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Advance NanoTek Limited

ACN 079 845 855

Interim Financial Statements

For the Half Year Ended 31 December 2019

ACN: 079 845 855
ASX Code: ANO

Advance NanoTek Limited

ACN 079 845 855

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For the Half Year Ended 31 December 2019

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Advance NanoTek Limited

ACN 079 845 855

Directors' Report For the Half Year Ended 31 December 2019

Your directors present their report, together with interim financial report of the Group being Advance NanoTek Limited (the Company) and its controlled entities, for the half year ended 31 December 2019.

Directors

The names of the directors in office at any time during, or since the end of, the half year are:

Names	Position
Lev Mizikovsky	Non-executive Chairman
Rade Dudurovic	Non-executive Director
Laurie Lefcourt	Non-executive Director and Audit Committee Chairperson
Geoff Acton	Managing Director

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 half year the principal continuing activities of the Group consisted predominantly of the manufacture of aluminium oxide powder (Alusion), zinc oxide dispersions and zinc oxide powder (collectively ZinClear) for the Personal Care Sector.

There were no significant changes in the nature of the Group's principal activities during the half financial year.

Operating results

Advance Nano Tek Limited result for the half year ended 31 December 2019 was net profit after tax of \$3.366 million. The Company has recorded a profit before tax of \$4.818 million which is 2.77 times greater than the corresponding half year ended 31 December 2018. Sales revenue for the 6 months to December 2019 is \$11.307 million compared to \$4.743 million for 6 months to December 2018. Our ZinClear XP powder sales are up 4.6 times compared to 6 months December 2018.

During the past 6 months, the Advance Nano Tek Limited has received TGA approval on the Brisbane manufacturing facility.

The tax expense of \$1.452 million for the half year ended 31 December 2019 is not payable in cash due to the utilisation of prior year tax losses.

ANO is in the early stages of a feasibility study to leverage the capture of its CO₂ emissions from its zinc oxide production equipment and convert the CO₂ into oxygen through the growth in hydroponics, on site at Shettleston Street Rocklea. We are witnessing a reduction in our energy consumption with the installation of our solar panels completed in December 2019. We will look to utilise this solar energy and battery storage as part of our hydroponics feasibility study.

Review of financial position

The net assets of the Group have increased by \$3,361,168 from 30 June 2019 to \$21,689,857 at 31 December 2019. A loan was obtained from entities associated with Mr Lev Mizikovsky totalling \$1.1 million during the half year ended 31 December 2019 to assist the group with working capital requirements and has been repaid in full subsequent to 31 December 2019.

Advance NanoTek Limited

Interim Financial Statements 31 December 2019

Advance NanoTek Limited

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Directors' Report

For the Half Year Ended 31 December 2019

The Group has adopted AASB 16 Leases from 1 July 2019. This has resulted in right of use assets of \$3.170 million and \$3.191 million in lease liabilities being recognised on the balance sheet at 31 December 2019.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the Group during the half year.

Dividends paid or recommended

No dividends have been paid or declared during the financial half year. (31 December 2018: Nil)

Events after the reporting date

The loan owing to entities associated with Mr Lev Mizikovsky totalling \$1.1 million was repaid subsequent to 31 December 2019.

Advance NanoTek Limited has completed a capital raising on 17 January 2020. The Company raised \$3.945 million and issued 682,444 shares on 24 January 2020.

On 2 January 2020, the company completed a share buy-back of 6,678 shares for \$37,797.48 from employees no longer entitled to these shares in accordance with the terms of the company's employee share scheme.

Except as above, no matters or circumstances have arisen since the end of the financial half year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments and results

The Group has established a solid platform which to grow sales, improve margin and deliver profitability including planned capacity increases to bring production to in excess of 3,000 T per annum.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2019 has been received and can be found on page 3 of the interim financial report.

This report is signed in accordance with a resolution of the Board of Directors.



Lev Mizikovsky
Chairman

Dated 3 February 2020

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF ADVANCE NANOTEK
LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2019 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

