Australian Strategic Materials

ASM.AX

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Fueling Up: Energy Fuels to acquire ASM

Equity Research Australia
Materials

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NEED TO KNOW

- **Energy Fuels has agreed to acquire ASM**
- **ASM adds metallisation and alloying capability to EF's existing rare earth feedstock and separation asset base**
- **Deal is via Scheme of Arrangement, to be complete by mid-2026**

Energy Fuels to acquire ASM: Energy Fuels (EF, UUUU.NYSE) has agreed to acquire ASM in a deal valuing ASM at A$1.98 based on the EF last close prior to the deal announcement. Consideration is 0.053 EF shares plus a A$0.13 unfranked special dividend. The deal is to be implemented via a Scheme of Arrangement, with a vote likely in Q2 2026 and completion anticipated by mid-year. The price represents an attractive 173% premium to ASM's last close prior to announcement of A$0.725. Based on the latest EF price and spot AUD, the offer still values ASM at A$1.98, a 12% premium to the current ASM price of $1.76.

EF extending presence in rare earths supply chain: EF operates the White Mesa Mill in the US. This mill is a multi-commodity operation, with an historic focus on uranium production, but a growing focus on rare earth production via the processing of monazite feedstock. EF has actively secured feedstock through a global acquisition agenda, it is advancing monazite projects in Madagascar, Brazil and through a partnership with Astron Resources (ATR.ASX) who is developing the Donold project in Victoria. These sources will supply feedstock to support the expansion of the White Mesa Mill to 6000tpa NdPr, planned for 2028.

ASM a strong complement to EF: EF will now add metallisation and alloying capability to its existing feedstock and separation asset base. EF has an MOU in place with POSCO to supply oxides, this relationship may broaden given ASM"s Korean operations, while EFs US presence and funding capabilities should also de-risk ASM's American Metals Plant development. Overall, we see strong strategic rationale behind this transaction, establishing a unique ex-China mine-to metals/alloys operation with proven capability to deliver at each level of this supply chain.

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. The Energy Fuels planned acquisition of ASM is set to leverage ASMs strengths in metallisation and alloying into a low cost, integrated producer, with proven technical capabilities, and a strong US presence.

Valuation & Risks: NPV $2.28

Our valuation remains unchanged. While the share price will now be driven by the EF share price, we continue to see longer term value in the ASM asset base. Key risks now primarily relate to the completion of the acquisition.

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** *(unchanged)*
Current price	**A$1.76**
Market cap	**A$472m**
Cash on hand	**A$69.7m**

Upcoming Catalysts / Next News

Period	
H1 2026	US DoW metallisation RFP decision
H1 2026	Expansion of KMP customer base
H1 2026	Site selection for US metals plant
Q2 2026	Scheme meeting for acquisition

Share Price (A$)

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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$/sh	**1.76**
52 week high/low	A$/sh	0.32 - 2.06
Valuation	**A$/sh**	**2.28**
Market Cap (A$m)	A$m	472
FY26 Y/E Net Cash / (Debt) (A$m)	A$m	43
Enterprise Value (A$m)	A$m	429
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**

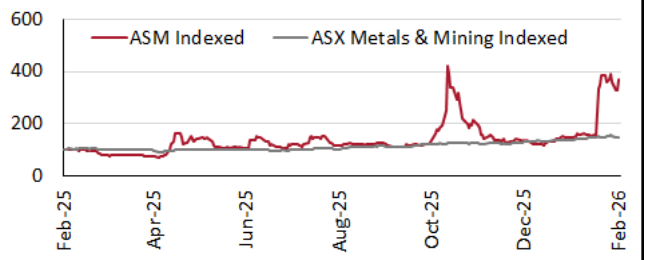
INVESTMENT FUNDAMENTALS (June Y/E)		FY24A	FY25A	FY26E	FY27E	FY28E
EPS Reported (undiluted)	¢ps	(0.2)	(0.1)	(0.1)	(0.1)	(0.0)
EPS Underlying (undiluted)	¢ps	0.0	0.0	(0.1)	(0.1)	(0.0)
DPS	¢ps	0.0	0.0	0.0	0.00	0.00
Dividend Yield	%	0%	0%	0%	0%	0%
OpCF/Share	A$	(0.06)	(0.06)	(0.08)	(0.06)	(0.02)
FCF/Share	A$	(0.09)	(0.09)	(0.13)	(0.11)	(0.76)
FCF Yield	%	-5%	-5%	-8%	-6%	-43%
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$m	472	472	472	472	472
Net Cash / (Debt)	A$m	31	5	43	12	(194)
Enterprise Value	A$m	441	467	429	460	666
EV/EBITDA	x	nm	nm	nm	nm	nm
Net Debt / Enterprise Value	x	(0.1)	(0.0)	(0.1)	(0.0)	0.3
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 Mt	TREO %	MREO %	MREO 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 cost	-	(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

