

## UPDATE ON THE GYMENY ACQUISITION AND RIGHTS ISSUE

### Highlights

- Proposed 2:1 first renounceable rights issue at 1 cent per share to raise approximately \$2.2 million to fund transaction costs and pay out the Convertible Notes – rights issue to also include an attaching option with a 1 cent exercise price and a three year expiry date
- Demerger of the Mineral Assets into an unlisted public company for registered shareholders immediately post the first rights issue
- Astro board to appoint 2 new representatives of Gymeny post shareholder approval
- Share consolidation of 20 existing shares for 1 existing share
- Second rights issue to raise of \$3 million at 1 cent per share (20 cents post consolidation) with one attaching option with an exercise price of 1 cent (20 cents post consolidation) and a three year expiry date

---

Astro Resources NL (ASX: ARO or the Company) is pleased to provide the following update in respect of the proposed acquisition of 100% of the issued capital of Gymeny Pty Ltd ("**Gymeny**").

### 1. Background

As announced on 12 November 2015, Astro has signed a non-binding heads of agreement ("**HoA**") to acquire 100% of the issued capital of Gymeny. The consideration for the acquisition will be satisfied by way of an issue of equity in Astro ("**Acquisition**").


The Acquisition will result in a change in the nature and scale of Astro's activities and will require shareholder approval under Chapter 11 of the ASX Listing Rules. Astro will also be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules and to obtain conditional approval from the ASX to have its securities re-admitted to the official list of the ASX ("**Back Door Listing**").

### 2. Board and management changes

Upon completion of the Acquisition, Mr David Astill will join the board of Astro ("**Board**").

Mr David Astill holds a Bachelor of Laws and is admitted as a solicitor of the Supreme Court of Queensland and High Court of Australia. David is a Legal Practitioner Director of the Astill Legal Group, which has been in operation for over forty years and retains active panel appointments with major banks and corporations in Australia.

During the last ten years, David has built a strong Corporate Advisory and Governance practice and has provided advice on strategic matters, project planning and management for major transactions. David's experience extends to capital markets, mergers and acquisitions and corporate restructuring, and has acted on transactions and capital raisings



(equity and debt) across various sectors for many listed and unlisted companies in Australia.

David is a Non Executive Director of Incipient Holdings Ltd, a boutique merchant banking firm with investments spanning technology, telecommunications, mining and petroleum and is responsible for governance and the oversight of corporate actions.

Under the terms of the HoA, the sellers of Gymeny are entitled to one other representative to join the Board. Further details of the proposed appointee will be made available as soon as possible.

It is envisaged that upon the completion of the Acquisition that Messrs. Jacob Khouri and Michael Povey will resign from the Board. Mr Graham Libbesson will continue as an independent Non Executive Director of the Board.

### 3. Immediate rights issue

Astro will soon undertake a 2:1 renounceable rights issue of ordinary shares of Astro (Shares) to all current shareholders to raise approximately \$2.2 million.

The majority of funds raised under this rights issue will be used:

- (a) to repay existing unsecured loans and convertible notes (\$1.5 million);
- (b) to fund transaction expenses through to Astro obtaining shareholder approval for the Acquisition (\$0.5 million); and
- (c) for general working capital purposes and to maintain Astro's existing mining business (\$0.250 million).

Eligible shareholders of Astro will be able to subscribe for 2 new Shares for every Share held as at the record date at an issue price of \$0.01 for each new Share, plus for each new Share subscribed for, one attaching option with a \$0.01 exercise price and a three year expiry date ("**First Option**"). By way of example, if a shareholder held 100,000 Shares at the record date, its entitlement would be to 200,000 new Shares and 200,000 First Options.

The announcement, timetable and details of the immediate rights issue will be disclosed as soon as they are finalised.


### 4. Internal Restructure and Demerger

#### *Current mining assets*

The Board of Astro has undertaken a review of its two mineral related assets, that is, Governor Broome (which includes the Iluka Farm-in and joint venture arrangement – Iluka JV) and the East Kimberly Diamond project (together, the "**Mineral Assets**").

#### *Internal Restructure & Incorporating Astro #2*

As a result of this review, the Board has determined that it would be in shareholders' best interests to have the Mineral Assets spun off into a special purpose unlisted public



company (“**Astro #2**”). This internal restructure will involve a number of internal share transfers and commercial arrangements being implemented to move the Astro’s existing subsidiaries and the Mineral Assets to Astro #2.

This will enable Astro #2 to focus on the Mineral Assets and Astro to focus on the Gymany technology business and creating a clear divide between these 2 very different businesses.

