

7 August 2017

Company Announcements
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam

Re: Appendix 4E Final Report and 2017 Annual Report

The Directors of Advanced Nano Technologies Limited announce the financial results for the year ended 30 June 2017.

Find attached the Appendix 4E Final Report and 2017 Annual Report.

Yours faithfully

Geoff Acton (B.Com CA)
Managing Director

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APPENDIX 4E – FINAL REPORT – 30 JUNE 2017

Name of entity	Advanced Nano Technologies Limited (ASX: ANO)
ABN	54 079 845 855
Reporting period	1 July 2016 to 30 June 2017
Previous corresponding period	1 July 2015 to 30 June 2016

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from ordinary activities	Up	17.2%	to	\$4,849,761
Profit from ordinary activities after tax attributable to members	Up	568.2%	to	\$561,174
Net profit for the period attributable to members	Up	568.2%	to	\$561,174

DIVIDENDS

The Board considers that that no final dividend will be paid in respect of the 2016 financial year.

Brief explanation of revenue, net profit and dividends to enable the above figures to be understood

A review of operations for the Group is set out in the Managing Directors' Report of the Annual Report together with the Chairman's Letter

FINANCIAL STATEMENTS

Refer to the Annual Report for the following financial statements:-

- Statement of Profit or Loss and Other Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows

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KEY FINANCIAL PERFORMANCE INDICATORS

	2017	2016
Net Tangible Asset Backing		
Net tangible assets per ordinary security	0.70 cents	0.62 cents
Earnings per security		
Basic earnings per share	0.10 cents	(0.02 cents)
Diluted earnings per share	0.10 cents	(0.02 cents)
Weighted average number of shares	585,839,150	585,839,150
Profit/(loss) before tax as % of revenue		
Consolidated profit/(loss) from continuing operations before tax as a % of revenue	11.57%	(2.67%)
Profit/(loss) after tax as % of equity		
Consolidated net profit/(loss) after tax as a % of equity	11.57%	(2.67%)

Operating performance, segments and performance trends

Refer to the annual report for a review of operating performance and segment reporting note.

AUDIT & COMPLIANCE STATEMENT

This report is based upon the consolidated financial statements included in the attached 2017 Annual Report which have been audited and an unqualified audit opinion issued there-on.

This report and the financial statements upon which it is based, use the same accounting policies.

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Advanced Nano Technologies Ltd

ACN 079 845 855

Annual Report

For the Year Ended 30 June 2017

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For the Year Ended 30 June 2017

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Chairman's Letter

Dear Valued Shareholders

I take this opportunity to thank all stakeholders in Advanced Nano Technologies Limited ('ANO'). In particular

- Our key distributors for their support and growth in sales in our products particularly Devereaux Specialities and Neochem.
- The work undertaken by Uniquet and their contribution to developing potential new products with our patents.
- Our hard working staff who have worked through very difficult circumstances over the past twelve months with changes in management and uncertainty over the manufacturing future. We are pleased that we have resolved this and the business will remain in Perth.
- We would like to thank MERCK for their renewed support and trust in our business and we hope that the business partnership will continue for many years.
- I would like to thank our outgoing Chairman Rade Dudorovic. Rade joined the Board in 2012 when the business was sustaining significant losses and the Board had to seriously consider going concern issues. He has managed to stem the losses, almost achieving profit in FY2016 and building a platform from where the business could achieve this year's result and the opportunity to significantly grow profitability into the future.
- Finally, I would like to thank our shareholders. I appreciate their continuous input to the company and their support of the Board and the initiatives we are trying to implement to succeed for all shareholders.

I look to next year with great confidence that the business will continue to grow.



Lev Mizikovsky
Non-Executive Chairman

Dated 07 August 2017

Managing Director's Review

FINANCIAL HIGHLIGHTS

Advanced Nano Technologies Limited ('ANO') has recorded a Net Profit After Tax of **\$561,174**, its first financial year trading profit in its history. The profit was achieved due to the following initiatives:

- An increase in ZinClear revenue of \$510,853 (14.32%) despite 3 months of no sales due to a forced change in precursor suppliers.
- An increase in Alusion sales of \$118,574 (36.25%) through the successful commercial negotiation of amendments to the FDA completed in 2016.
- A reduction in wages expenses of 30.3%
- A reduction in operating expenses of 17.39%
- A reduction in directors fees of 18.38%
- The result includes an impairment of fixed assets of \$74,623, a foreign exchange loss of \$117,472 and the loss on sale of old stock of \$162,317.
- Cash balance as at 30 June 2017 was \$908,287 (FY16 \$1,196,195).

COMMERCIAL OVERVIEW

ZinClear®

Revenue in ZinClear range of products continues to grow with a 14.32% increase in sales. We appreciate the continued support of Devereaux Specialities, our long term distribution partner in the US who have increased their sales and anticipate further growth in 2018. ANO is in the process of rebuilding its distribution network in Europe, where sales from current distributors have been slow with the exception of our German distributor, Neochem.

Alusion®

MERCK KGaA of Germany ("MERCK") owns the exclusive global marketing rights to Alusion® for various applications, including cosmetics and coatings pursuant to a Licence and Development Agreement executed between ANO and MERCK in April 2009 ("MERCK Agreement").

In December 2016, ANO successfully negotiated amendments to the FDA agreement executed in 2012. ANO will continue to produce Alusion until September 2018. Over the past six months, ANO has worked very hard to improve the commercial relationship with MERCK and are assisting MERCK with some old research completed in 2009. We have experienced manufacturing delays with a piece of equipment which would have taken approximately six months to repair. We have sourced the same piece of equipment from Italy and expect to recommence production in early August 2017, with delays for only seven weeks. This new equipment will enable us to double production of Alusion We are very grateful for MERCK's support through this delay and are in discussions with them to extend the production of Alusion until September 2019 and perhaps further. There is a long term royalty agreement in place if the FDA agreement is not extended.

US Manufacturing

ANO is planning to commence full scale production in the US in October 2017. There have been some technical delays, and equipment was required to be shipped to the US in June 2017 to assist in the manufacturing process. Our US partners have been very helpful particularly the R & D Department who have assisted in the changes to our new SPF 50+ sunscreen. When US manufacturing commences, it will generate further operational efficiencies, reduce logistic times to the US & Europe, and result in a reduction in the global sales price to all key distributors. Importantly, we have removed the upper limit production capacity which allows for significant growth in sales.

Australian Manufacturing

After careful consideration of all manufacturing options in Australia, the Board is currently negotiating a new long term lease at 112 Radium St. We anticipate the closure of 108 Radium St. to be finalised once full scale production in the US starts. The equipment will be dismantled and transferred to 112 Radium St. This transition will create further operational cost savings as we successfully manufacture both Alusion & ZinClear out of one facility. However, there may be some further impairments to our fixed assets as we attempt to sell equipment no longer required in FY18.

Managing Director's Review

COMMERCIAL OVERVIEW (continued)

Patents

During FY17, ANO has successfully filed three new patents - one in Battery technology, one XPA end formulation recipe and are relating to 3D Ceramics and renewed three other key patents. Further new patents are expected to be filed in FY18. Much of the historical research has been completed with the assistance from the University of Western Australia who have been long term shareholders of ANO until the upcoming AGM. We have now partnered with Uniquist in Brisbane who will be undertaking a number of projects to further develop the patent applications in FY18. In addition to Uniquist, the University of Newcastle are looking at one particular patent and we plan to engage Universities in the US in FY18 to look at a patent application for the mining industry. Further work will be conducted with 3D Ceramic printing applications of Zirconia with overseas manufacturers.

PRODUCT REVIEW

Chemist Network

Prior to FY17, ANO had spent over \$3.0 million in providing formulation support to its distributors, including the development of end formulations, with only one end formulation (olivia sunscreen) developed and not approved. With the benefit of hindsight, the Board recognises that a significant proportion of this expenditure could have been capitalised in FY16 and FY17, to reflect the value of the IP which was created and which has formed the basis for the development of the current range of end formulations. Going forward, the Board has made a decision that the development costs of end formulations will be capitalised to better reflect their impact on the future revenues of the business.

In twelve months, ANO has developed a global chemist network of 28 chemists with 11 chemists currently developing 29 end formulations. The anticipated cost of this development of the 29 end formulations will be less than \$500,000 including full regulatory approvals for most of these end formulations.

