



APPENDIX 4E – FINAL REPORT – 30 JUNE 2019

| | |
|--------------------------------------|------------------------------------|
| Name of entity | Advance NanoTek Limited (ASX: ANO) |
| ABN | 54 079 845 855 |
| Reporting period | 1 July 2018 to 30 June 2019 |
| Previous corresponding period | 1 July 2017 to 30 June 2018 |

RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | | | |
|--|----|------|----|--------------|
| Revenue from ordinary activities | Up | 86% | to | \$12,260,424 |
| Profit from ordinary activities before tax attributable to members | Up | 200% | to | \$3,381,419 |
| Net profit after tax for the period attributable to members | Up | 267% | to | \$9,639,231 |

DIVIDENDS

The Board considers that that no final dividend will be paid in respect of the 2019 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, which will be released to market next week.

FINANCIAL STATEMENTS (attached)

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

KEY FINANCIAL PERFORMANCE INDICATORS

| | 2019 | 2018 |
|--|-------------|------------|
| Net Tangible Asset Backing | | |
| Net tangible assets per ordinary security | 17.62 cents | 8.49 cents |
| Earnings per security | | |
| Basic earnings per share | 16.90 cents | 4.62 cents |
| Diluted earnings per share | 16.90 cents | 4.62 cents |
| Weighted average number of shares | 57,029,551 | 56,779,044 |
| Profit/(loss) before tax as % of revenue | | |
| Consolidated profit/(loss) from continuing operations before tax as a % of revenue | 27.58% | 17.09% |
| Profit/(loss) after tax as % of equity | | |
| Consolidated net profit/(loss) after tax as a % of equity | 52.02% | 39.57% |

Operating performance, segments and performance trends

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, which will be released to market next week.

AUDIT & COMPLIANCE STATEMENT

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

This report will be finalised and attached to the Annual Report released to market next week.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2019

| | Note | 2019 \$ | 2018 \$ |
|--|------|------------------|------------------|
| Revenue | 5 | 12,260,424 | 6,583,764 |
| Other income | 5 | 671,686 | 461,168 |
| Raw materials and consumables used | | (5,896,213) | (2,788,579) |
| Employee benefits expense | | (1,052,523) | (782,310) |
| Depreciation expense | 13 | (288,865) | (241,023) |
| Legal expense | | (16,625) | (97,695) |
| Directors fees | | (84,583) | (123,160) |
| Insurance fees | | (122,356) | (93,694) |
| Rent expense | | (256,728) | (316,160) |
| Impairment of Production Plant & Equipment | | - | (103,496) |
| Travel costs | | (90,307) | (44,955) |
| Rates & taxes | | (16,746) | (25,641) |
| Corporate costs | | (1,018,320) | (655,892) |
| Logistic | | (252,943) | (236,725) |
| Other operating expenses | | (454,482) | (410,533) |
| Profit / (Loss) before income tax | | 3,381,419 | 1,125,069 |
| Income tax benefit (expense) | 8 | 6,257,812 | 1,500,000 |
| Profit / (Loss) for the year | | 9,639,231 | 2,625,069 |
| Other comprehensive income | | | |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income for the year | | 9,639,231 | 2,625,069 |
| Profit attributable to: | | | |
| Members of the parent entity | | 9,639,231 | 2,625,069 |
| Total comprehensive income attributable to: | | | |
| Members of the parent entity | | 9,639,231 | 2,625,069 |
| Earnings per share | | | |
| Basic earnings per share (cents) | | 16.90 cents | 4.62 cents |
| Diluted earnings per share (cents) | | 16.90 cents | 4.62 cents |

