in 2023. Following product qualification and the start-up of the Noveon facility, an initial 15t delivery is nearing completion underway and a further 60t will be delivered in H1 2026. This confirms KMP's ability to supply high-purity alloy at scale, whilst supporting growth in the US critical minerals industrial base. Noveon commenced commercial deliveries of magnets to large scale customers including GM, ABB and Nidec in mid-2025. It is now ramping up to capacity of 2,000tpa of magnets and has longer term plans to expand production to 10,000tpa. Noveon also announced in November that they are partnering with Korean company Kangwon Energy to build a 2,000tpa magnet factory in South Korea.
- **Vacuumschmelze (VAC):** Following a successful product validation process, in June 2025 KMP confirmed an initial 7.2t NdFeB alloy sale to VAC across five different specifications. Shipments commenced in July and have continued through the current half. VAC is a private German manufacturer of advanced magnetic solutions, including rare earth permanent magnets. VAC, through its subsidiary e-VAC is set to commence US production from its magnet plant in South Carolina shortly, planned capacity at this facility 1,600tpa of NdFeB magnets.
- **Neo Performance Materials (NPM) / Magnequench:** In the first half of 2025 KMP completed the delivery of 19t of NdPr metal to Magnequench (a subsidiary of Neo Performance Materals), a further 10t has been ordered. Magnequench has also taken delivery of the initial heavy rare earth metals produced at the KMP. An MoU is in place with Neo to broaden the relationship, with ASM well positioned to support the downstream magnet making plans of Neo. Its new Estonia magnet facility commenced commissioning in September, initial plans here are for 2,000tpa of magnet making capacity, before lifting to 5,000tpa.
- **USA Rare Earths:** ASM signed a five-year binding sales and tolling agreement with USARE in August 2023 covering 60% of its NdFeB alloy requirements at its new Stillwater plant. ASM has a 5t alloy order to support this facility's commissioning. First magnets were produced at Stillwater early in 2025, with commercial production anticipated to commence in the first half of 2026. Initial capacity at this plant is planned at 1,200tpa, before expanding to 5,000tpa. USARE has recently acquired Less Common Metals (LCM), a competitor to ASM in the metallisation and alloying space. This is likely to see LCM complement ASM as a supplier of alloy into USA Rare Earth magnet manufacturing.

Broadening the customer base: Beyond its existing customer base, ASM is engaged in ongoing discussions with the leading Korean vehicle and electronics manufacturers with a view to supporting a diversification of supply outside of China for these manufacturers. Success with any of these discussions is likely to be transformative for demand for KMP product.

Figure 10: ASM Customer Magnet Production Plans

Customer	Magnet Capacity (tpa)	Location	Status
Current/Commissioning			
Noveon Magnetics	2,000	Texas, USA	Operating
VAC	1,000	Germany	Operating
NPM	2,000 – 5,000	Estonia	2026 Ramp Up
USA Rare Earth	1,200 – 5,000	Oklahoma, USA	2026 Ramp Up
e-VAC	1,500 – 2,000	Sth Carolina, USA	2026 Ramp Up
Potential			
Noveon/Kangwon	2,000	South Korea	2027
GKN	4,000	Europe & USA	Pilot plant built
Vulcan Elements	10,000	Nth Carolina, USA	2027 Ramp Up
Total (current + potential)	**23,700 – 31,000**		

Source: MST

Ultimately, across its KMP and AMP operations ASM will have 7,600tpa of alloying capacity, this is sufficient to support approximately 5,500 to 6,000tpa of magnet making after allowing for swarf losses in the magnet manufacturing and machining processes. In total, the plans of its magnet making customers far exceed this, and there is further upside to demand if the KMP can win supply for a major Korean OEM. This gives us confidence there is more than sufficient pending demand to fill capacity at the KMP and also the AMP.

KMP is in a strong position to supply these magnet plants:

- Magnet makers will want to diversify from Chinese supply risk
- Many have accepted government funding to support ex-Chinese supply chains
- Other potential alloy sources (eg LCM, MP Materials) also compete with magnet makers

Potential partnerships

As per ASM's recent capital raise announcement, the funding will be put towards supporting its midstream growth initiatives in Korea and the US as well as for support of potential strategic partnerships.