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

Energy Fuels to acquire ASM

Energy Fuels and ASM have announced a binding Scheme of Arrangement for EF to acquire ASM. The acquisition will create a leading western mine-to-metal and alloy rare earths leader. The combined group will operate across the spectrum of rare earth feedstock production, separation, and metallisation and alloying with an asset base that is unmatched in the west in its capability.

Transaction Summary

- **Structure:** The acquisition will be conducted via a court-approved Scheme of Arrangement.
- **Consideration Terms:**
  - Share Consideration: 0.053 Energy Fuels shares or CHESS Depositary Interests (CDIs) for each ASM share held.
  - Special Dividend: An unfranked cash dividend of up to A$0.13 per share to be paid by ASM prior to implementation.
  - Options: A separate concurrent Option Scheme offers A$0.50 cash per ASM option.
- **Total Implied Value:** Based on the last closing price of EF prior to the deal announcement and spot fx at the time (US$23.52 and AUD0.674), the deal valued ASM at A$1.98 per ASM share. This represented a total equity value of approximately A$552m and a 173% premium to ASM's last closing price prior to the announcement of A$0.725. It also reflects a 65% premium to the October 2025 raising done at A$1.20. Based on the current EF share price and spot fx (US$24.53 and AUD0.702), the implied value remains A$1.98, a 12% premium to the current ASM share price of A$1.76. In its announcements, ASM quote the value of the offer at A$1.60 per share, this is based on the 15-day VWAP of EF prior to the announcement.
- **Ownership:** ASM shareholders will hold 5.8% of EF outstanding shares.
- **Secondary ASX Listing:** The scheme will see EF establish a secondary listing on the ASX through EF Chess Depository Interests (CDI), ASM shareholders will be able to elect either EF shares (listed on the TSX and NYSE) or ASX listed CDI's as consideration.
- **Board support:** The ASM Board has unanimously recommended ASM shareholders vote in favour of the transaction. The Board has indicated its intent to vote its holdings in favour of the transactions. This includes major shareholder Ian Gandel who holds 13.6% of ASM.

Timing and Conditions

Proposed Timing: The Scheme meeting is expected in Q2 2026, with implementation planned prior to June 30, 2026.

Key Conditions: Conditions are all standard for a transaction of this nature, these include

- Approval by the required majorities of ASM shareholders (75% of votes cast and 50% by number of shareholders voting).
- Approval by the Federal Court of Australia (following shareholder approval).
- Key regulatory approvals, primarily Australian Foreign Investment Review Board (FIRB) approval.
- Independent expert concluding the transaction is in the best interests of ASM shareholders.
- Other customary conditions, such as no material adverse changes occurring for either company.

We see no concerns from an approval perspective. ASM's Dubbo Project is located in Australia, however, considering the breadth of rare earth development opportunities we would not consider this a concern from a FIRB perspective.

