

# **Astron Corporation Limited**

**ARBN 154 924 553**

## **Preliminary Final Report**

**Year ended 30 June 2014**

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- Consolidated Financial Statements

## CORPORATE DIRECTORY

### Directors

Mr Gerard King (Chairman)  
Mr Alexander Brown (Managing Director)  
Mr Robert Flew (Non-executive Director)  
Mr Ronald McCullough (Non-executive Director)  
Mdm Kang Rong (Executive Director)

### Company Secretary and Registered Office

McCabe Secretarial Service Limited  
29<sup>th</sup> Floor, Wing-On-Centre, 111 Connaught Road Central, Hong Kong

### Australian Corporate Offices

Level 29, 2 Chifley Square, Sydney 2000, Australia  
Telephone: 61 2 9375 2361  
Fax: 61 2 9375 2121

### China Business Office

c/- Yingkou Astron Mineral Resources Co Ltd  
Level 18, Building B, Fortune Plaza  
53 Beizhan Road, Shenhe District, Shenyang  
Liaoning Province, China 110016  
Telephone: 86 24 3128 6222  
Fax: 86 24 3128 6222

### 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, 46<sup>th</sup> floor  
183 Queen's Road East  
Wan Chai, Hong Kong

### Auditors

Grant Thornton Australia Limited  
Level 17, 383 Kent Street  
Sydney NSW 2000, Australia

Grant Thornton Jingdu Tianhua  
20th Floor Sunning Plaza  
10 Hysan Avenue Causeway Bay Hong Kong

### Internet Address

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

# Astron Corporation Limited and its Subsidiaries

ARBN 154 924 553

Summary of results and commentary

For the Year Ended 30 June 2014

PRELIMINARY FINAL INFORMATION GIVEN TO THE ASX UNDER LISTING RULE 4.3A

Name of entity

ASTRON CORPORATION LIMITED

ARBN

154 924 553

Reporting period

30 June 2014

Previous corresponding period

30 June 2013

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

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# Astron Corporation Limited and its Subsidiaries

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Summary of results and commentary

For the Year Ended 30 June 2014

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

### OPERATIONAL HIGHLIGHTS

- Return of capital to shareholders of 75c per share
- Updated mineral resource estimates for the Donald and Jackson deposits to comply with the JORC 2012 code requirements
- Optimized Donald Project in terms of optimizing mining method, technical process improvement, utilising Chinese equipment to achieve more competitive CAPEX and OPEX
- A Cultural Heritage Management Plan has been approved for Donald project by Aboriginal Affairs Victoria in the first quarter of 2014
- Astron continues to seek mineral sands deposits in USA for processing and sale in China
- Further work undertaken in Senegal in relation to application for a mining licence for the Niafarang project

### FINANCIAL HIGHLIGHTS

Net tangible asset value per share	Down	81.8%	to 29.2cps
Revenue from continuing operations	Down	60%	to \$5,147,761
Cash (outflow) from operating activities	Up	(\$2,475,879)	to (\$841,077)
Loss before tax from continuing operations attributable to members	Up	(\$859,829)	to (\$6,310,458)
Loss after tax attributable to members	Up	(\$2,117,763)	to (\$7,583,406)
Total comprehensive loss for the year	Up	(\$5,717,888)	to (\$8,005,883)

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### COMMENTARY ON RESULTS

#### Overview

*Astron Corporation Limited (Astron HK) is the group's holding company. Astron HK controls 100% of Astron Limited. Astron Limited in turn controls three wholly owned operating subsidiaries: Donald Mineral Sands Pty Limited (DMS), Yingkou Mineral Resources Company Limited (Resources) and Astron Titanium Yingkou Company Limited (Titanium). Donald holds the Donald mineral sands mining project (Donald Project). Resources and Titanium are Astron's Chinese operating companies.*

#### Financials

##### *Statement of profit or loss and other comprehensive income*

- Total revenue comprising sales, interest received and other income decreased from the prior year by 60% to \$5,147,761. This is mainly due to the substantial reduction cash on deposit and limited trading in Chinese markets.
- Gross margins from the trading business were negative due to poorer trading conditions.
- Administration expenditure decreased by \$915,776. This decrease can be explained mainly due to the reduction in remuneration of key management personnel for the year and ongoing expenditure rationalisation.
- Costs associated with Gambia litigation comprise legal fees and associated advisors' costs.