The lack of midstream processing capacity outside China was recently noted by Lynas in their quarterly investor update:

- "(ex-China [oxide] demand) could be serviced in terms of resource via current operators, that is Lynas and MP. However, **it is the metal and magnet steps that need to significantly grow** to be able to service the outside China demand. So, yes, there's demand. It's just a case of making sure that there's capability in all stages of the value chain."

Given ASM's strong mid-stream position, it would be sensible to look to partner with upstream and/or downstream players in the Western rare earth supply chain.

ASM's strategy is mine to alloy, allowing it to service multiple magnet makers without also competing with them. Potential Upstream partners include current oxide producers such as Lynas, Energy Fuels, MP Materials, NPM and Solvay, while downstream partners include the magnet customers listed in the table above.

Below we outline some key players in the rare earths supply chain where we see logical partnerships with ASM:

Neo Performance Materials

NPM is an existing customer of KMP, it already has an MoU with ASM to investigate broader opportunities. ASM is well positioned to support the downstream magnet making plans of NPM. Its new Estonia magnet facility commenced commissioning in September, initial plans here are for 2,000tpa of magnet making capacity, before lifting to 5,000tpa.

Noveon Magnetics

Noveon is also an existing customer of KMP. KMP has a 100t alloy contract with Noveon under which 15t has been delivered and 60t will be delivered in H1 2026. Noveon has growth plans in the US and Korea via its potential magnet partnership with Kangwon Energy. There may be synergies in locating the new magnet plant near the KMP plant in Ochang.

Lynas Rare Earths

Lynas has made expanding its supply chain presence a key leg of its "Towards 2030" strategy as first outlined at its August 2025 results. It has also been clear that its preference is to execute on this via partnerships or JVs, flagging that metallising, alloying and magnet making are not in its core skill set.

Lynas has recently established MoUs with magnet makers Noveon and JS Link. With regards to the MoU with Noveon, Lynas will supply rare earth oxide feedstock, Noveon will manufacture the magnets, and the two companies have stated they will collaborate to build out the mid-stream capability. Noveon is an ASM alloy customer.

Energy Fuels

Energy Fuels is a Denver based uranium company expanding into rare earths processing. It operates the White Mesa uranium mill in Utah, where it has also begun separating light and heavy rare earth oxides from monazite feedstock. Energy Fuels plans to ramp up capacity to ~6,000 tpa by 2028 supported by feedstock from Astron's Donald mineral sands project in Victoria (Australia). Energy Fuels strengths of radionuclide treatment/disposal, hydrometallurgy and solvent extraction (SX) separation are transferrable from uranium to rare earths.

As White Mesa ramps up in future years, the facility will become a major supplier of US produced oxide feedstock, which will require midstream processing. We note that Energy Fuels has an MOU in place with POSCO to supply oxides for use in magnet making. ASM's Korean presence could provide partnership opportunities.

Others: MP Materials, VAC, & Solvay

- **MP Materials** plan is to become an integrated mine to magnet producer in the USA. In the short term, MP Materials may have surplus oxide that could be processed at KMP.
- **VAC** is replicating its German magnet making plant in the USA (South Carolina). KMP has been supplying a variety of alloy specs to VAC and could be a partner in the US. ASM has stated that South Carolina is a potential location for the AMP.
- **Solvay's** oxide separation facility in France could be another potential source of long-term feedstock supply for ASM.

Heavies capability a key differentiator for ASM

This year KMP has established the technical capability to manufacture dysprosium (Dy) and terbium (Tb) metals (HRE metal)through a process it has developed internally. This capability is very limited outside China. Currently ASM uses HRE ferroalloys such as ferrodysprosium in its alloying if required, however, HRE metal (as opposed to ferroalloys that contain HREs), are required for the grain boundary diffusion process in magnet making (coating an NdFeB magnet with HREs to ensure it maintains maximum magnetic strength at high temperatures). Ferroalloys containing HREs can be used in the older much less efficient magnet making process where such HRE ferroalloys are added to the NdFeB magnet alloy, however, grain boundary diffusion uses 70-90% less HREs than this older process and delivers a stronger magnet.

There is likely some modest upside to the KMP economics that ASM has guided to (US$26m EBITDA at 3600tpa alloy production), as ability to produce HRE metals has not been factored into this guidance. HRE metal production will be on a much smaller scale than NdFeB alloy production, but will be materially higher margin. They other key advantage of developing capability in HRE metal production is that it will attract customers who require this as feedstock, thus providing a bundling opportunity to support additional metal and alloy sales.