William Buck (Qld)
ABN 21 559 713 106

J A Latif

J A Latif
A member of the firm

Brisbane, 3rd February 2020

ACCOUNTANTS & ADVISORS

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2019

		31 December 2019	31 December 2018
	Note	\$	\$
Sales Revenue	3	11,306,778	4,742,633
Other income	3	501,229	533,351
Raw materials and consumables used		(4,407,305)	(2,191,409)
Employee benefits expense		(1,329,238)	(458,954)
Depreciation expense		(425,098)	(121,632)
Legal expense		(29,979)	(7,364)
Directors fees		(148,000)	(143,900)
Insurance fees		(100,682)	(58,044)
Rent expense		-	(117,058)
Travel costs		(33,780)	(29,792)
Rate & taxes		(11,941)	(16,381)
Corporate costs		(131,046)	(71,546)
Logistic		(89,818)	(89,500)
Patent Renewal		(15,957)	(64,508)
Other operating expenses		(266,900)	(165,658)
Profit before income tax		4,818,263	1,740,238
Income tax benefit (expense)	9	(1,451,987)	-
Profit from continuing operations		3,366,276	1,740,238
Profit for the half year		3,366,276	1,740,238
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that will be reclassified to profit or loss when specific conditions are met		-	-
Profit attributable to:			
Members of the parent entity		3,366,276	1,740,238
Total comprehensive income attributable to:			
Members of the parent entity		3,366,276	1,740,238
Earnings per share			
Basic earnings per share (cents)		5.71 cents	3.03 cents
Diluted earnings per share (cents)		5.58 cents	3.03 cents

There is no cash for tax expense.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Advance NanoTek Limited

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Consolidated Statement of Financial Position As At 31 December 2019

	31 December 2019	30 June 2019 (restated)
Note	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	304,964	352,533
Trade and other receivables	5,608,597	1,749,257
Inventories	4,413,817	3,359,421
Other assets	1,529,875	1,554,878
TOTAL CURRENT ASSETS	11,857,253	7,016,089
NON-CURRENT ASSETS		
Property, plant and equipment	5,254,867	3,759,559
Right of use assets	3,170,555	-
Deferred tax assets	6,788,786	8,238,585
Development assets	960,650	801,409
TOTAL NON-CURRENT ASSETS	16,174,858	12,799,553
TOTAL ASSETS	28,032,111	19,815,642
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	1,225,434	625,215
Lease liabilities	454,070	-
Provisions	54,467	31,718
Deferred income	160,039	160,039
Borrowings	1,100,000	-
TOTAL CURRENT LIABILITIES	2,994,010	816,972
NON-CURRENT LIABILITIES		
Lease liabilities	2,737,284	-
Provisions	135,976	114,319
Deferred income	474,984	555,662
TOTAL NON-CURRENT LIABILITIES	3,348,244	669,981
TOTAL LIABILITIES	6,342,254	1,486,953
NET ASSETS	21,689,857	18,328,689
EQUITY		
Issued capital	41,699,106	41,699,106
Reserves	1,498,003	1,498,003
Accumulated losses	(21,507,252)	(24,868,420)
Total equity attributable to equity holders of the Company	21,689,857	18,328,689
TOTAL EQUITY	21,689,857	18,328,689

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

Advance NanoTek Limited

Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2019

	Note	Issued Capital \$	Accumulated Losses \$	Foreign Currency Transacti on Reserve \$	Share Based Payment Reserve \$	Total \$
Balance at 1 July 2019 (as previously reported)		41,699,106	(24,666,534)	15,940	1,482,063	18,530,575
Opening balance adjustment	8	-	(288,408)	-	-	(288,408)
Tax impact	8	-	86,522	-	-	86,522
Balance at 1 July 2019 (restated)		41,699,106	(24,868,420)	15,940	1,482,063	18,328,689
Cumulative adjustment upon change in accounting policies (AASB 16)	2(a)	-	(5,108)	-	-	(5,108)
Balance 1 July 2019		41,699,106	(24,873,528)	15,940	1,482,063	18,323,581
Comprehensive income for the half year						
Profit / (Loss) for the half year		-	3,366,276	-	-	3,366,276
Other comprehensive income for the half year		-	-	-	-	-
Total Comprehensive Income for the half year		-	3,366,276	-	-	3,366,276
Transactions with owners in their capacity as owners		-	-	-	-	-
Balance at 31 December 2019		41,699,106	(21,507,252)	15,940	1,482,063	21,689,857

	Note	Issued Capital \$	Accumulated Losses \$	Foreign Currency Transaction Reserve \$	Share Based Payment Reserve \$	Total \$
Balance at 1 July 2018		39,442,499	(33,923,916)	15,940	1,100,215	6,634,738
Cumulative adjustment upon change in accounting policies (AASB 15)		-	-	-	-	-
Comprehensive income for the half year						
Profit / (Loss) for the half year		-	1,740,238	-	-	1,740,238
Other comprehensive income for the half year		-	-	-	-	-
Total Comprehensive Income for the half year		-	1,740,238	-	-	1,740,238
Transactions with owners in their capacity as owners		-	-	-	-	-
Balance at 31 December 2018		39,442,499	(32,183,678)	15,940	1,100,215	8,374,976

