Astron Corporation Limited

Incorporated in Hong Kong, Company Number: 1687414

ARBN 154 924 553

Half-Year Report

ended 31 December 2021

Contents

CORPORATE DIRECTORY

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

Directors
Mr George Lloyd (Chairman, Non-executive Director)
Mr Tiger Brown (Managing Director)
Mdm Kang Rong (Executive Director)
Mr Gerard King (Non-executive Director)
Dr Mark Elliott (Non-executive Director)

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Hopewell Centre, 46th Floor
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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 2021

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 2021

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Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

Directors' Report

31 December 2021

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 2021.

1. DIRECTORS

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

Mr George Lloyd (Appointed 20 July 2021)
Mr Gerard King
Mr Tiger Brown
Mdm Kang Rong
Dr Mark Elliott

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 ("Astron Titanium"). DMS holds the Donald Mineral Sands and Rare Earth project ("Donald"), while Astron Limited holds the Senegal project on behalf of Senegal Mineral Resources SA.

Review of Financial Performance

<u>Revenue</u>

Sales revenue during the half-year increased by 11.8% to $10.4 million (1H20 $9.3 million). Total revenue (inclusive of sales revenue, other income and interest) increased by 9.4% to $10.5 million (1H20 $9.6 million). Total revenue predominantly comprises sales of rutile from the Yingkou mineral separation plant and trading activities undertaken by Astron. The increase in revenue is primarily attributable to Astron Titanium recommencing trading operations by sourcing mineral sands products for sale into the Chinese market. The revenue increase reflects the continued strengthening of market conditions for mineral sands and positive price trends.

<u>Expenses and Earnings</u>

The Group recorded a Gross Profit of $2.1 million (H1 2021: $4.3 million). The decrease, despite overall higher revenue, reflects the return to trading operations and the lower gross margin attributable to this activity relative to the sale of product from mineral separation activities.

Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

Directors' Report

31 December 2021

The Group recorded a net loss after tax of $5.0 million (1H 21: net profit after tax of $1.9 million). The lower results reflect a number of factors, including non-cash items. The principal factors included:

- Total expenses (distribution, marketing, occupancy and administrative expenses) increased by 40.6% to $3.6 million (1H20: $2.5 million), mainly attributed to an increase in administrative expenses associated with the costs for the recruitment and remuneration of three new, key organisational roles central to the next stage of Astron's evolution, as well as expenditure associated with various work streams to progress the Donald Project to a definitive feasibility stage (DFS); and
- Non-cash cost expenses of $2.4 million were incurred during the period related to a $1.7 million impairment of capital works in progress, details of which are set out below and a non-cash expense of $0.6 million associated with the grant of share options to Directors, employees and other parties, as part of their remuneration and incentive arrangements.
- During the half year, the Group brought to account an impairment provision against the carrying value of construction in progress assets of $1,746,499. This was substantially an impairment of Chinese assets associated with a discontinued production line, being the Zircon Opacifier project. The Chinese management team determined that it will no longer continue the production line due to the complexity and costs of bringing to market. In December 2021, the Board agreed that it would not proceed with the investment in the Zircon Opacifier project and focus on the current operating separation and aggregation plant together with the trading and as such brought to account the impairment.

<u>Cash</u>

Cash and cash equivalents as at 31 December 2021 were $2.7 million, an increase of $1.3 million from 31 December 2020 and a $117,000 increase from 30 June 2021. During the half expenditure was primarily incurred in connection with the Donald Project. These costs were offset by the sales receipts and loan funds received.

<u>Net current liabilities</u>

Movement in net current liabilities to $9.3 million from $6.3 million reflect an increase in materials acquired for processing operations in China.

<u>Non-current assets</u>

Non-current assets of the Group of $109.2 million were at a similar level to 30 June 2021, with the major proportion related to the Group's the Donald Project and, to a lesser extent the Senegal Mineral Sands project.

<u>Reserves</u>

The increase in the foreign currency translation reserve, at $14.3 million (30 June 2021: $13.3 million) arises mainly from the impact of depreciation of the Australian Dollar relative to the Chinese Rmb on the translation of foreign operations. The share-based payments reserve increased due to share based payments provided to Directors, employees and consultants.

The net tangible non-current asset value per share has decreased by 70.6% to $0.04. This movement is primarily due to impairment charge of $1,746,499 on capital work in progress (as explained above) and depreciation and amortisation charges of $816,037, all of which have no effect on cash.

Review of Operations – Donald Project

Astron continued to advance the key work streams for the Donald Mineral Sands and Rare Earth Project, located in the Wimmera region of Victoria, Australia. These work streams are designed to lead to the completion of a definitive feasibility study by the third quarter of calendar year 2022, along with the completion of detailed engineering studies and designs, sufficient to release detailed economics of the project and advance towards financial investment decision-making for the project in 2023.

The key work undertaken included the following:

Geological Evaluation

- A drilling programme has been planned on the Donald deposit within tenement MIN 5532 comprising approximately 6,500 metres (m) of reverse circulation air-core (RCAC) drilling to a depth of up to 25 m, with holes spaced 250 m apart along east-west lines and line spacing of 500 m apart north-south. The drilling was initially planned to commence in the December quarter, however, due to COVID-related restrictions, including access to drilling equipment, the programme has been rescheduled to the first quarter of 2022.
- The drilling programme is designed to delineate the 20 to 38 micron fraction of the valuable heavy mineral component of the deposit; this fraction was not included in the earlier geological model as it was not assumed to be recoverable. Subsequent metallurgical and processing test work has provided confidence in the recovery of the finer grained material. In addition, drilling is expected to analyse more of the rare earth mineral in the deposit, including the xenotime component. The inclusion of the xenotime component, where the valuable rare elements of Dysprosium (Dy) and Terbium (Tb) are sourced, is expected to enhance overall project economics, and aid delineation of the composition and overall value of the rare earth component of the ore body expected to be available to be mined.