Consolidated Statement of Financial Position

As At 30 June 2019

| | Note | 2019 \$ | 2018 \$ |
|--------------------------------------|------|-------------------|------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 9 | 352,533 | 1,121,396 |
| Trade and other receivables | 10 | 2,037,666 | 1,599,239 |
| Inventories | 11 | 3,359,421 | 1,247,738 |
| Other assets | 12 | 1,554,878 | 369,645 |
| Total Current Assets | | 7,304,498 | 4,338,018 |
| Non-Current Assets | | | |
| Property, plant and equipment | 13 | 3,759,559 | 1,884,296 |
| Deferred tax assets | 15 | 8,152,063 | 1,693,725 |
| Development assets | 14 | 801,409 | 290,073 |
| Total Non-Current Assets | | 12,731,031 | 3,868,094 |
| TOTAL ASSETS | | 20,017,529 | 8,206,112 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 16 | 625,215 | 561,317 |
| Provisions | 17 | 31,718 | 10,951 |
| Deferred income | 18 | 160,039 | 160,039 |
| Total Current Liabilities | | 816,972 | 732,307 |
| Non-Current Liabilities | | | |
| Provisions | 17 | 114,319 | 123,367 |
| Deferred income | 18 | 555,662 | 715,701 |
| Total Non-Current Liabilities | | 669,981 | 839,068 |
| TOTAL LIABILITIES | | 1,486,953 | 1,571,375 |
| NET ASSETS | | 18,530,576 | 6,634,737 |
| EQUITY | | | |
| Issued capital | 19 | 41,699,106 | 39,442,499 |
| Reserves | 20 | 1,498,003 | 1,498,003 |
| Accumulated losses | | (24,666,534) | (34,305,765) |
| TOTAL EQUITY | | 18,530,576 | 6,634,737 |

Consolidated Statement of Changes in Equity**For the Year Ended 30 June 2019**

2019

| | Ordinary Shares \$ | Retained Earnings \$ | Foreign Currency Translation Reserve \$ | Option Reserve \$ | Total \$ |
|--|--------------------------|----------------------------|---|-------------------------|-------------------|
| Balance at 1 July 2018 | 39,442,499 | (34,305,765) | 15,940 | 1,482,063 | 6,634,737 |
| Comprehensive income for the year | | | | | |
| Profit / (Loss) for the year | - | 9,639,231 | - | - | 9,639,231 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income for the year | - | 9,639,231 | - | - | 9,639,231 |
| Shares issued during the year | 2,256,607 | - | - | - | 2,256,607 |
| Balance at 30 June 2019 | 41,699,106 | (24,666,534) | 15,940 | 1,482,063 | 18,530,576 |

2018

| | Ordinary Shares \$ | Retained Earnings \$ | Foreign Currency Translation Reserve \$ | Option Reserve \$ | Total \$ |
|--|--------------------------|----------------------------|---|-------------------------|------------------|
| Balance at 1 July 2017 | 40,016,087 | (36,930,834) | 15,940 | 1,100,215 | 4,201,408 |
| Comprehensive income for the year | | | | | |
| Profit for the year | - | 2,625,069 | - | - | 3,006,917 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income for the year | - | 2,625,069 | - | - | 3,006,917 |
| Shares bought back during the year | (677,084) | - | - | - | (677,084) |
| Shares issued to employees | 103,496 | - | - | - | 103,496 |
| Options issued to Directors | - | - | - | 381,484 | 381,848 |
| Balance at 30 June 2018 | 39,442,499 | (34,305,765) | 15,940 | 1,482,063 | 6,634,737 |

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2019

| | 2019 | 2018 |
|---|-------------------------|-------------------------|
| Note | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customer (Inc. GST) | 12,014,179 | 7,058,251 |
| Payments to suppliers and employees (Inc. GST) | (11,552,329) | (5,781,033) |
| Interest Received | 668 | 112 |
| Interest Paid | - | (360) |
| Income Tax Paid | (200,525) | - |
| Net cash provided by/(used in) operating activities | 26 <u>261,993</u> | <u>1,276,970</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property, plant and equipment | (2,165,066) | (167,917) |
| Payment for development assets | (510,396) | (218,860) |
| Net cash used by investing activities | <u>(2,675,462)</u> | <u>(386,777)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payments from shares buyback | - | (677,084) |
| Shares issued during the year | 1,644,606 | - |
| Net cash used by financing activities | <u>1,644,606</u> | <u>(677,084)</u> |
| Net increase/(decrease) in cash and cash equivalents held | (768,863) | 213,109 |
| Cash and cash equivalents at beginning of year | 9 <u>1,121,396</u> | <u>908,287</u> |
| Cash and cash equivalents at end of financial year | 9 <u><u>352,533</u></u> | <u><u>1,121,396</u></u> |