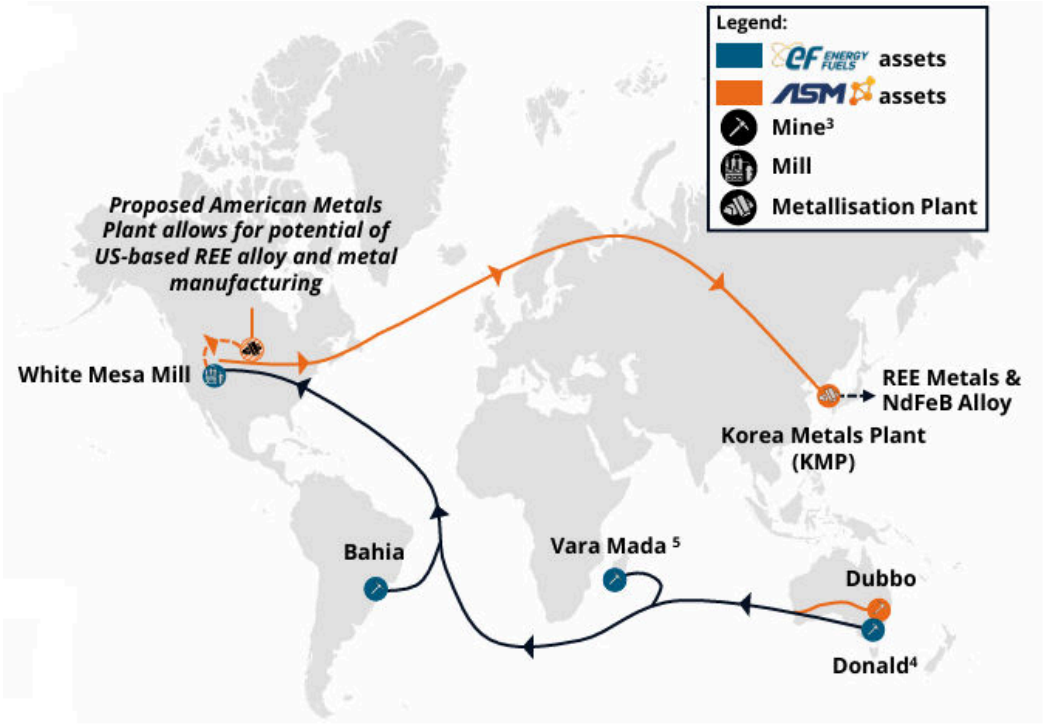
Strong Strategic Rationale

We see strong logic behind this transaction. Fundamentally, the ASM mid-stream metallisation and alloying assets are a strong complement to the EF rare earth feedstock and separation asset base. Further benefits include:

- EF will be able to supply rare earth oxide feedstock from White Mesa for the ASM operations, lifting margin capture along the supply chain.

- The EF presence and relationships in the US as well as its balance sheet will support and de-risk ASM's plans to construct the American Metals Plant. This development will further enhance EF's own significance in the US.
- EF has an existing relationship with POSCO for supply of oxides, given ASM's presence in Korea, this relationship could extend to now also cover metallisation and alloy supply, supporting ASM's plans to expand its Korean facility.
- EF and ASM have a complementary customer base, with EF magnet maker relationships likely to further support the prospects for KMP and AMP offtake, underpinning the ASM growth plans.
- The Dubbo project adds further optionality to the EF feedstock supply strategy for its White Mesa mill.
- The merged entity diversifies commodity exposure for ASM shareholders beyond rare earths into uranium. US uranium developers are benefiting from increased government support as the country seeks to secure supply alternatives to Russia. This support is further strengthened by bipartisan support for nuclear power as a source of clean, baseload power.
- The combined operation becomes a more significant player in the western supply chain for rare earths with a strengthened US presence. It becomes a more likely recipient for critical minerals government funding programs, particularly those targeting the rare earths supply chain in the US.

Figure 2: Strengthened position in rare earth supply chain



Source: ASM

We have argued that the ASM asset base has attractive strategic value given it is one of very few western operations with rare earth metallising and alloying capability. That value is largely becoming recognised through this deal, reflected in the attractive premium on offer. ASM shareholders will maintain exposure to a growing company active in both uranium and rare earths with a strong balance sheet to support successful delivery of the planned growth strategy.

The transaction creates a Western mine to metal and alloy rare earth producer, capturing value across the supply chain, removing intermediaries and enhancing profitability.

