

Astron Limited

ABN 97 000 285 272

Consolidated Financial Statements

For the Year Ended 30 June 2007

Astron Limited

ABN 97 000 285 272

For the Year Ended 30 June 2007

CONTENTS

| | <u>Page</u> |
|--|-------------|
| Consolidated Financial Statements | |
| Directors' Report | 1 |
| Auditor's Independence Declaration | 15 |
| Income Statement | 16 |
| Balance Sheet | 17 |
| Statement of Changes in Equity | 19 |
| Cash Flow Statement | 22 |
| Notes to the Financial Statements | 24 |
| Declaration by Directors | 74 |
| Independent Audit Report | 75 |

Astron Limited

ABN 97 000 285 272

Directors' Report

30 June 2007

Your directors present their report on the company and its subsidiaries for the financial year ended 30 June 2007.

1. General information

a Directors

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

| Names | Appointed/Resigned |
|----------------------|---------------------------|
| Mr Gerard King | |
| Mr Alexander Brown | |
| Mr Robert Flew | |
| Mr Ronald McCullough | |
| Mdm Kang Rong | |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

b Company Secretary

The following person held the position of company secretary at the end of the financial year:

Mr Matthew Suttling, B.Ec CA was appointed Company Secretary of Astron Limited on 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.

c Principal Activities

The principal activities of the Group during the financial year were:

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

There have been no significant changes in the nature of the Group's principal activities during the financial year.

Astron Limited

ABN 97 000 285 272

Directors' Report

30 June 2007

2. Business review

a Operating Results

The consolidated profit of the Group after providing for income tax amounted to \$ 11,431,821.

b Dividends Paid or Recommended

Dividends paid or declared for payment are as follows:

| | |
|--|--------------|
| Ordinary dividend paid on 12 December 2006, as recommended in the 2006 Director's Report | \$ 5,832,212 |
| Ordinary dividend of \$0.20 per share recommended by the Directors | \$12,086,922 |

c Review of Operations

Revenue rose to \$181.6 million from \$150.7 million in 2006, up 20.5 per cent. Profit was \$11.4 million, down from \$20.6 million in 2006. As forecast the company again achieved new record revenues. These revenues reflected a strong performance for all divisions and in particular reflect a very strong growth in the sale of Titanium slag to TiO₂ producers across China.

Net profit was lower than forecast reflecting:

- Softening of the zircon sand market in China resulting in lower margins from sale of zircon sand
 - Lower margins from Traded Titanium products
 - Strong increases in freight for export and domestic sales and increases in tonnages moved
- Increase in Chinese income tax rate applicable to Astron Chemical Co Ltd (principle trading entity)
Consulting and advisory fees and other costs associated with proposed sale of four Chinese subsidiaries to Imerys.

The decrease in margins was due to difficulties in passing through raw material prices and the contribution of the TiO₂ Slag business. Administrative expenses were controlled, however consulting and advisory fees had a negative impact on the results.

A dividend payment of 20 cents per share for the year will be made on the 12th of December 2007.

China's economy, once again provided a strong driving force for our business. Demand across most segments of the business, particularly manufactured products was strong. Sales volumes of manufactured fused and chemical products grew in line with China's ongoing demand growth.

Sales volumes of zircon flour increased which was very pleasing however margins continued to decline due to the Zircon sand price squeeze and ongoing changes to the market use such as the decline of usage in TV glass applications offset by location of new markets.

Sales volumes of zircon sand increased due to our aggressive positioning in the market and our ability to acquire the Zircon. The continued influx of zircon concentrates (from smaller, mainly Indonesian producers), into the Chinese market placed significant price pressure on the margins achieved. This processing of concentrates changed the market dynamics from the end of 2006 and continued throughout the financial year.

Astron Limited

ABN 97 000 285 272

Directors' Report

30 June 2007

2. Business review continued

c Review of Operations continued

As noted last year a significant development in 2006 was the market expansion of our partially stabilized zirconias, we are happy to report that volumes increased 200% and margins strengthened as we continue to develop our market share.

Through the audit process, the group brought to account adjustments to inventory valuations, the income tax provisions and foreign currency losses on group loans and as a result the profit of \$11,431,821 has differed from that reported to the ASX on 31 August 2007 under listing rule 4. of \$14,053,025.

3. Financial review

Financial Position

The net assets of the Group have increased to \$97,947,373 an increase of \$3,844,584 from 2006.

The net assets have been effected by:

- Profit from operating activities
- Dividends paid
- Currency translation from the Chinese Yuan Renminbi to the Australian Dollar

4. Other items

a Significant Changes in State of Affairs

No significant changes in the Group's state of affairs occurred during the financial year.

b After balance date events

Further to the announcement of 29 August 2007 Astron Limited has entered into a conditional agreement to sell its China based zircon materials business to Imerys providing significant funding for Astron's forward strategies encompassing both mineral sands mining and processing and the downstream production of chemicals and metals.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Astron Limited

ABN 97 000 285 272

Directors' Report

30 June 2007

4. Other items continued

c Future developments, Prospects and Business Strategies

Overall the quantity of zircon feedstock available to the business in 2007 was similar to 2006. The ongoing situation will be strengthened in 2008 due to our Gambia mining operation offtake and other ongoing supply contracts. The Donald project will provide further business expansion opportunities from 2009.

d Environmental Issues

The Group's principal operations are in China and are regulated by various laws in China. The Group continues to work closely with the local authorities to ensure high standards are maintained. In relation to the manufacturing processes in China, there were no exceptions noted by regular local government environmental testing and supervision.

The Group complied with all environmental regulations in relation to mining operations and there were no reportable environmental matters from the Gambian or Australian operations.

e Auditors Independence Declaration

The lead auditors independence declaration for the year ended has been received and can be found on page 15 of the financial report.

f 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 APES 110 Code of Ethics for Professional Accountants.

The following fees for non-audit services were paid/payable to BDO Kendalls the external auditors during the year ended:

| | 2007 | 2006 |
|---|---------------|--------|
| | \$ | \$ |
| Accounting advice on AIFRS implementation | - | 15,755 |
| Assistance with due diligence reviews and other | 26,598 | - |
| Secretarial services | 2,830 | 1,937 |
| Tax compliance and advice | 11,800 | 10,150 |
| | 41,228 | 27,842 |

Astron Limited

ABN 97 000 285 272

Directors' Report

30 June 2007

5. Director Information

a Information on Directors

| | |
|---|---|
| Mr Gerard King | Chairman (Non-executive) |
| Qualifications | LLB |
| Experience | - Board Member since 5 November 1985 - 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 |
| Interest in Shares and Options | 1,088,250 Ordinary shares |
| Special Responsibilities | Mr King is a member of the Audit & Risk Committee and Remuneration & Nomination Committee |
| Directorships held in other listed entities | Mr King is not currently a Director in another listed company. |
| Mr Alexander Brown | Managing Director (Executive) |
| Qualifications | B.AgSc |
| Experience | - Board Member since 4 February 1988 - 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 17 years his activities have focused in building the Astron business in China. |
| Interest in Shares and Options | 41,416,189 Ordinary shares |
| Special Responsibilities | Mr Brown is the Managing Director and responsible for the operations of the economic entity |
| Directorships held in other listed entities | Mr Brown is not currently a Director in another listed company. |

Astron Limited

ABN 97 000 285 272

Directors' Report

30 June 2007

| | |
|---|--|
| Mr Robert Flew | (Non-executive) |
| Qualifications | B Ec (Hons) |
| Experience | <p>- Board Member since 19 March 2004</p> <p>- 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.</p> <p>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</p> |
| Interest in Shares and options | 170,574 Ordinary shares |
| Special Responsibilities | Mr Flew is a member of the Audit & Risk Committee and Remuneration & Nomination Committee |
| Directorships held in other listed entities | <p>Mr Flew is currently a Director of the following listed companies</p> <p>Perseverance Resources Corporation Ltd (since 2007)</p> <p>Geodynamics Limited (since 2002)</p> <p>Formerly a Director of the following listed companies</p> <p>Bass Strait Oil Co Limited (2002-2006)</p> <p>MPI Mines Limited (2004-2005)</p> <p>Leviathan Resources Ltd (2005-2006)</p> |

Astron Limited

ABN 97 000 285 272

Directors' Report

30 June 2007

| | |
|---|--|
| Mr Ronald McCullough | (Non-executive) |
| Qualifications | M.B.A., B.E. (Hons), FAustIMM |
| Experience | <p>- Appointed to the Board 21 August 2006</p> <p>- Ronald Hugh McCullough is an Honours graduate in Engineering from the University of Western Australia. He also completed a Master of Business Administration at UWA.</p> <p>Subsequently, Ron has been involved in civil engineering design, and the construction of various major engineering works in Western Australia, including water supply dams, major water reticulation and suburban infrastructure projects.</p> <p>Ron has extensive mining experience, including bauxite and coal mining. Ron has investigated the development of a private power station and the exploitation of coal bed methane deposits in the Gunnedah basin on NSW. While involved with the Maitland Main Collieries, which held an Authorisation to develop a large coal deposit at Glennies Creek, near Singleton, in the Hunter Valley, NSW Ron managed all necessary environmental impact studies, authority compliance requirements, mine construction and operation feasibility studies and then obtained a mining lease for the deposit.</p> <p>Ron became involved in the sand mining industry in Western Australia with the development, in 1994, and management until 2005 of a silica sand mining and exporting operation at Albany in Western Australia, on behalf of Japanese corporations.</p> |
| Interest in Shares and Options | Nil |
| Special Responsibilities | Mr McCullough is a member of the Audit & Risk Committee and Remuneration & Nomination Committee |
| Directorships held in other listed entities | Mr McCullough is not currently a Director in another listed company. |

Astron Limited

ABN 97 000 285 272

Directors' Report

30 June 2007

| | |
|---|---|
| Mdm Kang Rong | (Executive) |
| Qualifications | B.E.(Chem) |
| Experience | - Appointed to the Board 21 August 2006 - Mdm Kang Rong worked as a Chemical Production Engineer at Shenyang Chemical Company (a major Chinese company based in Shenyang (Liaoning Province). She then moved to Hainan Island China and worked in sales and administration for the Japanese trading co. Nissei, Ltd. - She joined Astron in 1995 as marketing manager of Shenyang Astron Mining Industry. Since then she has overseen Astron's China operations and global sales for over 11 years and has been largely responsible for the growth and development of the Company |
| Interest in Shares and Options | In accordance with the provisions of the Corporations Act Mdm Kang Rong has a deemed interest in shares shown for Mr Alexander Brown |
| Special Responsibilities | As Vice General Manager she has been in charge of all Astron's China operations and global sales for over 10 years |
| Directorships held in other entities listed | Mdm Kang Rong is not currently a Director in another listed company. |

b Meetings of Directors

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

| | Committee Meetings | | | | | |
|----------------------|---------------------------|-----------------|---------------------------|-----------------|-------------------------------------|-----------------|
| | Directors' Meetings | | Audit & Risk Committee | | Remuneration & Nominating Committee | |
| | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| Mr Gerard King | 8 | 7 | 3 | 3 | 2 | 2 |
| Mr Alexander Brown | 8 | 8 | 3 | 3 | 2 | 2 |
| Mr Robert Flew | 8 | 7 | 3 | 3 | 2 | 2 |
| Mr Ronald McCullough | 8 | 8 | 3 | 3 | 2 | 2 |
| Mdm Kang Rong | 8 | 7 | 3 | 2 | 2 | 1 |

Astron Limited

ABN 97 000 285 272

Directors' Report

30 June 2007

6. Remuneration Report

a Remuneration Report

This report details the nature and amount of remuneration for each director of Astron Limited, and for the executives receiving the highest remuneration.

b Remuneration policy

The remuneration policy of Astron Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives based on key performance areas affecting the Group's financial results. The board of Astron Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for the board members and senior executives of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration committee and approved by the board after seeking professional advice from an independent external consultant; and
- All executives receive a base salary (which is based on factors such as length of service and experience), other statutory benefits and performance incentives.
- The remuneration committee reviews executive packages annually by reference to the group's performance, executive performance and comparable information from industry sectors.

