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# **Advance NanoTek Limited**

ACN 079 845 855

## **Annual Report**

**For the Year Ended 30 June 2019**

ACN 079 845 855

ASX Code: **ANO**

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## Chairman's Letter

Dear Valued Shareholders,

### Current Result

The \$9.6 million lower final result from the estimated \$10.5 million was due to a number of audit adjustments including among other items, foreign currency exchange fluctuations, timing of shipments and the recalculation of the tax benefit write back amount.

### Managing Director Bonus

During the Managing Director's three year term, the EPS has increased 17 times and revenue increased 195%. As a result of this performance, the Board elected to reward Geoff Acton with a bonus to allow options to be exercised for 2018 and 2019 totaling \$529,600. Much of the Company's success is due to the change in culture, new staff hired in Perth since 2016 and all but one staff member joining the Company during Geoff's term. In addition, Geoff has also established a new team in Brisbane that has successfully bedded down the manufacturing process for the new Brisbane facility and new laboratory.

### Future Outlook FY20

As highlighted in our Investor Presentation released on 16 August 2019, the Board is of the view there is potential for further significant growth trajectory based on the current pace of initial sales orders growth.

The Board has set the Managing Director specific goals for FY20.

- To diversify revenue geographically
- To diversify revenue by increasing the number of products the company sells.
- Ensure manufacturing capacity is at least double the current sales order in take.

I take this opportunity to thank all our shareholders in Advance NanoTek Limited ("ANO"), in particular,

- Our staff who have worked tirelessly to increase capacity to meet the 86.22% growth in total sales in FY19.
- Our key distributors for their support and growth in sales in our products, particularly Deveraux Specialties who were up in excess of 110% in FY19.
- We would like to thank Merck KGaA for their renewed support and trust in our business, in particular the move to container orders with the first 14T expected to be shipped in November 2019.
- 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, in particular Brian, Chris and Giovanni.



Lev Mizikovsky  
Non-executive Chairman  
Dated: 22 August 2019

## Managing Director's Report

### FINANCIAL HIGHLIGHTS

#### ANO Performance since 2016

	2016	2017	2018	2019
Revenue	4,147,589	5,097,488	6,583,764	12,260,424
Employee Wages	849,428	591,385	782,310	1,052,523
Profit Before Tax	(452,411)	561,174	1,125,069	3,381,419
EPS*	(3¢)	1¢	4.62¢	16.90¢
Share Price*	23¢	24¢	50¢	\$6.72

\* These EPS & share price figures have been adjusted to reflect the share consolidation completed in 2018.

Advance NanoTek Limited ('ANO') has recorded a Trading Profit Before Tax of \$3,381,419 (2018:\$1,125,069 restated) up 200.55% (refer to note 2(u) on the restatement).

The profit increase is due to the following reasons:

- An increase in revenue of \$5.677 million (86.22%) and a decision to write back the tax benefit of \$6,257,812.

#### INVENTORY ADJUSTMENT (audit qualification)

The Board acknowledges that at 30 June 2019, the auditor detected stocktake variances in stock counts versus the ERP accounting system. As at 30 June 2019, two inventory locations were not recorded in the accounting system and as a result did not form part of the year end stocktake, which contributed to the majority of the Auditors' variances. Investigations highlighted that with the rapid growth in raw materials, combined with the addition of manufacturing in Brisbane and multiple warehouse locations (three in Perth and two in Brisbane) there were issues in the transfer of stock between locations and the timely recording of inventory movements. In effect, the control procedures did not keep pace with the rapid growth of the business.

Once informed of the variances, management conducted a stocktake which was reviewed by the Board, and were able to reconcile a number of variances, including raw materials held at "offsite" warehouses to accommodate the rapid growth. Although differences were still noted, the P&L impact of the variances were calculated to be approximately \$75,000, representing approximately 2.2% of the value of inventory as at 30 June.

The Board is taking steps with management to rectify the controls over inventory movements and will be monitoring the variances at more regular intervals during 2020.

#### COMMERCIAL OVERVIEW

##### ZinClear®

XP Powder sales continues to grow with this FY orders up 400% compared to the same period in FY19.

We have now four approved suppliers of zinc carbonate and looking to grow this number further.

In order to meet continued increases in sales orders, the Company has undertaken a significant investment to grow inventory holdings (FY19:\$3.359 million compared to FY18:\$1.248 million). This investment ensures the Company is well placed to fulfill customer orders on a timely basis and guarantees availability of supply – a critical competitive advantage given the growing demand in the personal care sector for zinc-based ingredients.

## Managing Director's Report

### Production Improvements

The Brisbane facility opened and commenced manufacturing in late April 2019 and we are continuing to work through the commissioning process. We consistently produced in excess of 16MT of XP Powder per week throughout May.

Further equipment should be operational in November 2019, which lifts our maximum powder production capacity to in excess of 2,200T per annum.

### US Manufacturing

Our US manufacturer has recently completed its TGA license requirements and is now added to our TGA license. We anticipate that there will be growth in manufacturing of our dispersion in the US.

We have identified an additional US manufacturer able to produce end product for brand owners and dispersion for ANO. We are currently in the process of adding them to our TGA license. They have produced trial batches of end product (ZinXation) and the quality was above expectations.

### Alusion®

ANO has successfully invested in new production equipment and will now be able to double production capacity of Alusion. Merck KGaA have placed its first container order of 14T and we are on track to deliver this two months early on the current delivery schedule.

We anticipate that Alusion sales will grow given that Merck KGaA will now have some stock available in Europe.

### Patents

ANO has invested in new equipment which is expected to be delivered in late October 2019. This equipment will enable ANO to scale up its production of material for its battery project. We plan to move the project forward with Customcells in Germany and the University of Queensland in early 2020.

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

After 30 skin cancer procedures, my passion is to “deliver quality product and grow the use of zinc sunscreens globally to protect people and reduce the risk of skin cancer.”

