

QUARTERLY REPORT – 30 SEPTEMBER 2018

Astro Resources NL is an Australian-based mineral resources company focused on the commercial development and production of economically and environmentally sustainable mineral sands deposits, diamonds, gold and other minerals.

Highlights

- The Company has commenced preparations to carry out an infill air-core drill programme at Governor Broome in order to enable the upgrade of the Southeast Deposit from Inferred Resource status to Indicated Resource status. A drilling program of 160 20 metre holes is planned. No work was undertaken on the 20% owned Jack Track tenement.
- The Company announced the results of its IP/resistivity survey for its 100% owned Needles project.
- Progression of the diamond project, including:
 - acceptance of work programs by NTO group, facilitating field program to commence Q1 2019
 - temporary relocation of the HMC Plant to Kununurra for repairs
 - exploration modelling continued with acquisition of orthophotography and a digital terrain model
- The Company continues to draw upon Gun Capital Management loan facility and plans to undertake a placement.

The board of Astro Resources NL (**Astro** or the **Company**) (ASX: **ARO**) is pleased to release the quarterly report and appendix 5B for the period ended 30 September 2018:

Needles Project

The Company announced on the 4th October 2017 the completion of the property located in Nevada, United States “Needles Property”. The Needles Property is situated in northern Nye County, Nevada, approximately 127 kilometres (79 miles) by road east of Tonopah, approximately 336 road kilometres northwest of Las Vegas. The project area consists of mineral rights over one hundred thirteen (113) unpatented lode mining claims, covering approximately 2,335 acres.

Epithermal gold-silver deposits have been the largest producing deposits in northern Nye County since discovery of silver-rich veins in the Tonopah district in 1900, and numerous exploration programs for epithermal deposits are currently underway. The Round Mountain Mine is the largest producer in the district with over 20 million ounces of gold contained within the deposit and it has produced more than 373,000 kg (>12 million ounces) of gold and 311,000 kg of silver since 1907.

Immediately following the completion of the acquisition, the Company commenced work on the Needles Project and announced on 18 December 2017 details of that target generative field work via rock chip sampling identified a new high priority target zone with gold and silver mineralisation associated with altered intrusive trachyte/dacite dykes in an area approximately 1.2 km x 0.6 km within the main interpreted caldera.

During the quarter the Company announced on 10 August the results of its ground geophysics (IP/resistivity) survey. The key highlights from this program were:

- IP/Resistivity Survey delineated a circular feature interpreted to be a buried caldera;
- interpretation provides further strong evidence for bulk tonnage caldera-style low-sulphidation epithermal gold/silver mineralisation previously unidentified on the property; and
- coincident geochemistry, consisting of anomalous gold-silver-tellurium along the apparent edge of the caldera feature, strongly supports the postulated deposit model analogous to the world-class Round Mountain Mine.

The Company is in the process of planning the next steps for mapping and reconnaissance RC drilling program, initially at the south-eastern margin of the caldera feature. Further details of when this work will be undertaken will be announced in due course.

Governor Broome

About Governor Broome

Astro's Governor Broome Mineral Sands Project is located in the southwestern region of Western Australia. The project is broken up into two parts, R70/53, 100% owned by Astro Resources, and - R70/58 which is the subject to the Farm-in & Joint Venture Agreement with Iluka Resources Limited (see below for further details).

Governor Broome (excluding Iluka Joint Venture)

The R70/53 licence area contains Indicated and Inferred Mineral Resources (JORC 2012), details of which have been previously provided in the Company's quarterly activities and cash flow statement.

During the September 2018 quarter, the Company commenced preparations to carry out an infill air-core drill programme at Governor Broome in order to enable the upgrade of the Southeast Deposit from Inferred Resource status to Indicated Resource status. An Inferred Resource of 32 Mt @ 4.6% HM, (15% slimes and 12% oversize) has previously been reported for the Southeast Deposit (ARO ASX Announcement 12 February 2015). The upgrade in the resource category follows the Company's positive feedback from the preliminary study conducted by TZMI.

