

Astron Corporation Limited

ARBN 154 924 553

Incorporated in Hong Kong, company number 1687414

Preliminary Final Report - Unaudited

Year ended 30 June 2019

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CORPORATE DIRECTORY

Directors

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

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Summary of results and commentary

For the Year Ended 30 June 2019

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 2019

Previous corresponding period

30 June 2018

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

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Summary of results and commentary

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

OPERATIONAL HIGHLIGHTS

- Astron successfully commissioned its separation plant in China utilising Ilmenite Ore from Savannah USA as feedstock to produce TiO₂ products including high grade rutile, develop Artificial Rutile and to process the Ilmenite.
- Continuing optimisation of the Donald Project and pilot plant trials commenced utilising test pit stockpiles.
- 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	8.5%	to 18.8 cps
Revenue from continuing operations	Up	52.2%	to \$8,194,423
Cash outflow from operating activities	Up	\$3,622,897	to \$6,938,899
Loss before tax from continuing operations attributable to members	Down	\$1,614,217	to (\$2,271,912)
Loss after tax attributable to members	Down	\$2,757,785	to (\$1,912,962)
Total comprehensive income for the year	Up	\$3,881,075	to \$1,031,167

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COMMENTARY ON RESULTS

Overview

Astron Corporation Limited (Astron HK) is the group's holding company. Astron HK controls 100% of Astron Limited 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 59.1% to \$7,977,198 from 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 from the trading business improved in line with the market conditions in Chinese mineral sands markets and commissioning of Astron's mineral separation plant in China.
- Administration expenditure was broadly consistent with the prior years.

Consolidated Statement of Financial Position

- The increase in inventories reflects the strengthening of the mineral sands markets in China and Astron's ongoing sales program, which is anticipated to significantly increase during the 2020 financial year as the mineral separation 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 20.6 cps at 30 June 2018 to 18.8 cps at 30 June 2019 which primarily relates to the group loss for the year.

Operations review

Donald

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

Ongoing execution of the work plan continued, including the successful submission for the bulk sample process which was excavated in early 2018 and transported for piloting test work in QLD in early 2019. DMS personnel attended workshops with the Department of Economic Development, Jobs, Transport and Resources and other regulatory bodies as the work plan submission and application process which has updated to a new system called the Earth Resources' Resource Rights Allocation and Management Business Portal (RRAM). The 2019 bulk sample permit was submitted and approved via the new RRAM system which provided DMS with learning opportunities with respect to the new process for populating the work plan within RRAMs for DMS once full operations commence.

Attendances in China by DMS representatives to discuss the processes for financing and compliance with financial contracts occurred in late 2018, this process continues and will be further complied with once the bulk

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sample results are shared with China for industrial sales kit and marketing opportunities in late 2019. Further progress was made in the following areas:

Water infrastructure

Ongoing discussions with third party providers and local infrastructure owners continue in developing a strategy to supply the water required for the project in a competitive manner. The DMS team has had discussions with the water ministry and water options are now being considered for the construction and operation stages 1 and 2. It has been determined that existing infrastructure can support all stages of operations with minor upgrades to pumping stations and a service pipeline from nearby Minyip to site (which is approximately 13 km), as opposed to the previously expected 75 kilometre pipe line. The DMS team assessed a comparison between the capital verses operating options and this proposal is currently under consideration.

Bulk Sampling

Bulk Sampling approval and definitions for floatation and separation test work on the Chinese floatation and gravity systems. Bulk sample planning will provide a large volume (1,000t) of ore material for testing on pilot systems in Australia and China for the equipment selection for Donald project and that of the MSP in China from the pilot MSP process of floatation, electrostatics and gravity methods. The bulk sample has been excavated and transported to the proposed pilot plant location in Queensland with a mineral processing provider including Metallurgical Support Services. Draft agreements were approved for commencement.

It is proposed that the sample preparation and separation will take place in Australia prior to developing a representative Heavy Mineral Concentrate (HMC) sample for equipment selection for the Mineral Separation Plant in China. Final product specifications, grades and assemblage will be shared with potential off take partners for future long-term supply agreements. Product definition and classification will be completed in Australia to develop a piloting process design and flow sheet for the China based Mineral Separation Plant (MSP) piloting process in late 2019.

Community Engagement

Members of the DMS team have attended workshops and courses in Melbourne and Bendigo to comply with and compliment DMS' ability to develop and execute its community engagement plan. Regulatory certification now needs to be achieved to have the authority to develop and approve the community engagement planning processes.