*G. Acton*

Geoff Acton  
Managing Director

Dated:  
22 August 2019

## Directors' Report For the Year Ended 30 June 2019

Your directors present their report, together with the financial statements of the Group, being Advance NanoTek Limited (the Company) and its controlled entities (the "Group") , for the financial year ended 30 June 2019.

### 1. General information

#### 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
Laurie Lefcourt (appointed 28 June 2019)	Non-executive Director and Audit Committee Chairperson
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 Secretaries

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

- Geoff Acton (B.Com, CA, GAICD)
- Narelle Lynch ("Cert (Gov Prac)")

#### Principal activities

During the year the principal continuing activities of the Group consisted predominantly of the manufacture of aluminum 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.

### 2. Operating results and review of operations for the year

#### Operating results

Please refer to Managing Director's Report on page 2.

### 3. Financial review

#### Review of financial position

The net assets of the Group have increased by \$11,895,838 from \$6,634,737 at 30 June 2018 to \$18,530,575 at 30 June 2019.

### 4. Other items

#### 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 2019

#### 4. Other items

##### 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 increase sales, improve profit margins and deliver continued growth and profitability.

##### Environmental issues

The Group's facilities are subject to various regulations including, the Therapeutic Goods Authority, 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 2019

### Information on directors

#### Lev Mizikovsky

Qualifications

Experience

Special Responsibilities

Directorships held in other entities

#### Non-executive Chairman

FAICD

Since 1997, Mr Lev 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), Tamawood Limited (TWD) and SenterpriSys Limited (NSX:SPS).

Member of 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 and Chairman of SenterpriSys Limited.

#### Rade Dudurovic

Qualifications

Experience

Special Responsibilities

Directorships held in other entities

#### Non-executive Director

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 Nomination & Remuneration Committee

Non-executive director of AstiVita Limited (AIR) and SenterpriSys Limited (NSX:SPS)

#### Laurie Lefcourt

(appointed 28 June 2019)

Qualifications

Experience

Special Responsibilities

Directorships held in other entities

#### Non-Executive Director / Audit Committee Chairperson

GAICD

Laurie is a Fellow of the Chartered Accountants of Australia and New Zealand, a Chartered Accountant of Ontario, Canada and a Graduate of Australian Institute of Company Directors.

Chairman of the Audit Committee

Laurie is currently a Non-executive Director and Audit Committee Chair of Tamawood Limited (TWD) and a Non-executive Director of SenterpriSys Limited (NSX:SPS).

#### 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 20 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

Geoff was appointed Company Secretary on 13 July 2015. Geoff is a chartered accountant and has a 20 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.

#### Narelle Lynch "Cert (Gov Prac)"

Narelle was appointed joint company secretary on 9 August 2017.

## Directors' Report For the Year Ended 30 June 2019

### 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		Nomination & Remuneration Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Lev Mizikovsky (Non-executive Chairman)	10	10	2	2	2	2
Rade Dudurovic (Non-executive Director)	10	10	2	2	2	2
G Acton (Managing Director)	10	10	2	2	2	2
Laurie Lefcourt (Non-Executive Director)	-	-	-	-	-	1*

\* attended by invitation

### 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), for non-audit services during the year ended 30 June 2019 was Nil (2018 : Nil).

### 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 2019 has been received and can be found on page 15 of the financial report.

## Directors' Report For the Year Ended 30 June 2019

### 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 caliber 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
Laurie Lefcourt (Appointed 28 June 2019)	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 caliber, 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 2019. 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 2019

### 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 caliber, 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. A bonus has been awarded in the 2019 financial year to the Managing Director that was used to exercise the Tranche A options relating to 2018 and the Tranche B options relating to 2019 at the at the relevant exercise prices.

##### Long-term performance incentives

Apart from the Option Agreement approved by shareholders on 28 May 2018, 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 2019

### 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.

	2019	2018	2017	2016	2015
	cents	cents	cents	cents	cents
Net assets per share	31.43	11.81	0.72	0.62	0.64
Net tangible assets per share	16.25	8.29	0.70	0.62	0.64
Earnings/(loss) per share	16.90	4.62	0.10	(0.02)	0.03
Earnings/(loss) per share - excluding impairment & tax	16.90	4.62	0.11	(0.02)	(0.07)
Share price	\$6.72	\$0.50	\$0.24	\$0.23	\$0.28

#### 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 2019 and 2018 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 2019

### Remuneration report (audited)

#### Table of benefits and payments

Year Ended 30 June 2019	Short term employee benefits		Post employment benefits	LSL Benefits	Fair Value of Options issued	TOTAL\$
	cash salary fees	bonus	Superannuation			
	\$	\$	\$	\$	\$	
<b>Non-Executive Directors</b>						
Lev Mizikovsky	-	-	-	-	-	-
Rade Dudurovic	80,000	-	-	-	-	80,000
Laurie Lefcourt	4,583	-	-	-	-	4,583
<b>Sub-total Non-Executive Directors</b>	<b>84,583</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>84,583</b>
<b>Executive Directors</b>						
Geoff Acton	149,918	529,200	-	-	-	679,118
<b>Sub-total Executive Directors</b>	<b>149,918</b>	<b>529,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>679,118</b>
	<b>234,501</b>	<b>529,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>763,701</b>

Year Ended 30 June 2018	Short term employee benefits		Post employment benefits	LSL Benefits	Fair Value of Options issued\$	TOTAL\$
	cash salary fees	bonus	Superannuation			
	\$	\$	\$	\$	\$	
<b>Non-Executive Directors</b>						
Lev Mizikovsky	-	-	-	-	-	-
Rade Dudurovic	80,000	-	-	-	43,160	123,160
	-	-	-	-	-	-
<b>Sub-total Non-Executive Directors</b>	<b>80,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,160</b>	<b>123,160</b>
<b>Executive Directors</b>						
Geoff Acton	124,868	-	-	-	338,688	463,556
<b>Sub-total Executive Directors</b>	<b>124,868</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>338,688</b>	<b>463,556</b>
	<b>204,868</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>381,848</b>	<b>586,716</b>

Remuneration for Mr. Acton's company secretarial services is set out on Note 28.