Metallurgical Test Work

- Metallurgical and processing test work continued, utilising ore processed into heavy mineral concentrate (HMC) from a pilot wet concentration plant. The preliminary results of the test work have demonstrated that previous laboratory-scale recovery outcomes have been able to be replicated at pilot scale. The final results of the recent metallurgical test work are expected to be announced in the March quarter.
- Work was undertaken in relation to mineral separation design and flow sheets, with mass balance, and process flow diagrams finalised.
- The test work has provided confidence in the ability to achieve commercial-scale recoveries of Donald valuable heavy mineral ore to HMC and the final products of zircon, titania and a rare earth concentrate.
- An implication of the test work for project concept design has been the inclusion of a dry separation plant for processing of the titania concentrate to produce a blended titanium dioxide products suitable as feedstock for chlorinator pigment production.
- The pilot-scale production of final products has enabled Astron to undertake product testing and provide initial samples to prospective customers.[1]

Engineering

- Structural design work, including detailed engineering, for the mining unit plant, the wet concentrator plant and the concentrate upgrade plant facilities was progressed during the half. Engineering work has reached the 70 per cent design completion stage, with this work based on a planned mining rate of 8 to 10 million tonnes per annum run-of-mine ore feed.
- Power and water option studies have been updated for the integrated project concept, while telecommunications requirements for the operational stages of the project have been identified and scoped.
- Mains power supply has been assessed relative to hybrid power options.
- Water pipeline design from Taylors Lake Reservoir, 20 kilometres south-east of Horsham, to the project's freshwater containment pond, has been undertaken.
- Information and Communications Technology (IC&T) assessments were completed with microwave transmission to provide site communications and connectivity for field services and control systems. The assessment included mine operations and administrative demands for cloud-based technologies.

Regulatory Approvals

- A detailed work schedule has been completed, designed to achieve all out-standing regulatory approvals for the project.

Product Testing and Customer Engagement

- Following the production of quantities of product from the pilot plant operation, Astron has provided samples of zircon, titania and rare earth mixed concentrate to prospective customers for their initial evaluation. Feedback, including zircon millers and ceramic manufacturers, chloride producers and rare earth concentrate processors, has been positive.
- Astron has provided Donald premium zircon samples to two ceramic customers based in China that, based on their analysis and trial use, have found it to be applicable and within their specification requirements.

Review of Operations – Niafarang Mineral Sands Project

Limited activity and expenditure related to Astron's dunal mineral sands project in Senegal occurred during the half. The project it is at an advanced stage, including the purchase of the main capital equipment, with final regulatory approvals required for the project to proceed.

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.

Future Priorities

The Group's principal priority is the advancement of the Donald project to the completion of the DFS during the second half of calendar year 2022, later than originally anticipated mainly as a result of COVID-19 related factors which has impeded the progression of some work streams. The main work streams prior to the completion to the DFS involve:

- progression of detailed design engineering work;
- undertaking of further resource delineation work and the subsequent review of the results, which may result in an upgrade to the Ore Reserve and Mineral Resource Statement, as well as influence mine planning and project economics, particularly with regard to potential for higher levels of recovery of some of the rare earth elements of the deposit;
- receipt and analysis of further metallurgical test work results from pilot scale testing;
- progression of a regulatory approvals work plan;
- further provision of product samples to potential customers to advance commercial off-take arrangements;
- expected completion of DFS in the third quarter of calendar 2022 with the release of detailed project economics; and
- determination of funding strategy for the project, including engagement with potential lenders and refinement of potential equity pathways.

Specifically in relation to funding strategy, the near term financial position of the Group is excepted to be enhanced In relation to funding by the issuance of convertible notes, with a principal value of $5 million, which is now subject to final execution of documents in relation to security. The successful outcome of this initiative, along with existing cash resources, and expected sales proceeds from the China mineral processing and trading operations are expected to place the Group ion a sound position to advance its Donald project workstreams.

3. DECLARATION OF INDEPENDENCE BY AUDITOR

The lead auditor's independence declaration for the half-year ended 31 December 2021 has been received and can be found on page 6 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 George Lloyd

Dated this 16th day of March 2022

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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 2021, 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

BDO Limited
Certified Public Accountants

Jonathan Russell Leong
Practising Certificate Number P03246

Hong Kong, 16 March 2022

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 2021

	Note	Half-Year Ended 31 December 2021 (Unaudited) $	Half-Year Ended 31 December 2020 (Unaudited) $
Sales revenue	8	**10,391,016**	9,299,004
Cost of sales		**(8,254,931)**	(4,953,029)
Gross profit		**2,136,085**	4,345,975
Interest income	8	**3,060**	765
Other income	8	**145,266**	306,976
Distribution expenses		**(202,125)**	(290,822)
Marketing expenses		**(23,441)**	(176,144)
Occupancy expenses		**(3,555)**	(6,440)
Administrative expenses		**(3,344,041)**	(2,067,301)
Finance costs		**(250,653)**	(488,129)
Impairment of capital works in progress		**(1,746,499)**	-
(Provision)/Reversal of provision of impairment on receivables		**(1,680)**	17,784
Share based payments expense	21	**(619,688)**	-
Other expenses		**(41,072)**	(11,949)
(Loss)/Profit before income tax expense		**(3,948,343)**	1,630,715
Income tax (expense)/benefit		**(1,047,555)**	230,294
Net (loss)/profit for the half year	2	**(4,995,898)**	1,861,009
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**1,012,289**	(714,058)
Other comprehensive income for the half year, net of tax		**1,012,289**	(714,058)
Total comprehensive income for the half year		**(3,983,609)**	1,146,951
(Loss)/Profit for the half year attributable to:			
Owners of Astron Corporation Limited		**(4,995,898)**	1,861,009
Total comprehensive income for the half year attributable to:			
Owners of Astron Corporation Limited		**(3,983,609)**	1,146,951

