

Astron Corporation Limited

ARBN 154 924 553

Incorporated in Hong Kong, company number 1687414

Preliminary Final Report - Unaudited

Year ended 30 June 2016

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- Consolidated Financial Statements

CORPORATE DIRECTORY

Directors

Mr Gerard King (Chairman)
Mr Alexander Brown (Managing Director)
Mdm Kang Rong (Executive Director)

Company Secretary and Registered Office

McCabe Secretarial Service Limited
16th Floor, Wing-On-Centre
111 Connaught Road Central, Hong Kong

Australian Corporate Offices

73 Main Street, Minyip, VIC 3392
Telephone: 61 3 5385 7088
Fax: 61 3 5385 7050

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, 46th floor
183 Queen's Road East
Wan Chai, Hong Kong

Auditors

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

Grant Thornton Hong Kong Limited
Level 12, 28 Hennessy Road
Wan Chai, Hong Kong

Internet Address

www.astronlimited.com

Astron Corporation Limited and its Subsidiaries

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Summary of results and commentary

For the Year Ended 30 June 2016

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 2016

Previous corresponding period

30 June 2015

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

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

OPERATIONAL HIGHLIGHTS

- Two-stage infill drilling at the Donald and Jackson deposits in 2013 and 2015 substantially increased the Donald Mineral Sands project's total Measured and Indicated Mineral Resource estimates - the sum of in situ HM tonnes in these two categories increased from 52Mt in the 2011 Mineral Resource estimate to 115Mt in this Mineral Resource estimate (both at 1% HM cut-off) (refer ASX release 7/4/16)
- Continuing optimisation of the Donald Project in terms of optimising mining method, technical process improvement and utilising Chinese equipment to achieve much improved CAPEX and OPEX
- Significant progress taken towards the completion of updated feasibility of the Donald project
- Further work undertaken in Senegal in relation to community acceptance and the application for a mining licence for the Niafarang project, with the public enquiry meetings conducted and Astron being advised that in principle this milestone will be achieved.
- The Research & development program over 2015 resulted in a \$595,983 in tax refund brought to account in the current year, the 2016 R&D tax refund is expected to be at least consistent with 2015
- Receipts from the proceeds from the sale of land in China continue

FINANCIAL HIGHLIGHTS

Net tangible asset value per share	Down	22.9%	to 29.9 cps
Revenue from continuing operations	Down	(60.3%)	to \$1,106,413
Cash (outflow) from operating activities	Down	\$1,223,840	to (\$2,518,039)
Loss before tax from continuing operations attributable to members	Up	\$1,169,940	to (\$5,004,179)
Profit after tax attributable to members	Down	\$12,397,314	to (\$4,408,196)
Total comprehensive income for the year	Down	\$22,339,556	to (\$6,701,448)

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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 over the prior year. This is due to the sale of Chinese land brought to account in the prior year, reduced interest income from cash on deposit and limited trading in Chinese markets.
- Administration expenditure decreased by \$1,622,852 (2015 reduction: \$1,332,154). This decrease is due to ongoing expenditure rationalisation.
- Accrued costs associated with Gambia litigation comprise legal fees and associated advisors' costs (relating to the application for annulment of the award made in favour of Astron that is being pursued by The Gambia).

Statement of financial position

- 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 decreased by \$352,614 from 30 June 2015 however this was offset by proceeds from the sale of Altona Mining shares totalling \$223,817.
- The increase in intangible assets arises from development expenditure capitalised in respect of the Donald and Senegal Projects.
- Land use rights comprise 50 year land use leases. These leases are capitalised and amortised over the 50 year period.
- The movement in the net asset value from 38.8 cps at 30 June 2015 to 29.9 cps at 30 June 2016 primarily results from the increase in capitalised expenditure into the Donald and Senegal projects.

Operations review

Donald

The development of the Donald project ("DMS") continued during the period under audit. Progress was made in the following areas:

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Feasibility study

- DMS has completed the technical aspects of the optimisation of the feasibility study as previously announced and work continues on the capex and opex aspects of the optimisation. Initial indications are that improvements from the updated technical aspects and the use of Chinese equipment will noticeably reduce capex. An updated feasibility study is anticipated to be completed and announced in the 4th quarter of calendar year 2016.

Water

- DMS had assessed that it had a quantity of carryover water surplus to its anticipated requirements. As such DMS traded 5 gigalitres (5,000 megalitres) of water to the Victorian Environmental Water Holder to help protect habitat, water quality and animals in Wimmera and Glenelg waterways and the western rivers.
- DMS was able to contribute to this important environmental cause (at well below DMS's cost) having considered possible impacts of foreseeable future water allocations and DMS's future project commencement needs.

