



**ASTRON RESOURCES CORPORATION**  
**2006 Annual Report**

**ASTRON RESOURCES CORPORATION**  
**Management's Discussion and Analysis**  
**(Year ended June 30, 2006, as of September 15, 2006)**

**General**

The following discussion and analysis should be read in conjunction with the Company's annual financial statements and the corresponding notes thereto for the year ended June 30, 2006. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Unless otherwise specified, all financial data is presented in Canadian dollars.

The Company was incorporated on June 16, 1999, under the Business Corporations Act of the Yukon as African Venture Corporation and changed its name to Astron Resources Corporation on July 23, 1999. The Company is classified as a "capital pool company" ("CPC") as defined in the TSX Venture Exchange (TSX-V). The Company was listed on the TSX-V on March 13, 2000 and was required to complete its Qualifying Transaction within eighteen months of listing. On October 4, 2002, trading of the Company's shares were suspended due to failing to complete its Qualifying Transaction within the eighteen months of listing. Effective February 18, 2004, the Company was transferred from the TSX-V to the NEX and re-instated for trading under the symbol, ARC.H.

The Company has completed its Qualifying Transaction and commenced trading on August 17, 2006 – see Subsequent Events.

**Overall Performance**

***Investment in Pak-It Technologies Inc.***

On June 13, 2002 the Company announced that it signed a Letter of Intent ("LOI") dated June 3, 2002 with Pak-It Technologies Inc. ("Pak-It") and a referral and introduction fee was payable to the finder.

On June 16, 2004, the Company and Pak-It Technologies Inc. executed a release and settlement agreement for the release of Pak-it's obligation under the terms of the Letter of Intent. As part of the consideration received by the Company for the release, the Company received its initial deposit advance of \$25,000 and 1,125,000 shares of Pak-It Technologies Inc., net 1,000,000 shares, after compensating a consulting firm with 125,000 shares as a consulting fee in assisting in negotiating and obtaining a positive settlement under the circumstances. The Company had executed a Finder's Fee agreement for the referral and introduction of Pak-It Technologies Inc. to the Company. By an Amended Agreement on September 23, 2005, the Company and the Finder have settled the compensation under this finder's fee agreement by agreeing to make a cash payment of \$2,500 and transferring 100,000 shares of Pak-It Technologies Inc. to the Finder. In consideration, the Finder has given a full and unconditional release of the Finders' Fee agreement and September 23, 2005 Amended agreement. The 900,000 shares of Pak-It Technologies Inc. are recorded on the Company's balance sheet as an investment of \$1 since the market value of the Pak-It shares is undeterminable.

Pak-It Technologies Inc. continues to work towards commercializing their packaging technology and is in discussions with prospective customers to consummate a purchase contract and public company listing.

***Letter of Intent with Path Broadband Inc.***

On October 15, 2004 the Company announced that it had signed a Letter of Intent (the "LOI") dated August 30, 2004 with Path Broadband Inc., ("PATH"), a private company, pursuant to which the Company would acquire all of the issued and outstanding securities of PATH (the "Path Shares") in exchange for common shares in the capital of the Company. The acquisition of the Path Shares would represent a "Qualifying Transaction" (the "QT") in accordance with Exchange policy.

The terms of the transaction called for the Company to issue 9,400,000 common shares in the capital of the Company to be issued from treasury on the closing date to the shareholders of Path in exchange for all the common shares of PATH.

On November 11, 2004 the Company announced that it had terminated the Letter of Intent dated August 30, 2004 and would no longer be proceeding with the proposed arrangement with PATH.