The performance of executives is measured against criteria agreed with each executive and is based predominantly on the forecast growth of the Group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.

From time to time shares are issued to executives to reflect achievements of performance criteria. There are presently no option based schemes in place.

Where payable the executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive.

Astron Limited

ABN 97 000 285 272

Directors' Report

30 June 2007

6. Remuneration Report continued

b Remuneration policy continued

The board policy is to remunerate non executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non executive directors are not linked to the performance of the Group. However, to align Directors interests with shareholder interests, the directors are encouraged to hold shares in the Group.

c Performance based remuneration

As part of each executive director and executives remuneration package there is a performance based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between directors/executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with directors/executives to ensure buy in. The measures are specifically tailored to the areas each director/executive is involved in and has a level of control over. The KPIs target areas the board believes hold greater potential for group expansion and profit, covering financial and non financial as well as short and long term goals. The level set for each KPI is based on budgeted figures for the group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the groups goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, Astron Limited bases the assessment on audited figures, however, where the KPI involves comparison of the group or a division within the group to the market, independent reports are obtained from organisations such as Standard & Poors.

Bonuses are set as a percentage of base remuneration and paid as 0% to 100% of base package.

d Company performance, shareholder wealth and directors and executives remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. This has been achieved by implementing performance based bonuses based on key performance indicators to encourage the alignment of personal and shareholder interests. The Group believes this policy to have been effective in increasing shareholder wealth over the past five years.

The following table shows the gross revenue, profits and dividends for the last five years for the listed entity, as well as the share price at the end of the respective financial years. Analysis of the actual figures shows continued year on year revenue growth, strong profitability and continuance of the dividend policy. The board is of the opinion that these results demonstrate the statements made above.

Astron Limited

ABN 97 000 285 272

Directors' Report

30 June 2007

6. Remuneration Report continued

d Company performance, shareholder wealth and directors and executives remuneration continued

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------|--------|---------|---------|---------|---------|
| | '000s | '000s | '000s | '000s | '000s |
| Revenue | 81,451 | 104,719 | 140,325 | 150,731 | 181,602 |
| Net Profit | 6,240 | 15,151 | 26,052 | 20,589 | 11,432 |
| Share Price at Year-end | 0.65 | 2.68 | 3.00 | 3.10 | 2.63 |
| Dividends Paid | 0 | 0 | 0 | 5,809 | 5,832 |

e Details of remuneration for year

The remuneration for each director and each of the five executive officers of the group receiving the highest remuneration during the year was as follows:

| | Short-term benefits | | Post employment benefits | | Long Term | Share-based payments | Total |
|---------------------------------|------------------------------|----------------|--------------------------|------------------------------|-----------|----------------------|------------------|
| | Salary, Fees and Commissions | Cash Bonus | Non-Cash Benefits | Super-annuation Contribution | | | |
| | \$ | \$ | \$ | \$ | \$ | Equity | \$ |
| Directors - 30 June 2007 | | | | | | | |
| Mr Gerard King | 75,000 | - | - | - | - | - | 75,000 |
| Mr Alexander Brown ^ | 244,845 | 244,845 | - | - | - | - | 489,690 |
| Mr Robert Flew | 50,000 | - | - | - | - | - | 50,000 |
| Mr Ronald McCullough | 96,000 | - | - | - | - | - | 96,000 |
| Mdm Kang Rong ^ | 163,230 | 163,230 | - | - | - | - | 326,460 |
| Total | 629,075 | 408,075 | - | - | - | - | 1,037,150 |
| Directors - 30 June 2006 | | | | | | | |
| Mr Gerard King | 67,500 | - | - | - | - | - | 67,500 |
| Mr Alexander Brown ^ | 249,002 | 249,002 | - | - | - | - | 498,004 |
| Mr Robert Flew | 46,670 | - | - | - | - | - | 46,670 |
| Total | 363,172 | 249,002 | - | - | - | - | 612,174 |

Astron Limited

ABN 97 000 285 272

Directors' Report

30 June 2007

6. Remuneration Report continued

e Details of remuneration for year continued ended 30 June 2007

| | Short-term benefits | | Other | Post employment benefits | | Share-based payments | | Total |
|--|------------------------------|------------------|-------------------|------------------------------|-----------|----------------------|----------|------------------|
| | Salary, Fees and Commissions | Other Cash Bonus | Non-Cash Benefits | Super-annuation Contribution | Long Term | Equity | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Specified Executives - 30 June 2007 | | | | | | | | |
| Mr Alan Guy | 210,805 | - | 11,753 | \$ - | - | - | - | 222,558 |
| Mr Kim Hodierne | 184,569 | - | - | - | - | - | - | 184,569 |
| Mr Arno Kruger | 135,945 | - | - | 11,207 | - | - | - | 147,152 |
| Mr Robert Willerton | 122,393 | - | 11,753 | - | - | - | - | 134,146 |
| Mr Desmond Tan | 111,126 | - | 3,918 | - | - | - | - | 115,044 |
| Total | 764,838 | - | 27,424 | 11,207 | - | - | - | 803,469 |
| Specified Executives - 30 June 2006 | | | | | | | | |
| Mdm Kang Rong # | 164,341 | 166,001 | - | - | - | - | - | 330,342 |
| Mr Alan Guy | 194,453 | - | 29,050 | - | - | - | - | 223,503 |
| Mr Kim Hodierne | 189,167 | - | - | - | - | - | - | 189,167 |
| Mr Robert Willerton | 112,325 | 6,686 | 29,050 | - | - | - | - | 148,061 |
| Mr Arno Kruger | 115,000 | - | - | - | - | - | - | 115,000 |
| Total | 775,286 | 172,687 | 58,100 | - | - | - | - | 1,006,073 |

During the financial year the executive noted did not receive remuneration as a Director of the company.

^ Bonuses were paid after consideration by the remuneration committee to these executives. The cash bonuses were paid during the year as 100% of base remuneration and reflected the committee's satisfaction of the overall performance of the respective executives.

Astron Limited

ABN 97 000 285 272

Directors' Report

30 June 2007

6. Remuneration Report continued

e Details of remuneration for year continued ended 30 June 2007

The remuneration for each director and each of the five executive officers of the company receiving the highest remuneration during the year was as follows:

| | Short-term benefits | | Post employment benefits | | Share-based payments | | Total |
|--|------------------------------|----------------|--------------------------|------------------------------|----------------------|----------|----------------|
| | Salary, Fees and Commissions | Cash Bonus | Non-Cash Benefits | Super-annuation Contribution | Long Term | Equity | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Directors - 30 June 2007 | | | | | | | |
| Mr Gerard King | 75,000 | - | - | - | - | - | 75,000 |
| Mr Alexander Brown | 244,845 | 244,845 | - | - | - | - | 489,690 |
| Mr Robert Flew | 50,000 | - | - | - | - | - | 50,000 |
| Mr Ronald McCullough | 50,000 | - | - | - | - | - | 50,000 |
| Mdm Kang Rong | 84,880 | 163,230 | - | - | - | - | 248,110 |
| Total | 504,725 | 408,075 | - | - | - | - | 912,800 |
| Directors - 30 June 2006 | | | | | | | |
| Mr Gerard King | 67,500 | - | - | - | - | - | 67,500 |
| Mr Alexander Brown | 249,002 | 249,002 | - | - | - | - | 498,004 |
| Mr Robert Flew | 46,670 | - | - | - | - | - | 46,670 |
| Total | 363,172 | 249,002 | - | - | - | - | 612,174 |
| Specified Executives-30 June 2007 | | | | | | | |
| Mr Alan Guy | 210,805 | - | - | - | - | - | 210,805 |
| Mr Matthew Suttling | 75,800 | - | - | - | - | - | 75,800 |
| Mr Desmond Tan | 52,364 | - | - | - | - | - | 52,364 |
| Total | 338,969 | - | - | - | - | - | 338,969 |
| Specified Executives-30 June 2006 | | | | | | | |
| Mdm Kang Rong | 124,500 | 166,001 | - | - | - | - | 290,501 |
| Mr Alan Guy | 194,453 | - | - | - | - | - | 194,453 |
| Mr Matthew Suttling | 37,400 | - | - | - | - | - | 37,400 |
| Mr Desmond Tan | 32,742 | - | - | - | - | - | 32,742 |
| Total | 389,095 | 166,001 | - | - | - | - | 555,096 |

Astron Limited

ABN 97 000 285 272

Directors' Report

30 June 2007

6. Remuneration Report continued

f Employment contracts of directors and senior executives

The employment conditions of the managing director, Mr Alexander Brown, the managing director and specified executives are documented in contracts or letters of engagement. Other than the managing director, all executives are permanent employees of Astron Group. Mr Alexander Brown is employed under a contract expiring May 2009, which ensures his continuing availability to the company. The period of notice required to terminate this contract is twelve months. Other than repayment of loans and management fees there is no further payment required to terminate this contract.

Employment contract arrangements were reviewed during the year by external consultants for consistency and appropriateness to Astron Limited's needs.

7. Indemnifying Officers or Auditors

Insurance premiums paid for directors

During the year Astron Limited paid a premium of \$53,041 to insure the directors and officers of the company.

The company has paid the premium to insure each of the directors against certain liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. In accordance with common commercial practice the insurance policy prohibits disclosure of the nature of the liability insured.

8. Proceedings on Behalf of Company

a No Leave or proceedings

No person has applied for leave to the Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year except the ongoing court proceedings in Malaysia which are continuing.

Signed in accordance with a resolution of the Board of Directors:



Director:

Mr Gerard King

Dated this 29th day of October 2007

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ASTRON LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2007 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Wayne Basford
Partner

BDO Kendalls
Chartered Accountants

Sydney, dated this 25th day of October 2007

Astron Limited

ABN 97 000 285 272

Income Statement

For the Year Ended 30 June 2007

| | Note | Consolidated | | Parent | |
|---------------------------------------|------|-------------------|---------------|-------------------|------------|
| | | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ |
| Sales revenue | 3 | 181,602,409 | 150,731,069 | - | - |
| Cost of sales | | (152,443,661) | (119,714,777) | - | - |
| Gross profit | | 29,158,748 | 31,016,292 | - | - |
| Other revenue | 3 | 142,755 | 431,604 | 12,568,444 | 19,794,827 |
| Other income | 3 | 2,273,532 | 782,894 | 1,146,095 | 386,844 |
| Distribution expenses | | (6,801,673) | (4,753,983) | - | - |
| Marketing expenses | | (862,625) | (1,247,292) | - | (47,216) |
| Occupancy expenses | | (295,403) | (350,577) | - | - |
| Administrative expenses | | (7,885,757) | (6,204,017) | (2,643,638) | (927,236) |
| Finance costs | | (1,221,842) | - | - | - |
| Other expenses | | (637,201) | (122,868) | - | (108,465) |
| Share of net profits of associates | 13 | 27,851 | - | - | - |
| Profit before income tax | | 13,898,385 | 19,552,053 | 11,070,901 | 19,098,754 |
| Income tax expense | 6 | (2,466,564) | 1,036,771 | (350,759) | 1,080,000 |
| Profit attributable to members | | 11,431,821 | 20,588,824 | 10,720,142 | 20,178,754 |

Earnings Per Share:

Overall operations:

| | | | | | |
|--|---|-------|-------|---|---|
| Basic earnings per share (cents per share) | 7 | 19.19 | 35.43 | - | - |
| Diluted earnings per share (cents per share) | 7 | 19.19 | 35.43 | - | - |