Midstream M&A and peer operations highlight valuation upside for ASM

Less Common Metals (LCM) has recently been acquired by USA Rare Earths for A$330m. LCM is the most comparable peer among ASM's ex-China competitors in the mid-stream rare earths metallising and alloying space. It has alloying capacity of around 1400tpa, roughly equivalent to ASM's existing capacity at the KMP, it produces a broader range of products, including samarium-cobalt products and heavy rare earth ferro alloys and metals, out of its facility in Northern England. The A$330m value placed on LCM highlights material upside for ASM. ASM's implied equity value on its metallisation facilities is below A$100m (assuming zero value for the Dubbo Project and its land assets and water rights).

We highlight the elevated valuations of ASX listed processing peers such as IperionX (IPX.ASX) and Metallium (MTM.ASX) as examples of the potential upside if ASM can establish itself as a leader in the mid-stream processing space. While IperionX and MTM offer unique processing solutions, where IP is retained, they are nevertheless at a relatively early stage of their development pathway with IPX having commenced commissioning in the September quarter and MTM still in development, neither operation is generating revenue although IPX expects to be EBITDA positive by the end of 2026. IperionX has a market capitalisation of A$1.7b and MTM A$470m.

More specifically to the rare earths industry, Neo Performance materials has a comparable, albeit broader, business to ASM, that also extends downstream into magnet making. It has a market capitalisation over US$500m. Looking at listed magnet manufacturers, USA Rare Earths, yet to reach commercial production, has a market capitalisation in excess of US$2b.

These valuations support material potential upside for ASM in our view. Its assets and capabilities are a key strategic requirement in the rare earths supply chain. As sales and earnings start to build through 2026 and 2027, we expect recognition of ASMs strengths to support higher valuations.

Valuation: SOTP A$2.28

We have made a number of updates to our estimates and valuation. We have incorporated the FY25 financials, and the latest capital raisings, we have updated our peer group multiples for use in valuing the Dubbo asset, and we have modified the timeline for the ramp up and expansion of KMP reflecting the 18-month lead time following a near term decision to expand. We also roll forward our NPV to 30 June 2026. We continue to model the Stage 2 KMP expansion to 3,600tpa. An expansion to 5,400tpa would result in upside to our current estimates, we will look to incorporate this as demand visibility builds to first fill the currently planned 3,600tpa capacity and the opportunity to expand to 5,400tpa is firmed up. We model the AMP at its targeted 4,000tpa of capacity.

The overall impact of the changes is a modest lift in valuation from $2.16 to $2.28. Our valuation is summarised below.

Figure 11: ASM valuation summary

ASM Valuation	A$m	A$ps
Korean Metals Plant	**321**	**$1.11**
American Metals Plant	**258**	**$0.89**
Dubbo NPV - 100%	132	
Risk Weighting	70%	
Dubbo Risk weighted NPV	93	
Peer EV/ kg NdPr	0.95	
Dubbo contained NdPr (kg) in Resource	109	
Dubbo Resource based Valuation	103	
Dubbo Valuation (50% NPV, 50% EV/kg)	**98**	**$0.34**
Less: NPV Corporate Costs	-60	-$0.21
Add: Net Cash/(Debt) - 30 June 2026	44	$0.15
ASM Equity Valuation	**660**	**$2.28**
Current shares outstanding (m)	271	
Outstanding options/perf rights (m)	18	
Fully diluted shares on issue (m)	**290**	

Source: MST

Key Catalysts

- **American Metals Plant Funding:** The DoW released a Cornerstone Initiative Request (essentially a Request For Proposal) seeking proposals for a domestic metallisation plant. Submissions were due in late June. Awards are likely by late 2025 or early 2026. With its established Korean capabilities and scoping work already underway in the US, ASM is well positioned to deliver a domestic source of metallisation and alloying capability that the US DoW is seeking, leaving it in a strong position to receive funding under this CIR, but there will be others seeking it also. Any such funding would be a key catalyst for ASM.
- **Site Selection for AMP:** ASM is conducting due diligence on six US states for its American Metals Plant and plans to narrow this down to two states after site visits in H2 2025. A final decision on location will be a key milestone for this project. The company expects to announce this in the first half of 2026.
- **KMP product qualification and offtake:** KMP continues to work with a range of potential customers on product qualification as it seeks to broaden its customer base beyond its existing long-term contract and spot sales customers. Further supply agreements will underpin the expanded production capacity at the KMP.