***Letter of Intent with 607792 British Columbia Ltd. (Pumpkin Hollow Copper Project)***

On March 31, 2006 the Company announced that it had signed a Letter of Intent (the "LOI") dated March 24, 2006 with 607792 British Columbia Ltd. ("607792 BC"), a British Columbia incorporated company, and its principal shareholders to confirm the essential terms and conditions of a proposed acquisition (the "Acquisition") of 100% of the issued and outstanding shares of 607792 BC (the "607792 Shares") from the shareholders of 607792 BC (the "Shareholders") in exchange for 21,980,000 common shares of Astron (the "Transaction Shares"). Pursuant to an Option Agreement dated December 1, 2005 which was subsequently exercised into a Lease in May 2006, 607792 BC controls a 100% interest in a copper property in Nevada known as the Pumpkin Hollow Copper property, as more particularly described below, subject to satisfaction of certain payment and expenditure requirements.

The Parties have instructed their respective legal counsel to prepare a definitive purchase agreement containing the terms of the LOI containing representations and warranties, closing conditions and such other terms and agreements as are customarily contained in agreements of this nature which upon execution will replace and supersede the LOI.

Astron is defined as a "capital pool company" under the rules and policies (the "Policies") of the TSX Venture Exchange (the "Exchange"). The Acquisition will represent Astron's qualifying transaction (the "QT") and is not a related party transaction under the Policies of the Exchange. All or a portion of the Transaction Shares to be issued to the Shareholders upon completion of the Acquisition may be subject resale restrictions and escrow requirements under applicable securities laws and the Policies of the Exchange, as applicable.

***Working Capital Financing***

On February 20, 2006, the Company announced and subsequently completed a \$200,000 private placement (the "Working Capital Financing") consisting of 1,000,000 common shares at a price of \$0.20 per share to be used for working capital purposes and costs related to the Acquisition. The shares issued under the Working Capital Financing were subject to a hold period of four months expired July 22, 2006.

***Finder's Fee***

Subject to acceptance of the Exchange, in consideration for facilitating the Acquisition Pacific International Securities Inc. ("PCI") will receive 300,000 common shares of the Company (the "Finder's Fee Shares") upon closing of the Acquisition. The Finder's Fee Shares shall be subject to resale restrictions under applicable securities laws and the Policies of the Exchange, including a hold period of four months and a day from the date of issuance.

***Private Placement totaling \$4,000,000***

Subject to acceptance of the Exchange, it was contemplated that the Company would complete a \$4,000,000 private placement (the "Acquisition Financing") on a brokered basis to be priced in accordance with the policies of the TSX Venture Exchange which was expected to close concurrent with the Acquisition. Subsequently, as described below this financing was increased to \$5,000,000.

The proceeds from the Acquisition Financing will be used in connection with the acquisition, exploration and development of the Pumpkin Hollow Copper property.

***Description of Pumpkin Hollow Copper Project***

The Pumpkin Hollow copper property is located 6 miles southeast of the well known Yerington open pit copper mine, in Lyon County, Nevada, some 50 miles southeast of Reno. The Pumpkin Hollow copper property covers 4.5 square miles (2,855 acres) of patented mining claims, private lands, and unpatented mining claims, and is 100% controlled by 607792 BC., subject to satisfaction of certain property payment obligations, royalties and exploration expenditure requirements. U.S. Steel Corporation, Anaconda Corporation, Conoco Inc, Cyprus Metals Exploration Corporation and others carried out extensive drilling programs during the late 20th century at the Pumpkin Hollow copper property. Drilling data indicate potential for the discovery of copper-iron deposits in the district. There is also

considered to be potential for defining smaller but much higher grade deposits which potentially could be mined by underground methods.

*Private Placement by 607792 BC*

607792 BC undertook a non-brokered private placement of US\$600,000 for general working capital purposes. The private placement was completed in April 2006 but, was not a condition to completion of the Acquisition.

*Principals of 607792 BC*

The principal shareholders of 607792 BC are Brian Kirwin of Reno Nevada, Giulio Bonifacio of Vancouver, British Columbia, Joe Kircher of Reno, Nevada, and Foster Wilson of Reno, Nevada.

