

14 January 2022

Astro Provides General Market Update

Key Highlights

- > **Astro to spin-off its diamond project and entitlement offer to be given to Astro shareholders in the IPO**
- > **Astro in discussions with a Nevada-based gold exploration company regarding a potential strategic alliance**
- > **Planning progressed for the drill programme to update the Jack Track resource**
- > **Interest being shown by various parties in the Governor Broome project**
- > **Cash reserves sufficient for the Needles project drill campaign**

Astro Resources NL (ASX:ARO) (“**ARO**”, “**Astro**” or “**the Company**”) is pleased to announce the following:

Diamond spin-off

The Company has been in discussions with several parties on spinning off its diamond project. The spin-off will be in the form of an initial public offering (“IPO”) on the Australian Securities Exchange (“ASX”) and will comprise Astro’s East Kimberly project, together with a collection of other projects in Australia and potentially overseas.

The Board believes that the spin-off into a special purpose vehicle that is dedicated to diamonds, with a clear focus and its own management team, is in the best interests of Astro’s shareholders in creating value.

It is envisaged that the spin-off will occur via Astro’s recently incorporated subsidiary, Argyle Resources Limited (“Argyle”). Astro shareholders will be provided a priority allocation in the IPO. Astro will retain a minority shareholding in Argyle based on the value of its East Kimberly project.

The Company is planning to complete and finalise the IPO, including a fund-raising process by the end of quarter 2/early quarter 3 of the 2022 calendar year. The IPO will be subject to Argyle meeting the conditions of admission set by the ASX.

The proposed spin-off is subject to ASX approval that the transaction is in compliance with Chapter 11 of the Listing Rules, including any requirement for shareholder approval (if required by ASX).

The Company will provide further particulars on the assets to form part of the IPO as plans for the proposed spin-off progress.

Nevada investment opportunities

During the Company's drilling campaign at the Needles Project, the Board and management of Astro engaged with a number of companies on further investment opportunities in Nevada.

The discussions have included a potential strategic alliance with Pediment Gold LLC ("Pediment"), a wholly owned subsidiary of Nevada Exploration Inc (listed on the TSX-V), to provide a partnership framework for the purpose of working together to identify, review, and advance epithermal gold targets in Nevada.

At this stage, the likely terms of a transaction with Pediment would involve Astro contributing approximately US\$1.5 million or A\$2.0 million over a two-year period to earn a 70% interest in a special joint venture company ("SPV"), and Pediment holding the balance 30% interest in return for contributing one or more of its current or future epithermal gold targets. The SPV would be expected to hold a 90% (Pediment would own the other 10%) to 100% interest in projects advanced under the alliance. Present discussions have been around Pediment's gold project in Slumbering Hills, Humboldt County, Nevada, but no project has been agreed.

At the end of the two-year period, Astro would be able to review its position in the SPV, with one of the options available to Astro being to terminate. Alternatively, it is anticipated that Astro may remain in the SPV but elect not to participate in future funding of the joint venture and thereby dilute its interest in the SPV, or Astro may elect to continue to provide some level of funding having regard to the exploration results achieved by the end of the two-year period and the business plan and funding requirements of the SPV having regard to those results (as determined by the board of the SPV). The decision of whether or not to terminate, remain in the SPV, or participate in future funding of the SPV (including, if applicable, the funding level) will be at the absolute discretion of the Astro Board.

Astro is expected to have board control of the SPV during the two-year period, while Pediment will provide the operational and project generation support for the SPV as the main operator of the SPV's projects.

Pediment has an experienced technical team located in Reno, Nevada, which Astro believes could help support the Company's work at Needles. The proposed alliance and investment in the SPV is expected to be complimentary to the Needles Project.

Based on the below analysis, the Company's view is that an investment of A\$2.0 million in the SPV will not result in a significant change in the nature or scale of the Company's activities for the purposes of Chapter 11 of the ASX Listing Rules:

Item	Amount shown in FY2021 audited accounts (million)	Change in %
Total assets	A\$8.8	22.7%
Revenue	-	-
Net profit before tax	-	-
Consolidated equity	A\$8.5	-
Total number of shares on issue	3,764.2	-

Negotiations in relation to the proposed transaction remain incomplete and subject to:

- due diligence and final Board approval;
- legal documentation; and
- regulatory approval, including compliance with Chapter 11 of the Listing Rules (in particular, shareholder approval if required by ASX).

Further updates on the proposed transaction, including the expected time frame for its completion will be provided as and when available.

Governor Broome Mineral Sands Project

The Company has been continuing its drill planning work for the proposed resource upgrade in the Jack Track deposit, which sits within the Company's Governor Broome Mineral Sands project. This work has included obtaining land access agreements and other permits. The Company has also been completing certain aspects of the transaction, including the payment of the Western Australian stamp duty on the acquisition of the Jack Track deposit.

In addition to the above, the Company has had a number of approaches from third parties in relation to funding, joint venture opportunities and possible sale of its Governor Broome Project. These discussions are in all a very early stage, with parties in an exploratory stage of dialogue. The Company will provide further updates as and when available.

Cash and capital raising

As at 31 December 2021, the Company had a cash balance of \$869,901. All payments to third parties are largely up to date, with the exception of the amount owing to the Company's drilling company for work done on drill hole number 2 in the Needles Project. No invoice has been issued for the work undertaken on drill hole 2.

The Company's existing cash reserves are considered to be sufficient in meeting the balance outstanding for the Needles Project drill campaign.

Based on a high level review of its cash requirements, including the Nevada Project drill campaign, the Board considers that further funding will be required for the forthcoming Jack Track drilling campaign. Accordingly, the Company will be engaging with interested parties with respect of a future placement of shares to provide the Company with further funding for its activities. Further details of any proposed capital raising will be communicated to shareholders, as and when they are confirmed.

BOARD APPROVAL

This announcement has been approved by the Board of Astro.

ENDS

More Information

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