Astron Limited

ABN 97 000 285 272

Half-Year Financial Report

for the half-year ended 31 December 2003

Corporate Information

ABN 97 000 285 272

Directors
Mr Gerard Arthur King (Chairman)
Mr Alexander Gavin Brown (Managing Director)
Ms Julia Marcella Brown (Non executive Director)

Company Secretary
Ms J M Brown

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Solicitors
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Sydney NSW 2000

Bankers
Commonwealth Bank of Australia
48 Martin Place
Sydney NSW 2000

Share Register
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Auditors
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Sydney NSW 2000

Internet Address
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Directors' Report

Your directors submit their report for the half-year ended 31 December 2003.

DIRECTORS

The names and details of the company's directors in office during the half-year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Gerard Arthur King, LLB (Chairman)

Mr Alexander Gavin Brown, B.AgSc (Managing Director)

Ms Julia Marcella Brown, B.Comm (Non executive Director)

REVIEW AND RESULTS OF OPERATIONS

HIGHLIGHTS

China's Booming Economy Drives Astron Towards Record $100 million Annual Sales and $10 million Profit

Shareholders will be pleased to note that the company's record of continuous year on year growth in sales and profit is continuing.

- Revenue for the half-year ended 31st Dec 2003 is $47 million (up 18% from 2002 at $39 million). The company is therefore on target to achieve $100 million in annual sales for the first time. This growth (from $56 million annual revenue in 2001) means that the company has almost doubled its revenue over 3 years. This result is even more gratifying in that this is despite an almost 50% appreciation of the A$/US$ exchange rate
- Profit result for the half-year ending 31st Dec 2003 was a record profit after tax of $5.1 million (2002-$3.1million) up 65 % representing half-year earnings of 19.7 cents per share
- During the half-year period, Astron continued to consolidate its position as China's largest Zirconium Chemicals and Materials company and to expand its sales throughout China and the world.
- The enormous growth in demand currently happening in China also flowed into Astron's Zirconium business. Demand in China for basic zirconium raw material imports (Zircon sand) is currently growing at approximately 15-20% p.a. and the world demand for zirconium chemicals and specialty products continues to grow strongly.

Astron Looking To Support Its Long Term Raw Material Needs By Acquiring Substantial Mineral Sand Resources

- Long-term raw material supply continues to be a concern for the company. As well as continuing negotiations with major suppliers, the company is moving to supplement its raw material supplies directly by the acquisition of mineral sands resources.

Astron Aiming To Become One Of The Largest Titanium Pigment Producers In China

- In order to support its raw material needs, Astron is now moving strongly to expand its position as a supplier of titanium based minerals into titanium pigment plants in China.
- Astron is actively seeking to cooperate with, or acquire, a titanium pigment plant in China and is currently in discussion with some of the larger producers.
- Additionally, Astron is currently completing plans for its own 100,000 t.p.a. plant.
- The Chinese market for titanium pigment is the second largest in the world with an annual consumption in excess of 500,000 tons and is growing at a rate in excess of GDP.
- Astron has a long history of relationships with this industry in China and possess the in-house expertise necessary to expand into this related industry.
- Worldwide, the titanium pigment industry has a market volume in excess of 4 million tons and an estimated value of US$8 billion, with year on year growth of 2-3%.

Directors' Report continued

OPERATIONAL HIGHLIGHTS

Zirconium Chemicals

- Sales of all products increased strongly during the period
- Astron continues to concentrate on its primary objectives of being the low cost industry leader and providing customers with personal attention and technical support.
- The fused Zirconia plant capacity was increased to 13,000 tons (making the Astron plant the Worlds largest) and product sales exceeded forecasts
- Zirconium chemical production was doubled during the period and is currently operating at near full capacity.
- Our special chemical oxide plant is also being expanded again
- Freight - Recent freight cost increases have sent bulk shipping rates soaring and the uncertainty surrounding future costs and economies is an item of concern
- Quality Assurance and ISO 9001:2000 - During the period the company improved its quality standard procedures from ISO 9002 to ISO 9001:2000; reflecting the attainment of the highest standard of quality management in the world.
- Environment - Directors are very proud to report the company is now accredited to ISO 14001:1996. This high level environmental certification means Astron joins other major caring and responsible companies and reflects Astron's strong commitment to the increasing importance of global environmental issues and to the sustainable development objectives of modern industry.
- During the period Astron continued to receive Chinese Government Awards in recognition for the excellence of its products and its quality management. This includes:
  - Quality Awards-Zirconia products (6 awards), Optical products (1 award)
  - Other Awards-'Certified High-Tech Company of China', 'Certified Advanced New Technology Company of China'
- Patents-the application by Astron for its 'Furnace Design and Technology' patent has been granted by the China Patent Office