***Performance***

For the financial year ended June 30, 2006, the Company incurred a net loss of \$71,224 as compared to the previous fiscal year of \$46,867. The increase in net loss was due primarily to the increased accounting and legal fees related to the due diligence process for the Pumpkin Hollow Project and a write off of a settlement cost of \$2,500 paid to settle a finders fee agreement. The Company had a deficit of \$478,115 at the end of the year ended June 30, 2006 (2005 – deficit of \$406,891).

The company's working capital position as of June 30, 2006 was \$123,919 as compared to a working capital of \$54,351 at the end of the previous fiscal year.

**Selected Annual Information**

**As at June 30**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Administration expenses	\$ 68,724	\$ 46,867	\$ 29,172
Other (income)/expense items	-	-	-
Net loss for the year	71,224	46,867	24,072
Net loss per share	0.02	0.02	0.01
Total assets	222,696	61,576	4,312
Total liabilities	39,419	7,075	10,264

**Results of Operations**

***Liquidity and Solvency***

The accompanying financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its' assets and discharge its' liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

Year ending:	<u>June 30,</u> <u>2006</u>	<u>June 30,</u> <u>2005</u>
Deficit	\$ (478,115)	\$ (406,891)
Net Loss for the Period	\$ (71,224)	\$ (46,867)
Working capital (Deficiency)	\$ 123,919	\$ 54,351

***Fourth Quarter Results***

For the fourth quarter ended June 30, 2006, the Company incurred a net loss and general administrative expense of \$25,800 (2005 - loss of \$11,589). Increased accounting and legal fees of \$24,556 (2005 – \$8,880) was related to the due diligence process for the Pumpkin Hollow Project.

### ***Financings, Principal Purposes and Milestones***

During the quarter ended March 31, 2006:

The Company completed a private placement of 1,000,000 common shares at a price of \$0.20 per share for gross proceeds of \$200,000. The funds were placed in the general working capital of the Company.

For year end June 30, 2005:

On August 16, 2004 the Company completed a private placement funding by issuing 1,600,000 shares at a price of \$0.06 for proceeds of \$96,000.

On September 30, 2004 a director of the Company exercised 56,600 options at a price of \$0.20 for proceeds of \$11,320. The funds were placed in the general working capital of the Company.

The Company continues to finance its activities from private placements and advances from directors.

### **Summary of Quarterly Results**

	<b>Jun 30 2006</b>	<b>Mar 31 2006</b>	<b>Dec 31 2005</b>	<b>Sep 30, 2005</b>	<b>Jun 30, 2005</b>	<b>Mar 30, 2005</b>	<b>Dec 31, 2004</b>	<b>Sep 30, 2004</b>
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue	-	-	-	-	-	-	-	-
Loss for the period	25,800	26,828	12,078	6,518	11,589	4,021	18,451	12,806
Loss per share	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01

There were no changes in the accounting principles used in the current fiscal year to prepare the related financial information.

### **Related Party Transactions**

There were no related party transactions in the period.

### **Other MD&A Requirements**

#### ***Summary of shares issued and outstanding:***

Authorized: Unlimited common shares, without par value

On February 18, 2004, the Company's common shares were listed for trading on the NEX under the symbol ARC.H.

Issued and outstanding:

	<b>Number of Shares</b>	<b>Contributed Amount</b>	<b>Surplus</b>
Issued			
As at June 30, 2003 and 2004	2,678,000	\$ 354,072	\$ -
Cancellation of escrow shares	(1,078,000)	(107,800)	107,800
Issued for private placement	1,600,000	96,000	-
Issued for exercise of stock options	56,600	11,320	-
As at June 30, 2005	3,256,600	\$ 353,592	\$ 107,800
Issued for private placement	1,000,000	200,000	-
<b>Balance June 30, 2006</b>	<b>4,256,600</b>	<b>\$ 553,592</b>	<b>\$ 107,800</b>

***Summary of options outstanding:*** Nil

***Warrants outstanding:*** Nil

***Shares held in escrow or subject to pool:*** Held in Escrow 56,600

***Investor Relations***

The Company has not entered into any agreements for investor relations activities.