The Board believes, at least in the short term, that given:

- the costs of listing a new vehicle and the ongoing costs of a listed entity;
- the uncertainty of the potential results that may arise from the Iluka JV; and
- the historical poor liquidity of ARO securities over the last three years,

an unlisted public company structure would be the most appropriate structure at this point in time.

Any decision in relation to a future listing of the unlisted public company will be made once further work is undertaken on the Iluka JV and further results from the recent drilling of the East Kimberly Diamond project have been analysed.

### Demerger

Following the internal restructure, the Board recommends shareholders vote in favour of the demerger of Astro #2. The demerger will simplify Astro and should unlock shareholder value.

It is intended that the demerger will be effected through Astro providing shares in Astro #2 to Eligible Shareholders [that is, all those persons who are shareholders on the register at the relevant record date which will be after the completion of the first (immediate) rights issue] of Astro by way of an in-specie distribution (exact form of the distribution to be determined but it is likely to be either a dividend or return of capital) and proportional to each Eligible Shareholder’s existing shareholding in Astro as at the Record Date.

Part of proceeds of the \$750,000 funds raised from the first (immediate) rights issue of \$250,000 will also be allocated to Astro #2 as part of the internal restructure. The objective of the internal restructure is to ensure that Astro #2 owns all the relevant mining companies, assets, rights and operating liabilities relating to the mining businesses and Astro only retains the Gymany business.

The implementation of the demerger will be subject to a number of conditions being satisfied or waived. This will include:

- Astro shareholder approval (approval for the demerger will be sought at the same time as approval for the Acquisition);
- completion of internal restructure;
- Astro Board declaring the in-specie dividend or return of capital;
- all relevant regulatory approvals being obtained; and

- no event occurring prior to the distribution of Astro #2 shares which would render the distribution unlawful.

### Astro #2 Board of Directors

It is expected that the Board of Astro will also comprise the Board of Astro #2. There will be no nominees of Gymany on the board of Astro #2. That is, the initial composition of the Astro #2 Board following the demerger will be:

Name	Position
Jacob Khouri	Chairman non-executive director
Michael Povey	Executive Director
Graham Libbesson	Independent non-executive director

## 5. Consolidation

The share capital of Astro will be consolidated on the basis of one new Share for every 20 existing Shares held after the second rights issue. The approval for the consolidation will be incorporated as part of the Acquisition and Demerger approvals.


## 6. Second Rights Issue

Following the first (immediate) rights issue and demerger, Astro intends to conduct a second rights issue under a prospectus to raise an additional \$3 million at a consolidated price of \$0.20 per share (post consolidation) plus one option with an exercise price of \$0.20 (post consolidation) for every new share subscribed to under the second rights issue and a three year expiry date. The funds raised from the second rights issue will be used to fund the ongoing operations of the Gymany business.

## 7. Indicative capital structure of Astro upon completion of the Acquisition

Set out below is a capital structure pre and post consolidation:

	Pre consolidation number of Shares	Post consolidation	Percentage
Actual as at 30 June 2015	34,902,097	1,745,105	2.3%
Shares Issued on Conversion of Loans	12,776,451	638,823	0.8%
Shares Issued on Conversion of Convertible Notes	62,687,368	3,134,368	4.1%
<b>Total shares on issue as at 15 December 2015</b>	<b>110,365,916</b>	<b>5,518,296</b>	<b>7.3%</b>
Shares Issued in Conjunction with the First Rights Issue	220,731,829	11,036,591	14.6%
Shares Issued in Conjunction with the Second Rights Issue	300,000,000	15,000,000	19.8%
Consideration Shares Issued on Acquisition of Gymany Ltd	885,416,667	44,270,833	58.4%
<b>Pro-Forma</b>	<b>1,516,514,412</b>	<b>75,825,721</b>	<b>100.0%</b>




Depending upon the level of take-up in the number of new Shares for each rights issue by shareholders apart from Mining Investments Limited (“**Mining Investments**”) an existing substantial shareholder and the major financier of Astro, the relevant shareholding percentage and voting power (ignoring the impact of the First Options and Second Options) for Mining Investments would be:

- i. at the completion of all of the transactions (including the Acquisition and demerger and first and second rights issue:
  - a maximum of 38.9% assuming no other shareholder participated in either the first and second rights issue; and
  - a minimum of 25.8% assuming all of the shareholders participated in the first and second rights issue to the maximum extent; and
- ii. for the purposes of Astro #2, Mining Investments shareholding percentage would be:
  - a maximum of 87.3% assuming no other shareholder participated in the first (immediate) rights issue; and
  - a minimum of 62% assuming all of the shareholders participated in the first rights issue to the maximum extent.

