

Financial Statements



Statement of Financial Performance

YEAR ENDED 30 JUNE 2005	Notes	Consolidated		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
Sales revenue	2	140,325,052	104,718,908	—	—
Cost of sales	3	(97,795,657)	(76,328,528)	—	—
GROSS PROFIT		42,529,395	28,390,380	—	—
Other revenues from ordinary activities	2	350,008	182,275	9,798,989	194,691
Share of net profits (losses) of joint venture accounted for using the equity method	2	(310,993)	127,762	(310,993)	127,762
Distribution expenses		(5,144,156)	(4,499,330)	—	—
Marketing expenses		(1,345,448)	(1,696,748)	—	—
Occupancy expenses		(137,961)	(122,473)	—	(1,801)
Administrative expenses		(8,878,850)	(5,349,622)	(650,561)	(537,425)
Borrowing costs expensed	3	(173,082)	(624,880)	—	—
Other expenses from ordinary activities		(153,060)	(1,029,921)	(53,488)	—
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		26,735,853	15,377,443	8,783,947	(216,773)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	4	(683,957)	(226,683)	—	—
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		26,051,896	15,150,760	8,783,947	(216,773)
NET PROFIT		26,051,896	15,150,760	8,783,947	(216,773)
NET PROFIT ATTRIBUTABLE TO MEMBERS OF ASTRON LIMITED	18	26,051,896	15,150,760	8,783,947	(216,773)
Net exchange difference on translation of financial report of foreign controlled entity	18	(3,180,260)	(449,645)	—	—
Share issue costs	17	—	(40,000)	—	(40,000)
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF ASTRON LIMITED AND RECOGNISED DIRECTLY IN EQUITY		(3,180,260)	(489,645)	—	(40,000)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF ASTRON LIMITED		22,871,636	14,661,115	8,783,947	(256,773)

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Statement of Financial Performance (continued)

YEAR ENDED 30 JUNE 2005	Notes	Consolidated		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
Basic earnings/(loss) per share (cents per share)	24	45.2	30.2		
Diluted earnings/(loss) per share (cents per share)	24	45.2	30.2		

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

Statement of Financial Position

AT 30 JUNE 2005	Notes	Consolidated		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
CURRENT ASSETS					
Cash assets	19(b)	13,428,900	15,615,793	1,428,440	3,107,546
Receivables	6	16,720,633	12,445,301	3,901,074	1,598,423
Inventories	7	25,927,140	20,303,627	7,153	27,389
TOTAL CURRENT ASSETS		56,076,673	48,364,721	5,336,667	4,733,358
NON-CURRENT ASSETS					
Receivables	8	522,861	1,868,055	—	—
Other financial assets	9	6,582,450	—	31,370,990	22,207,646
Property, plant and equipment	12	14,864,929	12,648,378	69,182	179,548
Deferred exploration, evaluation and development costs	13	14,937,040	14,095,155	25,536	54,158
Other	14	500,543	—	—	—
TOTAL NON-CURRENT ASSETS		37,407,823	28,611,588	31,465,708	22,441,352
TOTAL ASSETS		93,484,496	76,976,309	36,802,375	27,174,710
CURRENT LIABILITIES					
Payables	15	20,312,829	17,544,687	10,951,456	10,107,738
Interest-bearing liabilities	16	—	9,128,027	—	—
Current tax liabilities	4	1,391,617	1,395,181	—	—
TOTAL CURRENT LIABILITIES		21,704,446	28,067,895	10,951,456	10,107,738
TOTAL LIABILITIES		21,704,446	28,067,895	10,951,456	10,107,738
NET ASSETS		71,780,050	48,908,414	25,850,919	17,066,972
EQUITY					
Parent entity interest					
—Contributed equity	17	22,509,506	22,509,506	22,509,506	22,509,506
—Reserves	18	(5,579,351)	(2,399,091)	—	—
—Retained profits	18	54,849,895	28,797,999	3,341,413	(5,442,534)
Total parent entity interest in equity		71,780,050	48,908,414	25,850,919	17,066,972
TOTAL EQUITY		71,780,050	48,908,414	25,850,919	17,066,972

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

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Statement of Cash Flows

YEAR ENDED 30 JUNE 2005	Notes	Consolidated		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		149,536,928	100,536,673	410,968	—
Payments to suppliers and employees		(129,140,001)	(82,188,807)	(1,462,033)	(684,072)
Dividend received		—	—	9,334,530	—
Interest received		180,906	167,454	111,075	100,321
Borrowing costs		(173,082)	(624,880)	—	—
Income tax paid		(548,637)	(286,272)	—	—
Share of profits – Joint Venture		(310,993)	127,762	(310,993)	127,762
NET CASH FLOWS FROM/USED IN OPERATING ACTIVITIES	19(a)	19,545,121	17,731,930	8,083,547	(455,989)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales/(Purchases) of property, plant and equipment		(4,625,645)	(5,416,938)	110,195	(179,548)
Deferred exploration, evaluation and development costs		(1,349,227)	(472,900)	28,622	(54,158)
Purchase of listed company shares		(4,998,750)	—	(4,998,750)	—
Purchase of unlisted company shares		(1,601,500)	—	—	—
Purchase of controlled entities	19(d)	—	(120,644)	(4,164,594)	(120,644)
NET CASH FLOWS FROM/USED IN INVESTING ACTIVITIES		(12,575,122)	(6,010,482)	(9,024,527)	(354,350)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of ordinary shares		—	6,434,568	—	6,434,568
Repayments of borrowings – other		(8,362,050)	(7,954,631)	(738,126)	(2,531,525)
NET CASH FLOWS FROM/USED IN FINANCING ACTIVITIES		(8,362,050)	(1,520,063)	(738,126)	3,903,043
NET INCREASE/(DECREASE) IN CASH HELD		(1,392,051)	10,201,385	(1,679,106)	3,092,704
Add opening cash brought forward		15,615,793	5,338,216	3,107,546	14,842
Effects of exchange rate changes on cash		(794,842)	76,192	—	—
CLOSING CASH CARRIED FORWARD	19(b)	13,428,900	15,615,793	1,428,440	3,107,546

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

Notes to the Financial Statements

30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated entity of Astron Limited and its controlled entities, and Astron Limited as an individual parent entity. Astron Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. The concept of accruals accounting has been adopted in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Astron Limited (the parent entity) and all entities which Astron Limited controlled from time to time during the year and at balance date.

Information from the financial statements of controlled entities is included from the date the parent entity obtains control until such time as control ceases. Where there is loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the parent entity has control.

Controlled entity acquisitions are accounted for using the purchase method of accounting.

The financial statements of controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(c) Foreign currencies

Translation of foreign currency transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Translation of financial reports of overseas operations

All overseas operations are deemed self-sustaining as each is financially and operationally independent of Astron Limited. The financial reports of overseas operations are translated using the current rate method and any exchange differences are taken directly to the foreign currency translation reserve.

Notes to the Financial Statements Continued

30 JUNE 2005

(d) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

(e) Receivables

Trade receivables are recognised and carried at original Invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as Incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

(f) Investments

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments.

The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials - purchase cost on a first-in-first-out basis; and
- Finished goods and work-in-progress - cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

(h) Recoverable Amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present value.

(i) Property, plant and equipment

Cost and valuation

Each class of property, plant and equipment are carried at cost or fair value less, where applicable, any accumulated depreciation.

Land and buildings which are located in China are measured on a cost basis. It is the policy of the consolidated entity to have an independent valuation every three years, with annual appraisals being made by the directors. At each balance date, the value of each asset in these classes is reviewed to ensure that it does not differ materially from the asset's cost value at that date. Where necessary, the asset is revalued to reflect its fair value.

Notes to the Financial Statements Continued

30 JUNE 2005

All other classes of property, plant and equipment are measured at cost. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment.

Major depreciation periods are:	2005	2004
Land and Buildings:	30 years	30 years
Plant and equipment:	5-10 years	5-10 years

(j) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

(k) Joint ventures

Interest in the joint venture operation is brought to account by including in the respective classifications, the share of individual assets employed and share of liabilities and expenses incurred.