The drilling programme comprises approximately one hundred and sixty (160) 20-metre holes. It is expected that the programme will commence in mid to late November. A programme of work has been lodged with the West Australian Department of Mines, Industry Regulation and Safety. An Activity Notice has been issued to the South West Aboriginal Land and Sea Council. It is planned to carry out a mineralogical study of the intersected heavy mineral mineralisation.

Iluka Joint Venture

The Jack Track are is located on Retention licence - R70/58 and is in the SW region of Western Australia. It is the subject to Farm-In and Exploration Joint Venture Agreement ("**Iluka JV**") between Iluka Resources Limited (80%) and Governor Broome Sands Pty Ltd (20%), a wholly owned subsidiary of the Company. Exploration drilling by Iluka has delineated a heavy mineral ("**HM**") sands resource within the licence, in an area known as the "Jack Track" deposit.

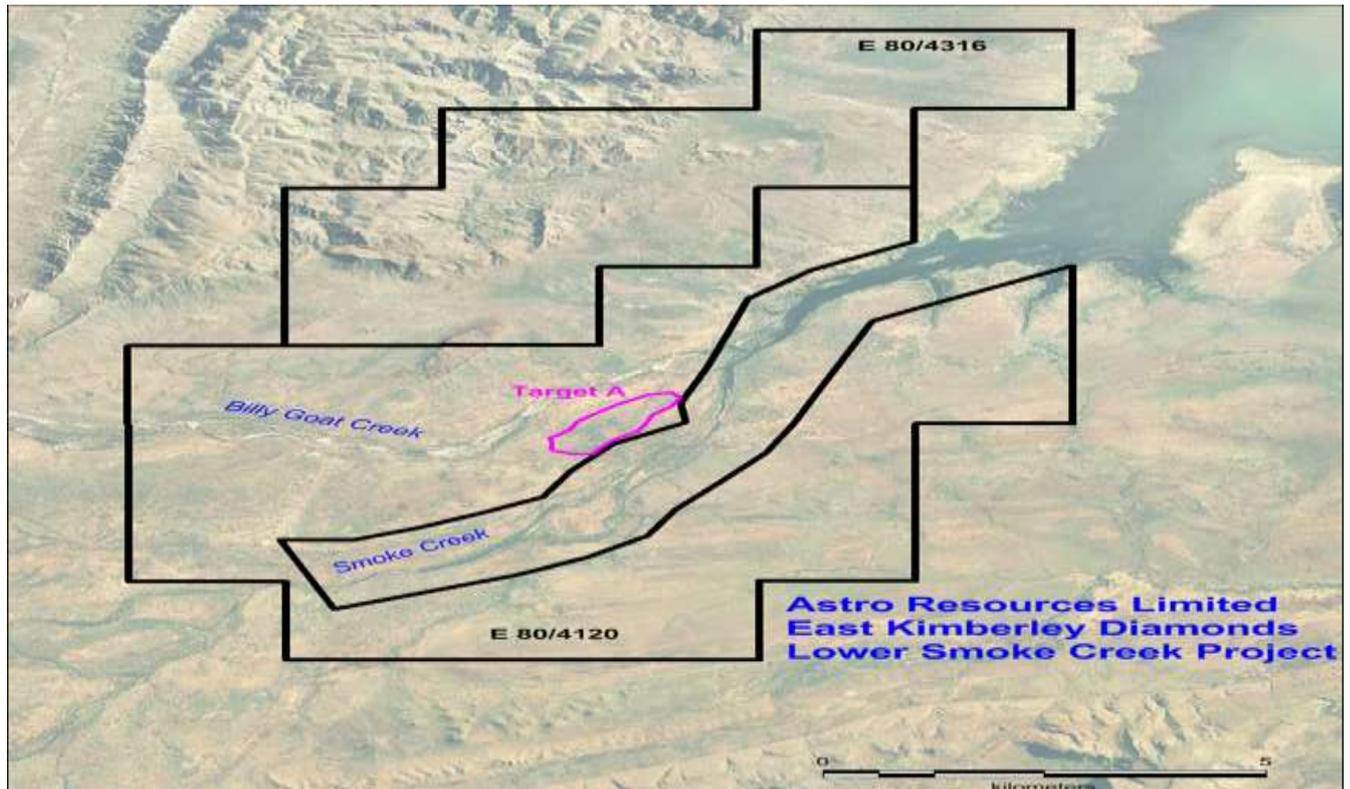
The Company has previously announced a Maiden Inferred Mineral Resource of 18.8 Mt @ 4.7% HM at a 3.0% HM lower cut-off grade, a resource estimated in accordance with the guidelines outlined in the JORC Code (2012) for the reporting of Exploration Results, Mineral Resources and Ore Reserves.

