

3 August 2018

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

Dear Sir / Madam

**Re: Appendix 4E Final Report and 2018 Annual Report**

The Directors of Advance NanoTek Limited announce the financial results for the year ended 30 June 2018.

Please find attached the Appendix 4E Final Report and 2018 Annual Report.

Yours faithfully

Geoff Acton (B.Com CA)  
Managing Director

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## APPENDIX 4E – FINAL REPORT – 30 JUNE 2018

<b>Name of entity</b>	Advance NanoTek Limited (ASX: ANO)
<b>ABN</b>	54 079 845 855
<b>Reporting period</b>	1 July 2017 to 30 June 2018
<b>Previous corresponding period</b>	1 July 2016 to 30 June 2017

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from ordinary activities	Up	40.38%	to	\$6,583,764
Profit from ordinary activities after tax attributable to members	Up	168.52%	to	\$1,506,918
Net profit for the period attributable to members	Up	435.82%	to	\$3,006,918

### DIVIDENDS

The Board considers that that no final dividend will be paid in respect of the 2018 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

	2018	2017
<b>Net Tangible Asset Backing</b>		
Net tangible assets per ordinary security	8.49 cents	0.70 cents
<b>Earnings per security</b>		
Basic earnings per share	5.29 cents	0.10 cents
Diluted earnings per share	5.29 cents	0.10 cents
Weighted average number of shares	56,779,044	585,839,150
<b>Profit/(loss) before tax as % of revenue</b>		
Consolidated profit/(loss) from continuing operations before tax as a % of revenue	22.88%	11.57%
<b>Profit/(loss) after tax as % of equity</b>		
Consolidated net profit/(loss) after tax as a % of equity	45.32%	11.57%

**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 2018 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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# **Advance NanoTek Limited**

ACN 079 845 855

## **Annual Report**

**For the Year Ended 30 June 2018**

ACN 079 845 855

ASX Code: **ANO**

## **Contents**

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## Chairman' Letter

Dear Valued Shareholders

I take this opportunity to thank all stakeholders in Advance NanoTek Limited ('ANO'). In particular

- Our key distributors for their support and growth in sales in our products particularly Deveraux Specialities and Pachem.
- Our hard working staff who have worked tirelessly to increase capacity to meet the 35% growth in sales in FY18 and introduce new products.
- We would like to thank Merck for their renewed support and trust in our business. Merck have indicated they will extend existing agreement to the end of 2022.
- 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.
- Particular thanks to Geoff Acton for driving business growth and introducing new products whilst decreasing specific fixed costs and overheads.

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



Lev Mizikovsky  
Non-Executive Chairman

Dated: 3 August 2018

## Managing Director's Review

### FINANCIAL HIGHLIGHTS

Advance NanoTek Limited ("ANO") has recorded a Trading Profit Before Tax of \$1,506,918 (2017:\$561,174) up 168.52%. The headline net profit after tax of \$3,006,918 includes the write-back of \$1,500,000 in our deferred tax asset balance previously written off. The profit increase is due to the following reasons:

- An increase in ZinClear revenue of \$1,109,154 (26.13%).
- An increase in Alusion sales of \$784,888 (176%). The current agreement includes FY19. In principle an agreement has been reached to FY22 on similar terms to the current agreement.
- Cash balance as at 30 June 2018 was \$1,121,396 (FY17 \$908,287).

### COMMERCIAL OVERVIEW

#### ZinClear®

Revenue in ZinClear range of products continues to grow with a 26.13% increase in sales. We appreciate the continued support of Deveaux Specialities and Pachem, our long term distribution partners in the US and Canada who have increased their sales in FY18 and indications are that growth is expected in both regions in FY19. With capacity restrictions lifted, ANO will rebuild its distribution network in Europe. Sales from current distributors are still slow with the exception of our German / Swiss distributor Polygon.

#### Alusion®

Alusion sales increased 176% (2017:36.29%). In December 2017, ANO successfully negotiated a new agreement whereby ANO will continue to produce Alusion until the end of 2019. Recently, ANO have held further discussions with Merck and MERCK have indicated they will extend the agreement until 2022.

#### US Manufacturing

ANO will commence production of our dispersions in the US in August 2018. ANO has invested into additional equipment to increase the production capacity in the US operations. This is anticipated to be ready in March 2019.

#### Australian Manufacturing

The closure of 108 Radium St Welshpool was delayed to meet the significant increase in sales experienced in the third quarter of FY18. The move has been finalised and the closure of 108 Radium Street will be at the end of August 2018.

#### Production Improvements

Over the past 9 months, ANO staff have concentrated on improvement in production capacity and the quality to the dispersions and powder with rigorous QC processes. As a result, we now have one of the best performing powders on the market at a price which is at this point below our competitors.

#### New Zealand Manufacturing

ANO is currently finalising an agreement with a New Zealand manufacturer to manufacture our end product formulations and has placed its first order for 20,000 tubes of an approved SPF50+ ZinXation sunscreen, with our first brand owner ordering 15,000 tubes.

## Managing Director's Review

### COMMERCIAL OVERVIEW (continued)

#### Patents

During FY18, we have successfully filed two new patents – battery and plastic, and renewed two other patents with our zinc oxide processes. We have engaged a manufacturer in Germany to produce a prototype battery using our battery patented technology and materials including modified graphite. We anticipate the prototype to be developed prior to December 2018. Further patents are expected to be filed in FY19.

