



Astron Corporation Limited
1687414

Incorporated in Hong Kong
Hong Kong Company Number 1687414
ARBN 154 924 553

Need assistance?



Phone:

1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)



Online:

www.investorcentre.com/contact

ATR

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



YOUR VOTE IS IMPORTANT

For your vote to be effective it must be received by **7.00 pm (AEDT) Wednesday 14 July 2021**.

CDI Voting Instruction Form

How to Vote on Items of Business

Each CHESS Depository Interest (CDI) is equivalent to one share of Company Common Stock, so that every 1 (one) CDI registered in your name at 14 July 2021 entitles you to one vote.

You can vote by completing, signing and returning your CDI Voting Instruction Form. This form gives your voting instructions to CHESS Depository Nominees Pty Ltd, which will vote the underlying shares on your behalf. You need to return the form no later than the time and date shown above to give CHESS Depository Nominees Pty Ltd enough time to tabulate all CHESS Depository Interest votes and to vote on the underlying shares.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the Australian registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Only duly authorised officer/s can sign on behalf of a company. Please sign in the boxes provided, which state the office held by the signatory, ie Sole Director, Sole Company Secretary or Director and Company Secretary. Delete titles as applicable.

Lodge your Form:

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Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

CDI Voting Instruction Form

Please mark to indicate your directions

Step 1

CHESD Depository Nominees Pty Ltd will vote as directed

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Voting Instructions to CHESD Depository Nominees Pty Ltd

I/We being a holder of CHESD Depository Interests of Astron Corporation Limited hereby direct CHESD Depository Nominees Pty Ltd to vote the shares underlying my/our holding at the Extraordinary General Meeting of Astron Corporation Limited to be held at Level 7, Waterfront Place, 1 Eagle Street, Brisbane, QLD, Australia 4000 and virtually on Monday, 19 July 2021 at 11:00 AM (AEST) and at any adjournment or postponement of that meeting.

By execution of this CDI Voting Form the undersigned hereby authorises CHESD Depository Nominees Pty Ltd to appoint such proxies or their substitutes to vote in their discretion on such business as may properly come before the meeting.

Voting Intention of the Chair

Securityholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the Resolutions the subject of this Meeting, including Resolutions 3, 4 and 5, subject to compliance with the Corporations Act. In exceptional circumstances, the Chair may change his/her voting intention on any Resolution, in which case an ASX announcement will be made. Further details, in relation to the ability of the Chair to vote on undirected proxies are set out in the accompanying proxy form.

Step 2

Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing CHESD Depository Nominees Pty Ltd or their appointed proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
1 Declaration of Dividend and In-Specie Distribution Approval	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Disposal of the Processing and Sales Business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of Employee Share and Option Plan (ESOP)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of Performance Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Issue of Options to Dr Mark Elliott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Step 3

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

Update your communication details (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

ATR

999999A



Computershare





2 July 2021

Dear Securityholder

Extraordinary General Meeting

I am pleased to invite you to attend the Extraordinary General Meeting (**Meeting**) of Astron Corporation Limited ARBN 154 924 553 (**Astron** or the **Company**) and have enclosed the Notice of Meeting and Explanatory Memorandum setting out the items of business. The meeting will be held on Monday, 19 July 2021 commencing at 11:00am (AEST) at Level 7, Waterfront Place, 1 Eagle Street, Brisbane, Qld, Australia 4000 and virtually due to COVID-19 restrictions.

On the following page, the various ways in which you may vote at the Meeting are provided, depending on whether you hold Shares in the Company or CHESS Depository Interests (**CDIs**).

The Explanatory Memorandum sets out the main items of business at the Meeting. I would encourage Securityholders to read this material in its entirety.

For those that have been following the affairs of Astron over recent months, the Company considers it is involved in a potentially transformative event for its portfolio and market valuation. This relates to the current focus by both Board and management on the potential commercialisation of the Donald-Jackson Mineral Sands Project, located in regional Victoria. If this project proceeds as planned by the Company, it will represent Astron's first, major upstream mining, concentrating and processing operation, producing mineral sands products of zircon and titania, as well as rare earth elements. The Company is well progressed with this project as conveyed in recent Australian Securities Exchange disclosures available on the Company's website.

The progression of the Donald-Jackson Mineral Sands Project has led to a strategic review of the Company's business model and portfolio structure. Your Directors believe that the most appropriate structure for the Company is to separate the upstream, mineral sands assets from the downstream, China based processing and trading operations, through the demerger of the downstream operations. The rationale, benefits and potential disadvantages of this proposed transaction are conveyed in the Explanatory Memorandum and Securityholders will be asked to consider this transaction as part of Resolutions 1 and 2. The Board considers that the demerger will make the Company a more attractive, investible and – over time – potentially more liquid ASX-listed entity.

Securityholders are also being asked to consider other Resolutions (3, 4, 5) which relate to the establishment of an Employee Share and Option Plan; approval of Performance Rights and the issue of options to the Company's most recently appointed non-executive Director, Dr Mark Elliott.

I look forward to your attendance at the Meeting or for your voting preference to be provided to the company Share Registry provider.

Gerard King
Chairman

Methods for Voting at the Astron Corporation Extraordinary General Meeting

There are a number of ways in which you may vote at the Meeting, depending on whether you hold Shares in the Company or CHESS Depository Interests (**CDIs**).

If you hold Shares, you may attend and vote at the Extraordinary General Meeting in person, by your authorised corporate representative or appoint someone as your proxy to attend and vote at the meeting on your behalf.

If you hold CDIs you may instruct CHESS Depository Nominees Pty Ltd (**CDN**) as the legal holder of Shares in the Company underlying the CDIs how you wish to vote by way of completing the enclosed Voting Instruction Form.

Alternatively, you may convert your holding in CDIs to a holding of Shares and vote at the Meeting. You must ensure the conversion is completed before the record date for the Meeting. If you do so, and you subsequently wish to sell your Shares on ASX, the Shares must first be converted back to CDIs.

If you are attending this Extraordinary General Meeting virtually, please follow the instructions to facilitate your registration.

If you are unable to attend the Meeting, you are encouraged to complete the enclosed Voting Instruction Form. If you are a CDI holder and you wish to direct CDN how to vote in respect of your CDIs you should read, complete, date and sign the accompanying CDI Voting Instruction Form. The Voting Instruction Form should be returned in the envelope provided or sent or faxed to the Company's share registrar, Computershare Investor Services Pty Limited at GPO Box 242 Melbourne, Victoria 3001 Australia, on 1300 850 505 (within Australia) / +61 3 9415 4000 so that it is received by 7:00pm (AEST) on 14 July 2021.

Alternatively, if you hold Shares and wish to vote by proxy, a proxy form (and any power of attorney or other authority under which it is signed, or a certified copy of it) must be deposited with Computershare Hong Kong Investor Services Ltd at Hopewell Centre, 17M Floor, 183 Queen's Road East, Wan Chai, Hong Kong so that it is received by 9:00 AM (Hong Kong Time) on 17 July 2021.

Corporate Securityholders will be required to complete a "Certificate of Appointment of Representative" to enable a person to attend on their behalf. A form of this certificate may be obtained from the Company's share registrar.



Astron Corporation Limited ARBN 154 924
553 (incorporated in Hong Kong, company
number 1687414)

Notice of Extraordinary General Meeting and Explanatory Memorandum

Date of Meeting: Monday, 19 July 2021

Time of Meeting: 11:00am AEST

Place of Meeting: Level 7, Waterfront Place, 1 Eagle Street, Brisbane, Qld,
Australia 4000

This is an important document. Please read it carefully.

If you are unable to attend the Extraordinary General Meeting (**Meeting**), please complete the proxy form **enclosed** and return it in accordance with the instructions set out on that form.

With regards to the COVID-19 pandemic, the Company will adhere to all social distancing measures prescribed by government authorities at the Meeting, and Securityholders attending the Meeting will need to ensure they comply with the protocols. The Company is concerned for the safety and health of Securityholders, staff and advisers, and will put in place certain measures including social distancing requirements.

If Securityholders wish to attend the Meeting in person, they will need to email the Australian Company Secretary (joshua.theunissen@astronlimited.com) in order for the Company to ensure it will be able to maintain compliance with COVID-19 related restrictions applicable at the time of the Meeting.

Each Resolution to be put to the Meeting will be decided by poll vote, as a combination of proxy votes lodged, together with any votes cast in person at the meeting. Accordingly, Securityholders are encouraged to lodge their votes online via the Company's Registry (www.investorcentre.com/contact) or via the voting instruction form supplied.

Any questions that Securityholders would like to put to the Meeting can also be emailed to the Australian Company Secretary (joshua.theunissen@astronlimited.com) by 11:00am, Thursday, 15 July 2021. Responses to matters raised will be considered as part of the Chairman's address at the Meeting, and a summary of responses to main questions placed on the Company's website.

Notice of Extraordinary General Meeting

Astron Corporation Limited

Notice is hereby given that the Extraordinary General Meeting (**Meeting**) of the Securityholders of Astron Corporation Limited ARBN 154 924 553 (**Company**) will be held on Monday, 19 July 2021 at 11:00am (AEST) at Level 7, Waterfront Place, 1 Eagle Street, Brisbane, Qld, Australia 4000 and also virtually by webinar at https://teams.microsoft.com/l/meetup-join/19%3ameeting_ZGM1OTc4MmYtOGQ5Zi00Y2QyLTlhNjMtNzFmZjJjNjliZjNm%40thread.v2/0?context=%7b%22Tid%22%3a%22debbc8a1-a4cb-4688-bc27-02b082afc78a%22%2c%22Oid%22%3a%2253f37a60-eeb0-4a10-993e-4783182b9286%22%7d. Alternatively, if you are unable to access the webinar but wish to attend by telephone, please email the Australian Company Secretary (joshua.theunissen@astronlimited.com) to arrange dial in details.

Terms used in this Notice of Meeting are defined in section 10 of the accompanying Explanatory Memorandum. The Explanatory Memorandum accompanies and forms part of this Notice of the Extraordinary General Meeting. The Explanatory Memorandum provides additional information on matters to be considered at the Meeting and should be read in its entirety.

Neither ASIC, ASX nor any of their respective officers takes any responsibility for the contents of this document.

Agenda

ORDINARY BUSINESS

1. **Resolution 1: Declaration of Dividend and In-Specie Distribution Approval**

To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

“That, subject to the passing of Resolution 2, for the purposes of, and pursuant to, the Hong Kong Companies Ordinance and Articles 89 to 96 of the Company’s Articles of Association, based on the recommendation of the board of directors and for all other purposes, approval is given for:

- (a) the Company to declare a dividend in the amount of between \$7,000,000 and up to \$10,000,000 (with the final dividend amount to be determined in accordance with the director’s valuation of Astron Corporation’s Chinese subsidiary Astron Titanium (Yingkou) Co Ltd (**Astron China**) as at the Dividend Determination Date) (**Demerger Dividend**); and*
- (b) the Demerger Dividend be satisfied by distributing up to 122,479,784 of the shares to be held by the Company in Astron Titanium (Yingkou) Hong Kong Holdings Limited (**Titanium Hong Kong Shares**), to Eligible Securityholders registered as such on the Distribution Record Date,*

in the manner and on the terms and conditions specified in the Explanatory Memorandum.”

2. **Resolution 2: Disposal of the Processing and Sales Business**

To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

*“That, subject to the passing of Resolution 1, approval is given for the disposal of the Company’s Processing and Sales Business (through the disposal of the shares to be held by the Company in Astron Titanium (Yingkou) Co Ltd), to be effected by way of a dividend and satisfied by distributing all of the shares to be held by the Company in the capital of Astron Titanium (Yingkou) Hong Kong Holdings Limited (**Titanium Hong Kong**), a subsidiary of the Company, in the manner and on the terms and conditions set out in the Explanatory Memorandum.”*

3. Resolution 3: Approval of Employee Share and Option Plan (ESOP)

To consider and, if thought fit, pass the following Resolution, with or without amendment, as an Ordinary Resolution of the Company:

“That the Employee Share and Option Plan, which is summarised in the attached Explanatory Memorandum and at Attachment 1, be approved and that for the purposes of Exception 13(b) of Listing Rule 7.2 and for all other purposes, the issue of securities under the Employee Share and Option Plan within three years from the date of this Resolution be an exception to Listing Rules 7.1 and 7.1A.”

A detailed summary of the key terms of the Employee Share and Option Plan is set out in Attachment 1.

Voting exclusion statement

The Company will disregard any votes cast in favour of this Resolution 3 by or on behalf of:

- a person who is eligible to participate in the employee incentive scheme; and
- an associate of that person or those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Intention of the Chair

- Securityholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the Resolutions the subject of this Meeting, including Resolution 3. In exceptional circumstances, the Chair may change his/her voting intention on any Resolution, in which case an ASX announcement will be made. Further details, in relation to the ability of the Chair to vote on undirected proxies are set out in the accompanying proxy form.

4. Resolution 4: Approval of Performance Rights Plan

To consider and, if thought fit, pass the following Resolution, with or without amendment, as an Ordinary Resolution of the Company:

“That the Performance Rights Plan, which is summarised in the attached Explanatory Memorandum (and at Attachment 2), be approved and that for the purposes of Exception 13(b) of Listing Rule 7.2, the issue of Performance Rights under the Performance Rights Plan within three years from the date of this Resolution be an exception to Listing Rules 7.1 and 7.1A.”

A detailed summary of the key terms of the Performance Rights Plan is set out in Attachment 2.

Voting exclusion statement

The Company will disregard any votes cast in favour of this Resolution 4 by or on behalf of:

- a person who is eligible to participate in the employee incentive scheme; and
- an associate of that person or those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Intention of the Chair

- Securityholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the Resolutions the subject of this Meeting, including Resolution 4. In exceptional circumstances, the Chair may change his/her voting intention on any Resolution, in which case an ASX announcement will be made. Further details, in relation to the ability of the Chair to vote on undirected proxies are set out in the accompanying proxy form.

5. Resolution 5: Issue of Options to Dr Mark Elliott

To consider and, if thought fit, pass the following Resolution, with or without amendment, as an Ordinary Resolution of the Company:

“That for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given for the Company to issue 800,000 Options to subscribe for fully paid ordinary Shares in the Company to Dr Mark Elliott, or his nominee, exercisable at \$0.3375 each and otherwise on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”

Voting exclusion statement

The Company will disregard any votes cast in favour of this Resolution 5 by or on behalf of:

- Dr Mark Elliott or his nominee; and
- an associate of those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way;
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Intention of the Chair

Securityholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the Resolutions the subject of this Meeting, including Resolution 5, subject to compliance with the Corporations Act. In exceptional circumstances, the Chair may change his/her voting intention on any Resolution, in which case an ASX announcement will be made. Further details, in relation to the ability of the Chair to vote on undirected proxies are set out in the accompanying proxy form.

6. Voting process for CDI holders

Computershare Investor Services Pty Limited (**Computershare AU**), on behalf of CDN, will mail CDI holders a CDI Voting Instruction Form along with this Notice of Meeting and Explanatory Memorandum and the other proxy solicitation materials. By completing, signing and returning the CDI Voting Instruction Form, CDI holders may instruct CDN to vote on their behalf in accordance with their written directions. Where a CDI holder executes the CDI Voting Instruction Form under a power of attorney, the power of attorney or other authority under which it is signed, or a certified copy of it, must be provided with the CDI Voting Instruction Form.

Computershare AU has agreed to collect and process Voting Instruction Forms from CDI holders. Computershare AU must receive your CDI Voting Instruction Form, completed and returned in accordance with the instructions provided on the form, by 7:00 PM (Australian Eastern Time) on 14 July 2021. This will give CDN enough time to tabulate all voting instructions provided by holders of CDIs and to vote the shares underlying the CDIs.

If a CDI holder completes and returns a CDI Voting Instruction Form, such CDI holder may revoke those directions by delivering to Computershare AU, no later than 7:00 PM (Australian Eastern Time) on 14 July 2021, a written notice of revocation bearing a later date than the CDI Voting Instruction Form previously sent.

Alternatively, you may convert your holding of CDIs to a holding of Shares and vote these at the Extraordinary General Meeting. You must ensure the conversion is completed before 7:00 PM (Australian Eastern Time) on 14 July 2021.

7. Voting process for holders of Shares in the Company

Holders of Shares in the Company may attend and vote at the Extraordinary General Meeting or appoint someone as a proxy to attend and vote at the meeting on their behalf by completing and returning a proxy form. A proxy need not be a Shareholder of the Company. A proxy may vote on a show of hands but a person holding a proxy for more than one member has only one vote. If a Shareholder is entitled to cast two or more votes, they may appoint two proxies and may specify the number of share(s) each proxy is appointed to exercise. The proxy form must be deposited with Computershare Hong Kong Investor Services Ltd at Hopewell Centre, 17M Floor, 183 Queen's Road East, Wan Chai, Hong Kong so that it is received by 11:00 AM (Australian Eastern Time) on Thursday, 15 July 2021.

8. General Business

To consider any other business as may be lawfully put forward in accordance with the Articles of Association of the Company. Specific comments relating to the Resolutions are set out in the Explanatory Memorandum.

By order of the board

Dated this 2 July 2021



Gerard King
Chairman

Explanatory Memorandum

Astron Corporation Limited

This Explanatory Memorandum is provided to Securityholders of Astron Corporation Limited ARBN 154 924 553 (**Company**) to explain the Resolutions to be put to Securityholders at the Extraordinary General Meeting (**Meeting**) to be held on Monday, 19 July 2021 at 11:00am AEST at Level 7, Waterfront Place, 1 Eagle Street, Brisbane, Qld, Australia 4000 and by webinar at https://teams.microsoft.com/l/meetup-join/19%3ameeting_ZGM1OTc4MmYtOGQ5Zi00Y2QyLTlhNjMtNzFmZjJjNjliZjNm%40thread.v2/0?context=%7b%22Tid%22%3a%22debbc8a1-a4cb-4688-bc27-02b082afc78a%22%2c%22Oid%22%3a%2253f37a60-eeb0-4a10-993e-4783182b9286%22%7d.

The information is important. The Directors recommend Securityholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

Terms used in this Explanatory Memorandum are defined in section 10.

1. Regulatory Matters in relation to Resolutions 1 and 2

Under applicable ASIC guidelines, the invitation to Securityholders to vote on Resolutions 1 and 2 of the Notice of Meeting constitutes an “offer” to transfer Titanium Hong Kong shares to Eligible Securityholders pursuant to the declaration of the Demerger Dividend and In-specie Distribution of Titanium Hong Kong Shares and under Chapter 6D of the Corporations Act a prospectus is required unless an exemption applies or ASIC provides relief. As no exemptions apply and no relief was sought, the Company has prepared a prospectus that contains information in relation to the Company and Titanium Hong Kong (**Short Form Prospectus**).

The Short Form Prospectus has been lodged with ASIC at the same time as this Notice of Meeting. The Company recommends that all Securityholders read the Short Form Prospectus carefully in conjunction with this Notice of Meeting.

