

# **Astron Corporation Limited**

**Incorporated in Hong Kong, Company Number: 1687414**

ARBN 154 924 553

## **Half-Year Report**

**ended 31 December 2019**

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- Appendix 4D
- Consolidated Financial Statements

## Astron Corporation Limited – Half-Year Report

### CORPORATE DIRECTORY

**Astron Corporation Limited ARBN 154 924 553: Incorporated in Hong Kong, Company Number: 1687414**

#### **Directors**

Mr Gerard King (Chairman, Non-executive Director)

Mr Tiger Brown (Executive Director)

Mdm Kang Rong (Managing Director)

Boardroom Corporate Services (HK) Limited

31/F., 148 Electric Road

North Point, Hong Kong

#### **Australian Corporate Offices**

73 Main Street, Minyip, VIC 3392

Telephone: 61 3 5385 7088

#### **China Business Office**

c/ Yingkou Astron Mineral Resources Co Ltd

Room 5612, Building No. 5, Hua Fu Tian Di,

No. 128, Ha'erbin Road, Shenhe District,

Shenyang, China

Zip code: 110013

Tel./ Fax: 86 24 22595960

#### **Bankers**

Commonwealth Bank of Australia

48 Martin Place

Sydney NSW 2000, Australia

#### **Share Registrar**

Computershare Investor Services Limited

Level 3, 60 Carrington Street

Sydney NSW 2001, Australia

Computershare Hong Kong Investor Services Limited

Hopewell Centre, 46th Floor

183 Queen's Road East

Wan Chai, Hong Kong

#### **Auditor**

BDO Limited

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

#### **Internet Address**

[www.astronlimited.com.au](http://www.astronlimited.com.au)

## Astron Corporation Limited – Half-Year Report

### Appendix 4D

#### HALF YEAR INFORMATION GIVEN TO THE ASX UNDER LISTING RULE 4.2A

Name of entity

ASTRON CORPORATION LIMITED

Company Number

1687414

Reporting period

Half-Year ended 31 December 2019

Previous corresponding period

Half-Year ended 31 December 2018

*The information contained in this report should be read in conjunction with the most recent annual financial report.*

**1. RESULTS FOR ANNOUNCEMENT TO THE MARKET**

Total revenue from operations	Up	<b>20.9%</b>	to	\$5,283,371
Revenue from trading operations	Up	<b>20.6%</b>	to	\$5,096,864
Net loss after tax attributable to members	Up	<b>\$1,494,362</b>	to	\$2,439,120
Net tangible asset value per share	Up	<b>1.8%</b>	to	\$0.24

**2. REVIEW OF OPERATIONS**

A review of operations is included in the Directors' Report.

**3. DETAILS OF CONTROLLED ENTITIES**

During the period, the Group did not gain or lose control of any entities.

**4. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES**

The Group has no associates or joint venture entities.

**5. DIVIDENDS**

No dividend was paid or proposed for the period to 31 December 2019 or the comparative period.

**6. ACCOUNTING STANDARDS**

Hong Kong Financial Reporting Standards have been used in compiling the information contained in Appendix 4D.

**7. REVIEW DISPUTES OR QUALIFICATIONS**

The financial statements have been reviewed and the Company's auditor has included an "emphasis of matter" paragraph in the Audit Review Report relating to the Company's ability to continue as a going concern.

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# **Astron Corporation Limited and its Subsidiaries**

**ARBN 154 924 553, Incorporated in Hong Kong, Company Number: 1687414**

## **Consolidated Financial Statements**

**For the Half-Year Ended 31 December 2019**

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# Astron Corporation Limited and its Subsidiaries

Hong Kong Company Number: 1687414, ARBN 154 924 553

Condensed Consolidated Financial Statements

For the Half-Year Ended 31 December 2019

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# Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

## Directors' Report

31 December 2019

The directors of Astron Corporation Limited ("the Company") present their report on the consolidated entity consisting of the Company and its subsidiaries ("the Group" or "Astron") at the end of, or during, the half-year ended 31 December 2019.

### 1. DIRECTORS

The directors in office at any time during, or since the end of, the period are:

Mr Gerard King

Mr Alexander Brown (Deceased)

Mdm Kang Rong

Mr Tiger Brown (Appointed on 4 December 2019)

### 2. BUSINESS REVIEW

#### *Overview*

The Company is the Group's holding company. The Company has two wholly-owned Australian operating subsidiaries, Astron Limited and Donald Mineral Sands Pty Limited ("DMS") and one operating Chinese subsidiary Astron Titanium Yingkou Company Limited ("Titanium"). DMS holds the Donald Mineral Sands mining project ("Donald"), while Astron Limited holds the Senegal project on behalf of Senegal Mineral Resources SA.

#### *Review of financials*

##### **Statement of Profit or Loss and Other Comprehensive Income**

Total revenue increased by 20.9% to \$5,283,371. The increase in revenue is primarily attributable to sales of materials in China during the period.

Sales revenue for the period increased by 20.6% to \$5,096,864. The sales and trading results reflect the acquisition of the TiO<sub>2</sub> feedstock, the general market in trading activities in China and further encouraging price movements.

# Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

Directors' Report

31 December 2019

## ***Review of financials (Cont'd)***

### **Statement of Financial Position**

#### *Cash*

Cash and cash equivalents increased by \$1,349,148 to \$3,036,697 from 30 June 2019 to the end of the current period. During the period the significant expenditure incurred in connection with the acquisition of TiO<sub>2</sub> feedstock, the development of a mineral separation plant and the ongoing Donald land and pilot plant costs. These costs were offset by the sales receipts and loan funds received.

#### *Net Current assets*

Movements in net current assets reflect the increase in operations and continued development of the mineral separation plant.

#### *Non-current assets*

During the half-year the Group continued to allocate resources to its exploration and development projects which is reflected in the Statement of Financial Position.