No activity was undertaken during the quarter for the Iluka JV.

East Kimberley Diamonds

The Company holds the Lower Smoke Creek (E80/4120) and the Carr Boyd (E80/4316) exploration licences that adjoin the Argyle, and the former Bow River Diamond Mines within the East Kimberley region of Western Australia (**Diamonds Project**).

Figure 1 is a map of the Diamonds Project:



The Company undertook the following activities during the quarter:

- ongoing liaison with the local NTO group resulting in a protocol for ongoing work on the project. On ground work is expected to commence in March-April 2019;
- movement of the HMC plant to Kununurra for refurbishment prior to test work in 2019;
- development of the project exploration model with a focus on the geology of the alluvials in preparation for mapping and sampling. The focus is the gravels previously identified by geophysical techniques (Target A) and extending that survey work; and
- orthophotography and associated terrain model acquired to supplement the database and provide baseline information.

Corporate Matters

Debt facility and funding

As previously announced, the Company has entered formal loan agreements with Gun Capital Management Pty Ltd for a working capital facility of up to \$700,000. This facility is in addition to the other facilities totalling \$1,042,047 (including capitalised interest) previously. As at 30 September 2018, the Company has drawn \$85,000. The Company has since 30 September 2018 continued to draw on this facility and a further \$215,000 has been drawn.

Placement

The Notice of Meeting has been despatched to shareholders and included in the resolutions is the provision of 165 million shares to be issued. The Company will be looking to place these shares in order to assist it in meeting its ongoing objectives, outlined above.

Cash flow

The cash flow from operations benefited from the continued support from Directors during the quarter not receiving payment for their services.

Stamp duty liability

As announced on the 9th January 2017, the Company has received a draft assessment for stamp duty for an amount of approximately \$166,000. No update has been received from the Office of State Revenue.

ENDS

For enquiries, please contact:

Vince Fayad

Director and Company Secretary

P: +61 28046 2799

M: +0414 752 804

E: vince.fayad@vffassociates.com.au

The information in this report as it relates to Mineral Resources and Exploration Targets for the Governor Broome Deposit (excluding that of the Iluka JV) is based on information compiled by John Doepel, a Director of Continental Resource Management Pty Ltd (CRM), who is a member of the Australasian Institute of Mining and Metallurgy. Mr Doepel has sufficient experience in mineral resource estimation relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Doepel consents to the inclusion in this announcement of the information in the form and context in which it appears.

The information in this report as it relates to Iluka JV is based on information compiled by Shaun Seah under the review of Brett Gibson who is a member of The Australian Institute of Geoscientists and a full time employee of Iluka. Brett Gibson has sufficient experience which is relevant to this style of mineralisation to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and consents to the inclusion in the report of the information in the form and context in which it appears.

The information in this report that relates to Exploration Results for the Needles Property is based on information compiled by Charles Straw, a Director of Centric Minerals Management Pty Ltd. Mr Straw is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person under the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Straw consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

The information in this report as it relates to Exploration Results for the East Kimberley diamond deposits is based on information compiled by Greg Bromley who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Bromley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and are qualified as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Bromley consents to the inclusion in the report of the information in the form and context in which it appears.