## Directors' Report For the Year Ended 30 June 2019

### 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

Directors	Position	Remuneration		
		Performance based	Fixed salary / Fees	Total
		%	%	%
Lev Mizikovsky - 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
Laurie Lefcourt – Non-executive Director (appointed 28 June 2019)	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 2019

### Remuneration report (audited)

#### Key management personnel shareholdings

30 June 2019	Balance at beginning of year	Options Exercised	Other changes	Balance at the end of year	Vested during the year	Vested and exercisable
<b>Directors</b>						
Lev Mizikovsky	24,984,332	-	1,661,028	26,645,360	-	-
Rade Dudurovic	250,000	-	8,334	258,334	-	-
Geoff Acton	185,000	784,000	(703,214)	265,786	-	-
Laurie Lefcourt	-	-	-	-	-	-
	<b>25,419,332</b>	<b>784,000</b>	<b>966,148</b>	<b>27,169,480</b>	<b>-</b>	<b>-</b>
30 June 2018	Balance at beginning of year	Granted as remuneration	Other changes	Balance at the end of year	Vested during the year	Vested and exercisable
<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>246,543,311</b>	<b>-</b>	<b>(221,123,979)</b>	<b>25,419,332</b>	<b>-</b>	<b>-</b>

#### Key management personnel Options

30 June 2019	Balance at beginning of year	Options Granted	Other changes	Vested during the year	Exercised during the year	Balance at the end of year	Balance of Vested Options
<b>Directors</b>							
Lev Mizikovsky	-	-	-	-	-	-	-
Rade Dudurovic	250,000	-	-	50,000	-	250,000	100,000
Geoff Acton	1,960,000	-	-	392,000	784,000	1,176,000	-
Laurie Lefcourt	-	-	-	-	-	-	-
	<b>2,210,000</b>	<b>-</b>	<b>-</b>	<b>442,000</b>	<b>784,000</b>	<b>1,426,000</b>	<b>100,000</b>
30 June 2018	Balance at beginning of year	Options Granted	Other changes	Vested during the year	Exercised during the year	Balance at the end of year	Balance of Vested Options
<b>Directors</b>							
Lev Mizikovsky	-	-	-	-	-	-	-
Rade Dudurovic	-	250,000	-	50,000	-	250,000	50,000
Geoff Acton	-	1,960,000	-	392,000	-	1,960,000	392,000
	<b>-</b>	<b>2,210,000</b>	<b>-</b>	<b>442,000</b>	<b>-</b>	<b>2,210,000</b>	<b>442,000</b>

The issue of options was approved by shareholders at an EGM on 29 May 2018. The offer of Director options form part of the Company's incentive objectives to encourage Directors to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership. The options granted are non-transferable, vest only upon achievement of targets and lapse if the target for the specific year is not met.

## Directors' Report For the Year Ended 30 June 2019

### Remuneration report (audited)

The key terms and conditions of the options are included in the material provided to shareholders for the EGM in May 2018, including the independent valuation of the options issued. These terms have been replicated in the table below.

Option Tranche	Tranche A	Tranche B	Tranche C	Tranche D	Tranche E
G Acton – Options Issued	392,000	392,000	392,000	392,000	392,000
R Dudurovic – Options Issued	50,000	50,000	50,000	50,000	50,000
Vesting Condition	FY 17/18 Net Profit of \$2.2m	FY 18/19 Net Profit of \$3.2m	FY 19/20 Net Profit of 4.35m	FY 20/21 Net Profit of \$5.7m	FY Net Profit of \$7.1M
Exercise Price	\$0.60	\$0.75	\$0.75	\$1.00	\$1.20
Exercise Date	1 August 2018	1 August 2019	1 August 2020	1 August 2021	1 August 2022
Expiry Date	1 August 2024	1 August 2024	1 August 2024	1 August 2024	1 August 2024
Valuation at time of issue – G Action	83,104	72,520	72,520	59,192	51,352
Valuation at time of issue – R Dudurovic	10,600	9,250	9,250	7,550	6,550

The independent valuation was undertaken using the Black & Scholes model. The valuer calculated and risk free interest rate of 2.43% and applied a volatility rate of 53.061%. The share price at the time of valuation was \$0.47 per share. This resulted in an independent valuation of \$381,848 for the options, which has now been included in the 2018 remuneration report (restated).

### 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 22 August 2019

**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 2019 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.

*Hall Chadwick QLD.*  


Geoffrey Stephens  
Hall Chadwick Qld  
Chartered Accountants

Dated this twenty second day of August 2019

For personal use only

## **Corporate Governance Statement**

### **30 June 2019**

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

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

The Group has adopted the recommendations of the ASX Corporate Principles Edition 4 and has completed and lodged an Appendix 4G in conjunction with the lodgment of its Annual Report. The Group has clearly explained in its governance strategy where principles have been adopted and if not, why not.

The Group's charters, committees and corporate governance principles are on our website [www.advancenotek.com](http://www.advancenotek.com)

## Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2019

		2019	2018 (restated)
	Note	\$	\$
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)
Travel costs		(90,307)	(44,955)
Rates & taxes		(16,746)	(25,641)
Corporate costs		(1,018,320)	(759,388)
Logistic		(252,943)	(236,725)
Other operating expenses		(454,482)	(410,533)
<b>Profit / (Loss) before income tax</b>		<b>3,381,419</b>	1,125,069
Income tax benefit (expense)	8	6,257,812	1,500,000
<b>Profit / (Loss) for the year</b>		<b>9,639,231</b>	2,625,069
<b>Other comprehensive income</b>			
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>9,639,231</b>	2,625,069
<b>Profit attributable to:</b>			
Members of the parent entity		9,639,231	2,625,069
<b>Total comprehensive income attributable to:</b>			
Members of the parent entity		9,639,231	2,625,069
<b>Earnings per share</b>			
Basic earnings per share (cents)		16.90 cents	4.62 cents
Diluted earnings per share (cents)		16.48 cents	4.45 cents