Geology and mining

- Additional 2015 drilling and sampling was undertaken on the Donald and Jackson mineral sands deposits and a Mineral Resource update for the Donald Mineral Sands Project was announced on 7 April 2016.
- Metallurgical and mining optimisation is ongoing.
- The work plan is progressing towards submission, anticipated to be in the 4th quarter of calendar year 2016.

Land

- No further land was purchased during the year.

Funding

- The company continues to consider funding and optimisation options on the basis of its feasibility study while continuing to work towards satisfaction of conditions precedent as per the funding agreement with the China Machinery Engineering Corporation (CMEC) 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 in China continued to test and develop technology to be applied for downstream advancement of Group minerals.

Senegal

- Work continued on the components required to apply for the mining licence which is subject to Government approval, with the public enquiry meetings conducted and Astron being advised that in principle this milestone will be achieved.

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 2016

	Year Ended 30 June 2016 \$	Year Ended 30 June 2015 \$
Sales revenue	467,999	1,984,024
Cost of sales	(434,218)	(2,048,434)
Gross (loss)/profit	33,781	(64,410)
Interest income	56,929	146,645
Other income	581,485	11,738,883
Distribution expenses	(9,085)	(42,996)
Marketing expenses	(10,145)	(17,624)
Occupancy expenses	(9,351)	(169,708)
Administrative expenses	(4,463,156)	(6,086,008)
Write (down)/back of stock	(171,077)	392,139
Impairment of capital works in progress	-	(1,296,742)
Bad debts provision write back/(expense)	-	613,887
Costs associated with Gambian litigation	(946,786)	(264,460)
Finance costs	(10,766)	(28,224)
Other expenses	(56,008)	(14,377)
(Loss)/Profit before income tax expense	(5,004,179)	4,907,005
Income tax benefit	595,983	3,082,113
Net (loss)/profit for the year	(4,408,196)	7,989,118
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit and loss</i>		
(Decrease)/ increase in fair value of available-for-sale financial assets	(151,973)	355,706
(Decrease)/Increase in Foreign currency translation differences	(2,141,279)	7,293,284
Other comprehensive income for the year, net of tax	(2,293,252)	7,648,990
Total comprehensive income for the year	(6,701,448)	15,638,108
(Loss)/Profit for the year attributable to:		
Owners of Astron Corporation Limited	(4,408,196)	7,989,118
Total comprehensive income for the year attributable to:		
Owners of Astron Corporation Limited	(6,701,448)	15,638,108

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

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2016

	Year Ended 30 June 2016	Year Ended 30 June 2015
1. EARNINGS/(LOSS) PER SHARE		
For profit/(loss) profit for the year		
Basic (loss)/profit earnings per share (cents per share)	(3.60)	6.52
2. COMPARISON OF HALF-YEAR RESULTS		
Consolidated (loss) after tax attributable to owners reported for the first half year	(2,018,915)	(398,545)
Consolidated (loss)/profit after tax attributable to owners reported for the second half year	(2,389,281)	8,387,663
Total consolidated profit/(loss) after tax for the year	(4,408,196)	7,989,118

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

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Consolidated Statement of Financial Position

As at 30 June 2016

	As at 30 June 2016	As at 30 June 2015
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	5,104,594	5,796,027
Term deposits greater than 90-days	60,685	60,325
Trade and other receivables	14,603,759	17,417,179
Inventories	730,564	797,298
Available-for-sale financial assets	540,237	892,851
Current tax assets	-	1,186,928
Total current assets	21,039,839	26,150,608
Non-current assets		
Trade and other receivables	-	3,924,922
Property, plant and equipment	21,046,191	22,363,317
Intangible assets	69,118,158	64,926,815
Land use rights	3,255,981	3,525,124
Total non-current assets	93,420,330	94,740,178
TOTAL ASSETS	114,460,169	120,890,786
LIABILITIES		
Current liabilities		
Borrowings	-	1,000,000
Trade and other payables	3,548,955	2,121,187
Provisions	67,783	77,838
Total current liabilities	3,616,738	3,199,025
Non-current liabilities		
Deferred tax liabilities	5,079,479	5,226,361
Long-term provisions	40,000	40,000
Total non-current liabilities	5,119,479	5,266,361
TOTAL LIABILITIES	8,736,217	8,465,386
NET ASSETS	105,723,952	112,425,400
EQUITY		
Contributed equity	1,605,048	1,605,048
Reserves	11,061,760	13,355,012
Retained earnings	93,057,144	97,465,340
TOTAL EQUITY	105,723,952	112,425,400

