

Astron Corporation Limited

ARBN 154 924 553

Incorporated in Hong Kong, company number 1687414

Preliminary Final Report - Unaudited

Year ended 30 June 2020

Contents

- Corporate Directory
- Appendix 4E
- Consolidated Financial Statements

CORPORATE DIRECTORY

Directors

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

Company Secretary and Registered Office

Boardroom Corporate Services (HK) Limited
31/F., 148 Electric Road
North Point, Hong Kong

Australian Corporate Office

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

China Business Office

c/ **Astron Titanium (Yingkou) Ltd**
Room 4925 49F Sunnyworld Building No.1, No.10 Youhao St
Shenhe Dist., Shenyang, P. R. China
Zip code:110013
Fax: +86 024 2259 5960

Bankers

Commonwealth Bank of Australia
48 Martin Place
Sydney NSW 2000, Australia

Share Registrar

Computershare Investor Services Limited
Level 3, 60 Carrington Street
Sydney NSW 2001, Australia

Computershare Hong Kong Investor Services Limited
Hopewell Centre, 46th floor
183 Queen's Road East
Wan Chai, Hong Kong

Auditors

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Internet Address

www.astronlimited.com

Astron Corporation Limited and its Subsidiaries

ARBN 154 924 553

Summary of results and commentary

For the Year Ended 30 June 2020

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

Name of entity

ASTRON CORPORATION LIMITED

ARBN

154 924 553

Reporting period

30 June 2020

Previous corresponding period

30 June 2019

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

CONTENTS

Page

Results for announcement to the market	4
Commentary on results	5
Consolidated Statement of Profit or Loss and Other Comprehensive Income	9
Consolidated Statement of Financial Position	11
Consolidated Statement of Changes in Equity	12
Consolidated Statement of Cash Flows	13
Additional information	14

Astron Corporation Limited and its Subsidiaries

ARBN 154 924 553

Summary of results and commentary

For the Year Ended 30 June 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

OPERATIONAL HIGHLIGHTS

- Astron successfully upgraded its separation plant in China
- Ilmenite Ore from Savannah USA as feedstock to produce TiO₂ products
- Continuing optimisation of the Donald Project and completed pilot plant trials
- Development of Senegal mine continues
- Ongoing research & development program in relation to mineral separation
- Receipts from the proceeds from the 2014 sale of land in China continued

FINANCIAL HIGHLIGHTS

Net tangible asset value per share	Down	34.0%	to 12.4 cps
Revenue from continuing operations	Up	6.9%	to \$8,776,444
Cash outflow from operating activities	Down	(\$4,813,401)	to (\$2,125,498)
Loss before tax from continuing operations attributable to members	Up	\$3,932,791	to (\$6,204,703)
Loss after tax attributable to members	Up	\$4,379,858	to (\$6,292,820)
Total comprehensive income for the year	Down	\$7,579,864	to (\$6,548,697)

Astron Corporation Limited and its Subsidiaries

ARBN 154 924 553

Summary of results and commentary

For the Year Ended 30 June 2020

COMMENTARY ON RESULTS

Overview

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

Financials

Consolidated Statement of Profit or Loss and other Comprehensive Income

- Sales revenue increased over the prior year by 5.7% to \$8,430,039 from 2019: \$7,977,198: 2018: \$5,013,827 and 2017: \$1,899,763. This was due to the increase trading in the Chinese markets compared with the prior years
- Gross margins reflected the ongoing development of the mineral separation plant, agglomeration plant, the materials produced, importation and productions costs during the year, which were adversely impacted by Covid 19.
- Administration expenditure was broadly consistent with the prior years.
- Net loss reflects the development of the Ilmenite program in China and investment in the mineral separation plant in China, which has been financed by loan funds and the ongoing support of related parties.

Consolidated Statement of Financial Position

- The increase in inventories should allow the Group to capitalise on the strengthening of the mineral sands markets in China and Astron's development of the products to be sold which is anticipated to increase during the 2021 financial year as the mineral separation plant and agglomeration plant is optimised.
- The increase in intangible assets arises from further exploration expenditure capitalised in respect of the Donald Mineral Sands and Senegal Niafarang projects.
- Land use rights comprise 50-year land use leases. These leases are capitalised and amortised over the 50-year period.
- The decrease in the net tangible asset value from 18.8 cps at 30 June 2019 to 12.4 cps at 30 June 2020 primarily relates to the group loss for the year and the capitalisation of exploration and development costs.

