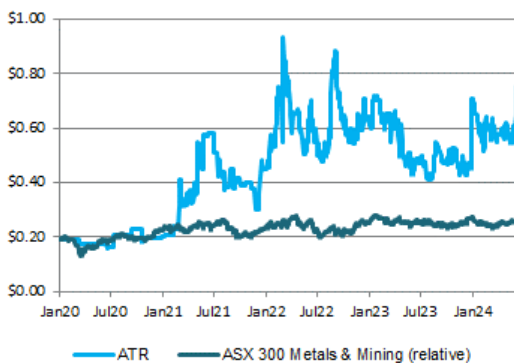


ASTRON CORPORATION LIMITED (ATR)
ENERGY FUELS PAYING UP FOR DONALD: \$210M FOR 49%
Analyst Carlos Crowley Vazquez
Date 5 June 2024

BUY

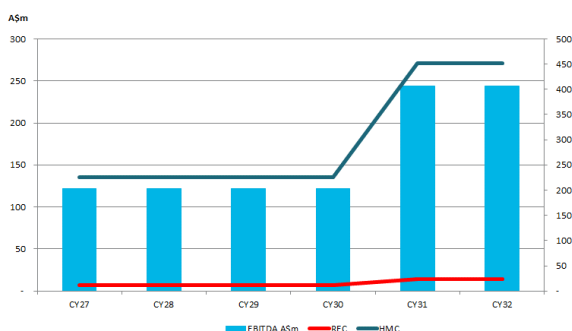
SHARE PRICE	TARGET PRICE	IMPLIED RETURN
\$0.73	\$2.17	198%

SHARE PRICE CHART

COMPANY DATA & RATIOS

Share Price (\$ per share)	\$0.73
Price Target (\$ per share)	\$2.17
Implied Return (%)	198%
Enterprise Value (\$m)	\$125m
Diluted MCap (\$m)	\$129m
Diluted Shares (m)	176m
Avg Daily Value (\$m)	\$0.01m
Free Float (%)	23%
GICS	Materials
Commodity	Rare Earths, HMS

MAJOR SHAREHOLDERS

Kobe Investments	56%
Ruiqing Tan	19%
FSC Investment Holdings	4%
Board & Management	60%

PRODUCTION AND EBITDA PROFILE (100%)

ENERGY FUELS UNLOCKS DONALD'S FINANCING FOR ATR

ATR announced a binding farm in, JV and REE offtake agreement with Energy Fuels (NYSE:UUUU) where:

- Energy Fuels will contribute A\$183m to earn a 49% interest in the Donald Project and an offtake agreement, based on market benchmarks, for 100% of the rare earths concentrate for processing at its White Mesa Mill in Utah, USA
- Energy Fuels will issue ATR US\$17.5m (A\$25m) of its shares to extend the JV beyond MIN5532 to also cover RL2002 (100% Donald Deposit)
- ATR remains operator and will invest the \$183m to develop Donald, effectively covering the equity component of the \$392m funding requirement (balance to be covered through debt)
- ATR retains the right to contract up to 100% of the HM concentrate production at its Yingkou Mineral Separation Plant
- FID is targeted for the Dec 2024 quarter with first production expected in the Dec 2026 quarter

METRICS ILLUSTRATE ATR'S VALUE DISCONNECT!

Energy Fuels recently announced the acquisition of Base Resources (BSE) for \$375m, representing a 188% premium to BSE's last close. The transaction between Energy Fuels and ATR provides total funds to ATR of \$208m, representing 188% of ATR's market cap (last close prior to the binding announcement) for a minority project interest (ATR retains control). The transaction reflects a notional 56% discount to the Phase 1 NPV@8% of A\$850m while deep value remains for ATR shareholders:

- ATR's see through value (incl. UUUU shares) from this transaction is \$218m or \$1.27/share, representing a 70% premium to the post announcement close.
- ATR's un-risked value per share, based on 51% interest of Phase 1 (7.5Mtpa) and Phase 2 (15Mtpa) NPVs, is \$2.70 and \$6.72, respectively.