##### *Statement of financial position*

- The decrease in stock is attributed to lower purchases and continued difficult trading conditions.
- Available for sale financial assets comprise shares in South American Iron & Steel, Altona Mining, Zambezi Resources and Greenpower Energy. The combined market value of these investments has increased by \$223,051 from 30 June 2013. This increase has credited the financial assets available-for-sale reserve in the statement of financial position and impairment of available-for-sale financial assets expense account in the profit and loss.
- The increase in intangible assets arises from development expenditure capitalised in respect of the Donald and Niafarang Projects.
- Land use rights comprise 50 year land use leases. These leases are capitalised and amortised over the 50 year period. Currently land use leases in China with a written down value of \$6,738,679 are classified as held for sale.
- The decrease in the net asset value from 114.6 cps at 30 June 2013 to 29.2 cps at 30 June 2014 primarily results from the return of capital.

#### Operations review

##### Donald

The development of the Donald project continued during the period under review. Progress was made in the following areas:

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## Summary of results and commentary

For the Year Ended 30 June 2014

### *Regulatory*

- The next stage in obtaining the right to mine is the completion of a work plan. A draft work plan has been submitted to the Department of Primary Industries. A Cultural Heritage Management Plan has been approved to obtaining an approved work plan. Stage 1 site surveys were undertaken and completed during the reporting period. A development plan for stage 2 has been completed and work continues.

### *Geology and mining*

- Additional drilling and sampling had been undertaken on the Donald and Jackson mineral sands deposits.
- The company has now released a resource upgrade has been released to comply with the JORC 2012 code.
- Work was undertaken to upgrade the definitive feasibility study, which was announced in July 2013.

### *Plant designs, processes and costs*

- Engineering design for all plants was undertaken, along with revision of operational and capital costs including the use of dry mining with a excavators and conveyor system.

### *Land*

- No further land was purchased during the year.

### *Funding*

- The company continues to consider funding and optimisation options on the basis of this its feasibility study.
- As announced on 14 April 2014 Donald Mineral Sands Pty Ltd has entered into a framework agreement with the China Machinery Engineering Corporation which sets out the parties' intentions and the process for agreeing on an EPC contract for supply and installation of equipment for the MUP/WCP for the Donald Mineral Sands project and assistance with funding the Project.

## **China operations**

- Work at Yingkou continued with the construction of additional infrastructure, construction of the zircon sponge plant and the purchase of equipment for the laboratory.
- Astron's technical consultants Mineral Engineering Technical Services Pty Ltd have confirmed that the proposed zircon washing process is feasible and capable of reducing the impurities in the Donald zircon sand enabling the production of a premium zircon product. Further development of separation plant was undertaken.

## **Senegal**

- Work continued on the components required to apply for the mining licence which is subject to Government approval.

## **America**

- Astron continues to seek mineral sands deposits in USA for processing and sale in China.

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

For the Year Ended 30 June 2014

	Year Ended 30 June 2014 \$	Year Ended 30 June 2013 \$
Sales revenue	1,636,910	7,917,878
Cost of sales	(1,983,546)	(8,295,654)
<b>Gross (loss)/profit</b>	<b>(346,636)</b>	<b>(377,776)</b>
Interest income	3,270,641	4,756,319
Other income	240,210	295,414
Distribution expenses	(88,699)	(266,241)
Marketing expenses	(26,434)	(42,761)
Occupancy expenses	(143,646)	(203,934)
Administrative expenses	(7,418,162)	(8,333,938)
Bad debt provision	(1,117,662)	-
Write down of stock	(481,578)	(537,920)
Impairment of available-for-sale financial assets	(19,363)	(299,112)
Costs associated with Gambian litigation	(93,547)	(328,491)
Finance costs	(45,840)	(96,669)
Other expenses	(39,742)	(15,520)
<b>(Loss)/profit before income tax expense</b>	<b>(6,310,458)</b>	<b>(5,450,629)</b>
Income tax expense	(1,272,948)	(15,014)
<b>Net (loss) for the year</b>	<b>(7,583,406)</b>	<b>(5,465,643)</b>

### Other comprehensive profit/ (loss)

(Decrease)/ increase in fair value of available-for-sale financial assets	242,414	(701,466)
Foreign currency translation differences	(664,891)	4,004,364
Decrease in share based payment reserve	-	(125,250)
<b>Other comprehensive income for the year, net of tax</b>	<b>(422,477)</b>	<b>3,177,648</b>

<b>Total comprehensive profit for the year</b>	<b>(8,005,883)</b>	<b>(2,287,995)</b>
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### (Loss)/ profit for the year attributable to:

Owners of Astron Corporation Limited	(7,583,406)	(5,465,643)
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### Total comprehensive (loss)/profit for the year attributable to:

Owners of Astron Corporation Limited	(8,005,883)	(2,287,995)
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The above 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

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

For the Year Ended 30 June 2014

	Year Ended 30 June 2014	Year Ended 30 June 2013
<b>1. (LOSS) PER SHARE</b>		
<b>For (loss)/ profit for the year</b>		
Basic (loss)/ earnings per share (cents per share)	<b>(6.19)</b>	(4.46)
<b>2. COMPARISON OF HALF-YEAR RESULTS</b>		
Consolidated (loss)/profit after tax attributable to owners reported for the first half year	<b>(2,778,783)</b>	(1,874,333)
Consolidated (loss) after tax attributable to owners reported for the second half year	<b>(4,804,623)</b>	(3,591,310)
<b>Total consolidated (loss) after tax for the year</b>	<b>(7,583,406)</b>	(5,465,643)

The above 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

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## Consolidated Statement of Financial Position

As at 30 June 2014

	As at 30 June 2014	As at 30 June 2013
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,662,562	45,790,618
Term deposits greater than 90-days	8,462,905	62,333,117
Trade and other receivables	1,569,997	5,007,469
Inventories	449,780	2,184,447
Available-for-sale financial assets	1,206,249	983,198
Current tax assets	558,154	282,505
	13,909,647	116,581,354
Assets classified as held for sale	6,738,679	-
<b>Total current assets</b>	<b>20,648,326</b>	<b>116,581,354</b>
<b>Non-current assets</b>		
Property, plant and equipment	21,047,955	21,091,882
Intangible assets	60,984,625	56,247,132
Land use rights	2,903,760	10,012,664
<b>Total non-current assets</b>	<b>84,936,340</b>	<b>87,351,678</b>
<b>TOTAL ASSETS</b>	<b>105,584,666</b>	<b>203,933,032</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Borrowings	-	301,909
Trade and other payables	2,429,298	1,882,980
Provisions	18,546	18,546
<b>Total current liabilities</b>	<b>2,447,844</b>	<b>2,203,435</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	6,309,530	5,036,583
Long-term provisions	40,000	40,000
<b>Total non-current liabilities</b>	<b>6,349,530</b>	<b>5,076,583</b>
<b>TOTAL LIABILITIES</b>	<b>8,797,374</b>	<b>7,280,018</b>
<b>NET ASSETS</b>	<b>96,787,292</b>	<b>196,653,014</b>
<b>EQUITY</b>		
Contributed equity	1,605,048	30,061,919
Reserves	5,706,022	6,128,499
Retained earnings	89,476,222	160,462,596
<b>TOTAL EQUITY</b>	<b>96,787,292</b>	<b>196,653,014</b>

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

# Astron Corporation Limited and its Subsidiaries

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## Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2014

	Contributed Equity	Retained Earnings	Financial Assets Available For Sale Reserve	Foreign Currency Translation Reserve	Total Equity
Year Ended 30 June 2014	\$	\$	\$	\$	\$
<b>Equity as at 1 July 2013</b>	30,061,919	160,462,596	263,185	5,865,314	196,653,014
<b>Loss for the year</b>	-	(7,583,406)	-	-	(7,583,406)
<b>Other comprehensive (loss)/ income</b>					
Decrease in fair value of available-for-sale financial assets	-	-	242,414	-	242,414
Exchange differences on translation of foreign operations	-	-	-	(664,891)	(664,891)
<b>Total comprehensive profit for the year</b>	-	(7,583,406)	242,414	(664,891)	(8,005,883)
<b>Transactions with owners in their capacity as owners</b>					
Return of capital	(28,456,871)	(63,402,968)	-	-	(91,859,839)
<b>Total of transactions with owners in their capacity as owners</b>	(28,456,871)	(63,402,968)	-	-	(91,859,839)
<b>Equity as at 30 June 2014</b>	1,605,048	89,476,222	505,599	5,200,423	96,787,292

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

# Astron Corporation Limited and its Subsidiaries

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## Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2014