1.1 No material information

There is no information known to the Company that is material to the decision by a Securityholder on how to vote on Resolutions 1 and 2 other than as disclosed in this Notice of Meeting and Explanatory Memorandum, the accompanying Short Form Prospectus and information that the Company has previously disclosed to Securityholders.

1.2 Purpose of this Notice of Meeting

Amongst other matters, the main purpose of this Notice of Meeting is to:

- (a) explain the terms of the Proposed Transaction, and the manner in which the Proposed Transaction (or parts of the Proposed Transaction) will be implemented (if approved); and
- (b) to provide such information as is prescribed or otherwise material to the decision of Securityholders whether or not to approve Resolutions 1 and 2 required to give effect to the Proposed Transaction.

1.3 ASIC and ASX

A copy of the Notice of Meeting and Explanatory Memorandum has been lodged with ASIC. Neither ASIC nor its officers take any responsibility for the contents of the Notice of Meeting and Explanatory Memorandum.

A copy of the Notice of Meeting and Explanatory Memorandum, together with some further information, has been lodged with the ASX. Neither the ASX nor any of its officers take any responsibility for the contents of the Notice of Meeting and Explanatory Memorandum.

1.4 Disclosure to ASX

The Company is a company whose ordinary securities are quoted on ASX and as such is subject to regular reporting and disclosure obligations. Copies of all documents lodged in relation to the Company may be obtained from <https://www2.asx.com.au/markets/trade-our-cash-market/announcements.atr>

1.5 Forward Looking Statements

Some of the statements appearing in this document may be in the nature of forward looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan', 'consider', 'foresee', 'aim', 'will' and similar expressions are intended to identify forward looking statements. Indications of guidance on future production, resources, reserves, sales, capital expenditure, earnings and financial position and performance are also forward looking statements.

You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties, many of which are outside the Company's control. Those risks and uncertainties include factors and risks specific to the Company and Titanium Hong Kong such as (without limitation):

- (a) the status of exploration and mining applications and licences and the risks associated with the non-grant or expiry of those applications and licences;
- (b) liquidity risk;
- (c) risks associated with the exploration or developmental stage of projects; native title claims;
- (d) funding risks; and yet pretty good moment of sore throat back
- (e) operational risks;
- (f) climate change regulation;
- (g) changes to Government fiscal policy;
- (h) monetary and regulatory policies;
- (i) the impact of actions of Governments;
- (j) the potential difficulties in enforcing agreements;
- (k) protecting assets;
- (l) alterations to resource estimates and the imprecise nature of resource and reserve statements;
- (m) any circumstances adversely affecting areas in which the Company or Titanium Hong Kong operates;
- (n) fluctuations in the production, volume and price of commodities;
- (o) any imposition of significant obligations under environmental regulations;
- (p) fluctuations in exchange rates;
- (q) the fluctuating industry and commodity cycles;

- (r) the impact of inflation on operating and development costs;
- (s) taxation;
- (t) regulatory issues and changes in law and accounting policies;
- (u) the adverse impact of wars, terrorism, political, economic or natural disasters;
- (v) the impact of changes to interest rates;
- (w) loss of key personnel;
- (x) delays in obtaining or inability to obtain any necessary Government and regulatory approvals; and
- (y) insurance and occupational health and safety.

For more information on the risk factors facing the Company and Titanium Hong Kong, please refer to sections 4.20 and 4.21.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected. None of the Company, Titanium Hong Kong, any of their respective officers or any person named in this document or involved in the preparation of this document make any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, or any events or results expressed or implied in any forward looking statement, and you are cautioned not to place undue reliance on those statements.

Subject to any continuing obligations under any applicable law or the Listing Rules, the Company and Titanium Hong Kong expressly disclaim any obligation to give any updates or revisions to any forward looking statements to reflect any change in events, conditions or circumstances on which any such statement is based.

The forward looking statements in this document reflect views held only as at the date of this document.

1.6 Foreign Securityholders

This document does not constitute an offer of securities in any jurisdiction in which it would be unlawful to make such an offer. No securities may be offered or sold in any country outside Australia except to the extent permitted below.

United States

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

Foreign exchange control restrictions or restrictions on remitting funds from your country to Australia may apply.

New Zealand

This Notice of Meeting and Explanatory Memorandum is not a New Zealand disclosure document and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Financial Markets Conduct Act 2013 (FMC Act) or any other New Zealand law. The offer of Titanium Hong Kong Shares under the Proposed

Transaction is being made to existing Eligible Securityholders in reliance upon the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 and, accordingly, this Notice of Meeting and Explanatory Memorandum may not contain all the information that a disclosure document is required to contain under New Zealand law.

Hong Kong

WARNING: The contents of this notice of Meeting and Explanatory Memorandum have not been reviewed or approved by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Demerger. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

This Notice of Meeting and Explanatory Memorandum does not constitute an offer or invitation to the public in Hong Kong to acquire or subscribe for or dispose of any securities. This Notice of Meeting and Explanatory Memorandum also does not constitute a prospectus (as defined in section 2(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this Notice of Meeting and Explanatory Memorandum in Hong Kong, other than to persons who are “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder or in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

No person may issue or have in its possession for the purposes of issue, this Notice of Meeting and Explanatory Memorandum or any advertisement, invitation or document relating to these securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such advertisement, invitation or document relating to securities that are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder.

Copies of this Notice of Meeting and Explanatory Memorandum may be issued to a limited number of persons in Hong Kong in a manner which does not constitute any issue, circulation or distribution of this Notice of Meeting and Explanatory Memorandum, or any offer or an invitation in respect of these securities, to the public in Hong Kong. The document is for the exclusive use of Astron Securityholders in connection with the Demerger. No steps have been taken to register or seek authorisation for the issue of this Notice of Meeting and Explanatory Memorandum in Hong Kong.

This Notice of Meeting and Explanatory Memorandum is confidential to the person to whom it is addressed and no person to whom a copy of this Notice of Meeting and Explanatory Memorandum is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) this Notice of Meeting and Explanatory Memorandum to any other person in Hong Kong or use for any purpose in Hong Kong other than in connection with consideration of the Demerger by Astron Securityholders.

1.7 Ineligible Securityholders

Securityholders on the Distribution Record Date with a registered address other than in an Eligible Country (**Ineligible Securityholders**) will have their pro-rata entitlement of Titanium Hong Kong Shares sold the Company as sale agent for the Ineligible Securityholders. The

Company will pay the net proceeds (if any) of the sale of the Titanium Hong Kong Shares to the Ineligible Securityholders.

The Company will act on a best efforts only basis to sell the Ineligible Securityholders' Titanium Hong Kong Shares and will not be liable to the Ineligible Securityholders for any loss suffered as a result.

The release, publication or distribution of the Notice of Meeting and Explanatory Memorandum in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions, and persons outside of Australia who come into possession of the Notice of Meeting and Explanatory Memorandum should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

The Notice of Meeting and Explanatory Memorandum have been prepared in accordance with Australian law and applicable Hong Kong law and are subject to Australian disclosure requirements. The information contained in the Notice of Meeting and Explanatory Memorandum may not be the same as that which would have been disclosed if the Notice of Meeting and Explanatory Memorandum had been prepared in accordance with the laws and regulations of a jurisdiction outside of Australia.

Financial information in this Explanatory Memorandum has been prepared in accordance with the classification and measurement principles of the Hong Kong Financial Reporting Standards ("HKFRSs") and is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

This Notice of Meeting and Explanatory Memorandum does not constitute an offer of Titanium Hong Kong Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Titanium Hong Kong Shares may not be offered, in any country outside Australia except to the extent permitted above.

1.8 Estimates

All references to, and derivations of, estimates are references to estimates and derivations by the Company's management, unless otherwise indicated. Management estimates and derivations are based on views at the date of this Explanatory Memorandum, and actual facts or outcomes may be materially different from those estimates.

Any discrepancies between totals in tables and sums of components contained in the Explanatory Memorandum and between those figures and other figures referred to in other parts of this Explanatory Memorandum are due to rounding.

1.9 Responsibility Statement

The Explanatory Memorandum has been prepared by Company and the Board as at the date of the Explanatory Memorandum and the Company and the Board are responsible for the Explanatory Memorandum.

1.10 No Financial Product Advice

This document does not constitute financial product, taxation or investment advice or a recommendation in respect of the Titanium Hong Kong Shares. It has been prepared without taking into account the objectives, financial situation or needs of Securityholders or other persons. Before deciding how to vote or act, Securityholders should consider the appropriateness of the information, having regard to their own objectives, financial situation and needs and seek legal, taxation and financial advice appropriate to their circumstances.

Neither the Company nor Titanium Hong Kong are licensed to provide financial product advice. No cooling-off regime applies in respect of the acquisition of Titanium Hong Kong

Shares under the In-specie Distribution (whether the regime is provided for by law or otherwise).

1.11 Investment decisions

The Notice of Meeting and accompanying Explanatory Memorandum are important and require your immediate attention. They should be read in their entirety before making a decision on whether or not to vote in favour of Resolutions 1 and 2. The Notice of Meeting and Explanatory Memorandum are intended for all Securityholders collectively and do not take into account the investment objectives, financial situation and particular needs of each individual Securityholder or any other particular person. This Notice of Meeting and Explanatory Memorandum should not be relied upon as the sole basis for any investment decision in relation to the proposed demerger. Before making any investment decision in relation to these matters you should consider, preferably with the assistance of a professional adviser, whether that decision is appropriate in the light of your particular investment needs, objectives and financial circumstances. If you are in any doubt about what you should do you should seek independent financial and taxation advice before making any investment decision in relation to the Proposed Transaction and proposed demerger.

1.12 Privacy

The Company may collect personal information in the process of implementing the Proposed Transaction. This information may include the names, contact details and security holdings of Securityholders and the names of persons appointed by Securityholders to act as proxy, corporate representative or attorney at Meeting. The primary purpose of collecting this information is to assist the Company in conducting the Meeting and to enable the proposed demerger to be implemented by the Company in the manner described in this Explanatory Memorandum, if approved by Securityholders.

Personal information may be disclosed to Titanium Hong Kong, the Registry, print and mail service providers, authorised securities brokers, securities authorities and to related bodies corporate of the Company or Titanium Hong Kong. Securityholders have the right to access personal information that has been collected. A Securityholders who wishes to access personal information should contact the Company's Share Registry, Computershare Investor Services Pty Ltd, Level 3, 60 Carrington Street, Sydney NSW 4000, on (02) 8234 5000 or +61 2 8234 5000 if outside Australia.

Securityholders who appoint a named person to act as their proxy, corporate representative or attorney at a meeting of the Company should inform that person of the matters outlined above.

1.13 No Internet Site Is Part of This Document

No internet site is part of this Notice of Meeting and accompanying Explanatory Memorandum. The Company maintains an internet site (<https://astronlimited.com.au/>). Any reference in this document to this internet site is a textual reference only and does not form part of this document.

1.14 Competent Persons Statement

The information in this document that relates to Exploration Results and Mineral Resources for the Donald Project is based on information first reported in previous ASX announcements by the Company, as listed in this notice. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the original announcements continuing to apply and have not materially changed. The information in this notice that relates to the estimation of the Ore Reserve for the Donald Project is based on information compiled by Mr Pier Federici, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Federici is a full-time employee of AMC Consultants Pty Ltd and is independent of Donald Mineral Sands Pty Ltd

(DMS) (being the Company's wholly owned subsidiary) and the Company, the owner of the Donald Project Mineral Resources. Mr Federici has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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'.

The information in this document that relates to the estimation of the Mineral Resources for the Donald Project is based on information compiled by Mr Rod Webster, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists. Mr Webster is a full-time employee of AMC Consultants Pty Ltd and is independent of the Company and DMS, the owner of the Donald Project Mineral Resources. Mr Webster has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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'. The Company confirms that the form and context in which the Competent Persons' findings are presented have not materially modified from the relevant original market announcement.

The information in this document that relates to the metallurgical performance and outcomes of testwork is based on information compiled by Mr Ross McClelland, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr McClelland is the principal metallurgist and director of Metmac Services Pty Ltd. Mr McClelland has been involved with the metallurgical development of the Wimmera-style mineral sands resources for more than 30 years. He has provided metallurgical consultation services to DMS for more than 7 years. He qualifies as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Company confirms that the form and context in which the Competent Persons' findings are presented have not been prematurely modified from the relevant original market announcement.

The Company has prepared this Notice of Meeting and accompanying Explanatory Memorandum based on information available to it at the time of preparation. No representation or warranty, express or implied, is made as to the fairness, accuracy or completeness of the information, opinions and conclusions contained in the meeting materials. To the maximum extent permitted by law, the Company, its related bodies corporate and the officers, directors, employees, advisers and agents of those entities do not accept any responsibility or liability including, without limitation, any liability arising from fault or negligence on the part of any person, for any loss arising from the use of the meeting materials or its contents or otherwise arising in connection with it.

2. Resolution 1: Declaration of Dividend and In-Specie Distribution Approval

2.1 Declaration of Dividend and In-specie Distribution

Under Division 7 of Part 4 of the Company's Articles of Association and in compliance with the Hong Kong Companies Ordinance, the Company may declare and pay a dividend out of its profits. The Company may also, by ordinary resolution on the recommendation of the directors, decide to pay all or part of a dividend payable in respect of a share by transferring non-cash assets of equivalent value (including, without limitation, shares or other securities in any company). The arrangements for paying a non-cash distribution may be made by the directors as they think fit.

2.2 Listing Rule 7.17

Listing Rule 7.17 provides in part that a listed entity, in offering Securityholders an entitlement to securities, must offer those securities pro rata or in such other way as, in the ASX's opinion, is fair in all the circumstances. In addition, the record date to decide entitlements

must be at least 4 business days after the prospectus for the offer is given to ASX. There also must be no restriction on the number of securities which a Securityholder holds before this entitlement accrues.

The Proposed Transaction satisfies the requirements of ASX Listing Rule 7.17, as the issue of Distribution Shares is being made to Securityholders on a pro rata basis, the Distribution Record Date is set to be Friday, 23 July 2021 and there is no restriction on the number of Shares or CDIs a Securityholder must hold before the entitlement to the Distribution Shares accrues.

3. Resolution 2: Disposal of the Processing and Sales Business

The Company has established downstream facilities in China, which comprise the Yingkou rutile and titanium dioxide (TiO₂) raw materials separation and processing facility, titanium preparation and micro-agglomeration plant as well as sales and marketing operations associated with the processing of such raw materials (**Processing and Sales Business**). The assets comprising the Processing and Sales Business are held by the Company's wholly owned subsidiary, Astron Titanium (Yingkou) Co Ltd which is a Chinese domiciled company (**Astron China**).

The Processing and Sales Business includes a mineral sands trading operation based in Shenyang, China, a speciality mineral separation plant and a titanium micro-agglomeration plant based in Yingkou, China. The Processing and Sales Business's operations also include a zircon and titanium chemical and metals speciality research and development facility. The Processing and Sales Business's involvement in conducting downstream mineral and materials processing operations in China has resulted in the building of a strong technical base, supported by intellectual property patents in a range of technologies and associated mineral sands product markets.

The mineral separation plant based in Yingkou is a mineral separation plant specialising in the production of rutile from heavy minerals concentrate. Rutile is a valuable mineral sands product used in the production of pigment, welding rods, and in the manufacturing of paint. The mineral separation plant uses proven technologies to assist in the recovery of fine-grained minerals and can process up to 150,000 tonnes per annum of heavy mineral concentrate feed. The mineral separation plant includes a 10,000m² warehouse, and a 10,000m² hardstand for raw material stocks.

The speciality research and development facility, including an independent laboratory equipped with X-ray fluorescence (**XRF**) and inductively coupled plasma mass spectrometry (**ICP**), has the ability to produce up to 200 tonnes per annum of speciality nuclear grade zirconia, containing hafnium of less than 50ppm¹.

Through its operating history in China, the Processing and Sales Business has developed and holds patented technologies, including:

- Patent No. 2800504 – Recovery of fine-grained Chlorinator titanium minerals
- Patent No. 2670278 – Speciality method for the removal uranium and thorium (U/Th) impurities in zircon (the patent is licensed to Astron Corporation)

In addition to the mineral separation plant, and the speciality facility, the Processing and Sales Business holds certain non-core assets including land holdings, and properties. As a part of its future development activities, the Processing and Sales Business will consider the future use of its non-core assets to focus on the down-stream separation activities of producing rutile from rutile bearing heavy mineral (HM).

Astron Corporation's current focus is the commercialisation of the Donald-Jackson Mineral Sands Project (**Donald Project**) in Victoria, Australia. As such, and in order for the Company

¹ Page 22, Astron's 2020 Annual Report, (available at <https://www.asx.com.au/asxpdf/20201002/pdf/44n9c8j7lg4c3v.pdf>)

to continue its focus on the Donald Project and to streamline the operation of the upstream and downstream businesses, the Company proposes to demerge Astron China and the Processing and Sales Business, with Titanium Hong Kong as a Hong Kong domiciled subsidiary of the Company. Subject to the satisfaction of the Transaction Conditions, in order to effect the Demerger, Astron Pty Limited (**Astron Australia**) will transfer the shares it holds in Astron China to Titanium Hong Kong and in satisfaction of the consideration for the transfer, Titanium Hong Kong will issue to the Company (as nominee of Astron Australia) 122,479,783 shares (**Titanium Hong Kong Consideration Shares**) (in accordance with the terms of the Share Sale Agreement, as summary of which is detailed below). The Company then proposes to demerge and spin-out Titanium Hong Kong (and accordingly the Processing and Sales Business) by undertaking an in-specie distribution of the Shares it will hold in Titanium Hong Kong (including the Titanium Hong Kong Consideration Shares), by way of a dividend, to Eligible Securityholders (**Proposed Transaction**). At completion of the Proposed Transaction, Eligible Securityholders will receive Titanium Hong Kong Shares in proportion to their shareholding in the Company, while still retaining their interest in the Company. The Company will not be seeking quotation of the Titanium Hong Kong Shares at this stage and accordingly, the Titanium Hong Kong Shares will not be listed on the ASX or any other securities exchange.

Accordingly, Resolution 2 seeks Securityholder approval of the Proposed Transaction.

If Resolution 2 is passed, and subject to the passing of Resolution 1 and satisfaction of the Demerger Conditions, the Company will proceed with the Proposed Transaction which will involve demerging Astron China and the Processing and Sales Business from the Company and Eligible Securityholders will have a direct interest in the Processing and Sales Business through their shareholding in Titanium Hong Kong, while still retaining their interest in the Company.

If Resolution 2 is not passed however, the Company will not proceed with the Proposed Transaction and the structure of the entity and its operations will remain as they are prior to the Meeting.

For further information on the Proposed Transaction, please refer to section 3 of this Explanatory Memorandum.

4. The Proposed Transaction

4.1 Overview of Proposed Transaction

The Company is an ASX-listed, Hong Kong domiciled company focused on mineral sands mining and production. The Company's business is sourcing, extracting, processing and marketing products derived from the Heavy Mineral Sands (**HMS**) suite of minerals which includes titanium, zirconium and earth elements.