		Stage 1	Stage 2
		A\$m	A\$m
Valuation of ATR's share			
Share of NPV	51%	435	1122
add sale proceeds for 49% of RL2002		25	25
Value of ATR		460	1147
Shares on issue	m	171	171
Value of ATR per share	A\$/sh	2.69	6.70
Cash	A\$/sh	0.02	0.02
NAV per share		2.70	6.72

Source: Blue Ocean Estimates

MAINTAIN BUY RATING, PRICE TARGET \$2.17

We have updated our financial model to reflect the 2023 Phase 1 DFS, Phase 2 PFS and have incorporated the structure under the binding agreement with Energy Fuels. We have reduced our risking factor from 50% to 25%, to reflect the robust and advanced stage of the Donald Project pending debt funding and approval of revised work plan to reach FID. We retain our BUY rating and have reduced our Target Price to \$2.17 (prev. \$4.15), an implied potential return of 198%.

CONTENTS

UPDATED PHASE 1 DFS AND PHASE 2 PFS	3
Background	3
Summary of Phase One and Two	4
WHO IS ENERGY FUELS?	5
Background	5
Overview of JV and Offtake Agreement	6
KEY MILESTONES AND DEVELOPMENT TIMELINE	7
MODEL UPDATE	8
Key Updates	8
Key Risks	8
Model Summary: Financials & Valuation	9