	Contribute d Equity	Retained Earnings	Share-based Payment Reserve	Financial Assets Available For Sale Reserve	Foreign Currency Translation Reserve	Total Equity
Year Ended 30 June 2013	\$	\$	\$	\$	\$	\$
<b>Equity as at 1 July 2012</b>	30,061,919	165,928,239	125,250	964,651	1,860,950	198,941,009
<b>Loss for the year</b>	-	(5,465,643)	-	-	-	(5,465,643)
<b>Other comprehensive (loss)/ income</b>						
Decrease in fair value of available-for-sale financial assets	-	-	-	(701,466)	-	(701,466)
Exchange differences on translation of foreign operations	-	-	-	-	4,004,364	4,004,364
Unvested forfeited rights			(125,250)	-	-	(125,250)
<b>Total comprehensive profit for the year</b>	-	(5,465,643)	(125,250)	(701,466)	4,004,364	(2,287,995)
<b>Transactions with owners in their capacity as owners</b>						
Return of capital	-	-	-	-	-	-
<b>Total of transactions with owners in their capacity as owners</b>	-	-	-	-	-	-
<b>Equity as at 30 June 2013</b>	30,061,919	160,462,596	-	263,185	5,865,314	196,653,014

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

# Astron Corporation Limited and its Subsidiaries

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## Consolidated Statement of Cash Flows

For the Year Ended 30 June 2014

	Year Ended 30 June 2014 \$	Year Ended 30 June 2013 \$
<b>Cash flows from operating activities:</b>		
Receipts from customers	3,827,692	6,374,033
Payments to suppliers and employees	(7,998,467)	(14,684,366)
Interest received	3,651,188	5,299,763
Interest paid	(45,840)	(96,669)
Income taxes paid	(275,650)	(460,158)
Other income	-	250,441
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(841,077)</b>	<b>(3,316,956)</b>
<b>Cash flows from investing activities:</b>		
Investments in short term deposits	53,870,213	37,429
Acquisition of property, plant and equipment	(195,535)	(2,379,509)
Construction in works in progress	(3,791,762)	(1,234,738)
Deferred exploration, evaluation expenditure and development costs	(1,253,268)	(7,431,047)
<b>Net cash outflow from investing activities</b>	<b>48,629,648</b>	<b>(11,007,865)</b>
<b>Cash flows from financing activities:</b>		
Return of capital	(91,859,839)	-
Borrowings	(301,909)	301,909
Expenditure on re-domiciliation	-	(170,824)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(92,161,748)</b>	<b>131,085</b>
<b>Net decrease in cash held</b>	<b>(44,373,177)</b>	<b>(14,193,736)</b>
Cash and cash equivalents at beginning of the year	45,790,618	58,787,135
Net foreign exchange differences	245,121	1,197,219
<b>Cash and cash equivalents at end of the year</b>	<b>1,662,562</b>	<b>45,790,618</b>

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

# Astron Corporation Limited and its Subsidiaries

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## Additional Information

For the Year Ended 30 June 2014

### 1. DETAILS OF CONTROLLED ENTITIES

During the year the Group incorporated Camden Sands Inc (USA), no other changes in respect to the control of any entities occurred during the financial year ended 30 June 2014.

### 2. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

The Group has no associates or joint venture entities.

### 3. DIVIDENDS / RETURN OF CAPITAL

No dividends were paid or proposed for the years ended 30 June 2014 and 30 June 2013. There is no Dividend Reinvestment Plan in operation. On 28 May 2014 the Company announced the completion of a return of capital whereby a distribution and equal return of capital to all shareholders of \$0.75 per ordinary share was undertaken. The Company previously made a tax free capital gain from the sale of its China processing companies to Imerys in 2008 and the Board decided that it is now the appropriate time to make a return of capital to shareholders from the prior year's tax free capital profit.

### 4. ACCOUNTING STANDARDS

Australian Accounting Standards and International Financial Reporting Standards have been used in preparing the information contained in this Appendix 4E.

### 5. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies, estimation methods and measurement bases used in this Appendix 4E are the same as those used in the last annual report and the last half-year report.

### 6. CONTINGENCIES

Astron has received a claim from its former CEO regarding the termination of his employment, which it is defending. Astron is currently engaged in confidential and without prejudice discussions around the settlement of a termination package with the former CEO. At this stage, the directors do not expect a resolution of this matter to have significant impact on the Company's stated financial position.

### 7. OTHER INFORMATION REGARDING THE PRELIMINARY REPORT

The information contained in this Appendix 4E is based on accounts which are in the process of being audited.

### 8. COMPARATIVE INFORMATION

The comparative financial information has been presented on a consistent basis with the prior year's audited financial Statements.

### 9. OTHER SIGNIFICANT INFORMATION

There is no other significant information requiring disclosure in the preliminary report.