### PRODUCT DEVELOPMENT

#### Chemist Network

During FY18, ANO has successfully obtained approval for its first end product, with many more products expected to be approved in FY19. Our chemist network is growing and produces a number of novel end product proposals.

### FY19 STRATEGIC INITIATIVES

The key priorities for FY19 are to complete the strategic initiatives established by the Board in June 2016 and implement new initiatives recently developed by the Board in June 2018.

- Increase the range of zinc based active ingredients and dispersions.
- Establish new distribution partners in Europe which is a key market for our ZinClear range of products.
- Continue to develop our patent portfolio and work with local and overseas universities to test viability of the projects.
- Develop a range of end products that are approved in key global markets.
- Increase the capacity of XP powder to 800T with the investment in new manufacturing equipment to be located in Brisbane.
- Reduce our global price for XP powder and dispersions to increase sales volumes globally.
- Increase the capacity of our Alusion production process to meet Merck's growing demand and move to container shipments to assist Merck.

I would like to take this opportunity to personally thank the Board for their numerous hours of support as we implement all of these initiatives to grow profitability for our shareholders.

I also want to thank all of my staff who have been instrumental in the performance of the Company over the past 12 months.

*G. Acton*

Mr Geoff Acton  
Managing Director

Dated: 3 August 2018

## Directors' Report For the Year Ended 30 June 2018

Your directors present their report, together with the financial statements of the Group, being Advance NanoTek Limited (the Company) and its controlled entities, for the financial year ended 30 June 2018.

### 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, CA, GAICD)
- Miss Narelle Lynch ("Cert Gov Prac")

### 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

Please refer to Managing Directors' Report on page 2.

### Review of financial position

The net assets of the Group have increased by \$ 2,433,229 from \$4,201,408 at 30 June 2017 to \$ 6,634,637 at 30 June 2018.

### Capital

No capital was raised during the financial year ended 30 June 2018 (2017: 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 2018

#### 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.*

#### 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 2018

### Information on directors

#### Lev Mizikovsky

Qualifications

Experience

Special Responsibilities

Directorships held in other entities

#### 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. 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).

Member of the all Committees

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 Limited, Chairman of Senterprisys Limited and was formerly a Non-executive director of Collection House Limited (CLH).

#### Rade Dudurovic

Qualifications

Experience

Special Responsibilities

Directorships held in other entities

#### 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

Chairman of the Audit & Risk Committee, Nomination & Governance Committee

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

#### Geoff Acton

Qualifications

Experience

Directorships held in other entities

#### Managing Director

B.Com, CA, GAICD

Geoff brings to Advance NanoTek Limited a vast amount of capabilities in his 19 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.

Non-executive director of AstiVita Limited.

### Company secretaries

**Geoff Acton** - appointed Company Secretary on 13 July 2015. Geoff is a chartered accountant and has a 19 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.

**Miss Narelle Lynch** "Cert(Gov Prac)"

Narelle was appointed joint company secretary on 9 August 2017.

## Directors' Report For the Year Ended 30 June 2018

### 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 & Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Lev Mizikovsky (Non-executive Chairman)	13	13	4	4	2	2
Rade Dudurovic (Non-executive Director)	13	13	4	4	2	2
G Acton (Managing Director)	13	13	4	4	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.

The total fees to the Group's external auditors, Hall Chadwick (QLD) (2017 : Harrick Curran Audit Pty Ltd), for non-audit services during the year ended 30 June 2018 was nil (2017 : \$60).

### 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 2018 has been received and can be found on page 14 of the financial report.

## Directors' Report For the Year Ended 30 June 2018

### 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 Advance NanoTek Limited 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

#### 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 2018. 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 2018

### 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 2018 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 2018

### 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.

	2018	2017	2016	2015	2014
	cents	cents	cents	cents	cents
Net assets per share	11.81	0.72	0.62	0.64	0.61
Net tangible assets per share	8.29	0.70	0.62	0.64	0.61
Earnings/(loss) per share	5.47	0.10	(0.02)	0.03	0.01
Earnings/(loss) per share - excluding impairment & tax	5.47	0.11	(0.02)	(0.07)	(0.04)
Share price	0.50	0.02	0.02	0.03	0.02

#### 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 2018 and 2017 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 2018

#### 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 2018	\$	\$	\$	\$	\$	
<b>Non-Executive Directors</b>						
Lev Mizikovsky	-	-	-	-	-	-
Rade Dudurovic	80,000	-	-	-	-	80,000
<b>Sub-total Non-Executive Directors</b>	<b>80,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,000</b>
<b>Executive Directors</b>						
Geoff Acton	124,868	-	-	-	-	124,868
<b>Sub-total Executive Directors</b>	<b>124,868</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>124,868</b>
	<b>204,868</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>204,868</b>

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

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 27.

