

## **Antaria Limited**

ACN 079 845 855

# **Half-Year Report – 31 December 2014**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Antaria Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Your directors present their report on the consolidated entity consisting of Antaria Limited and the entities it controlled ("Antaria" or the "Group") at the end of, or during, the half-year ended 31 December 2014.

## **DIRECTORS**

The names of directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Rade Dudurovic (Chairman)  
Ron Higham (Non-Executive Director)  
Paul Pisasale (Non-Executive Director)

## **REVIEW OF OPERATIONS**

### **Highlights**

- Revenue for the half year of \$1.808 million compared to \$1.492 million in the prior corresponding period.
- Net profit after tax for the half year of \$20,293 compared to a net loss of (\$121,402) in the prior corresponding period.
- Net cash inflow for the half year of \$441,986 compared to net cash outflow of (\$813,663) in the prior corresponding period.
- New orders received so far from Merck KGaA ("Merck") for ten (10) metric tonnes ("MT") of Alusion® to be supplied during the period to 30 June 2015.
- Total ZinClear™ revenue (ZinClear-IM® and ZinClear-XP™) of \$1.358 million for the half year, a 119% increase on the prior corresponding period of \$0.621 million.
- Improved productivity utilising existing plant and equipment has reduced the need for additional capital expenditure, as reflected in capital expenditure of \$24,221 for the half year compared to \$307,444 in the prior corresponding period.
- Continued emphasis on product research and development ("R&D") has resulted in a R&D tax benefit and refund of \$344,931 compared to \$255,880 in the prior corresponding period.

### **Overview and Outlook**

Antaria recorded total revenue of \$1.808 million for the half year ended 31 December 2014 compared to \$1.492 million for the prior corresponding period. This resulted in a net profit after tax of \$20,293 for the half year compared to a net loss after tax of (\$121,402) for the prior corresponding period.

#### **Alusion®**

Sales to Merck of \$425,869 for the half year represented a decrease of 50% on the prior corresponding period of \$835,125. The decrease is due to the early fulfilment of the take or pay agreement that ended 31 December 2014. To date, Antaria has secured firm orders from Merck for 10MT of Alusion® for delivery in the six months to 30 June 2015. Alusion® volumes supplied to Merck were 7.56MT during the prior corresponding period.

#### **ZinClear™**

The strong performance of ZinClear-IM® and ZinClear-XP™ sales in North America and Australia/New Zealand underpinned the increase in total Group revenue for the six months ended 31 December 2014.

Revenue from North America has started to recover from the effects of the unexpected decision of our former North American distributor, Dow Chemical Company, to reduce stock holdings (instead of purchasing new product during the twelve months ended 30 June 2014). Sales to the new North American distribution partners were \$448,205 for the half year ended 30 December 2014 compared to \$nil revenue in the prior corresponding period. Sales from Australian and New Zealand customers grew by 43% compared to the prior corresponding period.

The Group continues to focus on expanding its ZinClear™ distribution network. Apart from the appointment of a new USA distributor in June 2014 and a Canadian distributor in December 2014, the Group is in negotiations for the appointment of distribution partners in Japan and the United Kingdom.

As a result of enhanced product formulation capabilities, Antaria is increasingly able to offer its distribution partners and brand owners end-product formulations which can be adapted to be "shelf ready". This initiative allows brand owners to potentially reduce product development cycle times. It also repositions Antaria from being merely an "ingredients" supplier to becoming a product development partner working in tandem with its distributors and brand owners. There has been a very positive reaction to this initiative from our European and North American distribution partners.

Antaria continues to progress the outsourcing initiative involving the manufacture of ZinClear™ (ZinClear-IM® and ZinClear-XP™) by a European GMP accredited facility with representatives of the proposed European manufacturer visiting the Group's Welshpool facilities in Perth during the week commencing 19 January 2015 in accordance with the terms of the Memorandum of Understanding. The directors are also taking appropriate taxation advice to ensure that any proposed outsourcing arrangements do not jeopardise the status of the Group's accumulated tax losses.

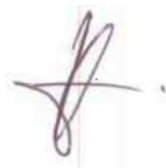
### **Cash Balance**

Antaria's cash balance as at 31 December 2014 was \$1,053,334 compared to the 30 June 2014 balance of \$539,408. Antaria has completed the majority of its capital expenditure program, which together with the R&D tax benefit and refund, will assist cash flow going forward.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

This report is made in accordance with a resolution of directors.

A handwritten signature in dark ink, appearing to be 'Rade Dudurovic', with a horizontal line extending to the right.