#### *Reserves*

The increase in the foreign currency translation reserve arises mainly from the impact of depreciation of the Australian Dollar relative to the Chinese Rmb on the translation of foreign operations.

The net tangible non-current asset value per share has increased by 1.8% to \$0.24. This movement can mainly be attributed to the ongoing expenditure in relation to the Group projects being offset by finance.

## ***Review of operations***

Astron has achieved significant progress in the last year on both the Donald and the Niafarang, Senegal project.

### **Senegal project**

In relation to the Senegal project, Astron obtained environmental approval in August 2017, and received the registered Mining Licence in October 2017. This was complemented with the Minister of Mines having signed the authorization for mining the Niafarang deposit. This is a crucial step in progressing this project. Indications from Senegal continue regarding the formal commencement of the mining licence area resettlement program. Astron anticipates it will then be in a position to commence site establishment programs by late-2020. All equipment necessary to commence establishment and mining is securely held in Dakar.

Astron anticipates final community acceptance can be achieved shortly following a formal process to hold area leaders accountable in accordance with the Mining and Fiscal Codes in Senegal. Astron has sourced the assistance of a legal firm (DS Advocates) in Senegal to assist with the relevant code reviews and formal communications with the Government Departments.

Astron remains positive regarding the Niafarang project and has recently reapplied for an exploration (exploitation in Senegal) licence further afield from the current Mining Licence area. A formal response from the Department acknowledging the application has been received.



# Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

Directors' Report

31 December 2019

## ***Review of operations (Cont'd)***

### **Donald project**

During the half-year, DMS has expanded the project execution initiatives with memberships and supportive engagements with Local, State and Federal Governments. The technical aspects of the project including design criteria's have been replicated in draft to incorporate Critical Mineral advancements. The DMS project has received great interest nationally in its capability to align federally with the Critical Mineral demand.

Piloting processes were carried out and pending final results for both bulk production of Heavy Mineral Concentrate (HMC) and Mineral Separation piloting (MSP) to design further conventional piloting processes in China in the near future.

Piloting outcomes are currently entering the completion and final reporting where greater communications can be shared regarding the next steps for DMS.

The Company is confident that the continuing strong demand in the zircon market and the optimisation of the project will drive significant market interest in the project as it develops. The Donald project has the potential to be a significant, long life project with strong cash flows through Astron's long-established China team once production starts. With the recent publication of the Critical Minerals Group, DMS believes it can significantly increase its attraction globally due to a rare earth component within its ore body. Astron will conduct metallurgical and process testing in early 2020 to define the rare earth commodity and define whether further design elements are necessary.

An important factor regarding timing is that the last 3 years preparing and developing the building blocks of the Donald Project is now coming at a time where the business cycle for zircon and titanium industry shows clear improvement after a number of years of lows and this industry cycle should allow Astron to benefit from favourable industry dynamics. (Refer to the Cautionary Statement)

### **CAUTIONARY STATEMENT**

*Certain sections of this report contain forward-looking statements that are subject to risk factors associated with, among others, the economic and business circumstances occurring from time to time in the countries and sectors in which the Astron Group operates. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a wide range of variables which could cause results to differ materially from those currently projected.*

# Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

Directors' Report

31 December 2019

## ***Going forward***

In respect to the Donald Project, the Group continues to refine the supplementary definitive feasibility study and now pending the Rare Earth Elements (REE's) demand will revisit the benefits for population into the DFS. In China, the research and development programme work will continue following the completion of the piloting bulk volume production in Australia during the previous reporting period. Astron continues to work towards finalising the resettlement program and final approvals for the Senegal project.

The forward funding position for Astron is dependent on a number of factors. The short term needs of the Group to meet its ongoing administration costs and committed project expenditure are forecast to be covered by the existing resources on hand, expected sales proceeds for product derived from the TiO<sub>2</sub> feedstock acquired, Senegal project in the second half of 2020 and the second stage of commissioning of the China separation plant specialized final products project.

The award of compensation from the proceedings relating to the Gambian project, while having been found in the Company's favour, remains outstanding. The timing of these sources of funds are not able to be precisely predicted, but represents potential as a near term realisable asset (subject to the outcome of the final annulment proceedings).

Funding for the Donald project is being reviewed. Options include a mixture of equity and debt funding.

## **3. DECLARATION OF INDEPENDENCE BY AUDITOR**

The lead auditor's independence declaration for the half-year ended 31 December 2019 has been received and can be found on page 5 of the half-year financial statements.

Signed in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Chairman:



Mr Gerard King

Dated this 2<sup>nd</sup> day of March 2020

## Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

### DECLARATION OF INDEPENDENCE

### TO THE DIRECTORS OF ASTRON CORPORATION LIMITED

As lead auditor of Astron Corporation Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements in the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants.



BDO Limited  
Certified Public Accountants

Jonathan Russell Leong  
Practising Certificate Number P03246

Hong Kong, 2 March 2020

# Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2019

	Note	Half-Year Ended 31 December 2019 \$	Half-Year Ended 31 December 2018 \$
Sales revenue	8	5,096,864	4,226,231
Cost of sales		(4,695,991)	(2,337,760)
<b>Gross profit</b>		<b>400,873</b>	<b>1,888,471</b>
Interest income	8	1,249	13,476
Other revenue	8	185,258	130,982
Distribution expenses		(358,231)	(343,883)
Marketing expenses		(132,589)	(18,903)
Occupancy expenses		(44,224)	(39,808)
Administrative expenses		(2,393,617)	(2,097,806)
Finance costs		(1,037,963)	(45,625)
Reversal of provision of impairment		424,386	100,710
Other expenses		(66,049)	(112,124)
<b>Loss before income tax expense</b>		<b>(3,020,907)</b>	<b>(524,510)</b>
Income tax benefit/(expense)		581,787	(420,248)
<b>Net loss for the half year</b>	<b>2</b>	<b>(2,439,120)</b>	<b>(944,758)</b>