## 8. Indicative timetable

Set out below is the indicative timetable:

Event	Date
Complete due diligence	29 January 2016
Signing of Sale and Purchase Agreement with Gymeny shareholders	1 February 2016
Lodge notice of meeting with ASIC and ASX	15 February 2016
Despatch notice of meeting and Explanatory Memorandum for Backdoor Listing, Share consolidation, change in company status from a “NL” to “Limited”, including a change in Constitution and Demerger	29 February 2016
Shareholders Meeting to approve Acquisition, Backdoor Listing, change in company status from a “NL” to “Limited”, including a change in Constitution Share consolidation and De-merger	30 March 2016
Suspension of Trading	31 March 2016
Demerger implementation	5 April to 8 April 2016
Lodgment of Prospectus for second rights issue	11 April 2016
Closing Date of Prospectus Offer	27 April 2016
Share consolidation	30 April 2016
Completion of Acquisition and Issue of Astro Shares under the Second Rights Issue	29 April 2016
Listing of all shares	3 May 2016



A separate announcement will be issued shortly in relation to the first rights issue, including timing.

## **9. Pro forma balance sheet**

The pro-forma balance sheet is set out in **Appendix 1**. Shareholders note the implications arising from the Acquisition for the pro forma balance sheet and in particular, that it will be treated as a reverse acquisition. Under Australian Accounting Standards, this means that for accounting purposes, Gymeny and its shareholders will be treated as the entity that has acquired Astro, as opposed to the legal approach where Astro has acquired Gymeny.

The key differences in accounting will be:

- that no amount for intangible assets will arise; and
- calculation of “future earnings per share” will be based on Gymeny capital structure, post acquisition and not Astro’s.

Overall, the change in accounting should not affect the way in which future earnings are determined.

Notwithstanding the above, one of the key advantages of the reverse acquisition accounting will be that there will be a minimal value for intangible assets which reduces the risk of any impairment charge to profit in the future.

**Vince Fayad**

**Company Secretary**

Email: [vfayad@pkf.com.au](mailto:vfayad@pkf.com.au)

Mobile: 0414 752 804



## Appendix 1 – Pro forma Balance Sheet

	As at 30 June 2015 (Audited)	Impact of Post 30 June 2015 Transactions [(Note 1(a) to (d)]	Impact of Debt & Convertible Notes Conversion [(Note 1(d)]	Impact of First Rights Issue (Note 2)	Astro pre demerger	Effect of de- merger (Note 3)	Astro post demerger and before second rights issue and Acquisition	Impact of expanding of transaction costs (except second rights issue) (Note 4)	Astro pre Gymney acquisition	second rights issue (Note 5)	Gymney (Note 6)	RTO by Gymney of Astro (Note 6)	Pro-Forma
<b>Current Assets</b>													
Cash & Cash Equivalents	141,738	(33,000)	-	690,000	798,738	(250,000)	548,738	(687,500)	(138,762)	2,820,000	522,635	-	3,203,873
Trade & Other Receivables	70,313	-	-	-	70,313	-	70,313	-	70,313	-	-	-	70,313
Inventories	4,000	-	-	-	4,000	(4,000)	-	-	-	-	-	-	-
Other Assets	35,878	-	-	-	35,878	-	35,878	-	35,878	-	-	-	35,878
<b>Total Current Assets</b>	<b>251,929</b>	<b>(33,000)</b>	-	<b>690,000</b>	<b>908,929</b>	<b>(254,000)</b>	<b>654,929</b>	<b>(687,500)</b>	<b>(32,571)</b>	<b>2,820,000</b>	<b>522,635</b>	-	<b>3,310,064</b>
<b>Non-Current Assets</b>													
Financial Assets	4,000	-	-	-	4,000	-	4,000	-	4,000	-	-	-	4,000
Property, Plant & Equipment	150,000	-	-	-	150,000	(150,000)	-	-	-	-	-	-	-
Exploration, Evaluation & Development Assets	2,024,624	142,000	-	-	2,166,624	(2,166,624)	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-Current Assets</b>	<b>2,178,624</b>	<b>142,000</b>	-	-	<b>2,320,624</b>	<b>(2,316,624)</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	-	-	-	<b>4,000</b>
<b>TOTAL ASSETS</b>	<b>2,430,553</b>	<b>109,000</b>	-	<b>690,000</b>	<b>3,229,553</b>	<b>(2,570,624)</b>	<b>658,929</b>	<b>(687,500)</b>	<b>(28,571)</b>	<b>2,820,000</b>	<b>522,635</b>	-	<b>3,314,064</b>
<b>Current Liabilities</b>													
Trade & Other Payables	309,126	-	-	(49,824)	259,302	-	259,302	-	259,302	-	-	-	259,302
Borrowings	2,203,344	328,571	(1,207,421)	(1,324,494)	-	-	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>2,512,470</b>	<b>328,571</b>	<b>(1,207,421)</b>	<b>(1,374,318)</b>	<b>259,302</b>	-	<b>259,302</b>	-	<b>259,302</b>	-	-	-	<b>259,302</b>
<b>Non-Current Liabilities</b>													
Other Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Tax Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>2,512,470</b>	<b>328,571</b>	<b>(1,207,421)</b>	<b>(1,374,318)</b>	<b>259,302</b>	-	<b>259,302</b>	-	<b>259,302</b>	-	-	-	<b>259,302</b>
<b>NET ASSETS</b>	<b>(81,917)</b>	<b>(219,571)</b>	<b>1,207,421</b>	<b>2,064,318</b>	<b>2,970,251</b>	-	<b>399,627</b>	<b>(687,500)</b>	<b>(289,913)</b>	<b>2,820,000</b>	<b>522,635</b>	-	<b>3,054,762</b>
<b>Equity</b>													
Issued Capital	9,188,040	-	1,207,421	2,147,318	12,542,779	(2,570,624)	9,972,155	(137,500)	9,834,655	2,820,000	781,141	(8,596,530)	4,839,266
Reserves	1,678,652	-	-	(83,000)	1,595,652	-	1,595,652	-	1,595,652	-	53,449	(1,595,652)	53,449
Accumulated Losses	(10,948,609)	(219,571)	-	-	(11,168,180)	-	(11,168,180)	(550,000)	(11,718,180)	-	(311,956)	10,192,182	(1,837,954)
<b>TOTAL EQUITY</b>	<b>(81,917)</b>	<b>(219,571)</b>	<b>1,207,421</b>	<b>2,064,318</b>	<b>2,970,251</b>	<b>(2,570,624)</b>	<b>399,627</b>	<b>(687,500)</b>	<b>(287,873)</b>	<b>2,820,000</b>	<b>522,635</b>	-	<b>3,054,762</b>