FY 18 STRATEGIC INITIATIVES

The key priorities for FY18 are to continue the strategic initiatives put in place by the Board in June 2016.

- Increase the range of zinc based active ingredients and dispersions
- Establish new distribution partners in Europe which is a key market for our Zinclair range of products
- Finalise the regulatory approvals of a range of the end formulations currently being developed by our chemists and license or sell approved end formulations.
- Continue to develop our patent portfolio and work with local and overseas universities to test the current viability of the projects
- Finalise the transition of manufacturing to the US.
- Continue discussions with MERCK on the possible extension of Alusion manufacturing beyond September 2018.
- Close 108 Radium St. and transition to 112 Radium St. without losing overall Australian capacity and achieve further operational cost savings



Mr Geoff Acton
Managing Director

Dated 7 August 2017

Directors' Report

For the Year Ended 30 June 2017

Your directors present their report, together with the financial statements of the Group, being Advanced Nano Technologies Ltd (the Company) and its controlled entities, for the financial year ended 30 June 2017.

Directors

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

Names	Position
Lev Mizikovsky	Non-executive Chairman
Rade Dudurovic	Non-executive Director / Audit Committee Chairman
Geoff Acton	Managing Director

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

Company Secretary

The following persons held the position of Company Secretary during the financial year:

Geoff Acton (B.Com, ACA, GAICD)

Principal activities

During the year the principal continuing activities of the Group consisted predominantly of the manufacture of aluminium oxide powder, zinc oxide dispersions and zinc oxide powder for the Personal Care Sector.

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

Operating results

The Company has recorded a Net Profit After Tax of **\$561,174**, its first financial year trading profit in its history. The profit was achieved due to the following initiatives:

- An increase in Zinclear revenue of \$510,853 (14.32%) despite 3 months of no sales due to a forced change in precursor suppliers.
- An increase in Alusion sales of \$118,574 (36.25%) through the successful commercial negotiation of amendments to the FDA completed in 2016.
- A reduction in wages expenses of 30.3%.
- A reduction in operating expenses of 17.39%.
- A reduction in directors fees of 18.38%.
- The results include an impairment of fixed assets of \$74,623, a foreign exchange loss of \$117,472 and the loss on sale of old stock of \$162,317.
- Cash balance as at 30 June 2016 was \$908,287 (prior year \$1,196,195).

Review of financial position

The net assets of the Group have increased by \$ 561,174 from \$3,640,234 at 30 June 2016 to \$ 4,201,408 at 30 June 2017.

Capital

No capital was raised during the financial year ended 30 June 2017 (2016: Nil)

Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the Group during the year.

Directors' Report

For the Year Ended 30 June 2017

Events after the reporting date

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

The Board of ANO has received tax advice which indicates that based on ongoing future profitability we will be entitled to reinstate some of the tax losses out of an aggregate tax loss position of \$36,930,834 in FY18.

Dividends paid or recommended

No dividends have been paid or declared during the financial year.

Future developments and results

The Group has established a solid platform from which to grow sales, improve margins and deliver profitability.

Environmental issues

The Group's facilities are subject to various regulations including occupational health and safety, storage and handling of dangerous goods, Department of Environment registration, and disposal of effluents and waste.

No breaches of environmental regulations occurred during the year.

Indemnification and insurance of officers

The Directors, Secretaries and Officers of the Group and its controlled entities are insured for liabilities that include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group.

The liabilities insured exclude any criminal, fraudulent, dishonest or malicious act or omission or improper use of information or position to gain a personal advantage.

Directors' Report For the Year Ended 30 June 2017

Information on directors

Lev Mizikovsky

Qualifications

Experience

Non-executive Chairman

FAICD

Lev Mizikovsky started Tamawood in July 1989. The Company was listed on the ASX in August 2000. Mr Mizikovsky is currently Non-executive Chairman of AstiVita Limited (AIR) and has been a director of AstiVita Limited since October 2009. AstiVita specialises in renewable energy products, hot water systems, bathroom and kitchen products. Since 1997, Mr Mizikovsky has been a Fellow of the Australian Institute of Company Directors (AICD). He is a substantial shareholder in a number of other Queensland companies including Collection House Limited (CLH) and Lindsay Australia Limited (LAU), Astivita Limited (AIR) and Tamawood Limited (TWD).

Special Responsibilities

Member of the Audit & Risk Committee

Directorships held in other entities

Lev is the founding Director of Tamawood which started in July 1989 and is still a Non-executive Director. He is Non-executive Chairman of Astivita Ltd, Chairman of Resiweb Ltd. and was formerly a Non-executive director of Collection House Limited (CLH).

Rade Dudurovic

Qualifications

Experience

Non-executive Director / Audit Committee Chairman

B.Com (Hons), LLB (Hons)

Rade has an extensive background in private equity with strong exposure to industrial and branded consumer manufacturing and distribution businesses particularly in the Asian region. He has qualifications in commerce and law and is a CPA as well as Senior Fellow of FINSIA

Special Responsibilities

Chairman of the Audit & Risk Committee

Directorships held in other entities

Non-executive director of Tamawood Limited and AstiVita Ltd both of which are listed on the ASX. He is also Non-executive Chairman of QMI Pty Ltd.

Geoff Acton

Qualifications

Experience

Managing Director

B.Com, ACA, GAICD

Geoff brings to Advanced Nano Technologies Ltd a vast amount of capabilities in his 18 year history with the Tamawood Group including as Chief Financial Officer and Company Secretary. Further, he has an in depth knowledge of the renewable energy sector as head of the successful Renewable Energy Certificate trading business established in 2004.

Directorships held in other entities

Non-executive director of AstiVita Ltd.

Company secretary

Geoff Acton - appointed Company Secretary on 13 July 2015. Geoff is a chartered accountant and has a 18 year history with Tamawood Limited in various capabilities including Director, Chief Financial Officer, Company Secretary and head of Tamawood's Renewable Energy Certificates trading business, which Geoff established in 2004.

Directors' Report

For the Year Ended 30 June 2017

Meetings of directors

The number of meetings of directors (including committees of directors) held during the financial year and the number of meetings attended by each director were as follows:

	Directors' Meetings		Audit & Risk Committee		Governance & Nomination Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Lev Mizikovsky (Non-executive Chairman)	10	10	3	3	2	2
Rade Dudurovic (Non-executive Director)	10	10	3	2	2	2
G Acton (Managing Director)	10	10	3	3	2	2

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* 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 in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

An amount of \$60 was paid to the Group's external auditors, Hanrick Curran Audit Pty Ltd, for non-audit services provided during the year ended 30 June 2017.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2017 has been received and can be found on page 14 of the financial report.

Directors' Report

For the Year Ended 30 June 2017

Remuneration report (audited)

This report details the nature and amount of remuneration for the key management personnel of the Group, including the Directors in accordance with the requirements of the Corporations Act 2001 and its Regulations, and has been audited in accordance with section 308(3C).

Remuneration policy

The performance of Advanced Nano Technologies Ltd depends upon the quality of its key management personnel. To prosper, the Group must attract, motivate and retain highly skilled Directors and other key management personnel.

To this end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre key management personnel.
- Link executive rewards to shareholder value.

In accordance with best practice corporate governance, the structure of Non-executive Director and Executive remuneration is separate and distinct.

Details of Key management personnel

Directors

Lev Mizikovsky	Non-executive Chairman
Rade Dudurovic	Non-executive Director
Geoff Acton	Managing Director

Other Key management personnel

Geoff Trotter	Research & Development Manager
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Non-executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain Directors of the highest calibre, and at a remuneration level within market rates.

Structure

The Company's Constitution and the ASX Business Rules specify that the aggregate remuneration of Non-executive Directors shall be determined from time to time by a general meeting. The aggregate remuneration that may be paid to Non-executive directors is \$350,000 exclusive of Superannuation Guarantee Levy. This remuneration may be divided among the non-executive directors in such a fashion as the Board may determine. Notice of any proposed increase in the total amount of remuneration payable to the non-executive directors must be given to members in the notice covering the general meeting at which the increase is to be proposed. The Board will seek approval from time to time as deemed appropriate.

The current directors' fees were last reviewed with effect from 1 July 2017. The Non Executive Chairman will receive no fees. Other Directors receive fees commensurate with their time commitment and responsibilities.

