

ASX ANNOUNCEMENT (ASX: ANO)

31 AUGUST 2010

ANTARIA CONTINUES SOLID REVENUE GROWTH

Antaria is pleased to announce its preliminary results for the financial year ended 30 June 2010.

Highlights

- Total revenue increased 20% to \$4.48m.
- Overall customer sales up 22% for FY10 from \$3.63m to \$4.42m.
- ZinClear[®] product sales increased 37% from \$2.85m to \$3.95m.
- Total revenue from alumina product technology (Alusion[®] product sales, contract R&D and licence income) up 51% to \$0.80m from \$0.53m.
- Loss before provision for impairment of intangibles and income tax expense down 17% from \$3.10m to \$2.56m.
- Working capital of \$2.31m (FY09: \$3.77m).
- Cash balance of \$2.13m (FY09: \$3.25m).

Operational Commentary

Antaria is experiencing continued strong demand growth for its ZinClear-IM[®] UV absorber, reflecting a personal care market that increasingly favours all-natural sunscreen protection solutions. We expect further revenue growth over the next two years and beyond:

- \$1.11m of open ZinClear[®] orders are already on hand at the date of this report.
- Antaria is working with Dow to secure ongoing orders from major personal care product manufacturers in North America. We are preparing production capacity enhancements and inventory reserves in anticipation of the launch of a new product range based on ZinClear-IM[®] by a Top 10 global sunscreen manufacturer.
- In Europe, we are pleased that our specialist distributors are seeing substantial growth prospects for ZinClear-IM[®].

Merck reports strong demand for their *RonaFlair White Sapphire[™]* product and are working with Antaria to increase capacity for future years.

As financial resources become available, Antaria is preparing in FY11 to pursue the commercialisation of important new products it has developed in high strength ceramics and UV protection in plastics.

Energenics Subscription

On 30 August 2010, Antaria accepted a settlement offer from Energenics which will see Energenics complete its \$2 million subscription for Antaria shares at 22 cents per share in four instalments, commencing on 1 October 2010 and concluding on 1 December 2010.

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ANTARIA CONTINUES SOLID REVENUE GROWTH

Antaria Limited (ASX: ANO) (Antaria or the Company) is pleased to announce continued substantial revenue growth for the year ended 30 June 2010.

The Company recorded a 20% increase in revenue from continuing operations to \$4.48 million, primarily due to strong sales in Antaria's key product line, ZinClear-IM[®]. Customer sales of \$4.42 million for FY10 are up 22% from \$3.63 million in FY09. Revenue contribution from the mineral based sun protection ZinClear[®] product was \$3.95 million, representing an increase of 37% from the prior year sales of \$2.95 million.

Antaria has experienced a lower gross margin during the year, largely due to increases in manufacturing labour and overhead costs as the Company increases its capacity ahead of expected increases in customer demand. As a result of this investment, gross margin as a percentage of sales decreased to 16% compared to 23% in FY09.

Antaria now has manufacturing capacity available to meet a significant increase in sales. ZinClear-IM[®] volumes sold in FY10 are only partly utilising available production capacity and Antaria has an investment program that is able to further increase capacity at relatively modest cost.

Antaria Executive Chairman Bruce Cameron was pleased with the FY10 result, which included a considerable contribution from ZinClear-IM[®] sales.

"Antaria has worked hard to establish the appropriate manufacturing and distribution platforms for its key product, ZinClear-IM[®]," Mr Cameron said.

"The Company is now poised to deliver strong revenue growth from existing products and we have a scaleable business that is able to respond to increased sales growth in target geographies. For FY11, we already have ZinClear[®] orders on hand of approximately \$1.11 million."

"Our strategic arrangements with Dow Chemical and Merck KGaA are working well. In fact, since first partnering with Dow in 2008 we have tripled ZinClear-IM[®] revenues."

"The major focus of our work with Dow has been progressing towards a high volume product launch with a major global manufacturer. We have been increasing capacity in anticipation of this event and expect significant sales in coming years to flow from this."

"These North American product launches will see Antaria increase our share of the US\$300+ million global suncare market."

"We continue to monitor global trends in sun protection very closely and we are pleased to see that a shift towards natural mineral sun protection is occurring in mass-market suncare manufacturers. ZinClear-IM[®] has already been approved as an all-natural product by one multinational business with early sales achieved in Europe and North America."

"We expect margin expansion as the contribution from volume increases absorbs our fixed cost base."

"Antaria is excited about the prospects for strong sales growth over the next two years and believes it will establish the base for positive cash flow and reported earnings. "

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About Antaria

Antaria (ANO.ASX) is a specialist manufacturer of advanced materials used by the cosmetic and industrial sectors.

At present, Antaria's two primary commercialised products include a transparent; zinc oxide based broad spectrum UV absorber for use in the suncare and cosmetics sector (ZinClear®) and an aluminium oxide pigment with applications in cosmetics products (Alusion®).

Based in Perth, Western Australia, Antaria services the international market via a global network of product distributors including lead partners Dow Chemical Company and Merck KGaA. The Company operates two sites: a product development and quality laboratory, and a manufacturing plant.

ANTARIA FY10 PERFORMANCE COMMENTARY

Product Revenues and Other Income

Total revenue from continuing operations for the 2010 financial year was \$4,480,966 compared to the 2009 total of \$3,723,152. Revenue from sales of goods for the 2010 financial year totalled \$4,419,992, an increase of 22% over the 2009 sales of \$3,628,402.

Personal Care

ZinClear-IM[®]

Antaria's developing relationship with its North American and European distribution partners, has driven sales growth during the year. Since 2008, Antaria has more than tripled ZinClear-IM[®] revenues.