(l) Exploration, evaluation, development and restoration costs

Costs carried forward

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

(m) Other non-current assets

Development costs

Development costs are expensed as incurred, except where future benefits are expected, beyond any reasonable doubt, to exceed those costs. Where development costs are deferred such costs are amortised over future periods on a basis related to expected future benefits. Unamortised costs are reviewed at each reporting date to determine the amount (if any) that is no longer recoverable and any amount identified is written off.

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Notes to the Financial Statements Continued

30 JUNE 2005

(n) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. These liabilities are non interest bearing liabilities and are generally payable on 30 – 90 day terms.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(o) Interest-bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

(p) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(q) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Control of the goods has passed to the buyer.

Interest

Control of the right to receive the interest payment.

Dividends

Control of the right to receive the dividend payment.

(r) Taxes

Tax-effect accounting is applied using the liability method whereby income tax is recognised as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.



Notes to the Financial Statements Continued

30 JUNE 2005

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(s) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses arising in respect of wages and salaries, non-monetary benefits, annual leave, and other leave benefits are charged against profits on a net basis in their respective categories.

(t) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(u) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

Financial Statements



Notes to the Financial Statements Continued

30 JUNE 2005	Notes	Consolidated		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
2.REVENUE FROM ORDINARY ACTIVITIES					
Revenues from operating activities					
Revenue from sale of goods		140,325,052	104,718,908	—	—
Revenues from non-operating activities					
Commissions		99,975	—	99,975	—
Dividends and distributions					
Wholly owned group					
— controlled entities		—	—	9,334,530	—
Interest					
Other persons/corporations		180,906	167,454	111,075	100,321
Other income		61,119	14,821	253,409	94,370
Proceeds from disposal of property, plant & equipment		8,008	—	—	—
Total revenues from non-operating activities		350,008	182,275	9,798,989	194,691
Total revenues from ordinary activities		140,675,060	104,901,183	9,798,989	194,691
Share of net profits (losses) of associates and joint venture partnership accounted for using the equity method					
Share of Joint Venture profits/(loss)		(310,993)	127,762	(310,993)	127,762
3.EXPENSES AND LOSSES/(GAINS)					
(a) Expenses					
Cost of goods sold		97,795,657	76,328,528	—	—
Depreciation of non-current assets					
Plant and equipment		1,167,590	992,483	171	—
Leasehold Land & Buildings		164,913	129,118	—	—
Borrowing costs expensed					
Interest expense and other borrowing costs		173,082	624,880	—	—
Bad and doubtful debts —trade debtors		43,467	975,027	—	—
Operating lease rental					
minimum lease payments		54,715	86,574	—	—
Superannuation contributions		42,244	21,823	—	—
(b) Losses/(gains)					
Net loss/(gain) on disposal of property, plant and equipment		(6,404)	—	—	—
Net foreign currency (gains)/losses		(177,173)	(195,065)	(253,409)	(94,370)

Notes to the Financial Statements Continued

30 JUNE 2005	Notes	Consolidated		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
4.INCOME TAX					
The prima facie tax, using tax rates applicable in the country of operation, on profit and extraordinary items differs from the income tax provided in the financial statements as follows:					
Prima facie tax on profit from ordinary activities		8,020,756	4,613,230	2,635,184	(65,032)
Tax effect of permanent differences					
Permanent differences	4(a)	(7,525,484)	(4,479,998)	(2,823,869)	(28,419)
Tax losses and timing differences not brought to account as an asset		188,685	93,451	188,685	93,451
Income tax expense attributable to ordinary activities		683,957	226,683	—	—
(a) Permanent differences:					
— For the consolidated entity principally represent profits derived in China which receive a number of tax concessions and are not required to be assessed at the Australian Corporate Income Tax rate of 30% and					
— For the parent entity relate to non-deductible items and non assessable dividends received from Chinese controlled entities.					
Tax assets and liabilities					
Current tax payable		1,391,617	1,395,181	—	—
Income tax losses					
Future income tax benefit arising from tax losses of a controlled entity not recognised at reporting date as realisation of the benefit is not regarded as virtually certain					
— timing differences		19,500	16,500	19,500	16,500
— tax losses		1,650,128	1,461,443	1,650,128	1,461,443
— capital losses		15,927,530	15,878,469	15,927,530	15,878,469

This future income tax benefit will only be obtained if:

- (a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (B) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

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Notes to the Financial Statements Continued

30 JUNE 2005	Notes	Consolidated		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$

5.DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

(a) Dividends proposed and recognised as a liability

No dividends were paid or declared since the start of the financial year.

(b) Dividends proposed and not recognised as a liability

Unfranked dividend (10c per share) (2004: Nil)				5,764,742	-
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6.RECEIVABLES (CURRENT)

Trade debtors	6(b)	11,280,169	12,148,753	-	-
Provision for doubtful debts		(773,639)	(853,997)	-	-
		10,506,530	11,294,756	-	-
Other receivables	6(b)	6,214,103	1,150,545	457,611	187,991
Wholly-owned group					
- controlled entities	27	-	-	4,744,350	2,711,319
- provision for doubtful debts		-	-	(1,300,887)	(1,300,887)
		16,720,633	12,445,301	3,901,074	1,598,423

(a) Total related party receivables

Wholly-owned group					
- controlled entities	27	-	-	4,744,350	2,711,319
- provision for doubtful debts	27	-	-	(1,300,887)	(1,300,887)
		-	-	3,443,463	1,410,432

(b) terms and conditions

(i) Trade debtors are non-interest bearing and generally on 30 - 90 day terms.

(ii) Other receivables are non-interest bearing.

7.INVENTORIES (CURRENT)

Raw materials and stores

At cost		7,616,530	5,579,926	7,153	27,389
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Work-in-progress

At cost		1,313,854	1,479,570	-	-
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Finished goods

At cost		16,559,111	10,194,374	-	-
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Stock in transit

At cost		437,645	3,049,757	-	-
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Total inventories at lower of cost and net realisable value		25,927,140	20,303,627	7,153	27,389
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Notes to the Financial Statements Continued

30 JUNE 2005	Notes	Consolidated		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$

8.RECEIVABLES (NON-CURRENT)

Other receivables	8(b)	522,861	1,868,055	-	-
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(a) Other receivables are non-interest bearing.

(b) Recoverable amount has been based upon the underlying assets of the controlled entities.

9.OTHER FINANCIAL ASSETS (NON-CURRENT)

Investments at cost comprise:

Shares

Listed	9(a), (b)	4,998,750	-	4,998,750	-
Unlisted	9(c)	1,583,700	-	-	-
Controlled entities - unlisted	10	-	-	27,085,451	22,920,857
Provision for diminution on unlisted shares		-	-	(713,211)	(713,211)
		6,582,450	-	31,370,990	22,207,646
		6,582,450	-	31,370,990	22,207,646

(a) Quoted market value at balance date of investments listed on a prescribed stock exchange:

Shares	29 (b)	5,643,750	-	5,643,750	-
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There would be no capital gains tax payable if these assets were sold at their market values at the reporting date due to capital losses carried forward.

(b) Included in listed shares at cost is a material investment in BeMaX Resources Limited. Astron Limited subscribed to the Institutional Allotment of 32,250,000 shares in BeMaX Resources Limited.

(c) During the year the Consolidated entity invested in an unlisted Chinese finance company. The consolidated entities investment in the finance company is that of a minority investor.