### Other comprehensive income

Items that may be reclassified subsequently to profit or loss:

Foreign currency translation differences	(384,977)	439,711
Other comprehensive income for the half year, net of tax	(384,977)	439,711
<b>Total comprehensive income for the half year</b>	<b>(2,824,097)</b>	<b>(505,047)</b>

### Loss for the half year attributable to:

Owners of Astron Corporation Limited	(2,439,120)	(944,758)
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### Total comprehensive income for the half year attributable to:

Owners of Astron Corporation Limited	(2,824,097)	(505,047)
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The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

# Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2019

	Note	Half-Year Ended 31 December 2019	Half-Year Ended 31 December 2018
<b>LOSS PER SHARE</b>			
Basic loss per share (cents per share)	10	(1.99)	(0.77)
Diluted loss per share (cents per share)	10	(1.99)	(0.77)

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

# Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

## Condensed Consolidated Statement of Financial Position

As at 31 December 2019

		As at 31 December 2019	As at 30 June 2019
	Note	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,036,697	1,687,549
Term deposits greater than 90-days		46,112	46,112
Trade and other receivables	6	10,601,586	9,820,565
Inventories	11	7,114,302	7,348,837
Financial assets at fair value through profit or loss	21	10,084	25,366
<b>Total current assets</b>		<b>20,808,781</b>	<b>18,928,429</b>
<b>Non-current assets</b>			
Trade and other receivables	6	-	2,077,163
Property, plant and equipment	12	26,834,160	26,220,427
Exploration and evaluation assets	13	69,886,892	69,400,384
Development costs	14	7,960,353	7,804,124
Right-of-use assets	15	3,007,303	-
Land use rights	15	-	3,090,641
<b>Total non-current assets</b>		<b>107,688,708</b>	<b>108,592,739</b>
<b>TOTAL ASSETS</b>		<b>128,497,489</b>	<b>127,521,168</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	9,498,200	9,639,406
Contract liabilities	17	6,831,036	4,363,126
Borrowings	18	8,941,227	7,133,146
Provisions		106,218	95,642
<b>Total current liabilities</b>		<b>25,376,681</b>	<b>21,231,320</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		4,894,782	5,229,611
Long-term provisions		776,142	786,256
<b>Total non-current liabilities</b>		<b>5,670,924</b>	<b>6,015,867</b>
<b>TOTAL LIABILITIES</b>		<b>31,047,605</b>	<b>27,247,187</b>
<b>NET ASSETS</b>		<b>97,449,884</b>	<b>100,273,981</b>
<b>EQUITY</b>			
Issued capital	9	76,549,865	76,549,865
Reserves		14,128,051	14,513,028
Retained earnings		6,771,968	9,211,088
<b>TOTAL EQUITY</b>		<b>97,449,884</b>	<b>100,273,981</b>

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

# Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

## Condensed Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2019

	Issued capital	Retained earnings	Share based payment reserve	Foreign currency translation reserve	Total equity
	\$	\$	\$	\$	\$
Half-year ended 31 December 2019					
Equity as at 1 July 2019	76,549,865	9,211,088	913,104	13,599,924	100,273,981
Loss for the half year	-	(2,439,120)	-	-	(2,439,120)
<i>Other comprehensive income</i>					
- Exchange differences on translation of foreign operations	-	-	-	(384,977)	(384,977)
Total comprehensive income for the half year	-	(2,439,120)	-	(384,977)	(2,824,097)
Equity as at 31 December 2019	76,549,865	6,771,968	913,104	13,214,947	97,449,884

	Issued capital	Retained earnings	Share based payment reserve	Foreign currency translation reserve	Total equity
	\$	\$	\$	\$	\$
Half-year ended 31 December 2018					
Equity as at 1 July 2018 as originally presented	76,549,865	11,689,667	913,104	10,655,795	99,808,431
Initial application of HKFRS 9	-	(565,617)	-	-	(565,617)
Restated balance as at 1 July 2018	76,549,865	11,124,050	913,104	10,655,795	99,242,814
Loss for the half year	-	(944,758)	-	-	(944,758)
<i>Other comprehensive income</i>					
- Exchange differences on translation of foreign operations	-	-	-	439,711	439,711
Total comprehensive income for the half year	-	(944,758)	-	439,711	(505,047)
Equity as at 31 December 2018	76,549,865	10,179,292	913,104	11,095,506	98,737,767

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

## Condensed Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2019

	Half-Year Ended 31 December 2019 \$	Half-Year Ended 31 December 2018 \$
<b>Cash flows from operating activities:</b>		
Receipts from customers	5,702,148	1,788,101
Payments to suppliers and employees	(4,028,789)	(8,981,815)
Interest received	1,249	13,476
Interest paid	(507,584)	(45,625)
Refundable Australian R&D tax offsets received	246,957	415,145
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,413,981</b>	<b>(6,810,718)</b>
<b>Cash flows from investing activities:</b>		
Increase in short term deposits	-	(25,000)
Receipts from disposal of land receivable	614,047	3,092,997
Acquisition of property, plant and equipment	(1,604,383)	(1,709,916)
Capitalised exploration and evaluation expenditure	(870,983)	(1,518,279)
<b>Net cash outflow from investing activities</b>	<b>(1,861,319)</b>	<b>(160,198)</b>
<b>Cash flows from financing activities:</b>		
Partial settlement of offtake agreement (note 17(a))	(204,682)	-
Repayment of borrowings	(4,363,092)	-
Proceeds from borrowings	6,171,173	5,124,064
<b>Net cash inflow from financing activities</b>	<b>1,603,399</b>	<b>5,124,064</b>
<b>Net increase/(decrease) in cash held</b>	<b>1,156,061</b>	<b>(1,846,852)</b>
Cash and cash equivalents at beginning of the half year	1,687,549	3,167,548
Net foreign exchange differences	193,087	59,888
<b>Cash and cash equivalents at end of the half year</b>	<b>3,036,697</b>	<b>1,380,584</b>

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



# Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

## Notes to the Interim Condensed Consolidated Financial Statements

For the Half-Year Ended 31 December 2019

### 1 Basis of preparation and significant accounting policies

#### Basis of preparation

The interim condensed consolidated financial statements of Astron Corporation Limited ("the Company") are for the half-year ended 31 December 2019 and relate to the consolidated entity consisting of the Company and its subsidiaries ("the Group"). These interim condensed consolidated financial statements are presented in Australian dollars (\$), which is the functional currency of the Group.