The Company is the 100% owner of the Donald Project in the Murray Basin (northwest Victoria, Australia) and the coastal HMS deposit at Niafarang (Senegal, West Africa). These two projects are at varying stages of preparation for construction and operation. Further detail regarding the Donald Project and Niafarang Project is set out in section 4.7 of this Explanatory Memorandum.

The Company has also established downstream facilities in China which comprise a research facility, titanium preparation plant, micro-agglomeration plant and processing and sales operations in China. The assets comprising the Processing and Sales Business are held by Astron Titanium (Yingkou) Co Ltd (**Astron China**).

The Board's current major focus is the commercialisation of the Donald Project in Australia which the Company considers is at a key juncture in the progression of the project to the approval, construction and production stages.

The demerger of the upstream and downstream business would mean that the Company would become a purely upstream resources company, with a focus on the commercialisation

of the Donald Project. The Donald Project has the ability to represent a new source of global supply in mineral sands. The Company is also the owner of the Niafarang Mineral Sands Project in Senegal, West Africa. The Niafarang Mineral Sands Project is a high-grade coastal mineral sands deposit, planned to be developed using simple dredge mining and processing methodology (subject to various Government authorisations).

The Board considers that given the different management and funding requirements of the downstream Processing and Sales Business, which largely takes place in China, compared to the planned upstream operations in Australia and Senegal, it would be beneficial to restructure the Company's portfolio of assets to separate the downstream Processing and Sales Business from the proposed upstream operations in Australia and Senegal in order to ensure optimum functionality of all operations.

The Board considers that separating the Processing and Sales Business of the Company into Titanium Hong Kong, a Hong Kong company, will enable the Company to appropriately resource all of its current projects and allow it to enhance the growth prospects through the planned commercialisation of the Donald Project, while allowing Titanium Hong Kong to specifically focus on its Processing and Sales Business including the processing, sale and marketing of final products of rutile, agglomerated rutile and nuclear grade zirconia.

The Company also proposes to apply its mining expertise to the development of the Niafarang Mineral Sands Project in due course, subject to various government authorisations (which have been delayed due to COVID-19).

Subject to the satisfaction of the Transaction Conditions, in order to effect the Demerger:

- (a) The Company has incorporated a new Hong Kong domiciled Company, Titanium Hong Kong, which is currently a wholly owned subsidiary of the Company.
- (b) Pursuant to the Share Sale Agreement (the key terms of which are set out below in section 4.22) Astron Pty Limited (**Astron Australia**) which is a wholly owned subsidiary of the Company and is the entity which holds all of the issued shares in the capital of Astron China (**Astron China Shares**), will transfer the Astron China Shares to Titanium Hong Kong.
- (c) To satisfy the consideration for the transfer of the Astron China Shares, Titanium Hong Kong will issue to the Company (as nominee of Astron Australia) 122,479,783 shares in the capital of Titanium Hong Kong at the deemed subscription price of at least \$0.057 and up to \$0.082 per share (**Titanium Hong Kong Consideration Shares**) (depending on the final Dividend Amount determined by the director's valuation).
- (d) The Company will declare a dividend in the amount of between \$7,000,000 and up to \$10,000,000 with the final dividend amount to be determined in accordance with the director's valuation of Astron China (as at the Dividend Determination Date), which will be satisfied by way of an in-specie distribution of 100% of the shares which the Company will hold in Titanium Hong Kong (being 122,479,784 Titanium Hong Kong Shares) (**Demerger Dividend**) to Eligible Securityholders at no cost to them, using the calculation which is expected to be 1 Titanium Hong Kong Share for every 1 Share or CDI held by Eligible Securityholders at the Distribution Record Date (with Ineligible Securityholders receiving cash proceeds for their entitlements) (**In-Specie Distribution**).

At the completion of the Proposed Transaction, Eligible Securityholders will maintain their holding in the Company and will directly hold shares in the capital of Titanium Hong Kong in proportion to their current shareholding in the Company. The Titanium Hong Kong Shares will not be listed on the ASX or any other securities exchange and accordingly Titanium Hong Kong will be an unlisted public company.

The Demerger is subject to the satisfaction of the following conditions (**Transaction Conditions**):

- (a) the Company obtaining Securityholder approval to:
 - (1) declare the Demerger Dividend and undertake the In-Specie Distribution to Eligible Securityholders; and
 - (2) dispose of the Processing and Sales Business;
- (b) People's Republic of China (**PRC**) regulatory approval in relation to the transfer of the Astron China Shares from Astron Australia to Titanium Hong Kong.

The effect of the Demerger will mean that Eligible Securityholders will maintain their holding in the Company and will hold a percentage holding in Titanium Hong Kong which is equivalent to the Eligible Securityholders' interest in the Company as at the Record Date.

4.2 Demerger process

The Company is proposing, subject to the satisfaction or waiver of the Transaction Conditions to demerge and spin-out its Processing and Sales Business as follows:

- (a) the Company will issue a short form prospectus pursuant to section 712 of the Corporations Act (**Short Form Prospectus**) for the offer to distribute 100% of the Titanium Hong Kong Shares to Eligible Securityholders as approved under Resolution 1 of this Notice of Meeting and Explanatory Memorandum;
- (b) Securityholders of the Company must approve the Demerger, including approval for the declaration of a Dividend in the amount of between \$7,000,000 and up to \$10,000,000, with the final dividend amount to be determined in accordance with the director's valuation of Astron China as at the Dividend Determination Date, to be satisfied by an In-specie Distribution (the subject of Resolution 1) of 100% of the Titanium Hong Kong Shares which the Company will hold in Titanium Hong Kong (being 122,479,784 Titanium Hong Kong Shares) to Eligible Securityholders at no cost to them, using the calculation which is expected to be 1 Titanium Hong Kong Share for every 1 Share or CDI held by Eligible Securityholders at the Distribution Record Date (with Ineligible Securityholders receiving cash proceeds for their entitlements) (**In-Specie Distribution**).

The Demerger will be governed by the Implementation Deed entered into between the Company, Astron Australia and Titanium Hong Kong. Please see section 4.22(a) for a summary of the Implementation Deed.

The In-Specie Distribution of Titanium Hong Kong Shares by the Company will only be available to Eligible Securityholders, who are registered on the Distribution Record Date with a registered address in an Eligible Country, and not to the public in general.

All of the Titanium Hong Kong Shares are subject to the provisions of the articles of association of Titanium Hong Kong and the rights and obligations attaching to Titanium Hong Kong Shares are summarised in Section 4.22 below.

It is expected that share certificate(s) for the Titanium Hong Kong Shares will be despatched by ordinary post at the risk of the Eligible Securityholders to their respective addresses shown on the register of members of the Company within 2 months of the Meeting (subject to stamping and compliance with any other regulatory requirements). In the case of a joint holding of Shares or CDI, the share certificate(s) for the Titanium Hong Kong Shares will be posted to the address of the person whose name stands first on the register of members of the Company in respect of such Share or CDI on the Distribution Record Date.

The Company will not retain any of its Titanium Hong Kong Shares following the Demerger and accordingly will have no interest in the Processing and Sales Business (and Astron China).

4.3 Timetable

The indicative timetable for the Proposed Transaction is set out below:

Action	Date
Company announces proposed Dividend	2 July 2021
Extraordinary General Meeting to approve the Declaration of the Dividend and In-specie Distribution	19 July 2021
ASX informed of Shareholder approval for the In-specie Distribution (if obtained)	19 July 2021
Effective Date of capital return	20 July 2021
Distribution Record Date	23 July 2021
Completion of Distribution	30 July 2021

Note: The dates shown in the table above are indicative only and may be changed at the discretion of the Directors, subject to the Listing Rules and other applicable laws.

4.4 Acquisition of Astron China's Processing and Sales Business by Titanium Hong Kong

As set out above, subject to the satisfaction of the Transaction Conditions, the Company intends to demerge its Processing and Sales Business which is currently held and operated by Astron China, with the aim to streamline the Company's operations to enable both the upstream and downstream aspects to be appropriately resourced.

To that end, the Company and Astron Australia have entered into the Share Sale Agreement to facilitate the acquisition of Astron China (which owns the Processing and Sales Business) by Titanium Hong Kong. The key terms of the Share Sale Agreement are summarised as follows:

- (a) Astron Australia will transfer all of the shares it holds in Astron China to Titanium Hong Kong;
- (b) to satisfy the consideration for the transfer, Titanium Hong Kong will issue to the Company (as nominee of Astron Australia) 122,479,783 shares in the capital of Titanium Hong Kong, equivalent to the value of Astron China as determined by the Board.

Accordingly at completion under the Share Sale Agreement, Astron China will be wholly owned by Titanium Hong Kong and the Company will in total own 122,479,784 shares in the capital of Titanium Hong Kong.

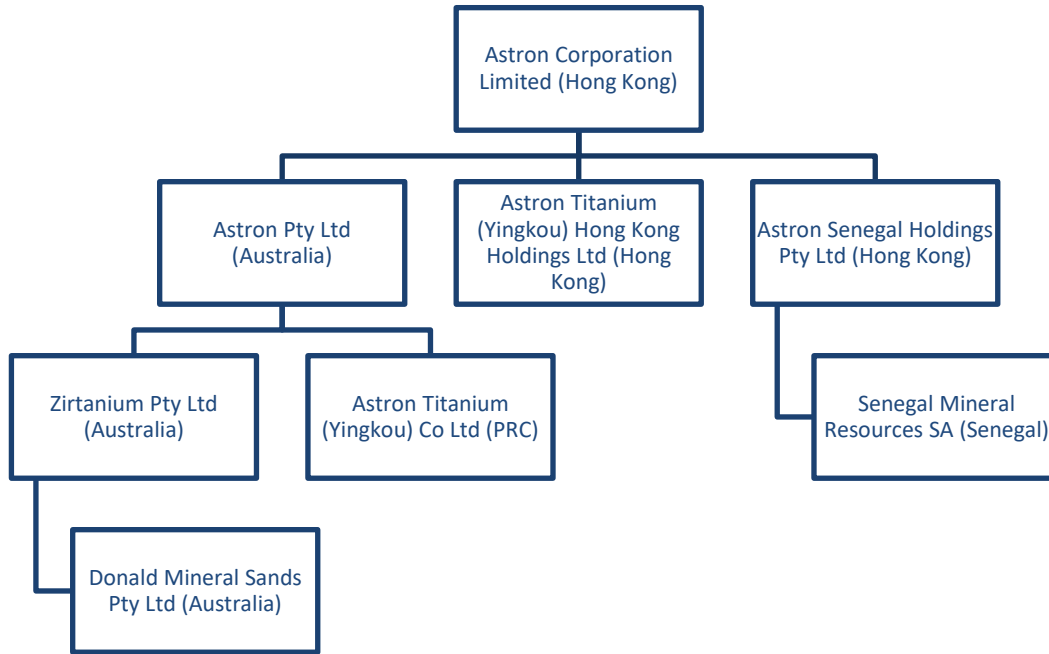
The Share Sale Agreement is condition upon the People's Republic of China providing regulatory approval in relation to the transfer of the Astron China Shares from Astron Australia to Titanium Hong Kong.

The Share Sale Agreement contains a number of warranties given by both parties as to their corporate power and authority to carry out the transactions contemplated and by Astron

Australia (as seller) particularly regarding the Astron Australia's legal and beneficial title to the Astron China Shares.

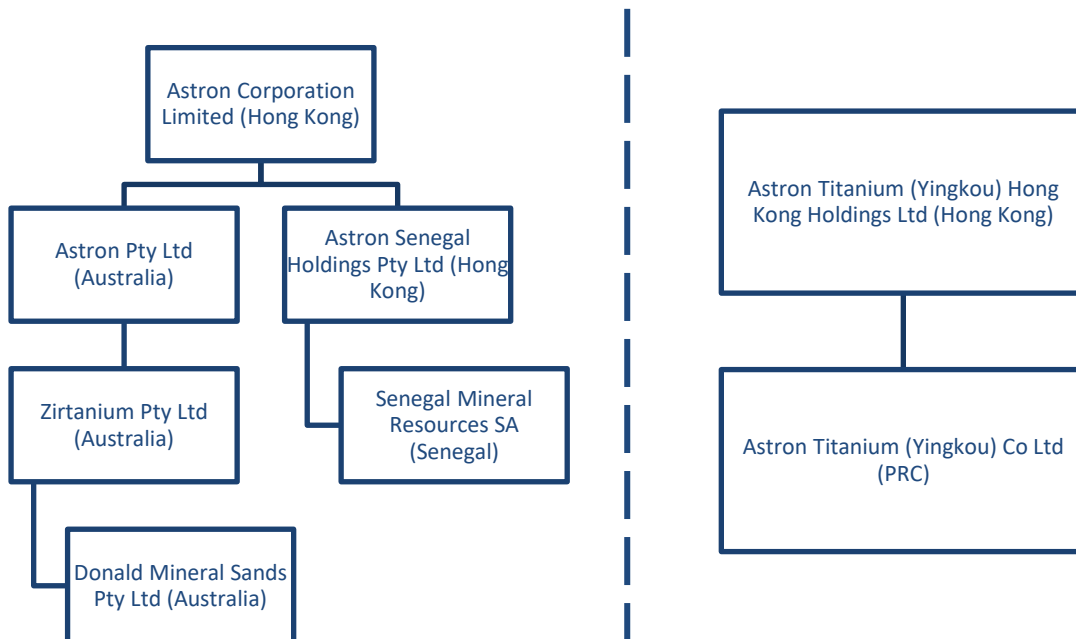
4.5 Current corporate structure

The current ownership structure of the Company and its material subsidiaries is as follows:



4.6 Post-demerger structure of Company

In the event that the Securityholders approve the proposed demerger and the Transaction Conditions are satisfied and the Demerger is effected, the corporate structure will be as follows:



4.7 Overview of the Company's projects

The Company's portfolio of assets comprises the Donald Project in Australia and the Niafarang project in Senegal, West Africa.

Donald Project, Australia

The Donald Project represents one of the largest known undeveloped zircon and titanium resources in the world and has potential as a source of long-term mineral sands product supply.² The Donald Project consists of the Donald and Jackson deposits. Both deposits are large WIM-style mineral sands deposits, located in the Wimmera region, near the township of Minyip, approximately 50 kilometres (kms) from the City of Horsham. Horsham is approximately 300 kms from Melbourne.

The tenement area encompassed by the Donald deposit is approximately 250 square kilometres (sq kms), with the southern, Jackson deposit encompassing an additional 177 sq kms.

As set out in the Company's ASX Release of 18 February 2021 "Donald Project Ore Reserves Statement Update", the deposit contains total Mineral Resource of 5.7 billion tonnes at 3.2% HM Grade. In terms of Ore Reserves, the Donald deposit holds 602 million tonnes (Mt) of ore with an average heavy mineral (HM) grade of 4.8%³. This equates to an approximate, in-situ ore body of 28.9 Mt of heavy minerals, comprised 5.4 Mt of zircon; 9.2 Mt of ilmenite; 8 Mt of higher titanium content products of rutile and leucosene (Hi-Ti), as well as a significant rare earth element component of 491 thousand tonnes (kt)⁴. The in-situ zircon Ore Reserve of 5.4Mt represents the equivalent of approximately 4.5 years of recent global zircon supply levels⁵.

In terms of titanium dioxide (TiO₂) products, the Ore Reserves contain higher grade TiO₂ (Hi-Ti) (rutile and leucosene) of 8 Mt and 9.2 Mt of in-situ ilmenite⁶. Based on the Company's extensive downstream market knowledge in China, this product is expected to be suitable for slugging purposes for both the sulphate and chloride route pigment production processes. Product samples have been prepared from metallurgical test work in Australia and will be provided to a range of potential customers.

Stage 1 production is expected to comprise: a premium, ceramic grade zircon (expected to be 80% of total zircon); a zircon 60 product; a blended titania product of ilmenite and Hi-Ti, with a potential to produce a concentrate with up to 65% TiO₂, suitable for slag production for both chloride and sulphate pigment production; and a rare earth element (REE) concentrate⁷.

Key Characteristics

The Total Mineral Resource of the Donald Project, including both the Donald and Jackson deposits where VHM is available, is 2.4 billion tonnes at 4.8% HM, with 18% zircon assemblage (approximately 20 Mt of in-situ zircon)⁸. The Total Mineral Resource, encompassing what is known as the Jackson deposit area (to the south and not part of the

² ATR ASX Announcement – 8 July 2019

³ Astron's ASX Release of 18 February 2021 "Donald Project Ore Reserves Statement Update" (<https://www.asx.com.au/asxpdf/20210218/pdf/44ssf3d5wd38d3.pdf>).

⁴ Astron's ASX Release of 18 February 2021 "Donald Project Ore Reserves Statement Update" (<https://www.asx.com.au/asxpdf/20210218/pdf/44ssf3d5wd38d3.pdf>).

⁵ Astron's ASX Release of 18 February 2021 "Donald Project Ore Reserves Statement Update" (<https://www.asx.com.au/asxpdf/20210218/pdf/44ssf3d5wd38d3.pdf>).

⁶ Astron's ASX Release of 18 February 2021 "Donald Project Ore Reserves Statement Update" (<https://www.asx.com.au/asxpdf/20210218/pdf/44ssf3d5wd38d3.pdf>).

⁷ Astron's ASX Release of 14 May 2021 "Clarify Donald Mineral Separation Metallurgical Testwork" (<https://astronlimited.com.au/wp-content/uploads/2021/05/Further-Updated-Donald-mineral-separation-metallurgical-testwork.pdf>)

⁸ Astron's ASX Release of 7 April 2016 "Donald Mineral Sands Project – Mineral Resource Update" (<https://www.asx.com.au/asxpdf/20160407/pdf/436cjqc3cf47.pdf>)

initial production planning), is 5.7 billion tonnes at 3.2% HM⁹.

Amenable to conventional forms of mineral sands mining

The first stage of the planned modular mining approach is expected to be associated with an average strip ratio of 2.6:1, facilitating relatively shallow in-pit mining utilising conventional mineral sands mining equipment, including a mobile mining unit plant. Progressive rehabilitation of land disturbed is planned. The nature of the development approach means that Stage 2 (and subsequent) mining and concentrating are expected to be scalable and likely to replicate or expand existing equipment.

Potential for the commercial recovery of the fine mineral

The finalisation of concept work for a definitive feasibility study (DFS) for the Donald Project is based on recovery of rare earths concentrate, a mineral sands heavy mineral concentrate (HMC) and mineral separation to produce final products of zircon and a titanium dioxide product. The processing of fine minerals in an efficient and reliable manner, to ensure economic recoveries, had been viewed historically as an insurmountable issue for WIM-style deposits. Metallurgical test work, including pilot scale concentrating activities and fine mineral processing on a bench scale undertaken by independent consultants, provides the Company with confidence that the commercial recovery of the fine mineral can occur while product specifications, including uranium and thorium (UTH) levels, are likely to be within ranges that meet regulatory and customer requirements¹⁰.