***Subsequent Events***

On August 16, 2006 the Company has completed the acquisition of 100% of the outstanding common shares of 607792 BC in exchange for an aggregate of 17,180,000 common shares of the Company and 4,800,000 special warrants. Each special warrant entitles the holder to acquire one common share of the Company for no additional consideration for a period of 10 years from the closing. An aggregate of 14,766,800 of these common shares and the 4,800,000 special warrants are subject to escrow restrictions in accordance with the rules of the TSX Venture Exchange. The Company also issued 300,000 common shares to Pacific International Securities Inc. as a finder's fee in respect of the acquisition of 607792 BC.

In addition, the Company has completed a concurrent brokered private placement (the "Financing") through Pacific International Securities Inc. (the "Agent") raising gross proceeds of \$5,000,000 by the issuance of 5,000,000 units (the "Units") at a purchase price of \$1.00 per Unit. Each Unit consists of one common share ("Common Share") of the Company and one non-transferable share purchase warrant ("Warrant"). Each Warrant is exercisable to acquire one common share ("Warrant Share") at an exercise price of \$1.50 per share until August 15, 2008. The Company also paid the Agent a corporate finance fee of \$10,000 plus GST, a commission of \$113,422 paid in cash and 286,578 Units having the same terms as those distributed under the Financing, and 400,000 compensation options that are exercisable into 400,000 common shares of the Company at an exercise price of \$1.05 per share until August 15, 2008. All of these securities are subject to a four month hold period expiring on December 16, 2006.

Completion of the acquisition has also resulted in the reconstitution of the Company's board of directors as follows: Brian Kirwin, Giulio T. Bonifacio, Joe Kircher, Foster Wilson and Dwayne Yaretz. This acquisition also fulfills the Company's requirement to complete a Qualifying Transaction and consequently the common shares of the Company have commenced trading on Tier 2 of the TSX Venture Exchange under the trading symbol ARC on August 17, 2006.

On Behalf of the Board of Directors of

**ASTRON RESOURCES CORPORATION**

*"Giulio T. Bonifacio"*

President & Chief Executive Officer

# **Astron Resources Corporation**

Consolidated Financial Statements  
For the year ended June 30, 2006  
Together with the Auditors' Report

## AUDITORS' REPORT

To the Shareholders of  
Astron Resources Corporation

We have audited the balance sheets of Astron Resources Corporation as at June 30, 2006 and 2005 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Accountants

August 18, 2006

A Member of SC INTERNATIONAL

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**ASTRON RESOURCES CORPORATION**  
**BALANCE SHEETS**  
**AS AT JUNE 30**

	2006	2005
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 157,617	\$ 59,529
Receivables	4,389	306
Prepaid expenses	<u>1,332</u>	<u>1,591</u>
	163,338	61,426
<b>Investments</b> (Note 3)	1	1
<b>Deferred acquisition costs</b> (Note 10)	59,235	-
<b>Equipment</b> (Note 4)	<u>122</u>	<u>149</u>
	<u>\$ 222,696</u>	<u>\$ 61,576</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ <u>39,419</u>	\$ <u>7,075</u>
<b>Shareholders' equity</b>		
Capital stock (Note 5)	553,592	353,592
Contributed surplus (Note 5)	107,800	107,800
Deficit	<u>(478,115)</u>	<u>(406,891)</u>
	<u>183,277</u>	<u>54,501</u>
	<u>\$ 222,696</u>	<u>\$ 61,576</u>

**Nature and continuance of operations** (Note 1)

**Contingency** (Note 9)

**Subsequent events** (Note 10)

**On behalf of the Board:**

Signed: Giulio T. Bonifacio Director      Signed: Foster Wilson Director

The accompanying notes are an integral part of these financial statements.