#### *Hong Kong Financial Reporting Standards and statement of compliance*

These interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" and all other applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. These half-year financial statements should also be read in conjunction with any public announcements made by the Company during the half-year reporting period in accordance with the continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules.

The historical cost basis has been used, except for financial assets at fair value through profit or loss ("FVTPL") which are measured at fair value.

#### *Going concern basis*

The Group had net current liabilities of \$4,567,900 as at 31 December 2019, incurred a pre-tax loss of \$3,020,907 for the half-year period then ended. These conditions along with the other matters set out below indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors are of the view that the business is a going concern as the short-term needs of the Group to meet its ongoing administration costs and committed project expenditure are forecast to be covered by the existing resources on hand. Management is confident that the Group will have sufficient funds for the next 12 months from the date of this report due to the following:

- the Group expects its mineral separation plant, situated in Yingkou, the PRC to improve production capacity as it has just overcome some technical difficulties by February 2020. The Group believes that at its higher capacity, there will be substantial increase in sales and net cash inflow. The Group is confident it can expand its market share of this product in the PRC market;
- the Group expects to receive the gross balance of the sale of land receivable of approximately \$2.3 million outstanding at 31 December 2019, in the next 12 months.
- the Senegal project has faced some delays in getting to operational status. This has delayed the expected commencement of production from June 2020 to now April 2021. This delay could potentially have an impact on the Group's obligations to a major customer ("Wensheng") for the offtake of Senegal project. As explained in note 17, Wensheng paid a deposit of RMB19 million (approximately \$3.9 million) as at 31 December 2019 to secure its position as the primary customer of the offtake. The Group has been in discussions with Wensheng regarding this issue, and is confident such negotiations will not adversely affect the Group.
- the Group is confident the PRC market for mineral sands and the trading of mineral sands in PRC will continue to strengthen in the near to medium term.
- the undertakings by the directors not to demand repayments due to them of approximately \$6.71 million until such time when the Group has available funds and is generating positive operating cash flows.
- certain directors of the Group have undertaken to provide financial support should the Group require any short term liquidity assistance.

# Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

## Notes to the Interim Condensed Consolidated Financial Statements

For the Half-Year Ended 31 December 2019

### 1 Basis of preparation and significant accounting policies (cont'd)

#### Basis of preparation (cont'd)

##### *Going concern basis (cont'd)*

The Group will require additional funding to execute its long-term plans. The Group is currently working through several funding options and is confident that with a mix of debt, equity and internal funding, its projects will be fully funded.

These interim condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

#### Significant accounting policies

Other than changes in accounting policies resulting from application of certain new HKFRSs, the accounting policies and methods of computation used in the unaudited interim condensed consolidated financial statements for half year ended 31 December 2019 are the same as those followed in the preparation of the Group's audited consolidated financial statements for the year ended 30 June 2019.

#### Adoption of new/revised HKFRS – effective on 1 July 2019

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features and Negative Compensation
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 *Leases* have been summarised in below. The other new or amended HKFRSs that are effective from 1 July 2019 did not have any significant impact on the Group's accounting policies.

#### Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), and related interpretations. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16, if any, as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

# Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

## Notes to the Interim Condensed Consolidated Financial Statements

For the Half-Year Ended 31 December 2019

### 1 Basis of preparation and significant accounting policies (cont'd)

#### Significant accounting policies (cont'd)

#### Adoption of new/revised HKFRS – effective on 1 July 2019 (cont'd)

#### Impact of the adoption of HKFRS 16 (cont'd)

Further details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16 are set out below:

##### (i) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease a single lease component.

##### (ii) Accounting as a lessee and transitional impact

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value.

To ease the transition to HKFRS 16, the Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets. The Group has leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term. There was no impact on retained earnings on 1 January 2019.

#### *Right-of-use asset*

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Upon the adoption of HKFRS 16 on 1 July 2019, the land use rights with net carrying amount of \$3,090,641 were reclassified from "Land use rights" to "Right-of-use assets". There was no impact on retained earnings on 1 January 2019.

# Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

## Notes to the Interim Condensed Consolidated Financial Statements

For the Half-Year Ended 31 December 2019

### 1 Basis of preparation and significant accounting policies (cont'd)

#### Significant accounting policies (cont'd)

#### Adoption of new/revised HKFRS – effective on 1 July 2019 (cont'd)

#### Impact of the adoption of HKFRS 16 (cont'd)

##### (ii) Accounting as a lessee and transitional impact (cont'd)

##### *Lease liability*

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

##### (iii) Accounting as a lessor

The Group has leased out its land to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these condensed consolidated interim financial statements.

#### Standards and Interpretations in issue not yet adopted:

A number of new standards, amendments to standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the half year ended 31 December 2019. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

# Astron Corporation Limited and its Subsidiaries

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## Notes to the Interim Condensed Consolidated Financial Statements

For the Half-Year Ended 31 December 2019

### 2 Net loss for the half year

The following significant revenue and expense items are relevant to explaining the financial performance	31 December 2019 \$	31 December 2018 \$
Interest income	1,249	13,476
Rental and other income	185,258	130,982
Reversal of provision of impairment	424,386	100,710
Depreciation and amortisation	(569,275)	(394,202)
Foreign exchange loss	(10,477)	(53,424)
Interest expenses (mainly on borrowings (note 18) and Wensheng deposits (note 17(a)))	(1,037,963)	(45,625)
Research and development expenditure	(436,097)	(194,155)

### 3 Dividends

Dividends paid for during the half year:

	31 December 2019 \$	31 December 2018 \$
Final unfranked dividend of NIL (2018: NIL) per share	-	-

### 4 Seasonality and irregular trends

No seasonal or irregular trends were noted during the review period.