UPDATED PHASE 1 DFS AND PHASE 2 PFS

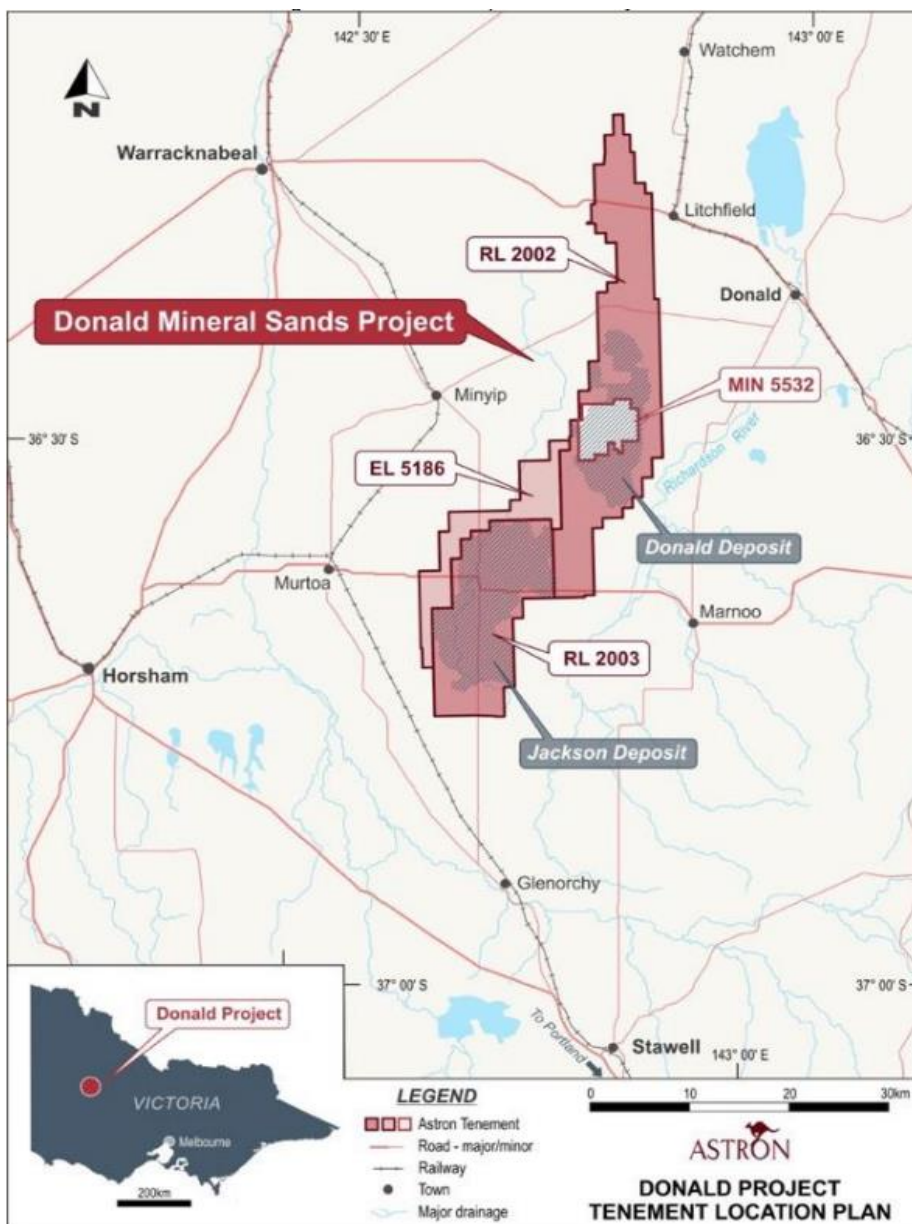
BACKGROUND

In March 2023, ATR completed a DFS to an AACE Class 2 estimate standard providing confidence that the project represents a financially robust investment. The DFS illustrates a significantly de-risked project with conventional mining excavation techniques, extensive metallurgical test work and engineering evaluation as well as advanced regulatory approvals.

Phase 1 is located on mining licence (MIN5532) and has a positively assessed Victorian Government Environmental Effects Statement. It is the most advanced project of its type within Victoria.

In June 2023, ATR completed a PFS to an AACE Class 3 estimate standard to illustrate the strong project economics of Donald under and expansion from 7.5Mtpa to 15Mtpa and furthermore to include a mineral separation plant to separate the HMC into final zircon and titania products.

FIGURE 1: LOCATION OF DMSP



Source: Company

SUMMARY OF PHASE ONE AND TWO

The table below illustrates project economics for 100% of Donald based on the initial development and post expansion.

TABLE 1: SUMMARY OF KEY METRICS AND OUTCOMES

Project Metric	Phase 1	Phase 2	BOEQ's Comments
Mine life	41	58	Phase 1 mine life - based only on MIN5532 or 17% of the Resource Mine Life extension expected to be a straightforward proposition Phase 1 total funding requirement \$392m, including working capital.
Initial Capex	A\$364m	A\$431m	Phase 2b represents additional capex of A\$134 for a mineral separation plant and additional infrastructure BOEQ estimates \$400m for Phase 1 and have assumed \$431m capex to double production rate.
Mining rate	7.5mtpa	15mtpa	
Strip ratio	1.62	2.2	
Recoveries	70.1% HMC and 91.2% REC	same	
Production volumes HMS	229ktpa	2x	
Production volumes REC	7ktpa	13ktpa	
Prices	2026 HMC: LT average of US\$425/t 2026 REC: US\$14,300/t	same	We incorporate a similar profile based on Adamas and TZMI forecasts
Revenue (\$/t ore)	A\$41.86/t	same	HMC 48%, REC 52%
Mining + processing + logistics + G&A	A\$3.61/t ex pit + A\$3.19/t processing + A\$5.6/t outbound logistics + A\$3.64/t G&A	A\$2.46/t ex pit + A\$2.9/t processing + A\$6.2/t other	Unit costs (mining, processing, logistics and other) adopted from DFS plus 2.75% state royalty and 1% p.a. sustaining capex
R:CC ratio	2:1	+2:1	1 st quartile of global R:CC curve
Ave EBITDA	A\$148m p.a.	A\$363m p.a.	
Royalties	2.75%	2.75%	VIC state, No Native Title
Financial Metric	Phase 1	Phase 2	BOEQ's Comments
IRR, post tax	25.8%	30.3%	
Project NPV, post tax	A\$852m	A\$2.2Bn	Phase 1+2a NPV is \$1.8Bn and Phase 2b adds \$431m Compare to current MCap of A\$125m
Discount rate	8%	8%	8% real, 10% nominal

Source: Company, BOEQ

WHO IS ENERGY FUELS?

