

ANTARIA

an advanced materials world

REPORT FOR THIRD QUARTER FY14

Antaria is a specialist manufacturer and supplier of materials used in the personal care and cosmetic sectors.

Antaria's two primary products are ZinClear™ a transparent zinc oxide based broad spectrum UV absorber for use in the sun care and cosmetics sector and Alusion™ an aluminium oxide pigment with applications in cosmetics products.

Antaria services its international customer-base via a global network of distributors.

ASX: ANO

Directors

Rade Dudurovic (Chairman)

Ron Higham

Paul Pisasale

Company Secretary

Geoff Fussell

Quarterly Overview

- The cost efficiency initiatives implemented by the Board have continued to be a key focus and have had a positive impact on operating results. This is reflected in a cash inflow from operations for the quarter of \$61,340 compared to a cash outflow of \$908,703 in the corresponding quarter last year.
- The overall cash flow for operations for the year has improved significantly over the prior year with a year-to-date cash outflow from operations of \$444,879 compared to a cash outflow of \$1,323,459 for the corresponding prior period.
- The cash outflow from operations for the year to date is due primarily to a decrease in customer receipts resulting from a significant decline in sales to the North American distributor, The Dow Chemical Company ("Dow"), due to the unexpected destocking decision by Dow to reduce their ZinClear™ stockholdings instead of purchasing new product.
- Sales to Merck KGaA of *Alusion™* continue to track higher with revenue for the quarter of \$489,343 (FY14 YTD \$1,324,468) compared to \$239,003 (FY13 YTD \$784,736) for the corresponding prior period (an increase of 105% for the quarter and YTD increase of 69%).
- In May 2014, Antaria will realise the benefits of the initial expansion of production capacity for *Alusion™* resulting in increased sales of *Alusion™* going forward.

Outlook

Alusion™

Antaria expects to complete the production capacity expansion program for *Alusion™* during May 2014. The increase in production capacity is required to accommodate higher sales volumes under the Merck Supply Agreement and will be achieved with minimal capital spend.

ZinClear-IM™ and ZinClear-XP™

On 27 March 2014, Antaria lodged a Notice of Early Termination pursuant to the Dow Agreement. The Notice of Early Termination has the effect of terminating the Dow Agreement ninety (90) days after 27 March 2014 (i.e. 26 June 2014). Terminating the Dow Agreement by Notice of Early Termination does not preclude Antaria from pursuing Dow for compensation and damages under the Dow Agreement.

Antaria has identified new North American distribution partners who will be appointed immediately following the termination of the Dow Agreement. The appointment of these new distributors is expected to result in improved North American sales for FY15.

Antaria representatives recently attended the PchI Trade Show in China and exhibited at the In Cosmetics Trade Show in Hamburg. There was significant interest in *ZinClear-IM™* and *ZinClear-XP™* at both shows from brand owners, distributors and contract manufacturers in the European Union, USA, South America and Asia.

Brand owners are increasingly incorporating UV filters into their “daily wear” skincare and cosmetic products. *ZinClear-IM™* and *ZinClear-XP™* offer brand owners a cost-effective non-chemical solution to their SPF requirements, which is particularly important to those brand owners with “all natural” skincare and cosmetic offerings.

In Europe, where Zinc Oxide is not yet officially approved as a UV filter, Antaria focuses its marketing on global European skincare and cosmetic brand owners who are targeting the growth markets of Asia, China and South America where Zinc Oxide is an accepted UV filter.

Antaria continues to pursue distribution relationships in China, Japan, Indonesia, Turkey and the United Kingdom where Zinc Oxide UV filters are attracting growing interest from local brand owners and contract manufacturers.

Antaria actively supports its global distribution partners with formulations, product samples and technical advice.

Cash Report

Net cash flow for the quarter was an outflow of \$3,708 compared to an outflow of \$1,031,554 for the corresponding prior period. The year-to-date net cash outflow was \$817,371 compared to \$1,825,411 for the corresponding prior period despite a decline in year-to-date revenues of in excess of \$720,000 resulting predominantly from the Dow destocking decision.

The improvement in cash flow reflects the impact of:

- Increasing sales of *Alusion*TM
- Cost efficiency initiatives
- Reducing capital spend

For further information, please contact:

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