Operations review

Donald

The advancement of the Donald project ("DMS") continued during the year.

In conjunction with external resource consultants Mineral Technologies a 1,000t run of mine wet concentrator pilot plant and associated test work was completed on ore material previously excavated from the DMS test pit site.

The Pilot plant successfully proved separation and provided valuable guidance into opportunities for new design criteria, resulting in increased recovery and grade outcomes.

Astron Corporation Limited and its Subsidiaries

ARBN 154 924 553

Summary of results and commentary

For the Year Ended 30 June 2020

As a direct result of the pilot plant test and additional external test work the project has increased its viability through additional materials extraction, improved recovery and grade of the in ground HMC at Donald.

The project risk assessments are ongoing and being incorporated into the projects valuation models. Donald has undertaken regular Government liaison and introductions continue with development agencies and approval departments.

Updating the DMS financial project and operating models will be carried out in late 2020 to reflect the improvements with an expected increase in infrastructure capital and therefore achieving a reduced operating cost outcome and incorporating a planned resource update. The previous models were significantly positive and DMS believes this will be improved upon with the work completed in 2020 and global demand positive outcomes on final product pricing. Optimisation processes will be completed ahead of the official detailed engineering commencement.

The project remains viable under the current climate and global product demand.

Execution strategy

The execution strategy for the project will involve a standalone design contract for the Australian processing plant, reflecting a modular plant construction and assembly through a Chinese fabrication yard. The module assembly and all wraparound construction will be conducted by way of several local construction contracts and managed by a single integrated owners and project teams. These programmed actions will be reassessed with consideration to the renewed infrastructure methodology and pilot process outcomes.

Approvals

A summary of the status of relevant approvals is as follows:

Approval type	Status	Date
Environment or Effects Statement (ESS)	Approved	2008
Mining licence	Approved	August 2010
Cultural Heritage Management plan	Approved	January 2014
Water rights	Secured	2012
Radiation licence	Approved	Renewed December 2019
Export permit	Approved	December 2019
Work plan test pit	Approved	March 2018
Work Authority test pit	Approved	August 2018

Infrastructure Assessment

Road infrastructure remains solid with the design and supply opportunities unchanged. The power opportunities will be further assessed with assistance of the regional development agencies for alternate methods and / or a combination of both mains power and renewable hybrid systems shall be considered. Funding opportunities continue to be investigated as the project financing and detailed engineering draws closer. These will be further explored as the business modelling is completed in accordance with the government agencies as mentioned above. Power options studies were completed through a third party consultancy firm and these options are currently being considered.

In relation to the water pipeline, hydraulic assessments and pipeline engineering designs were completed in 2016. The piping system design catered for full scale operations with capacities for future expansions. Discussions with local water network providers and the Regional Development Group of Victoria commenced in 2018 with detailed system reviews to ensure initial and future project needs will be met. This is an ongoing exercise in 2021.

Astron Corporation Limited and its Subsidiaries

ARBN 154 924 553

Summary of results and commentary

For the Year Ended 30 June 2020

Exploration Improvement

Updating the current JORC code is planned in early 2021 to conform with the 2012 JORC code and improve on the - 38 micron fraction within the contained minable HM%.

Risk assessment

Risk assessments have been conducted at various stages, and major risks have been ranked and prioritized. The most significant technical risks are associated with site water and tailings management, and operational logistics of large mining equipment inside the pit. Test work has been conducted to quantify these risks and management plans have been put in place to address them. These risks have been logged as part of the Victorian Work Plan process. Additional risks will be associated with ensuring that long-lead items are expedited, and that module assembly is completed on schedule and to an acceptable level of quality. These risks will all be specifically managed with specific management plans and designated hires into the project team.

Funding

Astron continues to develop its funding strategy which could include a mix of equity, internally generated cash flows and debt funding. Astron continues to work with entities interested in assisting with this project.