Advanced stage of evaluation

Ore reserve delineation, metallurgical test work and project concept selection are well advanced, with work proceeding to move to detailed engineering, leading to a DFS. All main regulatory approvals are well advanced. The expected major final outstanding regulatory item is a Work Plan which is being sought during 2021.

Planned Development

The project area consists of three main areas, which are planned to be developed progressively.

Mining lease ML 5532 (contained within Retention Licence 2002) comprises Stage 1 of the planned development. This is a 28 sq kms area, which (as with the other areas planned to be mined) is mostly privately-owned land, mainly cleared and used predominantly for broadacre cropping and livestock production. Based on the 2021 Mineral Resource and Ore Reserve Statement, this area contains reserves of 194 Mt of ore at 5.3% HM or 10.3 Mt of HM (Mineral Resource where VHM data available of 317 Mt at 5.3% HM grade)¹¹.

Stage 2 is likely to comprise mining of ore within RL 2002, encompassing an area of 50 sq kms. Development of Stage 2, subject to market conditions and further regulatory approval, is envisaged within approximately 5 years of initial production from Stage 1. Additional equipment and facilities will be required, which the Company plans to fund from cash flow from Stage 1 operations.

Based on the 2021 Mineral Resource and Ore Reserve Statement, this area contains Ore Reserves of 408 Mt at 4.5% HM or 18.4 Mt of HM (Mineral Resource where VHM data is available of 1,286 Mt at 4.8% HM grade or 61.7 Mt of HM)¹².

RL 2003 (which encompasses the former RL2006 and is known as the Jackson deposit) is 177 sq kms in area and, subject to regulatory approvals, is available for subsequent

⁹Astron's ASX Release of 7 April 2016 "Donald Mineral Sands Project – Mineral Resource Update" (<https://www.asx.com.au/asxpdf/20160407/pdf/436cjqcg3cf47.pdf>)

¹⁰ Astron's ASX Release of 16 May 2021 "Further updated Donald Mineral Separation Metallurgical Testwork" (<https://astronlimited.com.au/wp-content/uploads/2021/05/Further-Updated-Donald-mineral-separation-metallurgical-testwork.pdf>)

¹¹ Astron's ASX Release of 18 February 2021 "Donald Project Ore Reserves Statement Update" (<https://www.asx.com.au/asxpdf/20210218/pdf/44ssf3d5wd38d3.pdf>)

¹² Astron's ASX Release of 18 February 2021 "Donald Project Ore Reserves Statement Update" (<https://www.asx.com.au/asxpdf/20210218/pdf/44ssf3d5wd38d3.pdf>).

development. The total Mineral Resource where VHM data is available is 823 Mt at 4.8% HM grade or 39.5 Mt of HM.¹³

Extensive evaluation

The Donald Project has been subject to evaluation over an extended period. The project nearly reached development stage in 2012 when a MOU was agreed with POSCO for the joint development of the deposit.

Donald is at an advanced evaluation stage with technical work undertaken in mine planning, processing plant and infrastructure design, engineering design, product transportation, sales and marketing arrangements and environmental management, accompanied by the receipt of all major regulatory approvals (apart from the Work Plan).

Work undertaken has included the operation of a purpose-built pilot wet concentrator plant in Victoria to test heavy mineral concentrate recoveries, as well as the recovery of two bulk samples of ore for production of heavy mineral concentrate. Flotation tests indicate that the rare earth elements can be separated by flotation utilising a known reagent. Fine grained concentrates have undergone mineral processing at consultant facilities in Queensland. There is envisaged to be one stage of drying in the separation process after the wet high intensity magnetic separation (WHIMs) plant. The zircon stream is not envisaged to require a hot acid leach process to remove impurities¹⁴. Both factors are expected to influence operating expenditure favourably.

Rare Earth Elements (REE)

The Company is planning to recover the rare-earth elements of the ore body as part of metallurgical test work, rare-earths separation tests have been undertaken. A series of flotation tests have been conducted using a previously identified reagent, the results of which provided confidence that the Company may be able to achieve REE recovery rates (measured by percentage of CeO₂ recovered) of over 90%¹⁵. Further metallurgical examination of the rare earth product has confirmed that there exists a heavy rare-earth content within Donald's resource base.¹⁶

Donald Project Attributes

- Extensive resource evaluation, including by close spaced drilling, as well as bulk sampling and metallurgical evaluation, providing a high level of confidence of resource and ore body characteristics, compliant with the 2012 JORC Code requirements.
- All main regulatory approvals (excluding Work Plan) granted based on mining concepts as presented for the 2008 EES, for Stage 1 mining and concentrating.
- The Donald Project had received community engagement and support, over an extended period, which is planned to be re-commenced during 2021.
- Proximity to infrastructure (roads, rail intermodal facility and Port of Portland)
- Water resources – including a 6.9 giga litre (GL) water entitlement from Grampians Wimmera Mallee Water.

¹³Astron's ASX Release of 18 February 2021 "Donald Project Ore Reserves Statement Update" (<https://www.asx.com.au/asxpdf/20210218/pdf/44ssf3d5wd38d3.pdf>).

¹⁴ Astron's ASX Release of 12 May 2021 "Updated Donald Project Premium Zircon Test Results" <https://astronlimited.com.au/wp-content/uploads/2021/05/Updated-Donald-project-premium-zircon-test-results.pdf>

¹⁵ Astron's ASX Release of 14 May 2021 "Clarify Donald Mineral Separation Metallurgical Testwork" (<https://astronlimited.com.au/wp-content/uploads/2021/05/Further-Updated-Donald-mineral-separation-metallurgical-testwork.pdf>)

¹⁶ Astron's ASX Announcement dated 14 May 2021 "Clarification regarding Donald Minerals Sands Project - Mineral Separation" (available at <https://astronlimited.com.au/wp-content/uploads/2021/05/Further-Updated-Donald-mineral-separation-metallurgical-testwork.pdf>)

- Extensive metallurgical test work, utilising a range of industry consulting firms, as well as bench scale and pilot scale test work, providing confidence of commercial recovery of fine minerals.

Niafarang Mineral Sands project, West Africa

The Niafarang Project is designed to access a high grade coastal mineral sands deposit using simple dredge mining and concentrating methodologies. The ore is high grade, coarse-grained sands, capable of producing high quality ilmenite and zircon. The project is located within an exploration licence zone covering an area of 397 sq kms along a 75 kms stretch of the Casamance coast of Senegal, West Africa.

Environmental and Mining licences were awarded in 2017. A small mining licence (SML) was initially awarded to the Company and transferred to its Senegalese based subsidiary. Extensive community and stakeholder engagement has occurred while community development initiatives are in place.

An area approximately 6 kms along the coast has been subject to exploration and it will be this area that constitutes the first stage of the proposed project.

Stage 1 entails an estimated mining period of 5 years, allowing parallel evaluation of the broader deposit for subsequent potential mining. Heavy mineral concentrate will be produced for processing into final products of zircon, rutile and ilmenite in China.

The Company has acquired the necessary mining equipment for Stage 1 of the project. This equipment is held in storage in Dakar. Arrangements are being progressed for the temporary resettlement of a small expatriate population, to allow the commencement of mining activities.

The Company is expected to be able to apply its mining expertise to the development of this project and looks forward to undertaking mining operations in the near future subject to government authorisations.

The Niafarang Mineral Sands Project has been delayed by the local government measures implemented in the area of the proposed development in Senegal to deal with COVID-19. This has caused delays in the issue of approvals needed to proceed with this project.

Gambian Award

As announced on 23 July 2015, Astron Corporation received a judgement in its favour in respect of claims against the Republic of Gambia, with the total amount of the award being approximately USD \$22 million (**Judgement Amount**)¹⁷. Upon completion of the Demerger, Astron Corporation will retain full rights to the Judgement Amount. Astron Corporation is actively pursuing monetisation and enforcement avenues in respect of the outstanding Judgement Amount. The Judgement Amount represents a potential source of funds for the development of the Company's mining projects.

4.8 Rationale for the Demerger

The Company considers that the Separation by Demerger would allow for:

- (a) Titanium Hong Kong to focus on the future development of the processing, sale and marketing of final product produced from the mineral separation plant and the micro-agglomeration plant based in Yingkou, China;
- (b) the Company and its management teams to focus on the development of the Donald Project and the Niafarang Project;

¹⁷ Astron's ASX Release 23 July 2015, "Astron awarded \$31 million in claims against The Gambia" (<https://www.asx.com.au/asxpdf/20150723/pdf/42zzg0y7t9ftzb.pdf>)

- (c) the Company to potentially have enhanced opportunities to raise equity to fund the proposed commercialisation of the Donald Project, given the dedicated upstream business focus and simplified asset portfolio;
- (d) both the Company and Titanium Hong Kong to appropriately structure their respective management teams and organisational resources suitable for their respective business;
- (e) the Company to have a capital structure appropriate for an exploration, development and production company, and in line with other such companies in the resources industry, be better able to align its capital structure and funding needs (both debt and equity) with the stages of its development;
- (f) ongoing expenditure by the Company, including development funding and working capital, to be matched with the project requirements on a staged basis (as is the case for exploration, development and production companies). This will allow the Company to consider various forms of funding for each stage of the Donald Project and the Niafarang Project;
- (g) the Company to have a simplified operating model, being one that is more easily understood by Securityholders, other stakeholders and the broader investment and mineral sands market;

The Company considers that the Demerger will create benefits for Titanium Hong Kong, which may include:

- (a) Titanium Hong Kong to be a down-stream focused, advanced mineral sands producing and sales company, which will be able to focus on its existing global sales network to source, market and sell its suite of products;
- (b) Titanium Hong Kong to potentially have broader access to material and feedstock sources, providing an enhanced ability to focus on procuring speciality heavy mineral feedstock most suited for its processing plant operations;
- (c) Titanium Hong Kong to be financially independent from the Astron group, ensuring that Titanium Hong Kong will not be involved in funding typical more capital-intensive funding considerations of the exploration, mining, and processing activities of an upstream business operating in the resources sector. Accordingly, Titanium Hong Kong will be able to focus on a capital structure appropriate to its operations, including re-investing part of its operating cash-flows into its mineral separation and other activities;
- (d) key organisational areas, including personnel, management and culture to be strengthened and better aligned to Titanium Hong Kong's operating model; and
- (e) allow expected regulatory cost savings and reduction of overhead expenditure for Titanium Hong Kong.

Securityholders should refer to the potential advantages and disadvantages of the Proposed Transaction set out in section 4.15 below for further information in this regard.

4.9 Conditions to the Proposed Transaction

The Proposed Transaction is conditional upon (**Transaction Conditions**):

- (a) the Company obtaining Securityholder approval to:

- (1) declare the Demerger Dividend and undertake the In-Specie Distribution to Eligible Securityholders; and
 - (2) dispose its interest in Astron China and the Sales and Processing Business;
- (b) the People's Republic of China (**PRC**) providing regulatory approval in relation to the transfer of the Astron China Shares from Astron Australia to Titanium Hong Kong,

4.10 Foreign Securityholders

Securityholders on the Distribution Record Date with an address outside Australia, New Zealand and Hong Kong will have their pro-rata entitlement of Titanium Hong Kong Shares sold by the Company as nominee for the Ineligible Securityholders. The Company will remit the net proceeds (if any) to the Ineligible Securityholders.

The Company will act on a best efforts only basis to sell the Ineligible Securityholders' Shares and will not be liable to the Ineligible Securityholder for any loss suffered as a result.

The release, publication or distribution of the Notice of Meeting and Explanatory Memorandum in jurisdictions other than an Eligible Country may be restricted by law or regulation in such other jurisdictions, and persons outside of an Eligible Country who come into possession of the Notice of Meeting and Explanatory Memorandum should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

The Notice of Meeting and Explanatory Memorandum have been prepared in accordance with Australian and Hong Kong law and are subject to Australian disclosure requirements in addition to disclosure requirements imposed by ASX. The information contained in the Notice of Meeting and Explanatory Memorandum may not be the same as that which would have been disclosed if the Notice of Meeting and Explanatory Memorandum had been prepared in accordance with the laws and regulations of a jurisdiction outside of an Eligible Country.

Financial information in this Explanatory Memorandum has been prepared in accordance with the classification and measurement principles of the Hong Kong Accounting Standards and is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

This document does not constitute an offer of securities in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Titanium Hong Kong Shares may not be offered, in any country outside Australia except to the extent permitted above.

4.11 Directors' Recommendation

After a full and detailed assessment of all available information, the Directors believe that the Proposed Transaction is in the best interest of Securityholders and that, in the opinion of the Directors, the benefits of the Proposed Transaction, outweigh any disadvantages.

Accordingly, Directors unanimously recommend that Securityholders vote in favour of Resolution 1, for the following reasons:

- (a) Eligible Securityholders will retain an interest, via Titanium Hong Kong, in the Processing and Sales Business while maintaining their interest in the Company (and accordingly the Donald Project and Niafarang Project);
- (b) demerging the Processing and Sales Business will allow Titanium Hong Kong to focus fully on its downstream processing operations, while the Company's

Board and Management team will be able to focus on the progression of the Donald Project and Niafarang Project to their commercialisation stages;

- (c) subject to securing funding and progression of the Project to an approval and/or commercialisation stage, the Board believes the Donald Project has valuation characteristics (net present value, internal rate of return and cash flow generation characteristics) which may not currently be appropriately reflected in the Company's share price or forecast valuations of the Project;
- (d) to generate value in the Company's mineral sands assets, the Board considers this will be best advanced through the formation of a separate, upstream focussed company with business activities in exploration, development and production, and with a dedicated Board and management team.

4.12 Effects of the Proposed Transaction on the Company

The principal effect of the Proposed Transaction on the Company will be:

- (a) establishment of two separate entities (an ASX-listed entity, The Company and a non-listed entity, Titanium Hong Kong) which will display different portfolio, financial and risk characteristics to the current Astron Corporation;
- (b) two separate Boards of Directors and management structures which, while similar post the Proposed Transaction, can be expected to evolve to meet the differing business requirements of the Company and Titanium Hong Kong;
- (c) in terms of the existing Astron Corporation as a publicly listed entity, disposal of its current Processing and Sales Business;
- (d) for existing Securityholders in Astron Corporation, minimal expected overall change in net assets (with the exception of the deferred tax liabilities), although the assets would be held across two separate entities;
- (e) a change in size of the Company, potentially reflected in market capitalisation as a result of the downstream Processing and Sales Business being held in Titanium Hong Kong;
- (f) in this regard, the demerger Company's equity may reduce by an amount up to or equivalent to the market value of all fully paid shares in Titanium Hong Kong (although the number of issued shares will not change);
- (g) the Company will no longer have access to the revenue and cash flow generated by the Processing and sales Business, although with lower liabilities (current and non-current) given that a substantial proportion of the debt held within Astron Corporation Limited sits within its operating Chinese subsidiary which is expected to form a part of Titanium Hong Kong;
- (h) continued access by the Company through an Intellectual Property Licence Agreement with Titanium Hong Kong (Licence Agreement) under which Titanium Hong Kong grants the Company a licence to use certain intellectual property rights, which includes two patents owned by Astron China.

The financial information below sets out the unaudited Consolidated Pro-Forma Statement of Financial Position, as of 31 March 2021 together with the unaudited Pro-Forma Statement of Financial Position on the basis the Proposed Transaction was effective on 31 March 2021 for Astron Corporation Limited.

ASTRON CORPORATION LIMITED CONSOLIDATED BALANCE SHEET	Notes	Unaudited 31/03/2021 Consolidated	Unaudited 31/03/2021 Astron Corporation
ASSETS			
Current Assets			
Cash and Cash equivalents		3,847,372	886,569
Trade and other receivables	1	12,301,185	9,770,062
Inventories		4,635,239	-
Other assets		15,911	15,911
Total current assets		20,799,707	10,672,542
Non-current assets			
Property, plant and equipment		25,838,848	6,586,199
Intangible assets		67,191,874	66,895,272
Goodwill on acquisition		-	-
Water Rights		11,686,009	11,686,009
Land use rights		2,847,686	-
Total non-current assets		107,564,417	85,167,480
TOTAL ASSETS		128,364,124	95,840,022
LIABILITIES			
Current liabilities			
Trade and other payables		12,669,952	625,686
Short term borrowings		4,871,415	-
Provisions		104,442	104,442
Total current liabilities		17,645,809	730,128
Non-current liabilities			
Deferred tax liabilities	2	5,710,904	8,155,693
Long term borrowings	3	9,167,860	1,177,729
Long-term provisions		752,058	752,058
Total non-current liabilities		15,630,822	10,085,480
TOTAL LIABILITIES		33,276,631	10,815,608
NET ASSETS		95,087,493	85,024,414
EQUITY			
TOTAL EQUITY		95,087,493	85,024,414

Notes:

1. As of 31 March 2021, Astron Corporation Limited's demerged Balance Sheet includes previously intra-group trade debtors of \$9,594,992, which offset an equivalent trade creditor in Astron China. Historically, these amounts eliminated on consolidation. As a consequence of the demerger, the balances are now separately disclosed. Subsequent to the demerger and prior to the financial year end, it is proposed that these balances will be written down to a value which is consistent with the commercial position of the respective entities. While the final amount is yet to be confirmed, it is anticipated that the balance will be in the order of approximately \$2 million to support on-going activities of Astron Corporation Limited and its development activities.
2. It is expected that there will be a reversal of deferred tax asset due to the change in Group structure.
3. Director loans are disclosed as long-term commitments, the details of which are set out in section 4.22 subsection (f).

4.13 Effects of the Proposed Transaction on Securityholders

Securityholders will hold the same number of Shares in the Company they held prior to the Proposed Transaction.

Securityholders on the Distribution Record Date with a registered address outside of an Eligible Country are considered Ineligible Securityholders and will have their pro-rata entitlement of Titanium Hong Kong Shares sold and the net proceeds (if any) paid to them.

Assuming no further Securities are issued by the Company prior to the Effective Date, each Securityholder will receive 1 Titanium Hong Kong Shares for every 1 Astron Security held on the Distribution Record Date.

Eligible Securityholders may be exposed to tax consequences as a result of the In Specie Distribution. See section 4.16 for details for Australian taxation implications for Australian tax resident Securityholders.

If the Demerger is implemented, the value of Securityholders' interest in the Company's securities may be less than the value held prior to the Demerger being implemented due to the removal of the Processing and Sales Business from the Company's asset portfolio. The size of any decrease cannot be predicted and will be dependent on the value ascribed to the Processing and Sales Business.

Securityholders on the Distribution Record Date with a registered address in Australia, New Zealand and Hong Kong (being Eligible Securityholders) will be distributed Titanium Hong Kong Shares on a pro-rata basis. Securityholders with a registered address outside an Eligible Country are considered Ineligible Securityholders and will have their pro-rata entitlement of Titanium Hong Kong Shares sold by the Company and the net proceeds (if any) paid to them in cash.

Assuming no further Shares are issued prior to the Distribution Record Date, each Shareholder will receive 1 Titanium Hong Kong Share for every 1 Astron Security held on the Distribution Record Date.