Rade Dudurovic  
Chairman

Brisbane, Queensland  
5 February 2015

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the consolidated financial report of Antaria Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

**Perth, Western Australia  
5 February 2015**



**W M Clark  
Partner**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****ANTARIA****For the half-year ended 31 December 2014**

	31-Dec-14 \$	31-Dec-13 \$
<b>Continuing operations</b>		
<b>Revenue</b>	1,807,630	1,491,529
Cost of goods sold	<u>(1,359,552)</u>	<u>(1,255,598)</u>
<b>Gross profit</b>	448,078	235,931
Other income	120,843	116,981
Research and product development costs	(201,515)	(235,165)
Sales and marketing costs	(192,130)	(64,234)
Corporate and administrative costs	<u>(499,914)</u>	<u>(430,795)</u>
<b>Loss before income tax</b>	(324,638)	(377,282)
Income tax benefit – research and development grant	<u>344,931</u>	<u>255,880</u>
<b>Profit / (loss) after tax from continuing operations</b>	<u>20,293</u>	<u>(121,402)</u>
<b>Net profit / (loss) attributable to members of parent</b>	<u>20,293</u>	<u>(121,402)</u>
<b>Other comprehensive income</b>		
Items that may be reclassified to profit and loss:		
Exchange differences on translation of foreign operations	<u>-</u>	<u>-</u>
<b>Other comprehensive income for the period net of tax</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the period</b>	<u>20,293</u>	<u>(121,402)</u>
Profit / (loss) is attributable to:		
Owners of Antaria Limited	<u>20,293</u>	<u>(121,402)</u>
Total comprehensive income for the period is attributable to:		
Owners of Antaria Limited	<u>20,293</u>	<u>(121,402)</u>
Loss per share attributable to the ordinary equity holders of the company		
- basic profit / (loss) per share (cents)	0.00	(0.02)
- diluted profit / (loss) per share (cents)	<u>0.00</u>	<u>(0.02)</u>

*The above Consolidated Statement of Comprehensive Income should be read in accordance with the accompanying notes.*

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ANTARIA

As at 31 December 2014

	Notes	CONSOLIDATED	
		31-Dec-14	30-Jun-14
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,053,334	539,408
Trade and other receivables		1,244,516	1,412,164
Inventories		650,352	927,177
Prepayments		39,041	1,378
<b>Total Current Assets</b>		<b>2,987,243</b>	<b>2,880,127</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		2,484,657	2,582,758
<b>Total Non-Current Assets</b>		<b>2,484,657</b>	<b>2,582,758</b>
<b>TOTAL ASSETS</b>		<b>5,471,900</b>	<b>5,462,885</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		196,094	175,769
Deferred income		160,039	160,039
Other liabilities		184,320	134,755
<b>Total Current Liabilities</b>		<b>540,453</b>	<b>470,563</b>
<b>Non-Current Liabilities</b>			
Provisions		41,355	41,845
Deferred income		1,276,935	1,357,613
<b>Total Non-Current Liabilities</b>		<b>1,318,290</b>	<b>1,399,458</b>
<b>TOTAL LIABILITIES</b>		<b>1,858,743</b>	<b>1,870,021</b>
<b>NET ASSETS</b>		<b>3,613,157</b>	<b>3,592,864</b>
<b>EQUITY</b>			
Issued capital	4	40,016,087	40,016,087
Option premium reserve		1,100,215	1,100,215
Other reserves		15,940	15,940
Accumulated losses		(37,519,085)	(37,539,378)
<b>TOTAL EQUITY</b>		<b>3,613,157</b>	<b>3,592,864</b>

The above Consolidated Statement of Financial Position should be read in accordance with the accompanying notes.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS****ANTARIA****For the half-year ended 31 December 2014**

	CONSOLIDATED	
	31-Dec-14	31-Dec-13
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	1,930,026	1,397,944
Payments to suppliers and employees	(1,463,886)	(1,913,559)
	466,140	(515,615)
Interest received	67	9,396
<b>Net cash inflows / (outflows) from operating activities</b>	<u>466,207</u>	<u>(506,219)</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(24,221)	(307,444)
<b>Net cash (outflows) from investing activities</b>	<u>(24,221)</u>	<u>(307,444)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares	-	-
Transaction costs of issue of shares	-	-
<b>Net cash inflows from financing activities</b>	<u>-</u>	<u>-</u>
<b>Net increase / (decrease) in cash and cash equivalents held</b>	441,986	(813,663)
Cash and cash equivalents at the beginning of the period	539,408	1,633,209
Exchange rate adjustment	71,940	11,745
<b>Cash and cash equivalents at the end of the period</b>	<u><u>1,053,334</u></u>	<u><u>831,291</u></u>

*The above Consolidated Statement of Cash Flows should be read in accordance with the accompanying notes.*