List of tenements as at 30 June 2018

| Holder | Project | Lease | Location | Lease Status |
|--|-------------------|--|-------------------------|--------------|
| Governor Broome | Governor Broome | Retention Licence R70/53 (formerly E70/2372) | Nannup - Southern WA | Granted |
| Governor Broome (20%), Iluka Resources Limited (80%) | Governor Broome | Retention Licence R70/58 (formerly E70/2464) | Nannup - Southern WA | Granted |
| East Kimberley Diamond Mines | Lower Smoke Creek | E80/4120 | Kimberley - Northern WA | Granted |
| East Kimberley Diamond Mines | Carr Boyd Range | E80/4316 | Kimberley - Northern WA | Granted |
| Governor Broome | Governor Broome | P70/1584 | Nannup - Southern WA | Granted |
| Needles Holdings | Needles | | Nevada - USA | Granted |

Astro Resources NL

ABN

96 007 090 904

Quarter ended ("current quarter")

30 September 2018

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | | |
| 1.2 Payments for | | |
| (a) exploration & evaluation | (30) | (30) |
| (b) development | - | - |
| (c) production | - | - |
| (d) staff costs | - | - |
| (e) administration and corporate costs | (50) | (50) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Research and development refunds | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (80) | (80) |

| | | |
|--|---|---|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | - | - |
| (b) tenements (see item 10) | - | - |
| (c) investments | - | - |
| (d) other non-current assets | - | - |
| 2.2 Proceeds from the disposal of: | | |
| (a) property, plant and equipment | - | - |
| (b) tenements (see item 10) | - | - |
| (c) investments | - | - |
| (d) other non-current assets | - | - |
| 2.3 Cash flows from loans to other entities | - | - |
| 2.4 Dividends received (see note 3) | - | - |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 2.5 Other (provide details if material) | - | - |
| 2.6 Net cash from / (used in) investing activities | - | - |

| | | |
|---|-----------|-----------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of shares | - | - |
| 3.2 Proceeds from issue of convertible notes | - | - |
| 3.3 Proceeds from exercise of share options | - | - |
| 3.4 Transaction costs related to issues of shares, convertible notes or options | - | - |
| 3.5 Proceeds from borrowings | 85 | 85 |
| 3.6 Repayment of borrowings | - | - |
| 3.7 Transaction costs related to loans and borrowings | - | - |
| 3.8 Dividends paid | - | - |
| 3.9 Other (provide details if material) | - | - |
| 3.10 Net cash from / (used in) financing activities | 85 | 85 |

| | | |
|---|-----------|-----------|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of period | 6 | 6 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (80) | (80) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | - | - |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above) | 85 | 85 |
| 4.5 Effect of movement in exchange rates on cash held | - | - |
| 4.6 Cash and cash equivalents at end of period | 11 | 11 |

| 5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Curent quarter \$A'000 | Previous quarter \$A'000 |
|--|-----------------------------------|-------------------------------------|
| 5.1 Bank balances | | |
| 5.2 Call deposits | 11 | 6 |
| 5.3 Bank overdrafts | - | - |
| 5.4 Other (provide details) | - | - |
| 5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 11 | 6 |

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

| Current quarter \$A'000 |
|------------------------------------|
| 3 |
| - |

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

| Curent quarter \$A'000 |
|-----------------------------------|
| - |
| - |

Mining exploration entity and oil and gas exploration entity quarterly report

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|---|--|
| 8.1 Loan facilities | 1,800 | 1,127 |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Other (please specify) | - | - |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |

Loan facility from Gun Capital Management Pty Ltd (Gun) of up to \$1,100,000 has been made available to the Company. The terms of the facility are interest rate of 12% per annum and is repayable 13 months from the date of draw down, with a right to extend for a further 13 months if agreed by the parties.

In addition to the above, the Company reached terms Gun for a further facility of \$700,000.

The amount drawn down includes interest and loan facility costs accrued on the loan of \$97,245 as at 30 September 2018.

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|----------------|
| 9.1 Exploration and evaluation | 250 |
| 9.2 Development | - |
| 9.3 Production | - |
| 9.4 Staff costs | - |
| 9.5 Administration and corporate costs | 52 |
| 9.6 Other (provide details if material) | - |
| 9.7 Total estimated cash outflows | 302 |

| 10. Changes in tenements (items 2.1(b) and 2.2(b) above) | Tenement reference and location | Nature of interest | Interest at beginning of quarter | Interest at end of quarter |
|--|--|---------------------------|---|-----------------------------------|
| 10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced | | | | |
| 10.2 Interests in mining tenements and petroleum tenements acquired or increased | | | | |

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



(Director/Company Secretary)

Date: 23 October 2018

Print name: Vincent J Fayad, Company Secretary and Director

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.