Eligible Securityholders may be exposed to tax consequences as a result of the Dividend and In Specie Distribution. See section 4.16 for details for Australian taxation implications for Australian tax resident Securityholders.

4.14 Plans for the Company following the Proposed Transaction

The Company will focus on the commercialisation of its two mineral sands projects: the Donald Project and Niafarang Project.

Astron's management team plan to generate and deliver sustainable shareholder value by pursuing the following key work-streams:

- (a) metallurgical test work and evaluation, including a pilot scale mineral processing trial of Donald heavy minerals concentrate into final products;
- (b) project and organisational resourcing, including a team with skills in accordance with the objective of the commercialisation of two mineral sands projects;
- (c) progression of regulatory approvals, including the Work Plan;
- (d) continued product testing and provision of product samples to customers to facilitate commercial off-take arrangements;

- (e) engagement with rare earth processors for commercialisation of the high value rare earths component;
- (f) continued community/stakeholder engagement and the establishment of a Community Reference Group;
- (g) progression to definitive feasibility study, front-end engineering design, detailed engineering and funding stages for the Donald Project;
- (h) determination of arrangements to progress engagement with potential funding providers (both debt and equity) to ensure funding arrangements and an appropriate capital structure to underpin the commercialisation of the Donald Project.

4.15 **Advantages and Disadvantages to Securityholders of the Proposed Transaction**

The Directors consider that the Proposed Transaction may have both advantages and/or disadvantages for current security holders in Astron Corporation and for Securityholders in the Company and Titanium Hong Kong, in the event that the Demerger occurs. The rationale and expected benefits of the Proposed Transaction have been conveyed in 4.8 and 4.11.

Potential Advantages

- (a) Eligible Securityholders will retain their current percentage ownership interest in the capital of Astron Corporation Limited (**Astron Corporation**) and in the new demerged entities, and as such the beneficial interests in the assets of the Company will remain the same, although held in different entities (being the Company and Titanium Hong Kong).
- (b) Through the In-specie distribution, Eligible Securityholders, will directly own a percentage of Titanium Hong Kong (equal to the Securityholder's interest in the Company as at the Record Date) as well as the Company.
- (c) To the extent that the Proposed Transaction enables the two business entities to more effectively carry out their business strategies and plans, Eligible Securityholders may participate in improved financial performance and enhanced valuation metrics, particularly if the Company is able to proceed with its plans for the commercialisation of the Donald Project.
- (d) The Company considers that a more focussed business strategy and portfolio composition of the Company may increase its investment market appeal to institutional and other investors. This, in turn, may potentially enhance the liquidity in the Company's securities.
- (e) The Company, given its planned focussed business strategy, may be more attractive for potential equity partners, capital advisers, project participants, industry suppliers and others, which may in turn enhance its access to other mineral sands or allied resource development opportunities.
- (f) As part of the business objectives for the Company, a capital raising for the funding of the Donald Project through the issue of securities in the capital of the Company, may be required and may, in turn, provide the opportunity to broaden the shareholder base and in turn improve the liquidity of the Company's securities and an ability for market valuation to be more efficiently reflected through share transactions and the Company's market capitalisation.
- (g) On completion of the Proposed Transaction, the Company will have a balance sheet which has a significantly lower level of debt, given a large proportion of the debt sits with Astron China which will be held in Titanium Hong Kong.

Potential Disadvantages

The Directors consider that the Proposed Transaction may have the following disadvantages for Securityholders (refer also to 4.13, 4.20 and, in particular, 4.21):

- (a) There is no guarantee that the demerged of the two entities will improve the financial performance or prospects of one or both entities.
- (b) Eligible Securityholders will, in the event of the Proposed Transaction, hold Shares in an upstream focussed mineral sands company, without existing production assets. As a consequence, the risk profile for Securityholders will be different to that of the existing portfolio, which has a broader spread of assets, including downstream production assets and marketing and trading activities, all of which generate revenue. As such, Securityholders will not have the benefits of portfolio diversification that the Company may presently offer.
- (c) Shares in Titanium Hong Kong, as an unlisted company will not be freely tradeable on a listed market securities exchange. Consequently, Titanium Hong Kong will have very limited liquidity and eligible security holders may not be able to readily realise their investment in Titanium Hong Kong. In addition, access to regular, publicly available information on Titanium Hong Kong and its business operations, as a non-listed entity, can be expected to be less than that for an entity listed on a securities exchange.
- (d) Both entities will display different risk profiles – one exposed to commodity price, project execution and production risk; the other to processing, regulatory, market and country risk. Any potential amelioration of such risks in a diversified portfolio, may be reduced or not available through a holding of two separate entities.
- (e) Some Securityholders that have invested on the basis of an entity that has both upstream assets and downstream operations may find the proposed restructuring into two new entities not in keeping with their risk profile or original investment decision-making criteria. Those investors seeking to reduce or exit their shareholding may be disadvantaged in doing so, given the current limited liquidity of the Company's securities.
- (f) The Company, initially, will not have an existing revenue stream and will be reliant on sourcing funds from external sources, to facilitate the progression of its plans to commercialise the Donald Project. This may introduce greater risk in terms of the ability to sustain its business activities or progress its plans if funding is not forthcoming or not forthcoming to the level anticipated.
- (g) It can be expected that the Company will need to raise funding through some combination of debt and equity. To the extent that equity funding is pursued, and dependent on the structure, Securityholders may be required to make a decision to commit further funds in return for additional securities, or in the event of a placement to existing or new Securityholders, suffer some dilution in their interest in the Company through the issuance of new securities.
- (h) Each company in its own right, will be financially smaller based on separation of assets.
- (i) There may be taxation consequences for Securityholders in respect of the distribution of Titanium Hong Kong Shares. While the Company has applied to the Australian Tax Office for demerger relief, the Demerger is not conditional upon the relief being granted. Details of the possible general taxation effect of the Proposed Transaction are set out in section 4.16 of this Explanatory Memorandum.
- (j) The Proposed Transaction entails that costs have been and will be incurred relating to the Company and Titanium Hong Kong 's separation by demerger (some of which

will initially be incurred by the Company). These costs influence the financial performance, and these costs will have not been productive if the Proposed Transaction is not approved by Securityholders and implemented by the Company. The costs include, but are not limited to:

- adviser and other fees incurred in the preparation of the documentation giving effect to the In-specie Distribution; and
- tax advice obtained in relation to taxation consequences of the In-specie Distribution.

4.16 Tax Consequences

The Company considers the proposed Demerger may qualify for dividend demerger relief and CGT demerger and rollover relief (jointly referred to as **Demerger Relief**), however, the Commission of Taxation (**Commissioner**) has extensive discretion in this regard. The Company will apply to the Commissioner for a ruling in connection with the Separation by Demerger to confirm this. The Commissioner will consider the Application based on all the facts and circumstances in ruling whether the Demerger Relief is available.

The In-Specie Distribution is not conditional on the Company obtaining the Demerger Relief and accordingly Securityholders should be aware of the potentially adverse tax consequences which may arise if Demerger Relief is not granted (and seek independent advice in this regard).

Hong Kong taxation implications

There is no dividend withholding tax in Hong Kong. Any dividend income received by any Hong Kong or non-Hong Kong corporate or individual Securityholders of the Company will not be subject to Hong Kong tax in their hands. Therefore, Eligible Securityholders will not be subject to Hong Kong income tax upon the Company's distribution of dividend by way of in-specie distribution of 100% of shares in Titanium Hong Kong (that is, the distribution of Demerger Dividend).

The distribution of Demerger Dividend will involve the transfer of shares in Titanium Hong Kong, which will be subject to Hong Kong stamp duty at 0.2% (noting that a new rate of 0.26% will be effective from 1 August 2021) of the higher of the consideration or the market value of the Titanium Hong Kong Shares as at the transfer date. This stamp duty will be payable half by the transferor and half by the transferee(s), being the Eligible Securityholders. Nonetheless, the Company has decided to pay the entire amount of Hong Kong stamp duty (including the half of the stamp duty that would have been payable by the Eligible Securityholders), so that the Eligible Securityholders will not be required to bear the cost of the Hong Kong stamp duty.

Australian taxation implications for Australian tax resident Securityholders

Overview

The comments in this Section provide a general outline of Australian income tax, capital gains tax (**CGT**) and goods and services tax (**GST**) issues for Securityholders who are Australian residents for tax purposes.

This summary does not constitute financial product advice as defined in the Corporations Act.

These comments are based on tax laws, applicable case law and published Australian Taxation Office rulings, determinations and administrative practice in force at the date of this Explanatory Memorandum. Securityholders should note that tax laws are subject to ongoing change, and this section does not consider any changes in administrative practice or interpretation by the relevant tax authorities, or any changes in law by judicial decision or legislation following the date of this Explanatory Memorandum. To the extent that there are

any changes in law after this Explanatory Memorandum, including those having retrospective effect, Securityholders should consider the tax consequences, taking into account their own individual circumstances, and should consider taking advice from a professional advisor.

The taxation implications may be affected by the individual circumstances of each Securityholder, and it is recommended that Securityholders consult their own independent advisors. This summary is general in nature and does not cover all tax consequences that could apply in all circumstances of any Securityholder.

The categories of Securityholders considered in this section are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying superannuation funds that hold their shares on capital account, and it does not consider any other category of Securityholders including those that hold shares on revenue account, carry on a business of trading in shares, are exempt from Australian tax, foreign residents, insurance companies, banks or Securityholders who are subject to the Taxation of Financial Arrangements rules contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth).

Implications if Demerger Relief is not available

a) Assessable dividend

If Demerger Relief is not obtained from the Commissioner, the receipt of Titanium Hong Kong Shares would be assessable as an unfranked dividend to the Securityholders who are residents of Australia for tax purposes. Depending on the Securityholders tax profile, this is likely to result in a tax liability for the Securityholders.

b) Cost base of Titanium Hong Kong Shares

The cost base of the Titanium Hong Kong Shares should be equal to their market value on the date of the Demerger.

The cost base of the Company Shares should not be impacted by the Demerger.

Further information in relation to the market values would be provided by the Company subsequent to the Separation by Demerger being implemented.

c) Time of acquisition of Titanium Hong Kong Shares

Securityholders will be taken to have acquired the Titanium Hong Kong Shares on the date of the Demerger.

d) Taxation implications for the Company

The transfer of Titanium Hong Kong Shares from the Company to the Securityholders may result in a capital gain for the Company. Among other things, this would depend on the market value of the Titanium Hong Kong Shares at the time of the Demerger.

Implications if Demerger Relief is available

a) Dividend is non-assessable non-exempt income

If Demerger Relief is obtained from the Commissioner, the receipt of Titanium Hong Kong Shares should constitute a 'demerger dividend' and therefore be non-assessable non-exempt income for the Securityholders who are residents of Australia for tax purposes.

b) Cost base of Titanium Hong Kong Shares

The Securityholders will need to apportion the CGT cost base of their original Shares between their original Securities in the Company and new Titanium Hong Kong Shares in

accordance with the market values of the Securities and Titanium Hong Kong Shares (or a reasonable approximation of these market values) just after the Separation by Demerger.

Further information in relation to the apportionment of cost bases will be provided by the Company subsequent to the Separation by Demerger being implemented.

c) Time of acquisition of Titanium Hong Kong Shares

Securityholders will be taken to have acquired the Titanium Hong Kong Shares on the date of the Demerger.

d) Taxation implications for the Company

The transfer of Titanium Hong Kong Shares from the Company to the Securityholders is not expected to have any material adverse tax implications for the Company if Demerger Relief is obtained from the Commissioner.

General implications

The general tax implications of holding the Titanium Hong Kong Shares (irrespective of whether or not Demerger Relief is obtained) are outlined below.

a) Australian CGT implications on a future disposal of Shares

The tax treatment of future share disposals by Australian resident Securityholders will depend on whether the shares are held on revenue account, as trading stock, as subject to the Taxation of Financial Arrangements regime or on capital account. As noted above, this section only considers Securityholders that hold shares on capital account and related CGT implications.

The disposal of a share by an Australian resident Securityholder will constitute a CGT event. A capital gain will arise where the cost base of the share is exceeded by the capital proceeds on disposal.

However, a CGT discount may be applied against the net capital gain where the Securityholder is an individual, complying superannuation entity or trustee, provided that the shares have been held for at least 12 months prior to disposal.

If the CGT discount applies, a capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one-half after offsetting current year or prior year capital losses, and for a complying superannuation entity, any capital gain may be reduced by one-third, after offsetting current year or prior year capital losses.

If the Securityholder is the trustee of a trust that has held the shares for at least 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Securityholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

The net capital gain for a financial year after application of capital losses and CGT discount (if available), is included in the resident Securityholder's assessable income and is subject to Australian tax. A net capital loss may generally be carried forward to future years to be deducted against future capital gains.

A capital loss should be realised where the reduced cost base of the share exceeds the capital proceeds from disposal.

All capital gains and losses for the year are added together. Capital losses may only be offset against capital gains realised by the Securityholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other forms of assessable income but can be carried forward to later income years.

b) Dividends on Shares

The tax treatment of dividends will depend on whether Titanium Hong Kong is an Australian tax resident or not following the Demerger. The comments below are provided on the assumption that Titanium Hong Kong is an Australian tax resident.

Dividends may be paid to Securityholders in respect of their shares. Franking credits may attach to such dividends. Franking credits broadly represent the extent to which a dividend distributed by a company is paid from profits that have been subject to Australian income tax. It is possible for a dividend to be 'fully franked', 'partly franked' or 'unfranked'. The distribution statement for the dividends paid to Securityholders should advise of the franking status of the dividends.

Australian-resident Securityholders will be required to include dividends in their assessable income in the income year in which the dividends are paid. To the extent that the dividends are franked, franking credits should also be included in the Securityholder's assessable income. In such circumstances, Securityholders are subject to tax at their applicable rate of tax on the "grossed-up" dividends received, being the dividend plus the franking credit. The Securityholder may be entitled to a tax offset in their income tax return for the franking credits associated with dividends received.

To the extent that the dividends are unfranked, there is no gross-up (or tax offset). Australian-resident Securityholders are subject to tax at their applicable rate of tax on the unfranked portion of dividends received.

(1) Australian-resident individuals

In circumstances where franking credits received by Australian tax-resident Securityholders who are individuals exceed the amount of total income tax payable, those Securityholders should be entitled to a refund from the Australian Taxation Office. The refund should be the sum of any excess franking credits over and above the total income tax payable in an income year. Where the franking credits are less than the tax payable on the dividends, those Securityholders will need to pay tax on the balance.

(2) Trusts

In relation to Securityholders that are trusts (other than trustees of complying superannuation entities or trusts treated as companies for tax purposes), such Securityholders should include the sum of any franking credits received by the trustee in determining the net income of the trust. On distribution of net income by the trustee, the relevant beneficiary may then be entitled to a tax offset, subject to certain requirements being satisfied.

The application of the Australian taxation laws to trusts with regards to the taxation of dividends is complex. Advice should be sought to confirm the appropriate taxation considerations and treatment.

(3) Corporate Shareholders

Securityholders which are companies (including those which are deemed to be companies) (Corporate Shareholders) and are Australian tax-residents are also entitled to a tax offset equal to the

amount of franking credits received. However, unlike non-Corporate Shareholders, they are unable to claim cash refunds for excess franking credits.

Corporate Shareholders should be entitled to a franking credit in their franking account equal to the franking credits received in respect of dividends. A Corporate Shareholder may be able to use the credits to make franked distributions to its shareholders.

Where excess franking credits exist, a Corporate Shareholder should be entitled to have the surplus credits converted into carry forward tax losses.

(4) Tax integrity rules

The entitlement of a Securityholder to a franking credit tax offset, and their requirement to include the franking credits in their assessable income, may be affected by the 'qualified person' rules, including the 'holding period' rule and the 'related payments' rule as well as the 'dividend washing' rule.

Qualified Person Rule

To be a qualified person, a Securityholder must satisfy the holding period rule and the related payments rule.

Under the 'holding period' rule, a Securityholder must continuously hold ordinary shares 'at risk' for at least 45 days (the holding period commences on the day after the day on which the Shareholder acquired the shares or interest) to be eligible for the franking tax offset. Under the 'small shareholder' exemption, this rule does not apply if the Securityholder's total franking credit entitlement does not exceed A\$5,000 in a particular income year.

The 'related payments' rule applies if a Securityholder or their associate is under an obligation to make a 'related payment', under which an obligation exists to pass the benefit of the franked dividend to someone else.

Where there has been a related payment, to be a 'qualified person' in relation to a dividend or distribution, a Securityholder must hold the relevant shares 'at risk' for the period beginning on the 45th day before and ending on the 45th day after the day on which the Shares became ex-dividend.

A Securityholder must be a 'qualified person' for the payment of each dividend or distribution, to claim the franking credits attached to franked dividends.

Dividend Washing Rule

The 'dividend washing' rule prevents a Securityholder from claiming more than one set of franking credits where they have received a dividend as a result of 'dividend washing'.

Dividend washing occurs where you, or an entity connected to you, sells an interest in shares that you hold while retaining the right to a dividend, then, by accessing share trading under an alternative ASX trading market, you purchase some substantially identical shares.

If the 'dividend washing' rule applies, a Securityholder is not entitled to a tax offset for the franking credits for the second dividend.

The above, and the other tax integrity rules, can be particularly complex, and especially so for distributions received indirectly (for example, via an interposed trust). It is recommended that Securityholders in such situations seek independent professional taxation advice.

c) Australian goods and services tax

No GST should be payable by Securityholders on acquisition or disposal of shares in Titanium Hong Kong, and no GST should be payable by Securityholders on receiving dividends distributed by Titanium Hong Kong.

However, Securityholders may not be entitled to claim full input tax credits in relation to any GST included in any costs they have incurred in connection with the acquisition of the shares, and Securityholders should obtain their own independent tax advice in this regard.

d) Quotation of Tax File Number (TFN)

Australian tax resident Securityholders may, if they choose, notify Titanium Hong Kong of their TFN, Australian Business Number (ABN) or a relevant exemption from withholding tax with respect to dividends. It is not compulsory for Securityholders to provide this information.

In the event that Titanium Hong Kong is not so notified, Australian tax will be deducted by Titanium Hong Kong from unfranked distributions and/or dividends at the highest marginal tax rate plus the Medicare Levy (which is 47% for the year ended 30 June 2021).

However, Australian tax resident Securityholders may be able to claim a tax credit in respect of the tax withheld on dividends in their income tax returns.

A Securityholder who holds shares as part of an enterprise may quote its ABN instead of its TFN.

4.17 Consequences if the Proposed Transaction does not complete

The Company will, in the event Securityholders do not approve the Proposed Transaction, continue to hold an interest in the Donald Project, the Niafarang Project and the Processing and Sales Business operated by Astron China. Given the Company's focus will be on its Donald Project, the Company will consider its alternatives to maximise return for Securityholders from this project and over time, the Niafarang Project.

4.18 Information Concerning Company Shares

The highest and lowest recorded sale price of shares as traded on ASX during the twelve (12) months immediately prior to the date of this Explanatory Memorandum was \$0.16 on 22 June 2020 and \$0.58 on 18 June 2021.