## Directors' Report For the Year Ended 30 June 2018

### 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 %
<b>Directors</b>	<b>Position</b>			
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

## Directors' Report For the Year Ended 30 June 2018

### Remuneration report (audited)

#### Key management personnel shareholdings

	Balance at beginning of year	Granted as remuneration	Other changes	Balance at the end of year	Vested during the year	Vested and exercisable
<b>30 June 2018</b>						
<b>Directors</b>						
Lev Mizikovsky	243,193,311	-	(218,208,979)	24,984,332	-	-
Rade Dudurovic	2,500,000	-	(2,250,000)	250,000	-	-
Geoff Acton	850,000	-	(665,000)	185,000	-	-
<b>Other KMP</b>						
	<b>246,543,311</b>	<b>-</b>	<b>(221,123,979)</b>	<b>25,419,332</b>	<b>-</b>	<b>-</b>
<b>30 June 2017</b>						
<b>Directors</b>						
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
<b>Other KMP</b>						
	<b>233,887,592</b>	<b>-</b>	<b>12,655,719</b>	<b>246,543,311</b>	<b>-</b>	<b>246,543,311</b>

#### End of Audited Remuneration Report

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



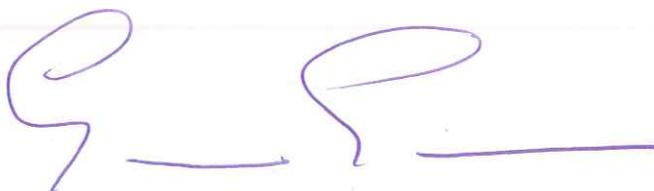
Lev Mizikovsky  
Non-Executive Chairman

Dated: 3 August 2018

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Advance Nanotek Ltd**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2018 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



Geoffrey Stephens  
Hall Chadwick Qld  
Chartered Accountants

Dated this 03 day of August 2018

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## **Corporate Governance Statement**

### **30 June 2018**

The objective of the Board of Advance NanoTek Limited is to create and deliver long term shareholder value through a range of diversified product sales and development in cosmetics and sunscreen.

Advance NanoTek Limited 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").

Advance NanoTek Limited has adopted the recommendations of the ASX Corporate Principles Edition 3. Advance NanoTek Limited has completed and lodged an Appendix 4G and Corporate Governance Statement in conjunction with the lodgement of its Annual Report. Advance NanoTek Limited 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.advancenanotek.com](http://www.advancenanotek.com).

## Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue & Other income	5	6,949,468	5,097,487
Raw Materials & Consumables Used		(2,788,579)	(2,028,768)
Loss on sale of old stock		-	(162,317)
Employee Benefit Expense		(782,310)	(591,385)
Amortisation charge	14	-	(1,850)
Depreciation expense	13	(241,023)	(231,848)
Legal expense		(97,695)	(125,798)
Directors fees		(204,868)	(161,659)
Insurance fees		(93,694)	(82,449)
Rent expense		(316,160)	(345,059)
Unrealised exchange gain (loss)		95,464	(117,472)
Impairment of Production Plant & Equipment		(103,496)	(74,623)
Travel costs		(44,955)	(53,053)
Rates & taxes		(25,641)	(46,809)
Corporate costs		(192,336)	(130,295)
Other expenses		(647,257)	(382,929)
<b>Profit / (Loss) before income tax</b>		<b>1,506,918</b>	<b>561,173</b>
Income tax benefit (expense)	8	1,500,000	-
<b>Profit / (Loss) for the year</b>		<b>3,006,918</b>	<b>561,173</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>3,006,918</b>	<b>561,173</b>
<b>Profit attributable to:</b>			
Members of the parent entity		3,006,918	561,173
<b>Total comprehensive income attributable to:</b>			
Members of the parent entity		3,006,918	561,173
<b>Earnings per share</b>			
Basic earnings per share (cents)	21	5.29 cents	0.10
Diluted earnings per share (cents)	21	5.29 cents	0.10

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 2018**

	Note	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	1,121,396	908,287
Trade and other receivables	10	1,599,239	1,936,080
Inventories	11	1,247,738	746,708
Other assets	12	369,645	154,037
<b>Total Current Assets</b>		<b>4,338,019</b>	<b>3,745,112</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	13	1,883,356	1,956,361
Deferred tax assets	8 & 29	1,693,725	-
Development assets	14	291,013	72,153
<b>Total Non-Current Assets</b>		<b>3,868,094</b>	<b>2,028,514</b>
<b>TOTAL ASSETS</b>		<b>8,206,113</b>	<b>5,773,626</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	15	561,317	324,943
Provisions	16	10,951	103,383
Deferred income	17	160,039	160,039
<b>Total Current Liabilities</b>		<b>732,307</b>	<b>588,365</b>
<b>Non-Current Liabilities</b>			
Provisions	16	123,367	106,797
Deferred income	17	715,701	877,056
<b>Total Non-Current Liabilities</b>		<b>839,068</b>	<b>983,853</b>
<b>TOTAL LIABILITIES</b>		<b>1,571,375</b>	<b>1,572,218</b>
<b>NET ASSETS</b>		<b>6,634,738</b>	<b>4,201,408</b>
<b>EQUITY</b>			
Issued capital	18	39,442,499	40,016,087
Reserves	19	1,116,155	1,116,155
Accumulated losses		(33,923,916)	(36,930,834)
<b>TOTAL EQUITY</b>		<b>6,634,738</b>	<b>4,201,408</b>

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 2018

2018

	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Share Based Payment Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	<b>40,016,087</b>	<b>(36,930,834)</b>	<b>15,940</b>	<b>1,100,215</b>	<b>4,201,408</b>
Comprehensive income for the year					
Profit for the year	-	3,006,918	-	-	3,006,918
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>3,006,918</b>	<b>-</b>	<b>-</b>	<b>3,006,918</b>
Shares bought back during the year	(677,084)	-	-	-	(573,588)
Shares issued to employees	103,496				
<b>Balance at 30 June 2018</b>	<b>39,442,499</b>	<b>(33,923,916)</b>	<b>15,940</b>	<b>1,100,215</b>	<b>6,634,738</b>