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

Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2019

	31 December 2019	31 December 2018
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers (including GST)	8,049,900	5,042,955
Payments to suppliers and employees (including GST)	(7,099,778)	(4,472,222)
Interest received	2	632
Interest and finance costs paid	(31,550)	-
Income taxes paid	2	-
Net cash provided by/(used in) operating activities	918,576	571,365
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(1,755,828)	(143,636)
Payment for capitalised development costs	(159,241)	(193,697)
Net cash provided by/(used in) investing activities	(1,915,069)	(337,333)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	1,100,000	-
Repayment of lease liabilities	(151,076)	-
Net cash provided by/(used in) financing activities	948,924	-
Net increase/(decrease) in cash and cash equivalents held	(47,569)	234,032
Cash and cash equivalents at beginning of year	352,533	1,121,396
Cash and cash equivalents at end of the half year	304,964	1,355,428

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the Half Year Ended 31 December 2019

The interim financial report covers 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.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated 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 3 February 2020.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

This condensed consolidated interim financial report for the reporting period ending 31 December 2019 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Advance NanoTek Limited and controlled entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2019, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except as disclosed in Note 2(a).

The financial statements have been prepared on an accruals basis and are based on historical costs.

Notes to the Financial Statements

For the Half Year Ended 31 December 2019

2 Summary of Significant Accounting Policies

(a) Adoption of new and revised accounting standards

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the group:

AASB 16 Leases

The group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption at 1 July 2019 was as follows:

	1 July 2019
	\$
Operating lease commitments 1 July 2019	604,238
Operating lease commitments discount based on weighted average incremental borrowing rate of 4.5%	(28,554)
Short-term leases not recognised as a right of use asset	(73,752)
Accumulated depreciation 1 July 2019	(28,159)
	<u>473,773</u>
Right of use asset	473,773
Lease liabilities – current	(222,810)
Lease liabilities – non-current	(258,261)
Tax effect of above adjustments	2,190
Reduction in opening retained earnings 1 July 2019	5,108

Notes to the Financial Statements

For the Half Year Ended 31 December 2019

2 Summary of Significant Accounting Policies

(a) Adoption of new and revised accounting standards (continued)

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Notes to the Financial Statements

For the Half Year Ended 31 December 2019

3 Revenue and Other Income

Revenue from continuing operations

	31 December 2019 \$	31 December 2018 \$
Sales revenue		
- Sale of ZinClear	10,519,664	4,082,752
- Sale of Alusion	787,114	659,881
Total Sales Revenue	11,306,778	4,742,633
Other revenue		
- Licence income	80,677	80,677
- Interest	2	632
- Gain on exchange differences	329,236	357,821
- Write-back depreciation expense	-	90,226
- Other income	91,314	-
- Refund of workers compensation	-	3,995
Total Other Income	501,229	533,351

4 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2019 (31 December 2018: None).

Notes to the Financial Statements

For the Half Year Ended 31 December 2019

5 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 formulation used for sunscreen, skincare and pharmaceutical formulations, as well as alumina plate-like powder 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.

	31 December 2019	31 December 2018
	\$	\$
Australia	1,502,071	1,085,489
United States of America and Canada	8,224,512	2,116,029
Europe	1,297,159	955,208
Rest of the world	283,036	585,807
Total	11,306,778	4,742,533

6 Related Parties

Amounts receivable from or payable to related parties for the sales and purchase of goods and services are unsecured and interest free and are included in the balances of trade and other receivables and payables. Balances are settled within normal trading terms or as per agreement with the Board. No allowance for expected credit losses has been recognised on these outstanding balances, nor have any bad debt expenses been incurred.

(a) The Group's main related parties are as follows:

(i) Key management personal:

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 personal.

Tamawood Limited, SenterpriSys Limited and CyberguardAU Pty Ltd are deemed to be related party by virtue of Mr Lev Mizikovsky, non-executive Chairman having a controlling interest in these Companies.

AstiVita limited (AIR) is deemed to be a related party because some of the Directors of ANO are on the Board of AIR.

Notes to the Financial Statements

For the Half Year Ended 31 December 2019

6 Related Parties (continued)

(a) The Group's main related parties are as follows:

(i) Key management personal:

Transaction with KMP and their related parties, excluding remuneration are shown below (b).

(b) Transactions with related parties

(i) Sales of Goods and Services

	31 December 2019 \$	31 December 2018 \$
AstiVita Limited		
- Administration services	4,815	5,370
SenterpriSys Limited		
- Administration services	-	3,435

(ii) Purchase of Goods and Services

	31 December 2019 \$	31 December 2018 \$
AstiVita Limited		
- Administration and logistic	279,669	89,500
Tamawood Limited		
- Other services (Utilities)	425	2,049
CyberguardAU Pty Ltd		
- Cybersecurity services	5,716	3,045
SenterpriSys Limited		
- IT services	95,663	15,797
G&S Quality Systems Pty Ltd and Mr Geoff Acton		
- Administration, payroll and company secretarial services	49,520	25,072
Rainrose Pty Ltd		
- Management reporting services	-	2,500
Winothai Pty Ltd		
- Management reporting services	9,400	1,300
TamawoodL Pty Ltd		
- Rent	56,490	9,298
Poltick Pty Ltd		
- Rent	30,303	-