Other Key Management Personnel

Objective

The Group aim is to reward other key management personnel with a level and mix of remuneration commensurate with their position and responsibilities with the Group and so as to:

- Align the interests of other key management personnel with those of shareholders;
- Link rewards with the strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards

Directors' Report

For the Year Ended 30 June 2017

Remuneration report (audited)

Remuneration policy

Structure

Remuneration consists of the following key elements

- Fixed remuneration;
- Other remuneration such as superannuation; and
- Discretionary bonus

Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain Directors of the highest calibre, and at a remuneration level within market rates.

Structure

The Board believes that, at this stage of the Group's development, and in light of the size of the Group and its executive team, senior manager and executive director remuneration should be comprised of the following three components:

- Fixed salary and benefits, including superannuation;
- Short-term performance incentives (bonus payments); and
- Long-term performance incentives (such as options, shares or performance rights)

In determining the level and make-up of executive remuneration, the Board considers external benchmarking information to help ensure that the Group provides a competitive and acceptable remuneration level and that the market value for executives and senior managers in similar companies is considered taking into account the work that they are required to perform.

Fixed salary and benefits

The level of executive remuneration changed during the year due to the movements in the Executive Team. The details of the changes are outlined in the remuneration table below.

Short term performance incentives

Senior managers and executives may be eligible for bonus payments from time to time at the discretion of the Board, if the Board considers that any executive's contribution warrants such recognition. No bonuses have been awarded in the 2017 financial year.

Long-term performance incentives

There are currently no formal long term performance incentives in place with key management personnel and directors.

Directors' Report

For the Year Ended 30 June 2017

Remuneration report (audited)

Company performance, Shareholder Wealth and Key Management Personnel Remuneration

The Board is cognisant of the link between Directors', and other key management personnel remuneration to the achievement of strategic goals and performance of the Group. In setting remuneration policy the Group seeks to align key management personnel rewards with overall shareholder value creation.

The Board reviews senior management remuneration on a regular basis to ensure base remuneration and any performance payments are directly linked to the achievement of profit contribution targets.

Details of shareholder returns are provided below. Given the stage of commercialisation of the Group's products and technologies, shareholder returns have been adversely impacted by ongoing investment in research and product development.

	2017	2016	2015	2014	2013
	cents	cents	cents	cents	cents
Net assets per share	0.72	0.62	0.64	0.61	0.61
Net tangible assets per share	0.70	0.62	0.64	0.61	0.61
Earnings/(loss) per share	0.10	(0.02)	0.03	0.01	(0.08)
Earnings/(loss) per share - excluding impairment & tax	0.11	(0.02)	(0.07)	(0.04)	(0.08)
Share price	0.02	0.02	0.03	0.02	0.01

Performance conditions linked to remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure support. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greatest potential for the Group expansion and profit, covering financial and non-financial as well as short and long-term goals.

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 Group's goals and shareholder wealth, before the KPIs are set for the following year.

The satisfaction of the financial performance conditions are based on a review of the audited financial statements of the Group, as such figures reduce any risk of contention relating to payment eligibility. The Board does not believe that performance conditions should include a comparison with factors external to the Group at this time.

The following table of benefits and payments details, in respect to the 2017 and 2016 financial years, the components of remuneration for each member of the key management personnel (KMP) of the Group.

Directors' Report

For the Year Ended 30 June 2017

Remuneration report (audited)

Table of benefits and payments

	Short term employee benefits		Post employment benefits	LSL Benefits	Termination Benefits	TOTAL\$
	cash salary fees	bonus	Superannuation			
Year Ended 30 June 2017	\$	\$	\$	\$	\$	
Non-Executive Directors						
Lev Mizikovskiy	-	-	-	-	-	-
Rade Dudurovic	116,000	-	-	-	-	116,000
Sub-total Non-Executive Directors	116,000	-	-	-	-	116,000
Executive Directors						
Geoff Acton	49,000	-	-	-	-	49,000
Sub-total Executive Directors	49,000	-	-	-	-	49,000
Other Key Management Personnel						
Geoff Trotter (R & D Manager)	95,113	-	9,036	1,471	-	105,620
Executive KMP	95,113	-	9,036	1,471	-	105,620
	260,113	-	9,036	1,471	-	270,620

	Short term employee benefits		Post employment benefits	LSL Benefits	Termination Benefits	TOTAL\$
	cash salary fees	bonus	Superannuation			
Year Ended 30 June 2016	\$	\$	\$	\$	\$	
Non-Executive Directors						
Lev Mizikovskiy	-	-	-	-	-	-
Rade Dudurovic	125,000	-	-	-	-	125,000
Geoff Acton# (appointed 16/03/16)	9,750	-	-	-	-	9,750
Ron Higham (resigned 16/03/16)	60,352	-	-	-	-	60,352
	195,102	-	-	-	-	195,102
Other Key Management Personnel						
Geoff Trotter (General Manager)	22,159	-	2,105	524	-	24,788
Warwick Carter (Operations Manager) (resigned 08/03/16)	117,458	-	10,276	4,367	29,957	162,058
Geoff Coldham-Fussell* (resigned 13/07/2015)	76,992	32,000	7,863	5,824	41,607	164,286
Executive KMP	216,609	32,000	20,244	10,715	71,564	351,132
	411,711	32,000	20,244	10,715	71,564	546,234

*Mr Coldham-Fussell was appointed Chief Financial Officer and Company Secretary on 18/10/13 and resigned as company secretary on 13/07/15. Prior to this appointment he contracted to the company providing the services of Chief Financial Officer and Company Secretary. Amounts shown above include all Mr Coldham-Fussell's remuneration during the reporting period whether as a contractor or employee. Mr Coldham-Fussell resigned as Company Secretary on 13/07/15.

#Mr Geoff Acton provided company secretarial services to the company prior to appointment as a non-executive director. Remuneration for Mr. Acton's company secretarial services is set out on Note 26.

Directors' Report

For the Year Ended 30 June 2017

Remuneration report (audited)

Service Agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of director.

The remuneration and other terms of employment for the Group's executives are formalised in service agreements and/or letters of employment, each of which provides for the executive's participation in any bonus or employee share schemes, plus other benefits and membership of approved professional or industry bodies.

On termination, Directors and other key management personnel are entitled to their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits. No other termination benefits are payable.

Unless otherwise stated, service agreements and employment contracts do not provide for predetermined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy and outlined above. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the Board.

Employment details of members of key management personnel

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the Group. The table also illustrates the proportion of remuneration that was performance based

		Remuneration		
		Performance based %	Fixed salary / Fees %	Total %
Directors	Position			
Lev Mizikovskiy - Non-executive Chairman	No fixed term. Offer for re-election as director every three years after appointment at AGM.	-	100	100
Rade Dudurovic - Non-executive Director	No fixed term. Offer for re-election as director every three years after appointment at AGM.	-	100	100
Geoff Acton - Managing Director	No fixed term. Offer for re-election as director every three years after appointment at AGM.	-	100	100
KMP				
Geoff Trotter - R & D Manager	No fixed term, 3 months notice required to terminate by either party	-	100	100

Directors' Report

For the Year Ended 30 June 2017

Remuneration report (audited)

Key management personnel shareholdings

	Balance at beginning of year	Granted as remuneration	Other changes	Balance at the end of year	Interest in shares directly	Interest in shares indirectly
30 June 2017						
Directors						
Lev Mizikovsky	230,637,592	-	12,555,719	243,193,311	-	243,193,311
Rade Dudurovic	2,500,000	-	-	2,500,000	-	2,500,000
Geoff Acton	750,000	-	100,000	850,000	-	850,000
Other KMP						
	233,887,592	-	12,655,719	246,543,311	-	246,543,311
30 June 2016						
Directors						
Rade Dudurovic	2,500,000	-	-	2,500,000	-	2,500,000
Lev Mizikovsky	212,831,610	-	17,805,982	230,637,592	-	230,637,592
Geoff Acton (appointed 16/03/16)	-	-	750,000	750,000	-	750,000
Ron Higham (resigned 16/03/16)	8,000,000	-	(8,000,000)	-	-	-
Other KMP						
Geoff Coldham-Fussell (resigned 13/07/15)	1,000,000	-	(1,000,000)	-	-	-
	224,331,610	-	9,555,982	233,887,592	-	233,887,592

End of Audited Remuneration Report

This Directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.