The DMS and Astron team continue to work closely with the Minerals Council of Australia (MCA) where representatives of DMS and Astron sit on State Council and Working Group committees.

Engineering

Conceptual engineering and design was completed in 2018 to allow for a feasibility level tendering process to be carried out. The mapping, budgeting and operational assessments were completed and now await the bulk sample test results before moving into execution of detailed engineering optimisation and programs. Greater project definition and detail will guide the next process of optimisation prior to detailed engineering.

Updating the DMS financial project and operating models will be carried out in 2019 to reflect the improvements with an expected increase in infrastructure capital and therefore achieving a reduced operating cost outcome, final valuable heavy mineral pricing increases the planned resource update. The previous models were significantly positive and DMS believes this will be greatly improved upon with the work completed in 2018/19 and global demand positive outcomes on final product pricing. Optimisation processes will be completed ahead of the official detailed engineering commencement.

Exploration Improvement

Updating the current JORC code is planned in late 2019 to conform with the 2012 JORC code and improve on the - 38 micron fraction within the contained minable HM%.

Detailed mine planning and mapping was completed for the feasibility level process.

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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 2018
Export permit	Approved	December 2016
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 for review. 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.

Project Infrastructure

It is estimated that 13km of local road upgrades will be required, together with potentially up to 11km for the installation of designated water supply to the project site. Wherever possible, funding assistance has been considered from state and regional departments.

Detailed Engineering has been undertaken for site access roadways and Minyip township heavy vehicle bypass routes were completed in 2016 and remain unchanged in 2019. These designs were completed with review and approval from state regulators and relevant stakeholders.

Power Systems are proposed to be by way of diesel powered generation system (at commencement) prior to a hybrid mains and renewable system for the projects life, for which compatibility and suitability assessments were completed in 2016 and refined in mid 2019. The specific nature of the site with a modulated plant design supports the project with the ability to increase production physicals as necessary including a hybrid power system. The renewable energy assessments were commenced in 2018/19 and carry forward an options strategy for adoption and greater definition.

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 2019. With integration, supply and network load shedding from the local pipeline network has the potential for localised network infrastructure to potentially provide the project commencement water supply demand without issue, this

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was confirmed in late 2018.

Separation test work on China floatation and product trials for customers

Bulk sample excavation was completed in early 2019. The bulk sample is anticipated to provide 1,000t of ore material for testing of gravity and floatation mineral separation methods at Australian and Chinese Mining Institutes, with a third-party toll processor and product trials for customers.

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.

Environmental

Data collection and surveys commenced with consultancy groups to populate the mine site Work Plan permit for Noise, Air Quality and Dust, Native Vegetation, Sensitive receptors and Radiation.

Soil mapping and rehabilitation programs were completed in 2018/19 which clearly support the benefits of the proposed methodologies anticipated with DMS operational management plans. Soil improvements and overall stability and integrity of rehabilitated lands are monitored pre and post significant environmental events and the results are extremely favourable.

Work plan

The work plan for the test pit area was submitted and approved, DMS were the first to receive approval via the new RRAM system. The full work plan will be submitted once DMS confirm the detailed engineering processes and power distribution programs.

China operations

Work in China continued to test and develop technology to be applied for downstream advancement of Group minerals. The China plant is anticipated to be fully operational in the 4th Quarter 2019. This plant is a preparatory plant for downstream DMS product.

Mineral sales increased as the Zircon and Titanium market demand continues to improve.

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

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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.

Environmental Approval

Conceptual workshops in Senegal and China have produced clear operational and establishment plans to be populated into the final Environmental Approval and Licencing for the mining concept within the mining licence. Logistics, Road development and import / export methodologies need to be defined (anticipated to occur during third quarter 2019) to populate the final application documents.

The acceptance and issue of the well / bore drilling and pumping licences from the Senegal Department of Hydraulics was received. This is a major milestone with Astron developing a social community water source for the sole purpose of the local village accessing clean fresh drinking water.

The site acceptance program accepted the offering of the village water wells and storages along with the commencement of the road construction at a recent ceremony. The commencement process will follow the execution of the resettlement plan.

Detailed Mine Design

Investigation, review and conceptual discussions held with MinxCon from South Africa who were engaged to complete the detailed mine design, planning commenced late August 2018. The design, cross sections were received and applied to the operating design, budgets and material volumes in early 2019, and this workflow continues. The mine planning data will form the basis of the mine site stages and strategic placement for the mining and separation units.