**Note 1 - Impact of Post 30 June 2015 Transactions:** Pro-forma adjustments have been taken up to reflect the impact of the following:

- cash movements during the period 1 July 2015 to 30 September 2015 as reflected in the Quarterly Report dated 27 October 2015. There will be further changes to the Company's working capital position right up to the time of the approvals. However, provision of such information or estimate is not considered to be reliable at this point in time;
- loan funds received by the Company during October 2015 in the amount of \$100,000; and
- additional interest accrued on the Convertible Notes for the period 1 July 2015 to 31 December 2015 of \$128,571; and .
- on the 14 December 2015, the following convertible loans were converted into Shares of the Company:
  - \$150,000 loan plus due to Mr David Gibbs accrued interest and fees resulting in 12,776,451 ordinary shares being issued in the Company; and
  - Mining Investments Limited with a face value of \$750,000 plus accrued interest and fees resulting in 62,687,367 ordinary shares being issued in the Company

**Note 2 – Impact of First Rights Issue:** Pro-forma adjustments have been taken up to reflect the impact of the first rights of 2 for 1 to raise \$2.2 million to be settled as follows:

- cash in the amount of \$750,000; and
- the conversion of outstanding consulting fees and royalties, loans and convertible notes outstanding to related parties to Mining Investments Limited for the amount of \$1.5 million.

The conversion is \$0.01 per share plus the First Option in accordance with the terms of the proposed rights issue.



The number of Shares calculated for the first rights issue has been calculated as follows:

No of Shares prior to the First Rights Issue	110,365,915	(a)
Number of New Shares to be issued	2	(b)
Total number of New Shares	220,731,829	(c) = (a) * (b)
Number of Shares post first rights issue	<b>331,097,744</b>	(d) = (a) + (c)
issue price of a Share for the first rights issue	<b>0.01</b>	(e)
Total cash to be raised	<b>2,207,318</b>	(f) = (d) * (e)

Repay loans and interest ex Pure Steel Limited	344,814
Repay loans and interest ex Reliance Natural Resource Fund Pty Ltd	340,814
Repay loan ex Mining Investments	619,826
Repay loan and interest ex Carkaho Holdings Pty Limited	102,041
<b>Subtotal</b>	<b>1,407,494</b>
Partial repayment ex royalty subordination	49,824
<b>Total</b>	<b>1,457,318</b>

A pro-forma adjustment for costs equal to \$60,000, has also been taken up in relation to the above rights issue.