Senegal

Exploration

No additional exploration field activities have occurred in the year. Application, renewal applications and studies have been undertaken by Astron's consultant in Senegal (Harmony group) to re-establish approvals for expired exploration leases. The current exploration licence remains in a maintenance position where Astron has the right to apply for drilling exploration and planning which will see the licence reactivated for explorative purposes.

The exploration renewal process has commenced and awaiting the mines department review on the overall area and associated graticules.

Mining Licence

Mining Licence was awarded to the Group in June 2018.

In Senegal Astron has an operational readiness – procedures are in place, approvals for recruitment, contract commencement is slowly progressing under the current pandemic circumstances. Capital equipment is in place in Dakar, local representation remains in place and the detailed mine design ready to implement.

The Senegal Government continues to move slowly in considering final approvals for the community resettlement program. Discussions continue in the development of the community relocation plan with local and federal governments.

Covid 19 has had a noticeable impact in developing community engagement process and government support processes also impacting the development.

Overall project viability continues to increase in line with the global market demand for the final products of Rutile and Zircon.

Astron Corporation Limited and its Subsidiaries

ARBN 154 924 553

Summary of results and commentary

For the Year Ended 30 June 2020

America

Astron commenced the excavation and loading processes of Ilmenite Ore in Savannah USA. The process and purchases are via a Bill of Sales (BOS) Agreement and locally (USA) and Australian developed Standard Operations Procedure (SOP) for the shipping and loading functions in Savannah to Georgia and then on to Dalian in China. In the first instance, this material is being used as feedstock for the processing plant that has been commissioned to develop a suite of TiO₂ products including several grades of rutile for its customers and is an important step in moving towards Astron re-establishing its advanced materials capabilities in China.

Other mineral sands opportunities in the USA for processing and sale in China are under investigation and review.

China

TiO₂ Processing plant

Astron commissioned its TiO₂ processing plant in Yingkou, China. The plant is producing rutile from the Savannah Ore. The processing has now been upgraded to add the agglomeration plant to increase recoveries.

The Group is well placed to monetise its inventories with the upgraded plant and continued strengthening of the mineral sands market in China.

Covid 19

Astron prioritises the safety and health of all staff while also keeping a very clear focus on how we continue to support our business operations during this unprecedented period. The safety and wellbeing include Astron's consultancy members conducting global business activities on behalf of Astron.

We have been following very closely the official public health advice from Federal and State Governments. For the immediate future, the following mitigation and best practice methods have been implemented. Astron implemented distancing, work from home options and suspended all international travel.

While the pandemic impacted potential drilling in Donald, it did not directly impact the supply of materials from the Savannah operations and while there were operational challenges in China, production interruption was not as significant as anticipated, however product deliveries were reduced in compliance with strict Chinese protocols.

Astron Corporation Limited and its Subsidiaries

ARBN 154 924 553

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2020

	Year Ended 30 June 2020 \$	Year Ended 30 June 2019 \$
Sales revenue	8,430,039	7,977,198
Cost of sales	(8,258,584)	(4,481,514)
Gross profit	171,455	3,495,684
Interest income	2,159	15,625
Other income	344,246	217,225
Distribution expenses	(583,907)	(382,096)
Marketing expenses	(218,110)	(79,177)
Occupancy expenses	(48,479)	(87,586)
Administrative expenses	(4,448,707)	(4,333,108)
Impairment of receivables – write back	469,657	411,395
Impairment of available for sale financial assets	(5,043)	(23,794)
Costs associated with Gambian litigation	(136,006)	(65,625)
Finance costs	(1,651,551)	(1,275,210)
Other expenses	(100,417)	(165,245)
Loss before income tax expense	(6,204,703)	(2,271,912)
Income tax benefit/(expense)	(88,117)	358,950
Net loss for the year	(6,292,820)	(1,912,962)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
(Decrease)/Increase in fair value of available-for-sale financial assets (tax: nil)	-	-
Increase/(Decrease) in foreign currency translation reserve (tax: nil)	(255,877)	2,944,129
Other comprehensive income for the year, net of tax	(255,877)	2,944,129
Total comprehensive income for the year	(6,548,697)	1,031,167
Loss for the year attributable to:		
Owners of Astron Corporation Limited	(6,292,820)	(1,912,962)
Total comprehensive income for the year attributable to:		
Owners of Astron Corporation Limited	(6,548,697)	1,031,167