Lev Mizikovsky
Non-Executive Chairman

Dated 07 August 2017



hanrickcurran

ASSURANCE. STRATEGISTS

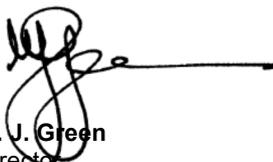
experience. new thinking

Auditor's Independence Declaration to the Directors of Advanced Nano Technologies Ltd

In accordance with the requirement of section 307C of the Corporations Act 2001, as lead auditor for the audit of Advanced Nano Technologies Ltd for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, 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.

Hanrick Curran Audit Pty Ltd
Authorised Audit Company: 338599



M. J. Green
Director

Brisbane, 7 August 2017

Corporate Governance Statement

30 June 2017

The objective of the Board of Advanced Nano Technologies Ltd is to create and deliver long term shareholder value through a range of diversified product sales and development in cosmetics and sunscreen.

Advanced Nano Technologies Ltd and its subsidiaries operate as a single economic activity under a unified Board and management. As such, the Board's corporate governance arrangements apply to all entities within the economic Group ("the Group").

Advanced Nano Technologies Ltd has adopted the recommendations of the ASX Corporate Principles Edition 3. Advanced Nano Technologies Ltd has completed and lodged an Appendix 4G in conjunction with the lodgement of its Annual Report. Advanced Nano Technologies Ltd has clearly explained in its governance strategy where principles have been adopted and if not why not.

The company's charters, committees and corporate governance principles are on our website www.antaria.com.

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue & Other income	5	5,097,488	4,480,132
Raw materials and consumables used		(2,028,768)	(1,943,859)
Loss on sale of old stock		(162,317)	-
Employee benefits expense		(591,385)	(849,428)
Amortisation charge	14	(1,850)	-
Depreciation expense	13	(231,848)	(245,525)
Legal expense		(125,798)	(175,949)
Directors fees		(161,659)	(198,073)
Insurance fees		(82,449)	(96,788)
Rent expense		(345,059)	(364,595)
Unrealised exchange loss		(117,472)	(49,707)
Impairment of Production Plant & Equipment		(74,623)	-
Travel costs		(53,053)	(57,587)
Rates & taxes		(46,809)	(40,019)
Corporate costs		(130,295)	(99,232)
Other expenses		(382,929)	(479,238)
Profit / (Loss) before income tax		561,174	(119,868)
Income tax expense	8	-	-
Profit / (Loss) for the year		561,174	(119,868)
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		561,174	(119,868)
Profit attributable to:			
Members of the parent entity		561,174	(119,868)
Total comprehensive income attributable to:			
Members of the parent entity		561,174	(119,868)
Earnings per share			
Basic earnings per share (cents)	21	0.10	(0.02)
Diluted earnings per share (cents)	21	0.10	(0.02)

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

**Consolidated Statement of Financial Position
As At 30 June 2017**

	Note	2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	9	908,287	1,196,195
Trade and other receivables	10	1,936,080	539,248
Inventories	11	746,708	1,475,460
Other assets	12	154,037	6,670
Total Current Assets		3,745,112	3,217,573
Non-Current Assets			
Property, plant and equipment	13	1,956,361	2,175,115
Development assets	14	72,153	-
Total Non-Current Assets		2,028,514	2,175,115
TOTAL ASSETS		5,773,626	5,392,688
LIABILITIES			
Current Liabilities			
Trade and other payables	15	324,943	355,324
Provisions	16	103,383	187,615
Deferred income	17	160,039	160,039
Total Current Liabilities		588,365	702,978
Non-Current Liabilities			
Provisions	16	106,797	12,380
Deferred income	17	877,056	1,037,096
Total Non-Current Liabilities		983,853	1,049,476
TOTAL LIABILITIES		1,572,218	1,752,454
NET ASSETS		4,201,408	3,640,234
EQUITY			
Issued capital	18	40,016,087	40,016,087
Reserves	19	1,116,155	1,116,155
Accumulated losses		(36,930,834)	(37,492,008)
TOTAL EQUITY		4,201,408	3,640,234

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity For the Year Ended 30 June 2017

2017

	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Share Based Payment Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2016	40,016,087	(37,492,008)	15,940	1,100,215	3,640,234
Comprehensive income for the year					
Profit for the year	-	561,174	-	-	561,174
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	561,174	-	-	561,174
Balance at 30 June 2017	40,016,087	(36,930,834)	15,940	1,100,215	4,201,408

2016

	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Share Based Payment Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2015	40,016,087	(37,372,140)	15,940	1,100,215	3,760,102
Comprehensive income for the year					
Profit for the year	-	(119,868)	-	-	(119,868)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	(119,868)	-	-	(119,868)
Balance at 30 June 2016	40,016,087	(37,492,008)	15,940	1,100,215	3,640,234

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

**Consolidated Statement of Cash Flows
For the Year Ended 30 June 2017**

	2017	2016
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	3,457,816	5,225,431
Payments to suppliers and employees	(3,480,894)	(4,944,158)
Interest received	126	9,966
Receipt of research and development tax incentive	-	332,543
Net cash provided by/(used in) operating activities	<u>25 (22,952)</u>	<u>623,782</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(87,717)	(35,810)
Payment for development assets	(74,003)	-
Net cash used by investing activities	<u>(161,720)</u>	<u>(35,810)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase/(decrease) in cash and cash equivalents held	(184,672)	587,972
Cash and cash equivalents at beginning of year	9 1,196,195	608,223
Exchange rate adjustment	(103,236)	-
Cash and cash equivalents at end of financial year	<u>9 908,287</u>	<u>1,196,195</u>

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

Notes to the Financial Statements

For the Year Ended 30 June 2017

The financial report covers the consolidated financial statements and notes of Advanced Nano Technologies Ltd and its controlled entities ('the Group'). Advanced Nano Technologies Ltd is a for-profit company limited by shares, incorporated and domiciled in Australia and whose shares are traded on the Australian Securities Exchange Limited.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 7 August 2017.

The separate financial statements and notes of the parent entity, Advanced Nano Technologies Ltd, have not been presented within this financial report as permitted by the Corporations Act 2001. Parent entity summary is included in note 4.

1 Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

These financial statements and associated notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

2 Summary of Significant Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

A list of subsidiaries is contained in Note 20 to the financial statements.

(b) Income Tax

ANO and its wholly-owned Australian subsidiary has formed an income tax consolidation group under the tax consolidation regime. The Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2015.

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income

Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(b) Income Tax

relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(c) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

Where a change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening consolidated statement of financial position at the earliest date of the comparative period has been presented.

Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw Materials

Purchase cost is determined using the first-in-first-out basis and is net of any rebates and discounts received.

Finished Goods and Work-in-progress

Cost of direct material and labour and a proportion of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. Costs are assigned in a first-in-first-out basis. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

(e) Property, plant and equipment

Classes of property, plant and equipment are measured using the cost model as specified below.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Group, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The estimated useful lives used for each class of depreciable asset are shown below:

Fixed asset class	Useful life
Plant and Equipment	3-15 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

When an asset is disposed, the gain or loss is calculated by comparing proceeds received with its carrying amount and is taken to profit or loss.

Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(f) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the consolidated statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Group's trade and other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, impairment provisions are recorded in a separate allowance account with the loss being recognised in profit or loss. When confirmation has been received that the amount is not collectable, the gross carrying value of the asset is written off against the associated impairment provision.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

In some circumstances, the Group renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Group does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the consolidated statement of profit or loss and other comprehensive income line

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Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(f) **Financial instruments**
items "finance costs" or "finance income".

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired. Although the Group uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

The Group's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

At the end of the reporting period the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(g) **Research and development costs**

Work-in-Progress - Formulation Development Costs

The development of end formulation products comprises a number of phases including initial development, customer testing and feedback, testing processes including stability and SPF testing and regulatory approvals in order to be "shelf-ready" and capable of being sold. These costs are capitalised to work-in-progress and once the products are fully approved, these work-in-progress amounts will be transferred to end formulation assets.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use and capitalised borrowing costs.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project which is generally 3 years.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(h) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the consolidated statement of cash flows and are presented within current liabilities on the consolidated statement of financial position.

(i) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on national government bonds, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

(j) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the consolidated consolidated statement of profit or loss and other comprehensive income.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(k) Earnings per share

The Group presents basic and diluted earnings per share information for its ordinary shares.