4.19 Directors' Interests

The table below sets out the number of securities in the Company held by the Directors (directly or indirectly) at the date of this Explanatory Memorandum and also the number of Titanium Hong Kong Shares they are likely to have an interest in if Resolution 1 and 2 is passed and the Proposed Transaction completes:

Name	ATR CDIs	Current Titanium Hong Kong Shares held as at date of this Notice of Meeting	Interest in Titanium Hong Kong following the In-specie Distribution*
Mr Gerard King	49,138	0	49,138
Mr Tiger Brown	94,165,972	0	94,165,972
Dr Mark Elliott	346,400	0	346,400
Ms Kang Rong	4,000,100	0	4,000,100

*Based on a ratio of 1 Titanium Hong Kong Shares for every 1 Astron Security for the In-specie Distribution.

4.20 Risk Factors in holding Titanium Hong Kong Shares

The Shares in Titanium Hong Kong to be distributed under the In-Specie Distribution should be considered speculative because of the nature of the business activities of Titanium Hong Kong. Whilst the Directors recommend the Proposed Transaction, Securityholders should consider whether the Shares being offered are a suitable investment having regard to their own personal investment objectives and financial circumstances and the risk factors set out below. This list is not exhaustive and potential investors should read the Notice in its entirety and if in any doubt consult their professional advisor.

4.21 Risks Specific to the Company, Titanium Hong Kong and the Proposed Transaction

Risks specific to the Company, Titanium Hong Kong, its projects and circumstances and Demerger include the following:

(a) Lack of liquidity in Titanium Hong Kong

Titanium Hong Kong will not be listed on an exchange. As such, shares in Titanium Hong Kong will not be freely tradeable by Securityholders on any market. Any transfer of Titanium Hong Kong Shares will need to be done off-market and by way of a written instrument and accordingly there is no guarantee that Securityholders will have the opportunity to realise the value of their holding in Titanium Hong Kong. This may reduce liquidity of Titanium Hong Kong's capital and the opportunity for Securityholders to realise their investment in Titanium Hong Kong.

(b) Securityholder Approval Risk

The Company has convened a meeting of its Securityholders on 19 July 2021 to seek approval for the Proposed Transaction. The Demerger is subject to obtainment of this Securityholder approval.

No assurance can be given that the Securityholder approval will be obtained.

(c) ATO Ruling Risk

The Company will seek a ruling from the Australian Taxation Office in respect of the intended distribution of Titanium Hong Kong Shares to Eligible Securityholders. There is no guarantee or assurance that the Company will be successful in obtaining the tax ruling sought. In the event that a ruling is not obtained, there is a risk that a tax liability may arise for holders of the Titanium Hong Kong Shares once the In-Specie Distribution takes place. The Demerger is not conditional on a positive ruling being obtained.

(d) Funding Risk

The Company's and Titanium Hong Kong's ability to effectively implement its business operation plans in the future, to take advantage of other business opportunities and to meet any unanticipated liabilities or expenses which the Company or Titanium Hong Kong may incur may depend on its ability to raise funds in the future.

The Company may seek to raise funds through equity or debt financing or other means. There can be no assurance that additional finance will be available when needed, or if available, the terms of the financing may not be favourable to the Company or Titanium Hong Kong and their Securityholders.

(e) COVID-19 impact risk

The global economic outlook is facing uncertainty due to the current COVID-19 (Novel Coronavirus) pandemic, which has been having, and is likely to continue to have, a significant impact on global capital markets, commodity prices and foreign exchange rates.

While to date COVID-19 has not had a material impact on the Company's and Titanium Hong Kong's operations, should any personnel or contractors be infected, it could result in Titanium Hong Kong's and the Company's operations being suspended or otherwise disrupted for an unknown period of time, which may have an adverse impact on the Company's and Titanium Hong Kong's operations as well as an adverse impact on the financial condition of the Company and Titanium Hong Kong.

Supply chain disruptions resulting from the COVID-19 pandemic and measures implemented by governmental authorities around the world to limit the transmission of the virus (such as travel bans and quarantining) may, in addition to the general level of economic uncertainty caused by the COVID-19 pandemic, also adversely impact the Company and Titanium Hong Kong's operations, financial position and prospects.

(f) Commercialisation and Contractual risk

Potential future earnings, profitability, and growth are likely to be dependent upon the Company being able to successfully implement some or all of its business plans. The ability for the Company and Titanium Hong Kong to do so is further dependent upon a number of factors, including matters which may be beyond the control of both the Company and Titanium Hong Kong, The Company and Titanium Hong Kong may not be successful in securing identified customers or market opportunities. The Company (and subject to approval of the Demerger, Titanium Hong Kong) are parties to various contracts. Whilst the Company and Titanium Hong Kong will have various contractual rights in the event of non-compliance by a contracting party, no assurance can be given that all contracts to which the Company and Titanium Hong Kong is a party will be fully performed by all contracting parties. Additionally, no assurance can be given that if a contracting party does not comply with any contractual provisions, the Company and Titanium Hong Kong will be successful in securing compliance.

(g) Project Execution Risk

Project timeframes, capital expenditure, equipment availability, ability to access key personnel – or a combination of these and other factors – may cause either a delay in the completion of the Donald Project or an overrun in terms of capital expenditure or operational costs.

(h) Product Risk

The Company's mineral sands products fail to gain widespread market acceptance or intended off-take arrangements are not able to be secured, as part of the planned commercialisation of the Donald Project.

Given the nature of the Company's production stream, and the mineral sands industry landscape, an over-reliance on one market, such as China, which introduces the risks seen in other industries should the Chinese government were to impose sanctions or higher tariffs on products emanating from the Australian mineral sands sector.

(i) Mechanical or Machinery Risk

Failure of equipment to perform as expected, that may in turn adversely affect product recoveries or quality which, in turn, has adverse financial consequences.

(j) Permit risks

The rights to mineral permits carry with them various obligations which the holder is required to comply with in order to ensure the continued good standing of the permit and, specifically, obligations in regard to minimum expenditure levels and responsibilities in respect of the environment and safety. Failure to observe these requirements could prejudice the right to maintain title to a given area and result in government action to forfeit a permit or permits.

There is no guarantee that current or future exploration permit applications or existing permit renewals will be granted, that they will be granted without undue delay, or that the Company can economically comply with any conditions imposed on any granted exploration permits.

(k) Land access risk

Land access is critical for exploration and evaluation to succeed. In all cases the acquisition of prospective permits is a competitive business, in which proprietary knowledge or information is critical and the ability to negotiate satisfactory commercial arrangements with other parties is often essential.

Access to land for exploration purposes can be affected by small non-mechanised mining operations or land ownership, including registered and unregistered land interests and regulatory requirements within the jurisdictions where the Company operates.

(l) Commodity price/s risks

The Company's possible future revenues are expected to be derived mainly from mineral sands, sale of rare earth concentrate and from royalties gained from potential joint ventures or other arrangements.

Consequently, the Company's potential future earnings will likely be closely related to the price of such minerals, which may fluctuate, as well as exchange rate risks for products sold when denominated in currencies other than the Australian dollar (refer I)

(m) Environmental Risks

Titanium Hong Kong's and the Company's operations and projects are subject to the laws and regulations of all jurisdictions in which it has interests and

carries on business, regarding environmental compliance and relevant hazards.

These laws and regulations set standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards.

Significant liability could be imposed on the Company and/or Titanium Hong Kong for damages, clean-up costs, or penalties in the event of certain discharges into the environment, environmental damage or non-compliance with environmental laws or regulations. It is the Company's and Titanium Hong Kong's intention to minimise this risk by conducting its activities to the highest standard of environmental obligation, including compliance with all environmental laws and where possible, by carrying appropriate insurance coverage.

Amendments to current laws, regulations and permits, or more stringent implementation thereof, could have a material adverse impact on the Company and/or Titanium Hong Kong and cause increases in expenses, capital expenditures or production costs or reduction in levels of production at producing properties.

(n) Exchange Rate Risk

The revenues, earnings, assets and liabilities of the Company and/or Titanium Hong Kong may be exposed adversely to exchange rate fluctuations. Titanium Hong Kong's revenue may be denominated in a foreign currency and as a result, fluctuations in exchange rates could result in unanticipated and material fluctuations in the financial results of Titanium Hong Kong.

(o) Government Policy

Changes in relevant taxation, interest rates, other legal, legislative and administrative regimes, and Government policies may have an adverse effect on the assets, operations and ultimately the financial performance of the Company and Titanium Hong Kong. These factors may ultimately affect the financial performance of the Company and Titanium Hong Kong and the price of its securities.

Changing attitudes to environmental, land care, cultural heritage, together with the nature of the political process, provide the possibility for future policy changes. There is a risk that such changes may affect the Company and Titanium Hong Kong's operational plans.

(p) Industrial Risk

Industrial disruptions, work stoppages and accidents in the course of the Company's and Titanium Hong Kong's operations could result in losses and delays, which may adversely affect profitability.

(q) Reliance on Key Personnel

The Company's and Titanium Hong Kong's progress in pursuing its activities within the time frames and within the costs structure as currently envisaged could be dramatically influenced by the loss of existing key personnel or a failure to secure and retain additional key personnel. The resulting impact from such loss would be dependent upon the quality and timing of the employee's replacement.

Although the key personnel of the Company and Titanium Hong Kong have a considerable amount of experience, there is no guarantee or assurance that they will be successful in their objectives.

4.22 Material Contracts

The Company and Titanium Hong Kong are party to the following material contracts:

(a) Demerger Implementation Deed

The Company, Astron Australia and Titanium Hong Kong entered into a Demerger Implementation Deed (**Implementation Deed**) dated 24 June 2021 which deals with certain commercial, legal and transitional issues arising in connection with the legal separation of Astron Corporation and Titanium Hong Kong.

The parties have entered into the Implementation Deed to assemble Astron China's business under the ownership of Titanium Hong Kong and separate Titanium Hong Kong from the Company, through a distribution of Titanium Hong Kong Shares to Eligible Securityholders.

The parties have agreed to implement the steps required for the Separation by Demerger on the following material conditions:

- (1) the Separation by Demerger being approved by the Company's Securityholders (the subject of Resolutions 1 and 2);
- (2) No legal restraint or prohibition preventing the Separation by Demerger being implemented;
- (3) All regulatory approvals being obtained by both parties; and
- (4) Titanium Hong Kong must ensure that the Titanium Hong Kong Shares that Securityholders receive under the In-specie Distribution are entered into Titanium Hong Kong's share register;

The key terms of the Implementation Deed are as follows:

(A) Separation Principle

The fundamental Demerger principle of the separation of Titanium Hong Kong from the Company is that, following the Demerger, as between Titanium Hong Kong, on the one hand, and Astron Corporation on the other:

Titanium Hong Kong will have:

- the entire economic and commercial benefit (including all profits) of the business relating to the Astron China business on and from the Restructure Date;
- the entire economic and commercial risk and liabilities of the business relating to the Astron China business as if Titanium Hong Kong had owned and operated the Astron China business as a standalone at all relevant times;
- none of the economic or commercial benefit of the remaining business of Astron Corporation on and from the Restructure Date;

- none of the economic or commercial risk or liabilities of the remaining business of Astron Corporation whenever arising; and

Astron Corporation will have:

- the entire economic and commercial benefit (including all profits) of the business carried on by Astron Corporation (excluding the Astron China business) (**Remaining Astron Projects**) on and from the Restructure Date;
- the entire economic and commercial risk and liabilities of Remaining Astron Projects;
- none of the economic or commercial benefit of the business relating to the Astron China business on and from the Restructure Date; and
- none of the economic or commercial risk or liabilities of the business relating to the Astron China business whenever arising.

(B) No Claims

Consistent with the Demerger Separation Principle, Titanium Hong Kong and Astron Corporation acknowledge that once the Demerger is complete, Titanium Hong Kong will not have any rights against Astron Corporation, and Astron Corporation will not have any rights against Titanium Hong Kong, except in specified circumstances.

(C) Termination

The parties may terminate the Implementation Deed by giving one months' notice, whereby each party will be released from their obligations and liabilities under the Implementation Deed.

(D) Titanium Hong Kong Assignment

Rights arising out of or under the Implementation Deed cannot be assigned, novated or otherwise transferred by a party without the prior written consent of the other party.

(E) Tax assistance

Titanium Hong Kong and Astron Corporation will assist each other in relation to the preparation of their respective tax returns and in the event of any tax audit by a relevant authority. The Implementation Deed also contains provisions as to the handling of any tax claims.

The Implementation Deed is otherwise on terms and conditions considered standard for agreements of this nature.

(b) Transitional Services Agreement

Astron Corporation has entered into an agreement with Titanium Hong Kong dated 24 June 2021 pursuant to which Astron Corporation will allow Titanium Hong Kong to utilise general office administration services (including secretarial duties and management of corporate transactions) and information technology support as required.

Titanium Hong Kong will pay for access to these services and facilities per an agreed schedule of rates, which may be varied from time to time by written mutual agreement. Astron Corporation will invoice Titanium Hong Kong monthly.

Either party may terminate the agreement at any time by providing prior written notice and may do so immediately in any circumstance of serious failure or breach. It is expected that the transitional period will be for 12 months unless terminated earlier.

(c) IP Licence Agreement

The Company has entered into an Intellectual Property Licence Agreement with Astron China (**Licence Agreement**) under which Astron China grants the Company a licence to use certain intellectual property rights, which includes two patents owned by Astron China (**Intellectual Property Rights**).

The licence is a non-exclusive perpetual licence to use the Intellectual Property Rights worldwide.

The Licence Agreement requires Astron China to maintain the existing Intellectual Property Rights in good standing and defend any attacks and take action against any infringement of such rights. There are also certain obligations on each party in respect of notification of any infringement and actions required in respect of such infringement.

The IP licence agreement includes certain warranties and indemnities given by the parties which are considered standard for this type of arrangement. Astron China provides an indemnity in favour of the Company in respect of, amongst other matters, any claim that the Intellectual Property Rights infringe the rights of a third party. The Company provides an indemnity in favour of Astron China for any claim arising out of the use by the Company of the Intellectual Property Rights or breach of the agreement by the Company.

(d) Share Sale Agreement

Astron Australia and Titanium Hong Kong have entered into a Share Sale Agreement to facilitate the acquisition of Astron China (which owns the Processing and Sales Business) by Titanium Hong Kong. The key terms of the Share Sale Agreement are summarised as follows:

- (1) Astron Australia will transfer all of the shares it holds in Astron China to Titanium Hong Kong;
- (2) to satisfy the consideration for the transfer, Titanium Hong Kong will issue to the Company (as nominee of Astron Australia) shares in the capital of Titanium Hong Kong, being equivalent to the value of Astron China as determined by the Board.

Accordingly, at completion under the Share Sale Agreement, Astron China will be wholly owned by Titanium Hong Kong and the Company will in total own 122,479,784 shares in the capital of Titanium Hong Kong.

The Share Sale Agreement is conditional upon the People's Republic of China providing regulatory approval in relation to the transfer of the Astron China Shares from Astron Australia to Titanium Hong Kong.

The Share Sale Agreement contains a number of warranties given by both parties as to their corporate power and authority to carry out the transactions

contemplated and by Astron Australia (as seller) particularly regarding the Astron Australia's legal and beneficial title to the Astron China Shares.

The Share Sale Agreement is the culmination of a number of transaction steps, namely pursuant to which a payment obligation accrues between and Astron Corporation and Astron Australia in respect of the transfer of the Astron China Shares which is satisfied by Astron Australia declaring a dividend in favour of Astron Corporation, and that dividend is satisfied by offsetting the liability by direction from Astron Australia to Titanium Hong Kong to issue the Astron China Shares to Astron Corporation.

(e) Offtake Agreement with Wensheng

As noted in the half-yearly accounts at 31 December 2020, Astron received a deposit of RMB20 million (approximately AUD\$4 million) (received during the year ended 30 June 2017) in connection with the Senegal offtake agreement (the **Agreement**) with Hainan Wensheng High-tech Minerals Co., Ltd. (**Wensheng**). Under the Agreement, the Group is required to ship 50,000 tons/year of Titanium Mineral Sands ("the mineral sands") to Wensheng in the PRC for a three-year period commencing May 2018. The Agreement makes provision for amounts payable by each side for not meeting their obligations by applying interest of 24% p.a. against the RMB20 million (approximately AUD\$4 million) advance deposit. Payment to the Group under the Agreement is based on the actual amount of zircon, ilmenite and rutile, etc. contained in the mineral sands, which is only determined once the mineral sands is shipped and processed by Wensheng in the PRC.

Delivery of the mineral sands have fallen behind the schedule as a result of the deferral of commencement of operations of the Senegal project. Interest of \$2.3 million (30 June 2020: \$2,040,171) had been accrued as of 31 December 2020. During the half year period up to 31 December 2020, the Group repaid RMB5.8 million (equivalent to AUD\$1,151,227 as of 31 December 2020) and has continued to engage in dialogue with Wensheng with respect to completion of the agreement with the delays to commencement of the Senegal operations.

Since 1 January 2021, Astron has continued to meet its obligations under the Agreement through both payments and delivery of goods. As of 31 May 2021, Astron China had repaid RMB 9,343,530 (approximately AUD\$1,884,934) and delivered goods worth RMB 9,452,000 (approximately AUD\$1,900,000) to Wensheng's subsidiary company Fujian WenSheng Minerals Ltd. in accordance with a variation to the Agreement. This variation formed a part of the settlement agreement with Wensheng reached on 14 May 2021 which in summary agrees that interest will be paid at 17%p.a. in the period from 18 September 2017 to 6 November 2019 and from the 7 November 2019 onwards, the interest on any outstanding amount is calculated at 4.35%p.a.

Following the repayment of the outstanding loan amount (through a combination of goods and capital), the total outstanding amount owed to Wensheng as of 31 May 2021 is:

- (a) RMB1,570,513.96 in cash (approximately AUD\$320,249), with interest accruing at 4.35% p.a.; and
- (b) goods worth RMB3,548,000 (approximately AUD\$723,485).

Astron's management intends to settle all outstanding amounts and fulfill its obligations relating to the initial WenSheng off-take prior to the end of 30 June 2021.

(f) Loan Agreement with Tiger Alexander Brown

The Company entered into a loan agreement with its director, Tiger Alexander Brown to provide the Company with funding to support the Company's on-going operations. As of 31 May 2021, the amount outstanding under the Loan Agreement is AUD\$1,000,000. The loan is interest-free and repayable at the earlier of:

- (1) 12 months following a receipt of a notice of demand from Mr Brown; or
- (2) within 30 days of the Company receiving one or more payments totalling at least AUD\$4 million in aggregate as a result of the Gambian ICSID claim; or
- (3) the final repayment date being 30 June 2024.