**ASTRON RESOURCES CORPORATION**  
**STATEMENTS OF OPERATIONS AND DEFICIT**  
**YEAR ENDED JUNE 30**

	2006	2005
<b>EXPENSES</b>		
Amortization	\$ 27	\$ 109
Office and miscellaneous	2,060	2,452
Professional fees	52,845	31,279
Regulatory and transfer agent fees	13,792	11,527
Rent and utilities	<u>-</u>	<u>1,500</u>
<b>Loss before other item</b>	(68,724)	(46,867)
<b>OTHER ITEM</b>		
Settlement costs (Note 9)	<u>(2,500)</u>	<u>-</u>
<b>Loss for the year</b>	(71,224)	(46,867)
<b>Deficit, beginning of year</b>	<u>(406,891)</u>	<u>(360,024)</u>
<b>Deficit, end of year</b>	<u>\$ (478,115)</u>	<u>\$ (406,891)</u>
<b>Basic and diluted loss per share</b>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>
<b>Weighted average number of shares outstanding</b>	<u>3,533,312</u>	<u>3,086,352</u>

The accompanying notes are an integral part of these financial statements.

**ASTRON RESOURCES CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**YEAR ENDED JUNE 30**

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (71,224)	\$ (46,867)
Item not affecting cash:		
Amortization	27	109
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(4,083)	25
(Increase) decrease in prepaid expenses	259	(1,591)
Increase (decrease) in accounts payable and accrued liabilities	<u>5,346</u>	<u>(3,189)</u>
Net cash used in operating activities	<u>(69,675)</u>	<u>(51,513)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of shares for cash	200,000	107,320
Deferred acquisition costs	<u>(32,237)</u>	<u>-</u>
Net cash provided by financing activities	<u>167,763</u>	<u>107,320</u>
<b>Increase in cash during the year</b>	98,088	55,807
<b>Cash, beginning of year</b>	<u>59,529</u>	<u>3,722</u>
<b>Cash, end of year</b>	<u>\$ 157,617</u>	<u>\$ 59,529</u>
<b>Cash paid during the year for interest</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash paid during the year for income taxes</b>	<u>\$ -</u>	<u>\$ -</u>

**Supplemental disclosure with respect to cash flows**

The significant non-cash transactions for the year ended June 30, 2006 were:

- a) The Company transferring 100,000 shares of Pak-It Technologies Inc. (Note 3) as settlement of a claim (Note 9).
- b) The Company incurring deferred acquisition costs of \$26,998 included in accounts payable and accrued liabilities.

There were no significant non-cash financing or investing activities for the year ended June 30, 2005.

The accompanying notes are an integral part of these financial statements.

**1. NATURE AND CONTINUANCE OF OPERATIONS**

The Company was incorporated on June 16, 1999, under the Business Corporations Act of the Yukon as African Venture Corporation and changed its name to Astron Resources Corporation on July 23, 1999. The Company is classified as a Capital Pool Company ("CPC") as defined by the policies of the TSX Venture Exchange ("TSX-V"). The Company was listed on the TSX-V in August 1999 and was required to complete its Qualifying Transaction within eighteen months of listing. On October 4, 2002, trading of the Company's shares was suspended due to failing to complete its Qualifying Transactions within eighteen months of listing. Effective February 18, 2004, the Company was transferred from the TSX-V to the NEX Board and re-instated for trading. The Company completed its Qualifying Transaction subsequent to June 30, 2006 (Note 10) and commenced trading on the TSX-V.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

The Company's continuing operations are dependent upon its ability to either secure additional equity capital or generate cash flow from operations in the future. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary, should the Company be unable to continue as a going concern.

To date, the Company has not earned significant revenues and is considered to be in the development stage.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Use of estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

**Equipment**

Computer equipment is recorded at cost. Amortization is calculated on a declining balance basis at a rate of 30% per annum.