The accompanying notes form part of the financial statements

Astron Limited

ABN 97 000 285 272

Balance Sheet

As At 30 June 2007

| | Note | Consolidated | | Parent | |
|---|-------|--------------------|--------------------|-------------------|-------------------|
| | | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 10 | 9,784,235 | 20,783,975 | 306,446 | 297,997 |
| Trade and other receivables | 11 | 29,679,438 | 21,454,463 | 15,307,427 | 8,975,733 |
| Inventories | 12 | 49,941,129 | 28,642,702 | - | - |
| Available for sale financial assets | 15 | 6,199,305 | 8,250,000 | 6,199,305 | 8,250,000 |
| Total current assets | | 95,604,107 | 79,131,140 | 21,813,178 | 17,523,730 |
| Non-current assets | | | | | |
| Investments accounted for using the equity method | 13 | 2,171,730 | - | - | - |
| Other financial assets | 16 | - | - | 37,864,153 | 39,109,684 |
| Property, plant and equipment | 18 | 21,732,918 | 21,088,905 | 36 | 843 |
| Intangible assets | 19 | 24,620,042 | 18,338,220 | 4,435,546 | 1,560,411 |
| Deferred tax assets | 24(b) | 729,330 | 1,080,000 | 729,330 | 1,080,000 |
| Other assets | 20 | - | 310,919 | - | - |
| Total non-current assets | | 49,254,020 | 40,818,044 | 43,029,065 | 41,750,938 |
| TOTAL ASSETS | | 144,858,127 | 119,949,184 | 64,842,243 | 59,274,668 |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Trade and other payables | 21 | 31,888,288 | 20,615,021 | 10,192,356 | 13,684,087 |
| Financial liabilities | 22 | 13,605,354 | 3,477,163 | - | - |
| Current tax liabilities | 24(a) | 300,463 | 74,211 | - | - |
| Total current liabilities | | 45,794,105 | 24,166,395 | 10,192,356 | 13,684,087 |
| Non-current liabilities | | | | | |
| Deferred tax | 24(a) | 1,076,649 | 1,080,000 | 729,330 | 1,080,000 |
| Provisions | 23 | 40,000 | - | - | - |
| Total non-current liabilities | | 1,116,649 | 1,080,000 | 729,330 | 1,080,000 |
| TOTAL LIABILITIES | | 46,910,754 | 25,246,395 | 10,921,686 | 14,764,087 |
| NET ASSETS | | 97,947,373 | 94,702,789 | 53,920,557 | 44,510,581 |

The accompanying notes form part of the financial statements

Astron Limited

ABN 97 000 285 272

Balance Sheet

As At 30 June 2007

| | | Consolidated | | Parent | |
|---|------|--------------------|------------|-------------------|------------|
| | Note | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ |
| EQUITY | | | | | |
| Contributed equity | 25 | 29,619,643 | 24,279,368 | 29,619,643 | 24,279,368 |
| Reserves | 26 | (6,204,326) | 672,745 | - | - |
| Retained earnings | | 72,830,286 | 67,230,676 | 22,599,144 | 17,711,213 |
| Amounts recognised directly in equity on available for sale financial assets | 26 | 1,701,770 | 2,520,000 | 1,701,770 | 2,520,000 |
| TOTAL EQUITY | | 97,947,373 | 94,702,789 | 53,920,557 | 44,510,581 |

The accompanying notes form part of the financial statements

Astron Limited

ABN 97 000 285 272

Statement of Changes in Equity

For the Year Ended 30 June 2007

| | 2007 Parent | | | |
|---|-----------------|-------------------|---|-------------|
| | Ordinary Shares | Retained Earnings | Available for sale financial assets reserve | Total |
| | \$ | \$ | \$ | \$ |
| Equity as at beginning of period | 24,279,368 | 17,711,213 | 2,520,000 | 44,510,581 |
| Net loss of available-for-sale financial assets | - | - | (818,230) | (818,230) |
| Total income and expense for the year recognised directly in equity | - | - | (818,230) | (818,230) |
| Profit for the year | - | 10,720,142 | - | 10,720,142 |
| Total income and expense for the year | - | 10,720,142 | - | 10,720,142 |
| Shares issued during the year | 5,353,307 | - | - | 5,353,307 |
| Transaction costs | (13,032) | - | - | (13,032) |
| Dividends paid or provided for | - | (5,832,211) | - | (5,832,211) |
| Equity at 30 June 2007 | 29,619,643 | 22,599,144 | 1,701,770 | 53,920,557 |

| | 2006 Parent | | | |
|--|-----------------|-------------------|---|-------------|
| | Ordinary Shares | Retained Earnings | Available for sale financial assets reserve | Total |
| | \$ | \$ | \$ | \$ |
| Equity as at beginning of period | 22,509,506 | 3,341,413 | - | 25,850,919 |
| Transitional adjustment with respect to available for sale financial assets at 1 July 2005 (AASB 132 and AASB 139 exemption) | - | - | 451,500 | 451,500 |
| Adjusted at 1 July 2005 | 22,509,506 | 3,341,413 | 451,500 | 26,302,419 |
| Net gains of available for sale financial assets | - | - | 2,068,500 | 2,068,500 |
| Total income and expense for the year recognised directly in equity | - | - | 2,068,500 | 2,068,500 |
| Profit for the year | - | 20,178,754 | - | 20,178,754 |
| Total income and expense for the year | - | 20,178,754 | 2,068,500 | 22,247,254 |
| Shares issued during the year | 1,789,366 | - | - | 1,789,366 |
| Transaction costs | (19,504) | - | - | (19,504) |
| Dividends paid or provided for | - | (5,808,954) | - | (5,808,954) |
| Equity at 30 June 2006 | 24,279,368 | 17,711,213 | 2,520,000 | 44,510,581 |

The accompanying notes form part of the financial statements

Astron Limited

ABN 97 000 285 272

Statement of Changes in Equity

For the Year Ended 30 June 2007

| | 2007 Consolidated | | | | | |
|--|--------------------|----------------------|---|---|------------------------------|-------------|
| | Ordinary Shares | Retained Earnings | Foreign Currency Translation Reserve | Available for sale financial assets reserve | Equity Account Reserve | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Equity as at beginning of period | 24,279,368 | 67,230,676 | 672,745 | 2,520,000 | - | 94,702,789 |
| Exchange differences on translation of foreign operations | - | - | (8,093,930) | - | - | (8,093,930) |
| Losses of available-for-sale financial assets | - | - | - | (42,650) | - | (42,650) |
| Gains on disposal of available-for-sale financial assets credited to Income Statement | - | - | - | (775,580) | - | (775,580) |
| Share of contributions by other Joint Venture party in investments accounted for using the equity method | - | - | - | - | 1,216,859 | 1,216,859 |
| Total income and expense for the year recognised directly in equity | - | - | (8,093,930) | (818,230) | 1,216,859 | (7,695,301) |
| Profit for the year | - | 11,431,821 | - | - | - | 11,431,821 |
| Total income and expense for the year | - | 11,431,821 | - | - | - | 11,431,821 |
| Shares issued during the year | 5,353,307 | - | - | - | - | 5,353,307 |
| Transaction costs | (13,032) | - | - | - | - | (13,032) |
| Dividends paid or provided for | - | (5,832,211) | - | - | - | (5,832,211) |
| Equity as at 30 June 2007 | 29,619,643 | 72,830,286 | (7,421,185) | 1,701,770 | 1,216,859 | 97,947,373 |

The accompanying notes form part of the financial statements

Astron Limited

ABN 97 000 285 272

Statement of Changes in Equity

For the Year Ended 30 June 2007

| | 2006 Consolidated | | | | | |
|--|--------------------|----------------------|---|---|------------------------------|-------------|
| | Ordinary Shares | Retained Earnings | Foreign Currency Translation Reserve | Available for sale financial assets reserve | Equity Account Reserve | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Equity as at beginning of period | 22,509,506 | 52,450,806 | (3,180,260) | - | - | 71,780,052 |
| Transitional adjustment with respect to resetting the foreign currency translation reserve to zero | - | - | - | 451,500 | - | 451,500 |
| Adjusted at 1 July 2005 | 22,509,506 | 52,450,806 | (3,180,260) | 451,500 | - | 72,231,552 |
| Exchange differences on translation of foreign operations | - | - | 3,853,005 | - | - | 3,853,005 |
| Gains of available for sale financial assets | - | - | - | 2,455,344 | - | 2,455,344 |
| Gains on disposal of available for sale financial assets credited to Income Statement | - | - | - | (386,844) | - | (386,844) |
| Total income and expense for the year recognised directly in equity | - | - | 3,853,005 | 2,068,500 | - | 5,921,505 |
| Profit for the year | - | 20,588,824 | - | - | - | 20,588,824 |
| Total income and expense for the year | - | 20,588,824 | - | - | - | 20,588,824 |
| Shares issued during the year | 1,789,366 | - | - | - | - | 1,789,366 |
| Transaction costs | (19,504) | - | - | - | - | (19,504) |
| Dividends paid or provided for | - | (5,808,954) | - | - | - | (5,808,954) |
| Equity as at 30 June 2006 | 24,279,368 | 67,230,676 | 672,745 | 2,520,000 | - | 94,702,789 |

The accompanying notes form part of the financial statements

Astron Limited

ABN 97 000 285 272

Statement of Cash Flows

30 June 2007

| | | Consolidated | | Parent | |
|---|-------|---------------------|---------------|--------------------|--------------|
| | Note | 2007 | 2006 | 2007 | 2006 |
| | | \$ | \$ | \$ | \$ |
| Cash from operating activities: | | | | | |
| Receipts from customers | | 180,324,436 | 151,283,983 | - | - |
| Payments to suppliers and employees | | (184,203,172) | (135,362,688) | (1,015,472) | (584,160) |
| Dividends received | | - | - | 2,547,418 | 19,737,444 |
| Interest received | | 132,573 | 431,334 | 68,782 | 57,383 |
| Finance costs | | (1,221,842) | - | - | - |
| Income taxes paid | | (1,503,550) | (1,375,462) | - | - |
| Net cash from operating activities | 29(a) | (6,471,555) | 14,977,167 | 1,600,728 | 19,210,667 |
| Cash flows from investing activities: | | | | | |
| Proceeds from sale of plant and equipment | | - | 30,726 | - | - |
| Proceeds from sale of available for sale investment | | 1,657,375 | 2,395,594 | 1,657,375 | 735,594 |
| Acquisition of property, plant and equipment | | (4,581,786) | (6,786,222) | - | 67,330 |
| Investment in Joint Venture entities | | (976,242) | - | - | - |
| Loans to Joint Venture entities | | (925,251) | - | - | - |
| Acquisition of available for sale investments | | - | - | - | (12,737,444) |
| Development costs | | (4,897,988) | (1,334,036) | (3,130,562) | (734,381) |
| Exploration and evaluation expenditure | | (3,016,708) | (1,473,935) | - | - |
| Net cash used by investing activities | | (12,740,600) | (7,167,873) | (1,473,187) | (12,668,901) |
| Cash flows from financing activities: | | | | | |
| Proceeds from the issue of shares | | (13,031) | 1,769,862 | (13,031) | 1,769,862 |
| Proceeds/(Repayments) of borrowings | | 11,018,266 | 2,989,295 | 1,001,430 | (3,633,117) |
| Dividends paid to company shareholders | | (1,107,491) | (5,808,954) | (1,107,491) | (5,808,954) |
| Net cash from (used by) financing activities | | 9,897,744 | (1,049,797) | (119,092) | (7,672,209) |

The accompanying notes form part of the financial statements

Astron Limited

ABN 97 000 285 272

Statement of Cash Flows

30 June 2007

| | Consolidated | | Parent | |
|---|--------------------|------------|----------------|-------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Net increase (decrease) in cash and cash equivalents | (9,314,411) | 6,759,497 | 8,449 | (1,130,443) |
| Cash and cash equivalents at beginning of year | 20,783,975 | 13,428,900 | 297,997 | 1,428,440 |
| Effect of exchange rates on cash and cash equivalents | (1,685,329) | 595,578 | - | - |
| Cash and cash equivalents at end of year | 9,784,235 | 20,783,975 | 306,446 | 297,997 |

The accompanying notes form part of the financial statements

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

1 Statement of Significant Accounting Policies

(a) General information

The financial report of Astron Limited for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 25 October 2007 and covers Astron Limited as an individual entity as well as the consolidated entity consisting of Astron Limited and its subsidiaries as required by the Corporations Act 2001.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Basis of Preparation

Reporting Basis and Conventions

The financial report is a general purpose financial report that has been prepared in accordance with Australian equivalents to International Financial Reporting ('AIFRS') and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Compliance with Australian equivalents to (AIFRS) ensures that the consolidated financial statements and notes complies with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132: Financial Instruments Presentation and Disclosure.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of available for sale financial assets.