**Note 3- impact of the demerger** – this reflects the in specie distribution of the Mineral Assets using the carrying values in the 30 June 2015 financial statements and costs incurred subsequent to that date into Astro#2. Below are the assets expected assets to be transferred into Astro #2:

Cash	250,000
Inventories	4,000
Property plant and equipment	150,000
Exploration assets	2,166,624
	<b>2,570,624</b>

**Note 4 – Impact of the first rights issue transaction costs** Pro-forma adjustments have been taken up to reflect costs for:

- 6% in relation to the fund raising in relation to the first rights issue and Gymany transaction and such costs are a cost of equity and therefore charged to equity; and
- transaction costs for the first and second rights issue and Acquisition, of \$500,000 plus GST, which are to be incurred prior to the second rights issue and the Acquisition. These costs are expensed to the profit and loss account.

It should be noted that the above costs are incurred prior to the Gymany acquisition and therefore are pre acquisition to Gymany.

Set out below is a table summarising the total costs:

First Rights Issue	137,500
Acquisition Costs- charged to profit and loss	550,000
<b>Total transaction costs</b>	<b>687,500</b>





#### **Note 5 – second rights issue transaction costs**

Set out below is the impact of the second rights issue and associated transaction costs:

Rights issue	<b>3,000,000</b>
Issue price	0.01
Number of shares pre consolidation	300,000,000
Transaction costs	6%
Transaction costs	<b>180,000.00</b>
Total cash to be raised	3,000,000.00
Transaction costs	- 180,000.00
<b>Total second rights issue net of transaction costs</b>	<b>2,820,000.00</b>

**Note 6 – Impact of the Gymeny Acquisition:** The terms of the Acquisition are:

- the upfront consideration payable in the amount of \$17 million to be settled by the issue of 885,416,667 ordinary shares in Astro and
- the deferred contingent consideration payable in the amount of \$2.5 million which has been discounted by 50% to reflect the estimated present value of this component of the consideration;

Based on the above, Astro's capital structure immediately after completion of the first rights issue, de-merger and Acquisition would be as follows:

	<b>Number of Shares</b>	<b>%</b>
Actual as at 30 June 2015	34,902,097	2.3%
Shares Issued on Conversion of Loans	12,776,451	0.8%
Shares Issued on Conversion of Convertible Notes	62,687,368	4.1%
<b>Total shares on issue as at 15 December 2015</b>	<b>110,365,916</b>	<b>7.3%</b>
Shares Issued in Conjunction with the First Rights Issue	220,731,829	14.6%
Shares Issued in Conjunction with the Second Rights Issue	300,000,000	19.8%
Consideration Shares Issued on Acquisition of Gymeny Ltd	885,416,667	58.4%
<b>Pro-Forma</b>	<b>1,516,514,412</b>	<b>100.0%</b>

Given that Gymeny shareholders would own approximately 72.8% of Astro immediately after the completion of all transactions, but before the second rights issue this would be considered to be a reverse takeover or “**RTO**” for the purposes of Australian Accounting Standards – AASB3. Accordingly, under AASB3, Gymeny would be deemed to be the acquirer of Astro. This means that Gymeny and its shareholders would be “deemed” to be the holding company of Astro for the purposes of Accounting Standards.



Based on the above, Gymeny shareholders have notionally exchanged 27.2% (that is, 100% less 72.8%) of their shares to the Astro shareholders prior to the second rights issue. Below is a summary of the workings used to effect the fair value of the “Astro shareholding acquired by Gymeny shareholders” and the consideration paid, together with the elimination of the pre-acquisition capital, reserves and profits:

Gymeny shareholders have been deemed to have acquired			72.8%
Number of Astro shares on issue as at the date of the first rights issue			331,097,744
Notional number of shares issued			123,812,573
Assumed share price (pre consolidation) of Astro			0.01
<b>Fair value of shares issued to Astro</b>			<b>1,238,126</b>
Net assets of Astro pre the second rights issue and acquisition of Gymeny			( 287,873)
<b>Goodwill paid</b>			<b>1,525,998</b>
<i>Acquisition entry:</i>			
	<b>Pre acquisition share capital</b>	<b>Acquisition entry</b>	<b>Total</b>
Issued Capital	( 9,834,655)	1,238,126	- 8,596,530
Reserves	( 1,595,652)		- 1,595,652
Accumulated Losses	11,718,180	( 1,525,998)	10,192,182
<b>Net</b>	<b>287,873</b>	<b>- 287,873</b>	<b>-</b>

In determining the pro-forma adjustments relating to the Gymeny acquisition, the Directors have relied upon provisional estimates in accordance with Paragraph 45 of AASB 3 *Business Combinations*.