4.23 Rights and obligations attaching to Titanium Hong Kong Shares

A summary of the rights attaching to the Titanium Hong Kong Shares under the Titanium Hong Kong Articles of Association is set out below. The summary is qualified by the full terms of the Titanium Hong Kong Articles of Association (copies of the Titanium Hong Kong Articles of Association may be inspected at the registered office of Titanium Hong Kong during normal business hours by appointment with the Company secretary). These rights and liabilities can involve complex questions of law arising from an interaction of the Titanium Hong Kong Articles of Association with statutory and common law requirements. This summary is not intended to be exhaustive.

The following is a summary of the principal rights which will attach to Titanium Hong Kong Shares.

(a) Voting

Every holder of Titanium Hong Kong Shares present in person or by proxy, attorney or representative at a meeting of Titanium Hong Kong Securityholders has one vote on a vote taken by a show of hands or by proxy, attorney or representative has one vote for every Titanium Hong Kong Share held by him or her. At any general meeting a resolution put to the vote of the meeting must be decided on a show of hands unless a poll is effectively demanded, and the demand is not withdrawn.

(b) Dividends

Titanium Hong Kong, in general meeting, may from time to time determine that a dividend is payable. Dividends may only be paid out of the profits of Titanium Hong Kong in accordance with and subject to the Companies Ordinance, and no dividend shall be declared in excess of the amount recommended by the board of directors of Titanium Hong Kong

(c) Transfer of Titanium Hong Kong Shares

A Titanium Hong Kong shareholder may transfer Titanium Hong Kong Shares by instrument in writing in any usual form or in any other form that the directors approve. An instrument of transfer shall be executed by or on behalf of both the transferor and the transferee, provided that the directors may dispense with the execution of the instrument of transfer by the transferee in any case in which they in their absolute discretion think fit to do so.

The directors may decline to register any proposed transfer of shares to a person in accordance with the articles of association and may also decline to register any proposed transfer of shares on which the company has a lien.

(d) Liquidation rights

Titanium Hong Kong may be wound up by the court or voluntarily by special resolution of the members. If Titanium Hong Kong is wound up, the surplus assets remaining after payment to all creditors are to be divided among the members of Titanium Hong Kong in proportion to the number of Shares held by them. If Titanium Hong Kong is wound up and a surplus remains after the payment of debts proved in the winding up, the liquidator (a) may, with the required sanction, divide amongst the members in specie or kind the whole or any part of the assets of the company (whether they consist of property of the same kind or not) and may, for this purpose, set a value the liquidator thinks fair on any property to be so divided; and (b) may determine how the division is to be carried out between the members or different classes of members. The liquidator may also, with the required sanction, vest the whole or part of those assets in trustees on trust for the benefit of the contributories that the liquidator, with the required sanction, thinks fit, but a member must not be compelled to accept any shares or other securities on which there is any liability.

(e) Alteration to the Titanium Hong Kong Articles of Association

Subject to the Companies Ordinance, Titanium Hong Kong may only alter its articles of association by special resolution.

(f) Directors – appointment and removal

Titanium Hong Kong must have at least two directors, one of whom must be an individual. A person may be appointed to be a director by ordinary resolution or by a decision of the directors. Directors shall retire from office at annual general meetings in accordance with the articles of association and retiring directors are eligible for re-appointment.

Directors may be removed from the office by an ordinary resolution of Titanium Hong Kong.

(g) Directors – fees and remuneration

Directors' remuneration must be determined by Titanium Hong Kong at a general meeting.

For more particular details of the rights attaching to shares in Titanium Hong Kong, investors should refer to the Titanium Hong Kong Articles of Association.

5. Additional information regarding Titanium Hong Kong

5.1 Introduction

Titanium Hong Kong is a wholly owned subsidiary of the Company. It was incorporated under the laws of Hong Kong in 2021 as a vehicle for the Company to concentrate its processing and sales operations.

Subject to approval by Securityholders of Resolution 1, Titanium Hong Kong will issue new fully paid ordinary shares to be allocated to Eligible Securityholders as set out above.

5.2 Principal effect of the demerger on Titanium Hong Kong

The principal effect of the demerger of Titanium Hong Kong from the Company will be that:

- (a) The number of Securityholders in Titanium Hong Kong will increase from 1 to at least 400;

(b) Titanium Hong Kong will become a company separate from the Company.

Securityholders should refer to sections 4.1 and 4.12 for further details on the effect of the transaction. Please see the unaudited Pro-Forma Statement of Financial Position of Titanium Hong Kong and the Company, as at 31 March 2021 on the basis the Proposed Transaction was effective on 31 March 2021 and based on the proposed demerger dividend amount equivalent to net assets of Astron China's on 31 March 2021.

ASTRON CORPORATION LIMITED CONSOLIDATED BALANCE SHEET	Notes	Unaudited 31/03/2021 Consolidated	Unaudited 31/03/2021 Titanium Hong Kong Group
ASSETS			
Current Assets			
Cash and Cash equivalents		3,847,372	2,960,803
Trade and other receivables		12,301,185	12,126,116
Inventories		4,635,239	4,635,239
Other assets		15,911	-
Total current assets		20,799,707	19,722,158
Non-current assets			
Property, plant and equipment		25,838,848	19,252,649
Intangible assets		67,191,874	296,602
Goodwill on acquisition		-	-
Water Rights		11,686,009	-
Land use rights		2,847,686	2,847,686
Total non-current assets		107,564,417	22,396,937
TOTAL ASSETS		128,364,124	42,119,095
LIABILITIES			
Current liabilities			
Trade and other payables	4	12,669,952	21,639,258
Short term borrowings		4,871,415	4,871,415
Provisions		104,442	-
Total current liabilities		17,645,809	26,510,673
Non-current liabilities			
Deferred tax liabilities		5,710,904	-
Long term borrowings		9,167,860	7,990,131
Long-term provisions		752,058	-
Total non-current liabilities		15,630,822	7,990,131
TOTAL LIABILITIES		33,276,631	34,500,804
NET ASSETS		95,087,493	7,618,291
EQUITY			
TOTAL EQUITY	5	95,087,493	7,618,291

Notes:

- Per note 1 of Section 4.12, at 31 March 2021, Titanium Hong Kong's demerger Balance Sheet includes previously intra-group trade payables of \$9,594,992, which offset an equivalent trade receivable in Astron Corporation Limited. Historically, these amounts eliminated on consolidation. As a consequence of the demerger, the balances are now separately disclosed. Subsequent to the

demerger and prior to the financial year end, it is proposed that these balances will be written down to a value which is consistent with the commercial position of the respective entities. While the final amount is yet to be finalised, it is anticipated that the balance will be in the order of approximately \$2 million to support the financial viability of Titanium Hong Kong.

5. The equity of Titanium Hong Kong is calculated using the director's valuation of Astron China which is supported by net assets of Astron China at 31 March 2021. While the demerger dividend amount is subject to fair value assessments in the range of \$7 million to \$10 million as specified in Resolution 1. Any adjustments to the demerger dividend will be brought to account as either goodwill on or gain on acquisition.

5.3 Capital Structure of Titanium Hong Kong

As at the date of the Notice, Titanium Hong Kong has 1 share on issue. Assuming no Titanium Hong Kong Shares are issued prior to the Distribution Record Date, other than the 122,479,783 shares to be issued to the Company under the Share Sale Agreement, the number of shares to be held by the Company immediately prior to the In-Specie Distribution will be 122,479,784 Titanium Hong Kong Shares.

5.4 Substantial Securityholders of Titanium Hong Kong

As at the date of this Explanatory Memorandum, Titanium Hong Kong is a wholly owned subsidiary of the Company. Based on the information known as at the date of this Explanatory Memorandum, the following persons will have a voting power of 5% or more in Titanium Hong Kong as a result of the Proposed Transaction.

Shareholder	Titanium Hong Kong Shares*	% Holding in Titanium Hong Kong following completion of the Demerger
KOBE Investments Ltd	94,165,972	76.88%
FSC Investment Holdings Ltd	7,437,092	6.07%

5.5 Board and management of Titanium Hong Kong

The initial Board and management of Titanium Hong Kong will comprise of:

- Mr. Gerard King, Non-exec Chairman

Mr King is a former partner of Lavan & Walsh, which became Phillips Fox Perth. Mr King is experienced in commercial contracting, mining law, corporate and ASX compliance. He is a former member of the Australian Mining & Petroleum Lawyers Association, as well as serving as a non-executive director for several companies.

- Mdm. Kang Rong, Managing Director and CEO

Kang Rong brings to her extensive experience in management roles across all aspects of Astron's marketing, distribution and downstream operations. This has

included extensive engagement, over several decades, with a wide range of mineral sands customers and end-consumers, both in China and in other global markets.

In addition to the above, senior Management of the Processing and Sales Business in China will include:

- Mdm. Jian Ping, Chief Technical Officer

Jian Ping was previously the process engineer of Astron's ZiBo Advanced Materials Ltd and built a high-efficiency automatic zircon flour plant. She designed, attended the commissioning and continuous operation of Astron's stabilized zirconia's flower production line. She led the process engineering of zircon flour and stabilized zirconia. Mdm Jian has been an instrumental part of Astron's past successes.

- Lin Yong, Yingkou Plant Manager.

Lin Yong has worked in a number of mineral separation plants in the south of China prior to joining Astron Corporation's Yingkou mineral separation plant. Mr. Lin brings a wealth of knowledge and practical experience and operates with a hands-on focus.

- Lu Chao, Head of Sales and Marketing

Lu Chao joined Astron Titanium (Yingkou) Ltd, in early 2021, and has had extensive experience in the mineral sands market. Mr. Lu, a trained engineer, was previously working with DaLian Zhouji New Materials Ltd., a large trading company based in the Northeast of China, where he had exposure not only to the upstream products, but also to the downstream speciality chemicals and metal markets.

- Zhou Kui, Technical Advisor

Zhou Kui was instrumental in the developments of the Hainan, China domestic mineral separation industry specifically in the mineral sands tailing recoveries space. Mr. Kui has been advising Astron since its mining activities in the Gambia and works closely with Mr. Lin.

5.6 Remuneration of Titanium Hong Kong Directors

Set out below is the initial remuneration which will be payable by Titanium Hong Kong to each Titanium Hong Kong Director.

Name	Remuneration (excl superannuation)	Commencement Date
Kang Rong	RMB240,000 (approximately AUD\$48,940)	1 July 2021
Gerard Arthur King	AUD\$24,000	1 July 2021

6. Resolution 3: Approval of Employee Share Option Plan (ESOP)

6.1 Introduction

Pursuant to Resolution 3, the Company is seeking approval of Securityholders for the continued issue of securities under the Company's Employee Share and Option Plan (**ESOP**) as an exception under Listing Rule 7.2, Exception 13(b) which would enable securities issued under the ESOP over the next three years to be excluded from the calculation of the number of securities issued for the purposes of Listing Rules 7.1 and 7.1A.

The Company wishes to utilise the ESOP as a means of rewarding and incentivising its key employees.

A summary of the terms of the ESOP are set out in Attachment 1 to this Explanatory Memorandum.

6.2 Listing Rules

Astron Corporation Limited is proposing to implement an employee share and option plan pursuant to which the Company proposes to issue securities to the Company's employees designed to incentivise employees to achieve the long term objectives of the Company and to attract employees of experience and ability (**ESOP Issue**).

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The ESOP Issue currently does not fall within any of these exceptions and as a result, such ESOP Issue would reduce the Company's 15% capacity to issue Shares under Listing Rule 7.1.

Resolution 3 seeks the required securityholder approval for the ESOP Issue under and for the purposes of Listing Rule 7.1. Specifically, Exception 13 of Listing Rule 7.2 allows the Company to issue securities under the ESOP without the issue of such securities being counted towards the Company's 15% issue capacity under Listing Rule 7.1, where Securityholders have approved the issue of securities under the ESOP as an exception to Listing Rule 7.1, within three years prior to the issue of the securities. Resolution 3 is being put to Securityholders for this purpose and will allow the Company to utilise Exception 13 of Listing Rule 7.2 for three years from the date of the Resolution being passed.

6.3 Information for Securityholders

In accordance with Exception 13 of Listing Rule 7.2, the Company advises as follows:

- (a) no securities have been issued under the ESOP;
- (b) a summary of the key terms of the ESOP are set out in Attachment 1;
- (c) the maximum number of equity securities proposed to be issued under the ESOP following the approval is set out in Attachment 1; and
- (d) a voting exclusion statement is set out in Resolution 3.

6.4 Further considerations

The Company believes that it will derive a significant benefit by incentivising its senior management and key employees through the issue of securities under the ESOP. Additionally, the Company believes it to be in the best interests of the Company to preserve

the maximum commercial flexibility to issue Equity Securities that is afforded to it by Listing Rule 7.1.

6.5 Outcome of voting for and against the Resolution

If the Resolution is passed, the Company will be able to issue securities under the ESOP over the next three years without reducing the Company's 15% capacity to issue Shares under Listing Rule 7.1.

If the Resolution is not passed, the Company will not be able to issue securities under the ESOP without either reducing its 15% capacity or seeking approval of Securityholders for every such issue of securities.

6.6 Directors' recommendation

The Directors unanimously recommend that you vote in favour of Resolution 3.

7. Resolution 4: Approval of Performance Rights Plan

7.1 Introduction

Astron Corporation Limited is proposing to implement performance rights plan (**Rights Plan**) pursuant to which the Company proposes to issue securities to eligible participants of the Company, including Directors of the Company who hold a salaried employment or office in the Company, and to recognise their contribution to the Company's success (**PRP Issue**).

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The PRP Issue currently does not fall within any of these exceptions and as a result, such PRP Issue would reduce the Company's 15% capacity to issue Shares under Listing Rule 7.1.

Pursuant to Resolution 4, the Company is seeking Securityholder approval for the continued issue of securities under the Rights Plan as an exception under Listing Rule 7.2, Exception 13(b) which would enable securities issued under the Rights Plan over the next three years to be excluded from the calculation of the number of securities issued for the purposes of Listing Rules 7.1 and 7.1A.

Under the Company's current circumstances, the Directors consider that the use of Performance Rights are a cost effective and efficient incentive for the Company as opposed to relying solely on alternative forms of incentives such as the issue of options, cash bonuses or increased remuneration. To enable the Company to secure and retain key employees who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The Rights Plan is designed to achieve this objective by encouraging long term employment with the Company and continued improvement in performance over time and encouraging personnel to acquire and retain an interest in the Company.

The Rights Plan provides for the issue of Performance Rights which, upon a determination by the Board that performance conditions attached to the Performance Rights have been met, will result in the issue of one ordinary share in the Company for each Performance Right granted.

A summary of the terms of the Rights Plan are set out in Attachment 2 to this Explanatory Memorandum.

7.2 Listing Rules

Subject to certain exceptions, Listing Rule 7.1 restricts a listed company from issuing or agreeing to issue Equity Securities equivalent in number to more than 15% of its ordinary securities on issue in the 12 month period immediately preceding the date of the issue or agreement (if the entity has been admitted to the official list for 12 months or more) or the period from the date the entity was admitted to the official list to the date immediately preceding the date of the issue or agreement (if the entity has been admitted to the official list for less than 12 months) without the approval of its securityholders.

As a result, any issue of securities by the Company to eligible employees under the Rights Plan would reduce the Company's 15% capacity to issue Shares under Listing Rule 7.1.

Exception 13 of Listing Rule 7.2 however, allows the Company to issue securities under the Rights Plan without the issue of such securities being counted towards the Company's 15% issue capacity under Listing Rule 7.1, where Securityholders have approved the issue of securities under the Rights Plan as an exception to Listing Rule 7.1, within three years prior to the issue of the securities. Resolution 4 is being put to Securityholders for this purpose and will allow the Company to utilise Exception 13 of Listing Rule 7.2 for three years from the date of the Resolution being passed.

7.3 Information for Securityholders

In accordance with Exception 13 of Listing Rule 7.2, the Company advises as follows:

- (a) no securities have been issued under the Rights Plan;
- (b) a summary of the key terms of the Rights Plan are set out in Attachment 2;
- (c) the maximum number of equity securities proposed to be issued under the Rights Plan following the approval is set out in Attachment 2; and
- (d) a voting exclusion statement is set out in Resolution 4.

7.4 Further considerations

The Company believes that it will derive a significant benefit by incentivising its senior management and key employees through the issue of Performance Rights under the Rights Plan. Additionally, the Company believes it to be in the best interests of the Company to preserve the maximum commercial flexibility to issue Equity Securities that is afforded to it by Listing Rule 7.1.

7.5 Outcome of voting for and against the Resolution

If the Resolution is passed, the Company will be able to over the next three years take advantage of Exception 13 of Listing Rule 7.2 to issue shares under the Rights Plan without the issue of such securities being counted towards the Company's 15% issue capacity under Listing Rule 7.1.

If the Resolution is not passed, the Company will not be able to take advantage of Exception 13 of Listing Rule 7.2 and will not be able to issue shares under the Rights Plan without either reducing the Company's 15% issue capacity under Listing Rule 7.1 or obtaining further approval of securityholders for each issue of shares.

7.6 Directors' recommendation

The Directors unanimously recommend that you vote in favour of Resolution 4.

8. Resolution 5: Issue of Options to Dr Mark Elliott (non-executive director)

8.1 Introduction

Subject to the passing of Resolution 3, this Resolution 5 seeks Securityholder approval to issue up to 800,000 Options to subscribe for fully paid ordinary Shares in the Company (**Elliott Options**) to Dr Mark Elliott, or his nominee, under the Company's ESOP, as part of his long term incentive arrangements.

The Company seeks Securityholder approval pursuant to Listing Rule 10.14 for the issue of the Elliott Options (and shares to be issued on the exercise of those Options) to Dr Mark Elliott or his nominee and for this reason, and for all other purposes, the following information is provided to Securityholders.

8.2 Elliott Options terms

The Elliott Options will be issued pursuant to the rules of the ESOP, which are summarised in Attachment 1 to this Explanatory Memorandum.

The Elliott Options will be issued for nil consideration and will be exercisable at \$0.3375 per Option. The Board resolved on 5 February 2021 that 800,000 Options would be issued to Dr Mark Elliott (or his nominee) as part of Dr Elliott's services agreement, subject to the approval of Securityholders. It was agreed that, if approved, the Options would be issued for nil consideration with an exercise price of \$0.3375 (representing 150% of the trading share price on the date of the resolution).

It was further resolved that the Company would convene a meeting of Securityholders to consider the issue of Options to Dr Elliott within 30 days. However, as the Company continued to progress matters relating to the Proposed Transaction and began preparing materials for Securityholders to approve same, the Company agreed that from a costs perspective it would be more efficient to hold one meeting for Securityholders to consider the Proposed Transaction and the issue of the Elliott Options as opposed to two separate meetings.

Dr Elliott has voluntarily agreed not to exercise the Elliott Options within 2 years of their issue.

Each Option is to acquire one fully paid ordinary share in the capital of the Company.

The Elliott Options will expire on the date that is either 3 years from the date of issue, or in the event that Dr Mark Elliott ceases to be a Director of the Company, the date that is 3 months from the date of cessation (except in the event of a takeover). The Elliott Options will not be listed.