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 2021

	Note	Half-Year Ended 31 December 2021 (Unaudited)	Half-Year Ended 31 December 2020 (Unaudited)
(LOSS)/EARNINGS PER SHARE			
Basic and diluted (cents per share)	10	(4.08)	1.52

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 2021

	Note	As at 31 December 2021 (Unaudited) $	As at 30 June 2021 (Audited) $
ASSETS			
Current assets			
Cash and cash equivalents		**2,687,638**	2,570,438
Term deposits greater than 90-days		**46,112**	46,112
Trade and other receivables	**6**	**12,518,094**	14,017,427
Inventories	**11**	**1,746,877**	2,786,296
Financial assets at fair value through profit or loss	**20**	**13,320**	15,032
Total current assets		**17,012,041**	19,435,305
Non-current assets			
Property, plant and equipment	**12**	**24,382,624**	25,848,730
Exploration and evaluation assets	**13**	**73,379,233**	71,357,885
Development costs	**14**	**8,382,230**	8,321,690
Right-of-use assets	**15**	**3,014,771**	2,912,843
Total non-current assets		**109,158,858**	108,441,148
TOTAL ASSETS		**126,170,899**	127,876,453
LIABILITIES			
Current liabilities			
Trade and other payables	**16**	**6,828,257**	10,297,353
Contract liabilities	**17**	**1,398,080**	2,105,940
Borrowings	**18**	**18,006,582**	13,213,255
Provisions		**113,095**	108,826
Total current liabilities		**26,346,014**	25,725,374
Non-current liabilities			
Deferred tax liabilities		**9,956,397**	8,908,841
Long-term provisions		**758,168**	767,997
Total non-current liabilities		**10,714,565**	9,676,838
TOTAL LIABILITIES		**37,060,579**	35,402,212
NET ASSETS		**89,110,320**	92,474,241
EQUITY			
Issued capital	**9**	**76,549,865**	76,549,865
Reserves		**17,606,460**	15,974,483
Retained earnings		**(5,046,005)**	(50,107)
TOTAL EQUITY		**89,110,320**	92,474,241

Kangrong

Mdm Kang Rong

Mr. George Lloyd

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 2021

	Issued capital	Retained earnings	Share based payment reserve (note 21)	Foreign currency translation reserve	Capital reserve	Total equity
	$	$	$	$	$	$
Half-year ended 31 December 2021 (Unaudited)						
Equity as at 1 July 2021	76,549,865	(50,107)	1,213,047	13,311,431	1,450,005	92,474,241
Loss for the half year	-	(4,995,898)	-	-	-	(4,995,898)
Other comprehensive income						
- Exchange differences on translation of foreign operations	-	-	-	1,012,289	-	1,012,289
Total comprehensive income for the half year	-	(4,995,898)	-	1,012,289	-	(3,983,609)
Options granted to Directors	-	-	99,554	-	-	99,554
Options granted to Employees	-	-	384,447	-	-	384,447
Options granted to Consultants	-	-	135,687	-	-	135,687
Total transactions with owners recognised directly in equity	-	-	619,688	-	-	619,688
Equity as at 31 December 2021	76,549,865	(5,046,005)	1,832,735	14,323,720	1,450,005	89,110,320

	Issued capital	Retained earnings	Share based payment reserve	Foreign currency translation reserve	Capital reserve	Total equity
	$	$	$	$	$	$
Half-year ended 31 December 2020 (Unaudited)						
Equity as at 1 July 2020	76,549,865	2,918,268	913,104	13,344,047	-	93,725,284
Profit for the half year	-	1,861,009	-	-	-	1,861,009
Other comprehensive income						
- Exchange differences on translation of foreign operations	-	-	-	(714,058)	-	(714,058)
Total comprehensive income for the half year	-	1,861,009	-	(714,058)	-	1,146,951
Capital contribution	-	-	-	-	1,450,005	1,450,005
Total transactions with owners recognised directly in equity	-	-	-	-	1,450,005	1,450,005
Equity as at 31 December 2020	76,549,865	4,779,277	913,104	12,629,989	1,450,005	96,322,240

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 2021

	Half-Year Ended 31 December 2021 (Unaudited) $	Half-Year Ended 31 December 2020 (Unaudited) $
Cash flows from operating activities:		
Receipts from customers	**8,394,529**	8,226,002
Payments to suppliers and employees	**(10,080,685)**	(6,345,853)
Interest received	**3,061**	765
Interest paid	**(2,331)**	(115,689)
Net cash inflow from operating activities	**(1,685,426)**	1,765,225
Cash flows from investing activities:		
Receipts from disposal of land receivable	**-**	408,838
Acquisition of property, plant and equipment	**(133,021)**	(865,894)
Capitalised exploration and evaluation expenditure	**(1,805,757)**	(216,744)
Net cash outflow from investing activities	**(1,938,778)**	(673,800)
Cash flows from financing activities:		
Partial settlement of offtake agreement (note 17(a))	**(248,323)**	(1,151,227)
Net proceeds from borrowings	**4,199,283**	913,582
Net cash inflow/(outflow) from financing activities	**3,950,960**	(237,645)
Net increase in cash held	**326,756**	853,780
Cash and cash equivalents at beginning of the half year	**2,570,438**	555,504
Net foreign exchange differences	**(209,556)**	(8,840)
Cash and cash equivalents at end of the half year	**2,687,638**	1,400,444

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

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 2021 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 Company.