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

Astron Corporation Limited and its Subsidiaries

ARBN 154 924 553

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2020

	Year Ended 30 June 2020	Year Ended 30 June 2019
1. EARNINGS/(LOSS) PER SHARE		
For loss for the year		
Basic loss earnings per share (cents per share)	(5.14)	(1.56)
2. COMPARISON OF HALF-YEAR RESULTS		
Consolidated loss after tax attributable to owners reported for the first half year	(2,439,120)	(944,758)
Consolidated loss after tax attributable to owners reported for the second half year	(3,853,700)	(968,204)
Total consolidated profit/(loss) after tax for the year	(6,292,820)	(1,912,962)

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

Astron Corporation Limited and its Subsidiaries

ARBN 154 924 553

Consolidated Statement of Financial Position

For the Year Ended 30 June 2020

		As at 30 June 2020	As at 30 June 2019
	Note	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		555,504	1,687,549
Term deposits greater than 90-days		46,112	46,112
Trade and other receivables	9	11,039,026	9,820,565
Inventories		9,930,340	7,348,837
Available-for-sale financial assets		20,322	25,366
Current tax assets		-	-
Total current assets		21,591,304	18,928,429
Non-current assets			
Trade and other receivables	9	-	2,077,163
Property, plant and equipment		26,648,011	26,220,427
Exploration and evaluation assets		70,297,773	69,400,384
Development costs		8,205,625	7,804,124
Land use rights		2,983,286	3,090,641
Total non-current assets		108,134,695	108,592,739
TOTAL ASSETS		129,725,999	127,521,168
LIABILITIES			
Current liabilities			
Trade and other payables		13,125,453	9,639,406
Contract liabilities		5,106,984	4,363,126
Borrowings	10	10,917,671	7,133,146
Provisions		116,901	95,642
Total current liabilities		29,267,009	21,231,320
Non-current liabilities			
Deferred tax liabilities		5,941,198	5,229,611
Long-term provisions		792,508	786,256
Total non-current liabilities		6,733,706	6,015,867
TOTAL LIABILITIES		36,000,715	27,247,187
NET ASSETS		93,725,284	100,273,981
EQUITY			
Issued capital	11	76,549,865	76,549,865
Reserves		14,257,151	14,513,028
Retained earnings		2,918,268	9,211,088
TOTAL EQUITY		93,725,284	100,273,981

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

Astron Corporation Limited and its Subsidiaries

ARBN 154 924 553

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2020

	Issued Capital	Retained Earnings	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total Equity
Year Ended 30 June 2020	\$	\$	\$	\$	\$
Equity as at 1 July 2019	76,549,865	9,211,088	913,104	13,599,924	100,273,981
Loss for the year	-	(6,292,820)	-	-	(6,292,820)
Other comprehensive income					
Exchange differences on translation of foreign operations	-	-	-	(255,877)	(255,877)
Total comprehensive income for the year	-	(6,292,820)	-	(255,877)	(6,548,697)
Equity as at 30 June 2020	76,549,865	2,918,268	913,104	13,344,047	93,725,284

	Issued Capital	Retained Earnings	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total Equity
Year Ended 30 June 2019	\$	\$	\$	\$	\$
Equity as at 1 July 2018 as originally presented	76,549,865	11,689,667	913,104	10,655,795	99,808,431
Initial application of HKFRS 9	-	(565,617)	-	-	(565,617)
Restated balance as at 1 July 2018	76,549,865	11,124,050	913,104	10,655,795	99,242,814
Loss for the year	-	(1,912,962)	-	-	(1,912,962)
Other comprehensive income					
Exchange differences on translation of foreign operations	-	-	-	2,944,129	2,944,129
Total comprehensive income for the year	-	(1,912,962)	-	2,944,129	1,031,167
Equity as at 30 June 2019	76,549,865	9,211,088	913,104	13,599,924	100,273,981