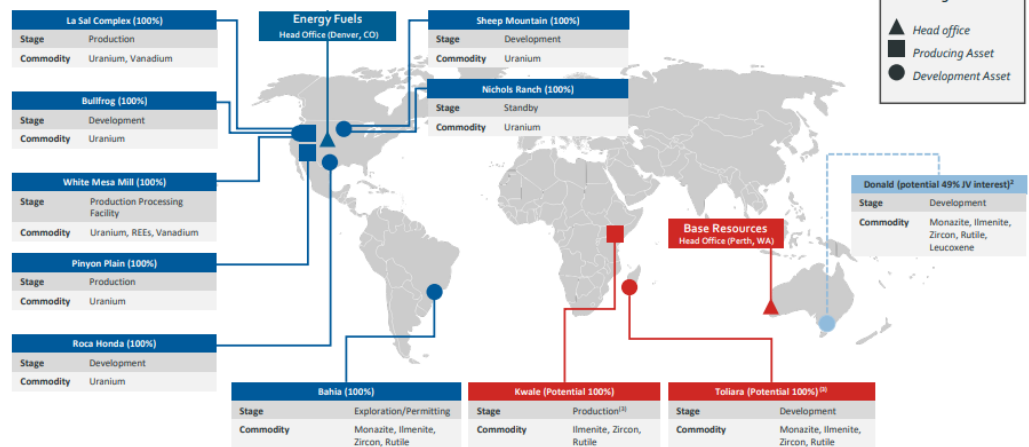
BACKGROUND

Energy Fuels (NYSE:UUUU, MCap US\$1Bn) is a leading US-based critical minerals company and the leading producer of uranium in the USA. It recently began the production of advanced rare earth element materials, including mixed REE carbonate, and plans to produce commercial quantities of separated REE oxides. HO is in Lakewood, Colorado, with key assets (prior to the recent acquisition of Base Resources and 49% of Donald) and employees located in the USA. It holds two of the USA’s key uranium production centres: the White Mesa Mill (Utah) and the Nichols Ranch in-situ recovery project (Wyoming). The White Mesa Mill is the only conventional uranium mill operating in the USA today, has a licensed capacity of 8Mlb of U3O8pa, and has the ability to produce REE products from various uranium-bearing ores.

FIGURE 1: KEY ASSETS

Diversified Asset Portfolio

Across geography, commodity and stage of development



Source: Energy Fuels

It has a strong focus on diversifying into REEs as its White Mesa Mill is currently the only facility in the USA capable of processing monazite and produce REE oxides. We understand Energy Fuels is attracted to Donald due to its world class scale (+60 year mine life), advanced nature, attractive project economics and location in a stable western jurisdiction.

FIGURE 2: REE OXIDE PRODUCTION TARGETS

Securing Monazite Supply Chains

Potential to produce up to 5,000 – 6,000 tonnes NdPr oxide + 250 – 300 tonnes Dy & Tb oxide

Bahia Project (Brazil) (100% Ownership)	Donald Project (Australia) (Non-Binding MOU to "Earn-In" to 49% Ownership)	Toliara Project (Africa) (Acquiring 100% of Base Resources)
Potential production by 2026	Potential production by 2026	Potential production by 2028
Potential to supply 4,000 – 6,000 tonnes of monazite to White Mesa Mill for decades	Potential to supply 7,000 – 14,000 tonnes of monazite to White Mesa Mill for decades ¹	Potential to supply 17,000 – 26,000 tonnes of monazite to White Mesa Mill for decades ¹
Roughly 400 – 500 tonnes NdPr oxide per year + 20 – 25 tonnes Dy/Tb	Roughly 700 – 1,400 tonnes NdPr oxide per year + 35 – 70 tonnes Dy/Tb	Roughly 1,700 – 2,600 tonnes NdPr oxide per year + 85 – 130 tonnes Dy/Tb
Several permits in place	Energy Fuels will receive all monazite from project	Most major licenses & permits in place (or in advanced stage of completion)
Well-defined HMS mineralization (titanium, zirconium & rare earths)	All major licenses & permits in place (or in advanced stage of completion)	Well-defined HMS mineralization (titanium, zirconium & rare earths)
Sonic exploration/delineation drilling underway; resource estimate in 2024	Well-defined HMS mineralization (titanium, zirconium & rare earths)	