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 contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRS and should be read in conjunction with the 2021 consolidated 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

As at 31 December 2021, the Group had a deficit of current assets over current liabilities of $9,333,973 (30 June 2021: $6,290,069) and incurred a net loss after tax for the half year of $4,995,898 (2020: net profit after tax of $1,861,009). In addition, the supply of low cost ilmenite sands under the Savannah USA contract has almost exhausted, bank and other short-term borrowings amounted to $9,596,255 are repayable in 2022; and advances from directors and their related entities amounted to $12,394,492 in aggregate is repayable on demand. These events or conditions may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on the going concern basis, which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. The directors are of the view that based on a cash flow forecast covering 15 months from the end of the reporting period with the consideration the plans and measures stated below, the business is a going concern as the short-term needs of the Group to meet its ongoing operating costs and committed project expenditure are forecast to be covered by the existing resources on hand for at least the next 12 months from the date of this report (the "forecast period").

The Group is confident it will have sufficient funds to meet its ongoing needs for at least the next twelve months from the date of this report based on the following:

- In the coming 15 months, the Group expects the trading sales of synthetic rutile to be the bulk of the Group's sales and cash flows. The Group has recently signed contracts with suppliers of rutile products and assumed a sales mix more heavily weighted towards trading sales of rutile. While margins on these trading sales is lower than for the Group's self-manufactured rutile sales, they expect these trading sales of rutile to be a good alternative until a new source for raw materials is confirmed.

- The directors have believe the Group will be able to raise significant new funding, whether through capital raisings, private placement or otherwise, in the coming 12 months to progress development activities relating to the Donald Project and progress the project. As announced on 1 February 2022, the Company has agreed to issue Convertible Notes with a term of two years to raise $5 million dollars ("the Notes"). The Notes carry a 10% coupon rate with the full amount capitalised into the loan balance. The issue was subsequently approved by shareholders on 7 March 2022. The Notes were issued at a 24% premium to the 60-day VWAP being $0.54 per share. The agreement to release the funds are subject to final documentation, which once received, the funds are to be utilised to advance the Donald project only, specifically the definitive feasibility study, engineering designs plus additional drilling.

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

Basis of preparation (cont'd)

Going concern basis (continued)

- With regard to the Group's bank borrowings, the directors expect to be able to refinance its Chinese borrowings of RMB20 million with similar terms of which RMB10 million has already been renewed in January 2022.

- The Senegal project has faced delays in proceeding to operational status. The directors do not expect the commencement of production at its Senegal site in the coming twelve months.

- The Group is confident the PRC market for mineral sands and the trading of mineral sands will further develop with increasing demand over the forecast period.

- The undertakings by two of the directors not to demand repayments due to them and their related entities of approximately $12.4 million until such time when the Group has available funds and is generating positive operating cash flows (refer note 19).

Assuming the plans and measures in the forecast can be successfully implemented as scheduled, the directors are of the opinion that the Group will have sufficient working capital over the forecast period to finance its operations and fulfil its financial obligations as and when they fall due. Accordingly, the directors of the Group considered that it is appropriate to prepare the consolidated financial statements on a going concern basis notwithstanding that there is a material uncertainty related to the above events or conditions that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Should the Group fail to achieve the plans and measures as scheduled, it might not be able to continue as a going concern, and adjustments would have to be made to reduce the value of assets to their net realisable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in these consolidated financial statements.

Significant accounting policies

There are no significant changes in accounting policies resulting from application of new HKFRSs in the half-year, the accounting policies and methods of computation used in the unaudited interim condensed consolidated financial statements for half year ended 31 December 2021 are the same as those followed in the preparation of the Group's audited consolidated financial statements for the year ended 30 June 2021.

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 2021. 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.

2 Net (loss)/profit for the half year

The following significant revenue and expense items are relevant to explaining the financial performance	**31 December 2021 (Unaudited) $**	31 December 2020 (Unaudited) $
Interest income	**3,060**	765
Rental and other income (including government subsidies of Nil (2020: $175,453))	**145,266**	306,976
(Provision)/Reversal of impairment on receivables	**(1,680)**	17,784
Impairment of capital works in progress (note 12)	**(1,746,499)**	-
Depreciation and amortisation	**(816,037)**	(804,980)
Foreign exchange gain	**3,439**	31,403
Finance costs (mainly on borrowings (note 18) and Wensheng deposits (note 17(a)))	**(250,653)**	(488,129)
Share based payments (note 21)	**(619,688)**	-
Research and development expenditure	**(716,671)**	(279,613)

3 Dividends

Dividends paid for during the half year:

	31 December 2021 (Unaudited) $	31 December 2020 (Unaudited) $
Final unfranked dividend of NIL (2020: 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 2021 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 $30 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.

6 Trade and other receivables

	31 December 2021 (Unaudited) $	30 June 2021 (Audited) $
Current assets:		
Trade debtors	**2,445,389**	2,605,934
Land sale receivable*	**1,095,565**	1,045,665
Prepayments and other debtors – net	**8,977,140**	10,365,828
Total	**12,518,094**	14,017,427

* 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. The net proceeds receivable amounted to $20,356,248. 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.