(c) Principals of Consolidation

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

A subsidiary is an entity Astron Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities.

A list of subsidiary entities is contained in Note 17 to the financial statements. All subsidiaries entities have a June financial year-end and are accounted for in the Parent entity financial statements at cost.

All inter-company balances and transactions between entities in the group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where subsidiaries have entered or left the group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

1 Statement of Significant Accounting Policies continued

(d) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Astron Limited and its wholly-owned Australian subsidiaries expect to form an income tax consolidated group under the tax consolidation regime. Each entity in the group will recognise its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group will notify the Australian Taxation Office that it has formed an income tax consolidated group on lodgement of its income tax return. The tax consolidated group will enter into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(e) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

1 Statement of Significant Accounting Policies continued

(e) Foreign Currency Transactions and Balances continued

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

1 Statement of Significant Accounting Policies continued

(g) Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An estimate for doubtful debts is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Trade receivables are generally receivable as follows:

- Chinese sales 0 – 90 day terms
- Foreign sales 30 – 90 day terms

Receivables from related parties are recognised and carried at the nominal amount due.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on a first-in first-out basis.

(i) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets comprise investments in listed entities and any non-derivatives that are not classified as any other category, and are classified as non-current assets. After initial recognition, these investments are measured at fair value with gains or losses recognised in equity reserves. Where losses have been recognised in equity and there is objective evidence that the asset is impaired, the cumulative loss, being the difference between the acquisition cost and current fair value less any impairment loss previously recognised in the income statement, is removed from equity and recognised in the income statement. This policy differs from that under superseded accounting standard, where such investments were carried at cost.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

1 Statement of Significant Accounting Policies continued

(i) Financial Instruments continued

Available-for-sale financial assets continued

The fair value of quoted investments are determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment

At each reporting date, the Group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine fair value for all unlisted securities, including recent arm's length transactions and reference to similar instruments.

(j) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

1 Statement of Significant Accounting Policies continued

(k) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

(i) Property

Land and buildings are measured on the cost basis less depreciation (on Leasehold land and buildings) and impairment losses.

(ii) Plant and equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

(iii) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding land, is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The estimated useful lives used for each class of depreciable assets are:

Class of Asset

| | |
|---------------------|------------|
| Land and Buildings | 30 years |
| Plant and Equipment | 5-10 Years |

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

1 Statement of Significant Accounting Policies continued

(l) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the Group's share of post acquisition reserves of its associates. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates are recognised in the parent entity's income statement but rather reduce the carrying amount of the investment in the consolidated financial statements.

When the Group's share of post-acquisition losses in an associate exceeds its interest in the associate (including any unsecured receivables), the Group does not recognise further losses unless it has obligations to, or has made payments, on behalf of the associate.

The financial statements of the associates are used to apply the equity method. The reporting dates of the associates and the parent are identical and both use consistent accounting policies.

(m) Interests in Joint Ventures

(i) Joint Venture Entities

Interests in joint venture entities are accounted for in the consolidated financial statements using the equity method. Under the equity method, the share of profits or losses of the entities are recognised in the consolidated income statement and the share of movements in reserves are recognised in the consolidated balance sheet. Details of joint venture entities are set out in Note 13.

(ii) Joint Venture Operations

The proportionate share of the Group's interests in the assets, liabilities, income and expenses of joint venture operations have been incorporated in the financial statements under the appropriate headings. Details of joint venture operations are set out in Note 14.

(n) Exploration and Evaluation Expenditure

i Costs Carried Forward

Costs arising from exploration and evaluation activities are carried forward provided that the rights to tenure of the area of interest are current and 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. Expenditure incurred is accumulated in respect of each identifiable area of interest.

ii Costs - abandoned area

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.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

1 Statement of Significant Accounting Policies continued

(n) Exploration and Evaluation Expenditure continued

iii Regular review

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

iv Costs of site restoration

Costs of site restoration are to be provided once an obligation presents. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with clauses of the mining permits. Such costs will be determined using estimates of future costs, current legal requirements and technology on a discounted basis.

(o) Intangibles

Research and Development costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is capitalised if the product or service is technically feasible, adequate resources are available to complete the project, it is probable that future economic benefits will be generated and expenditure attributable to the project can be measured reliably. Expenditure capitalised comprises costs of services and direct labour. Other development costs are expensed when they are incurred. The carrying value of development costs is reviewed annually when the asset is not yet available for use, or when events or circumstances indicate that the carrying value may be impaired.

Other Intangibles

Expenditure on internally generated assets are expensed as incurred except where they specifically relate to the development of a Mineral Separation Plant. The capitalised expenditure is stated at cost and is considered to have finite useful lives. The useful life is assessed annually to determine whether events or circumstances continue to support an indefinite useful life assessment.

(p) 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 group. 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.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

1 Statement of Significant Accounting Policies continued

(q) Employee Benefits

Equity-settled compensation

The Group provides benefits to employees of the Group in the form of share based payment transactions, whereby employees render services in exchange for shares. Refer note 8(b) for further details.

(r) Share Capital

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

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

(s) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to members of Astron Limited by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) 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 over the period of the lease.

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.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

1 Statement of Significant Accounting Policies continued

(u) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income statement in the period in which they are incurred.

(v) Revenue

Revenue is recognised at the fair value of the consideration received or receivable, net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer ie when control of the goods is passed to the buyer.

Interest revenue is recognised when control of the right to receive the interest payment is obtained.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting in the Group.

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(w) Dividend

Provision is made for dividends declared and no longer at the discretion of the Group, on or before the end of the financial year but not distributed at balance date.

(x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

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

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

1 Statement of Significant Accounting Policies continued

(y) Standards Issued but not yet effective

A number of Australian accounting standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. The new Australian Accounting Standards have not been adopted in the preparation of the financial report at reporting date. Other than additional disclosures required of AASB 7 it is not anticipated that these new or amended standards will have a material impact on the financial report.

2 Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the group.

(i) Key estimates - Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect for the year ended 30 June 2006.

(ii) Capitalisation of Intangibles

The Group has continued to capitalise expenditure incurred on the exploration and evaluation of the Donald Mineral Sands project in Victoria Australia, and the ongoing TiO₂ project expenditures on the basis that the Group has assessed that the balances capitalised will be recoverable through the projects successful development (Refer note 19 for further details).

(iii) Discontinuing Operations

The Group has reviewed AASB 5 "Non-current Assets Held for Sale and Discontinued Operations" and has formed the opinion that the criteria for disclosure was not met as at 30 June 2007.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

3 Revenue

| | Consolidated | | Parent | |
|----------------------|--------------------|--------------------|-------------------|-------------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Revenue | | | | |
| - sale of goods | 181,602,409 | 150,731,069 | - | - |
| - rental revenue | 10,182 | - | - | - |
| - interest income | 132,573 | 431,604 | 68,783 | 57,383 |
| - dividend income | - | - | 12,499,661 | 19,737,444 |
| Total Revenue | 181,745,164 | 151,162,673 | 12,568,444 | 19,794,827 |

| | Consolidated | | Parent | |
|---|------------------|----------------|------------------|----------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Other income | | | | |
| - Net gain on disposal on available for sale financial assets | 775,580 | 386,844 | 775,580 | 386,844 |
| - gains on foreign exchange | 1,085,288 | - | - | - |
| - other income | 412,664 | 396,050 | 370,515 | - |
| Other Income | 2,273,532 | 782,894 | 1,146,095 | 386,844 |

4 Profit before income tax

(a) Profit before income tax includes the following specific expenses:

| | Consolidated | | Parent | |
|---|--------------|-----------|---------|---------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Finance Costs: | | | | |
| Interest paid | 1,221,842 | - | - | - |
| Foreign currency translation losses/(gains) | - | 973 | 450,540 | 108,465 |
| Bad and doubtful debts - trade receivables | 105,287 | (301,167) | - | - |
| Premises - Contractual amounts | 91,687 | 79,840 | - | - |
| Research and development costs | 434,416 | 369,184 | - | - |

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

4 Profit before income tax continued

(a) Profit before income tax includes the following specific expenses: continued

| | | | | |
|-------------------|------------------|-----------|------------|-------|
| Depreciation | 2,064,268 | 1,767,211 | 807 | 1,009 |
| Superannuation | 277,328 | 30,130 | - | - |
| Employee benefits | 3,310,130 | 3,049,576 | - | - |

(b) Significant Revenue and Expenses

| | Consolidated | | Parent | |
|--|------------------|-----------|------------------|-----------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| The following significant revenue and expense items are relevant to explaining the financial performance: | | | | |
| Reversal of overprovision of VAT raised in prior years | - | 1,132,461 | - | - |
| Reduction in overprovision of prior year incentive payments | - | 862,743 | - | - |
| Deferred tax asset brought to account on income tax losses | (350,759) | 1,080,000 | (350,759) | 1,080,000 |
| Write-down of group loans for foreign currency translation | - | - | (809,190) | - |
| Write back of over provision for Chinese income tax raised in prior years on China subsidiary profits | - | 1,131,206 | - | - |
| Write-off of unrealisable stock at 31 December 2005 | - | (879,894) | - | - |
| Write-back of realisable stock at 30 June 2006 due to acquisition of reprocessing facilities | - | 879,894 | - | - |

(c) Gains/(Losses) on disposal of assets

| | Consolidated | | Parent | |
|-------------------------------------|----------------|----------|----------------|---------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Property, plant and equipment | - | (10,166) | - | - |
| Available for sale financial assets | 775,580 | 386,844 | 775,580 | 386,844 |
| | 775,580 | 376,678 | 775,580 | 386,844 |

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

5 Dividends

Dividends and distributions paid table

Distributions paid

| | Consolidated | | Parent | |
|---|------------------|------------------|------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Final unfranked dividend of 10c per share | 5,832,211 | 5,808,954 | 5,832,211 | 5,808,954 |
| Total | 5,832,211 | 5,808,954 | 5,832,211 | 5,808,954 |

Proposed dividends

| | Consolidated | | Parent | |
|---|-------------------|------------------|-------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Proposed final unfranked ordinary dividend of 20 cents (2006: 10 cents) per share | 12,086,922 | 5,832,211 | 12,086,922 | 5,832,211 |
| Total | 12,086,922 | 5,832,211 | 12,086,922 | 5,832,211 |

The dividends will be paid from Astron Limited's conduit foreign income account 12 December 2007.