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(m) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(n) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Sale of goods

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

Licence Income

Revenue earned under licence agreements is recognised on an accrual basis over the expected term of the licence agreement.

Services

Service revenue is recognised when the service is provided in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Other income

Other income is recognised on an accruals basis when the Group is entitled to it.

Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(o) **Finance costs**

Finance cost includes all interest-related expenses, other than those arising from financial assets at fair value through profit or loss.

(p) **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(q) **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systemic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is offset against the cost of the asset and recognised as reduced depreciation on a systemic basis over the useful life of the asset.

(r) **Goods and services tax (GST)**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the consolidated statement of financial position.

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

(s) **Foreign currency transactions and balances**

Transaction and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(s) Foreign currency transactions and balances

Transaction and balances

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the rates at the dates of the transaction are used.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

(t) Change in accounting policy

The Group changed its accounting policy relating to recognition of R & D incentive received. It was previously recognised and disclosed as an income tax benefit. In the current financial year the Group has decided to disclose it as 'Other Income' and accordingly record it as part of Group's revenue. The comparative amounts have been restated accordingly to reflect the change in accounting policy.

The aggregate effect of the change in accounting policy on the annual financial statements is NIL for the year ended 30 June 2017 (no taxation effect results from these changes):

(u) Adoption of new and revised accounting standards

The Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standard Board (AASB), that are relevant to their operations and effective for the current period.

During the current year, the following standards became mandatory and have been adopted retrospectively by the Group:

- AASB 2015-1 *Annual Improvements (2012 - 2014 cycle)*
- AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure Initiative.*

The accounting policies have been updated to reflect changes in the recognition and measurement of assets, liabilities, income and expenses. However, the adoption of these standards had no material impact on the reported financial position or performance as discussed below.

AASB 2015-1 Annual Improvements (2012 - 2014 cycle). Clarifications are made on AASB 5 - reclassification from held for sale to held for distribution to owners or vice versa is considered as continuation of the plan of disposal; AASB 7 clarifies on disclosure requirements for transferred financial assets and offsetting arrangements; AASB 119 confirms that high quality corporate bonds or national government bonds used to determine discount rates must be in the same currency as the benefits paid to employee; AASB 134 clarifies information about cross references in the interim financial report. They have no material impact on the entity.

AASB 2015-2 Disclosure Initiative - Amendment to AASB 101. There are no changes to accounting policies covered by this standard, however this amendment provide clarification regarding the disclosure requirements in AASB 101. They have no material impact on the entity.

Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(v) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Group where the standard is relevant:

Standard Name	Effective date for entity	Requirements	Impact
AASB 9 Financial Instruments and amending standards AASB 2010-7 /AASB 2012-6 /AASB 2014-7 /AASB 2014-8	30 June 2019	Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value.	The entity has not yet determined the magnitude of any changes which may be needed.
AASB 15 Revenue from Contracts with Customers	30 June 2019	This standard provides guidance on the recognition of revenue from customers.	The entity has not yet determined the magnitude of any changes which may be needed.
AASB 16 Leases	30 June 2020	Significant revisions to accounting for operational leases on balance sheet by Lessees of property and high value equipment. However, exemptions for short-term leases and leases of low value assets will reduce the impact.	The entity has not yet determined the magnitude of any changes which may be needed.

Notes to the Financial Statements

For the Year Ended 30 June 2017

3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - inventories

Inventories are valued at the lower of cost and net realisable value. The Group assesses net realisable value by reference to the current and expected future selling price of its products. Where the consumption of certain inventory balances for future sales is not reasonably assured, the Group recognises an expense in the current year.

Key estimates - development costs

Development expenditure incurred on an individual project is carried forward (capitalised) when management considers that its future recoverability can reasonably be regarded as assured.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets recognition criteria listed above. Where no internally generated intangible asset can be recognised, expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Key estimates - provision for restoration/decommissioning

At the end of each reporting period, the Group considers the costs of restoring leased premises to their original condition upon vacating the premises. Refer note 16 for further information.

Notes to the Financial Statements

For the Year Ended 30 June 2017

4 Parent entity

The following information has been extracted from the books and records of the parent, Advanced Nano Technologies Ltd and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Advanced Nano Technologies Ltd has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investment in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity.

	2017	2016
	\$	\$
Statement of Financial Position		
Assets		
Current assets	4,035,213	3,508,491
Non-current assets	926,702	1,821,123
Total Assets	<u>4,961,915</u>	<u>5,329,614</u>
Liabilities		
Current liabilities	2,082,614	2,891,604
Non-current liabilities	106,797	12,380
Total Liabilities	<u>2,189,411</u>	<u>2,903,984</u>
Equity		
Issued capital	40,016,087	40,016,087
Retained earnings	(38,343,798)	(38,690,672)
Capital profits reserve	1,100,215	1,100,215
Total Equity	<u>2,772,504</u>	<u>2,425,630</u>
Statement of Profit or Loss and Other Comprehensive Income		
Total profit or loss for the year	<u>437,851</u>	(306,812)
Total comprehensive income	<u>437,851</u>	(306,812)

Guarantees

The parent entity did not have any guarantees as at 30 June 2017 or 30 June 2016 except as detailed in Note 23.

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016.

Notes to the Financial Statements

For the Year Ended 30 June 2017

5 Revenue and Other Income

Revenue from continuing operations

	2017	2016
	\$	\$
Sales revenue		
- sale of Zinclair	4,075,979	3,565,126
- sale of Alusion	445,667	327,093
Other Income		
- R & D tax incentive	247,601	332,543
- Licence income	160,039	160,478
- Interest	126	9,966
- Gain/ (loss) on foreign exchange	(1)	7
- Miscellaneous income	168,077	84,919
Total Revenue	5,097,488	4,480,132

Licence Income

On 30 April 2009, Antaria and Merck KGaA entered into a licensing agreement for the exclusive worldwide rights to Antaria's plate like alumina technology for use in Merck's cosmetics and industrial products. Under this agreement Antaria received a payment of 1.3 million Euro (\$2,351,922) in two installments over the first year of licence. While the licence fee was received upfront, licence income is recognised over the life of the licence (approximately 15 years).

6 Expenses

The result for the year includes the following specific expenses:

	2017	2016
	\$	\$
Defined contribution plan expense	53,406	64,190
Rental expense on operating leases		
- minimum lease payments	345,059	364,595

7 Auditors' Remuneration

	2017	2016
	\$	\$
Remuneration of the auditor of the parent entity for auditing or reviewing the financial statements		
- Hanrick Curran Audit Pty Ltd including related entities	20,500	20,500
- HLB Mann Judd including related entities	-	4,500
Total	20,500	25,000

Notes to the Financial Statements

For the Year Ended 30 June 2017

8 Income Tax Expense

(a) The major components of tax expense (income) comprise:

	2017	2016
	\$	\$
Total income tax expense	-	-

(b) Reconciliation of income tax to accounting profit:

	2017	2016
	\$	\$
Profit / (Loss)	561,174	(119,868)
Prima facie income tax expense/(benefit) at the statutory income tax rate of 30% (2015: 30%)	168,352	(35,960)
Add:		
Tax effect of:		
- other non-allowable items	-	862
- Deferred tax assets not brought to account	-	35,098
- Permanent differences	(64,844)	-
- adjustments in respect of current income tax of previous years		
- Benefit from a previously unrecognised tax loss	(103,508)	-
Income tax expense	-	-

9 Cash and Cash Equivalents

	2017	2016
	\$	\$
Cash at bank and in hand	908,287	1,196,195
	908,287	1,196,195

Reconciliation of cash

Cash and Cash equivalents reported in the consolidated statement of cash flows are reconciled to the equivalent items in the consolidated statement of financial position as follows:

	2017	2016
	\$	\$
Cash and cash equivalents	908,287	1,196,195

Notes to the Financial Statements

For the Year Ended 30 June 2017

10 Trade and Other Receivables

	2017	2016
	\$	\$
CURRENT		
Trade receivables	1,677,253	537,483
Other receivables	258,827	1,765
Total current trade and other receivables	1,936,080	539,248

(a) Aged analysis

The ageing analysis of receivables is as follows:

	2017	2016
	\$	\$
0-30 days	751,590	323,830
31-60 days	467,517	140,114
61 days and over	458,146	73,539
	1,677,253	537,483

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements. Refer to Note 28(b) for further details of credit risk management.