Figure 3: EF and ASM Supply Chain Coverage vs Peers

	Mining		Separation		Metals & Alloys		
	Light Rare Earths	Heavy Rare Earths	Light Rare Earth Separation	Heavy Rare Earth Separation	Light Rare Earth Metal	Heavy Rare Earth Metal	Strip Casting
EF Energy Fuels	✓	✓	✓	✓			
ASM Australian Strategic Materials	✓	✓			✓	✓	✓
EF + ASM	✓	✓	✓	✓	✓	✓	✓
Lynas Rare Earths	✓	✓	✓	✓			
MP Materials	✓	✓	✓		✓		✓

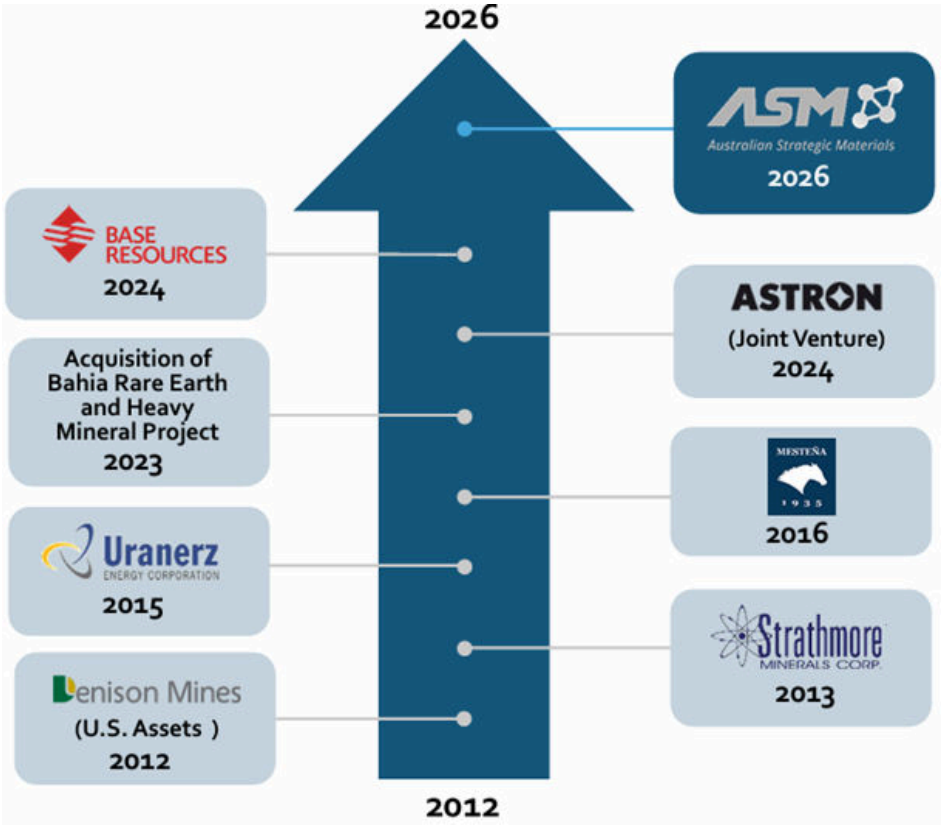
Source: Energy Fuels

Who is Energy Fuels?

Energy Fuels is a Denver-based, dual-listed (NYSE/TSX) critical minerals company. It is the largest uranium producer in the US. Its flagship facility is the White Mesa Mill in Utah, which is the only conventional (non-ISR) operating uranium mill in the US and also the only mill capable of processing monazite feedstock into separated rare earth oxides. Alongside uranium, White Mesa is currently producing light rare earths and piloting the production of heavy rare earths. EF has a strong balance sheet, with a Sept 30, 2025 cash balance of US$94m, in addition to this it has recently issued a US$700m convertible bond with an interest rate of 0.75%, boosting its cash balance materially.

EF has a proven tack record of value accretive M&A. Since 2012 EF has made a number of acquisitions in the Uranium and Mineral Sands sectors, delivering market capitalisation growth from US$34m to over US$5bn.

