

19 September 2022

MARKET UPDATE

Astro Resources NL (**ARO** or **the Company**) advises the following updates:

Acquisition of Georgina Basin Project and Share Placement

The Company has substantially agreed with Greenvale Mining Limited (**Greenvale** or **GRV**) the definitive legal documents for ARO's acquisition of 80% of the shares in Knox Resources Pty Ltd, which is the 100% owner of the Georgina Basin IOCG project (**Transaction**).

The terms of the Transaction remain substantially in line with that announced on 1 June 2022, with the exception that Greenvale has advised that one of its two proposed nominees to the ARO Board, Mr Neil Biddle, will not be joining the ARO Board or participating in ARO's share placement. ARO and GRV have also agreed to Greenvale having a period of 12 months after completion, to appoint an additional Director to the Board of ARO if desired.

Accordingly, it is expected that:

- on completion of the Transaction and subject to ARO shareholder approval, the ARO Board will be joined by one GRV nominee, Mr Anthony Leibowitz, consistent with the Company's announcement on 1 June 2022 (**June Announcement**);
- Mr Leibowitz will be personally taking up \$250,000 in ARO shares under the second tranche of the Company's share placement, out of the \$500,000 originally anticipated to be allocated to him in the June Announcement. However, Mr Leibowitz intends to assist the Company in raising the balance (or more) \$250,000 of that \$500,000 from other sophisticated investors; and
- as a result, the minimum amount sought to be raised under the placement is now expected to reduce from \$2.25 million to \$1.75 million.

A Notice of General Meeting of ARO shareholders has been well advanced and is expected to be finalised for dispatch to shareholders during the course of September. The General Meeting is expected to occur in October 2022.

Joint Venture to increase Lithium Portfolio

The Company has entered into a non-binding letter of intent with an unlisted Canadian public company known as Luna Lithium Limited (**Luna**) to form a joint venture entity to be called "Galactic Lithium, LLC" upon its incorporation (**Galactic**). The parties are currently finalising long form documentation.

Galactic is to be owned 50% by ARO and 50% by Luna. The joint venture is for an initial term of two years, with a right to extend for a further period provided that both parties mutually agree. ARO is to have 2 out of the 3 board seats in Galactic.

The purpose of the joint venture is to source, identify and explore lithium brine and lithium clay assets across the United States of America (**USA**). ARO is to provide the technical skills and support, whilst Luna is expected to provide on ground management of any projects, together with identification and sourcing of new projects. ARO and Luna are expected to fund the exploration and other maintenance costs of Galactic in proportion to their respective shareholding in Galactic (initially, 50/50).

It is proposed that initially:

- each of ARO and Luna will contribute US\$500,000 to fund the first year of Galactic's expenditure;
- ARO will transfer its interest in the Kibby Basin to Galactic, at no cost to Galactic; and
- Luna will transfer its option to acquire unpatented placer mining claims encompassing approximately 40% of a lithium brine project located in Nevada, USA (**Columbus Basin Project**), also at no cost to Galactic.

It is Luna's desire to renegotiate its option agreement into an outright acquisition of the project, prior to its transfer to Galactic, and has entered, along with ARO, a non-binding heads of agreement to this effect with the current owners of the project, Ms Barbara Anne Craig in her personal capacity and in her capacity as executor for the Estate of the Late Robert L Craig and Ms Elizabeth Dickman, each of whom are unrelated to the Company or Luna (**HoA**). However, a dispute has since arisen between Luna and the current owners regarding the commercial terms of the HoA. At this stage, Luna and the current owners are seeking to negotiate new terms with respect to the outright acquisition of the Columbus Basin Project, which if successfully concluded, will replace the existing HoA and resolve the disputes between the parties. ARO will update the market as necessary as those negotiations progress.

Notwithstanding the uncertainty arising from the above, Astro and Luna have agreed to continue with finalising the Galactic joint venture based on the above terms, including, if necessary, excluding the Columbus Basin Project. The parties continue to review a number of other projects across various states in the USA for the joint venture. As stated above, the parties will initially commit to the joint venture for two years. There is no commitment by either party to fund the second year of Galactic's expenditure. If the joint venture shows promise and the Board decides to commit further funds in the second year, this is not expected to exceed US\$700,000.

Diamond spin-off

The Company continues to work on the proposed spin-off of its East Kimberly Diamond project, as part of a collection of other assets to be acquired (as discussed below). The Company's wholly owned subsidiary, Argyle Resources Limited (**Argyle**) is expected to be the spin-off vehicle that will list on the ASX.

As previously announced, the Company has secured a non-binding option over a number of projects in Western Australia, New South Wales and Brazil. All of the projects have been undergoing a detailed review by an independent consulting firm as part of the Company's due diligence process. Following satisfactory completion of this process, the Company will work towards finalising the relevant acquisition agreements, which will be entered into by Argyle as the acquirer.

Apart from finalising terms with the external owners of the various projects, the proposed listing of Argyle remains subject to shareholder approval, in-principle ASX approval, satisfaction of the ASX admission requirements and the successful completion of a public fund raising to raise a minimum of \$8,000,000 (before costs).

Further details will be advised as soon as they become available.

Authorisation

This announcement has been authorised for release by the Board of Astro.

More Information

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