Source: Energy Fuels

OVERVIEW OF JV AND OFFTAKE AGREEMENT

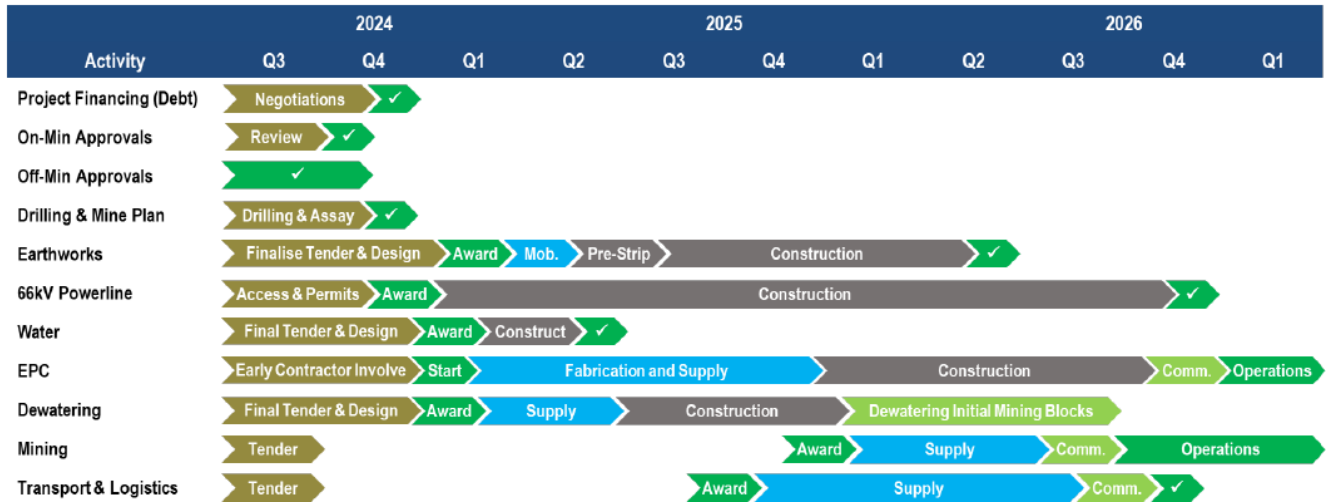
Key Terms JVA	
Structure	<ul style="list-style-type: none"> Incorporated Joint Venture – Donald Project Pty Ltd (DPJV) At execution of the Agreement, Astron holds 100% of the shares in DPJV EFR's shareholding increases in accordance with the earn-in mechanism to a maximum of 49%
Conditions Precedent	<ul style="list-style-type: none"> Transfer of MIN5532 and RL2002 from Donald Mineral Sands Pty Ltd (DMS) to DPJV FIRB approval for EFR to enter into the transaction Transfer of Water Rights held by DMS to DPJV
Completion Period	<ul style="list-style-type: none"> Four months from execution of Agreements, with a further three months if required
Earn-In Mechanism	<ul style="list-style-type: none"> Following Completion, EFR's interest in DPJV will be calculated based on the proportion of total funding provided by EFR at the relevant time, with the total funding to be provided being: <ul style="list-style-type: none"> Total farm-in expenditure (comprising Pre-Completion Funding, Pre-FID funding and Post-FID Funding) of \$183 million; and Energy Fuels Inc. (EFI) shares to be issued to Astron which are deemed, for the purposes of the Agreement, to have a value of \$25 million (US\$17.5 million) (EFI Shares)
A total investment by EFR of \$208 million.	
Funding	
Pre-Completion Funding	<ul style="list-style-type: none"> EFR will fund all activities of DPJV up to Completion (i.e. satisfaction of CPs) in the form of an interest free loan, which automatically converts into shares in DPJV at Completion In the event that Completion does not occur, the interest free loan will be repaid by Astron
Pre-FID Funding	<ul style="list-style-type: none"> EFR will fund a total of \$16 million (including the Pre-Completion Funding) to FID (expected in Q4 2024) In the event that FID does not occur in Q4 2024, EFR will continue to fund DPJV based on an approved program and budget agreed by the parties
Post-FID Funding	<ul style="list-style-type: none"> EFR will fund DPJV to a total of \$183 million less the Pre-FID funding If equity in excess of \$183 million is required to fully fund the Project, ATR and EFR will fund such amounts on a pro-rata basis
EFI Shares	
Completion Shares	<ul style="list-style-type: none"> On Completion, EFI will issue US\$3.5 million (for the purposes of the Agreement with a value deemed to be \$5 million) in EFI common shares
FID Shares	<ul style="list-style-type: none"> Following FID, EFI will issue US\$14.0 million (for the purposes of the Agreement value deemed to be \$20m) in EFI common shares
Rare Earths Offtake Agreement	
Conditions	<ul style="list-style-type: none"> EFR and Astron agreeing to the FID for the Donald Project Product
Product	<ul style="list-style-type: none"> Rare Earth Element Concentrate containing monazite (neodymium and praseodymium) and xenotime (dysprosium and terbium)
Price	<ul style="list-style-type: none"> Pricing of REEC will be based on total rare earth oxides contained in each delivery <ul style="list-style-type: none"> Stated market pricing for neodymium, praseodymium, dysprosium and terbium Set quarterly prior to the commencement of each quarter Floor price mechanism based on realised pricing of downstream REE products and assumed benefits of EFR's investment in the Venture Quantities
Quantity	<ul style="list-style-type: none"> All of the Donald Project's production of REEC for Phase 1 & Phase 2
Termination	<ul style="list-style-type: none"> Offtake can be terminated in the event: <ul style="list-style-type: none"> The parties do not agree to proceed with Phase 1 of the Project Termination of the Venture for any reason EFR selling its interest in the Venture