2017

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

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 2018

	2018	2017
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	7,058,251	3,457,816
Payments to suppliers and employees	(5,781,033)	(3,480,894)
Interest received	112	126
Interest paid	(360)	-
Net cash provided by/(used in) operating activities	25 <b>1,276,970</b>	(22,952)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(167,917)	(87,717)
Payment for development assets	(218,860)	(74,003)
Net cash used by investing activities	<b>(386,777)</b>	(161,720)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments from shares buyback	(677,084)	-
Net cash used by financing activities	<b>(677,084)</b>	-
Net increase/(decrease) in cash and cash equivalents held	213,109	(184,672)
Cash and cash equivalents at beginning of year	9 <b>908,287</b>	1,196,195
Exchange rate adjustment	-	(103,236)
Cash and cash equivalents at end of financial year	9 <b>1,121,396</b>	908,287

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 2018

The financial report covers the consolidated financial statements and notes of Advance NanoTek Limited and its controlled entities ('the Group'). Advance NanoTek Limited 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 3 August 2018.

The separate financial statements and notes of the parent entity, Advance NanoTek Limited, 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 relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets

## Notes to the Financial Statements

### For the Year Ended 30 June 2018

#### 2 Summary of Significant Accounting Policies

##### (b) Income Tax

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 2018

### 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:

<b>Fixed asset class</b>	<b>Useful life</b>
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 2018

#### 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

## Notes to the Financial Statements For the Year Ended 30 June 2018

### 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 2018

### 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 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 2018

#### 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.

##### Other income

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

##### (o) Finance costs

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

## Notes to the Financial Statements For the Year Ended 30 June 2018

### 2 Summary of Significant Accounting Policies

#### (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.

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.

## Notes to the Financial Statements For the Year Ended 30 June 2018

### 2 Summary of Significant Accounting Policies

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

##### Transaction and balances

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) 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 2018

#### 2 Summary of Significant Accounting Policies

##### (u) 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	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 standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 but will have minimal impact on the Group.
AASB 15 Revenue from Contracts with Customers	30 June 2019	This standard provides guidance on the recognition of revenue from customers.	The Group will adopt this standard in July 2018. The Group does not anticipate that there will be significant implications of this change in respect of current contracts. The Group will consider the application of AASB15 with respect to new contracts as they are entered into.
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 Group will adopt this standard in July 2019. The adoption of this standard has been assessed by the Group and will impact its assets, liabilities and expenses but the extent of which has not yet been assessed by the Group.
AASB 2014-10 Amendments to Accounting Standards - Sale or Contribution of Assets between an investor and its Associate or Joint Venture	30 June 2019	The amendment addresses an inconsistency between the requirements in AASB 128 Investment in Associates and Joint Ventures and AASB 10 Consolidated Financial Statements and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the asset sold or contributed constitutes a business.	This will only have impact to the entity if there has been a sale or contribution of assets between the entity and its associate or joint venture.
Interpretation 23 Uncertainty over Income Tax Treatments and AASB 2017-4 Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments	30 June 2020	Interpretation 23 clarifies how to apply the recognition and measurement requirements in AASB 112 where there is uncertainty over the appropriate income tax treatment of a transaction or class of transactions, and about whether a tax treatment will be accepted by a tax authority.	The basis for recognising tax liabilities and associated disclosures may change based on the assessment of the likelihood that the proposed tax treatment in the entity's tax return would be accepted by the tax authorities.

## Notes to the Financial Statements

### For the Year Ended 30 June 2018

#### 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 2018

### 4 Parent entity

The following information has been extracted from the books and records of the parent, Advance NanoTek Limited and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Advance NanoTek Limited 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.

	2018	2017
	\$	\$
<b>Statement of Financial Position</b>		
Assets		
Current assets	4,338,019	4,035,213
Non-current assets	3,868,094	926,702
<b>Total Assets</b>	<b>8,206,113</b>	<b>4,961,915</b>
Liabilities		
Current liabilities	732,307	2,082,614
Non-current liabilities	839,068	106,797
<b>Total Liabilities</b>	<b>1,571,375</b>	<b>2,189,411</b>
Equity		
Issued capital	39,442,499	40,016,087
Retained earnings	(33,923,916)	(38,343,798)
Capital profits reserve	1,116,155	1,100,215
<b>Total Equity</b>	<b>6,634,738</b>	<b>2,772,504</b>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Total profit or loss for the year	3,006,918	437,851
<b>Total comprehensive income</b>	<b>3,006,918</b>	<b>437,851</b>

#### **Guarantees**

The parent entity did not have any guarantees as at 30 June 2018 or 30 June 2017 except as detailed in Note 23.