During the half year ended 31 December 2021, there were receipts of Nil (2020: $397,523) with a gross balance receivable of $1,141,213 (30 June 2021: $1,087,535). While the receivable is currently outside the terms initially agreed, management considers the credit risk to be low.

The directors continue to believe this remaining balance will be recovered in full as it is owed by a Chinese government entity but estimate it will be settled in 2022. The provision has accordingly been determined on that basis. During the half year ended 31 December 2021, expected credit loss of $1,680 was recognised for the half year ended 31 December 2021 (2020: Reversal of $17,784). As at 31 December 2021, the impairment provision for land sale receivable is $45,648 (30 June 2021: $41,870).

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

8 Segment information (cont'd)

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

31 December	DMS		China		Senegal		Other		Consolidated	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
	$	$	$	$	$	$	$	$	$	$
Sale of mineral products:										
Timing of revenue recognition – at a point in time										
Revenue from contracts with external customers	**-**	-	**10,391,066**	9,299,004	**-**	-	**-**	-	**10,391,016**	9,299,004
Revenue from other sources										
Interest income	**67**	15	**2,982**	674	**-**	-	**11**	76	**3,060**	765
Rent and other income	**92,801**	184,562	**52,465**	54,841	**-**	-	**-**	67,573	**145,266**	306,976
Total revenue	**92,868**	184,577	**10,446,463**	9,354,519	**-**	-	**11**	67,649	**10,539,342**	9,606,745
Segment result										
Segment profit/(loss)	**32,858**	119,900	**(1,904,364)**	1,893,834	**(33,528)**	68,020	**(2,043,309)**	(451,039)	**(3,948,343)**	1,630,715
Acquisition of PPE, intangibles assets and other non-current segment assets	**2,302,901**	183,401	**130,476**	862,110	**111,709**	37,127	**2,545**	-	**2,547,631**	1,082,638
Depreciation and amortisation	**749**	660	**810,805**	804,070	**-**	-	**4,483**	250	**816,037**	804,980
Impairment of capital works in progress	**-**	-	**1,746,499**	-	**-**	-	**-**	-	**1,746,499**	-
Provision/(Reversal) of provision of impairment on receivables	**-**	-	**1,680**	(17,784)	**-**	-	**-**	-	**1,680**	(17,784)

Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

Notes to the Interim Condensed Consolidated Financial Statements

For the Half-Year Ended 31 December 2021

8 Segment information (cont'd)

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

2021	DMS		China		Senegal		Other		Total	
	31 Dec (Unaudited)	30 Jun (Audited)	31 Dec (Unaudited)	30 Jun (Audited)	31 Dec (Unaudited)	30 Jun (Audited)	31 Dec (Unaudited)	30 Jun (Audited)	31 Dec (Unaudited)	30 Jun (Audited)
	$	$	$	$	$	$	$	$	$	$
Assets										
Segment assets	**78,377,253**	76,652,146	**37,476,908**	41,132,170	**9,359,064**	9,262,196	**957,674**	829,941	**126,170,899**	127,876,453
Consolidated total assets									**126,170,899**	127,876,453
Liabilities										
Segment liabilities	**794,142**	589,556	**6,098,669**	9,347,657	**1,244,647**	1,128,915	**2,482,747**	2,213,988	**10,620,205**	13,280,116
Borrowings	**-**	-	**16,828,853**	12,035,526	**-**	-	**1,177,729**	1,177,729	**18,006,582**	13,213,255
Deferred tax liabilities									**9,956,397**	8,908,841
Consolidated total liabilities									**37,060,579**	35,402,212

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9 Issued capital

	31 December 2021 (Unaudited) $	30 June 2021 (Audited) $
122,479,784 (30 June 2021: 122,479,784) Fully Paid Ordinary Shares	**76,549,865**	76,549,865
Total	**76,549,865**	76,549,865

	31 December 2021 (Unaudited) No.	30 June 2021 (Audited) No.
At the beginning of reporting period	**122,479,784**	122,479,784
At reporting date	**122,479,784**	122,479,784

10 (Loss)/Earnings per share

(a) Reconciliation of (loss)/profit used in the calculation of loss/earnings per share:

	31 December 2021 (Unaudited) $	31 December 2020 (Audited) $
(Loss)/Profit attributable to owners	**(4,995,898)**	**1,861,009**
(Loss)/Profit used to determine basic and diluted (loss)/earnings per share	**(4,995,898)**	**1,861,009**

(b) Weighted average number of ordinary shares:

	31 December 2021 (Unaudited) No.	31 December 2020 (Audited) No.
Weighted average number of ordinary shares outstanding during the half year for the purpose of basic and diluted (loss)/earnings per share	**122,479,784**	122,479,784

(c) Dilutive shares

There were no shares issued under escrow at or post period end. For the purpose of calculating diluted loss per share for the period ended 31 December 2021, no adjustment has made as the exercise of the outstanding share options has an anti-dilutive effect on the basic loss per share.

There were no rights or options for shares outstanding at last reporting period.

11 Inventories

	31 December 2021 (Unaudited) $	30 June 2021 (Audited) $
Raw materials	**625,039**	653,510
Semi-manufactured goods	**1,121,838**	1,937,319
Finished goods	**-**	195,467
Total	**1,746,877**	2,786,296

There is no provision against inventory to net realizable value as at 31 December 2021 and 30 June 2021.