10.INTEREST IN CONTROLLED ENTITIES

Name	Country of incorporation	Percentage of ordinary shares interest held by the consolidated entity		Investment	
		2005	2004	2005	2004
		%	%	\$	\$
Parent Entity					
Astron Limited	Australia	-	-	-	-
Controlled entities of Astron Limited:					
Astron Advanced Materials Limited	China	100	100	-	-
Astron Advanced Materials Limited	UK	100	100	-	-
Astron New Materials Co Ltd	China	100	-	2,474,042	-
Astron Chemical Co Limited	China	100	100	1,740,313	318,957
Bradford Metal Industries Limited	BVI	100	100	3,097,954	3,097,954
Dalian Bradford Limited	China	100	100	278,540	278,540

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Notes to the Financial Statements Continued

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10. INTERESTS IN SUBSIDIARIES (cont'd)

Name	Country of incorporation	Percentage of ordinary shares interest held by the consolidated entity		Investment	
		2005 %	2004 %	2005 \$	2004 \$
Dickson & Johnson Pty Limited	Australia	100	100	2,078,414	2,078,414
Donald Mineral Sands Pty Ltd (formerly GDM Resources Pty Limited)	Australia	100	100	100	100
Shenyang Astron Mining Industry Limited	China	100	100	2,813,114	2,813,114
Sovereign Gold NK	Australia	100	100	-	-
Tai Cang Astron Mining Products Co Ltd	China	100	-	269,196	-
Zirtanium Limited	Australia	100	100	13,620,567	13,620,567
				26,372,240	22,207,646

11. INTEREST IN JOINT VENTURE OPERATION

The consolidated entity has a 50% interest in the Carnegie Astron Joint Venture whose principal activity is the exploration, mining and sale of mineral sands in Gambia and Senegal.

Net assets employed in the joint venture are included in the financial statements as follows:

30 JUNE 2005	Notes	Consolidated		Parent Entity	
		2005 \$	2004 \$	2005 \$	2004 \$
CURRENT ASSETS					
Cash		27,687	21,488	27,687	21,488
Receivables		21,803	14,477	21,803	14,477
Inventories		7,153	27,389	7,153	27,389
TOTAL CURRENT ASSETS		56,643	63,354	56,643	63,354
NON-CURRENT ASSETS					
Property, plant and equipment		67,330	179,548	67,330	179,548
Exploration, evaluation and development costs		25,536	54,158	25,536	54,158
TOTAL NON-CURRENT ASSETS		92,866	233,706	92,866	233,706
TOTAL ASSETS		149,509	297,060	149,509	297,060
CURRENT LIABILITIES					
Payables		4,660	21,439	4,660	21,439
TOTAL CURRENT LIABILITIES		4,660	21,439	4,660	21,439
TOTAL LIABILITIES		4,660	21,439	4,660	21,439
NET ASSETS		144,849	275,621	144,849	275,621

Subject to the granting of a mining lease, Astron Limited has an obligation to fund the development and operating costs of the mine by way of loans. The loans will be repaid as first priority on revenues. Astron Limited will purchase all product on commercial terms and will receive 50% of the net profit.

Capital expenditure is currently estimated at approximately \$10 million.

Notes to the Financial Statements Continued

30 JUNE 2005

30 JUNE 2005	Notes	Consolidated		Parent Entity	
		2005 \$	2004 \$	2005 \$	2004 \$
12. PROPERTY, PLANT AND EQUIPMENT					
Leasehold land					
At cost		1,085,179	478,149	-	-
Accumulated amortisation		(46,286)	(35,835)	-	-
	12(c)	1,038,893	442,314	-	-
Buildings on leasehold land					
At cost		4,639,017	3,924,106	-	-
Accumulated depreciation		(573,123)	(465,872)	-	-
	12(c)	4,065,894	3,458,234	-	-
Total leasehold land and buildings		5,104,787	3,900,548	-	-
Plant & machinery					
At cost		12,757,648	9,780,019	69,353	186,236
Accumulated depreciation		(3,703,334)	(2,821,146)	(171)	(6,688)
	12(c)	9,054,314	6,958,873	69,182	179,548
Capital works in progress					
At cost		705,828	1,788,957	-	-
	12(c)	705,828	1,788,957	-	-
Total plant and equipment		9,760,142	8,747,830	69,182	179,548
Total property, plant and equipment					
Cost		19,187,672	15,971,231	69,353	186,236
Accumulated depreciation and amortisation		(4,322,743)	(3,322,853)	(171)	(6,688)
Total written down amount		14,864,929	12,648,378	69,182	179,548

(a) Assets pledged as security

Included in the balances of Land and buildings are assets over which first mortgages have been granted as security over bank loans (see note 16). The terms of the first mortgages preclude the assets being sold or being used as security for further mortgages without the permission of the first mortgage holder.

(b) Valuations

A directors' valuation of land and buildings in China is supported by independent valuations for the properties was undertaken at 30 June 2005. The valuation was based on an assessment of the properties current market value and was A\$11,569,421 being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date. The valuation has not taken into account any potential income tax on assets in accordance with Chinese income tax legislation.

Financial Statements



Notes to the Financial Statements Continued

30 JUNE 2005

Notes	Consolidated	Parent Entity
	2005	2005
	\$	\$
12. PROPERTY, PLANT AND EQUIPMENT (cont'd)		
(c) Reconciliation		
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.		
Leasehold land		
Carrying amount at beginning	442,314	—
Additions	652,024	—
Depreciation expense	(13,825)	—
Net foreign currency movements arising from selfsustaining foreign operation	(41,620)	—
	1,038,893	—
Buildings on leasehold land		
Carrying amount at beginning	3,458,234	—
Additions	1,129,007	—
Depreciation expense	(152,786)	—
Net foreign currency movements arising from selfsustaining foreign operation	(368,561)	—
	4,065,894	—
Plant and machinery		
Carrying amount at beginning	6,958,873	179,548
Additions	3,989,135	2,022
Disposals	(1,970)	—
Joint Venture movements	(112,217)	(112,217)
Depreciation expense	(1,164,423)	(171)
Net foreign currency movements arising from selfsustaining foreign operation	(615,084)	—
	9,054,314	69,182
Capital works in progress		
Carrying amount at beginning	1,788,957	—
Additions	860,588	—
Transfers	(1,775,382)	—
Net foreign currency movements arising from selfsustaining foreign operation	(168,335)	—
	705,828	—

Notes to the Financial Statements Continued

30 JUNE 2005

Notes	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
13. DEFERRED EXPLORATION AND EVALUATION COSTS				
Exploration and evaluation costs carried forward in respect of mining areas of interest				
Pre-production				
– exploration and evaluation phases	14,937,040	14,095,155	25,536	54,158
	14,937,040	14,095,155	25,536	54,158
Astron Limited has complied with the conditions of the granting of EL4432 and EL4433 as at 30 June 2005. As such the Directors believe that the tenements are in good standing with the Department of Primary Industries in Victoria, who administers the Mineral Resources Development Act 1990.				
14. OTHER NON-CURRENT ASSETS				
Deferred expenditure costs				
Balance at beginning of year	—	—	—	—
TIO2 plant development expenditure	500,543	—	—	—
Balance at end of year	500,543	—	—	—
15. PAYABLES (CURRENT)				
Trade creditors	15(a)	12,609,169	11,093,000	—
Other creditors	15(a)	7,703,660	6,451,687	10,951,456
		20,312,829	17,544,687	10,951,456
Aggregate amounts payable to related parties:				
Other related parties		—	—	10,725,595
– additional related parties	27	—	—	10,725,595
(a) Terms and conditions relating to the above financial instruments:				
(i) Loans payable to related parties are interest free, unsecured and at call				
16. INTEREST-BEARING LIABILITIES (CURRENT)				
Borrowings secured by mortgage				
– bank loans	16(a), 29	—	9,128,027	—
		—	9,128,027	—
(a) Terms and conditions relating to the above financial instruments				
(i) Bank facilities including Letters of Credit and Loans, as at 30 June 2005, are secured by Chinese Land & Buildings held by Controlled Entities.				
(ii) Refer details of security note at 12(a).				