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 2019**

	Note	2019 \$	2018 (restated) \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	352,533	1,121,396
Trade and other receivables	10	2,037,665	1,599,239
Inventories	11	3,359,421	1,247,738
Other assets	12	1,554,878	369,645
<b>Total Current Assets</b>		<b>7,304,497</b>	<b>4,338,018</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	13	3,759,559	1,883,356
Deferred tax assets	15	8,152,063	1,693,725
Development assets	14	801,409	291,013
<b>Total Non-Current Assets</b>		<b>12,713,031</b>	<b>3,868,094</b>
<b>TOTAL ASSETS</b>		<b>20,017,528</b>	<b>8,206,112</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	16	625,215	561,317
Provisions	17	31,718	10,951
Deferred income	18	160,039	160,039
<b>Total Current Liabilities</b>		<b>816,972</b>	<b>732,307</b>
<b>Non-Current Liabilities</b>			
Provisions	17	114,319	123,367
Deferred income	18	555,662	715,701
<b>Total Non-Current Liabilities</b>		<b>669,981</b>	<b>839,068</b>
<b>TOTAL LIABILITIES</b>		<b>1,486,953</b>	<b>1,571,375</b>
<b>NET ASSETS</b>		<b>18,530,575</b>	<b>6,634,737</b>
<b>EQUITY</b>			
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)
<b>TOTAL EQUITY</b>		<b>18,530,575</b>	<b>6,634,737</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 2019**  
2019

	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Option Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	<b>39,442,499</b>	<b>(34,305,765)</b>	<b>15,940</b>	<b>1,482,063</b>	<b>6,634,737</b>
Comprehensive income for the year	-	9,639,231	-	-	9,639,231
Profit / (Loss) for the year	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>9,639,231</b>	<b>-</b>	<b>-</b>	<b>9,639,231</b>
Shares issued during the year	2,256,607	-	-	-	2,256,607
<b>Balance at 30 June 2019</b>	<b>41,699,106</b>	<b>(24,666,534)</b>	<b>15,940</b>	<b>1,482,063</b>	<b>18,530,575</b>

2018

	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Option 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	-	2,625,069	-	-	3,006,917
Profit for the year	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>2,625,069</b>	<b>-</b>	<b>-</b>	<b>3,006,917</b>
Shares bought back during the year	(677,084)	-	-	-	(677,084)
Shares issued to employees	103,496	-	-	-	103,496
Shares issued to Directors	-	-	-	381,848	381,848
<b>Balance at 30 June 2018</b>	<b>39,442,499</b>	<b>(34,305,765)</b>	<b>15,940</b>	<b>1,482,063</b>	<b>6,634,737</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 2019

	2019	2018
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
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>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
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>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
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>

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 2019

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 prepares 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 22 August 2019.

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 21 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 2019

#### 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 2019

#### 2 Summary of Significant Accounting Policies

##### (d) Inventories

Inventories are measured at the lower of weighted average 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 net of any rebates and discounts received.

###### *Finished Goods and Work-in-progress*

Cost of direct material and labour 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. 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 2019

#### 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 2019

#### 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 and direct labour 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 three (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 2019

### 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 2019

#### 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.

Revenue arises mainly from the sale of proprietary advanced material products.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 2 Summary of Significant Accounting Policies

##### (n) Revenue and other income

Revenue from sale of proprietary advanced material products is recognised when or as the Group has transferred control of the assets to the customer. Invoices for goods transferred are due upon receipt by the customer. Control transfers at the point in time the customer takes undisputed delivery of the goods.

##### Licence Income

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

##### (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.

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 2 Summary of Significant Accounting Policies

##### (q) 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.

##### (r) 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.

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.

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 2 Summary of Significant Accounting Policies

##### (s) 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 15 Revenue from contracts with customers**

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application, if any, is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated. In accordance with the transition guidance, AASB 15 has only been applied to contracts that are incomplete as at 1 July 2018.

In the opinion of the directors, the adoption of AASB 15 has had no impact upon the Group's reported revenue as at 1 July 2018 and consequently no adjustment to the opening balance of retained earnings has been made.

##### **AASB 9 Financial Instruments**

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

In the opinion of the directors, the adoption of AASB 9 has no impact upon the classification or measurement of the Group's financial assets.

The Group applies a simplified approach of recognising lifetime expected credit losses for trade receivables as these items do not have a significant financing component. The impairment allowance for trade receivables remained unchanged at 1 July 2018.

##### (t) 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:

##### **AASB 16 Leases**

AASB 16 Leases replaces AASB 117 Leases and some lease-related Interpretations. AASB 16 requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases, and requires new and different disclosures about leases.

The Group is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Group's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes:

- there will be an increase in lease assets and financial liabilities recognised on the balance sheet;
- the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the

## Notes to the Financial Statements For the Year Ended 30 June 2019

### 2 Summary of Significant Accounting Policies

#### (t) New Accounting Standards and Interpretations

carrying amount of lease liabilities;

- the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses; and
- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities

#### **AASB 2018-1 Annual Improvements to IFRS Standards 2015–2017 Cycle**

AASB 2018-1 makes a number of relatively minor amendments to AASB 3 Business Combinations, AASB 111 Joint Arrangements, AASB 112 Income Taxes and AASB 123 Borrowing Costs.

When this interpretation is adopted for the year ending 30 June 2020, there will be no material impact on the financial statements.

#### **AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material**

AASB 2018-7 principally amends AASB 101 and AASB 108. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across the Australian Accounting Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.

When these amendments are first adopted for the year ending 30 June 2021, there will be no material impact on the financial statements.

#### **AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework**

AASB 2019-1 amends Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the revised Conceptual Framework for Financial Reporting (Conceptual Framework). The application of Conceptual Framework is limited to

- For profit entities that have public accountability
- Other for-profit entities that voluntarily elect to apply the Conceptual Framework

When these amendments are first adopted for the year ending 30 June 2021, there will be no material impact on the financial statements.