KEY MILESTONES AND DEVELOPMENT TIMELINE

Astron is well advanced in de-risking the Donald Project. The next 6 months will be critical for Astron to reach FID with construction expected early CY25 and first production by end of CY26.

Astron’s key milestones for the Donald Project include:

FIGURE 1: DONALD DEVELOPMENT TIMELINE



Source: Company

MODEL UPDATE

KEY UPDATES

We have updated our financial model to reflect key parameters from the March 2023 DFS, June 2023 Ore Reserve Update and Phase 2 DFS, dilution from funding through this period and the Energy Fuels 49% farm in (ATR retains 51% of Donald's earnings and cashflows). We have reduced the risking factor to 25% to reflect the derisking of the Project since our last update.

KEY RISKS

Astron is exposed to all the normal risks associated with developing and operating mining projects, including approvals, funding, construction, commissioning and ramp up risks.

Assuming Astron makes the transition into production, its revenues will be derived from the sale of heavy mineral concentrates (50% of revenue on updated assumptions) and rare earth concentrates (50% of revenue). Fluctuations in the prices of these products as well as the Australian dollar could impact the company's reported cash flow (in A\$), profitability and share price.

As Astron's Donald project is based in Victoria, an investment in Astron also carries Australian sovereign risk. However, it is worth noting that Australia is considered materially lower sovereign risk than many of the other jurisdictions which host rare earth mines (China) and mineral sands mines like South Africa (Rio Tinto), Mozambique (Kenmare), Kenya (Base Resources) and Sierra Leone (Sierra Rutile).

MODEL SUMMARY: FINANCIALS & VALUATION

Stock Details				Enterprise Value	\$125m
Recommendation:	BUY			Diluted MCap	\$129m
Target	\$2.17	Share Price	\$0.73	Diluted Shares	176m
NAV	\$2.17	52 Week High	\$0.85	Free Float	23%
Implied Return	198%	52 Week Low	\$0.41	Avg Daily Value	\$0.01m

Macro Assumptions	% of Rev	FY23	FY24E	FY25E	FY26E	FY27E
Exchange Rate (A\$/US\$)		0.66	0.67	0.70	0.70	0.70
HMC (US\$/t)	48%	425	430	430	430	430
REC (US\$/t)	52%	11,500	8,000	10,000	14,300	14,300
	100%					

Profit & Loss (A\$m)	FY23	FY24E	FY25E	FY26E	FY27E
Revenue	-	-	-	-	111
Operating Costs	-	-	-	-	(64)
Operating Profit	-	-	-	-	47
Corporate & Other	(5)	(5)	(5)	(5)	(5)
Exploration Expense	-	-	-	-	-
EBITDA	(5)	(5)	(5)	(5)	42
D&A	(0)	(0)	(0)	(0)	(3)
EBIT	(5)	(5)	(5)	(5)	39
Net Interest Expense	0	0	0	0	(9)
Pre-Tax Profit	(5)	(5)	(5)	(5)	29
Tax Expense	-	-	-	-	-
Underlying Profit	(5)	(5)	(5)	(5)	29
Significant Items (post tax)	(2)	1	-	-	-
Reported Profit	(6)	(3)	(5)	(5)	29