6 Income Tax Expense

(a) The components of tax expense comprise:

| | Note | Consolidated | | Parent | |
|--|------|------------------|--------------------|----------------|--------------------|
| | | 2007 | 2006 | 2007 | 2006 |
| | | \$ | \$ | \$ | \$ |
| Current | | 1,901,764 | 1,174,435 | - | - |
| Overprovision for income tax in prior year | | - | (1,131,206) | - | - |
| Recognition of deferred tax liability | | 214,041 | - | - | - |
| Deferred tax | | 350,759 | (1,080,000) | 350,759 | (1,080,000) |
| | | 2,466,564 | (1,036,771) | 350,759 | (1,080,000) |

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

6 Income Tax Expense continued

(b) The prima facie tax on profit before income tax is reconciled to the income tax as follows:

| | Consolidated | | Parent | |
|---|------------------|-------------|------------------|-------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Prima facie tax payable on profit from ordinary activities before income tax at 30% (2006: 30%) | | | | |
| - consolidated entity | 4,169,516 | 5,865,616 | - | - |
| - parent entity | - | - | 3,321,270 | 5,729,626 |
| | 4,169,516 | 5,865,616 | 3,321,270 | 5,729,626 |
| Add/(Less): | | | | |
| Tax effect of: | | | | |
| - tax losses not brought to account as an asset | 422,196 | 121,966 | 422,196 | 121,966 |
| - Reversal of tax losses/ (tax losses) brought to account | 249,595 | (1,080,000) | 249,595 | (1,080,000) |
| - items not assessable for tax purposes | (2,164,141) | (4,813,147) | (3,642,302) | (5,851,592) |
| - difference in overseas tax rates | (424,643) | - | - | - |
| - over provision for income tax in prior year | - | (1,131,206) | - | - |
| - under provision for deferred tax liability prior year | 214,041 | - | - | - |
| Income tax attributable to entity | 2,466,564 | (1,036,771) | 350,759 | (1,080,000) |
| The applicable weighted average effective tax rates are as follows: | 18% | (5)% | 3% | (6)% |

The increase in the weighted average effective consolidated tax rate for 2007 is a result of an increase in the underlying tax rate applicable in China for Astron Chemical Co Limited.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

6 Income Tax Expense continued

(c) Income Tax Rates

Australia:

In accordance with the Australian Income Tax Act, Astron Limited and its 100% owned Australian subsidiaries will form a tax consolidated group, no tax funding or sharing agreements have been entered into at this stage and no equity entries have arisen at this stage as a result of this as the Australian group is in a carried forward loss position. 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 2007 from Chinese subsidiaries are non assessable under current Australian Income Tax Legislation. The Directors have been advised that dividends declared by Astron Limited (received from Chinese subsidiaries) and paid to non residents will not be subject to Australian withholding tax.

China:

Astron Limited's subsidiaries 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 subsidiaries operations
- High technology concessions reducing the tax rate by 50%
- Other significant concessions including for Profit reinvestment

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

(d) Items not chargeable or not deductible for tax purposes

Items not chargeable or deductible for tax purposes for the group principally represent profits derived in China which receive a number of tax concessions (such as accelerated depreciation allowances) and are not required to be assessed at the Australian Corporate Income Tax rate of 30%. With respect to the parent entity, items not chargeable or deductible for tax purposes relate to non-deductible items and non assessable dividends received from Chinese subsidiaries.

7 Earnings per Share

(a) Reconciliation of Earnings used in the calculation of earnings per share to Profit or Loss

| | Consolidated | |
|--|--------------|------------|
| | 2007 | 2006 |
| | \$ | \$ |
| Profit | 11,431,821 | 20,588,824 |
| Earnings used to calculate basic EPS | 11,431,821 | 20,588,824 |
| Earnings used in calculation of dilutive EPS | 11,431,821 | 20,588,824 |

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

7 Earnings per Share continued

(b) Weighted average number of ordinary shares (diluted):

| | Consolidated | |
|---|--------------|------------|
| | 2007 | 2006 |
| Weighted average number of ordinary shares outstanding during the year No. used in calculating basic EPS | 59,575,802 | 58,322,117 |
| Ordinary shares allocated as part of equity settled compensation | - | 150,000 |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | 59,575,802 | 58,472,117 |

(c) Dilutive Shares

In accordance AASB 133 shares allocated for the settlement of bonuses accrued in the year ended 30 June 2005 are considered dilutive. These shares were issued under escrow in 2006 and released post year end.

8 Key Management Personnel Disclosures

(a) Key Management Personnel

Names and positions held of group key management personnel in office at any time during the financial year are:

| Key Management Person | Position |
|-----------------------|---|
| Mr Gerard King | Chairman - Non executive |
| Mr Alexander Brown | Managing Director |
| Mr Robert Flew | Director - Non executive |
| Mr Ronald McCullough | Director - Non executive |
| Mdm Kang Rong | Vice General Manager - China |
| Mr Alan Guy | Vice General Manager – Business Development |
| Mr Kim Hodierne | International Sales Manager |
| Mr Robert Willerton | Project Manager |
| Mr Arno Kruger | Donald Mine Development Manager |
| Mr Desmond Tan | Financial Controller |

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

8 Key Management Personnel Disclosures continued

(b) Compensation Practices

The remuneration policy of Astron Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives based on key performance areas affecting the Group's financial results. The board of Astron Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for the board members and senior executives of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration committee and approved by the board after seeking professional advice from an independent external consultant.
- All executives receive a base salary (which is based on factors such as length of service and experience), other statutory benefits and performance incentives.
- The remuneration committee reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors.

The performance of executives is measured against criteria agreed with each executive and is based predominantly on the forecast growth of the Group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.

From time to time shares are issued to executives to reflect achievements of performance criteria. There are presently no option based schemes in place.

Where payable the executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. The board policy is to remunerate non executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non executive directors are not linked to the performance of the Group. However, to align directors interests with shareholder interests, the directors are encouraged to hold shares in the Group.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

8 Key Management Personnel Disclosures continued

(b) Compensation Practices continued

As part of each executive director and executives remuneration package there is a performance based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between directors/executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with directors/executives to ensure buy in. The measures are specifically tailored to the areas each director/executive is involved in and has a level of control over. The KPIs target areas the board believes hold greater potential for group expansion and profit, covering financial and non financial as well as short and long term goals. The level set for each KPI is based on budgeted figures for the group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes and their efficiency is assessed in relation to the groups goals and shareholder wealth, before the KPIs are set for the following year. In determining whether or not a KPI has been achieved, Astron Limited bases the assessment on audited figures, however, where the KPI involves comparison of the group or a division within the group to the market, independent reports are obtained from organisations such as Standard & Poors.

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. This has been achieved by implementing performance based bonuses based on key performance indicators to encourage the alignment of personal and shareholder interests. The Group believes this policy to have been effective in increasing shareholder wealth over the past five years.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

8 Key Management Personnel Disclosures continued

(c) Key Management Personnel Compensation

| 2007 | Short-term benefits | | | Post employment benefits | Share-based payments | | Total |
|---------------------|-------------------------|----------------|-------------------|--------------------------|----------------------|--------|------------------|
| | Cash-salary-commissions | Cash Bonus * | Non-cash Benefits | Super-annuation | Long Term | Equity | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Mr Gerard King | 75,000 | - | - | - | - | - | 75,000 |
| Mr Alexander Brown | 244,845 | 244,845 | - | - | - | - | 489,690 |
| Mr Robert Flew | 50,000 | - | - | - | - | - | 50,000 |
| Mr Ron McCullough | 96,000 | - | - | - | - | - | 96,000 |
| Mdm Kang Rong | 163,230 | 163,230 | - | - | - | - | 326,460 |
| Mr Alan Guy | 210,805 | - | 11,753 | - | - | - | 222,558 |
| Mr Kim Hodierne | 184,569 | - | - | - | - | - | 184,569 |
| Mr Robert Willerton | 122,393 | - | 11,753 | - | - | - | 134,146 |
| Mr Arno Kruger | 135,945 | - | - | 11,207 | - | - | 147,152 |
| Mr Desmond Tan | 111,126 | - | 3,918 | - | - | - | 115,044 |
| | 1,393,913 | 408,075 | 27,424 | 11,207 | - | - | 1,840,619 |

* The grant date of the cash bonus was 30 June 2007 and no performance or service criteria are attached to this cash bonus. The cash bonuses were paid based on the performance of the company for the current year.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

8 Key Management Personnel Disclosures continued

(c) Key Management Personnel Compensation continued

| 2006 | Short-term benefits | | | Post employmen t benefits | Share-based payments | Total |
|---------------------|-------------------------------|---------------|----------------------|---------------------------------|-------------------------|-----------|
| | Cash, salary & commissions | Cash Bonus | Non-cash Benefits | Super-ann uation | Equity # | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Mr Gerard King | 67,500 | - | - | - | - | 67,500 |
| Mr Alexander Brown | 249,002 | 249,002 | - | - | - | 498,004 |
| Mr Robert Flew | 46,670 | - | - | - | - | 46,670 |
| Mr Ron McCullough | 38,000 | - | - | - | - | 38,000 |
| Mdm Kang Rong | 164,341 | 166,001 | - | - | - | 330,342 |
| Mr Alan Guy | 194,453 | - | 29,050 | - | - | 223,503 |
| Mr Kim Hodierne | 189,167 | - | - | - | - | 189,167 |
| Mr Robert Willerton | 112,325 | 6,686 | 29,050 | - | - | 148,061 |
| Mr Arno Kruger | 115,000 | - | - | 10,350 | - | 125,350 |
| Mr Desmond Tan | 62,268 | - | 996 | - | - | 63,264 |
| | 1,238,726 | 421,689 | 59,096 | 10,350 | - | 1,729,861 |

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

8 Key Management Personnel Disclosures continued

(d) Shareholdings

Relevant Interest in Shares held by Key Management Personnel

| 2007 | Balance 1/07/2006 | Received as Remuneration | Net Change Other* | Balance 30/06/2007 |
|---------------------------------|----------------------|-----------------------------|----------------------|-----------------------|
| Key Management Personnel | | | | |
| Mr Gerard King | 922,382 | - | 165,868 | 1,088,250 |
| Mr Alexander Brown | 39,811,648 | - | 1,604,541 | 41,416,189 |
| Mr Robert Flew | 167,953 | - | 2,621 | 170,574 |
| Mr Alan Guy | - | - | 207,423 | 207,423 |
| | 40,901,983 | - | 1,980,453 | 42,882,436 |

* Net change other refers to shares purchased or sold during the financial year.

Note: In accordance with the provisions of the Corporations Act Mdm Kang Rong has a deemed interest in shares shown for Mr Alexander Brown.

| 2006 | Balance 01/07/2005 | Received as Remuneration | Net Change Other | Balance 30/06/2006 |
|---------------------------------|-----------------------|-----------------------------|---------------------|-----------------------|
| Key Management Personnel | | | | |
| Mr Gerard King | 942,856 | - | (20,474) | 922,382 |
| Mr Alexander Brown | 39,811,648 | - | - | 39,811,648 |
| Mr Robert Flew | 163,690 | - | 4,263 | 167,953 |
| Total | 40,918,194 | - | (16,211) | 40,901,983 |

(e) Loans from Key Management Personnel

The parent entity, Astron Limited has received an interest free loan from a Director related entity Firback Finance Limited of \$2,508,244 (2006 \$2,331,788). The loan is interest free, unsecured and repayable at call.

(f) Employment contracts of directors and senior executives

The employment conditions of the managing director, Mr Alexander Brown and specified executives are documented in contracts or letters of engagement. Other than the managing director, all executives are permanent employees of Astron Group. Mr Alexander Brown is employed under a contract, which ensures his continuing availability to the company.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

8 Key Management Personnel Disclosures continued

(f) Employment contracts of directors and senior executives continued

All employment contract arrangements are being reviewed by external consultants for consistency and appropriateness to Astron's needs.

9 Related party transactions

(a) Interest free loans

Loans

(i) The parent entity, Astron Limited has received interest free loans from subsidiaries. The loans are interest free, unsecured and repayable at call.