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

Astron Corporation Limited and its Subsidiaries

ARBN 154 924 553

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2020

	Year Ended 30 June 2020 \$	Year Ended 30 June 2019 \$
Cash flows from operating activities:		
Receipts from customers	10,136,280	7,915,476
Payments to suppliers and employees	(12,256,230)	(15,055,938)
Interest received	2,160	15,625
Finance costs	(631,177)	(229,206)
Income taxes received	623,469	415,144
Net cash outflow from operating activities	(2,125,498)	(6,938,899)
Cash flows from investing activities:		
(Investment)/Receipt in short term deposits	-	15,000
Receipts from partial settlement of land receivable	1,440,273	3,529,615
Acquisition of property, plant and equipment	(2,123,232)	(4,390,335)
Capitalised exploration and evaluation expenditure	(1,831,166)	(3,385,602)
Net cash inflow from investing activities	(2,514,125)	(4,231,322)
Cash flows from financing activities:		
Deposit received in advance	-	-
Receipt of borrowings	3,847,208	6,797,319
Net cash inflow from financing activities	3,847,208	6,797,319
Net increase/(decrease) in cash held	(792,415)	(4,372,902)
Cash and cash equivalents at beginning of the year	1,687,549	3,167,548
Net foreign exchange differences	(339,630)	2,892,903
Cash and cash equivalents at end of the year	555,504	1,687,549

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

Astron Corporation Limited and its Subsidiaries

ARBN 154 924 553

Additional Information

For the Year Ended 30 June 2020

1. DETAILS OF CONTROLLED ENTITIES

During the financial year ended 30 June 2020, no new subsidiaries were acquired or disposed.

2. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

The Group has no associates or joint venture entities.

3. DIVIDENDS / RETURN OF CAPITAL

No dividends were paid or proposed for the years ended 30 June 2020 and 30 June 2019. There is no Dividend Reinvestment Plan in operation.

4. ACCOUNTING STANDARDS

The information contained in this Appendix 4E for the year ended 30 June 2020 have been prepared under Hong Kong Financial Reporting Standards ("HKFRS") and to the extent relevant Australian Accounting Standards. The directors note that as HKFRS and IFRS have fully converged since 1 January 2005, there are no material differences to the accounting policies, results and financial position of the Group presented to shareholders in previous years

5. SIGNIFICANT ACCOUNTING POLICIES

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

6. CONTINGENCIES

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

7. OTHER INFORMATION REGARDING THE PRELIMINARY REPORT

The information contained in this Appendix 4E is based on accounts that have not yet been audited. The accounts once audited are likely to include an "emphasis of matter" paragraph in relation to the Company's ability to continue as a going concern.

8. COMPARATIVE INFORMATION

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

9. TRADE AND OTHER RECEIVABLES

During the year ended 30 June 2015 the Group reported the disposal of leasehold land in China, as at 30 June 2020 there is \$1,495,660 (2019: \$2,962,632) AUD outstanding and receivable under the terms of the sale contract. A further \$411,507 has been received subsequent to year end.

10. Borrowings

During the year ended 30 June 2020 the year the Group had third party interest bearing borrowings of \$4,198,944 (2019: \$6,955,417) and related party non interest bearing borrowings of \$6,718,727 (2019: \$177,729).

Astron Corporation Limited and its Subsidiaries

ARBN 154 924 553

Additional Information

For the Year Ended 30 June 2020

11. ISSUED CAPITAL

Upon commencement of the Hong Kong Companies Ordinance, Chapter 622 on 3 March 2014, par value for the shares of all Hong Kong companies has been abolished. The law has deemed all shares issued before the abolition to have no par value. With the abolition of par value, any amount in the share premium account and capital redemption reserve account of a company has become part of the share capital of a company. As a result, the share premium and capital redemption reserve accounts of the Company should be included as part of the share capital of the Company. This has now been adjusted in the statement regarding issued capital.

12. OTHER SIGNIFICANT INFORMATION

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

13. AUTHORITY

This Appendix 4E is authorised for release to ASX by the Board of Directors of Astron.