5 Revenue and Other Income

Revenue from continuing operations

| | 2019 \$ | 2018 \$ |
|--------------------------------|-------------------|------------------|
| Sales revenue | | |
| - sale of ZinClear | 11,061,560 | 5,353,209 |
| - sale of Alusion | 1,198,864 | 1,230,555 |
| Total Revenue | 12,260,424 | 6,583,764 |
| Other Income | | |
| - R & D tax incentive | 200,525 | 204,237 |
| - License income | 161,355 | 161,355 |
| - Interest | 668 | 112 |
| - Gain on exchange differences | 212,587 | 95,464 |
| - Other income | 96,551 | - |
| Total Other income | 671,686 | 461,168 |

Licence Income

On 30 April 2008, Antaria Pty Ltd and Merck KGaA entered into a licensing agreement for the exclusive worldwide rights to Antaria's plate like alumina technology for use in Merck's cosmetics and industrial products. Under this agreement Antaria received a payment of 1.3 million Euro (\$2,351,922) in two installments over the first year of licence. While the licence fee was received upfront, licence income is recognised over the life of the licence (approximately 15 years).

8 Income Tax Expense

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

| | 2019 | 2018 |
|---|---------------------------|---------------------------|
| | \$ | \$ |
| Current tax expense / (benefit) | | |
| Current income tax | - | - |
| Adjustments recognised for current tax of prior periods | - | - |
| Deferred tax expense | | |
| Adjustments recognised for deferred tax of prior years | <u>(6,257,812)</u> | <u>(1,500,000)</u> |
| Income tax expense / (benefit) for continuing operations | <u>(6,257,812)</u> | <u>(1,500,000)</u> |
| Total income tax expense / (benefit) | <u>(6,257,812)</u> | <u>(1,500,000)</u> |

(b) Reconciliation of income tax to accounting profit:

| | 2019 | 2018 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Profit / (Loss) | <u>3,381,419</u> | <u>1,506,918</u> |
| Prima facie income tax expense/(benefit) at the statutory income tax rate of 30% (2018:30%) | <u>1,014,425</u> | <u>451,925</u> |
| Tax effect of: | | |
| - Permanent differences | <u>(102,369)</u> | <u>(479,169)</u> |
| Adjustments in respect of current income tax of previous years: | | |
| - Benefit from a previously unrecognised tax loss | <u>(912,056)</u> | <u>27,244</u> |
| Adjustments recognised for deferred tax of prior periods: | | |
| Other | <u>(6,257,812)</u> | <u>(1,500,000)</u> |
| Income tax expense | <u>(6,257,812)</u> | <u>(1,500,000)</u> |

9 Cash and Cash Equivalents

| | 2019 | 2018 |
|--------------------------|-----------------------|-------------------------|
| | \$ | \$ |
| Cash at bank and in hand | <u>352,533</u> | <u>1,121,396</u> |
| | <u>352,533</u> | <u>1,121,396</u> |

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:

| | 2019 | 2018 |
|---------------------------|----------------|------------------|
| | \$ | \$ |
| Cash and cash equivalents | <u>352,533</u> | <u>1,121,396</u> |

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10 Trade and Other Receivables

| | 2019 | 2018 |
|--|------------------|------------------|
| | \$ | \$ |
| CURRENT | | |
| Trade receivables | 2,020,517 | 1,595,134 |
| Provision for doubtful debts | (7,440) | - |
| Other receivables | 24,589 | 4,105 |
| Total current trade and other receivables | 2,037,666 | 1,599,239 |

(a) Aged analysis

The ageing analysis of receivables is as follows:

| | 2019 | 2018 |
|------------------|------------------|------------------|
| | \$ | \$ |
| 0-30 days | 607,061 | 781,063 |
| 31-60 days | 769,223 | 488,025 |
| 61 days and over | 644,233 | 326,046 |
| | 2,020,517 | 1,595,134 |

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 29(b) for further details of credit risk management.