- Astron New Materials Co Ltd \$2,474,042 (2006 \$2,474,042)
- Bradford Metal Industries Limited \$2,209,500 (2006 \$2,568,150)
- Dickson & Johnson Pty Ltd \$2,267,946 (2006 \$2,267,946)
- Shenyang Astron Mining Industry Limited \$Nil (2006 \$3,522,969)
- Zirtanium Pty Ltd \$26,824 (2006 \$Nil)

The parent entity, Astron Limited has provided interest free loans to subsidiaries. The loans are interest free, unsecured and repayable at call.

- Astron Chemical Co Limited \$10,505,120 (2006 \$6,104,340)
- Donald Mineral Sands Pty Ltd \$4,540,264 (2006 \$2,788,221)

(ii) The group has provided interest free loans to Carnegie Minerals (Gambia) Limited of which the Group has a 50% ownership. The loan relates to the funding of the Gambian mining venture which is to be repaid through the mineral offtake agreement. At year end the balance is \$3,298,341 (2006 \$2,708,141).

(b) Management services provided

Administrative services are provided at no cost to subsidiaries.

(c) Consultant services

A member of the public company's Board of Directors, serves as a consultant to the public company on the Donald Mineral Sands Pty Ltd project. Fees paid to his firm for these services were \$ 46,000 for the year ended 30 June 2007 (2006 \$42,000).

(d) Dividends

During the year the parent entity, Astron Limited received dividends from subsidiaries as follows Astron Chemical Co Limited of \$636,597 (2006 \$19,737,444) and Shenyang Astron Mining Co Ltd \$11,874,335 (2006 \$Nil).

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

10 Cash Assets

| | Consolidated | | Parent | |
|---------------------|------------------|-------------------|----------------|----------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Cash on hand | 27,363 | 195,970 | - | - |
| Bank balances | 5,319,945 | 20,474,525 | 306,446 | 297,997 |
| Short-term deposits | 4,436,927 | 113,480 | - | - |
| | 9,784,235 | 20,783,975 | 306,446 | 297,997 |

11 Trade and Other Receivables

| | Note | Consolidated | | Parent | |
|---|-------|-------------------|-------------------|-------------------|------------------|
| | | 2007 | 2006 | 2007 | 2006 |
| | | \$ | \$ | \$ | \$ |
| CURRENT | | | | | |
| Trade receivables | | 18,665,848 | 12,133,002 | - | - |
| Provision for doubtful debts | | (350,134) | (306,946) | - | - |
| | | 18,315,714 | 11,826,056 | - | - |
| Drafts and other receivables | 11(a) | 8,065,383 | 6,920,266 | 262,043 | 83,172 |
| Amounts receivable from: | | | | | |
| - wholly-owned subsidiaries | 9(a) | - | - | 16,346,271 | 10,193,448 |
| - provision for impairment of receivable from wholly-owned subsidiaries | | - | - | (1,300,887) | (1,300,887) |
| - other related parties | 9(a) | 3,298,341 | 2,708,141 | - | - |
| | | 29,679,438 | 21,454,463 | 15,307,427 | 8,975,733 |

(a) Drafts receivable

Drafts receivable represent bank guarantees on behalf of Trade and Other Debtors with current maturity dates. Settlement through bank draft is common trading practise in China.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

12 Inventories

| | Consolidated | | Parent | |
|--|-------------------|-------------------|--------|------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Raw materials and stores | 19,456,001 | 3,045,365 | - | - |
| Work in progress | 8,681 | 291,212 | - | - |
| Finished goods | 16,223,908 | 22,673,337 | - | - |
| Stock in transit | 14,218,395 | 2,632,788 | - | - |
| Production supplies | 34,144 | - | - | - |
| Total | 49,941,129 | 28,642,702 | - | - |
| The carrying amount of inventories stated at net realisable value | - | - | - | - |

13 Investments in Joint Venture Entity

(a) Interest in Joint Venture Entity

The consolidated entity has a 50% interest Carnegie Minerals (Gambia) Limited incorporated to commence mining activities in The Gambia. (Note that at 30 June 2006 the equity had not been issued and therefore no equity accounting has taken place).

Astron Limited has an obligation to fund the development and operating costs of the mine by way of loans (Refer Note 9(a) for further details). 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.

The expenditure incurred in 2007 has been capitalised as exploration and evaluation expenses in accordance with the Group accounting policy at Note 1 (Refer Note 19 for further details).

Capital expenditure commitments are currently estimated at \$310,000 (Refer Note 28(c) for further details).

(b) Investments in Joint Venture Entity

| Name | Principal Activities | Country | Reporting Date | Ownership | |
|------------------------------------|----------------------|------------|----------------|-----------|-------|
| | | | | 2007 | 2006 |
| Carnegie Minerals (Gambia) Limited | Mining mineral sands | The Gambia | 31 December | 50.00 | 50.00 |

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

13 Investments in Joint Venture Entity continued

(b) Investments in Joint Venture Entity continued

| | Revenues (100%) \$ | Profit / (loss) (100%) \$ | Share of associates net profit/(loss) recognised \$ | Total Assets (100%) \$ | Total Liabilities (100%) \$ | Net assets as reported by associates (100%) \$ | Share of associate's net assets equity accounted \$ |
|---------------------------------------|--------------------------|------------------------------------|--|---------------------------------|--------------------------------------|---|--|
| 2007 | | | | | | | |
| Carnegie Minerals (Gambia) Limited | 1,269,056 | 55,702 | 27,851 | 4,570,488 | 2,083,877 | 2,486,612 | 1,243,306 |
| Total | 1,269,056 | 55,702 | 27,851 | 4,570,488 | 2,083,877 | 2,486,612 | 1,243,306 |
| 2006 | | | | | | | |
| Carnegie Minerals (Gambia) Limited | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - |

(c) Carrying amount of investment in joint venture entity:

| | Consolidated | | Parent | |
|---|------------------|------------|------------|------------|
| | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ |
| Opening balance | - | - | - | - |
| - share of joint venture's profit after income tax | 27,851 | - | - | - |
| - injection by Joint venture entity partner | 1,216,859 | - | - | - |
| - additional investments made during the year | 927,020 | - | - | - |
| Closing balance | 2,171,730 | - | - | - |

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

14 Joint Ventures

Interest in Joint Venture Operations:

The Senegal Joint Venture's principal activity is the exploration and evaluation of mineral sands in Senegal. The following amounts have been recognised in the consolidated balance sheet relating to assets and liabilities of the Senegal Joint Venture:

| | Consolidated | | Parent | |
|---|--------------|---------|--------|------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Balance Sheet | | | | |
| Current Assets | | | | |
| Cash | 160,229 | 81,557 | - | - |
| Receivables | - | 585 | - | - |
| Total Current Assets | 160,229 | 82,142 | - | - |
| Non-current Assets | | | | |
| Property, plant and equipment | 17,437 | 28,120 | - | - |
| Exploration, evaluation and development costs | 603,968 | - | - | - |
| Total Non-Current Assets | 621,405 | 28,120 | - | - |
| Total Assets | 781,634 | 110,262 | - | - |
| Current Liabilities | | | | |
| Payables | 11,903 | 19,107 | - | - |
| Total Current Liabilities | 11,903 | 19,107 | - | - |
| Net Assets | 769,731 | 91,155 | - | - |
| Income Statement | | | | |
| Profit before income tax | - | - | - | - |
| Income tax expenses | - | - | - | - |
| Profit after income tax | - | - | - | - |

At 30 June 2007 there were no impairment losses.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

15 Available For Sale Financial Assets

| | Consolidated | | Parent | |
|--|------------------|------------------|------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Current listed investments, at fair value shares in listed corporations | 6,199,305 | 8,250,000 | 6,199,305 | 8,250,000 |
| | 6,199,305 | 8,250,000 | 6,199,305 | 8,250,000 |
| Total available-for-sale financial assets | 6,199,305 | 8,250,000 | 6,199,305 | 8,250,000 |

Available-for-sale financial assets comprise of investment in the ordinary issued capital of Bemax Resources Limited. There are no fixed returns or fixed maturity date attached to these investments.

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.

16 Other Financial Assets

| | Consolidated | | Parent | |
|---|--------------|------|-------------------|-------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Note | \$ | \$ | \$ | \$ |
| Shares in subsidiaries - unlisted | - | - | 38,577,364 | 39,822,895 |
| Non Current listed investments, at cost | | | | |
| Subtotal | - | - | 38,577,364 | 39,822,895 |
| Less: impairment provision | - | - | (713,211) | (713,211) |
| Subtotal | - | - | (713,211) | (713,211) |
| Total | - | - | 37,864,153 | 39,109,684 |

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

17 Subsidiaries

| Name | Country of incorporation | Percentage Owned Ordinary Shares | Percentage Owned Ordinary Shares |
|---|--------------------------|----------------------------------|----------------------------------|
| | | 2007 | 2006 |
| Parent Entity: Astron Limited | Australia | | |
| Subsidiaries of parent entity: | | | |
| Astron Advanced Materials Limited | China | 100 | 100 |
| Astron Advanced Materials Limited | UK | 100 | 100 |
| Astron New Materials Co Ltd | China | 100 | 100 |
| Astron Chemical Co Limited | China | 100 | 100 |
| Astron Titanium (Yingkou) Co Ltd | China | 100 | 100 |
| Bradford Metal Industries Limited | BVI | 100 | 100 |
| Dalian Bradford Limited | China | 100 | 100 |
| Dickson & Johnson Pty Limited | Australia | 100 | 100 |
| Donald Mineral Sands Pty Ltd | Australia | 100 | 100 |
| Shenyang Astron Mining Industry Limited | China | - | 100 |
| Sovereign Gold NK | Australia | 100 | 100 |
| Tai Cang Astron Mining Products Co Ltd | China | 100 | 100 |
| Yingkou Astron Mineral Resources Co Ltd | China | 100 | - |
| Zibo Astron Advanced Materials Co Limited | China | 100 | 100 |
| Zirtanium Pty Limited | Australia | 100 | 100 |

(a) Equity

The proportion of ownership interest is equal to the proportion of voting power held.

(b) Acquisition of Subsidiaries

On 31 December 2006 Astron Limited incorporated Yingkou Astron Mineral Resources Co Ltd with initial capital of \$625,326.

The subsidiary was incorporated to undertake business in China. At the date of incorporation the company had no assets and therefore no fair values were assigned as part of the acquisition process.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

18 Property Plant and Equipment

| | Consolidated | | Parent | |
|--|--------------------|-------------|----------------|------------|
| | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ |
| LAND AND BUILDINGS | | | | |
| Freehold land | | | | |
| At cost | 534,870 | 356,676 | - | - |
| Total freehold land | 534,870 | 356,676 | - | - |
| Leasehold land | | | | |
| At cost | 2,626,572 | 1,433,400 | - | - |
| Less accumulated depreciation | (159,365) | (74,179) | - | - |
| Total leasehold land | 2,467,207 | 1,359,221 | - | - |
| Leasehold buildings | | | | |
| At cost | 9,430,696 | 8,976,112 | - | - |
| Less accumulated depreciation | (1,113,671) | (879,820) | - | - |
| Total buildings | 8,317,025 | 8,096,292 | - | - |
| Total land and buildings | 11,319,102 | 9,812,189 | - | - |
| PLANT AND EQUIPMENT | | | | |
| Capital works in progress | | | | |
| At cost | 480,858 | 1,747,380 | - | - |
| Total capital works in progress | 480,858 | 1,747,380 | - | - |
| Plant and equipment | | | | |
| At cost | 16,057,300 | 15,086,138 | 2,023 | 2,023 |
| Less accumulated depreciation | (6,124,342) | (5,556,802) | (1,987) | (1,180) |
| Total plant and equipment | 9,932,958 | 9,529,336 | 36 | 843 |
| Total plant and equipment | 10,413,816 | 11,276,716 | 36 | 843 |
| Total property, plant and equipment | 21,732,918 | 21,088,905 | 36 | 843 |

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

18 Property Plant and Equipment continued

(a) Assets pledged as security

The Leasehold Land and buildings are assets over which first mortgages have been granted as security over bank loans (Refer note 22). The terms of the first mortgages preclude the assets from being sold or being used as security for further mortgages without the permission of the first mortgage holder.