Raw Materials

- Supply of zircon sand remains difficult and strong price rises are being experienced in line with other strategic commodities. China is expected to increase its requirement by 15-20% over the next 12 months. With some decline in output being expected from major producers, shipments to China could be affected adversely so that the strong demand position of China could create serious shortages.
- Mineral Processing. The company continues its processing of mineral sands concentrate in China from a number of suppliers. The company is also planning to move and expand its processing facilities from Hainan to a new location in mainland China.
- Gambia JV (Astron 50% Carnegie Corp 50%). Processing of zircon concentrate material from the original Gambia stockpile was completed in November. The company shipped plant and equipment to Gambia for a trial mine. Installation of the mining and processing equipment by Astron Chinese staff in Gambia is now completed and trial mining and processing will commerce shortly. Application for a formal mining lease has been lodged with the Gambia Government and the company plans to produce approx. 20,000 tons of zircon per year and 100,000 tons of ilmenite per year from these operations.
- Alkane JV (Astron earning 50% Alkane 50%). This JV holds a large resource of Niobium Tantalum Zirconium and Rare Earth minerals which provides an exciting future opportunity for the company. Work to date has consisted of reviewing previous work and evaluating opportunities to reduce capital and operating costs.
- Zirtanium. During the period the company announced an agreement to acquire 100% of Zirtanium Limited shares in exchange for Astron shares. Zirtanium owns probably the largest Zircon deposit in the world located in the Murray Basin Victoria. This agreement is subject to due diligence, which is expected to be completed shortly
- Other. The company continues to explore other supply or cooperation opportunities with a number of other companies.

Personnel

- With the expansion of activities, the company staff and workers continue to expand. Currently the company employs a total of 501 employees mostly in China.

Shareholder Affairs

- Shareholders will have observed the strong recent growth in Astron share price which reflects the company's increasing profile as a significant Chinese company with a long track record of growth and profit.
- Directors are also pleased to note that this increased interest is also reflected in a much stronger market for the company's stock.
- The company also plans to place shares to further increase shareholder spread and expand the company's share market.
- Rights Issue. During the period the company completed a very successful 1:1 rights issue to raise $6.4 million The issue was substantially oversubscribed by existing shareholders and applications for over-subscription had to be allocated on a pro-rata basis.
- Share split. Your directors have now resolved to split Astron shares so as to issue 2 new shares in place of every 1 existing share. Full details will be sent to shareholders shortly.

Directors' Report continued

Future Outlook

- The company looks forward to a very exciting next few months as the company looks to expand from its existing successful zirconium chemicals base to a global raw material related, titanium pigment and zirconium specialty chemicals manufacturing group.

Signed in accordance with a resolution of the directors.

Mr Gerard Arthur King
Director

Perth, 27 February 2004

Condensed Statement of Financial Performance

HALF-YEAR ENDED 31 December 2003	Notes	CONSOLIDATED	
		31 December 2003	31 December 2002
		$'000	$'000
Sales revenue		46,442	39,539
Cost of sales		(35,332)	(30,470)
GROSS PROFIT		11,110	9,069
Other revenues from ordinary activities		65	21
Distribution expenses		(1,967)	(1,397)
Marketing expenses		(947)	(974)
Occupancy expenses		(101)	(109)
Administrative expenses		(2,277)	(2,333)
Borrowing costs expensed		(382)	(302)
Other expenses from ordinary activities		(103)	(630)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		5,398	3,345
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES		(314)	(246)
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		5,083	3,099
Loss from extraordinary item after income tax expense		-	(13,050)
NET PROFIT		5,083	(9,951)
NET PROFIT ATTRIBUTABLE TO MEMBERS OF ASTRON LIMITED		5,083	(9,951)
Net exchange difference on translation of financial report of foreign controlled entities		(2,789)	54
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF ASTRON LIMITED AND RECOGNISED DIRECTLY IN EQUITY		(2,789)	54
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		2,294	(9,897)
Basic earnings per share (cents per share)		35	(77)
Diluted earnings per share (cents per share)		35	(77)

The Condensed Statement of Financial Performance is to be read in conjunction with the Notes to the Financial Statements.