#### **Contingent liabilities**

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

## Notes to the Financial Statements For the Year Ended 30 June 2018

### 5 Revenue and Other Income

#### Revenue from continuing operations

	2018	2017
	\$	\$
Sales revenue		
- sale of ZinClear	5,353,209	4,244,055
- sale of Alusion	1,230,555	445,667
Other Income		
- R & D tax incentive	204,237	247,601
- Licence income	161,355	160,039
- Interest	112	126
- Gain/ (loss) on foreign exchange	-	(1)
<b>Total Revenue</b>	<b>6,949,468</b>	<b>5,097,487</b>

#### 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 instalments 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:

	2018	2017
	\$	\$
Superannuation contributions	65,653	53,406
Rental expense on operating leases		
- minimum lease payments	316,160	345,059

### 7 Auditors' Remuneration

	2018	2017
	\$	\$
Remuneration of the auditor of the parent entity for auditing or reviewing the financial statements		
- Hall Chadwick (QLD)	18,000	-
- Hanrick Curran Audit Pty Ltd including related entities	-	20,500
<b>Total</b>	<b>18,000</b>	<b>20,500</b>

## Notes to the Financial Statements

### For the Year Ended 30 June 2018

#### 8 Income Tax Expense

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

	2018	2017
	\$	\$
Current tax expense / (benefit)		
Local income tax - current period	(1,500,000)	-
<b>Income tax expense / (benefit) for continuing operations</b>	<b>(1,500,000)</b>	<b>-</b>
<b>Total income tax benefit</b>	<b>(1,500,000)</b>	<b>-</b>

(b) Reconciliation of income tax to accounting profit:

	2018	2017
	\$	\$
Profit / (Loss)	1,506,918	561,173
Prima facie income tax expense/(benefit) at the statutory income tax rate of 30% (2017: 30%)	451,925	168,352
Add:		
Tax effect of:		
- Permanent differences	(479,169)	(64,844)
Adjustments recognised for current tax of prior periods		
- Benefit from a previously unrecognised tax loss	27,244	(103,508)
Adjustments recognised for deferred tax of prior periods	(1,500,000)	
Other		
Income tax expense	(1,500,000)	-

#### 9 Cash and Cash Equivalents

	2018	2017
	\$	\$
Cash at bank and in hand	1,121,396	908,287
	<b>1,121,396</b>	<b>908,287</b>

#### 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:

	2018	2017
	\$	\$
Cash and cash equivalents	1,121,396	908,287

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## Notes to the Financial Statements

### For the Year Ended 30 June 2018

#### 10 Trade and Other Receivables

	2018	2017
	\$	\$
CURRENT		
Trade receivables	1,595,134	1,677,253
Other receivables	4,105	258,827
<b>Total current trade and other receivables</b>	<b>1,599,239</b>	<b>1,936,080</b>

#### (a) Aged analysis

The ageing analysis of receivables is as follows:

	2018	2017
	\$	\$
0-30 days	781,063	751,590
31-60 days	488,025	467,517
61 days and over	326,046	458,146
	<b>1,595,134</b>	<b>1,677,253</b>

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

	2018	2017
	\$	\$
CURRENT		
At cost:		
Raw materials and consumables	737,562	568,931
Work in progress	206,375	207,917
Finished goods	355,924	174,387
Goods in transit	65,086	1,778
Provision for impairment	(117,209)	(206,305)
	<b>1,247,738</b>	<b>746,708</b>

Write downs of inventories to net realisable value during the year were \$ NIL (2017: \$ NIL).

## Notes to the Financial Statements

### For the Year Ended 30 June 2018

#### 12 Other Assets

	2018	2017
	\$	\$
CURRENT		
Deposits with suppliers	369,645	154,037

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

<b>Motor Vehicles</b>		
Motor Vehicles	36,000	20,000
Accumulated depreciation	(20,000)	(20,000)
<b>Total Motor Vehicles</b>	<b>16,000</b>	<b>-</b>
<b>Office eqpt, Furn &amp; Fixtures</b>		
Furniture, Fixtures and Fittings	642,862	642,862
Accumulated depreciation	(517,588)	(496,425)
<b>Total Office eqpt, Furn &amp; Fixtures</b>	<b>125,274</b>	<b>146,437</b>
<b>R &amp; D eqpt, Quality Eqpt</b>		
At cost	398,142	405,820
Accumulated depreciation	(322,700)	(321,753)
<b>Total R &amp; D eqpt, Quality Eqpt</b>	<b>75,442</b>	<b>84,067</b>
<b>Production Plant</b>		
At cost	3,643,409	3,545,637
Accumulated depreciation	(2,081,284)	(1,874,291)
<b>Total Production Plant</b>	<b>1,562,225</b>	<b>1,671,346</b>
<b>Leasehold Improvements</b>		
At cost	336,669	278,510
Accumulated depreciation	(232,255)	(223,999)
<b>Total Leasehold Improvements</b>	<b>104,414</b>	<b>54,511</b>
<b>Total property, plant and equipment</b>	<b>1,883,356</b>	<b>1,956,361</b>

## Notes to the Financial Statements

### For the Year Ended 30 June 2018

#### 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 \$	Motor Vehicle \$	Total \$
<b>Year ended 30 June 2018</b>						
Balance at the beginning of year	146,437	84,067	1,671,347	54,510	-	1,972,361
Additions	-	-	85,964	58,160	16,000	144,124
Disposals - written down value	-	-	-	-	-	-
Depreciation expense	(21,163)	(8,625)	(195,085)	(8,256)	-	(236,557)
<b>Balance at the end of the year</b>	<b>125,274</b>	<b>75,442</b>	<b>1,562,226</b>	<b>104,414</b>	<b>16,000</b>	<b>1,883,356</b>
<b>Year ended 30 June 2017</b>						
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)
<b>Balance at the end of the year</b>	<b>146,437</b>	<b>84,067</b>	<b>1,671,347</b>	<b>54,510</b>	<b>-</b>	<b>1,956,361</b>