(b) Capital works in progress

Capital works in progress are not ready for use and not yet being depreciated.

(c) Movements in Carrying Amounts

Parent 2007

| | Plant and Equipment \$ | Total \$ |
|------------------------------------|------------------------------|-------------|
| Balance at the beginning of year | 843 | 843 |
| Depreciation expense | (807) | (807) |
| Carrying amount at the end of year | 36 | 36 |

Parent 2006

| | Plant and Equipment \$ | Total \$ |
|----------------------------------|------------------------------|-------------|
| Balance at the beginning of year | 69,182 | 69,182 |
| Joint venture movements | (67,330) | (67,330) |
| Depreciation expense | (1,009) | (1,009) |
| Total | 843 | 843 |

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

18 Property Plant and Equipment continued

Movements in Carrying Amounts continued

Consolidated 2007

| | Capital Works in Progress | Land & leasehold land | Buildings on leasehold land | Plant and Equipment | Total |
|---------------------------------------|------------------------------|-----------------------------|-----------------------------------|------------------------|-------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at the beginning of year | 1,747,380 | 1,715,897 | 8,096,292 | 9,529,336 | 21,088,905 |
| Additions | 1,856,227 | 1,509,272 | 1,225,663 | 3,153,506 | 7,744,668 |
| Transfers | (2,954,634) | - | - | - | (2,954,634) |
| Depreciation expense | - | (92,322) | (318,498) | (1,653,448) | (2,064,268) |
| Foreign exchange movements | (168,115) | (130,771) | (686,432) | (1,096,435) | (2,081,753) |
| Carrying amount at the end of year | 480,858 | 3,002,076 | 8,317,025 | 9,932,959 | 21,732,918 |
| | Capital Works in Progress | Land & leasehold land | Buildings on leasehold land | Plant and Equipment | Total |
| | \$ | \$ | \$ | \$ | \$ |

Consolidated 2006

| | | | | | |
|-------------------------------------|-------------|-----------|-----------|-------------|-------------|
| Balance at the beginning of year | 705,828 | 1,038,893 | 4,065,894 | 9,054,314 | 14,864,929 |
| Additions | 4,955,910 | 614,928 | 3,908,966 | 1,279,293 | 10,759,097 |
| Disposals | - | - | - | (10,166) | (10,166) |
| Transfers | (3,972,875) | - | - | - | (3,972,875) |
| Depreciation expense | - | (23,285) | (247,304) | (1,496,622) | (1,767,211) |
| Foreign exchange movements | 58,517 | 85,361 | 368,736 | 702,517 | 1,215,131 |
| Total | 1,747,380 | 1,715,897 | 8,096,292 | 9,529,336 | 21,088,905 |

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

19 Intangible Assets

| | Note | Consolidated | | Parent | |
|-------------------------------------|-------------|-------------------|------------|------------------|------------|
| | | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ |
| Development costs | | | | | |
| Cost | 19(d) | 7,128,806 | 2,182,327 | 4,435,546 | 1,560,411 |
| Net carrying value | | 7,128,806 | 2,182,327 | 4,435,546 | 1,560,411 |
| Exploration expenditure capitalised | | | | | |
| Exploration and evaluation phases | 19(a)(c)(d) | 17,491,236 | 16,155,893 | - | - |
| Net carrying value | | 17,491,236 | 16,155,893 | - | - |
| Total Intangibles | | 24,620,042 | 18,338,220 | 4,435,546 | 1,560,411 |

(a) Intangible Assets

Movements during the year ended 30 June 2007 in Intangible Assets represent additions only. No amortisation has been brought to account. For capital expenditure commitments refer note 28(b).

(b) Development Costs

These costs relate to the development of the mineral projects in China primarily represented by the TiO₂ project.

(c) Exploration and Evaluation Expenditure

This expenditure relates to the Group's investment in the Donald Mineral Sands Project. The Group has complied with the conditions of the granting of EL4432 and EL4433 as at 30 June 2006. 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.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

19 Intangible Assets continued

(d) Reconciliation

| | Parent | |
|--------------------------------|-------------------|------------------|
| | Development costs | Total |
| | \$ | \$ |
| Year ended 30 June 2006 | | |
| Opening balance | - | - |
| Additions | 1,560,411 | 1,560,411 |
| Balance at 30 June 2006 | 1,560,411 | 1,560,411 |
| Year ended 30 June 2007 | | |
| Opening balance | 1,560,411 | 1,560,411 |
| Additions | 2,875,135 | 2,875,135 |
| Balance at 30 June 2007 | 4,435,546 | 4,435,546 |

| | Consolidated | | |
|--------------------------------|----------------------------------|-------------------|-------------------|
| | Exploration and Evaluation Phase | Development costs | Total |
| | \$ | \$ | \$ |
| Year ended 30 June 2006 | | | |
| Opening balance | 14,937,040 | 500,545 | 15,437,585 |
| Additions | 1,218,853 | 1,681,782 | 2,900,635 |
| Balance at 30 June 2006 | 16,155,893 | 2,182,327 | 18,338,220 |
| Year ended 30 June 2007 | | | |
| Opening balance | 16,155,893 | 2,182,327 | 18,338,220 |
| Additions | 1,335,343 | 5,006,313 | 6,341,656 |
| Foreign exchange movements | - | (59,834) | (59,834) |
| Balance at 30 June 2007 | 17,491,236 | 7,128,806 | 24,620,042 |

(e) Finite lives

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

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

20 Other Assets

| | Consolidated | | Parent | |
|--------------------|--------------|---------|--------|------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| NON-CURRENT | | | | |
| Prepayments | - | 310,919 | - | - |
| | - | 310,919 | - | - |

21 Trade and Other Payables

| | Consolidated | | Parent | |
|-----------------------------|--------------|------------|------------|------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| CURRENT | | | | |
| Unsecured liabilities | | | | |
| Trade payables | 26,573,904 | 13,237,758 | - | - |
| Other payables | 2,806,140 | 5,045,475 | 705,800 | 519,192 |
| Amount payable to: | | | | |
| - wholly-owned subsidiaries | - | - | 6,978,312 | 10,833,107 |
| - other related parties | 2,508,244 | 2,331,788 | 2,508,244 | 2,331,788 |
| | 31,888,288 | 20,615,021 | 10,192,356 | 13,684,087 |

22 Borrowings

| | Note | Consolidated | | Parent | |
|---------------------|-------|--------------|-----------|--------|------|
| | | 2007 | 2006 | 2007 | 2006 |
| | | \$ | \$ | \$ | \$ |
| CURRENT | | | | | |
| Secured liabilities | | | | | |
| Bank loans | 22(a) | 13,605,354 | 3,477,163 | - | - |
| | | 13,605,354 | 3,477,163 | - | - |

(a) Bank loans secured

The bank loans are secured by Leasehold Land & Buildings held by subsidiaries (Refer note 18(a)).

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

23 Provisions

| | Consolidated | | Parent | |
|------------------------------|--------------|------|--------|------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| NON-CURRENT | | | | |
| Environmental rehabilitation | 40,000 | - | - | - |
| | 40,000 | - | - | - |

Consolidated

| | Environmental rehabilitation | Total |
|--------------------------------|------------------------------|--------|
| | \$ | \$ |
| Opening balance at 1 July 2006 | - | - |
| Additional provisions | 40,000 | 40,000 |
| Amounts used | - | - |
| Balance at 30 June 2007 | 40,000 | 40,000 |

Provision for Environmental Rehabilitation

The provision for rehabilitation represents the estimated costs to rehabilitate the Donald Minerals Sands evaluation excavation.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

24 Tax

(a) Liabilities

| | Consolidated | | Parent | |
|---|------------------|------------------|----------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| CURRENT | | | | |
| Current tax liability | 300,463 | 74,211 | - | - |
| NON-CURRENT | | | | |
| Deferred tax liability comprises: | | | | |
| Accelerated capital allowances for tax purposes | 347,319 | - | - | - |
| Fair value adjustment recognised in equity | 729,330 | 1,080,000 | 729,330 | 1,080,000 |
| | 1,076,649 | 1,080,000 | 729,330 | 1,080,000 |

(b) Assets

| | Consolidated | | Parent | |
|-------------------------------|--------------|-----------|---------|-----------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| NON-CURRENT | | | | |
| Deferred tax assets comprise: | | | | |
| Tax losses | 729,330 | 1,080,000 | 729,330 | 1,080,000 |

(c) Deferred tax assets not brought to account

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(d) occur.

| | Consolidated | | Parent | |
|--|--------------|------------|------------|------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| - temporary differences unrecognised (audit fee accrual) | 19,500 | 19,500 | 19,500 | 19,500 |
| - tax losses: | | | | |
| - operating losses | 2,227,974 | 1,772,094 | 2,172,815 | 1,772,094 |
| - capital losses | 15,727,900 | 15,927,530 | 15,727,900 | 15,927,530 |

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

25 Issued Capital

| | Consolidated | | Parent | |
|---|-------------------|------------|-------------------|------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| 60,434,610 (2006: 58,322,117) Fully Paid Ordinary 20cent Shares | 29,619,643 | 24,279,368 | 29,619,643 | 24,279,368 |
| Total | 29,619,643 | 24,279,368 | 29,619,643 | 24,279,368 |

(a) Reconciliation of Ordinary Shares

| | Consolidated | | Parent | |
|--|-------------------|------------|-------------------|------------|
| | 2007 | 2006 | 2007 | 2006 |
| | No. | No. | No. | No. |
| At the beginning of reporting period | 58,322,117 | 57,647,424 | 58,322,117 | 57,647,424 |
| Shares issued during the year | | | | |
| - On 22 September 2005 shares issued in accordance with the shareholder Share Purchase Plan | - | 442,112 | - | 442,112 |
| - On 12 December 2005 and 2006 shares issued in accordance with the Dividend reinvestment plan | 1,905,070 | 232,581 | 1,905,070 | 232,581 |
| - On 19 July 2006 bonus shares issued | 207,423 | - | 207,423 | - |
| At reporting date | 60,434,610 | 58,322,117 | 60,434,610 | 58,322,117 |

(b) 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 the 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.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

26 Reserves

(a) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

(b) Available for sale investments assets reserve

The financial assets reserve records revaluations of financial assets.