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ANTARIA

For the half-year ended 31 December 2014

	Attributable to equity holders of the parent				
	Issued capital	Option premium reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
As at 1 July 2014	40,016,087	1,100,215	15,940	(37,539,378)	3,592,864
Profit for the period	-	-	-	20,293	20,293
Total comprehensive income for the period	-	-	-	20,293	20,293
Transactions with owners in their capacity as owners					
Shares issued	-	-	-	-	-
As at 31 December 2014	40,016,087	1,100,215	15,940	(37,519,085)	3,613,157
As at 1 July 2013	40,016,087	1,100,215	15,940	(37,572,709)	3,559,533
Loss for the period	-	-	-	(121,402)	(121,402)
Total comprehensive loss for the period	-	-	-	(121,402)	(121,402)
Transactions with owners in their capacity as owners					
Shares issued	-	-	-	-	-
As at 31 December 2013	40,016,087	1,100,215	15,940	(37,694,111)	3,438,131

The above Consolidated Statement of Changes in Equity should be read in accordance with the accompanying notes.



## 1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

### Statement of Compliance

These general purpose financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 30 June 2014 and any public announcements made by Antaria during the 6 months ended 31 December 2014 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

### Basis of measurement

These interim financial statements have been prepared under the historical cost convention.

### Critical accounting estimates

The preparation of the financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements were the same as those that applied to the consolidated financial statements for the year ended 30 June 2014.

### Functional and presentation currency

These interim financial statements are presented in Australian dollars, the functional currency of the Company. The subsidiaries have the following functional currencies: United States Dollars and Euros. The financial information of these entities has been translated into the presentation currency in accordance with AASB 121 *The Effects of Changes in Foreign Exchange Rates*.

### Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2014, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the company's operations and effective for annual reporting periods beginning on or after 1 July 2014. It has been determined by the directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the company's business and, therefore, no change is necessary to Group accounting policies.

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2014. As a result of this review the directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the company's business and, therefore, no change is necessary to Group accounting policies.

## 2. SEGMENT INFORMATION

### (a) Description of Segments

Management has determined the operating segments based on reports reviewed by the Board that are used to make strategic decisions.

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. Hence it does not see the need to report by industry segments.

### (b) Revenue by geographical region

Revenue by geographical region attributable to external customers is disclosed below, based on the location of the external customer.

	31 Dec 2014 \$	31 Dec 2013 \$
Australia and New Zealand	614,740	428,709
North America	448,205	-
Europe	715,200	1,006,957
Rest of world	29,485	55,863
Total	<u>1,807,630</u>	<u>1,491,529</u>

### (c) Major customers

The Group has a number of customers to whom it provides products. The Group's four most significant customers individually account for the following percentage of total revenue for the period: 23% (2013: 56%), 23% (2013: \$nil), 15% (2013: 11%) and 12% (2013: 11%). All other customers are individually less than 10% (2013: 5%) of total revenue.

### 3. DIVIDENDS

No dividends were paid or proposed during the half-year.

### 4. EQUITY SECURITIES ISSUED

#### Issues of ordinary shares during the half-year

There were no shares issued during the current period.

<i>Movements in ordinary shares on issue</i>	6 months ended 31-Dec-2014		Year ended 30-Jun-2014	
	Number	\$	Number	\$
As at 1 July	585,839,150	40,016,087	585,839,150	40,016,087
Issued during the period	-	-	-	-
As at end of period	585,839,150	40,016,087	585,839,150	40,016,087

### 5. SUBSIDIARIES

The consolidated financial statements include the financial statements of Antaria Limited and the subsidiaries listed in the following table:

Name	Country of Incorporation	% Equity Interest	
		2014	2013
Advanced Nano Technologies Pty Limited	Australia	100%	100%
Antaria, Inc.	USA	100%	100%
Antaria Europe, B.V.	Netherlands	100%	100%

### 6. CONTINGENT ASSETS AND LIABILITIES

There have been no changes in contingent assets and liabilities since the last annual reporting date.

### 7. EVENTS OCCURRING AFTER THE BALANCE DATE

Other than disclosed elsewhere in this report, there has not arisen in the interval between 31 December 2014 and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future years.

The directors declare that:

- a) the financial statements set out on pages 5 to 10 are in accordance with the *Corporations Act 2001*, including:
  - i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, and the *Corporations Regulations 2001*, and
  - ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) in the directors' opinion, there are reasonable grounds to believe that Antaria Limited 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 directors.



Rade Dudurovic  
Chairman

Brisbane, Queensland  
Date: 5 February 2015

**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Antaria Limited

**Report on the Condensed Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Antaria Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

*Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation of the half-year 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 half year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Antaria Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



**HLB Mann Judd**  
**Chartered Accountants**



**W M Clark**  
**Partner**

**Perth, Western Australia**  
**5 February 2015**