12 Property plant & equipment

	31 December 2021 (Unaudited) $	30 June 2021 (Audited) $
Land		
At cost	**5,162,151**	5,162,151
Total land	**5,162,151**	5,162,151
Buildings		
At cost	**10,311,914**	9,826,972
Less accumulated depreciation	**(3,877,361)**	(3,396,417)
Net carrying value	**6,434,553**	6,430,555
Capital works in progress		
At cost	**4,565,160**	5,259,881
Less accumulated impairment losses	**(3,853,700)**	(1,976,775)
Net carrying value	**711,460**	3,283,106
Plant and equipment		
At cost	**19,294,501**	17,421,391
Less accumulated depreciation	**(5,384,741)**	(4,699,498)
Less accumulated impairment losses	**(1,835,300)**	(1,748,975)
Net carrying value	**12,074,460**	10,972,918
Total property, plant and equipment	**24,382,624**	25,848,730

As at 31 December 2021, property, plant and equipment with carrying value of $3,989,103 (30 June 2021: $3,919,730) were pledged as security for short term loans (note 18(b)).

12 Property plant & equipment (cont'd)

Movements in net carrying values

	Capital works in progress $	Land $	Buildings $	Plant and equipment $	Total $
Half-Year ended 31 December 2021 (Unaudited)					
Balance at 1 July 2021	**3,283,106**	**5,162,151**	**6,430,555**	**10,972,918**	**25,848,730**
Additions	**94,822**	**-**	**-**	**38,199**	**133,021**
Depreciation	**-**	**-**	**(307,520)**	**(467,447)**	**(774,967)**
Transfer #	**(1,049,159)**	**-**	**-**	**1,049,159**	**-**
Impairment ##	**(1,746,499)**	**-**	**-**	**-**	**(1,746,499)**
Foreign exchange movements	**129,190**	**-**	**311,518**	**481,631**	**922,339**
Balance at 31 December 2021	**711,460**	**5,162,151**	**6,434,553**	**12,074,460**	**24,382,624**
Year ended 30 June 2021 (Audited)					
Balance at 1 July	2,299,985	5,162,151	7,343,705	11,842,170	26,648,011
Additions	975,946	-	-	51,888	1,027,834
Depreciation	-	-	(592,347)	(911,771)	(1,504,118)
Disposals	-	-	(332,166)	-	(332,166)
Foreign exchange movements	7,175	-	11,363	(9,369)	9,169
Balance at 30 June 2021	3,283,106	5,162,151	6,430,555	10,972,918	25,848,730

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.

During the half year, the Group brought to account an impairment provision against the carrying value of construction in progress assets of $1,746,499. This was substantially an impairment of Chinese assets associated with a discontinued production line, being the Zircon Opacifier project, which can generate cash inflows independently of other assets. The Board determined that it will no longer continue the production line due to the complexity and costs of bringing to market and its recoverable amount is considered to be zero. In December 2021, the Board agreed that it would not proceed with the investment in the Zircon Opacifier project and focus on the current operating separation and aggregation plant together with the trading and as such brought to account the impairment.

13 Exploration and evaluation assets

	Note	31 December 2021 (Unaudited) $	30 June 2021 (Audited) $
Evaluation costs			
Cost	13(a)	**7,807,773**	7,792,696
Less accumulated impairment losses	13(a)	**(7,487,231)**	(7,487,231)
Net carrying value	13(e)	**320,542**	305,465
Exploration expenditure capitalised – DMS project			
Exploration and evaluation phases	13(b)	**61,817,627**	59,514,726
Net carrying value	13(e)	**61,817,627**	59,514,726
Water rights – DMS project			
Net carrying value	13(c)(d)(e)	**11,241,064**	11,537,694
Total exploration and evaluation assets	13(e)	**73,379,233**	71,357,885

(a) Evaluation costs and impairment losses

	31 December 2021 (Unaudited) $	30 June 2021 (Audited) $
TiO2 project		
Cost	**7,487,231**	7,487,231
Less accumulated impairment losses	**(7,487,231)**	(7,487,231)
Net carrying value	**-**	-
Capitalised testing and design		
Cost	**320,542**	305,465
Net carrying value	**320,542**	305,465
Total		
Cost	**7,807,773**	7,792,696
Less accumulated impairment losses	**(7,487,231)**	(7,487,231)
Total evaluation costs	**320,542**	305,465

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 2021 and 30 June 2021, the Group has complied with the conditions of the granting EL5186, MIN5532, 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 develop 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 to December 2040.

(d) Finite lives

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

(e) Movements in net carrying values

	Exploration and evaluation phase $	Evaluation costs $	Water rights $	Total $
Half-Year ended 31 December 2021 (Unaudited)				
Balance at 1 July 2021	**59,514,726**	**305,465**	**11,537,694**	**71,357,885**
Additions *	**2,302,901**	**-**	**-**	**2,302,901**
Amortisation	**-**	**-**	**(296,630)**	**(296,630)**
Foreign exchange movements	**-**	**15,077**	**-**	**15,077**
Balance at 31 December 2021	**61,817,627**	**320,542**	**11,241,064**	**73,379,233**
Year ended 30 June 2021 (Audited)				
Balance at 1 July 2020	57,862,304	304,515	12,130,954	70,297,773
Additions *	1,652,422	-	-	1,652,422
Amortisation	-	-	(593,260)	(593,260)
Foreign exchange movements	-	950	-	950
Balance at 30 June 2021	59,514,726	305,465	11,537,694	71,357,885

* Additions of exploration and evaluation phase during the period/year included the amortisation of water rights which was capitalised during the period/year.