### 5 Commitments and contingencies

The Group commitments and contingencies are broadly consistent with the disclosures in the 30 June 2019 Annual Report.

#### Litigation

The International Centre for Settlement of Investment Disputes ("ICSID") determined an award including damages in favour of Astron/Carnegie in Astron's claim against the Gambian Government for approximately \$31 million. This award is subject to an application for annulment by the Gambian Government. The Company continues to work towards a settlement with the Gambia Government and negotiations are ongoing. The directors are unable to predict when a resolution may be reached at this stage.

# Astron Corporation Limited and its Subsidiaries

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## Notes to the Interim Condensed Consolidated Financial Statements

For the Half-Year Ended 31 December 2019

### 6 Trade and other receivables

	31 December 2019 \$	30 June 2019 \$
<b>Current assets:</b>		
Trade debtors	2,069,279	3,583,539
Land sale receivable*	2,206,267	622,873
Prepayments and other debtors – net	6,326,040	5,614,153
	<b>10,601,586</b>	<b>9,820,565</b>
<b>Non-current assets:</b>		
Sundry receivable	-	-
Land sale receivable*	-	2,077,163
	-	<b>2,077,163</b>
<b>Total</b>	<b>10,601,586</b>	<b>11,897,728</b>

\* During the year ended 30 June 2014, the Group entered into an agreement to transfer 1,065,384 sqm of land held in Yingkou Province in China to a state-owned entity. As the under-development of this land resulted from a change of government development plans and restructure, this land transfer has been subsidised by the Chinese Government. Final contracts over the land sale were exchanged and the disposal was brought to account in the year ended 30 June 2015. Under the agreement, the net proceeds, amounting to \$20,356,248, were to be received in instalments with the final instalment to be paid in November 2016. The land contract is unconditional and payment is binding on the buyer being the Yingkou Government and its related entities, but the payments expected have been delayed.

The directors anticipate that the remaining balance will be recovered in full as it is owed by a Chinese government entity, will only be settled in 2020. The impairment provision has accordingly been determined on that basis and was included in the balance at reporting date of \$100,337. During the half year ended 31 December 2019, the Group received payment of \$614,047 and subsequent to the reporting date, the Group received a further of approximately \$409,000 in January 2020. no additional provision was considered necessary against the remaining balance of \$2,206,267 (after provision) at the reporting date.

### 7 Subsidiaries

During the current or the prior half year periods, the Group did not acquire or dispose of any subsidiary companies.

### 8 Segment information

#### (a) Description of Segments

The Group has adopted HKFRS 8 “Operating Segments” from whereby segment information is presented using a “management approach”, i.e. segment information is provided on the same basis as information used for internal reporting purposes by the Managing Director (chief operating decision maker) who monitors the segment performance based on the net profit before tax for the period. Operating segments have been determined on the basis of reports reviewed by the Managing Director/President who is considered to be the chief operating decision maker of the Group. The reportable segments are as follows:

- Donald Mineral Sands (“DMS”): Development of the DMS mine
- China: Development and construction of mineral processing plant and mineral trading
- Senegal: Development of the Niafarang mine
- Other: Group treasury and head office activities

# Astron Corporation Limited and its Subsidiaries

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## Notes to the Interim Condensed Consolidated Financial Statements

For the Half-Year Ended 31 December 2019

### 8 Segment information (cont'd)

(b) Segment information provided to the Managing Director/President

31 December	DMS		China		Senegal		Other		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Sale of mineral products:</b>										
Revenue from contracts with external customers	-	-	5,096,864	4,226,231	-	-	-	-	5,096,864	4,226,231
<b>Revenue from other sources</b>										
Interest income	160	178	823	12,326	-	-	266	972	1,249	13,476
Rent and other income	81,181	65,681	104,077	65,301	-	-	-	-	185,258	130,982
<b>Total revenue</b>	<b>81,341</b>	<b>65,859</b>	<b>5,201,764</b>	<b>4,303,858</b>	<b>-</b>	<b>-</b>	<b>266</b>	<b>972</b>	<b>5,283,371</b>	<b>4,370,689</b>
<b>Segment result</b>										
Segment (loss)/profit	(9,310)	(7,929)	(2,931,059)	(431,039)	10,524	135,875	(91,062)	(221,417)	(3,020,907)	(524,510)
Acquisition of PPE, intangibles assets and other non-current segment assets	1,598,143	237,844	846,675	1,752,468	199,169	156,890	-	-	2,643,987	2,147,202
Depreciation and amortisation	1,057	4,680	568,218	388,591	-	931	-	-	569,275	394,202

# Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

## Notes to the Interim Condensed Consolidated Financial Statements

For the Half-Year Ended 31 December 2019

### 8 Segment information (cont'd)

(b) Segment information provided to the Managing Director/President (cont'd)

2019	DMS		China		Senegal		Other		Total	
	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>										
Segment assets	74,884,531	73,619,841	44,365,613	44,686,810	8,856,359	8,901,498	390,986	313,019	128,497,489	127,521,168
<b>Consolidated total assets</b>									128,497,489	127,521,168
<b>Liabilities</b>										
Segment liabilities	752,655	4,157,665	12,261,239	9,878,698	80,377	855,606	4,117,325	(7,539)	17,211,596	14,884,430
Deferred tax liabilities									4,894,782	5,229,611
Borrowings									8,941,227	7,133,146
<b>Consolidated total liabilities</b>									31,047,605	27,247,187