(c) Reconciliation of Reserves

| | Consolidated | | Parent | |
|---|------------------|------------------|------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Foreign currency translation reserve | | | | |
| As at beginning of period | 672,745 | (3,180,260) | - | - |
| Exchange differences on translation of foreign operations | (8,093,930) | 3,853,005 | - | - |
| | (7,421,185) | 672,745 | - | - |
| Share of contributions by other Joint Venture party in investments accounted for using the equity method | | | | |
| | 1,216,859 | - | - | - |
| Reserves | | | | |
| Foreign currency translation reserve | (7,421,185) | 672,745 | - | - |
| Equity investment reserve | 1,216,859 | - | - | - |
| Total | (6,204,326) | 672,745 | - | - |
| Available for sale financial assets reserve | | | | |
| As at beginning of period | 2,520,000 | - | 2,520,000 | - |
| Transitional adjustment with respect to available for sale financial assets at 1 July 2005 | - | 451,500 | - | 451,500 |
| (Loss)/Gains on available for sale financial assets | (42,650) | 2,455,344 | (42,650) | 2,455,344 |
| Gain on disposal of available for sale financial assets credited to Income Statement | (775,580) | (386,844) | (775,580) | (386,844) |
| Total | 1,701,770 | 2,520,000 | 1,701,770 | 2,520,000 |

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

27 Auditors' Remuneration

| | Consolidated | | Parent | |
|---|----------------|---------|----------------|---------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Remuneration of the auditor of the parent entity for: | | | | |
| - Auditing or reviewing the financial report - 2005 | - | 21,260 | - | 21,260 |
| - Auditing or reviewing the financial report - 2006/7 | 194,140 | 125,820 | 194,140 | 116,730 |
| Other services | | | | |
| - Taxation services | 11,800 | 10,150 | 11,800 | 10,150 |
| - AIFRS Implementation advice | - | 15,755 | - | 15,755 |
| - Due Diligence assistance | 26,598 | - | 26,598 | - |
| - Other services | 2,830 | 1,937 | 2,830 | 1,937 |

28 Capital and Leasing Commitments

(a) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

| | Consolidated | | Parent | |
|----------------------------------|---------------|--------|--------|------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Payable - minimum lease payments | | | | |
| - not later than 12 months | 51,040 | 51,103 | - | - |
| - between 12 months and 5 years | 29,122 | 21,298 | - | - |
| | 80,162 | 72,401 | - | - |

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

28 Capital and Leasing Commitments continued

(b) Capital Expenditure Commitments

Capital expenditure commitments
contracted for:

| | | | | |
|------------------------------------|-------------------|-----------|---|---|
| Carnegie Minerals (Gambia) Limited | - | 2,200,000 | - | - |
| TiO2 Designs | 577,852 | 2,550,000 | - | - |
| Chinese capital projects | 13,777,950 | - | - | - |
| Donald Mineral Sands | 170,933 | 113,480 | - | - |
| | 14,526,735 | 4,863,480 | - | - |

Payable:

| | | | | |
|----------------------------|-------------------|-----------|---|---|
| - not later than 12 months | 14,526,735 | 4,863,480 | - | - |
| | 14,526,735 | 4,863,480 | - | - |

(c) Joint Ventures - capital commitments from interest in Joint Venture

Capital commitments contracted for
arising from interest in joint venture:

| | | | | |
|-------------------------------|----------------|-----------|---|---|
| Carnegie Astron Joint Venture | 310,000 | 1,500,000 | - | - |
| | 310,000 | 1,500,000 | - | - |

Payable:

| | | | | |
|---------------------------------|----------------|-----------|---|---|
| - not later than 12 months | 310,000 | 1,000,000 | - | - |
| - between 12 months and 5 years | - | 500,000 | - | - |
| | 310,000 | 1,500,000 | - | - |

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

29 Cash Flow Information

(a) Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities after Income Tax

| | Consolidated | | Parent | |
|--|--------------------|-------------|------------------|-------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Net income for the period | 11,431,821 | 20,588,826 | 10,720,142 | 20,178,754 |
| Non-cash flows in profit from ordinary activities | | | | |
| Depreciation | 2,064,268 | 1,767,211 | 807 | 1,009 |
| Net foreign currency (gain)/loss | - | 973 | 450,540 | 108,465 |
| Net (gain)/loss on disposal of available for sale assets | (775,580) | (386,844) | (775,580) | (386,844) |
| Net (gain)/loss on disposal of plant and equipment | - | 10,166 | - | - |
| Dividends received | - | - | (9,952,243) | - |
| changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries | | | | |
| (Increase)/decrease in trade and other receivables | (7,528,491) | (37,206) | (178,869) | 374,438 |
| (Increase)/decrease in inventories | (24,594,683) | (653,280) | - | 7,153 |
| Increase/(decrease) in trade payables and accruals | 11,968,794 | (3,386,637) | 985,261 | 7,692 |
| Increase/(decrease) in income taxes payable | 245,885 | (1,846,042) | - | - |
| (Increase)/decrease in deferred tax assets | 350,670 | (1,080,000) | 350,670 | (1,080,000) |
| Increase/(decrease) in deferred tax liabilities | 365,761 | - | - | - |
| | (6,471,555) | 14,977,167 | 1,600,728 | 19,210,667 |

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

29 Cash Flow Information continued

(b) Reconciliation of cash

| | | Consolidated | | Parent | |
|---|-------|------------------|-------------------|----------------|----------------|
| | Note | 2007 | 2006 | 2007 | 2006 |
| | | \$ | \$ | \$ | \$ |
| Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows: | | | | | |
| Cash on hand | | 27,363 | 195,970 | - | - |
| Bank balances | | 5,319,945 | 20,474,525 | 306,446 | 297,997 |
| Short-term deposits | 29(g) | 4,436,927 | 113,480 | - | - |
| | | 9,784,235 | 20,783,975 | 306,446 | 297,997 |

(c) Acquisition of Entities

During the year the company incorporated a new subsidiaries being Yingkou Astron Mineral Resources Co Ltd for cash only consideration of \$625,326.

(d) Disposal of Entities

During the year there were no disposals of subsidiaries however Shenyang Astron Mining Co Limited was wound up.

(e) Credit Standby Arrangements with Banks

| | | Consolidated | | Parent | |
|-----------------|--|-------------------|-------------------|----------|----------|
| | | 2007 | 2006 | 2007 | 2006 |
| | | \$ | \$ | \$ | \$ |
| Credit facility | | 83,051,120 | 33,302,849 | - | - |
| Amount utilised | | (32,564,942) | (12,256,343) | - | - |
| | | 50,486,178 | 21,046,506 | - | - |

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

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

29 Cash Flow Information continued

(f) Loan Facilities

| | Consolidated | | Parent | |
|-----------------|------------------|----------------|--------|------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| Loan facilities | 18,348,726 | 4,109,040 | - | - |
| Amount utilised | (13,605,354) | (3,477,163) | - | - |
| | 4,743,372 | 631,877 | - | - |

The major facilities are summarised as follows:

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

(g) Restrictions on Cash

The Short-term deposits represent Bank Guarantees for the loans and letters of credit provided to the Chinese entities and for operations of the Donald Mineral Sands project.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

30 Financial Instruments

(a) Fair Value

The fair values of:

- Term receivables, government and fixed interest securities and bonds are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Listed investments have been valued at the quoted market bid price at balance date. For unlisted investments where there is no organised financial market the fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings to their present value.
- Other assets and other liabilities approximate their carrying value.

At 30 June 2007 the aggregate fair values and carrying amounts of financial assets and financial liabilities approximate their carrying amounts.

(b) Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable and bank loans.

The main purpose for non-derivative financial instruments is to raise finance for group operations.

The Group does not have any derivative financial instruments at 30 June 2007.

(i) Treasury Risk Management

The Board of Directors meet on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

30 Financial Instruments continued

(ii) Financial Risks

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest rate risk

Interest rate risk is currently managed through the use of short term borrowings.

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency. The Group manages this risk through the offset of Trade receivables and payables where the majority of trading is undertaken in either the USD or Chinese Renminbi which are pegged to the USD.

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the group.

Price risk

The Group is exposed to commodity price risk. The Group seeks to minimize the risk by agreement to longer term purchase contracts. The Group is also exposed to price risk on available for sale investments being recorded at fair value. The Group's management and Board of Directors regularly review the fair value however the group does not have a risk management policy for price risk resulting from these investments because fair value movements are not considered material to the Group.

(c) Interest Rate Risk

The consolidated group's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

31 Economic Dependency

The Group conducts its business with a significant number of customers and suppliers ensuring the Group is not dependent on any customer or supplier.

32 Employee Benefit Obligations

At 30 June 2007, 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.

33 Subsequent events

Further to the announcement of 29 August 2007 Astron Limited has entered into an agreement to sell its China based zircon materials business to Imerys providing significant funding for Astron's forward strategies encompassing both mineral sands mining and processing and the downstream production of chemicals and metals.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

34 Company Details

(a) Registered office

The registered office of the public company is:

Astron Limited
C/- BDO Kendalls
Level 19, 2 Market Street
Sydney NSW 2000

(b) Principal place of business

The principal place of business is:

Level 12, Royal International Building
19-1-12, Wenyi Road, Shenhe Dt
Shenyang China 110016

35 Segment Reporting

(a) Operations in one segment only

The Group operates predominately in one business and geographical segment being chemical manufacturing and mineral processing and trading in China.

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

35 Segment Reporting continued

(b) Primary reporting - Business segments

| | Chemical Manufacturing and Mineral Processing | | Unallocated (Deferred, evaluation and exploration expenditure) | | Consolidated | |
|--|--|--------------------|--|-------------------|--------------------|--------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| REVENUE | | | | | | |
| Revenue from external customers: | | | | | | |
| Sales | 181,602,409 | 150,731,069 | - | - | 181,602,409 | 150,731,069 |
| Other revenue | 142,755 | 431,604 | - | - | 142,755 | 431,604 |
| Other income | 2,273,532 | 782,894 | - | - | 2,273,532 | 782,894 |
| Total revenue from external customers | 184,018,696 | 151,945,567 | - | - | 184,018,696 | 151,945,567 |
| Total revenue | 184,018,696 | 151,945,567 | - | - | 184,018,696 | 151,945,567 |
| RESULT | | | | | | |
| Segment results | 15,092,376 | 19,552,053 | - | - | 15,092,376 | 19,552,053 |
| Segment results | | | | | - | - |
| Borrowing Costs | (1,221,842) | - | - | - | (1,221,842) | - |
| Income/loss from associates | 27,851 | - | - | - | 27,851 | - |
| | (1,193,991) | - | - | - | (1,193,991) | - |
| Income tax expense | (2,466,564) | 1,036,771 | - | - | (2,466,564) | 1,036,771 |
| Net profit for the year | 11,431,821 | 20,588,824 | - | - | 11,431,821 | 20,588,824 |
| ASSETS | | | | | | |
| Segment assets | 120,238,085 | 101,500,698 | 24,620,042 | 18,448,482 | 144,858,857 | 119,949,180 |
| Total assets | 120,238,085 | 101,500,698 | 24,620,042 | 18,448,482 | 161,014,020 | 119,949,180 |
| LIABILITIES | | | | | | |
| Segment liabilities | 46,655,327 | 25,246,395 | 255,427 | - | 46,910,754 | 25,246,395 |
| Total liabilities | 46,655,327 | 25,246,395 | 255,427 | - | 46,910,754 | 25,246,395 |

Astron Limited

ABN 97 000 285 272

Notes to the Financial Statements

For the Year Ended 30 June 2007

35 Segment Reporting continued

(b) Primary reporting - Business segments continued

| | Chemical Manufacturing and Mineral Processing | | Unallocated (Deferred, evaluation and exploration expenditure) | | Consolidated | |
|---|--|-------------|--|-------------|---------------------|-------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| OTHER | | | | | | |
| Acquisition of non-current segment assets | (4,236,938) | (4,249,640) | (5,831,822) | (2,918,233) | (10,068,760) | (7,167,873) |
| Depreciation and amortisation of segment assets | 2,064,268 | 1,767,211 | - | - | 2,064,268 | 1,767,211 |

Astron Limited

ABN 97 000 285 272

Statement by Directors

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 16 to 52, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the company and the group;
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. In the directors opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Chief Executive Officer



Chief Financial Officer

Dated 29 October 2007

INDEPENDENT AUDITOR'S REPORT

To the members of Astron Limited

We have audited the accompanying financial report of Astron Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the consolidated entity has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration Report" in pages 9 to 14 of the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures Contained in the Directors' Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion on the Financial Report

In our opinion the financial report of Astron Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Auditor's Opinion on the AASB 124 Remuneration Disclosures Contained in the Directors' Report

In our opinion the remuneration disclosures that are contained in pages 9 to 14 of the directors' report comply with Accounting Standard AASB 124.



BDO Kendalls
Chartered Accountant



Wayne Basford
Partner

Sydney, 30th day of October 2007