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Notes to the Financial Statements Continued

30 JUNE 2005

30 JUNE 2005	Notes	Consolidated		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
17. CONTRIBUTED EQUITY					
(a) Issued and paid up capital					
57,647,424 (2004: 57,647,424)					
Ordinary shares fully paid		22,509,506	22,509,506	22,509,506	22,509,506
		22,509,506	22,509,506	22,509,506	22,509,506

(b) Movements in shares on issue

	2005		2004	
	Number of shares	\$	Number of shares	\$
Beginning of the financial year	57,647,424	22,509,506	12,874,571	2,574,915
Issued during the year				
– public equity raising	–	–	41,772,848	6,474,568
less transaction costs	–	–	–	(40,000)
– purchase of company	–	–	3,000,005	13,500,023
End of the financial year	57,647,424	22,509,506	57,647,424	22,509,506

(c) Share Options

No options have been issued during the year, nor remain outstanding at year-end.

Employee share scheme

No employee's options or shares were issued during the financial year under an employee share scheme.

(d) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the Parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Notes to the Financial Statements Continued

30 JUNE 2005

	Notes	Consolidated		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
18. RESERVES AND RETAINED PROFITS					
Foreign currency translation	18(a)	(5,579,351)	(2,399,091)	–	–
		(5,579,351)	(2,399,091)	–	–
Retained profits	18(b)	54,849,895	28,797,999	3,341,413	(5,442,534)

(a) Foreign currency translation

(i) Nature and purpose of reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.

(ii) Movements in reserve

Balance at beginning of year	(2,399,091)	(1,949,446)	–	–
Transfer into reserve	(3,180,260)	(449,645)	–	–
Balance at end of year	(5,579,351)	(2,399,091)	–	–

(b) Retained profits

Balance at the beginning of year	28,797,999	13,647,239	(5,442,534)	(5,225,761)
Net profit attributable to members of Astron Limited	26,051,896	15,150,760	8,783,947	(216,773)
Total available for appropriation	54,849,895	28,797,999	3,341,413	(5,442,534)
Balance at end of year	54,849,895	28,797,999	3,341,413	(5,442,534)

Financial Statements



Notes to the Financial Statements Continued

30 JUNE 2005

30 JUNE 2005	Notes	Consolidated		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
19.STATEMENT OF CASH FLOWS					
(a) Reconciliation of the net profit after tax to the net cash flows from operations					
Net profit		26,051,896	15,150,760	8,783,947	(216,773)
Non-Cash Items					
Depreciation of non-current assets		1,332,503	1,121,601	171	-
Net (profit)/loss on disposal of property, plant and equipment		(6,404)	-	-	-
Net foreign currency (gains)/losses		-	-	(253,409)	(94,370)
Changes in assets and liabilities					
(Increase)/decrease in trade and other receivables		(3,338,282)	(1,559,707)	(543,275)	(186,243)
(Increase)/decrease in inventory		(7,640,242)	(1,342,736)	20,236	(27,389)
(Increase)/decrease in exploration and evaluation costs		-	-	28,622	-
(Decrease)/increase in trade and other creditors		2,917,541	3,673,489	47,255	68,786
(Decrease)/increase in tax provision		228,109	688,523	-	-
Net cash flow from operating activities		19,545,121	17,731,930	8,083,547	(455,989)

(b) Reconciliation of cash

Cash balance comprises:

- cash on hand and at bank	13,428,900	15,615,793	1,428,440	3,107,546
Closing cash balance	13,428,900	15,615,793	1,428,440	3,107,546

(c) Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

Total facilities				
- available facilities	52,315,601	58,382,127	-	-
Facilities used at reporting date				
- bank loans	-	9,128,027	-	-
- letter of credit	21,391,734	13,630,667	-	-
Facilities unused at reporting date				
- bank loans and letter of credit	30,923,867	35,623,433	-	-

Unused facilities at balance date include Letter of Credit Facilities and Bank Loans approved and available to Chinese controlled entities through Chinese banks.

Notes to the Financial Statements Continued

30 JUNE 2005

(d) Acquisition of Controlled Entity

During the year Astron Limited invested in additional share capital in Astron Chemical Co Limited for consideration of \$1,421,356.

Astron Limited Incorporated two new Chinese entities being:

- Tai Cang Astron Mining Products Co Ltd on 19 October 2004 with Astron Limited entitled to all profits earned from 19 October 2004, for a purchase consideration of \$269,196

- Astron New Materials Co Ltd on 27 December 2004 with Astron Limited entitled to all profits earned from 27 December 2004, for a purchase consideration of \$2,474,042.

Consideration

- cash paid	4,164,594
	4,164,594

Refer to note 10 for further details.

(e) Disposal of Controlled Entity

There were no disposals in the 2005 financial year.

30 JUNE 2005	Notes	Consolidated		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$

20.EXPENDITURE COMMITMENTS

(a) Capital expenditure commitments

Estimated capital expenditure contracted for at reporting date, but not provided for, payable: not later than one year

- joint venture	(C) 10,000,000	-	-	-
- other	358,961	674,071	-	-
	10,358,961	674,071	-	-

(b) Lease expenditure commitments

(i) Operating leases (non-cancellable):

Minimum lease payments

- not later than one year	89,495	62,134	-	-
- later than one year and not later than five years	84,308	18,688	-	-
- later than five years	106,767	-	-	-
- aggregate lease expenditure contracted for at reporting date	280,570	80,822	-	-

Other

(c) Refer note 11 for further details relating to the commitments under Joint Ventures.

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Notes to the Financial Statements *Continued*

30 JUNE 2005

21.EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Employee Benefits

The majority of employees are employed in China. It is not normal business practice to remunerate employees in China with employee benefits including superannuation. Any Chinese provisions for employee entitlements at year end would be insignificant.

22.SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the entity, the results of those operations, or the state of affairs of the entity in future financial years.

23.ECONOMIC DEPENDENCY

Astron Limited's activities depend significantly on the chemical manufacturing, mineral processing and distribution operations of Shenyang Astron Mining Industry Limited and Astron Chemical Co Limited.

30 JUNE 2005	Notes	Consolidated		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$

24.EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

Net profit	26,051,896	15,150,760
Adjustments:		
Earnings used in calculating basic and diluted earnings per share	26,051,896	15,150,760
	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	57,647,424	50,092,004
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	57,647,424	50,092,004

Conversions, calls, subscription or issues after 30 June 2005

On 15 July 2005 the Directors advised the ASX that Astron Limited would proceed with both a share retention and share purchase plan. The new shares will be ordinary shares and are expected to be available for trading after 1 October 2005.

The Directors, subject to ratification at the forthcoming Annual General Meeting plan to introduce an employee share plan.

Notes to the Financial Statements *Continued*

30 JUNE 2005

30 JUNE 2005	Notes	Consolidated		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$

25.AUDITORS' REMUNERATION

Amounts received or due and receivable by BDO

Chartered Accountants for:

– other services in relation to the entity and any other entity in the consolidated entity	106,770	80,795	101,165	74,750
– assurance related	49,690	48,536	48,265	48,536
– other	156,460	129,331	149,430	123,286
	156,460	129,331	149,430	123,286

26.DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified directors

Mr Gerard King	Chairman
Mr Alexander Brown	Managing Director
Mr Robert Flew	Non-executive Director

(ii) Specified executives

Mdm Kang Rong	Group Vice General Manager
Mr Alan Guy	Vice General Manager Business Development
Mdm Zhang Hong	Vice General Manager Administration & Finance
Mr Zhang Jing	Vice General Manager Chinese Sales
Mr Kim Hodieme	Vice General Manager International Sales
Mr Robert Willerton	Production Manager
Dr Stanley Elliott	Zirconium Business Manager

(b) Remuneration of Specified Directors and Specified Executives

(i) Remuneration Policy

This report outlines the remuneration arrangements in place for directors and executives of Astron Limited (the company).

The Remuneration and Nomination Committee comprises Mr. Gerald King and Mr. Robert Flew, both independent non-executive directors. The committee's terms of reference is to recommend to the Board fair remuneration for the directors and senior executives and to set remuneration policy for the company generally.

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Notes to the Financial Statements *Continued*

30 JUNE 2005

26.DIRECTOR AND EXECUTIVE DISCLOSURES(cont'd)

Executive Remuneration

The committee recognizes that in order to maximize shareholder value it is necessary to have a competitive pay and benefits structure, and that the provision of appropriate rewards for superior performance is vital to the continuous growth of the business. The committee receives recommendations from the Managing Director and seeks independent advice when appropriate. The remuneration policy is renewed annually and consists of base salary and varying forms of incentive payments including annual bonus and shares.