11 Inventories

| | 2019 | 2018 |
|-------------------------------|------------------|------------------|
| | \$ | \$ |
| CURRENT | | |
| At cost: | | |
| Raw materials and consumables | 1,936,157 | 737,562 |
| Work in progress | 1,078,892 | 206,375 |
| Finished goods | 338,251 | 355,924 |
| Goods in transit | 99,337 | 65,086 |
| Provision for impairment | (93,216) | (117,209) |
| | 3,359,421 | 1,247,738 |

Write downs of inventories to net realisable value during the year were \$ NIL (2018: \$ NIL).

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12 Other Assets

| | 2019 \$ | 2018 \$ |
|--------------|------------------|----------------|
| CURRENT | | |
| Prepayments | 1,553,563 | 369,645 |
| Other assets | 1,315 | - |
| | <u>1,554,878</u> | <u>369,645</u> |

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

13 Property, plant and equipment

| | 2019 \$ | 2018 \$ |
|---|------------------|------------------|
| Motor Vehicles | | |
| Motor Vehicles | 36,000 | 36,000 |
| Accumulated depreciation | (23,191) | (20,000) |
| Total Motor Vehicles | <u>12,809</u> | <u>16,000</u> |
| Office eqpt, Furn & Fixtures | | |
| Furniture, Fixtures and Fittings | 741,763 | 642,862 |
| Accumulated depreciation | (540,713) | (517,588) |
| Total Office eqpt, Furn & Fixtures | <u>201,050</u> | <u>125,274</u> |
| R & D eqpt, Quality Eqpt | | |
| At cost | 624,400 | 398,142 |
| Accumulated depreciation | (339,252) | (322,700) |
| Total R & D eqpt, Quality Eqpt | <u>285,148</u> | <u>75,442</u> |
| Production Plant | | |
| At cost | 4,594,048 | 3,643,510 |
| Accumulated depreciation | (2,301,744) | (2,081,284) |
| Total Production Plant | <u>2,292,304</u> | <u>1,562,226</u> |
| Leasehold Improvements | | |
| At cost | 735,068 | 336,669 |
| Accumulated depreciation | (248,180) | (232,255) |
| Total Leasehold Improvements | <u>486,888</u> | <u>104,414</u> |
| Laboratory | | |
| At cost | 490,972 | - |
| Accumulated depreciation | (9,612) | - |
| Total Laboratory | <u>481,360</u> | <u>-</u> |
| Total property, plant and equipment | <u>3,759,559</u> | <u>1,883,356</u> |

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(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 | Motor Vehicles | R & D eqpt, Quality Eqpt | Production Plant | Leasehold Improvts | Lab Assets | Total |
|---------------------------------------|---------------------------------|-------------------|-----------------------------|---------------------|-----------------------|----------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Year ended 30 June 2019 | | | | | | | |
| Balance at the beginning of year | 125,274 | 16,000 | 75,442 | 1,562,226 | 104,414 | - | 1,883,356 |
| Additions | 98,901 | - | 226,258 | 950,538 | 398,399 | 490,972 | 2,165,068 |
| Disposals - written down value | - | - | - | - | - | - | - |
| Depreciation expense | (23,125) | (3,191) | (16,552) | (220,460) | (15,925) | (9,612) | (288,865) |
| Balance at the end of the year | 201,050 | 12,809 | 285,148 | 2,292,304 | 486,888 | 481,359 | 3,759,559 |

| | Office eqpt, Furn & Fixtures | Motor Vehicles | R & D eqpt, Quality Eqpt | Production Plant | Leasehold Improvts | Lab Assets | Total |
|---------------------------------------|---------------------------------|-------------------|-----------------------------|---------------------|-----------------------|---------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Year ended 30 June 2018 | | | | | | | |
| Balance at the beginning of year | 146,437 | - | 84,067 | 1,671,347 | 54,510 | - | 1,956,361 |
| Additions | - | 16,000 | - | 85,964 | 58,160 | - | 160,124 |
| Depreciation expense | (21,163) | - | (8,625) | (195,085) | (8,256) | - | (233,129) |
| Balance at the end of the year | 125,274 | 16,000 | 75,442 | 1,562,226 | 104,414 | - | 1,883,356 |