Approval for the issue of the Elliott Options is sought in accordance with Listing Rule 10.14. As such, approval will not be required under Listing Rule 7.1.

8.3 Listing Rule 10.14

Listing Rule 10.14 states that a company must not issue or agree to issue Equity Securities under an employee incentive scheme (such as the ESOP and Rights Plan) to any of the following persons without the approval of holders of ordinary securities:

- (a) a Director;
- (b) an associate of a Director; and
- (c) a person whose relationship with the company or a person to in (a) or (b) directly above is, in the ASX's opinion, such that approval should be obtained.

If Securityholder approval is obtained under Listing Rule 10.14, further approval is not required under Listing Rule 7.1 (Listing Rule 7.2, Exception 14) or under Listing Rule 10.11 (Listing Rule 10.12, Exception 8).

Accordingly, as the issue of the Elliott Options will result in a Director acquiring Equity Securities under the ESOP, Securityholder approval has been sought pursuant to Listing Rule 10.14 for the issue of the Elliott Options.

If Resolution 5 is not passed, the Options will not be issued to Dr Mark Elliott.

8.4 Information for Securityholders

For the purposes of Listing Rule 10.15 and for all other purposes the following information is provided to Securityholders:

- (a) 10.15.1: Name of the person

The Options will be issued to Dr Mark Elliott, or his nominee.

- (b) 10.15.2: Which category in Listing Rules 10.14.1 – 10.14.3 the person falls within and why

Dr Mark Elliott is a Director of the Company and falls within Listing Rule 10.14.2.

- (c) 10.15.3: Number and class of securities proposed to be issued to the person

800,000 Options to subscribe for Shares in the Company are being offered to Dr Mark Elliott pursuant to the ESOP. The Elliott Options will not be listed.

- (d) 10.15.4: Details of the director's current total remuneration package

Dr Mark Elliott's fixed remuneration for FY2021 is \$60,000 per annum (plus mandatory statutory superannuation). Dr Elliott is not entitled to receive short term incentives; his remuneration comprises his salary and the Elliott Options.

Dr Elliott's remuneration for FY2022 is \$60,000 (plus mandatory statutory superannuation).

- (e) 10.15.5: Number of securities previously issued under the scheme and the average acquisition price paid for those securities

No securities have previously been issued under the ESOP.

- (f) 10.15.6: If the securities are not ordinary securities, provide a summary of the material terms of the securities, an explanation as to why that type of security is being used and the value the entity attributes to that security and its basis

A summary of the material terms of the Elliott Options is set out above and in Attachment 1 which summarises the terms of the ESOP pursuant to which the Elliott Options will be granted. The Company has proposed to issue the Elliott Options to reward and incentivise Dr Mark Elliott as a director to contribute to the growth of the Company. The Company believes that the grant of Options provides a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g., increased remuneration).

The Company has revalued the Elliott Options in accordance with fair value accounting principles as at 23 June 2021 utilising a spot price of \$0.58. The

fair value of the Elliott Options was determined using the Black-Scholes Option Pricing Model that takes into account the following inputs:

Item	Elliott Options
Valuation Method	Black-Scholes
Underlying security spot price	\$0.58
Exercise price	\$0.3375 per Option
Valuation date	23 June 2021
Expiry date	23 June 2024
Expiration period (years)	3 years
Volatility	79.30%
Risk free rate	1.52%
Number of Instruments	800,000
Valuation per instrument	\$0.3628
Total valuation of issued tranche	\$290,263.13

Please note that Elliott Options will be valued on the date of shareholder approval and the above has been valued internally and is provided as a guide only.

- (g) 10.15.7: The date or dates on or by which the entity will issue the securities to the person under the scheme

The Company will issue the Elliott Options after the completion of the Demerger and in any event, the Company will issue the Elliott Options within 3 years of the date of the meeting.

- (h) 10.15.8: The price at which the entity will issue the securities to the person under the scheme

The Elliott Options will be issued for nil consideration. the Elliott Options will have an exercise price of \$0.3375 per Option. The Company notes that the exercise price of the options was determined as 150% of the CDI price traded on ASX on the date on which the Board of Directors initially proposed and agreed to issue the options to Dr Mark Elliott, namely \$0.21 per CDI.

- (i) 10.15.9: Summary of the material terms of the scheme

A summary of the ESOP, under which the Elliott Options are to be issued is set out in Attachment 1 to this Explanatory Memorandum.

- (j) 10.15.10: Summary of the material terms of any loan that will be made to the person in relation to the acquisition

No loan will be provided to Dr Mark Elliott in relation to the Elliott Options.

(k) 10.15.11: Statement

Details of any securities issued under the ESOP will be published in the Company's annual report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14.

Any additional persons covered by Listing Rule 10.14 who will become entitled to participate in an issue of securities under the ESOP after this Resolution 5 is approved (should it be approved) and who are not named in this Notice will not participate until approval is obtained under Listing Rule 10.14.

(l) 10.15.12: Voting exclusion statement

A voting exclusion statement is set out in Resolution 5.

8.5 Director Recommendation

All Directors, other than Dr Mark Elliott, recommend that Securityholders vote in favour of Resolution 5. As Dr Elliott is interested in the outcome of Resolution 5, he makes no recommendation to Securityholders in respect of this resolution.

9. General Business

To consider any other business as may be lawfully put forward in accordance with the Articles of Association of the Company. Specific comments relating to the Resolutions are set out in the Explanatory Memorandum.

By order of the board

Dated this 30 June 2021



Gerard King
Chairman

10. Interpretation

Articles of Association means the articles of association of the Company from time to time.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to that term in s 9 of the Corporations Act.

Astron Security means a CDI or Share as the case may be.

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange (as applicable).

Board means the board of the Company.

CDI means a CHESS Depository Interest issued in respect of the Company's Shares.

Company means Astron Corporation Limited ARBN 154 924 553.

Corporations Act means the *Corporations Act 2001* (Cth).

Demerger Dividend means the distribution of the Demerger Dividend Amount to be satisfied by the In-Specie Distribution.

Demerger Dividend Amount means the amount of the dividend to be between \$7,000,000 and up to \$10,000,000, with the final amount to be determined in accordance with the director's valuation of Astron China as at the Dividend Determination Date.

Director means a director of the Company.

Distribution Record Date means 23 July 2021.

Distribution Shares means the Titanium Hong Kong Shares the subject of the In-Specie Distribution to Eligible Securityholders.

Dividend Determination Date means the date determined by the board for the director's valuation of Astron China, being a date not later than 26 July 2021.

Donald-Jackson Mineral Sands Project or Donald Project means the mineral sands project located in the Murray Basin, Victoria.

Eligible Country means Australia, New Zealand and Hong Kong or such other jurisdictions as the Directors consider reasonable to extend the distribution of Titanium Hong Kong Shares.

Eligible Securityholder means a Securityholder on the Distribution Record Date with a registered address in an Eligible Country.

Elliott Options means the Options that are the subject of Resolution 5.

ESOP means the Employee Share and Option Plan, the subject of Resolution 3.

Explanatory Memorandum means this Explanatory Memorandum attached to the Notice.

Extraordinary General Meeting, EGM or Meeting means the meeting to which this Notice and Explanatory Memorandum relates.

In-specie Distribution means the distribution of Titanium Hong Kong Shares held by the Company to Eligible Securityholders, the subject of Resolution 1.

Listing Rules means the official listing rules of the ASX as amended from time to time.

Niafarang Mineral Sands Project or **Niafarang Project** means the mineral sands project located in the coastal region of the Casamance province in the Republic of Senegal.

Notice of Meeting or **Notice** means this notice of Extraordinary General Meeting.

Option means an option to subscribe for a Share in the Company.

Ordinary Resolution means a resolution passed by more than 50% of the votes cast at a general meeting of Securityholders.

Processing and Sales Business means the business which comprises the established downstream facilities in China, including:

- (a) the Yingkou Rutile and titanium dioxide (TiO₂) raw materials separation and processing facility;
- (b) titanium preparation and micro-agglomeration plant;
- (c) the specialty research and development facility;
- (d) sales and marketing operations associated with the processing of these materials, which are presently held by the Company.

Resolution means a resolution to be proposed at the Meeting.

Securityholder means a holder of Shares or CDIs in the Company.

Share means ordinary fully paid shares in the issued capital of the Company.

Shareholder means a shareholder of the Company.

Titanium Hong Kong means Astron Titanium (Yingkou) Hong Kong Holdings Limited company number 3054687.

Titanium Hong Kong Share(s) means a fully paid ordinary share in the capital of Titanium Hong Kong.

Transaction Conditions means the conditions set out in section 4.9 of the Explanatory Memorandum.

Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to Mr Joshua Theunissen (Australian Company Secretary) by email to joshua.theunissen@astronlimited.com.

Attachment 1: Summary of the Employee Share Option Plan

1. The Employee Share Option Plan (the **ESOP**) is to extend to Directors, employees, contractors or prospective participants who meet that criteria on appointment (**Eligible Participant**) (or the Eligible Associate of such person) of Astron Corporation Limited ARBN 154 924 553 (**Company**) or an associated body corporate of the Company as the Board may in its discretion determine.
2. The total number of Securities which may be offered by the Company under this Plan and the Performance Rights Plan (summarised in Attachment 2) shall not at any time exceed 5% of the Company's total issued Shares (being up to 6,123,988 securities) when aggregated with the number of Securities issued or that may be issued as a result of offers made at any time during the previous three year period under:
 - (a) an employee incentive scheme covered by ASIC CO 14/1000; or
 - (b) an ASIC exempt arrangement of a similar kind to an employee incentive scheme.
3. The Options are to be issued for no consideration on the date of their issue (**Issue Date**).
4. The exercise price of an Option is to be determined by the Board at its sole discretion (**Exercise Price**).
5. The Shares are to be issued at a price determined by the Board.
6. The Vesting Date will be any such date or dates with respect to the Options or tranches of Options (as the case may be) as may be determined by the Board from time to time, prior to the issuance of the relevant Options.
7. The Options will commence on the later of either:
 - (a) the issue date; and
 - (b) the Vesting Date,(the **Option Commencement Date**).
8. The exercise period commences on the Option Commencement Date and ends on the earlier of:
 - (a) the expiration of such period nominated by the Board at its sole discretion at the time of the grant of the Option but being not less than two years;
 - (b) if an Eligible Participant's employment or engagement with the Company or an associated body corporate ceases because of an Uncontrollable Event, the earlier of:
 - (1) the expiry of the Option Period; or
 - (2) six months (or such other period as the Board shall, in its absolute discretion, determine) from the date on which the Eligible Participant ceased that employment or engagement;
 - (c) if an Eligible Participant's employment or engagement with the Company or an associated body corporate ceases because of a Controllable Event:
 - (1) the expiry of the Option Period; or
 - (2) three months (or such other period as the Board shall, in its absolute discretion, determine) from the date on which the Eligible Participant ceased that employment or engagement; or

- (d) the Eligible Participant ceasing to be employed or engaged by the Company or an associated body corporate of the Company due to fraud, dishonesty or being in material breach of their obligations to the Company or an associated body corporate.

(the **Option Exercise Period**).

9. Eligibility to participate is determined by the Board. Eligibility is restricted to Eligible Participants and Eligible Associates of the Company. The Board is entitled to determine:
 - (a) subject to paragraph 2, the total number of Shares and Options to be offered in any one year to Eligible Participants or Eligible Associates;
 - (b) the Eligible Participants to whom offers will be made; and
 - (c) the terms and conditions of any Shares and Options granted, subject to the Plan.
10. In respect of Options, Option holders do not participate in dividends or in bonus issues unless the Options are exercised.
11. Option holders do not have any right to participate in new issues of securities in the Company made to Securityholders generally. The Company will, where required pursuant to the ASX Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to Securityholders generally) to exercise the Options, in accordance with the requirements of the ASX Listing Rules.
12. In the event of a pro rata issue (except a bonus issue) made by the Company during the term of the Options the Company may adjust the exercise price for the Options in accordance with the formula in the terms of the Plan.
13. The Board has the right to vary the entitlements of Participants to take account of the effect of capital reorganisations, bonus issues or rights issues.
14. The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of Shares in the Company approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options.
15. The Board may impose as a condition of any offer of Shares and Options under the Plan any restrictions on the transfer or encumbrance of such Shares and Options as it determines.
16. The Board may vary the Plan.
17. The Plan is separate to and does not in any way form part of, vary or otherwise affect the rights and obligations of an Eligible Participant under the terms of his or her employment or arrangement.
18. At any time from the date of an Offer until the Acceptance Date of that Offer, the Board undertakes that it shall provide information as to:
 - (a) the Current Market Price of the Shares; and
 - (b) the acquisition price of the Shares or Options offered where this is calculated by reference to a formula, as at the date of the Offer,

to any Participant within three Business Days of a written request to the Company from that Participant to do so.

19. Any Offer made pursuant to this Plan will specify whether subdivision 83A-C of the applicable Tax Laws applies to that Offer such that any tax payable by a Participant under the Offer will be deferred to the applicable deferred taxing point described in that subdivision.

In this Plan:

Controllable Event means cessation of employment or engagement other than by an Uncontrollable Event.

Eligible Associate means:

- (a) an immediate family member of an Eligible Participant;
- (b) a company whose members comprise no persons other than the Eligible Participant or immediate family members of the Eligible Participant; or
- (c) a corporate trustee of a self-managed superannuation fund (within the meaning of the *Superannuation Industry (Supervision) Act 1993*) where the Eligible Participant is a director of the trustee.

Uncontrollable Event means:

- (a) death, serious injury, disability or illness which renders the Eligible Participant incapable of continuing their employment or engagement (or providing the services the subject of the engagement) with the Company or associated body corporate;
- (b) forced early retirement, retrenchment or redundancy; or
- (c) such other circumstances which result in an Eligible Participant leaving the employment of or ceasing their engagement with the Company or associated body corporate and which the Board determines is an Uncontrollable Event.

Attachment 2: Summary of the Performance Rights Plan

1. The Performance Rights Plan (**PRP**) is to assist in the motivation, retention reward of directors and senior executives and other employees that may be invited to participate in the PRP from time to time.
2. The total number of Securities which may be offered by the Company under the PRP and the ESOP (summarised in Attachment 1) shall not at any time exceed 5% of the Company's total issued Shares (being up to 6,123,988 securities) when aggregated with the number of Securities issued or that may be issued as a result of offers made at any time during the previous three year period under:
 - (a) an employee incentive scheme covered by ASIC CO 14/1000; or
 - (b) an ASIC exempt arrangement of a similar kind to an employee incentive scheme.
3. The PRP is a long term incentive aimed at creating a stronger link between both performance and reward, whilst increasing Securityholder value in the Company.
4. The PRP is to extend to Directors, employees, contractors or prospective participants who meet that criteria on appointment (**Eligible Person**) (or the Eligible Associate of such person) of the Company or an associated body corporate who the Board determines to be eligible to participate in the PRP.
5. An invitation to participate in the PRP may be accepted by an Eligible Person (to whom the invitation is made), by delivering to the Company written acceptance in the form determined by the Board and stated in the letter of Invitation. An Eligible Person who receives an Invitation may renounce the invitation in favour of the invitation being made to an Eligible Associate. The Eligible Person or Eligible Associate who accepts an Invitation is a Participant.
6. The Board will determine in its absolute discretion whether any performance hurdles or other conditions (including as to time) will be required to be met (**Performance Hurdles**) before the Performance Rights which have been granted under the PRP can vest. Performance Rights will vest upon the satisfaction of the Performance Hurdles.
7. A Participant will not pay any consideration for the grant of Performance Rights under the PRP.
8. No amount shall be payable by a Participant on the exercise of a vested Performance Right.
9. The terms for exercise, including the exercise period, are stated in the Invitation.
10. A Performance Right lapses, to the extent that it has not been exercised, on the earlier to occur of:
 - (a) the date on which the Board makes a determination that the Performance Hurdles have not been satisfied;
 - (b) if an Eligible Person's employment or engagement with the Company or associated body corporate ceases because of an Uncontrollable Event, the last day of the relevant period specified in the PRP;
 - (c) if an Eligible Person's employment or engagement with the Company or associated body corporate ceases because of a Controllable Event:

- (1) in respect of a vested Performance Right, the last day of the relevant period specified in the PRP;
 - (2) in respect of an unvested Performance Right, the date of cessation of employment; or
 - (d) the date on which the Board makes a determination that a Participant acts fraudulently or dishonestly or is in material breach of his or her obligations to the Company or an associated body corporate;
 - (e) the date of lapse where a Change of Control Event has occurred; or
 - (f) the day ending at 5.00pm (Perth time) on the date which is 12 months following the date of grant of the Performance Rights, unless otherwise determined by the Board.
11. Performance Rights issued pursuant to the PRP have no rights to dividends or other distributions and no rights to vote at meetings of the Company until that Performance Right is exercised and the holder of the Performance Rights is a Shareholder in the Company.
 12. Shares acquired upon exercise of the Performance Rights will upon allotment rank pari passu in all respects with other Shares, except as set out in the PRP.
 13. If there are certain variations of the share capital of the Company including a capitalisation or rights issue, sub-division, consolidation or reduction in share capital, a demerger (in whatever form) or other distribution in specie, the Board may make such adjustments as it considers appropriate.
 14. Performance Rights will not be quoted on the ASX. Upon the exercise of the Performance Rights, the Company will apply for quotation of the exercised Shares on the ASX within ten Business Days after the date of allotment of those Shares.
 15. A Performance Right does not confer on the Participant the right to participate in new issues of Shares by the Company, including by way of bonus issue, rights issue or otherwise.
 16. Except on the death of a Participant, Performance Rights may not be transferred, assigned or novated except with the approval of the Board.
 17. Where there is publicly announced any proposal in relation to the Company which the Board reasonably believes may lead to a Change of Control Event:
 - (a) all of the Participant's unvested Performance Rights, that have not lapsed, will become vested Performance Rights; and
 - (b) the Board shall promptly notify each Participant in writing that he or she may, within the period specified in the notice, exercise vested Performance Rights.
 18. The Board may amend the PRP at any time but may not do so in a way which materially reduces the rights of Participants' existing rights without their consent, unless the amendment is to comply with the law, to correct an error or similar.
 19. The PRP may be terminated or suspended at any time by resolution of the Directors without notice to the Participants.

In the PRP:

Uncontrollable Event has the same meaning given to that term in the ESOP (above).

Change of Control Event means any of the following:

- (a) the Company entering into a scheme of arrangement with its creditors or Securityholders or any class thereof pursuant to section 411 of the Corporations Act, or an equivalent provision under the Hong Kong Companies Ordinance;
- (b) the commencement of a bid period (as defined in the Corporations Act and Hong Kong Companies Ordinance) in relation to the Company to acquire any Share where the takeover bid extends to Shares issued and allotted after the date of the takeover bid; or
- (c) when a person or group of associated persons having a relevant interest in, subsequent to the adoption of these Rules, sufficient Shares in the Company to give it or them the ability, in general meeting, to replace all or a majority of the Directors in circumstances where such ability was not already held by a person associated with such person or group of associated persons.