Cash Flow (A\$m)	FY23	FY24E	FY25E	FY26E	FY27E
Operating Cashflow	(2)	(8)	(5)	(5)	42
Tax	-	-	-	-	-
Net Interest	-	0	0	0	(9)
Net Operating Cash Flow	(2)	(7)	(5)	(5)	33
Exploration	-	-	-	-	-
Capex	(7)	(6)	(20)	(108)	(1)
Acquisitions / Disposals	-	0	25	-	-
Other	-	(0)	-	-	-
Net Investing Cash Flow	(7)	(5)	5	(108)	(1)
Equity Issue	12	13	12	1	-
Borrowing / Repayments	3	(3)	-	111	(28)
Dividends	-	-	-	-	-
Other	(0)	(0)	-	-	-
Net Financing Cash Flow	14	9	12	112	(28)
Change in Cash Position	5	(4)	12	(1)	4
FX Adjustments	(0)	0	-	-	-
Cash Balance	7	3	16	14	18

Balance Sheet (A\$m)	FY23	FY24E	FY25E	FY26E	FY27E
Cash	7	3	16	14	18
Other Current Assets	9	9	9	9	9
PP&E	31	24	43	152	149
Exploration & Development	82	86	86	86	86
Other Non Current Assets	3	3	3	3	3
Total Assets	131	125	157	264	265
Debt	18	19	19	129	102
Other Liabilities	18	22	22	22	22
Net Assets	95	84	116	112	142

Ratio Analysis		FY23	FY24E	FY25E	FY26E	FY27E
Diluted Shares	m	147	175	193	205	205
EPS - Diluted	Ac	(3.5)	(2.9)	(2.7)	(2.5)	14.3
P/E	x	n.m.	n.m.	n.m.	n.m.	5.1x
CFPS - Diluted	Ac	(1.0)	(4.0)	(2.5)	(2.3)	15.9
P/CF	x	n.m.	n.m.	n.m.	n.m.	4.6x
FCF - Diluted	Ac	(6.1)	(7.6)	(13.0)	(55.3)	20.0
P/FCF	x	n.m.	n.m.	n.m.	n.m.	3.7x
Dividends	Ac	-	-	-	-	-
Dividend yield	%	-	-	-	-	-
Payout Ratio	%	-	-	-	-	-
Franking	%	-	-	-	-	-
Enterprise Value	A\$m	140	144	132	244	212
EV/EBITDA	x	(29.8x)	(29.8x)	(26.3x)	(48.8x)	5.1x
ROE	%	(5%)	(6%)	(4%)	(4%)	21%
ROA	%	(4%)	(4%)	(3%)	(2%)	11%
Net Debt / (Cash)		11	15	3	115	83
Gearing (ND/(ND+E))	%	11%	15%	2%	51%	37%
Gearing (ND/E)	%	12%	18%	2%	102%	59%

Reserves	Valuable HM Grade						
	HM	Ilmenite	Leucox.	Rutile	Zircon	Mon. + Xen.	%
MIN5532	mt	%	%	%	%	%	%
Proved	263	4.4	21.6	25.9	5.5	16.7	2.5
Probable	46	4.1	21.3	20.1	5.5	15.3	2.4
Reserve	309	4.4	21.6	25.1	5.5	16.5	2.5
Total Donald							
Proved	415	4.8	25.7	22.6	7.2	18.6	2.5
Probable	410	4.1	31.5	19.4	7.3	16.9	2.4
Reserve	825	4.5	28.4	18.0	7.2	17.8	2.5

Earnings Sensitivity		FY26E	FY27E	FY26E	FY27E
HMC Price	US\$/t +10%	A\$m	A\$m	%	%
REEC Price	US\$/t +10%	-	5	-	18%
Exchange Rate	A\$/US\$ -10%	-	11	-	37%

Valuation	Discount	Stake	A\$m	A\$/sh
Donald (unrisked)		100%	551	3.12
Donald (risk-adjusted)	25%	100%	413	2.34
UUUU shares		100%	26	0.15
Other Projects			-	-
Corporate			(61)	(0.35)
Debt			-	-
Cash			3	0.02
Option Strikes			2	0.01
Risk adjusted NAV			384	2.17
				0.34

Source: Company data, Blue Ocean Equities

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The Analyst of this report owns shares in Astron Corporation Limited.

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