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14 Development Assets

| | 2019 | 2018 |
|---|----------------|----------------|
| | \$ | \$ |
| Work-in-Progress - Formulation Development Cost | 803,259 | 291,923 |
| Accumulated amortisation and impairment | <u>(1,850)</u> | <u>(1,850)</u> |
| Net carrying value | 801,409 | 290,073 |
| Total Development assets | 801,409 | 290,073 |

(a) Movements in carrying amounts of Development assets

| | Development Costs | Total |
|--------------------------------------|-------------------|----------------|
| | \$ | \$ |
| Year ended 30 June 2019 | | |
| Balance at the beginning of the year | 291,923 | 291,923 |
| Additions | <u>511,336</u> | <u>511,336</u> |
| Closing value at 30 June 2019 | 803,259 | 803,259 |

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

15 Tax assets and liabilities

(a) Deferred tax assets

Deferred tax assets balance comprises temporary differences attributable to:

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15 Tax assets and liabilities

(a) Deferred tax assets

| | 2019 \$ | 2018 \$ |
|---|------------------|--------------------|
| Amounts recognised in profit and loss | | |
| Intangibles | 37,443 | 40,653 |
| Provisions | 56,728 | 32,634 |
| Accrued expenses | 15,122 | 12,492 |
| Deferred license income | 214,316 | 262,722 |
| Trade and other receivables | 2,232 | 2,232 |
| Other | 4,001 | 3,937 |
| | <u>329,842</u> | <u>354,670</u> |
| Losses available for offset against future taxable income | 7,347,726 | 8,273,574 |
| Total amounts recognised in profit and loss | <u>7,677,568</u> | <u>8,628,244</u> |
| Amounts recognised in Equity | | |
| DTA relating to share issue costs | 17,664 | - |
| Tax losses relating to share issue costs | 449,211 | 449,210 |
| Total amounts recognised in equity | <u>466,875</u> | <u>449,210</u> |
| DTA | 8,144,443 | 9,077,454 |
| Deferred tax liabilities offset against deferred tax assets | (63,776) | (55,368) |
| Net adjustment to deferred tax assets for benefits not recognised in profit or loss | 71,396 | (6,879,150) |
| Net adjustment to deferred tax assets for tax benefits not recognised in equity | - | (449,211) |
| Total offsets | (7,620) | (7,383,729) |
| Closing balance | 8,152,063 | 1,693,725 |

(b) Deferred tax liabilities

Deferred tax liabilities balance comprises temporary differences attributable to:

| | 2019 \$ | 2018 \$ |
|---|---------------|---------------|
| Inventory | - | 26,729 |
| Unrealised foreign currency gains | 63,776 | 28,639 |
| Total deferred tax liabilities | 63,776 | 55,368 |
| Deferred tax liabilities offset against deferred tax assets | (63,776) | (55,368) |
| Closing balance | - | - |

16 Trade and Other Payables

| | 2019 \$ | 2018 \$ |
|-----------------------|----------------|----------------|
| CURRENT | | |
| Unsecured liabilities | | |
| Trade payables | 593,228 | 530,753 |
| Other payables | 31,987 | 30,564 |
| | <u>625,215</u> | <u>561,317</u> |