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

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Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2016

	Issued Capital	Retained Earnings	Financial Assets Available For Sale Reserve	Foreign Currency Translation Reserve	Total Equity
Year Ended 30 June 2016	\$	\$	\$	\$	\$
Equity as at 1 July 2015	1,605,048	97,465,340	861,305	12,493,707	112,425,400
(Loss) for the year	-	(4,408,196)	-	-	(4,408,196)
Other comprehensive income					
Decrease in fair value of available-for-sale financial assets	-	-	(151,973)	-	(151,973)
Exchange differences on translation of foreign operations	-	-	-	(2,141,279)	(2,141,279)
Total comprehensive profit for the year	-	(4,408,196)	(151,973)	(2,141,279)	(6,701,448)
Transactions with owners in their capacity as owners					
Return of capital	-	-	-	-	-
Total of transactions with owners in their capacity as owners	-	-	-	-	-
Equity as at 30 June 2016	1,605,048	93,057,144	709,332	10,352,428	105,723,952

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

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Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2016

	Issued Capital	Retained Earnings	Financial Assets Available For Sale Reserve	Foreign Currency Translation Reserve	Total Equity
Year Ended 30 June 2015	\$	\$	\$	\$	\$
Equity as at 1 July 2014	1,605,048	89,476,222	505,599	5,200,423	96,787,292
Profit for the year	-	7,989,118	-	-	7,989,118
Other comprehensive income					
Increase in fair value of available-for-sale financial assets	-	-	355,706	-	355,706
Exchange differences on translation of foreign operations	-	-	-	7,293,284	7,293,284
Total comprehensive profit for the year	-	7,989,118	355,706	7,293,284	15,638,108
Transactions with owners in their capacity as owners					
Return of capital	-	-	-	-	-
Total of transactions with owners in their capacity as owners	-	-	-	-	-
Equity as at 30 June 2015	1,605,048	97,465,340	861,305	12,493,707	112,425,400

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

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Consolidated Statement of Cash Flows

For the Year Ended 30 June 2016

	Year Ended 30 June 2016 \$	Year Ended 30 June 2015 \$
Cash flows from operating activities:		
Receipts from customers	847,259	2,548,821
Payments to suppliers and employees	(4,506,639)	(8,024,085)
Interest received	58,125	445,184
Interest paid	(10,766)	(28,064)
Dividend received	-	167,276
Income taxes received/(paid)	1,093,983	1,148,989
Net cash (outflow) from operating activities	(2,518,039)	(3,741,879)
Cash flows from investing activities:		
Receipts from in short term deposits	(360)	7,159,947
Receipts from disposal of investments	223,817	-
Receipts from disposal of land receivable	7,033,747	-
Acquisition/disposal of property, plant and equipment	(151,499)	(17,506)
Return of capital from other financial assets	-	669,104
Construction in works in progress	-	(27,847)
Capitalised exploration, evaluation expenditure and development costs	(3,828,923)	(4,013,836)
Net cash inflow from investing activities	3,276,782	3,769,862
Cash flows from financing activities:		
Borrowings	(1,000,000)	1,000,000
Net cash (outflow)/inflow from financing activities	(1,000,000)	1,000,000
Net (decrease)/ increase in cash held	(241,257)	1,027,983
Cash and cash equivalents at beginning of the year	5,796,027	2,905,195
Net foreign exchange differences	(450,176)	1,862,849
Cash and cash equivalents at end of the year	5,104,594	5,796,027

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

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Additional Information

For the Year Ended 30 June 2016

1. DETAILS OF CONTROLLED ENTITIES

During the financial year ended 30 June 2016, Carnegie Minerals (Gambia), Inc was incorporated (in Delaware USA) as a wholly-owned subsidiary of Astron Limited.

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 2016 and 30 June 2015. There is no Dividend Reinvestment Plan in operation.

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

The Group contingencies are broadly in line with those disclosed in the last annual report.

7. OTHER INFORMATION REGARDING THE PRELIMINARY REPORT

The information contained in this Appendix 4E is based on accounts that have not yet been audited.

8. COMPARATIVE INFORMATION

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

9. TRADE AND OTHER RECEIVABLES

At 30 June 2015 the Group reported the disposal of leasehold land in China, there is \$12,558,176 (2015: \$20,356,248) AUD outstanding and receivable at year end under the terms of the sale contract. There is no other significant information requiring disclosure in the preliminary report.

10. OTHER SIGNIFICANT INFORMATION

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