11 Inventories

	2017	2016
	\$	\$
CURRENT		
At cost:		
Raw materials and consumables	568,931	869,262
Work in progress	207,917	268,932
Finished goods	174,387	422,079
Goods in transit	1,778	121,492
Provision for impairment	(206,305)	(206,305)
	746,708	1,475,460

Write downs of inventories to net realisable value during the year were \$ NIL (2016: \$ 62,140).

Notes to the Financial Statements

For the Year Ended 30 June 2017

12 Other Assets

	2017	2016
	\$	\$
CURRENT		
Prepayments	<u>154,037</u>	<u>6,670</u>

As part of the trading requirements of overseas suppliers, the Group pays deposits in advance to suppliers for future supply of inventories.

13 Property, plant and equipment

Motor Vehicles

At cost	20,000	20,000
Accumulated depreciation	<u>(20,000)</u>	<u>(20,000)</u>

Total Motor Vehicles

-	-
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Office eqpt, Furn & Fixtures

At cost	642,862	639,282
Accumulated depreciation	<u>(496,425)</u>	<u>(472,954)</u>

Total Office eqpt, Furn & Fixtures

<u>146,437</u>	<u>166,328</u>
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R & D eqpt, Quality Eqpt

At cost	405,820	361,921
Accumulated depreciation	<u>(321,753)</u>	<u>(315,569)</u>

Total R & D eqpt, Quality Eqpt

<u>84,067</u>	<u>46,352</u>
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Production Plant

At cost	3,545,637	3,606,737
Accumulated depreciation	<u>(1,874,291)</u>	<u>(1,702,081)</u>

Total Production Plant

<u>1,671,346</u>	<u>1,904,656</u>
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Leasehold Improvements

At cost	278,510	278,510
Accumulated depreciation	<u>(223,999)</u>	<u>(220,731)</u>

Total Leasehold Improvements

<u>54,511</u>	<u>57,779</u>
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Total property, plant and equipment

<u>1,956,361</u>	<u>2,175,115</u>
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Notes to the Financial Statements

For the Year Ended 30 June 2017

13 Property, plant and equipment

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Office eqpt, Furn & Fixtures	R & D eqpt, Quality Eqpt	Production Plant	Leasehold Improvts	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2017					
Balance at the beginning of year	166,328	46,352	1,904,656	57,779	2,175,115
Additions	3,579	43,899	40,239	-	87,717
Disposals - written down value	-	-	(74,623)	-	(74,623)
Depreciation expense	(23,470)	(6,184)	(198,925)	(3,269)	(231,848)
Balance at the end of the year	146,437	84,067	1,671,347	54,510	1,956,361

	Office eqpt, Furn & Fixtures	R & D eqpt, Quality Eqpt	Production Plant	Leasehold Improvts	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2016					
Balance at the beginning of year	191,695	54,190	2,087,349	63,368	2,396,602
Additions	3,860	7,679	22,864	-	34,403
Disposals - written down value	(538)	(5,776)	(4,051)	-	(10,365)
Depreciation expense	(28,689)	(9,741)	(201,506)	(5,589)	(245,525)
Balance at the end of the year	166,328	46,352	1,904,656	57,779	2,175,115

Notes to the Financial Statements

For the Year Ended 30 June 2017

14 Development Assets

	2017	2016
	\$	\$
Work-in-Progress - Formulation Development		
Cost	74,003	-
Accumulated amortisation	(1,850)	-
Net carrying value	<u>72,153</u>	<u>-</u>
Total Development assets	<u>72,153</u>	<u>-</u>

(a) Movements in carrying amounts of Development assets

	Development Costs	Total
	\$	\$
Year ended 30 June 2017		
Additions	74,003	74,003
Amortisation	(1,850)	(1,850)
Closing value at 30 June 2017	<u>72,153</u>	<u>72,153</u>
	\$	\$
Year ended 30 June 2016		
Closing value at 30 June 2016	<u>-</u>	<u>-</u>

15 Trade and Other Payables

	2017	2016
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables	302,203	315,468
Accrued expense	-	5,127
Other payables	22,741	34,729
	<u>324,944</u>	<u>355,324</u>

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

Notes to the Financial Statements

For the Year Ended 30 June 2017

16 Provisions

	2017	2016
	\$	\$
CURRENT		
Employee benefits	16,383	6,615
Restoration/Decommissioning provision (108 Radium St.)	87,000	181,000
	<u>103,383</u>	<u>187,615</u>
NON-CURRENT		
Employee benefits	12,797	12,380
Restoration/Decommissioning provision (112 Radium St.)	94,000	-
	<u>106,797</u>	<u>12,380</u>
	Restoration/ Decommng provision	Total
	\$	\$
Opening balance at 1 July 2016	181,000	181,000
Balance at 30 June 2017	<u>181,000</u>	<u>181,000</u>

Provision for Restoration/Decommissioning

In accordance with the lease agreements over 108 & 112 Radium Street, Welshpool, WA, the Group must restore the leased premises to their original condition upon vacating the premises. A provision of \$181,000 has been raised due to the probability of relocation at the end of the lease term. The company is negotiating a long term lease at 112 Radium Street and anticipates the closure of 108 Radium Street in FY18.

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current as the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

The measurement and recognition criteria relating to employee benefits have been discussed at Note 2(i).

Notes to the Financial Statements

For the Year Ended 30 June 2017

17 Deferred Income

	2017	2016
	\$	\$
CURRENT		
Deferred income	<u>160,039</u>	<u>160,039</u>
NON-CURRENT		
Deferred income	<u>877,056</u>	<u>1,037,096</u>

On 30 April 2009, Antaria and Merck KGaA entered into a licensing agreement for the exclusive worldwide rights to Antaria's plate like alumina technology for use in Merck's cosmetics and industrial products. Under this agreement Antaria received a payment of 1.3 million Euro (\$2,351,922) in two installments over the first year of licence. While the licence fee was received upfront, licence income is recognised over the life of the licence (approximately 15 years). Licence fee amount expected to be recognised in the next 12 months is recognised as current and balance as non-current.

18 Issued Capital

	2017	2016
	\$	\$
585,839,150 (2016: 585,839,150)		
Ordinary shares fully paid	<u>40,016,087</u>	<u>40,016,087</u>
Total	<u>40,016,087</u>	<u>40,016,087</u>

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

(a) Movement in ordinary shares

	2017	2016
	No.	No.
At the beginning of the reporting period	<u>585,839,150</u>	<u>585,839,150</u>
At the end of the reporting period	<u>585,839,150</u>	<u>585,839,150</u>

(b) Capital Management

At this stage of the Group's growth, management's capital management objectives are to ensure that the entity continues as a going concern and to maintain a capital structure that supports future development of the Group's business. To date, capital management activities have included the issue of new shares to raise equity for investment in research and product development and other activities aimed at supporting the commercialisation and sales and marketing of its products and technologies.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Notes to the Financial Statements

For the Year Ended 30 June 2017

18 Issued Capital

(b) Capital Management

The Group has not entered into any other arrangements to issue further shares. However, management may consider the issue of further shares in the future in order to provide the necessary capital for future growth and/or take advantage of other opportunities.

The Group does not have any external debt and is not subject to any externally imposed capital requirements.

19 Reserves

	2017 \$	2016 \$
Foreign currency translation reserve		
Opening balance	15,940	15,940
Share based payment reserve		
Opening balance	1,100,215	1,100,215
Total	1,116,155	1,116,155

(a) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income - foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(b) Share based payment reserve

The share based payment reserve is used to record the value of share-based payments provided to employees, including directors and other key management personnel, as part of their remuneration.

20 Interests in Subsidiaries

(a) Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2017	Percentage Owned (%)* 2016
Subsidiaries:			
Antaria Pty Ltd	Australia	100	100
Antaria, Inc	USA	100	100
Antaria Europe, B. V.	Netherlands	100	100

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

Notes to the Financial Statements

For the Year Ended 30 June 2017

20 Interests in Subsidiaries

(b) Significant restrictions relating to subsidiaries

There are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the the Group.

21 Earnings per Share

(a) Earnings used to calculate overall earnings per share

	2017	2016
	\$	\$
Profit attributable to members of the parent entity used in the calculation of basic and diluted EPS	<u>561,174</u>	<u>(119,868)</u>

(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	2017	2016
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	<u>585,839,150</u>	<u>585,839,150</u>

22 Leasing Commitments

(a) Operating leases

	2017	2016
	\$	\$
Minimum lease payments under non-cancellable operating leases: - not later than one year	<u>44,200</u>	189,440
	<u>44,200</u>	<u>189,440</u>

23 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2017 (2016: None).