14 Development costs

	31 December 2021 (Unaudited) $	30 June 2021 (Audited) $
Balance at 1 July	**8,321,690**	8,205,625
Additions	**111,709**	231,730
Foreign exchange movements	**(51,169)**	(115,665)
Balance at 31 December 2021/30 June 2021	**8,382,230**	8,321,690

15 Right-of-use assets

	31 December 2021 (Unaudited) $	30 June 2021 (Audited) $
Right-of-use assets:		
Balance at 1 July	**2,912,843**	2,983,286
Amortisation	**(41,070)**	(78,226)
Foreign exchange movements	**142,998**	7,783
Balance at 31 December 2021/30 June 2021	**3,014,771**	2,912,843

As at 31 December 2021, right-of-use assets with carrying value of $1,628,338 (30 June 2021: $1,572,748) are pledged as security over short- term loans (note 18(c)).

16 Trade and other payables

	Note	**31 December 2021 (Unaudited) $**	30 June 2021 (Audited) $
Trade payables		**3,853,621**	2,579,057
Note payables		**-**	2,732,227
Deposit received in advance		**277,221**	24,330
Other payables	16(a)	**2,697,415**	4,961,739
Total		**6,828,257**	10,297,353

(a) Other payables

Included in other payables was a balance of $1,818,732 (30 June 2021: $2,589,363) in aggregate due to a (30 June 2021: 2) related company/ies as detailed in note 19.

17 Contract liabilities

	Note	31 December 2021 (Unaudited) $	30 June 2021 (Audited) $
Contract liabilities arising from:			
Advance deposit for future provision of goods	17(a)	**1,398,080**	**2,105,940**

(a) Sale of goods

Included in contract liabilities at 30 June 2021 is the balance of an initial deposit of RMB20 million (approximately equivalent to $4.1 million) which was received during the 2018 financial year. This deposit was 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 deliver 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 has fallen behind the schedule as a result of the deferral of commencement of operations of the Senegal project, details of which are set in the various announcements made by the Group since 2018. The Group has been in continuous dialogue with Wensheng since deliveries have fallen behind schedule and has made partial repayments of the deposit from time to time. Nonetheless Wensheng had threatened to take legal action and pursue damages against the Group for not complying with its contractual obligations. These threats came to a head in December 2020 when Wensheng took legal action against the Group in The First Intermediate People's Court of Hainan Province at a court hearing held on 18 December 2020. However, through a court mediation process, a settlement was reached with Wensheng on 18 May 2021. Under the conciliation agreement, the total amount due to Wensheng, including interest and other legal costs was agreed at approximately RMB9,543,000 (the 'Final Balance'). The agreed settlement amount was less than the amount accrued by the Group (being balance deposit due and penalty interest accrued at 24%), giving rise to a reversal of accrued offtake interest expense of $1,199,551 which had been recognised in "Other income" (note 5) in the year ended 30 June 2021. During the current six months, the Group made payments to Wensheng of RMB1,990,000. As of 31 December 2021, the amount due to Wensheng is $120,316 (30 June 2021: $732,290). Management expect to settle this balance before the end of the next financial year.

The remaining contract liabilities of $1,277,764 (30 June 2021: $1,373,650) represent amount received by the Group in advance in relation to the sale of mineral products, and is expected to be recognised as revenue in the next 12 months.

18 Borrowings

	Note	31 December 2021 (Unaudited) $	30 June 2021 (Audited) $
Advances from directors	18(a)	**8,410,327**	8,196,272
Bank borrowings	18(b)	**6,064,304**	3,715,112
Other short-term borrowings	18(c)	**3,531,951**	1,301,871
Total		**18,006,582**	13,213,255

(a) Advances from directors

At 31 December 2021, executive directors, Mdm Kang Rong and Mr Tiger Brown, advanced the Group $7,410,327 (30 June 2021: $7,196,272) and $1,000,000 (30 June 2021: $1,000,000) respectively for working capital. These loans are provided interest free and repayable on demand.

18 Borrowings (cont'd)

(b) Bank borrowings

The bank loans are denominated in RMB, interest bearing at a range from 3.85% to 5.50% (30 June 2021: 4.79% to 5.50%) p.a. and repayable on or before 22 September 2022.

Those loans are pledged with property, plant and equipment amounting to $3,989,103 (30 June 2021: $3,919,730) (note 12) and the personal guarantee from its director of Nil (30 June 2021: $1,651,161).

During the period, new bank borrowings of $3,898,481 was obtained while $1,549,289 was repaid.

The loan agreements have been entered into by Astron's operating subsidiary and the parent company does not provide any parent company guarantees over the borrowings.

(c) Other short-term borrowing

Other loan amounting to $1,147,886 (30 June 2021: $1,093,894) is denominated in RMB and is interest bearing at 10% (30 June 2021: 10%) p.a. and secured by certain right-of-use assets in China amounting to $1,628,338 (30 June 2021: $1,572,748) (note 15). The remaining amount comprising $2,165,433 from a related party and $1,366,518 are unsecured and interest free. The loans are repayable on or before 30 June 2022. These loans are used for working capital in China.

19 Related party transactions

As of 31 December 2021, Executive Directors, Mdm Kang Rong and Mr Tiger Brown, had advanced the Group $7,410,327 (30 June 2021: $7,196,272) and $1,000,000 (30 June 2021: $1,000,000) respectively for working capital. The loans were provided interest free and repayable on demand. At 31 December 2021, no repayments have been made against these loans.

During the half-year, Key Management Personnel (i.e. Board of Directors) were remunerated and fees were paid or payable of $297,629 (Half-year ended 31 December 2020: $125,000).

As at 31 December 2021, there are unpaid Directors and management fees payable to Directors' related entities as follows:

- Mdm Kang Rong, Juhua International Limited of $1,818,732 (30 June 2021: $1,693,732) (note 16(a)).