## Notes to the Financial Statements

### For the Year Ended 30 June 2018

#### 14 Development Assets

	2018	2017
	\$	\$
Work In-progress – Formulation Development Cost	292,863	74,003
Accumulated amortisation and impairment	<u>(1,850)</u>	<u>(1,850)</u>
<b>Net carrying value</b>	<b><u>291,013</u></b>	<b><u>72,153</u></b>
<b>Total Development assets</b>	<b><u>291,013</u></b>	<b><u>72,153</u></b>

#### (a) Movements in carrying amounts of Development assets

	Development Costs	Total
	\$	\$
<b>2018</b>		
<b>Year ended 30 June 2018</b>		
Balance at the beginning of the year	72,153	72,153
Additions	<u>218,860</u>	<u>218,860</u>
<b>Closing value at 30 June 2018</b>	<b><u>291,013</u></b>	<b><u>291,013</u></b>

	Development Costs	Total
	\$	\$
<b>2017</b>		
<b>Balance at the beginning of the year</b>	-	-
Additions	74,003	74,003
Amortisation and impairment	<u>(1,850)</u>	<u>(1,850)</u>
<b>Closing value at 30 June 2017</b>	<b><u>72,153</u></b>	<b><u>72,153</u></b>

#### 15 Trade and Other Payables

	2018	2017
	\$	\$
<b>CURRENT</b>		
Unsecured liabilities		
Trade payables	530,753	302,203
Other payables	<u>30,564</u>	<u>22,741</u>
	<b><u>561,317</u></b>	<b><u>324,944</u></b>

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 2018

#### 16 Provisions

	2018 \$	2017 \$
<b>CURRENT</b>		
Employee benefits	10,951	16,383
Restoration/Decommissioning provision (108 Radium St.)	-	87,000
	<u>10,951</u>	<u>103,383</u>
<b>NON-CURRENT</b>		
Employee benefits	14,588	12,797
Restoration/Decommissioning provision (112 Radium St.)	108,779	94,000
	<u>123,367</u>	<u>106,797</u>
	<b>Restoration/ Decommissioning provision \$</b>	<b>Total \$</b>
Opening balance at 1 July 2017	181,000	181,000
Less Costs incurred in the closure of 108 Radium Street	(72,221)	(72,221)
<b>Balance at 30 June 2018</b>	<u>108,779</u>	<u>108,779</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. The balance of \$108,779 reflects the costs of restoration at 112 Radium Street when the lease expires in March 2021 with 2x2 year options.

#### 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 2018

#### 17 Deferred Income

	2018	2017
	\$	\$
CURRENT		
Deferred income	160,039	160,039
NON-CURRENT		
Deferred income	715,701	877,056

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 instalments 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

	2018	2017
	\$	\$
56,173,460 (2017: 585,839,150) Ordinary shares fully paid	39,442,499	40,016,087
<b>Total</b>	<b>39,442,499</b>	<b>40,016,087</b>

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

	2018	2017
	No.	No.
At the beginning of the reporting period	585,839,150	585,839,150
<b>Shares bought back during the year</b>		
Buy back and Cancellation	(26,041,719)	-
Redemption in share capital a 1 for 10 consolidation	(503,817,611)	-
<b>Shares issued during the year</b>		
Ordinary shares	55,979,820	-
Employee share scheme	192,640	-
Issue shares to third party for ZincGuard trademark	1,000	-
At the end of the reporting period	56,173,460	585,839,150

During the year, Advance NanoTek Ltd completed a consolidation of its shares on a 1 for 10 basis

During the year, Advance NanoTek Ltd entered into a buyback agreement with the University of Western

## Notes to the Financial Statements

### For the Year Ended 30 June 2018

#### 18 Issued Capital

##### (a) Movement in ordinary shares

Australia. Advance NanoTek Ltd agreed to buyback 26,041,719 shares at \$677,084 and then cancelled the shares.

##### (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.

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

	2018	2017
	\$	\$
<b>Foreign currency translation reserve</b>		
Opening balance	15,940	15,940
<b>Share based payment reserve</b>		
Opening balance	1,100,215	1,100,215
<b>Total</b>	<b>1,116,155</b>	<b>1,116,155</b>

##### (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.

## Notes to the Financial Statements

### For the Year Ended 30 June 2018

#### 20 Interests in Subsidiaries

##### (a) Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2018	Percentage Owned (%)* 2017
<b>Subsidiaries:</b>			
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.

##### (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 Group.

#### 21 Earnings per Share

##### (a) Earnings used to calculate overall earnings per share

	2018	2017
	\$	\$
Profit attributable to members of the parent entity used in the calculation of basic and diluted EPS	<u>3,006,918</u>	<u>561,173</u>

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

	2018	2017
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	<u>56,779,044</u>	<u>585,839,150</u>

#### 22 Leasing Commitments

##### (a) Operating leases

	2018	2017
	\$	\$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	84,898	44,200
- later than one year and not later than five years	147,021	-
	<u>231,919</u>	<u>44,200</u>

#### 23 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2018 (2017: None).

## Notes to the Financial Statements

### For the Year Ended 30 June 2018

#### 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.

	2018	2017
	\$	\$
Australia	1,602,958	926,705
United States of America & Canada	2,912,779	2,096,771
Europe	1,626,502	850,661
Rest of the world	441,525	647,509
	<u>6,583,764</u>	<u>4,521,646</u>

##### (b) Major customers

The Group's most significant customers account for 44.24 % (2017: 55.5%) of total revenue. All other customers are individually less than 20 % of total revenue.

