

APPENDIX 4E – FINAL REPORT – 30 JUNE 2019

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

RESULTS FOR ANNOUNCEMENT TO THE MARKET

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

DIVIDENDS

The Board considers that that no final dividend will be paid in respect of the 2019 financial year.

Brief explanation of revenue, net profit and dividends to enable the above figures to be understood

A review of operations for the Group is set out in the Managing Directors' Report of the Annual Report together with the Chairman's Letter, which will be released to market next week.

FINANCIAL STATEMENTS (attached)

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

KEY FINANCIAL PERFORMANCE INDICATORS

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

Operating performance, segments and performance trends

A review of operations for the Group is set out in the Managing Directors' Report of the Annual Report together with the Chairman's Letter, which will be released to market next week.

AUDIT & COMPLIANCE STATEMENT

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

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2019

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

Consolidated Statement of Financial Position

As At 30 June 2019

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

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

2019

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

2018

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

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2019

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

5 Revenue and Other Income

Revenue from continuing operations

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

Licence Income

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

8 Income Tax Expense

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

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

(b) Reconciliation of income tax to accounting profit:

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

9 Cash and Cash Equivalents

	2019	2018
	\$	\$
Cash at bank and in hand	352,533	1,121,396
	352,533	1,121,396

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	352,533	1,121,396

10 Trade and Other Receivables

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

(a) Aged analysis

The ageing analysis of receivables is as follows:

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

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements. Refer to Note 29(b) for further details of credit risk management.

11 Inventories

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

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

12 Other Assets

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

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

13 Property, plant and equipment

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

APPENDIX 4E for the year ended 30 June 2019

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

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

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

14 Development Assets

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

(a) Movements in carrying amounts of Development assets

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

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

15 Tax assets and liabilities

(a) Deferred tax assets

Deferred tax assets balance comprises temporary differences attributable to:

15 Tax assets and liabilities
(a) Deferred tax assets

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

(b) Deferred tax liabilities

Deferred tax liabilities balance comprises temporary differences attributable to:

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

16 Trade and Other Payables

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

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

17 Provisions

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

Provision for Restoration/Decommissioning

The balance of \$95,831 reflects the costs of restoration at 112 Radium Street when the lease expires in March 2021 which has 2x2 year options.

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current as the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

The measurement and recognition criteria relating to employee benefits have been discussed at Note 2(i).

18 Deferred Income

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

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

19 Issued Capital

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

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

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

(a) Movement in ordinary shares

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

(b) Capital Management

At this stage of the Group's growth, management's capital management objectives are to ensure that the entity continues as a going concern and to maintain a capital structure that supports future development of the Group's business. To date, capital management activities have included the issue of new shares to raise equity for investment in research and product development and other activities aimed at supporting the commercialisation and sales and marketing of its products and technologies.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

The Group has not entered into any other arrangements to issue further shares. However, management may consider the issue of further shares in the future in order to provide the necessary capital for future growth and/or take advantage of other opportunities.

The Group does not have any external debt and is not subject to any externally imposed capital requirements.

20 Reserves

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

(a) Foreign currency translation reserve

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

(b) Share based payment reserve

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

26 Cash Flow Information
(a) Reconciliation of result for the year to cashflows|from operating activities

Reconciliation of net income to net cash provided by operating activities:

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