In North America, progress continues to be made in relation to a high volume opportunity for ZinClear-IM[®] with a market leading global sun care brand. This launch would represent a significant milestone for the Company and have a material impact on sales growth over the next two years. Antaria, Dow and the sunscreen manufacturer continue to prepare for such a launch. Antaria is now well placed to manage the increased capacity demands that the launch will create.

Antaria's partners in Europe, Commercial Química Masso, IMCD and Bregaglio, will also see substantial revenue growth going forward. A catalyst for sales growth in Europe would be the inclusion by regulatory authorities of zinc oxide on the approved list of UV filters.

Importantly, Antaria continues to enjoy strong interest from the natural cosmetics sector in both Europe and the US. Sales growth is dominated by ZinClear-IM[®] 50CCT, with its ECOCERT certification. Antaria's newest offering to the natural sector, ZinClear-IM[®] 50JJ, also ECOCERT approved, has already gained acceptance by one multinational account, with first orders shipped to both European and US manufacturing sites.

In addition to the trend to natural cosmetics, there is growing consumer and regulatory awareness of the need for broad spectrum protection (UVA and UVB), both in sunscreens and in daily wear cosmetics.

While the natural sector has historically been dominated by smaller boutique companies, we perceive that changing consumer sentiment has caught the attention of global mass market brands who are now developing 'naturals' product lines of their own. Demand from these larger manufacturers is expected to underpin further ZinClear-IM[®] product sales growth. Reflecting this, Antaria has invested in increased manufacturing capacity in anticipation of an increase in ZinClear-IM[®] sales.

Alusion[®]

Antaria's total revenues from Alusion[®] were up 51% from \$528,460 to \$799,844. This is due to an increase in licence fee and contract R&D following the 2009 license agreement with Merck (Germany). This income is expected to continue for the medium to long term.

Merck sells and markets Alusion[®] as *RonaFlair White Sapphire[™]* and has reported strong interest from potential new customers for this product.

Industrial products

Sales of Industrial products (principally NanoZ[®] for timber coatings) for FY10 were \$83,436 compared to the total of \$71,631 in FY09. These sales exclude a single shipment of Cercat[™] totalling \$201,710 in March 2009.

The 2010 financial year saw the first sales of NanoZ[®] Plus-E, a new zinc oxide powder product for plastics/films such as plastic wrapped food products. Initial trial quantities were sold to a European-based plastics master batch producer with product testing underway. A small quantity was also sold into Asia for use as an antimicrobial for plastics.

Finance Revenue and Other Income

During the year, interest income reduced from \$94,750 to \$60,974, in line with the Group's reduced cash position and falling interest rates.

Other income increased 20% to \$736,009 from \$614,093 in FY09. Commercial Ready grant income of \$221,139 was down from the FY09 total of \$552,092 with Antaria completing the Commercial Ready Program at 31 December 2009. Grant income for FY10 also included an amount of \$98,009 in relation to the Export Market Development Grant.

Other income for FY10 also included:

- \$160,040 of licence income where the upfront license payment received from Merck is recognised progressively over the license period;
- \$248,779 of contract R&D income from Merck; and
- \$8,042 of miscellaneous income.

Gross Profit Contribution

Antaria has undertaken several projects in FY10 to improve manufacturing capacity and efficiency, to respond to future sales growth. These investments are expected to support significant margin improvement with increasing sales volume and higher utilisation of fixed production overheads. Due to this investment, Antaria's gross margin as a percentage of sales to customers decreased to 16% in the FY10 compared to 23% in FY09.

Expenses and Overheads

Antaria's total R&D and corporate expenses and overheads for FY10 were \$3,614,713, representing a decrease of 2% from \$3,681,789 in FY09.

Antaria's sales and marketing expenses have continued to benefit from the appointment of lead distributors in key regions who already have strong marketing support and infrastructure locally in their geographic territories. This has resulted in an overall decrease in Antaria's marketing costs by 48% from \$897,448 to \$460,802.

Provision for Impairment

The Group has recognised an impairment provision against intangible assets of \$3,902,073 and has de-recognised deferred tax assets relating to unused tax losses of \$4,891,527. These adjustments arise following formal impairment tests performed by the Board on key business units. The technical requirement for such testing arises under AASB136.

Under the accounting standard AASB136, one impairment indicator that has to be considered by ASX listed companies is share market capitalisation relative to the Company's net assets. Since during FY10 Antaria's share market capitalisation has consistently been below net assets, Antaria's Board considers that it is required to make these provisions. The Board of Antaria does not consider that the current market capitalisation is properly reflective of Antaria's latent potential. However, it feels obliged to make these provisions in order to maintain compliance with AASB136.

Shareholders should note that such provisions against intangible assets are common during a Company's ramp up period where estimations of future cash flows are not supported by historical performance. There may well be fluctuations in reported profit levels as a result of changes to these provisions until a consistent level of historical profits can be achieved and relied on for forecasting.

Energenics Product Order

On 20 July 2009, Energenics Pte Limited placed a US\$437,000 order for the supply of Antaria's product, Cercat™. On 15 October 2009, approximately US\$346,000 was paid. The balance of US\$91,000 remains outstanding. The Company continues to diligently pursue this matter.

Outlook

FY10 has been a period of strong revenue growth and Management has been preparing the business for expected increases in volume shipments over the next two years.

Antaria believes that continued product launches of customer formulations based on ZinClear-IM® in North America, Europe and Australia in 2011 will underpin growth in FY12 and beyond. A possible product launch by a global top 10 suncare manufacturer, and/or the realisation of other positive market developments in Europe would have a material and ongoing positive impact on ZinClear-IM® product sales.

Sales growth is expected to deliver significant margin improvement due to the fixed cost nature of Antaria's business.

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