## Notes to the Financial Statements For the Year Ended 30 June 2019

### 2 Summary of Significant Accounting Policies

#### (u) Prior Year Adjustment for Issue of Options

At the Extraordinary General Meeting dated 29 May 2018, the shareholders voted in favour of issuing options to directors which would vest upon certain performance criteria being met. At the time of approval, the options were independently valued at \$381,848. The Company failed to account for these in the remuneration of Directors based on the fair value at the time, and have now restated the 2018 financial results to reflect this change. The impact of this adjustment is set out below:

	2018 restated \$	2018 \$
<b>Consolidated Statement of Profit or Loss</b>		
Directors Fees	123,160	80,000
Corporate Cost	759,388	317,204
Reclassification of employee shares issued to corporate costs	-	103,496
Profit/(Loss) before tax	1,125,069	1,506,917
Profit/(Loss) for the Year	2,625,069	3,006,917
Earnings Per Share – basic (cents)	4.62	5.29
Earnings Per Share – diluted (cents)	4.45	5.29
<b>Consolidated Statement of Financial Position</b>		
	2018 restated \$	2018 \$
Reserves	1,498,003	1,116,155
Retained Earnings	(34,305,765)	(33,923,917)
Total Equity	-	-

There was no tax impact reflected as the adjustment would represent a permanent timing difference and have no tax impact.

The Consolidate Statement of Changes in Equity has been restated as follows:

2018	Ordinary Shares \$	Retained Earnings \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total \$
<b>Balance at 1 July 2017</b>	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	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	2,625,069	-	-	3,006,917
Shares bought back during the year	(677,084)	-	-	-	(677,084)
Shares issued to employees	103,496	-	-	-	103,496
Shares issued to Directors	-	-	-	381,848	381,848
<b>Balance at 30 June 2018</b>	39,442,499	(34,305,765)	15,940	1,482,063	6,634,737

## Notes to the Financial Statements For the Year Ended 30 June 2019

### 2 Summary of Significant Accounting Policies

The Consolidated Statement of Changes in Equity as per the 2018 Audited financial statements is as follows:

2018

	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Option Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	40,016,087	(36,930,834)	15,940	1,100,215	4,201,408
Comprehensive income for the year					
Profit for the year	-	3,006,917	-	-	3,006,917
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	3,006,917	-	-	3,006,917
Shares bought back during the year	(677,084)	-	-	-	(677,084)
Shares issued to employees	103,496	-	-	-	103,496
<b>Balance at 30 June 2018</b>	<b>39,442,499</b>	<b>(33,923,917)</b>	<b>15,940</b>	<b>1,100,215</b>	<b>6,634,737</b>

As this adjustment reflects the remuneration of key management personnel and directors, the remuneration report for 2018 has also been restated as follows:

Year Ended 30 June 2018	Short term employee benefits		Post employment benefits	LSL Benefits	Value of Options Issued	TOTAL\$
	cash salary fees	bonus	Superannuation			
	\$	\$	\$	\$	\$	
Non-Executive Directors						
Lev Mizikovsky	-	-	-	-	-	-
Rade Dudurovic	80,000	-	-	-	43,160	123,160
	-	-	-	-	-	-
<b>Sub-total Non-Executive Directors</b>	<b>80,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,160</b>	<b>123,160</b>
<b>Executive Directors</b>						
Geoff Acton	124,868	-	-	-	338,688	463,556
<b>Sub-total Executive Directors</b>	<b>124,868</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>338,688</b>	<b>463,556</b>
	<b>204,868</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>381,848</b>	<b>586,716</b>

## Notes to the Financial Statements For the Year Ended 30 June 2019

### 2 Summary of Significant Accounting Policies

Remuneration Report as per audited 2018 Directors report

	Short term employee benefits		Post employment benefits	LSL Benefits	Value of Options Issued	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>

In addition, the Directors report has also disclosed the option position of the Directors as a result of the issued options. There was no table relating to options in the Audited Directors report from 2018. The restatement of the 2018 position is as follows:

30 June 2018	Balance at beginning of year	Options Granted	Other changes	Vested during the year	Exercised during the year	Balance at the end of year	Balance of Vested Options
<b>Directors</b>							
Lev Mizikovsky	-	-	-	-	-	-	-
Rade Dudurovic	- 250,000	-	-	50,000	-	250,000	50,000
Geoff Acton	- 1,960,000	-	-	392,000	-	1,960,000	392,000
	-	2,210,000	-	442,000	-	2,210,000	442,000

The restatement of the 2018 balances relating to this adjustment has also been reflected in the following notes to ensure that the notes are in balance with the restated accounts:

- Note 4 – Parent Entity
- Note 20 – Reserves
- Note 22 – Earnings per share
- Note 27 – Key Management Personnel Disclosures

## Notes to the Financial Statements For the Year Ended 30 June 2019

### 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 weighted average 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.

### 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.

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 4 Parent entity

	2019	2018
	\$	\$
<b>Statement of Financial Position</b>		
Assets		
Current assets	7,713,843	4,338,017
Non-current assets	12,751,015	3,868,094
Total Assets	<u>20,464,858</u>	<u>8,206,111</u>
Liabilities		
Current liabilities	816,972	732,307
Non-current liabilities	668,676	839,069
Total Liabilities	<u>1,485,648</u>	<u>1,571,376</u>
Equity		
Issued capital	41,661,122	39,442,499
Retained earnings	(24,163,975)	(34,305,765)
Reserves	1,482,063	1,498,003
Total Equity	<u>18,979,210</u>	<u>6,634,735</u>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Total profit or loss for the year	<u>9,639,231</u>	2,625,069
<b>Total comprehensive income</b>	<u>9,639,231</u>	<u>2,625,069</u>

#### Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 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
<b>Total Revenue</b>	<b>12,260,424</b>	<b>6,583,764</b>
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	-
<b>Total Other income</b>	<b>671,686</b>	<b>461,168</b>

##### 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).

#### 6 Expenses

The result for the year includes the following specific expenses:

	2019	2018
	\$	\$
Superannuation contributions	97,665	65,653
Rental expense on operating leases	256,728	316,160

