

18 September 2017

ANO Operational Update

We refer our shareholders to the qualified audit opinion on fixed assets which relates to “production equipment with a written down value of \$382,000 that is currently not in operation and for which the Group is considering future options for the equipment’s utilisation. As a result of the material inherent uncertainty regarding the future cash flows to be derived from this equipment, we are unable to form a view as to the valuation of the assets.”

The production equipment in question comprise mostly a new “decanter” and certain equipment not in operation by ANO.

Whilst respecting the role of the auditor, the Directors would like to provide clarity to our Shareholders that in their view there is no material inherent uncertainty because:

- As explained to the auditors, the new decanter will be installed before the end of September and production utilising this decanter will commence in early October. We expect this new decanter to increase production capacity and create significant operational efficiencies to our Alusion production.
- ANO has executed a Redundant Equipment Sale Agreement with Rainrose Pty Ltd (a related party of Mr Lev Mizikovsky) at **written down value** which recovers 100% on the value on the balance sheet of these assets, and 90% more than the auditors’ estimations. The equipment in this agreement has not been in operation since its purchase in 2012, and has been considered immaterial to ANO’s overall business by previous auditors and the current auditors until this year. The sale will not affect the production of products to any ANO customers.

US Manufacturing Delays

We inform our shareholders that we continue to experience delays in the transition to US manufacturing. We anticipated full scale production to commence this month, however, this is more likely to be early November.

Geoff Acton (B.Com CA)
Managing Director