The majority of executive and employees reside and work in the Chinese operation. The specific remuneration policy for these employees has evolved to reflect particular cultural aspects of operating a small but growing industrial company in that country. The total remuneration comprises a relatively modest base salary, and a highly incentivised bonus scheme aligned to shareholder interests. In the case of the senior executives, the bonus is related directly to the profit of the Chinese operation (after taking account of certain corporate costs).

A pool representing 10% of the profit of the Chinese operation is distributed as follows:

- 40% to Level 1-2 Executives
- 30% to Level 3-5 Executives
- 30% to Level 5-10 Management

In relation to incentive payments for all of the Chinese staff, the company has adopted a detailed protocol for the measurement of performance indicators which involves a rigorous assessment procedure. Engagement letters are in place for all executives. Contractual terms are to be reviewed during the forthcoming year.

There are a limited number of non-Chinese executives working either in China or for Astron in other countries. In all such cases, the policy is to enter into contracts of employment. Contracts for all such executives are current.

The contracts for these people include base salary and various non-monetary benefits as well as shares to be issued upon successful completion of specific tasks. These will be issued in subsequent periods as indicated in the table following. A total of 290,000 shares have been allocated for this purpose.

In view of the growth plans of the company, the policy and practice of issuing shares to employees will be incorporated within an approved Employee Share Plan. It is anticipated that this will be brought to shareholders at the next Annual General Meeting. It is expected that Chinese employees will be given, subject to regulatory requirement, an opportunity to accept a proportion of their annual bonus in shares.

Notes to the Financial Statements *Continued*

30 JUNE 2005

26.DIRECTOR AND EXECUTIVE DISCLOSURES(cont'd)

(ii) Remuneration of Specified Directors and Specified Executives

				Post Employment	Equity	Other	Total
	Level	Salary & Fees	Cash Bonus	Non Monetary benefits	Superannuation	Retirement benefits	Shares
Specified directors							
Mr Gerard King							
2005		30,000	-	-	-	-	30,000
2004		30,000	-	-	-	-	30,000
Mr Alexander Brown 1							
2005		158,719	606,699	-	-	-	765,418
2004		161,089	316,484	4,954	-	-	482,527
Mr Robert Flew							
2005		30,000	-	-	-	-	30,000
2004		8,384	-	-	-	-	8,384
Total Remuneration: Specified Directors							
2005		218,719	606,699	-	-	-	825,418
2004		199,473	316,484	4,954	-	-	520,911
Specified Executives							
Mdm Kang Rong 1							
2005		38,436	697,189	983	-	-	736,608
2004		28,399	316,485	-	-	-	344,884
Mr Alan Guy							
2005		168,176	50,000	11,630	-	-	450,000
2004		110,887	-	-	-	-	110,887
Mdm Zhang Hong 3							
2005		34,592	515,351	983	-	-	550,926
2004		25,356	237,363	-	-	-	262,719
Mr Zhang Jing 3							
2005		32,671	455,024	1,041	-	-	488,736
2004		25,356	237,363	-	-	-	262,719
Mr Kim Hodieme							
2005		156,398	-	-	-	-	156,398
2004		117,767	-	-	-	-	117,767
Mr Robert Willerton							
2005		120,586	-	18,525	-	-	139,111
2004		22,554	-	-	-	-	22,554
Dr Stanley Elliott							
2005		84,825	-	8,707	35,709	-	129,241
2004		35,968	-	-	4,956	-	40,924

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Notes to the Financial Statements Continued

30 JUNE 2005

26.DIRECTOR AND EXECUTIVE DISCLOSURES(cont'd)

Total Remuneration: Specified Executives

2005	635,684	1,717,564	41,869	35,709	-	450,000	-	2,880,826
2004*	366,287	791,211	-	4,956	-	-	-	1,162,454

* Group totals in respect of the financial year ended 2004 do not necessarily equal the sums of amounts disclosed for 2004 for individuals specified in 2005, as different individuals were specified in 2004.

Bonuses paid to specified executives were based upon profits derived during the year. At year end executive bonuses of \$2,126,737 remain unpaid and have been accrued in other creditors. At year end the remuneration of Directors and Specified executives has been calculated in accordance with agreed rates. The Remuneration Committee is continuing to review employment agreements to ensure Directors and Specified executives are remunerated at market rates with bonuses paid subject to agreed profit and business development criteria.

(c) Remuneration options: Granted and vested during the year

No options have been issued during the year, nor remain outstanding at year end.

(d) Shareholdings of Specified Directors and Specified Executives

Shares held in Astron Limited	Balance 1 July 2004		Granted as Remuneration		On Exercise of Options		Net Change Other		Balance 30 June 2005	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Specified Directors										
Mr Gerard King	893,206	-	-	-	-	-	49,650	-	942,856	-
Mr Alexander Brown	39,811,648	-	-	-	-	-	-	-	39,811,648	-
Mr Robert Flew	163,690	-	-	-	-	-	-	-	163,690	-
Specified Executives										
Dr Stanley Elliott	1,469,934	-	-	-	-	-	(457,707)	-	1,012,227	-
Total	42,338,478	-	-	-	-	-	(408,057)	-	41,930,421	-

Equity transactions with Directors and their related parties were in accordance with the conditions available to all shareholders during the year. Any additional shares purchased by Directors were acquired on market at the current market rate at the time of the purchase.

(e) Other transactions and balances with specified directors and specified executives

Loans

Mr Alexander Brown, a director, through a related company Beishite Limited had provided loans to a controlled entity of \$1,306,567 which was repaid prior to year end. The loans provided, were interest free, unsecured and repayable at call.

Notes to the Financial Statements Continued

30 JUNE 2005

27.RELATED PARTY DISCLOSURES

Ultimate Parent

Astron Limited

Wholly-owned group transactions

Loans

The parent entity, Astron Limited has received interest free loans from controlled entities, the balance of the loans at 30 June 2005 are:

Shenyang Astron Mining Industry Limited - \$3,522,969 (2004 \$4,944,967)

Astron New Materials Co Ltd - \$2,474,042 (2004 \$ nil)

Bradford Metal Industries Limited - \$2,460,638 (2004 \$2,716,219) and

Dickson & Johnson - \$2,267,946 (2004 \$2,267,946).

The loans are interest free, unsecured and repayable at call.

The parent entity, Astron Limited has provided interest free loans to its controlled entities, the balance of the loans at 30 June 2005 are:

Astron Chemical Company Limited - \$2,177,824 (2004 \$992,094)

Donald Mineral Sands Pty Ltd - \$611,910 (2004 \$ nil) and

Zirconium Limited - \$653,729 (2004 \$418,338).

The loans are interest free, unsecured and repayable at call.

Administrative services are provided by Astron Limited at no cost to controlled entities.

Other related party transactions

Dividends

During the year the parent entity, Astron Limited received dividends from controlled entities as follows:

- Astron Chemical Co Limited \$7,912,532

- Shenyang Astron Mining Industry Limited \$1,421,998.