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

17 Provisions

| | 2019 \$ | 2018 \$ |
|--|---|----------------------|
| CURRENT | | |
| Employee benefits | 31,718 | 10,951 |
| | <u>31,718</u> | <u>10,951</u> |
| NON-CURRENT | | |
| Employee benefits | 18,488 | 14,588 |
| Restoration/Decommissioning provision (112 Radium St.) | 95,831 | 108,779 |
| | <u>114,319</u> | <u>123,367</u> |
| | Restoration/ Decommissioning provision | Total |
| | \$ | \$ |
| Opening balance at 1 July 2018 | 108,779 | 108,779 |
| Less restoration costs | 12,948 | 12,948 |
| Balance at 30 June 2019 | <u>95,831</u> | <u>95,831</u> |

Provision for Restoration/Decommissioning

The balance of \$95,831 reflects the costs of restoration at 112 Radium Street when the lease expires in March 2021 which has 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).

18 **Deferred Income**

| | 2019 | 2018 |
|-----------------|----------------|----------------|
| | \$ | \$ |
| CURRENT | | |
| Deferred income | <u>160,039</u> | 160,039 |
| NON-CURRENT | | |
| Deferred income | <u>555,662</u> | <u>715,701</u> |

On 30 April 2008, Antaria Pty Ltd and Merck KGaA entered into a licensing agreement for the exclusive worldwide rights to Antaria's plate like alumina technology for use in Merck's cosmetics and industrial products. Under this agreement Antaria received a payment of 1.3 million Euro (\$2,351,922) in two installments over the first year of license. While the license fee was received upfront, license income is recognised over the life of the license (approximately 15 years). License fee amount expected to be recognised in the next 12 months is recognised as current and balance as non-current.

19 **Issued Capital**

| | 2019 | 2018 |
|--|-------------------|-------------------|
| | \$ | \$ |
| 58,920,252 (2018: 56,173,460) Ordinary shares fully paid | <u>41,699,106</u> | 39,442,499 |
| Total | <u>41,699,106</u> | <u>39,442,499</u> |

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

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

(a) **Movement in ordinary shares**

| | 2019 | 2018 |
|--|-------------------|-------------------|
| | No. | No. |
| At the beginning of the reporting period | 56,173,460 | 585,839,150 |
| Shares bought back during the year | | |
| Buy back and Cancellation | - | (26,041,719) |
| Redemption in share capital a 1 for 10 consolidation | - | (503,817,611) |
| Shares issued during the year | | |
| Employee share scheme | 90,000 | 192,640 |
| Issue shares to third party for Zincguard trademark | - | 1,000 |
| Non-renounceable rights issue | 1,872,792 | - |
| Share option agreement | 784,000 | - |
| At the end of the reporting period | <u>58,920,252</u> | <u>56,173,460</u> |

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(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.

20 Reserves

| | 2019 \$ | 2018 \$ |
|---|------------------|------------------|
| Foreign currency translation reserve | | |
| Opening balance | 15,940 | 15,940 |
| Share based payment reserve | | |
| Opening balance | 1,100,215 | 1,100,215 |
| Total | 1,116,155 | 1,116,155 |

(a) Foreign currency translation reserve

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

(b) Share based payment reserve

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

26 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:

| | 2019 \$ | 2018 \$ |
|--|----------------|------------------|
| Profit for the year | 9,805,822 | 3,006,918 |
| Adjustments for non-cash items in profit: | | |
| - depreciation | 288,865 | 241,023 |
| Net changes in assets and liabilities: | | |
| - (increase)/decrease in trade and other receivables | (676,413) | 336,738 |
| - (increase)/decrease in prepayments | (1,183,918) | (215,608) |
| - (increase)/decrease in inventories | (2,111,683) | (501,029) |
| - (increase)/decrease in deferred tax reinstated | (6,186,416) | (1,500,000) |
| - (increase)/decrease in R&D grant | (200,525) | (193,725) |
| - increase/(decrease) in trade and other payables | 675,898 | 339,867 |
| - increase/(decrease) in deferred income (Non-Current) | (161,354) | (161,354) |
| - increase/(decrease) in provisions (Current) | 20,766 | (91,685) |
| - increase/(decrease) in provisions (Non-Current) | (9,048) | 15,825 |
| Net cash from operating activities | 261,994 | 1,276,970 |