- **KMP feedstock:** Feedstock for sales to date has been sourced from existing plant inventory and oxides supplied by an Australian supplier. ASM continues to engage with oxide suppliers in North America, Australia and the EU, including Canada-based Ucore Rare Metals who are developing a plant in Louisiana with US DoW support.
- **KMP Dy and Tb metallisation capability:** ASM continues to work on its Dy and Tb metallisation capability, aiming to position ASM as a unique, non-China supplier of heavy rare earths metals and alloys. Initial Dy and Tb sales have been executed with Neo Performance Materials, further updates on progress with production ramp up here will be positive.
- **Dubbo PFS & FEED:** With the scoping study complete, ASM has transitioned into a Prefeasibility Study on the preferred heap leach option. This is expected to be finalised by early 2026. Subject to PFS results ASM would then likely begin FEED studies.
- **Dubbo Project Funding:** ASM will continue to advance funding routes for both the pre-construction and construction phases. In March 2024, ASM received a US$32m letter of interest under US EXIM's Engineering Multiplier Program to support pre-construction detailed engineering work to be undertaken by a US contractor such as Bechtel to progress the Dubbo Project to FID. We expect similar support will be available for FEED studies on the rare earths only first stage, albeit with a lower funding need. In addition, ASM has also received indications for conditional funding support for the construction phase of the Dubbo Project from US EXIM (US$600 million), Export Development Canada (A$400 million) and Export Finance Australia (A$200 million). As the company progresses the project to FID we expect that discussions with these funding bodies will progress. FID is not likely until 2027, however, we anticipate interim updates on these funding packages through 2025 and 2026.
- **Dubbo Project partnership:** While no formal process is in place, there is potential for ASM to seek a development partner for the Dubbo Project. A framework for such an investment exists in the 2021 agreement with a Korean consortium to provide US$250m in funding in exchange for a 20% stake in the Dubbo Project and a long-term NdFeB offtake agreement. Any future deal is likely to be smaller in scale, but we believe the mine-to-metals package that ASM offers is likely to be of interest to potential offtakers, particularly now that the KMP has established its technical capability.

Key Risks

- **Commodity Prices:** ASM is subject to commodity price driven volatility in its share price. Material movements in rare earth's prices, in particular Neodymium and Praseodymium would likely have an impact on the stock.
- **Project Funding:** While significant funding proposals have been provided to ASM by a range of export credit agencies, these are not finalised and the Dubbo project is likely to be developed to a different scope to that envisaged when these were established. With the reduction in the capital requirements presented by the Heap Leach Option, the funding hurdle has been significantly reduced, but funding, including potential additional equity funding, will still be required. Ability to finalise funding remains a key risk for the project.
- **Project Development Risks:** All mining developments face timing and cost risks as they advance projects, move into construction, and transition into production. With KMP seeking to ramp up production there are risks around delivering this. The AMP and Dubbo Project remain in a study phase for now, this still brings cost and timing risks, delays with project advancement will likely impact market sentiment towards the stock
- **China Strategic Response:** China has long played an influential hand in rare earths markets, The nation responded to the 2021 / 2022 market boom with a surge in supply with production quotas rising 93% on 2020 levels by 2024. This has constrained global supply growth and cemented China's dominant position in the market. This year China responded to tariffs from the US with aggressive rare earths export restrictions. China remains in a position to have a heavy influence on global markets, potentially able to weigh on prices if it desired. Without government support to establish an alternate ex-China supply source, if China wishes to keep pricing under pressure, it will be difficult for western companies to compete.

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Chris Drew received assistance from the subject company or companies in preparing this research report. The company provided them with communication with senior management and information on the company and industry. As part of due diligence, they have independently and critically reviewed the assistance and information provided by the company to form the opinions expressed in this report. They have taken care to maintain honest and fair objectivity in writing this report and making the recommendation. Where MST Financial Services or its affiliates has been commissioned to prepare content and receives fees for its preparation, please note that NO part of the fee, compensation or employee remuneration paid has, or will, directly or indirectly impact the content provided in this report.

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Australian Strategic Materials (ASM.AX) | Price A$0.57 | Valuation A$2.28;

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