A suite of engineering support personnel including a Junior Mine Planning engineer will commence to support the compliance and operating design components under the guidance of a Peer review consultant going forward. This will allow Astron to ensure operational and reporting compliances in accordance with all relevant mine regulations.

Community Engagement and Resettlement

Meetings and collaboration continue with local and state representatives for the execution of the re-settlement plan of the local isolated communities situated within the mining licence lease area. A newly formed resettlement committee has been established under the newly appointed Governor, Prefect and Deputy Prefects guidance. This has been achieved through close multi-level reporting and engagement contributions of the local representative of Astron in Senegal.

The committee has pre-planned a committee meeting post the recent acceptance ceremonies on the mine site. The committee meeting will be the catalyst for site access and pre-construction commencement. With a change in the local regulators and government officials, Astron SMR continue to work tirelessly in educating the relevant stakeholders in the low impact mining functions to assist with acceptance programs.

Project Definition Tasks

- Ongoing tasks and deliverables,
 - o Logistics – review opportunities in either Dakar or Ziguinchor, in Senegal, or Banjul in The Gambia
 - o Shipping / receiving construction delivered to site in Casamance.

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- Shipping / exporting product material review and off take partners.
- Complete bore water licencing - awarded.
- Main Road development to access mine site and cross flooded water ways – design meetings, proposals, site visits and survey conducted in July / August 2018, commencement expected late 2019 post wet season flood subsidence
- Labour source and definition of labour pools required for site establishment and operations post project definition process. Meetings and proposals executed in Dakar September 2019 for review.
- Decision of successful Country Manager position completed and agreement in draft form for anticipated execution in the second quarter 2020.
- Transport – light vehicle reviews, proposals sourced from Dakar - lease arrangements proposed.
- Heavy vehicles – mining equipment and fleet review and assessment, carried out on both China and Senegal – contracting and lease opportunities explored in Dakar. A combination of owner operator and contract wet hire agreements proposed.
- Community engagement and support mechanism have been achieved with cultural training and ceremonies for the younger generations local to the project area.
- Milling machines were installed for the womens groups to improve harvesting outcomes and generated recoveries of higher quality products for the local people.

Capital Equipment

Review, design and procurement of known equipment and consumables has been undertaken in the period June to August 2019, the detailed design process will complement the final environmental approval considering the emissions, disturbance, noise and dust conditions. These have been tentatively approved pending supply of the design arrangements. Accommodation for expatriate and local staffing conducted, capital purchases of accommodation units completed and delivered to Dakar.

Resources in Dakar

Rental agreements and accounting services agreements were executed in early 2019 as part of the commencement and operational readiness phases.

Mines safety regulation compliance will be compiled and assessed operationally by a consultant under the Country Management Services Agreement.

Dakar office arrangements and staffing was completed with systems to support the growing resources for the teams.

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 is being commissioned to develop a suite of TiO₂ products including artificial rutile 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.

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2019

	Year Ended 30 June 2019 \$	Year Ended 30 June 2018 \$
Sales revenue	7,977,198	5,013,827
Cost of sales	(4,481,514)	(4,496,144)
Gross profit	3,495,684	517,683
Interest income	-	14,512
Other income	217,225	356,147
Distribution expenses	(382,096)	(420,175)
Marketing expenses	(79,177)	(20,897)
Occupancy expenses	(87,586)	(49,643)
Administrative expenses	(4,333,108)	(4,042,935)
Write back/(down) of inventories	-	77,316
Impairment of receivables – write back	411,395	164,890
Impairment of available for sale financial assets	(23,795)	(132,933)
Costs associated with Gambian litigation	(71,575)	(177,480)
Finance costs	(1,253,635)	(92,729)
Other expenses	(165,244)	(79,885)
Loss before income tax expense	(2,271,912)	(3,886,129)
Income tax benefit/(expense)	358,950	(784,618)
Net loss for the year	(1,912,962)	(4,670,747)
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)	-	(35,200)
Increase/(Decrease) in foreign currency translation reserve (tax: nil)	2,944,129	1,856,039
Other comprehensive income for the year, net of tax	2,944,129	1,820,839
Total comprehensive income for the year	1,031,167	(2,849,908)
Loss for the year attributable to:		
Owners of Astron Corporation Limited	(1,912,962)	(4,670,747)
Total comprehensive income for the year attributable to:		
Owners of Astron Corporation Limited	1,031,167	(2,849,908)