Condensed Statement of Financial Position

HALF-YEAR ENDED 31 December 2003	Notes	CONSOLIDATED	
		AS AT 31 DECEMBER 2003	AS AT 30 JUNE 2003
		$'000	$'000
CURRENT ASSETS			
Cash assets		11,324	5,338
Receivables		12,195	10,586
Inventories		16,044	20,495
TOTAL CURRENT ASSETS		39,563	36,419
NON-CURRENT ASSETS			
Receivables		1,464	3,134
Property, plant and equipment		8,809	8,691
TOTAL NON-CURRENT ASSETS		10,273	11,825
TOTAL ASSETS		49,836	48,244
CURRENT LIABILITIES			
Payables		11,845	18,081
Interest-bearing liabilities		13,810	14,550
Current tax liabilities		1,217	1,340
TOTAL CURRENT LIABILITIES		26,872	33,971
TOTAL LIABILITIES		26,872	33,971
NET ASSETS		22,964	14,273
EQUITY			
Parent entity interest			
Contributed equity		8,972	2,575
Reserves		(4,739)	(1,949)
Retained profits		18,731	13,647
Total parent entity interest in equity		22,964	14,273
TOTAL EQUITY		22,964	14,273

The Condensed Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

Condensed Statement of Cash Flows

HALF-YEAR ENDED 31 December 2003	Notes	CONSOLIDATED	
		31 December 2003 $'000	31 December 2002 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		44,404	23,427
Payments to suppliers and employees		(38,220)	(25,441)
Interest received		57	21
Borrowing costs		(382)	(302)
Income tax paid		(293)	(70)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		5,566	(2,365)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,061)	(833)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(2,061)	(833)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		3,757	-
Proceeds from borrowings - other		(513)	2,380
NET CASH FLOWS FROM FINANCING ACTIVITIES		3,244	2,380
NET INCREASE/(DECREASE) IN CASH HELD		6,749	(818)
Add opening cash brought forward		5,338	4,830
Effects of exchange rate changes on cash		(763)	(5)
CLOSING CASH CARRIED FORWARD		11,324	4,007

The Condensed Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.

Notes to the Half-Year Financial Statements

31 December 2003

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

This interim financial report should be read in conjunction with the annual financial report for the year ended 30 June 2003 and any public announcements made by Astron Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2003 annual report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

The half-year financial report has been prepared in accordance with the historical cost convention.

31 December 2003	CONSOLIDATED	
	31 December 2003	31 December 2002
	$'000	$'000
2. EXTRAORDINARY ITEMS		
Provision for non-recoverability of Malaysian Receivable - Safuan Group Berhad (Income tax benefit $3,740)	-	13,030
	-	13,030

3. CONTRIBUTED ENTITY

On the 12th August, 2003 the company issued a replacement prospectus for an offer to its shareholders of a non-renounceable one new share for each share held at a price of 50 cents a share to raise approximately $6.4 million.

During the period 12,874,571 new shares were issued in accordance with this Rights Issue.

4. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

5. SEGMENT INFORMATION

The economic entity has one reportable segment for both geographical and business formats being chemical manufacturing and mineral processing and trading in China.

6. NON-CASH FINANCING AND INVESTING ACTIVITIES

Under the terms of the prospectus, for the issue of non-renounceable one new share for each new share held, the company issued 5,280,810 fully paid ordinary shares at an issue price of 50 cents per share to repay the loan payable to Firback Finance Limited of $2,640,405.

Notes continued

31 December 2003

7. ADDITIONAL INFORMATION

	CONSOLIDATED	
	AS AT 31 December 2003	AS AT 31 December 2002
	$'000	$'000
Reconciliation of retained profits		
Balance at beginning of the half-year	13,647	20,437
Net profit attributable to members of Astron Limited	5,083	(9,951)
Total available for appropriation	18,730	10,486
Balance at end of half-year	18,730	10,486

Directors' Declaration

In accordance with a resolution of the directors of Astron Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity:

(i) give a true and fair view of the financial position as at 31 December 2003 and the performance for the half-year ended on that date of the consolidated entity; and

(ii) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Mr Gerard Arthur King
Director

Perth, 27 February 2004

BDO
Chartered Accountants
& Advisers

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INDEPENDENT AUDIT REPORT

To the members of Astron Limited

Scope

We have reviewed the financial report of Astron Limited for the half-year ended 31 December 2003, comprising the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and accompanying notes and Directors Declaration. The financial report includes the consolidated financial statements of the consolidated entity comprising Astron Limited and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have conducted an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review was limited primarily to inquiries of the disclosing entity's personnel and analytical review procedures applied to financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review Statement

As a result of our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Astron Limited is not in accordance with:

(a) the Corporations Act 2001 including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2003 and its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

BDO

Robert Peck
Partner
Sydney

Date: 27 February 2004