#### 7 Auditors' Remuneration

	2019	2018
	\$	\$
Remuneration of the auditor of the parent entity for auditing or reviewing the financial statements		
- Hall Chadwick (QLD)	35,000	18,000
<b>Total</b>	<b>35,000</b>	<b>18,000</b>

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 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>	(1,500,000)
<b>Income tax expense / (benefit) for continuing operations</b>	<u><b>(6,257,812)</b></u>	<u>(1,500,000)</u>
<b>Total income tax expense / (benefit)</b>	<u><b>(6,257,812)</b></u>	<u>(1,500,000)</u>

(b) Reconciliation of income tax to accounting profit:

	2019	2018
	\$	\$
Profit / (Loss)	<u>3,381,419</u>	1,125,069
Prima facie income tax expense/(benefit) at the statutory income tax rate of 30% (2018:30%)	1,014,425	337,520
Tax effect of:		
- Permanent differences	<b>(102,369)</b>	(364,775)
Adjustments in respect of current income tax of previous years:		
- Benefit from a previously unrecognised tax loss	<u>(912,056)</u>	27,244
Adjustments recognised for deferred tax of prior periods:	-	-
Other	<u>(6,257,812)</u>	(1,500,000)
Income tax expense	<u><b>(6,257,812)</b></u>	<u>(1,500,000)</u>

#### 9 Cash and Cash Equivalents

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

## Notes to the Financial Statements For the Year Ended 30 June 2019

### 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	<b>352,533</b>	1,121,396

### 10 Trade and Other Receivables

	2019	2018
	\$	\$
CURRENT		
Trade receivables	2,020,516	1,595,134
Provision for doubtful debts	(7,440)	-
Other receivables	24,589	4,105
<b>Total current trade and other receivables</b>	<b>2,037,665</b>	1,599,239

#### (a) Aged analysis

The ageing analysis of receivables is as follows:

	2019	2018
	\$	\$
0-30 days	682,516	781,063
31-60 days	878,135	488,025
61 days and over	459,865	326,146
	<b>2,020,516</b>	1,595,234

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	338,615	206,375
Finished goods	1,078,528	355,924
Goods in transit	99,337	65,086
Provision for impairment	(93,216)	(117,209)
	<b>3,359,421</b>	1,247,738

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

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

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

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 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	Motor Vehicles	R & D eqpt, Quality Eqpt	Production Plant	Leasehold Improvts	Lab Assets	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Year ended 30 June 2019</b>							
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)
<b>Balance at the end of the year</b>	<b>201,050</b>	<b>12,809</b>	<b>285,148</b>	<b>2,292,304</b>	<b>486,888</b>	<b>481,359</b>	<b>3,759,559</b>

	Office eqpt, Furn & Fixtures	Motor Vehicles	R & D eqpt, Quality Eqpt	Production Plant	Leasehold Improvts	Lab Assets	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Year ended 30 June 2018</b>							
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)
<b>Balance at the end of the year</b>	<b>125,274</b>	<b>16,000</b>	<b>75,442</b>	<b>1,562,226</b>	<b>104,414</b>	<b>-</b>	<b>1,883,356</b>

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 14 Development Assets

	2019	2018
	\$	\$
Work-in-Progress - Formulation Development Cost	803,259	292,863
Accumulated amortisation and impairment	(1,850)	(1,850)
<b>Net carrying value</b>	<b>801,409</b>	<b>291,013</b>
<b>Total Development assets</b>	<b>801,409</b>	<b>291,013</b>

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

	Development Costs	Total
	\$	\$
<b>Year ended 30 June 2019</b>		
Balance at the beginning of the year	292,863	292,863
Additions	510,396	510,396
<b>Closing value at 30 June 2019</b>	<b>803,259</b>	<b>803,259</b>

	Development Costs	Total
	\$	\$
<b>Year ended 30 June 2018</b>		
Balance at the beginning of the year	72,153	72,153
Additions	220,710	220,710
<b>Closing value at 30 June 2018</b>	<b>292,863</b>	<b>292,863</b>

#### 15 Tax assets and liabilities

#### (a) Deferred tax assets

Deferred tax assets balance comprises temporary differences attributable to:

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 15 Tax assets and liabilities

##### (a) Deferred tax assets

	2019	2018
	\$	\$
<b>Amounts recognised in profit and loss</b>		
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	<u>7,347,726</u>	<u>8,273,574</u>
Total amounts recognised in profit and loss	<u>7,677,568</u>	<u>8,628,244</u>
<b>Amounts recognised in Equity</b>		
DTA relating to share issue costs	17,664	-
Tax losses relating to share issue costs	449,211	449,210
	<u>466,875</u>	<u>449,210</u>
Total amounts recognised in equity	<u>466,875</u>	<u>449,210</u>
<b>DTA</b>	<u>8,144,443</u>	<u>9,077,454</u>
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)
	<u>(7,620)</u>	<u>(7,383,729)</u>
<b>Total offsets</b>	<u>(7,620)</u>	<u>(7,383,729)</u>
<b>Closing balance</b>	<u>8,152,063</u>	<u>1,693,725</u>

##### (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
	<u>63,776</u>	<u>55,368</u>
<b>Total deferred tax liabilities</b>	<u>63,776</u>	<u>55,368</u>
Deferred tax liabilities offset against deferred tax assets	(63,776)	(55,368)
	<u>-</u>	<u>-</u>
<b>Closing balance</b>	<u>-</u>	<u>-</u>

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 16 Trade and Other Payables

	2019	2018
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables	658,732	530,753
Other payables	(33,517)	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	<u>31,718</u>	10,951
	<u>31,718</u>	<u>10,951</u>
NON-CURRENT		
Employee benefits	18,488	14,588
Restoration/Decommissioning provision (112 Radium St.)	<u>95,831</u>	<u>108,779</u>
	<u>114,319</u>	<u>123,367</u>
	<b>Restoration/ Decommissioning provision</b>	<b>Total</b>
	\$	\$
Opening balance at 1 July 2018	108,779	108,779
Less restoration costs	<u>(12,948)</u>	<u>(12,948)</u>
<b>Balance at 30 June 2019</b>	<u><b>95,831</b></u>	<u><b>95,831</b></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.