28.SEGMENT INFORMATION

Segment products and locations

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

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Notes to the Financial Statements Continued

30 JUNE 2005

29. FINANCIAL INSTRUMENTS

29(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Fixed interest rate maturing in:												Total carrying amount as per the statement of financial position	Weighted average effective interest rate	
	Floating interest rate		1 year or less		Over 1 to 5 years		More than 5 years		Non-interest bearing						
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(i) Financial assets															
Cash	13,428,900	15,615,793	-	-	-	-	-	-	-	-	-	13,428,900	15,615,793	3.3	2.0
Trade and other receivables	-	-	-	-	-	-	-	-	-	-	-	17,243,494	14,313,356	-	-
Listed shares	4,998,750	-	-	-	-	-	-	-	-	-	-	4,998,750	-	-	-
Unlisted shares	1,583,700	-	-	-	-	-	-	-	-	-	-	1,583,700	-	-	-
Total financial assets	20,011,350	15,615,793	-	-	-	-	-	-	-	-	-	17,243,494	14,313,356	37,254,844	29,929,149
(ii) Financial liabilities															
Trade creditors	-	-	-	-	-	-	-	-	-	-	-	12,609,169	11,093,000	-	-
Other creditors	-	-	-	-	-	-	-	-	-	-	-	7,703,660	6,451,687	-	-
Bank and other loans	-	-	-	-	-	-	-	-	-	-	-	-	-	9,128,027	5.5
Total financial liabilities	-	-	-	-	-	-	-	-	-	-	-	20,312,829	17,544,687	20,312,829	26,672,714

Notes to the Financial Statements Continued

30 JUNE 2005

29(b) Net fair values

All financial assets and liabilities have been recognised at the balance date at their net fair values, except for the following:

	Total carrying amount as per the statement of financial position		Aggregate net fair value (i)	
	2005	2004	2005	2004
	\$	\$	\$	\$
Financial assets				
Listed shares	4,998,750	-	5,643,750	-

(i) The following methods and assumptions are used to determine the net fair values of financial assets and liabilities

Recognised financial instruments

Cash, cash equivalents and short-term investments: The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables and creditors: The carrying amount approximates fair value.

Short-term borrowings:

The carrying amount approximates fair value because of their short-term to maturity.

Non-current investments/securities:

For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of the underlying net asset base of the investment.

29(c) Credit risk exposures

Concentrations of credit risk

Astron Limited minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question. The carrying amount is net of any provisions for doubtful debts as disclosed in the Statement of Financial Position and notes to the financial statements.

Financial Statements

Notes to the Financial Statements *Continued*

30 JUNE 2005

30. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

Astron Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. In 2004, Astron Limited allocated internal resources and engaged expert consultants to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. As a result, Astron Limited determined that a review of the new standards be completed and reported to the Directors. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004. Astron Limited's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Astron Limited prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing internal work being undertaken on AIFRS; (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

(a) Impact on equity and profit as presented under AGAAP to that under AIFRS

(i) The Directors have determined that in accordance with Impairment of Assets Under AASB 136 that there is no indication at either 1 July 2004 or 30 June 2005 that assets may be impaired. As such, no impairment adjustments will be required to amounts of equity and profits stated under AGAAP.

(ii) Non-current Investments

All non-current investments are currently measured at cost with an annual review by the directors to ensure that the carrying amounts do not exceed recoverable amounts.

Under AIFRS, the listed and unlisted non-current investments will be classified as "available-for-sale" financial assets under AASB 139: Financial Instruments: Recognition and Measurement, and measured at fair value with gains/losses taken to equity. The impact of this change is likely to result in an increase in the value of listed and unlisted non-current investments. The investments in controlled entities recognised in the parent entity will continue to be measured at cost as permitted by AASB 127: Consolidated and Separate Financial Statements.

However, on 1 July 2005, the fair value of listed and unlisted non-current investments is \$7,227,450 which will result in an increase in non-current other financial assets of \$645,000 and a corresponding increase in opening balances of retained earnings at that date, offset by a deferred tax liability of \$193,500.



Notes to the Financial Statements *Continued*

30 JUNE 2005

(iii) Income Tax

Currently, the consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112: Income Taxes, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

The impact will be the recognition of a deferred tax liability at 1 July 2005 of approximately \$193,500 (Parent: \$193,500) in relation to the asset revaluation and a corresponding decrease in opening balances of retained earnings at that date.

(iv) Foreign Currency Reserve

The consolidated entity is using the exemption available under AASB 1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards to reset the balances on the foreign currency translation reserve at transition date (1 July 2004) to zero. This will result in a transitional adjustment at 1 July 2004 of \$2,399,091 to reduce opening balances of retained earnings and a corresponding increase on the foreign currency translation reserve at that date.

(b) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

It is anticipated that the implementation of AIFRS will not effect the net cash of the consolidated entity or parent entity.

Financial Statements

DIRECTOR'S DECLARATION

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

(1) In the opinion of the directors:

(a) the financial statements and notes of the parent entity and of the consolidated entity are in accordance with the Corporations Act 2001, including:

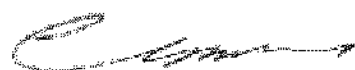
(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

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

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2005.

On behalf of the Board



Mr Gerard King
Director
Sydney, 30 September 2005

IBDO

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ASTRON LIMITED

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Astron Limited (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard AASB 1046 Director and Executive Disclosures by Disclosing Entities, under the heading "Remuneration Report" in pages 106 and 107 of the directors' report, as permitted by the Corporations Regulations 2001.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit Approach

We have conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 1046 and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Financial Statements

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

The independence declaration given to the directors in accordance with section 307C would be in the same terms if it had been given at the date of this report.

Analyst Opinions

In our opinion,

- (1) the financial report of Astron Limited is in accordance with:
- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - (b) other mandatory financial reporting requirements in Australia; and
- (2) the remuneration disclosures that are contained in pages 107 and 108 of the directors' report comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001.

30

BDO
Chartered Accountants

Col. Col.

R. PECK
Partner
Signed this 30th day of September, 2005 in Sydney



Directors' Report

30 JUNE 2005

Your directors submit their report for the year ended 30 June 2005

DIRECTORS

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

Names, qualifications, experience and special responsibilities

Mr Gerard King, LLB (Chairman) – Age 64
Chairman, board Member since 5.11.85.

Former partner of law firm Phillips Fox and has had over 30 years of experience in corporate and business advising including acting as a Director of a number of Australian Public Companies.

Mr Alexander Brown, B.AgSc (Managing Director) – Age 64
Executive Director. Board Member since 4.02.88.

Wide commercial experience of over 30 years in construction, mining and exploration including developing the Horseshoe Lights Gold Mine at Meekathara W.A., expanding the Gunnedah Coal Mine, in NSW, and successfully drilling for oil and gas in Thailand and USA.

He also started with others a major advanced plastics pipe company Europipe Sdn Bhd in Malaysia in 1987 which manufactured and distributed its products throughout Asia and Australasia.

In the last 16 years his activities have focused in building the Astron business in China

Mr Robert Flew, B Ec (Hons) (Non-executive Director) – Age 64
Appointed on 19 March 2004.

Mr Flew brings to Astron In excess of 36 years experience in the resources sector. Mr Flew's experience includes holding the positions of Company Secretary and Vice President Investor Relations of BHP, the Group General Manager of Corporate Development BHP Copper, Group General Manager of International BHP and Group General Manager of BHP's coal business in Queensland.

He is widely experienced in global issues, in particular the requirements of customers, partners, governments, industry associations, corporate governance and shareholders. He has had hands on experience in working with large multinational projects in the areas of finance, general corporate administration, governance and shareholder interaction.

Mr Flew is currently a Director of Thiess Pty Limited, Bass Strait Oil Co Limited, Leviathan Resources Limited and Geodynamics Limited.

COMPANY SECRETARY

Mr Matthew Sutfling, B.Ec CA – Age 34
Appointed 10 May 2004.

He is a Chartered Accountant qualifying in 1996. His experience is broad based including clients ranging from multinationals to listed public companies, audit and other business financial and tax services. He is currently in Public Practice.

Financial Statements



Directors' Report Continued

30 JUNE 2005

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Astron Limited were:

	Ordinary Shares	% Preference Shares	Options over Ordinary Shares
Mr. Gerard King	942,856	-	-
Mr. Alexander Brown	39,811,648	-	-
Mr. Robert Flew	163,690	-	-

EARNINGS PER SHARE

	Cents
Basic earnings per share	45.2
Diluted earnings per share	45.2

DIVIDENDS

Prior to the year under review, the policy was to reinvest earnings in the business. The directors believe the business of the company has now matured to the point where it is appropriate to commence paying dividends.

Accordingly Astron has decided to declare its first dividend. This will be 10 cents per share in respect of the year ended 30th June, 2005, payable in December 2005. The dividend will be unfranked.