Notes to the Financial Statements

For the Half Year Ended 31 December 2019

6 Related Parties (continued)

(c) Outstanding balances

	31 December 2019 \$	30 June 2019 \$
Amounts Payable		
DixonBuild Pty Ltd	15,975	-
SenterpriSys Limited	-	19,903
TamawoodL Pty Ltd	22,153	17,076
CyberguardAU Pty Ltd	-	-
Poltick Pty Ltd	36,667	-
AstiVita Limited	29,193	63,854
G&S Quality Systems Pty Ltd	1,364	-
Amounts Receivable		
AstiVita Limited	660	-
Borrowings		
Entities associated with Mr Lev Mizikovsky*	1,100,000	-

*These borrowings are unsecured and earn interest at 7% if not repaid within 1 year. This has been repaid since 31 December 2019.

7 Events Occurring After the Reporting Date

The loan owing to entities associated with Mr Lev Mizikovsky totalling \$1.1 million was repaid subsequent to 31 December 2019.

Subsequent to 31 December 2019, the Company completed a 1 for 50 Rights Issue. The Company raised \$3.945 million and issued 682,444 shares on 24 January 2020 and repaid the short-term borrowings of \$1.1million.

On 2 January 2020, the company completed a share buy-back of 6,678 shares for \$37,797.48 from employees no longer entitled to these shares in accordance with the terms of the company's employee share scheme.

Except as above, no matters or circumstances have arisen since the end of the financial half 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.

Notes to the Financial Statements

For the Half Year Ended 31 December 2019

8 Correction of prior period error

In finalising the 31 December 2019 financial statements, an error in account balances was identified relating to accumulated foreign exchange adjustments dating back to 2009. It is not practicable to determine the period-specific impact of this accumulated error and has therefore been corrected as at 30 June 2019.

The impact of correcting these is to reduce net assets as at 30 June 2019 by \$201,886. This amount is immaterial but opening balances at 30 June 2019 have been restated.

The errors affected the following areas:

**Impact on statement of
financial position at 30 June
2019 Increase/(decrease)
\$**

Trade and other receivables	(288,408)
Deferred tax assets	86,522
Retained earnings	(201,886)

The comparative figures for these financial statements at 30 June 2019 have been restated by \$201,886 as follows:

	Original 30 June 2019 \$	Restated 30 June 2019 \$
Consolidated statement of financial position		
Trade and other receivables	2,037,665	1,749,257
Current assets	7,304,497	7,016,089
Deferred tax assets	8,152,063	8,238,585
Non-current assets	12,713,031	12,799,553
Total assets	20,017,528	19,815,642
Retained earnings	(24,666,534)	(24,868,420)
Total equity	18,530,575	18,328,689
Consolidated statement of changes in equity		
Retained earnings	(24,666,534)	(24,868,420)
Total equity	18,530,575	18,328,689

9 Income tax expense

The tax expense of \$1.452 million for the half year ended 31 December 2019 is not payable in cash due to the utilisation of prior year tax losses.

Advance NanoTek Limited

ACN 079 845 855

Directors' Declaration

The directors of the Company declare that:

1. The interim financial statements and notes, as set out on pages 3 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.
2. 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
Chairman

Dated 3 February 2020

Advance NanoTek Limited

Independent auditor's review report to members

Report on the Review of the Half-Year Financial Report

Qualified Conclusion

We have reviewed the accompanying half-year financial report of Advance NanoTek Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, except for the possible effects of the matter described under the Basis of Qualified Conclusion, we have not become aware of any matter that makes us believe that the half-year financial report of Advance NanoTek 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 2019 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for Qualified Conclusion

We were appointed as auditors for the half-year ended 31 December 2019, however the financial report for the consolidated entity for the year ended 30 June 2019 was audited by another auditor who expressed a qualified opinion. The audit report for the year ended 30 June 2019 was issued on 22 August 2019 and was qualified as the previous auditor was unable to verify the existence of all inventory in the 30 June 2019 financial statements. Since the 30 June 2019 inventory balance enters into the determination of the results of operations for the period ended 31 December 2019, we are unable to determine whether any adjustments to the results of operations and opening retained earnings might be necessary for the period ended 31 December 2019.

Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

ACCOUNTANTS & ADVISORS

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Auditor's Responsibilities for the Review of the Half-Year Financial Report

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 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 2019 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 Advance NanoTek Limited, 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.

William Buck

William Buck (Qld)
ABN 21 559 713 106

Junaide A Latif

Junaide A Latif
A member of the firm

Brisbane, 3rd February 2020

ACCOUNTANTS & ADVISORS

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