## Notes to the Financial Statements For the Year Ended 30 June 2019

### 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>	<u>160,039</u>
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.

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 19 Issued Capital

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

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	<b>56,173,460</b>	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>		
Employee share scheme	<b>90,000</b>	192,640
Issue shares to third party for Zinguard trademark	-	1,000
Non-renounceable rights issue	<b>1,872,792</b>	-
Share option agreement	<b>784,000</b>	-
At the end of the reporting period	<b>58,920,252</b>	56,173,460

#### (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.

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 20 Reserves

	2019	2018
	\$	\$
<b>Foreign currency translation reserve</b>	<b>15,940</b>	15,940
<b>Share based payment reserve</b>		
Opening balance	1,482,063	1,100,215
Options Issued	-	381,848
Closing balance share based payment reserve	<b>1,482,063</b>	1,482,063
<b>Total</b>	<b>1,498,003</b>	1,498,003

#### (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

#### 21 Interests in Subsidiaries

#### (a) Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2019	Percentage Owned (%)* 2018
<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 the Group.

#### 22 Earnings per Share

(a) Earnings used to calculate overall earnings per share

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

	2019	2018
	\$	\$
Profit attributable to members of the parent entity used in the calculation of basic and diluted EPS	<b>9,639,231</b>	2,625,069

(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	2019	2018
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	<b>57,029,551</b>	56,779,044

#### 23 Leasing Commitments

(a) Operating leases	2019	2018
	\$	\$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	<b>332,248</b>	84,898
- later than one year and not later than five year	<b>271,990</b>	147,021
	<b>604,238</b>	231,919

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## Notes to the Financial Statements For the Year Ended 30 June 2019

### 24 Contingencies

In the opinion of the Directors, the Group did not have any contingencies at 30 June 2019 (2018: None).

### 25 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.

	2019	2018
	\$	\$
Australia	2,280,629	1,602,958
United States of America & Canada	6,555,521	2,912,779
Europe	1,855,453	1,626,502
Rest of the world	1,568,821	441,525
	<u>12,260,424</u>	<u>6,583,764</u>

#### (b) Major customers

The Group's most significant customer accounts for 49% (2018: 44.24%) of total revenue. All other customers are individually less than 10 % of total revenue.

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 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	9,639,231	2,625,069
Adjustments for non-cash items in profit:		
- depreciation and options issued	288,865	622,872
Net changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(438,426)	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	(6,257,812)	(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	<u>261,994</u>	<u>1,276,970</u>

#### 27 Key Management Personnel Disclosures

Key management personnel remuneration included within corporate expenses and Director fees for the year is shown below:

	2019	2018
	\$	\$
Short-term benefits	763,701	204,868
Long-term benefits – options issued	-	381,848
Total	<u>763,701</u>	<u>586,716</u>

Refer to the remuneration report for further details.

#### 28 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 2019

#### 28 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 27: 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>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Lev Mizikovsky</b>		
- Provision of services by an entity associated with Lev Mizikovsky	<b>2,500</b>	-
<b>Geoff Acton</b>		
- Provision of payroll, advisory and secretarial services by an entity associated with Geoff Acton	<b>58,922</b>	62,182
 <i>Related parties:</i>		
<b>AstiVita Ltd</b>		
- Provision of administration, logistics and accounting services	<b>231,208</b>	159,187
<b>Tamawood Group</b>		
- Provision of administrative services and lease premises	<b>82,618</b>	12,878
<b>CyberguardAU Pty Ltd</b>		
- Provision of cyber security services	<b>47,240</b>	10,420
<b>SenterpriSys Ltd</b>		
- Provision of IT services	<b>22,528</b>	685

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 28 Related Parties

##### (b) Transactions with related parties

##### Outstanding Balances

<i>Key management personnel:</i>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
- Geoff Acton	-	220
 <i>Payable to Related parties:</i>		
- AstiVita Limited	<b>63,854</b>	15,991
- Tamawood Group	<b>17,076</b>	1,686
- SenterpriSys Limited	<b>19,903</b>	-

#### 29 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.

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 29 Financial Risk Management

##### Market risk

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:

	2019	2018
<b>Financial assets</b>	<b>\$</b>	<b>\$</b>
Cash deposits in USD	169,750	539,524
Cash deposits in Euro	20,022	404,327
Customers denominated in USD	1,237,972	1,259,548
Customers denominated in Euro	179,540	210,209
<b>Financial liabilities</b>		
Trade payables denominated in USD	(30,093)	296,356
Trade payables denominated in Euro	(5,231)	(4,314)
<b>Net exposure</b>	<b>1,571,960</b>	<b>2,705,650</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 +/-1% change in interest rates would change the net interest by +/- \$1,898 per annum (2018: +/- \$9,083) 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 2019 (30 June 2018: 5%). A +/- 5% change is also assumed for the Australian Dollar / Euro exchange rate (30 June 2018: 5%). Both percentages have been determined based on the historical market volatility in exchange rates.

	2019		2018	
	+5%	-5%	+5%	-5%
<b>USD</b>				
Net results	(48,307)	48,307	(55,533)	55,533
Equity	(48,307)	48,307	(55,533)	55,533
<b>Euro</b>				
Net results	(5,996)	5,996	(19,356)	19,356
Equity	(5,996)	5,996	(19,356)	19,356

## Notes to the Financial Statements For the Year Ended 30 June 2019

### 29 Financial Risk Management

#### Liquidity Risk

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

#### (b) Credit risk

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

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

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

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

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

	2019	2018
	\$	\$
Current assets	7,304,497	4,338,018
Current liabilities	(816,972)	(732,307)
<b>Working capital</b>	<b>6,487,525</b>	<b>3,605,711</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

## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 29 Financial Risk Management

##### Liquidity Risk

effect of discounting.