As at 31 December 2021, there are other payable to Directors' related entities as follows:

- Mdm Kang Rong, Shenyang Wanshan Hangtankeji Limited Company of $2,165,433 (note 18(c)). (30 June 2021: Other payables of $895,631 (note 16(a))

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.

20 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 2021 (Unaudited) $	30 June 2021 (Audited) $
Financial assets at fair value through profit or loss		
ASX listed equity shares – Level 1	**13,320**	15,032

21 Share based payments

The Company operates the Employee Share Option Plan ("the ESOP") for the purpose of providing incentives or rewards to the Eligible Participant there under for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. 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 the Company or an associated body corporate of the Company as the Board may in its discretion determine.

During the half year, the Company granted 3,100,000 options, 800,000 to Mr George Lloyd which were subject to shareholder approval, 1,700,000 to employees and 600,000 to Company consultants..

Vesting Conditions:

(i) Directors Options:
- 1,600,000 options which have no vesting conditions

(ii) Employee Options 1,700,000 Options:
- 1,400,000 options whereby 50% vest on issue, and 25% on the first and second anniversary respectively, contingent on remaining employed. Unvested options lapse if employment ceases.
- 300,000 with a vesting date 3 years from issue, to be exercised in the 2 years following vesting, contingent on remaining employed, unvested options lapse if employment ceases.

(iii) Consultant Options 600,000 Options
- 50% of the options vest on issue, and 25% on the first and second anniversary respectively, contingent on remaining employed. 50% of unvested options lapse if cease being a consultant.

No share options were exercised during the current period ended 31 December 2021 and last year ended 30 June 2021. The movements of the share options granted under the ESOP during the current and prior years are as follows:

	2021	
	Number of options	**Weighted average exercise price $**
Outstanding at 1 July	**800,000**	**0.3375**
Granted	**3,100,000**	**0.5220**
Outstanding at 31 December 2021	**3,900,000**	**0.4913**
Exercisable at 31 December 2021	**3,900,000**	**0.4913**

21 Share based payments (cont'd)

The fair value of the options granted was using Black Scholes Option Pricing Model that takes into account the following inputs on the grant date:

Directors Options | **Directors Options**

Number of options	800,000	Number of options	800,000
Share Price	$0.30	Share Price	$0.30
Exercise Price	$0.3375	Exercise Price	$0.3375
Valuation Date	30 November 2021	Valuation Date	30 November 2021
Expiration date	30 November 2024	Expiration date	30 November 2024
Life of the Options	3 years	Life of the Options	3 years
Expected volatility[1]	90.23%	Expected volatility[1]	90.23%
Risk Free Rate	1.67%	Risk Free Rate	1.67%

Employee Options | **Consultants Options**

Number of options	1,700,000	Number of options	600,000
Share Price	$0.42	Share Price	$0.42
Exercise Price	$0.63	Exercise Price	$0.63
Valuation Date	13 December 2021	Valuation Date	13 December 2021
Expiration date	13 December 2024	Expiration date	13 December 2024
Life of the Options	3 years	Life of the Options	3 years
Expected volatility[1]	90.23%	Expected volatility[1]	90.23%
Risk Free Rate	1.67%	Risk Free Rate	1.67%

[1] Expected volatility, determined based on a statistical analysis of daily share prices over one year, and early exercise behaviour and expected life of share options, determined based on the market research data and historical data respectively, may not necessarily be the actual outcome.

As at 31 December 2021, there were no further key executives that had any rights to acquire shares in terms of a share-based payment scheme for employee remuneration.

The fair value of the share options granted in the half year was $619,688 (Year ended 30 June 2021: $299,943) (note 2) which had been recognised as employee share option expense with the corresponding balance credited to the share based payment reserve. No liabilities were recognised as these were all equity-settled share-based payment transactions.

A share based payment of $913,104 was recognised in 2017 after certain milestones with respect to the Senegal project were achieved by a project consultant. This represents a 3% equity interest in the project, calculated by reference to the Senegal project's fair value and to be satisfied by the issue of shares in a Senegalese subsidiary.

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 2021 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 2021 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 2021 together with the auditor's report thereof is posted on the Company's website of www.astronlimited.com.au.

23 Subsequent events

The Assessment of the Impact of the Coronavirus ("COVID-19")

The outbreak of COVID-19 has impacted business worldwide, it has impacted Astron specifically with travel, and some downtime of Astron's Chinese plant including the required for Astron's Chinese office staff to work from home for a period. The impacts have included slower customer sales during the period, and minor interruptions for shipping schedules and the necessity to catch up on downtime.

Astron will continue to monitor this issue, the any future impacts should be largely impacted by the success of the global roll out of vaccines.

As announced on 1 February 2022, the Company has agreed to issue the Notes with a term of two years to raise $5 million dollars. The Notes carry a 10% coupon rate with the full amount capitalised into the loan balance. The issue was subsequently approved by shareholders on 7 March 2022. The Notes were issued at a 24% premium to the 60-day VWAP being $0.54 per share. The agreement to release the funds are subject to final documentation, which once received, the funds are to be utilised to advance the Donald project only, specifically the definitive feasibility study, engineering designs plus additional drilling.

Astron Corporation Limited and its Subsidiaries

Company Number: 1687414

Declaration by Directors

For the Half-Year Ended 31 December 2021

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 25,

   (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 2021 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 George Lloyd

Dated 16 March 2022

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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 7 to 28 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 2021 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 $9,333,973 as at 31 December 2021 and the Group incurred a loss of $4,995,898 during the half-year ended 31 December 2021. 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

BDO Limited
Certified Public Accountants

Jonathan Russell Leong
Practising Certificate Number P03246

Hong Kong, 16 March 2022