**Investments**

Investments are carried at cost. If determined that the value of the investment is permanently impaired it is written-down to its estimated net realizable value.

**Stock-based compensation**

All awards to employees and non-employees are measured at fair value on the date of grant using the Black-Scholes option pricing model and expensed when the options vest. Any consideration paid by the option holders to purchase shares is credited to capital stock.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Deferred acquisition costs**

Costs, such as legal, accounting, due diligence, sponsorship and filing fees related to potential business acquisitions are deferred and applied towards the cost of the acquisition when completed. Such costs are expensed if the potential acquisition is no longer considered viable by management.

**Income taxes**

The Company uses the asset and liability method of accounting for income taxes whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

**Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the years presented, this calculation proved to be anti-dilutive.

Loss per share is calculated using the weighted average number of shares outstanding during the year.

**3. INVESTMENTS**

The Company holds 900,000 (June 30, 2005 – 1,000,000) common shares of Pak-It Technologies Inc. (“Pak-It”), a private company, which are carried at a nominal value of \$1. The fair value of the shares is not determinable.

**4. EQUIPMENT**

	2006			2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 569	\$ 447	\$ 122	\$ 569	\$ 420	\$ 149

**ASTRON RESOURCES CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**5. CAPITAL STOCK**

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited common shares, without par value			
Issued			
As at June 30, 2004	2,678,000	\$ 354,072	\$ -
Cancellation of escrow shares	(1,078,000)	(107,800)	107,800
Issued for private placement	1,600,000	96,000	-
Issued for exercise of stock options	<u>56,600</u>	<u>11,320</u>	<u>-</u>
As at June 30, 2005	3,256,600	353,592	107,800
Issued for private placement	<u>1,000,000</u>	<u>200,000</u>	<u>-</u>
As at June 30, 2006	<u>4,256,600</u>	<u>\$ 553,592</u>	<u>\$ 107,800</u>

During the year ended June 30, 2006, the Company completed a \$200,000 private placement consisting of 1,000,000 common shares at a price of \$0.20 per share. The shares issued are subject to a hold period of four months until July 22, 2006.

During the year ended June 30, 2005, the Company:

- a) completed a private placement of 1,600,000 common shares at a price of \$0.06 per share for gross proceeds of \$96,000.
- b) cancelled and returned to treasury 1,078,000 escrow shares.

As at June 30, 2006 and 2005, 56,600 shares were held in escrow.

**Stock options**

The Company follows the policies of the TSX-V and NEX under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the policy, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2004	127,564	\$ 0.20
Exercised	(56,600)	0.20
Expired	<u>(70,964)</u>	<u>0.20</u>
Balance, June 30, 2005 and 2006	<u>-</u>	<u>\$ -</u>

**ASTRON RESOURCES CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**5. CAPITAL STOCK (cont'd...)**

**Stock options (cont'd...)**

In accordance with the rules for a CPC, any shares issued on the exercise of options held by directors and officers must be held in escrow until completion of the Company's Qualifying Transaction.

**6. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, receivables, investments and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

**7. INCOME TAXES**

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2006	2005
Loss for the year	\$ (71,224)	\$ (46,867)
Expected income tax recovery	\$ 24,302	\$ 16,685
Non-deductible expenses	(9)	(40)
Unrecognized benefit of non-capital losses	(24,293)	(16,645)
Total income taxes	\$ -	\$ -

The significant components of the Company's future income tax assets are as follows:

	2006	2005
Future income tax assets:		
Non-capital loss carryforwards	\$ 168,900	\$ 163,350
Other tax assets	294	724
Gross future income tax assets	169,194	164,044
Valuation allowance	(169,194)	(164,044)
Net future income tax assets	\$ -	\$ -

The Company has approximately \$544,000 of non-capital losses which may be applied to reduce taxable income in future years. If not utilized, these losses will expire up to 2026. The future tax benefits which may arise as a result of these non-capital losses and other tax assets have not been recognized in these financial statements and have been offset by a valuation allowance.