Figure 4: Energy Fuels M&A driving growth

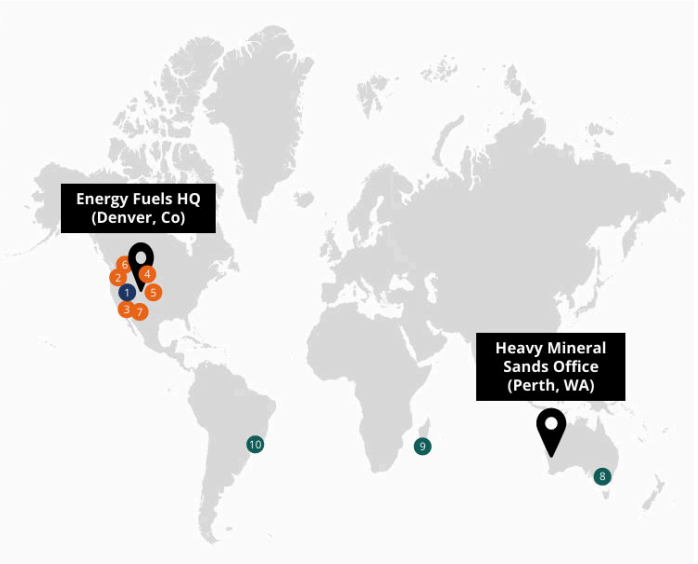


Source: Energy Fuels

In recent years, EF has rapidly expanded its uranium production, lifting from 158klbs finished U3O8 production in 2024 to over 1Mlbs in 2025, with mined production in 2025 totaling over 1.6Mlbs. It is on track to deliver mined production in excess of 2Mlbs in 2026. This production base is supported by the White Mesa mill and the Pinyon Plain and La Sal mining operations. These are complemented by additional uranium operations at the development and permitting stage. The White Mesa mill has existing capacity of 6Mlbs pa.

Figure 5: EF Asset Overview

	Asset	Location	Interest	Stage	Commodity
Uranium, rare earth & vanadium processing					
1	White Mesa Mill	Utah, US	100%	Processing Facility in Production	Uranium, REEs, Vanadium
Uranium & vanadium focus					
2	La Sal Complex	Utah, US	100%	Production	Uranium, Vanadium
3	Pinyon Plain	Arizona, US	100%	Production	Uranium
4	Nichols Ranch	Wyoming, US	100%	Standby	Uranium (ISR)
5	Sheep Mountain	Wyoming, US	100%	Development	Uranium
6	Bullfrog	Utah, US	100%	Permitting	Uranium
7	Roca Honda	New Mexico, US	100%	Permitting	Uranium
Heavy mineral sand & rare earth focus					
8	Donald	Victoria, Australia	Up to 49% JV interest	Permitted/Pre-Construction	Monazite, Ilmenite, Zircon, Rutile, Leucoxene
9	Vara Mada [1]	Madagascar, Africa	100%	Government Approvals; Development	Monazite, Ilmenite, Zircon, Rutile
10	Bahia	Southern Bahia, Brazil	100%	Exploration / Permitting	Monazite, Ilmenite, Zircon, Rutile



Source: Energy Fuels

White Mesa on a rare earths growth path

With the White Mesa mill incorporating the necessary solvent extraction technology to extract rare earths from monazite, the company has actively sought to diversify its production base into rare earths and mineral sands The company has secured monazite feedstock sources through a number of transactions, while at the same time established its technical capability to separate rare earths at White Mesa. The current Phase 1 operation has capacity to deliver 1ktpa of NdPr oxides.

In January 2026 it released a BFS for a Phase 2 expansion plan for the White Mesa Mill:

- Initial Capital Cost: US$410m
- First Production: Q1 2029
- Processing Capacity: 50,000t of monazite concentrate per year
- Production:
  - NdPr 6,000t (a 6x increase from current Phase 1 capacity).
  - Dysprosium: 240 tonnes
  - Terbium: 66t
  - SEG Concentrate: 748 tonnes (Samarium, Europium, and Gadolinium).
  - Uranium Byproduct: 198,000lbs of U3O8

This plan involves separation of the uranium and rare earths operations at White Mesa and expansion of the rare earths processing capabilities.