# Astron Corporation Limited and its Subsidiaries

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Declaration by Directors

For the Half-Year Ended 31 December 2019

## 9 Issued capital

	31 December 2019 \$	30 June 2019 \$
122,479,784 (30 June 2019: 122,479,784) Fully Paid Ordinary Shares	76,549,865	76,549,865
<b>Total</b>	<b>76,549,865</b>	<b>76,549,865</b>

	31 December 2019 No.	30 June 2019 No.
At the beginning of reporting period	122,479,784	122,479,784
At reporting date	122,479,784	122,479,784

## 10 Loss per share

### (a) Reconciliation of loss used in the calculation of loss per share:

	31 December 2019 \$	31 December 2018 \$
Loss attributable to owners	(2,439,120)	(944,758)
Loss used to determine basic and diluted loss per share	(2,439,120)	(944,758)

### (b) Weighted average number of ordinary shares:

	31 December 2019 No.	31 December 2018 No.
Weighted average number of ordinary shares outstanding during the half year for the purpose of basic and diluted loss per share	122,479,784	122,479,784

### (c) Dilutive shares

There were no shares issued under escrow at or post year end. There were no rights or options for shares outstanding at year-end.

# Astron Corporation Limited and its Subsidiaries

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Declaration by Directors

For the Half-Year Ended 31 December 2019

## 11 Inventories

	31 December 2019 \$	30 June 2019 \$
Raw materials – at net realisable value	5,010,818	6,881,973
Semi-manufactured goods	106,635	108,168
Finished goods – at net realisable value	1,926,824	351,843
Goods in transit	70,025	6,853
<b>Total</b>	<b>7,114,302</b>	<b>7,348,837</b>

## 12 Property plant & equipment

	31 December 2019 \$	30 June 2019 \$
<b>Land</b>		
At cost	5,143,202	4,338,027
<b>Total land</b>	<b>5,143,202</b>	<b>4,338,027</b>
<b>Buildings</b>		
At cost	10,615,546	10,768,103
Less accumulated depreciation	(2,565,635)	(2,416,600)
<b>Net carrying value</b>	<b>8,049,911</b>	<b>8,351,503</b>
<b>Capital works in progress</b>		
At cost	3,852,132	3,920,102
Less accumulated impairment losses	(1,960,371)	(1,988,549)
<b>Net carrying value</b>	<b>1,891,761</b>	<b>1,931,553</b>
<b>Plant and equipment</b>		
At cost	16,784,243	16,140,544
Less accumulated depreciation	(3,300,496)	(2,781,808)
Less accumulated impairment losses	(1,734,461)	(1,759,392)
<b>Net carrying value</b>	<b>11,749,286</b>	<b>11,599,344</b>
<b>Total property, plant and equipment</b>	<b>26,834,160</b>	<b>26,220,427</b>

# Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

Declaration by Directors

For the Half-Year Ended 31 December 2019

## 12 Property plant & equipment (cont'd)

### Movement in net carrying value

	Capital works in progress \$	Land \$	Buildings \$	Plant and equipment \$	Total \$
<b>Half-Year ended 31 December 2019</b>					
Balance at 1 July 2019	1,931,553	4,338,027	8,351,503	11,599,344	26,220,427
Additions	832,413	805,175	-	19,738	1,657,326
Depreciation	-	-	(218,263)	(310,848)	(529,111)
Transfers #	(846,036)	-	-	846,036	-
Foreign exchange movements	(26,169)	-	(83,329)	(404,984)	(514,482)
<b>Balance at 31 December 2019</b>	<b>1,891,761</b>	<b>5,143,202</b>	<b>8,049,911</b>	<b>11,749,286</b>	<b>26,834,160</b>
<b>Year ended 30 June 2019</b>					
Balance at 1 July	7,551,100	4,247,755	8,668,935	2,128,559	22,596,349
Additions	4,219,195	90,272	-	102,186	4,411,653
Depreciation	-	-	(430,454)	(334,134)	(764,588)
Transfers #	(9,969,956)	-	-	9,969,956	-
Foreign exchange movements	131,214	-	113,022	(267,223)	(22,987)
<b>Balance at 30 June 2019</b>	<b>1,931,553</b>	<b>4,338,027</b>	<b>8,351,503</b>	<b>11,599,344</b>	<b>26,220,427</b>

# The Group allocated the development costs in relation to the Mineral separation plant in China to capital works in progress. Once the Mineral Separation Plant had been commissioned the development expenditure was transferred from capital works in progress to plant and equipment.

# Astron Corporation Limited and its Subsidiaries

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Declaration by Directors

For the Half-Year Ended 31 December 2019

## 13 Exploration and evaluation assets

		31 December 2019 \$	30 June 2019 \$
	Note		
<b>Evaluation costs</b>			
Cost	13(a)	7,790,161	7,794,515
Less accumulated impairment losses	13(a)	(7,487,231)	(7,487,231)
Net carrying value	13(e)	302,930	307,284
<b>Exploration expenditure capitalised – DMS project</b>			
Exploration and evaluation phases	13(b)	57,156,377	56,368,885
Net carrying value	13(e)	57,156,377	56,368,885
<b>Water rights – DMS project</b>			
Net carrying value	13(c)(d)	12,427,585	12,724,215
<b>Total exploration and evaluation assets</b>	13(e)	<b>69,886,892</b>	<b>69,400,384</b>

### (a) Evaluation costs and impairment losses

	31 December 2019 \$	30 June 2019 \$
<b>TiO2 project</b>		
Cost	7,487,231	7,487,231
Less accumulated impairment losses	(7,487,231)	(7,487,231)
Net carrying value	-	-
<b>Capitalised testing and design</b>		
Cost	302,930	307,284
Net carrying value	302,930	307,284
<b>Total</b>		
Cost	7,790,161	7,794,515
Less accumulated impairment losses	(7,487,231)	(7,487,231)
<b>Total evaluation costs</b>	<b>302,930</b>	<b>307,284</b>

# Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

Declaration by Directors

For the Half-Year Ended 31 December 2019

## 13 Exploration and evaluation assets (cont'd)

### (b) Exploration and evaluation expenditure

This expenditure relates to the Group's investment in the DMS project. As at 31 December 2019 and 30 June 2019, the Group has complied with the conditions of the granting EL5186, ML5532, RL2002 and RL2003. As such, the Directors believe that the tenements are in good standing with the Department of Economic Development, Jobs, Transport and Resources (which has incorporated the responsibilities previously administered by the Department of Primary Industries) in Victoria, who administers the Mineral Resources Development Act 1990.