## Notes to the Financial Statements

### For the Year Ended 30 June 2018

#### 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:

	2018	2017
	\$	\$
Profit for the year	3,006,918	561,174
Adjustments for non-cash items in profit:		
- amortisation	-	1,850
- depreciation	241,023	231,848
- impairment of property, plant and equipment	-	74,623
- unrealised exchange (gains)/losses	-	103,236
Net changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	336,738	(1,139,770)
- (increase)/decrease in other assets	-	(247,601)
- (increase)/decrease in prepayments	(215,608)	(147,367)
- (increase)/decrease in inventories	(501,029)	728,751
- (increase)/decrease in deferred tax reinstated	(1,500,000)	-
- (increase)/decrease in R&D grant	(193,725)	-
- increase/(decrease) in trade and other payables	339,867	(39,840)
- increase/(decrease) in deferred income (Current)	-	(160,040)
- increase/(decrease) in deferred income (Non-Current)	(161,354)	-
- increase/(decrease) in provisions (Current)	(91,685)	10,184
- increase/(decrease) in provisions (Non-Current)	15,825	-
Net cash from operating activities	<u>1,276,970</u>	<u>(22,952)</u>

#### 26 Key Management Personnel Disclosures

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

	2018	2017
	\$	\$
Short-term employee benefits	204,868	260,113
Long-term benefits	-	1,471
Post-employment benefits	-	9,036
	<u>204,868</u>	<u>270,620</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 2018

#### 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:***

*Key management personnel:*

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Rade Dudurovic - Expense reimbursements	-	1,557
Geoff Acton - Provision of payroll, advisory and secretarial services by an entity associated with Geoff Acton	<b>62,182</b>	71,226

*Related parties:*

AstiVita Ltd - Provision of administration, logistics and accounting services	<b>159,187</b>	70,058
Tamawood Ltd - Provision of administrative services and lease premises	<b>12,878</b>	13,094
CyberguardAU Pty Ltd. - Provision of Cyber Security Services	<b>10,420</b>	-
Senterprisys Ltd. - Provision of IT Services	<b>685</b>	-

***Outstanding balances***

*Key management personnel:*

Geoff Acton	-	220
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*Related parties:*

AstiVita Ltd	-	15,991
Tamawood Ltd	-	1,686

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## Notes to the Financial Statements

### For the Year Ended 30 June 2018

#### 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:

## Notes to the Financial Statements

### For the Year Ended 30 June 2018

#### 28 Financial Risk Management

##### (a) Market risk

	2018	2017
<b>Financial assets</b>	\$	\$
Cash deposits in USD	539,524	487,159
Cash deposits in Euro	404,327	396,068
Customers denominated in USD	1,259,548	1,201,674
Customers denominated in Euro	210,209	294,976
<b>Financial liabilities</b>		
Trade payables denominated in USD	296,356	(27,166)
Trade payables denominated in Euro	(4,314)	(10,056)
<b>Net exposure</b>	<b>2,705,650</b>	<b>2,342,655</b>

##### (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 +/- 5% change in interest rates would change the net interest expense by +/- \$18.00 per annum (2017: +/- \$84.15) 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 2018 (30 June 2017: 5%). A +/- 5% change is also assumed for the Australian Dollar / Euro exchange rate (30 June 2017: 5%). Both of these percentages have been determined based on the historical market volatility in exchange rates.

	2018		2017	
	+5%	-5%	+5%	-5%
<b>USD</b>				
Net results	(55,533)	55,533	(63,908)	63,908
Equity	(55,533)	55,533	(63,908)	63,908
<b>Euro</b>				
Net results	(19,356)	19,356	(22,915)	22,915
Equity	(19,356)	19,356	(22,915)	22,915

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.

## Notes to the Financial Statements

### For the Year Ended 30 June 2018

#### 28 Financial Risk Management

##### (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 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.

	2018	2017
	\$	\$
Current assets	4,338,019	3,745,112
Current liabilities	(732,307)	(588,365)
<b>Working capital</b>	<b>3,605,712</b>	<b>3,156,747</b>

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.

## Notes to the Financial Statements

### For the Year Ended 30 June 2018

#### 28 Financial Risk Management

##### (c) Liquidity risk

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>								
Trade and other payables (excluding estimated annual leave)	<b>561,316</b>	324,944	-	-	-	-	<b>561,316</b>	324,944
Total contractual outflows	<b>561,316</b>	324,944	-	-	-	-	<b>561,316</b>	324,944

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

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## Notes to the Financial Statements

### For the Year Ended 30 June 2018

#### 29 Tax assets and liabilities

##### (a) Deferred tax assets

Deferred tax assets balance comprises temporary differences attributable to:

	2018	2017
	\$	\$
Amounts recognised in profit and loss		
Intangibles	40,653	21,951
Provisions	32,634	63,054
Accrued expenses	12,492	3,734
Deferred licence income	262,722	-
Unrealised foreign exchange loss	-	35,242
Trade and other receivables	2,232	-
Other	3,937	-
	<u>354,670</u>	<u>123,981</u>
Losses available for offset against future taxable income	<u>8,273,574</u>	<u>8,421,650</u>
Total amounts recognised in profit and loss	<u>8,628,244</u>	<u>8,545,631</u>
<b>DTA</b>	<u>9,077,455</u>	<u>8,994,842</u>
Deferred tax liabilities offset against DTA	(55,368)	-
Net adjustment to deferred tax assets for benefits not recognised in profit and loss	<u>(7,328,361)</u>	<u>(8,994,842)</u>
<b>Total offsets</b>	<u>(7,383,730)</u>	<u>(8,994,842)</u>
<b>Closing balance</b>	<u>1,693,725</u>	<u>-</u>

The financial statements include a previously unrecognised deferred tax asset of \$1,500,000 as the Board of ANO have determined that, based on forecasts for the next two financial years, it has become probable that future taxable profit will allow the recognised deferred tax asset to be recovered.