Actively pursuing rare earths feedstock for White Mesa expansion

Aligned with its aim of becoming an integrated supplier of rare earth of products, the EF development strategy has involved the securing of feedstock for White Mesa EF through an aggressive acquisition track record, these include:

- **Bahia Project (Brazil):** Acquired in early 2023, this 100%-owned project provides a long-term source of monazite. It is at an earlier stage of development than the projects subsequently acquired by EF, working through exploration and permitting at present. EF has integrated the Base Resources to support development of Bahia.

- **Donald Project (Australia):** A joint venture with ASX listed Astron Corporation (ATR.ASX) was established in Sept 2024. Under the terms of the JV, EF is earning in up to 49% through contributing A$183m to financing Phase 1 of Donald, with a further payment of US$14m due upon FID. In 2025, Donald received final regulatory approvals and a conditional A$80m loan support from Export Finance Australia (EFA). The project is now securing financing following which FID is anticipated. Under the terms of the JV, EF has rights to 100% of the rare earth concentrate produced from Phase 1 and 2 of Donald over its full LOM (currently estimated at 58 years), Astron or other customers will purchase the mineral sands off the JV.
- **Vara Mada Project (Madagascar):** As part of the 2024 acquisition of Base Resources, Vara Mada adds significant scale to the EF monazite and mineral sand portfolio. Base's Kwale mineral sands asset in Kenya was mined out by December 2024 only months after the acquisition, the focus for EF was very much Vara Mada. A feasibility study was released for the project in January 2026, highlighting a large-scale, low cost, operation, with a US$1b capex. First production is anticipated by late 2028, to coincide with the Phase 2 expansion of the White Mesa Mill scheduled for early 2029.

ASM adds the downstream - Stronger together

With a broad asset base in place to supply feedstock, and proven separation capacity at White Mesa, the final step for EF in its mine-to-metals strategy is to secure mid-stream metallising and alloying capability. The ASM acquisition delivers a proven solution. The combined group becomes a more meaningful player in the US rare earths supply chain, and the only player with proven capabilities in both rare earth separation as well as metallisation and alloying.

Valuation: SOTP A$2.28

We have made no changes to our valuation at this point. We recognise that valuation drivers now shift primarily to the EF share price, rather than ASM's progress with its asset base, rare earths prices are also now less of a short-term share price driver given EF's uranium operation. We see our fundamental valuation as reflecting the longer-term upside on offer through the combined entity, and with an ongoing positive view on both uranium and rare earths, we have not amended our valuation.

Figure 6: 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

- **Completion of EF Acquisition:** This now becomes the key catalyst for ASM. ASM is currently trading at a discount to the implied valuation based on the current EF share price and AUD. Risk around the transaction will narrow with FIRB approval (likely early Q2), however, we do not see this as a material risk. Beyond this, the shareholder vote is the key requirement for the acquisition to proceed, this is likely to take place in May/June.

We include the below as the near-term operational catalysts for ASM, but these are now unlikely to materially move the share price.

- **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 during H1 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 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.
- **KMP feedstock supply:** Feedstock for sales to date has been sourced from existing plant inventory and oxide suppliers in North America, Australia and the EU. Continuing to broaden this portfolio will support ongoing de-risking of production growth for KMP.
- **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 during H1 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. Assuming the EF acquisition completes, this would also be a positive for the Dubbo ECA opportunities, particularly with US EXIM.

Key Risks

- **Acquisition Completion:** If the acquisition fails to proceed there is likely to be negative share price reaction.
- **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. Assuming the EF acquisition completes, this would potentially derisk Dubbo funding. EF has a strong balance sheet and access to deep US capital markets to fund its project pipeline. White Mesa can also offtake an oxide precursor product (e.g. MREC) which could further reduce the Dubbo capex.
- **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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