During the half-year, DMS continued to development the technical aspects of the fine grain materials separation and associated value add, refined the valuation model, achieved bulk sample approvals and licenses, reviewed logistics and handling opportunities and marketing of the Donald feedstock.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent upon the successful development and commercial exploitation or alternatively sale of the area of interest.

### (c) Water rights

In 2012, the Group acquired rights to the supply of water for the Donald Project. The water rights are amortised over 25 years (subject to the extension of this term) in line with the entitlements.

In July 2018, a "Deed of Variation" was signed between Grampians Wimmera Mallee Water Corporation ("GWM Water") and Donald Mineral Sands Pty Ltd., a wholly owned subsidiary of the Company. The variation provides for an extension of the term of the original agreement of up to 4 years subject to terms and conditions. The amortisation period of the water rights have accordingly been extended by 4 years to a total period of 29 years.

### (d) Finite lives

Intangible assets, other than goodwill, have finite useful lives. To date, no amortisation has been charged in respect of the intangible assets other than water rights due to the stage of development for each project.

### (e) Movement in net carrying value

	Exploration and evaluation phase \$	Evaluation costs \$	Water rights \$	Total \$
<b>Half-Year ended 31 December 2019</b>				
Balance at 1 July 2019	56,368,885	307,284	12,724,215	69,400,384
Additions	787,492	-	-	787,492
Amortisation (note 13(d))	-	-	(296,630)	(296,630)
Foreign exchange movements	-	(4,354)	-	(4,354)
<b>Balance at 31 December 2019</b>	<b>57,156,377</b>	<b>302,930</b>	<b>12,427,585</b>	<b>69,886,892</b>
<b>Year ended 30 June 2019</b>				
Balance at 1 July 2018	54,087,188	302,036	13,614,105	68,003,329
Additions	2,281,697	-	-	2,281,697
Amortisation	-	-	(889,890)	(889,890)
Foreign exchange movements	-	5,248	-	5,248
<b>Balance at 30 June 2019</b>	<b>56,368,885</b>	<b>307,284</b>	<b>12,724,215</b>	<b>69,400,384</b>

# Astron Corporation Limited and its Subsidiaries

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Declaration by Directors

For the Half-Year Ended 31 December 2019

## 14 Development costs

	31 December 2019 \$	30 June 2019 \$
Balance at 1 July	7,804,124	6,590,766
Additions	199,169	1,214,165
Foreign exchange movements	(42,940)	(807)
<b>Balance at 31 December 2019/30 June 2019</b>	<b>7,960,353</b>	<b>7,804,124</b>

## 15 Right-of-use assets/Land use rights

	31 December 2019 \$	30 June 2019 \$
<b>Land use rights:</b>		
Balance at 1 July	3,090,641	3,116,708
Reclassification upon initial application of HKFRS 16 on 1 July	(3,090,641)	
Amortisation	-	(79,211)
Foreign exchange movements	-	53,144
<b>Balance at 31 December 2019/30 June 2019</b>	<b>-</b>	<b>3,090,641</b>
<b>Right-of-use assets:</b>		
Reclassification upon initial application of HKFRS 16 on 1 July	3,090,641	-
Amortisation	(40,164)	-
Foreign exchange movements	(43,174)	-
<b>Balance at 31 December 2019/30 June 2019</b>	<b>3,007,303</b>	<b>-</b>

## 16 Trade and other payables

		31 December 2019 \$	30 June 2019 \$
Trade payables		1,849,077	3,324,256
Note payables		-	1,369,567
Deposit received in advance	16(a)	10,234	10,381
Other payables	16(b)	7,638,889	4,935,202
<b>Total</b>		<b>9,498,200</b>	<b>9,639,406</b>

### (a) Deposit received in advance

Deposits in advance are amounts received in advance of delivery of product.

### (b) Other payables

Included in other payables was a balance of \$2,768,738 (30 June 2019: \$2,539,571) in aggregate due to 2 related companies as detailed in note 20.

# Astron Corporation Limited and its Subsidiaries

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Declaration by Directors

For the Half-Year Ended 31 December 2019

## 17 Contract liabilities

		31 December 2019	30 June 2019
	Note	\$	\$
Contract liabilities arising from:			
Advance deposit for future provision of goods	17(a)	6,831,036	4,363,126

### (a) Sale of goods

Included in the above balance is a deposit of RMB20 million (equivalent to \$4,093,647 as at 31 December 2019) which was 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 penalties payable by each side for not meeting their obligations by applying a penalty interest of 24% p.a. against the RMB20 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 been fallen behind the schedule as a result of the deferral of commencement of operations of the Senegal project. Penalty interest of \$1.6 million has been accrued in "other payables in respect of Wensheng deposit. During the half year period, the Group has repaid RMB1 million (equivalent to \$204,682 as at 31 December 2019) and has continued to engage in dialogue with Wensheng and the revised commencement of deliveries of product subject to commencement of the Senegal operations.

The funds from Wensheng have allowed the Group to progress the Senegal project by enabling the Group to have the necessary funds to purchase various essential plant & equipment as well as have funds to prepare the site for essential infrastructure to commence mining operations.

There was a further \$2.7 million received by the Group in relation to the sale of mineral products which remains as a contract liability until such time as the goods are delivered.