**8. SEGMENTED INFORMATION**

The Company currently conducts substantially all of its operations in Canada.

**9. CONTINGENCY**

A former administrator of the Company has made a claim against the Company for finders fees related to the proposed transaction with Pak-It prior to the 2005 fiscal year. The Company settled the claim for \$2,500 cash and 100,000 shares of Pak-It with a nominal carrying value (Note 3).

**10. SUBSEQUENT EVENTS**

On August 15, 2006, the Company acquired 100% of the issued and outstanding shares of 607792 British Columbia Ltd. ("607792 BC"), a British Columbia incorporated company, from the shareholders of 607792 BC in exchange for 17,180,000 common shares and 4,800,000 special warrants of the Company. Each special warrant entitles the holder to acquire one common share for no further consideration for a period of ten years. 607792 BC has a lease of certain patented mining claims in Nevada known as the Pumpkin Hollow Copper property.

The Company also completed a \$5,000,000 private placement on a brokered basis concurrent with the acquisition above, consisting of 5,000,000 units issued at a price of \$1 per unit. Each unit consisted of one common share and one share purchase warrant with each warrant exercisable into one additional common share at a price of \$1.50 per share for a period of two years. Pacific International Securities Inc. (the "Agent") received a \$10,000 (paid as at June 30, 2006) finance fee and commissions of \$113,422 and 286,578 units having the same terms as above. The Agent also received a compensation option exercisable for 400,000 common shares at a price of \$1.05 per share for a period of two years.

In consideration for facilitating the acquisition for the Company, the Agent received 300,000 common shares of the Company as a finder's fee.

As at June 30, 2006, the Company had incurred a total of \$59,235 of costs towards the acquisition.

The Company also granted 2,629,000 stock options exercisable at \$1.00 for a period of five years.

## **CORPORATE INFORMATION**

### **DIRECTORS**

Giulio T. Bonifacio  
*Vancouver, Canada*

Joseph Kircher  
*Reno, United States*

Brian P. Kirwin  
*Reno, United States*

Foster Wilson  
*Reno, United States*

Dwayne Yaretz  
*Vancouver, Canada*

### **OFFICES**

#### Corporate Office

*Suite 305 – 675 West Hastings St.  
Vancouver, British Columbia  
Canada, V6B 1N2  
Telephone (604) 683-8992  
Fax (604) 681-0122*

#### Exploration Office

*Suite 7, 290 Gentry Way  
Reno, Nevada  
United States, 89502  
Telephone (775) 826-9890  
Fax (775) 826-4160*

## **OFFICERS**

Brian P. Kirwin  
*Non-Executive Chairman*

Giulio T. Bonifacio  
*President and Chief Executive Officer*

Joseph Kircher  
*Vice President and Chief Operating Officer*

Robert Hawkins  
*Vice President, Exploration*

Joe Chan  
*Chief Financial Officer*

Catherine Tanaka  
*Corporate Secretary*

## **REGISTRAR AND TRANSFER AGENT**

Pacific Corporate Trust Company  
*Vancouver, Canada*

## **SHARES LISTED**

TSX Venture Exchange: ARC

## **CAPITALIZATION**

(As at October 2, 2006)  
Shares Issued and Outstanding: 27,023,178

## **AUDITOR**

Davidson & Company LLP, Chartered Accountants  
*Vancouver, Canada*

## **LEGAL COUNSEL**

Axium Law Corporation  
*Vancouver, Canada*

## **WEBSITE**

Additional information about the Corporation can be found at our website [www.astronresources.com](http://www.astronresources.com)

## **INVESTOR RELATIONS CONTACT**

Michael Rodger, Longview Strategies Incorporated  
Telephone 604-681-5755  
Email [info@astronresources.com](mailto:info@astronresources.com)