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

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2019

	Year Ended 30 June 2019	Year Ended 30 June 2018
1. EARNINGS/(LOSS) PER SHARE		
For loss for the year		
Basic loss earnings per share (cents per share)	(1.56)	(3.81)
2. COMPARISON OF HALF-YEAR RESULTS		
Consolidated loss after tax attributable to owners reported for the first half year	(944,758)	(164,174)
Consolidated loss after tax attributable to owners reported for the second half year	(968,204)	(4,506,573)
Total consolidated profit/(loss) after tax for the year	(1,912,962)	(4,670,747)

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

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Consolidated Statement of Financial Position

For the Year Ended 30 June 2019

	Note	As at 30 June 2019 \$	As at 30 June 2018 \$
ASSETS			
Current assets			
Cash and cash equivalents		1,687,549	3,167,548
Term deposits greater than 90-days		46,112	61,112
Trade and other receivables	9	9,820,565	8,380,354
Inventories		7,348,837	1,407,705
Available-for-sale financial assets		25,366	49,160
Current tax assets		-	-
Total current assets		18,928,429	13,065,879
Non-current assets			
Trade and other receivables	9	2,077,163	3,378,538
Property, plant and equipment		26,220,427	22,596,349
Exploration and evaluation assets		69,033,800	68,003,329
Development costs		8,170,708	6,590,766
Land use rights		3,090,641	3,116,708
Total non-current assets		108,592,739	103,685,690
TOTAL ASSETS		127,521,168	116,751,569
LIABILITIES			
Current liabilities			
Trade and other payables		9,639,407	11,610,892
Contract liabilities		4,363,126	-
Borrowings		7,133,145	76,080
Provisions		95,642	82,748
Total current liabilities		21,231,320	11,769,720
Non-current liabilities			
Deferred tax liabilities		5,229,611	5,173,418
Long-term provisions		786,256	-
Total non-current liabilities		6,015,867	5,173,418
TOTAL LIABILITIES		27,247,187	16,943,138
NET ASSETS		100,273,981	99,808,431
EQUITY			
Issued capital	10	76,549,865	76,549,865
Reserves		14,513,028	11,568,899
Retained earnings		9,211,088	11,689,667
TOTAL EQUITY		100,273,981	99,808,431

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

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Consolidated Statement of Cash Flows

For the Year Ended 30 June 2019

	Year Ended 30 June 2019 \$	Year Ended 30 June 2018 \$
Cash flows from operating activities:		
Receipts from customers	7,915,476	4,103,472
Payments to suppliers and employees	(15,055,938)	(7,341,257)
Interest received	-	14,512
Finance costs	(213,581)	(92,729)
Income taxes received	415,144	-
Net cash outflow from operating activities	(6,938,899)	(3,316,002)
Cash flows from investing activities:		
(Investment)/Receipt in short term deposits	15,000	(214)
Receipts from disposal of land	-	988,387
Receipts from disposal of land receivable	3,529,615	4,285,642
Acquisition of property, plant and equipment	(4,390,335)	(1,784,474)
Capitalised exploration and evaluation expenditure	(3,385,602)	(3,198,995)
Net cash inflow from investing activities	(4,231,322)	290,346
Cash flows from financing activities:		
Deposit received in advance	-	4,080,567
Receipt of borrowings	6,797,319	-
Net cash inflow from financing activities	6,797,319	4,080,567
Net increase/(decrease) in cash held	(4,372,902)	1,054,911
Cash and cash equivalents at beginning of the year	3,167,548	1,317,231
Net foreign exchange differences	2,892,903	795,406
Cash and cash equivalents at end of the year	1,687,549	3,167,548

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

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Additional Information

For the Year Ended 30 June 2019

1. DETAILS OF CONTROLLED ENTITIES

During the financial year ended 30 June 2019, 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 2019 and 30 June 2018. There is no Dividend Reinvestment Plan in operation.

4. ACCOUNTING STANDARDS

The information contained in this Appendix 4E for the year ended 30 June 2019 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.

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 2019 there is \$2,962,632 (2018: \$6,381,359) AUD outstanding and receivable under the terms of the sale contract. A further \$634,207 has been received subsequent to year end.

10. 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.

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Additional Information

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11. OTHER SIGNIFICANT INFORMATION

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

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