It is also intended to introduce a Dividend Reinvestment Plan.

Future dividends will depend on the level of profitability of the company and the funding requirements of growth projects. However it is the Director's objective, subject to profitability, to maintain or improve the level of dividends paid in the future.

CORPORATE INFORMATION

Corporate structure

Astron Limited is a Company limited by shares that is incorporated and domiciled in Australia.

Nature of operations and principal activities

The principal activities during the year of entities within the consolidated entity were:

- Zirconium and related chemical manufacturing
- Mineral sands processing and trading

There have been no significant changes in the nature of those activities during the year.

Employees

The consolidated entity employed 621 employees as at 30 June 2005 (2004: 578 employees).

OPERATING AND FINANCIAL REVIEW

Group Overview

Highlights

The results as reported reflect the continued development of the group's products and business both internationally and within China. The booming Chinese economy has certainly assisted in the achievement of the group's dual records, ie Annual Sales and profit.

During the year, the consolidated entity continued to consolidate its position as one of China's largest Zirconium chemicals and materials companies expanding its sales throughout China and the world. The enormous expansion currently occurring in China in many industries has flowed into Astron's Zirconium business. Demand in China for basic Zirconium raw material imports (Zircon sand) continues to develop at impressive rates and the world demand for Zirconium chemicals and other specialty products continues to grow strongly.

Astron's acquisition of Zirconium Limited in March 2004 (The Donald Project) is at a feasibility stage and showing signs together with the Gambian Joint Venture that Astron will be able to secure its long-term raw material needs.

Directors' Report Continued

30 JUNE 2005

Performance Indicators

Astron's strong growth continued for the year ended June 2005 with sales up 34.0% to \$140.3 million (2004 \$104.7 million)

The result for the year ended June 2005 was a record profit after tax of \$26.05 million (2004 \$15.15 million).

Dynamics of the Business

Plant Expansion Plans

- The company continues with its expansion of its high purity chemical Zirconia business and a new 2 story factory of approximately 10,000 m2 was completed
- An additional 2 furnaces were installed in the new Fused Zirconia factory which now provides 13,000 tonnes capacity per annum
- Our special chemical oxide plant is also being expanded

These expansions will allow for continuing increases in sales during the coming year.

Mining Plans

The Gambia Mining Joint Venture is a 50:50 JV between Astron Limited and Carnegie Corporation (of Perth, Western Australia). Subject to successful trial results and formal mining license approval, Astron is planning to commence mining next year to produce approximately 20,000 tonnes (43% ZrO2) Zircon concentrate and 100,000 tonnes (55% TiO2) Ilmenite concentrate per year.

Donald Project

For the Donald heavy mineral sands project in Victoria work continued on the Environmental Impact Statement and the necessary applications for works approval and a mining lease for the first 21 years of operation.

Titanium Plans

The company continues to plan for an entry into the Titanium chemical business in China. With advanced western technology and Titanium experience already available in Astron and a long relationship with the industry, the production in China of Titanium pigment is considered by Astron as a substantial opportunity to expand into a related industry with a similar type of process and markets. Worldwide the Titanium pigment industry is significant (approx. 4 million tons and \$8 billion USD per annum) and mature With stable year on year growth of 2–3%.

Operating Results for the Year

Operational Highlights

- Sales increased strongly during the year driven primarily by strong Chinese demand
- Both fused Zirconia and Zirconium chemical capacities were expanded during the period and are currently operating close to full capacity
- Despite cost pressures, including raw material and freight cost increases, the company has been able to increase gross profit margins
- During the year the company improved its quality standard procedures to ISO 9001–2000. Further, the Directors are very proud to report the company is now accredited ISO 14000 obtaining high environmental certification and ISO 18000 relating to Occupational Health and Safety
- The 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
- The company continues its processing of mineral sands concentrate in China for a number of suppliers. The company is also planning to move and expand its processing from Hainan to a new location in mainland China.

Financial Statements

Directors' Report Continued

30 JUNE 2005

Summarised operating results are as follows:

	2005 Revenues \$	2005 Results \$
Consolidated entity sales and profit from ordinary activities before income tax expense	140,675,060	26,735,853

Shareholder Returns

	2005	2004	2003	2002
Basic earning per share (cents)	45.2	30.2	(13.6)	35.2

Review of Financial Condition

Capital Structure

On 15 July 2005 the Directors advised the ASX that the company would proceed with both a share retention and share purchase plan. The new shares are ordinary shares and are anticipated to be available for trading after 1 October 2005.

The Directors, subject to ratification at the forthcoming Annual General Meeting plan to commence an employee share plan available to management and officers of the Company.

Cash from Operations, Liquidity and Treasury Policy

Consistent with the significant sales and profit growth during the year through the operation of the Chinese business, cash reserves after repayment of debt and the ongoing capital improvement program have been maintained at significant levels which will allow the Directors and Management flexibility with respect to the company's ongoing activities.

Risk Management

The group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board.

Excellence in risk management and control for example by the adoption of ISO Quality Standards and the employment of internationally skilled and experienced personnel are key success factors. The consolidated entity is committed to active risk management as outlined in our corporate governance statement.

The Audit and Risk committee has undertaken a review of business risks, policies and procedures to provide assurance that Risk is being managed effectively together with the implementation of an internal audit and review program.

Legal

At the date of the Directors' report there are no new significant legal issues. Legal action in Malaysia continues to pursue damages with respect to the investment previously written off.



Directors' Report Continued

30 JUNE 2005

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the state of affairs of the company occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Astron anticipates that the continued growth of products and the Chinese economy will continue to underpin the business and provide opportunities for future profit growth and as such there are no likely developments in the company's operations.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entities principal operations are in China and are regulated by various laws in China. In relation to the manufacturing processes in China, no environmental incident was recorded during 2005 and further that there were no exceptions noted by regular local government environmental testing and supervision. The consolidated entity complied with all environmental regulations in relation to mining operations and there were no reportable environmental matters from the Gambian or Australian operations.

SHARE OPTIONS

Unissued shares

The Company has not issued any options.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The company has not during the financial year end, in respect of any person who is or has been an officer or an auditor of the company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings;
- or paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

Subsequent to year end the Directors have instructed our insurers to obtain Directors and Officers Insurance. It is envisaged that liabilities insured will be legal costs that maybe incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause a detriment to the company. It is not possible to apportion the premium between amounts relating to the Insurance against legal costs and those relating to other liabilities.

Directors' Report Continued

30 JUNE 2005

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of Astron Limited (the company).

The Remuneration and Nomination Committee comprises Mr. Gerard King (Chairman) and Mr. Robert Flew, both independent nonexecutive directors. The committee's terms of reference is to recommend to the Board fair remuneration for the directors and senior executives and to set remuneration policy for the company generally.

Executive Remuneration

The committee recognizes that in order to maximize shareholder value it is necessary to have a competitive pay and benefits structure, and that the provision of appropriate rewards for superior performance is vital to the continuous growth of the business. The committee receives recommendations from the Managing Director and seeks independent advice when appropriate. The remuneration policy is renewed annually and will consist of base salary and varying forms of incentive payments including annual bonus and shares.

The majority of executive and employees reside and work in the Chinese operation. The specific remuneration policy for these employees has evolved to reflect particular cultural aspects of operating a small but growing industrial company in that country. The total remuneration comprises a relatively modest base salary, and a highly incentivised bonus scheme aligned to shareholder interests. In the case of the senior executives, the bonus is related directly to the profit of the Chinese operation (after taking account of certain corporate costs). A pool representing 10% of the profit of the Chinese operation is distributed as follows:

- 40% to Level 1-2 Executives
- 30% to Level 3-5 Executives
- 30% to Level 5-10 Management

The objective of this system is both to ensure reward for individual performance is appropriate for the results achieved, and at the same time, to create the optimum value in growth of share price and dividend potential for shareholders.