Notes to the Financial Statements

For the Year Ended 30 June 2017

24 Operating Segments

Segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Board considers the business from a market perspective and has identified one reportable segment, the Personal Care segment which produces and distributes dispersions of mineral-only UV filters in cosmetic emollients used for sunscreen, skincare and pharmaceutical formulations, as well as alumina plate-like powders used for cosmetic applications.

(a) Revenue by geographical region

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	2017	2016
	\$	\$
Australia	926,705	1,249,889
United States of America & Canada	2,096,771	1,202,795
Europe	850,661	819,444
Rest of the world	647,509	620,091
	4,521,646	3,892,219

(b) Major customers

The Group's most significant customers account for 55.5% (2016: 50%) of total revenue. All other customers are individually less than 8.3% of total revenue.

Notes to the Financial Statements

For the Year Ended 30 June 2017

25 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2017	2016
	\$	\$
Profit for the year	561,174	(119,868)
Adjustments for non-cash items in profit:		
- amortisation	1,850	-
- depreciation	231,848	245,525
- impairment of property, plant and equipment	74,623	-
- unrealised exchange (gains)/losses	103,236	-
- net (gain)/loss on disposal of property, plant and equipment	-	10,364
Net changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(1,139,770)	1,248,286
- (increase)/decrease in other assets	(247,601)	8,578
- (increase)/decrease in prepayments	(147,367)	-
- (increase)/decrease in inventories	728,751	(444,949)
- increase/(decrease) in trade and other payables	(39,840)	(87,784)
- increase/(decrease) in deferred income	(160,040)	(160,478)
- increase/(decrease) in provisions	10,184	(75,892)
Net cash from operating activities	<u>(22,952)</u>	<u>623,782</u>

26 Key Management Personnel Disclosures

Key management personnel remuneration included within employee expenses for the year is shown below:

	2017	2016
	\$	\$
Short-term employee benefits	260,113	443,711
Long-term benefits	1,471	10,715
Post-employment benefits	9,036	20,244
Termination benefits	-	71,564
	<u>270,620</u>	<u>546,234</u>

27 Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Amounts receivable from related parties for the sale and purchase of goods and services are unsecured and interest free and are included in the balances of trade and other receivables. Balances are settled within normal trading terms or as per agreement with the Board. No provisions for doubtful debts has been recognised on these outstanding balances, nor have any bad debt expenses been incurred.

Notes to the Financial Statements

For the Year Ended 30 June 2017

27 Related Parties

(a) **The Group's main related parties are as follows:**

(i) *Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

For details of remuneration disclosures relating to key management personnel, refer to Note 26: Key Management Personnel Disclosures and the remuneration report in the Directors' Report.

Other transactions with KMP and their related entities are shown below.

(b) **Transactions with related parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

Purchase of goods and services:

<i>Key management personnel:</i>	2017	2016
	\$	\$
Rade Dudurovic - Expense reimbursements	1,557	-
Geoff Acton - Provision of payroll, advisory and secretarial services by an entity associated with Geoff Acton	71,226	54,351
 <i>Related parties:</i>		
AstiVita Ltd - Provision of administrative and accounting services	70,058	1,471
Tamawood Ltd - Provision of IT & administrative services	13,094	-
 Outstanding balances		
<i>Key management personnel:</i>		
Geoff Acton	220	-
 <i>Related parties:</i>		
AstiVita Ltd	15,991	-
Tamawood Ltd	1,686	-

Notes to the Financial Statements

For the Year Ended 30 June 2017

28 Financial Risk Management

This note discloses the Group's objectives, policies and processes for managing and measuring these risks.

The Group is primarily exposed to the following financial risks:

- Market risk - currency risk and cash flow interest rate risk
- Credit risk
- Liquidity risk

Objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and whilst remaining ultimately responsible for them, it has delegated the authority to management for developing and operating processes that ensure the effective implementation of the objectives and policies of the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impact of these risks on the results of the Group where such impact may be material.

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

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Specific information regarding the mitigation of each financial risk to which the Group is exposed is provided below.

(a) Market risk

(i) Foreign currency risk

Exposures to currency exchange rates arise from the Company's overseas sales and purchases, which are primarily denominated in US dollars and Euro.

The Company's policy is that all foreign currency transactions are settled on a spot rate basis. There are no hedge facilities or other forward contract facilities in place.

In order to monitor the continuing effectiveness of the policy, the Board receives reports on its product pricing strategy together with data relating to any major fluctuations in foreign currencies. The Company's policy to mitigate foreign currency risk is to adjust selling prices for its products to reflect movements in foreign currencies.

Foreign currency denominated financial assets and liabilities, translated into Australian Dollars at the closing rate, are as follows:

	2017	2016
Financial assets	\$	\$
Cash deposits in USD	487,159	808,119
Cash deposits in Euro	396,068	329,163
Customers denominated in USD	1,201,674	90,572
Customers denominated in Euro	294,976	108,907
Financial liabilities		
Trade payables denominated in USD	(27,166)	(37,337)
Trade payables denominated in Euro	(10,056)	(89,700)
Net exposure	<u>2,342,655</u>	<u>1,209,724</u>

Notes to the Financial Statements For the Year Ended 30 June 2017

28 Financial Risk Management

(ii) Interest rate risk

The Group has no borrowings and has no current exposure to interest rate risk on borrowings.

The Group's minimum exposure to market interest rate relates to its cash investments which are minimal.

The Company adopts a policy of minimising exposure to interest rate risk. A +/-1% change in interest rates would change the net interest expense by +/--\$9,083 per annum (2016: +/--\$11,961) on cash held at year end.

(iii) Foreign currency sensitivity analysis

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Company's financial assets and financial liabilities and the US Dollar – Australian Dollar exchange rate and the Euro – Australian Dollar exchange rate. There have been no changes in the assumptions calculating this sensitivity from prior years. The sensitivity analysis is based on the foreign currency financial instruments held at the reporting date.

The sensitivity analysis assumes a +/- 5% change of the Australian Dollar / US Dollar exchange rate for the year ended 30 June 2017 (30 June 2016: 5%). A +/- 5% change is also assumed for the Australian Dollar / Euro exchange rate (30 June 2016: 5%). Both of these percentages have been determined based on the historical market volatility in exchange rates.

	2017		2016	
	+5%	-5%	+5%	-5%
USD				
Net results	(63,908)	63,908	(32,047)	32,047
Equity	(63,908)	63,908	(32,047)	32,047
Euro				
Net results	(22,915)	22,915	(11,672)	11,672
Equity	(22,915)	22,915	(11,672)	11,672

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The Group conducts transactions with the following major type of counterparties:

- Receivables counterparties: The majority of sales to the Group customers are made on open terms. As part of managing this risk, new customers can be required to make (part) payment for goods prior to shipping initial orders

To manage credit risk, the Group maintains group wide procedures covering the application for credit approvals, granting and renewal of counterparty limits and regular monitoring of exposure against these limits. The Group monitors its trade receivables balances on an ongoing basis and also maintains a credit insurance policy where

Notes to the Financial Statements

For the Year Ended 30 June 2017

28 Financial Risk Management

Credit risk

appropriate.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(c) Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

	2017	2016
	\$	\$
Current assets	3,745,112	3,217,573
Current liabilities	<u>(588,365)</u>	<u>(702,978)</u>
Working capital	<u>3,156,747</u>	<u>2,514,595</u>

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the consolidated statement of financial position due to the effect of discounting.

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Trade and other payables (excluding estimated annual leave)	324,944	355,324	-	-	-	-	324,944	355,324
Total contractual outflows	<u>324,944</u>	<u>355,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>324,944</u>	<u>355,324</u>

The timing of expected outflows is not expected to be materially different from contracted cashflows.