There is an amount of \$7.383 million of deferred tax assets which has not been recognised at this stage.

The amount of deductible temporary differences and unused tax losses for which no deferred tax assets have been brought to account have been outlined in the above table. The benefits of the unrecognised temporary differences and unused tax losses will only be realised if the conditions for deductibility set out in Note 2(b) occur. These amounts have no expiry date.

## Notes to the Financial Statements For the Year Ended 30 June 2018

### (b) Deferred tax liabilities

Deferred tax liabilities balance comprises temporary differences attributable to:

	2018	2017
	\$	\$
PPE	-	-
Inventory	26,729	-
Prepayments	-	-
Unrealised foreign exchange gains	28,639	-
Total DTL	55,368	-
DTLs offset against DTAs	(55,368)	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>

### 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.

### 31 Company Details

The registered office of the company is:

Advance NanoTek Limited  
1821, Ipswich Road  
Rocklea, QLD 4106

Manufacturing Facility  
112 Radium Street  
Welshpool, WA 6106

## Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2018 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 Mizikovskiy  
Non-Executive Chairman

Dated: 3 August 2018

## INDEPENDENT AUDITOR'S REPORT – TO THE MEMBERS OF ADVANCE NANOTEK LIMITED

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Advance Nanotek Ltd, which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 of the Consolidated Entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion:

- (a) 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 2018 and of its financial performance for the year then ended; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics 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.

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**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.

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Revenue Recognition</b></p> <p>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.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Analysis of the month-to-month recorded revenue data analysis on transactions recorded in the groups accounting systems,</li> <li>• Analysis of financial information and ratios relevant to the recognition of revenue,</li> <li>• Inquiry of management regarding posted transactions and,</li> <li>• On a sample basis, substantive testing of transactions to contracts and banking records.</li> </ul>

**Other Information**

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include 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 note 1, the Directors also state, in accordance with Australian Accounting Standards AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the ability of the Group 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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## Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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 the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' 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.

We 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.

We 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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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.

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 not 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

We have audited the remuneration report included in pages 8 to 13 of the Directors' report for the year ended 30 June 2018.

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.

### Opinion

In our opinion the remuneration report of Advance Nanotek Limited for the year ended 30 June 2018 complies with s 300A of the Corporations Act 2001.



Geoffrey Stephens  
Hall Chadwick Qld  
Chartered Accountants

Dated this .....<sup>03</sup>..... day of .....*August*..... 2018

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## Additional Information for Listed Public Companies 30 June 2018

### 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 25 July 2018.

### 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	134,552	213
1,001 - 5,000	466,990	164
5,001 - 10,000	586,905	76
10,001 - 100,000	5,872,942	169
100,000 and over	49,112,071	60
	<hr/>	
	56,173,460	682

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

## Additional Information for Listed Public Companies 30 June 2018

<b>Twenty largest shareholders</b>	<b>Units</b>	<b>%Units</b>
POLTICK PTY LTD	24,048,712	42.81
KEARNEY ETHICAL INVESTMENTS PTY LTD	4,734,620	8.43
MR BRIAN MAURICE KEARNEY + MRS MIRELLA UGHETTA DORICA KEARNEY <KEARNEY ETHICAL INV S/F A/C>	2,068,563	3.68
ACROPOLIS PTY LTD <ACROPOLIS SUPER FUND A/C>	1,340,000	2.39
SKYLEVI PTY LTD <SUPERFUN SUPER FUND A/C>	902,620	1.61
JOMANGI ENTERPRISES PTY LIMITED <THE SUPER JOMANGI FUND A/C>	800,000	1.42
IFM PTY LIMITED <IFM SUPER FUND A/C>	750,000	1.34
MR CHRISTOPHER SILVESTRO	700,000	1.25
MR BRUCE CAMERON	625,727	1.11
BANNABY INVESTMENTS PTY LIMITED <BANNABY SUPER FUND A/C>	604,699	1.08
MR STEPHEN DE BELLE + MS JENNIFER SHEEHAN <SJ SUPER A/C>	603,270	1.07
MR ALAN GRAHAM ROCHFORD <ALAN G ROCHFORD SUPER A/C>	599,750	1.07
MR ERIK ADRIAANSE	500,000	0.89
BANNABY INVESTMENTS PTY LTD	500,000	0.89
MELBOURNE CORPORATION OF AUSTRALIA PTY LTD	500,000	0.89
TOWNS CORPORATION PTY LTD <PAE FAMILY A/C>	500,000	0.89
MR EDWIN GIOVANNI DIAZ	469,875	0.84
MR PAUL EHRLICH + MRS LAUREN EHRLICH <PAE & LSE SUPER FUND A/C>	430,000	0.77
MRS KAREN LESLEY CUTLACK + MR DAVID GRAEME CUTLACK	408,727	0.73
MR KEITH W KERRIDGE	400,000	0.71
	<hr/>	
	41,486,563	73.85