In relation to incentive payments for all of the Chinese staff, the company has adopted a detailed protocol for the measurement of performance indicators which involves a rigorous assessment procedure. Engagement letters are in place for all executives. Contractual terms are to be reviewed during the forthcoming year.

There are a limited number of non-Chinese executives working either in China or for Astron in other countries. In all such cases, the policy is to enter into contracts of employment. Contracts for all such executives are current.

The contracts for these people includes base salary and various non-monetary benefits as well as shares to be issued upon successful completion of specific tasks. These will be issued in subsequent periods as indicated in the table following. A total of 290,000 shares have been allocated for this purpose.

In view of the growth plans of the company, the policy and practice of issuing shares to employees will be incorporated within an approved Employee Share Plan. It is anticipated that this will be brought to shareholders at the next Annual General Meeting. It is expected that Chinese employees will be given, subject to regulatory requirement, an opportunity to accept a proportion of their annual bonus in shares.

Directors' Report Continued

30 JUNE 2005

Table 1: Director remuneration - Parent entity for the year ended 30 June 2005

	Level	Salary & Fees	Cash Bonus	Non Monetary	Post Employment Superan- uation	Retirement benefits	Equity # Shares	Other	Total
Mr Gerard King									
2005		30,000	-	-	-	-	-	-	30,000
2004		30,000	-	-	-	-	-	-	30,000
Mr Alexander Brown 1									
2005		158,719	606,699	-	-	-	-	-	765,418
2004		161,089	316,484	4,954	-	-	-	-	482,527
Mr Robert Flew									
2005		30,000	-	-	-	-	-	-	30,000
2004		8,384	-	-	-	-	-	-	8,384
Total Remuneration: Specified Directors									
2005		218,719	606,699	-	-	-	-	-	825,418
2004		199,473	316,484	4,954	-	-	-	-	520,911

Table 2: Remuneration of the Consolidated entities 7 named executives who receive the highest remuneration for the year ended 30 June 2005

	Level	Salary & Fees	Cash Bonus	Non Monetary	Post Employment Superan- uation	Retirement benefits	Equity # Shares	Other	Total
Mdm Kang Rong 1									
2005		38,436	697,189	983	-	-	-	-	736,608
2004		28,399	316,485	-	-	-	-	-	344,884
Mr Alan Guy #									
2005		168,176	50,000	11,630	-	-	450,000	-	679,806
2004		110,887	-	-	-	-	-	-	110,887
Mdm Zhang Hong 3									
2005		34,592	515,351	983	-	-	-	-	550,926
2004		25,356	237,363	-	-	-	-	-	262,719
Mr Zhang Jing 3									
2005		32,671	455,024	1,041	-	-	-	-	488,736
2004		25,356	237,363	-	-	-	-	-	262,719
Mr Kim Hodierne #									
2005		156,398	-	-	-	-	-	-	156,398
2004		117,767	-	-	-	-	-	-	117,767
Mr Robert Willerton									
2005		120,586	-	18,525	-	-	-	-	139,111
2004		22,554	-	-	-	-	-	-	22,554
Dr Stanley Elliott @									
2005		84,825	-	8,707	35,709	-	-	-	129,241
2004		35,968	-	-	4,956	-	-	-	40,924
Total Remuneration: Specified Executives									
2005		635,684	1,717,564	41,869	35,709	-	450,000	-	2,880,826
2004		366,287	791,211	-	4,956	-	-	-	1,162,454

Financial Statements

Directors' Report Continued

30 JUNE 2005

Notes

Shares in recognition of completion of specific tasks will be issued in subsequent periods. In the case of Mr. Alan Guy, 200,000 shares will be issued upon completion of certain specific tasks and 150,000 of which have been allocated to the current year, Mr Kim Hodieme will be issued 30,000 shares upon successful achievement of specific sales and objectives. Dr. Mark Elliott ceased employment at year end.

DIRECTORS' MEETINGS

The numbers of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings

	Directors' Meetings	Meetings of Committees	
		Audit & Risk	Remuneration & Nomination
Number of meetings held:	4	4	4
Number of meetings attended:			
Mr Gerard King	4	4	4
Mr Alexander Brown	4	4*	4*
Mr Robert Flew	4	4	4

* By Invitation

Committee membership

As at the date of this report, the company continues to have both an Audit & Risk Committee and a Remuneration & Nomination Committee. Separating the committees is not considered feasible due to the size, structure and nature of the business.

Members acting on the committees of the Board during the year were:

Audit & Risk	Remuneration & Nomination
Mr Robert Flew (c)	Mr Gerard King (c)
Mr Gerard King	Mr Robert Flew

Notes

(c) Designates the chairman of the committee.

ROUNDING

The amounts contained in this report have not been rounded.



Directors' Report Continued

30 JUNE 2005

TAX

Australian:

– In accordance with the Australian Income Tax Act, Astron Limited and its 100% owned Australian controlled entities will form a tax consolidated group

– Australia has a double tax agreement with China and there are currently no impediments to repatriating profits from China to Australia

– Dividends paid to Astron Limited during 2005 from Chinese controlled entities are non-assessable under current Australian Income Tax Legislation

– The Directors have recently been advised that Tax Law changes now have the effect that dividends declared by Astron Limited and paid to non-residents may not be subject to Australian withholding tax.

China:

Astron Limited's controlled entities manufacture in China and are subject to Chinese income tax laws. A number of tax concessions are currently available including:

– No tax for the first 5 years of new controlled entities operations

– High technology concessions reducing the tax rate by 50%

– Other significant concessions including Profit reinvestment

Chinese taxation obligations have been fully complied with, confirmed by regular audits completed by the Chinese tax authorities.

AUDITOR INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2005 has been received and can be found at page 111 of the report.

Financial Statements

Directors' Report Continued

30 JUNE 2005

NON-AUDIT SERVICES

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement FI: Professional Independence.

The following non-audit services were provided by the entity's auditor, BDO Chartered Accountants. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

BDO Chartered Accountants received or are due to receive the following amounts for the provision of non-audit services:

Accounting advice	\$	10,705
Secretarial services	\$	9,545
Tax compliance and advice	\$	29,440

Signed in accordance with a resolution of the directors.



Mr Gerard King
Director
Sydney, 30 September 2005

Auditor Independence Statement

30 JUNE 2005

BDO

Chartered Accountants
& Advisers

Level 19, 2 Market Street Sydney NSW 2000
GPO Box 2551 Sydney NSW 2001
Tel: +61 2 9298 5555 Fax: +61 2 9298 5599
Email: bdo@bdo.com.au
bdo.com.au

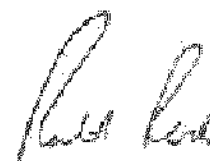
DECLARATION OF INDEPENDENCE BY ROBERT PECK TO THE DIRECTORS OF ASTRON LIMITED

To the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.



BDO
Chartered Accountants



R. PECK
Partner
Signed this 30th day of September, 2005 in Sydney





Corporate Information

Directors

Mr Gerard King (Chairman)
Mr Alexander Brown (Managing Director)
Mr Robert Flew (Non-executive Director)

Company Secretary

Mr Matthew Sutling

Registered Office

Level 19, 2 Market Street
Sydney NSW 2000

Australian Business Office

105 Howard Avenue
Dee Why NSW 2099

Mailing Address

P O Box 1035
Dee Why NSW 2099

Principal Place of Business

c/- Shenyang Astron Mining Industry Limited
Telephone: 86 24 2295 0406
Daxi Road, Shenhe District
Shenyang, Liaoning Province, China 110013
Telephone: 86 24 2295 0406
Fax: 86 24 2295 1491

Solicitors

Phillips Fox
255 Elizabeth Street
Sydney NSW 2000

Bankers

Commonwealth Bank of Australia
48 Martin Place
Sydney NSW 2000

Share Register

Computershare Investor Services Limited
Level 3, 60 Carrington Street
Sydney NSW 2001
Telephone No. 61 2 8234 5000

Auditors

BDO Chartered Accountants
Level 19, 2 Market Street
Sydney NSW 2000

Internet Address

www.astronchem.com