Notes to the Financial Statements

For the Year Ended 30 June 2017

29 Tax assets and liabilities

(a) Deferred tax assets

Deferred tax assets balance comprises temporary differences attributable to:

	2017	2016
	\$	\$
Amounts recognised in profit and loss		
Intangibles	21,951	194,253
Provisions	63,054	121,890
Accrued expenses	3,734	16,278
Deferred licence income	-	359,140
Unrealised foreign exchange loss	35,242	-
	<u>123,981</u>	<u>691,561</u>
Losses available for offset against future taxable income	<u>8,421,650</u>	<u>9,808,148</u>
Total amounts recognised in profit and loss	<u>8,545,631</u>	<u>10,499,709</u>
Amounts recognised in Equity		
Tax losses relating to share issue costs	449,211	449,211
Total deferred tax assets	<u>8,994,842</u>	<u>10,948,920</u>
Deferred tax liabilities offset against deferred tax assets	-	(217,540)
Net adjustment to deferred tax assets for benefits not recognised in profit or loss	(8,545,631)	(10,282,169)
Net adjustment to deferred tax assets for tax benefits not recognised in equity	(449,211)	(449,211)
Total offsets	<u>(8,994,842)</u>	<u>(10,948,920)</u>
Closing balance	<u>-</u>	<u>-</u>

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therein.

(b) Deferred tax liabilities

Deferred tax liabilities balance comprises temporary differences attributable to:

	2017	2016
	\$	\$
Plant and equipment	-	(200,627)
Prepayments	-	(2,001)
Unrealised foreign currency gains	-	(14,912)
Total deferred tax liabilities	<u>-</u>	<u>(217,540)</u>
Deferred tax liabilities offset against deferred tax assets	<u>-</u>	<u>217,540</u>
Closing balance	<u>-</u>	<u>-</u>

Notes to the Financial Statements

For the Year Ended 30 June 2017

30 Events Occurring After the Reporting Date

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

The Board of ANO has received tax advice which indicates that based on ongoing future profitability we will be entitled to reinstate some of the tax losses out of an aggregate tax loss position of \$36,930,834 in FY18.

31 Company Details

The registered office of the company is:
Advanced Nano Technologies Ltd
1821, Ipswich Road
Rocklea, QLD 4106

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2017 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have given the declarations required by Section 295A 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.



Lev Mizikovsky
Non-Executive Chairman

Dated 07 August 2017



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ADVANCED NANO TECHNOLOGIES LTD**

Qualified Opinion

We have audited the accompanying financial report of Advanced Nano Technologies Ltd (the company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, except for the possible effects of the matter described in the basis for Qualified Opinion section of our report, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Qualified Opinion

At 30 June 2017, the financial report of the Group included Property, Plant and Equipment with a value of \$1,956,361 (note 13). Included in the value of the Property, Plant and Equipment is production equipment with a written down value of \$382,300 that is currently not in operation and for which the Group is considering future options for the equipment's utilisation. As a result of the material inherent uncertainty regarding the future cash flows to be derived from this equipment, we are unable to form a view as to the valuation of the assets. Had we been able to form a view as to the future cash flows associated with these balances, matters might have come to our attention indicating that adjustments might be necessary to the 30 June 2017 financial report.

At 30 June 2017, the financial report of the Group included Development Assets (Intangible Assets) with a value of \$72,153 (note 14). As a result of the material inherent uncertainty regarding the future cash flows associated with finalisation and implementation of the intangible assets, we are unable to form a view as to the valuation of the assets. Had we been able to form a view as to the future cash flows associated with these balances, matters might have come to our attention indicating that adjustments might be necessary to the 30 June 2017 financial report.

We conducted our audit in accordance with Australian Accounting Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirement of the *Corporations Act 2001* and the ethical requirements of Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethical for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ADVANCED NANO TECHNOLOGIES LTD**

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting estimates and judgements

Refer to Note 2, 3, 11, 13, 14, 16 and 29.

Key Audit Matter	How the Matter was addressed in our audit
<p>We note the disclosures by directors in note 3 regarding the critical accounting estimates and judgements used during the preparation of the financial statements.</p> <p>We consider that the use of significant estimates and judgements in the context of the preparation of the financial statements results in an increased risk of material misstatement of the financial statements as a whole. As a result, we consider that the use of estimates and judgements is a Key Audit Matter to be addressed in the course of our audit.</p>	<p>Our procedures in respect of estimates and judgements were performed in accordance with the requirements of Australian Auditing Standard ASA 540 <i>Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures</i>. These procedures included:</p> <ul style="list-style-type: none"> ▪ Assessing the accounting policies and their application with the critical estimates and judgements. ▪ Assessing how management determines the completeness, relevance and accuracy of the data (including assumptions and inputs) used to develop the critical estimates and judgements. This includes assessing the nature of the assumptions, inputs and data, including which of the assumptions, estimates and data are likely to be significant to the critical estimates and judgements. ▪ Assessing whether and, if so, how, management has considered alternative inputs, assumptions or outcomes. This includes assessing whether management determines that the information used is internally consistent or whether such analysis indicates the existence of a number of outcome scenarios.

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ADVANCED NANO TECHNOLOGIES LTD**

Revenue recognition

Refer to Note 2(n) and 5.

Key Audit Matter

The recognition of revenue in accordance with AASB 118 *Revenue* (to be replaced in future periods by AASB 15 *Revenue from Contracts with Customers*) is considered a material risk in Australian Auditing Standards. As a result of the guidance included in Australian Auditing Standards, we consider that the recognition of revenue is a Key Audit Matter, to be addressed in the course of our audit.

How the Matter was addressed in our audit

Our procedures in respect of revenue recognition included analysis of the month-to-month recorded revenue, data analysis on transactions recorded in the Group's accounting systems, analysis of financial information and ratios relevant to the recognition of revenue, inquiry of management regarding posted transactions and, on a sample basis, substantive testing of transactions to contracts and banking records.

Other Information in the Annual Report

The directors are responsible for the "Other Information in the Annual Report". This "Other Information" comprises the information included in the Group's annual report for the year ended 30 June 2017, but which is not included in the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ADVANCED NANO TECHNOLOGIES LTD**

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by the directors.
- Conclude on the appropriateness of director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ADVANCED NANO TECHNOLOGIES LTD**

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the remuneration report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 13 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Advanced Nano Technologies Ltd, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HANRICK CURRAN AUDIT

**Hanrick Curran Audit Pty Ltd
Authorised Audit Company: 338599**

**M. J. Green
Director**

Brisbane, 7 August 2017

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Additional Information for Listed Public Companies 30 June 2017

ASX Additional Information

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 19 August 2016.

Substantial shareholders

The number of substantial shareholders and their associates are set out below:

Voting rights

Ordinary Shares

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

No voting rights.

Distribution of equity security holders

Holding	Ordinary shares	
	No. of shares	No. of holders
1 - 1,000	2,182	43
1,001 - 5,000	140,258	38
5,001 - 10,000	1,141,567	122
10,001 - 100,000	10,616,779	240
100,000 and over	573,938,364	219
	<hr/>	
	585,839,150	662

There were 261 holders of less than a marketable parcel of ordinary shares.

Twenty largest shareholders

	Ordinary shares	
	Number held	% of issued shares
POLTICK PTY LTD	239,159,831	41
KEARNEY ETHICAL INVESTMENTS PTY LTD	44,949,371	8
UNIVERSITY OF WESTERN AUSTRALIA	32,041,719	5
KEARNEY ETHICAL INV S/F A/C	18,040,639	3
ACROPOLIS SUPER FUND A/C	13,400,000	2
SJ SUPER A/C	9,062,658	2
PAE FAMILY A/C	8,700,000	1

Additional Information for Listed Public Companies 30 June 2017

	Ordinary shares	
	Number held	% of issued shares
THE SUPER JOMANGI FUND A/C	8,000,000	1
IDAMENEO (NO 79) NOMINEES PTY LTD	7,500,000	1
INCUBATOR CAPITAL LTD	7,354,037	1
MR CHRISTOPHER SILVESTRO	7,000,000	1
ALAN G ROCHFORD SUPER A/C	6,374,519	1
MR BRUCE CAMERON	6,257,264	1
BANNABY SUPER FUND A/C	6,046,986	1
MR ERIK ADRIAAANSE	5,000,000	1
BANNABY INVESTMENTS PTY LTD	5,000,000	1
MELBOURNE CORPORATION OF AUSTRALIA PTY LTD	5,000,000	1
ME EDWIN GIOVANNI DIAZ	4,528,142	1
PAE & LSE SUPER FUND A/C	4,300,000	1
ME KEITH KERRIDGE	4,000,000	1
	<hr/>	
	441,715,166	75