None of the contract liabilities as of 1 July 2018 has been recognised as revenue for the half year ended 31 December 2019.

## 18 Borrowings

		31 December 2019	30 June 2019
	Note	\$	\$
Advanced from a director	18(a)	3,945,409	177,729
Bank borrowings	18(b)	3,500,068	6,021,107
Other short-term borrowing	18(c)	1,495,750	934,310
<b>Total</b>		<b>8,941,227</b>	<b>7,133,146</b>

### (a) Advanced from a director

Executive director, Mdm Kang Rong, advanced the Group \$3,945,409 (30 June 2019: \$177,729) during the period for working capital. The loan is provided interest free and repayable on demand.

### (b) Bank borrowings

The bank loans were denominated in RMB, interest bearing at a range from 4.79% to 7.50% p.a. (2018: 4.35% to 7% p.a.) and repayable on or before 30 June 2020.

### (c) Other short-term borrowing

Other loan was denominated in RMB, interest bearing at 10% to 12 % p.a. (30 June 2019: 10% p.a.) and repayable on or before 30 June 2020. The loan is secured by certain land use rights in China.

# Astron Corporation Limited and its Subsidiaries

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## Declaration by Directors

For the Half-Year Ended 31 December 2019

### 19 Subsequent events

#### The Assessment of the Impact of the Coronavirus Disease 2019

Following the period end, there has been an outbreak of the coronavirus (COVID-19) in China, which in the first instance caused the shutdown of Astron's Chinese plant for the lunar holiday to be extended by about 2 weeks and required Astron's Chinese office staff to work from home during that period. While restrictions on operating the plant and attending the office are now over in Yingkou, the overall impact of this is yet to be seen. The impacts may include slower customer sales during that period, slower sales in any catch up period, interruptions for shipping schedules and the necessity to catch up on downtime.

Astron will continue to monitor this issue, however it is too soon to provide any definitive guidance on the financial or other impacts of the issue.

### 20 Related party transactions

As of 31 December 2019, Executive Director Mdm Kang Rong advanced the Group \$3,945,409 (30 June 2019: \$177,729) for working capital. The loan was provided interest free, repayable on demand and unpaid at 31 December 2019.

During the half-year, Key Management Personnel (i.e. Board of Directors) were remunerated and fees were paid or payable of \$289,167 (Half-year ended 31 December 2018: \$310,000).

As at 31 December 2019, there are unpaid Directors and management fees payable to Directors' related entities as follows:

- Mdm Kang Rong, Juhua International Limited of \$1,318,732 (30 June 2019: \$1,193,732); and
- Mr Alex Brown (Estate), Firback Finance Limited of \$1,450,006 (30 June 2019: \$1,345,839)

The above liabilities have been subordinated and will not be called upon unless and until such time that the Company has available funds and is generating positive operating cash flows from operations.

### 21 Fair value

The fair values of listed investments have been valued at the quoted market price at the end of the reporting period. Other financial assets and liabilities approximate their carrying value.

Financial assets at fair value through profit or loss are recognised in the statement of financial position of the Group in accordance with the fair value hierarchy in HKFRS 7.

	31 December 2019 \$	30 June 2019 \$
<b>Financial assets at fair value through profit or loss</b>		
ASX listed equity shares – Level 1	10,084	25,366
	<b>10,084</b>	<b>25,366</b>



# Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

Declaration by Directors

For the Half-Year Ended 31 December 2019

## **22 Requirement in connection with publication of “Non-Statutory Accounts” under section 436 of the Hong Kong Companies Ordinance Cap. 622 (“the Companies Ordinance”)**

The financial information relating to the year ended 30 June 2019 that is included in the interim condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is set out below:

The Company has delivered its statutory financial statements for the year ended 30 June 2019 to the (Hong Kong) Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Companies Ordinance.

The Company’s auditor has reported on those statutory financial statements. The auditor’s report was unqualified; contained a reference to the Company’s ability to continue as a going concern to which the auditor drew attention by way of emphasis; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Companies Ordinance. A copy of the Company’s statutory financial statements for the year ended 30 June 2019 together with the auditor’s report thereof is posted on the Company’s website of [www.astronlimited.com.au](http://www.astronlimited.com.au).

# Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

## Declaration by Directors

For the Half-Year Ended 31 December 2019

The Directors of the Company declare that:

1. The interim condensed consolidated financial statements, comprising the condensed consolidated statement of profit and loss and other comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity, and accompanying notes, as set out on pages 6 to 27,
  - (a) comply with Hong Kong Accounting Standard 34 *Interim Financial Reporting*; and
  - (b) give a true and fair view of the financial position of the consolidated entity as at 31 December 2019 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Chairman



Mr Gerard King

Dated 2 March 2020

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
TO THE BOARD OF DIRECTORS OF  
ASTRON CORPORATION LIMITED**  
(incorporated in Hong Kong with limited liability)

**Introduction**

We have reviewed the interim condensed consolidated financial statements set out on pages 6 to 27 which comprise the condensed consolidated statement of financial position of Astron Corporation Limited and its subsidiaries (collectively referred to as the “Group”) as of 31 December 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year then ended, and a summary of significant accounting policies and other explanatory notes (the “interim condensed consolidated financial statements”). The Australian Stock Exchange Listing Rules require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof. The directors are responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements is not prepared, in all material respects, in accordance with HKAS 34.

**Emphasis of Matter - Material Uncertainty Related to Going Concern**

We draw attention to note 1 in the interim condensed consolidated financial statements, which indicates that the Group had net current liabilities of \$4,567,900 as at 31 December 2019 and incurred a pre-tax loss of \$3,020,907 during the half-year then ended. As stated in note 1, these conditions indicate a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



BDO Limited  
Certified Public Accountants

Jonathan Russell Leong  
Practising Certificate Number P03246

Hong Kong, 2 March 2020