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>								
Trade and other payables (excluding estimated annual leave)	625,215	561,316	-	-	-	-	625,215	561,316
Total contractual outflows	625,215	561,316	-	-	-	-	625,215	561,316

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

#### 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 Facilities

112 Radium Street  
Welshpool, WA 6106

81 Shettleston Street  
Rocklea, QLD 4106

7 Charles Street  
Bentley WA, 6102

## Directors' Declaration

The directors of the Company declare that:

1. *the financial statements and notes for the year ended 30 June 2019 are in accordance with the Corporations Act 2001 and:*
  - a. *comply with Australian Accounting Standards (including the Australian Accounting Interpretations), which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and*
  - b. *give a true and fair view of the financial position and performance of the consolidated group;*
2. *the Chief Executive Officer and Chief Finance Officer have given the declarations required by Section 295A that:*
  - a. *the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;*
  - b. *the financial statements and notes for the financial year comply with the Accounting Standards; and*
  - c. *the financial statements and notes for the financial year give a true and fair view.*
3. *in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.*

This declaration is made in accordance with a resolution of the Board of Directors.



Lev Mizikovsky  
Non-Executive Chairman

Dated: 22 August 2019

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

### Report on the Audit of the Financial Report

#### Qualified Opinion

We have audited the financial report of Advance Nanotek Ltd (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2019, 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 the Directors' declaration.

In our opinion, except for the possible effects of the matter described in the basis for Qualified Opinion, 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 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for Qualified Opinion

Our audit testing revealed that there were material variances in actual inventories on hand compared to the stock records which, in our opinion, resulted in a material overstatement of inventory in the financial statement as at 30 June 19.

As a result of these material variances, we are unable to form a view as to the existence of all inventories stated in the financial statements as at 30 June 2019.

We were subsequently informed that there was inventory at two other locations not known to us and not visited by us. It is possible that the total of inventory at these two locations may explain a significant amount of the total variance calculated by us.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence 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 confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report. 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 Matters (continued)

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 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>
<p><b>Inventory Valuation and Existence</b></p> <p>The carrying value of inventory in the financial statements at 30 June 2019 is based upon the existence and valuation of inventory items at that date. Inventory is carried at the lower of cost and net realisable value on a weighted average basis. As a consequence of the materiality of inventory to the financial statements as a whole, we consider that the valuation and existence of inventory 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>• Attendance at client warehouses to undertake physical sighting and counting of stock quantities on hand at year-end;</li> <li>• Comparison and follow-up of audit test counts with final client inventory quantities to resolve variances (if any);</li> <li>• Analysis of inventory measurement data, including stock turnover and gross profit ratios;</li> <li>• On a sample basis, substantive testing of inventory cost to supplier documentation;</li> <li>• On a sample basis, substantive testing of inventory items to selling prices to establish net realisable values; and</li> <li>• Review of provisioning calculation and logic applied by client.</li> </ul> <p>Our audit procedures revealed that there were material variances within inventory and that there was a material overstatement of inventory in the financial statements. Refer audit qualification.</p>

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## 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 2019, 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 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 have no realistic alternative but to do so.

## Auditor's Responsibility for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.augasb.gov.au/Home.aspx>. This description forms part of our auditor's report.

## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the remuneration report included in pages 8 to 13 of the Directors' report for the year ended 30 June 2019.

In our opinion the remuneration report of Advance Nanotek Limited for the year ended 30 June 2019 complies with s 300A of the Corporations Act 2001.

### *Responsibilities*

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

*Hall Chadwick QLD*  


Geoffrey Stephens  
Hall Chadwick Qld  
Chartered Accountants

Dated at Brisbane this 22nd day of August 2019.

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**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 15 August 2019.

**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 holders	No. of shares
1 - 1,000	932	455,700
1,001 - 5,000	499	1,261,269
5,001 - 10,000	135	989,958
10,001 - 100,000	190	6,192,601
100,001 and over	57	50,020,724
	<b>1,813</b>	<b>58,920,252</b>

There were 93 holders of less than a marketable parcel of ordinary shares.

Advance NanoTek Limited  
For the Year Ended 30 June 2019

Twenty largest shareholders

Holding	Ordinary shares	
	No. of shares	Percentage
POLTICK PTY LTD	25,373,810	43.06
KEARNEY ETHICAL INVESTMENTS PTY LTD	4,820,620	8.18
MR BRIAN MAURICE KEARNEY + MRS MIRELLA UGHETTA DORICA KEARNEY <KEARNEY ETHICAL INV S/F A/C>	2,001,174	3.40
ACROPOLIS PTY LTD <ACROPOLIS SUPER FUND A/C>	1,340,000	2.27
SKYLEVI PTY LTD <SUPERFUN SUPER FUND A/C>	1,208,570	2.05
MR CHRISTOPHER SILVESTRO	685,000	1.16
BRADSHAW PTY LTD <THE GARLICK FAMILY A/C>	667,126	1.13
MR BRUCE CAMERON	625,727	1.06
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	596,446	1.01
MR ALAN GRAHAM ROCHFORD <ALAN G ROCHFORD SUPER A/C>	571,015	0.97
MR EDWIN GIOVANNI DIAZ	519,255	0.88
CITICORP NOMINEES PTY LTD	517,500	0.88
MELBOURNE CORPORATION OF AUSTRALIA PTY LTD	516,410	0.88
BANNABY INVESTMENTS PTY LIMITED <BANNABY SUPER FUND A/C>	500,145	0.85
BANNABY INVESTMENTS PTY LIMITED	500,000	0.85
MR KEITH WILLIAM KERRIDGE <AUSTRALASIAN ASSET MGMT A/C>	500,000	0.85
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	425,947	0.72
MR KEITH WILLIAM KERRIDGE	400,000	0.68
ROLLEE PTY LTD	380,081	0.65
MRS KAREN LESLEY CUTLACK + MR DAVID GRAEME CUTLACK	377,617	0.64
	<b>42,526,443</b>	<b>72.18</b>