
ANTARIA

an advanced materials world

Antaria Limited

(Formerly Advanced Nanotechnology Limited)
ACN 079 845 855

Annual Report – 30 June 2008

Antaria Limited

(Formerly Advanced Nanotechnology Limited)

ACN: 079 845 855

ABN: 54 079 845 855

Directors

Bruce Cameron (Executive Chairman)

David Griffiths (Non-Executive Director)

Robert Mangioni (Non-Executive Director)

John Young (Non-Executive Director)

Paul McCormick (Executive Director)

Company Secretary

Deana Cesari (Chief Financial Officer)

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I am pleased to present the report on the 2008 financial year on behalf of the Board of Directors of Antaria Limited (the Company).

The year has been one of significant progress but also transition for the Company. Outstanding success has been achieved in the commercialisation of our zinc oxide technology and we have made exciting progress in our development of other products. We have become a leaner organisation focused on commercial outcomes.

In April, Dr. Paul McCormick, Antaria's founder, stepped down as CEO so that he could spend more time in providing better technical support to our product development projects. The Board places on record its recognition of Dr. McCormick's outstanding achievements in the establishment and leadership of the Company in its early years and we are delighted to be able to retain his invaluable skills and experience.

I have been a director of Antaria since December 2006 and am very pleased to assume the additional responsibility of Executive Chairman of the Company. I am excited about bringing my 30 years of business and leadership experience to the task of stewardship of the pool of talented people and exciting technologies and ideas that is Antaria. I see this recent change in the management of your Company as an opportunity to put a fresh focus onto the assets and resources that we have built and to reassess our direction where appropriate.

Several years ago, Antaria was born out of creativity and research nurtured at the University of Western Australia. In the past year, we have adjusted our business model to more strongly direct the best of our creative ideas toward better commercial outcomes. To this end, we have reduced the operational cost base of the Company in areas that we believe are not fundamental to our medium term objectives.

I intend to continue this more commercial approach to the utilisation of resources. We will identify the best opportunities that we have and we will prioritise our activities with a view to reaching success in as short a time as possible. We will focus on the important tasks and doing them well.

Name Change

The Company's recent name change to Antaria was driven by the evolution of our knowledge in advanced materials science. Our knowledge base now encompasses a wider range of technologies than represented by the original "nanotechnology" name. We are now working with much larger micron sized particles and with chemically bonded aggregations called geopolymers.

The new name Antaria was suggested by employees. We will promote Antaria as "an advanced materials world" and we are very comfortable with that promise. It is a reflection of the advanced materials technologies and knowledge that we have developed.

Business Model

In the past year we have seen the emergence of our ZinClear-IM™ business line. We believe this delivers to the Company a commercial platform upon which it can build its future. ZinClear-IM™ is truly a demonstration of Antaria's promise of "an advanced materials world".

ZinClear-IM™ has helped us to more than double revenues from Personal Care sales during the past year. This testifies to both the efforts of our employees and to the quality of the underlying product technologies.

ZinClear-IM™ is a unique micron-sized zinc oxide UV active that is completely transparent whilst being an effective broad spectrum UV block for sun screen and cosmetic applications. In the future, ZinClear-IM™ will be an important element of our commercial success. We now have a business line with an edge on competing products that addresses a global market which is in excess of US\$300 million per year.

In April this year, Antaria entered into a multi-year agreement with the Amerchol division of The Dow Chemical Company for the distribution of ZinClear-IM™ into the North and Latin American markets. New regulations proposed by the United States Food and Drug Administration (FDA) aimed at enforcing both UVA and UVB protection in sunscreen products, and the increased public awareness about the danger of exposure to the sun, give an important boost to the prospects for ZinClear-IM™. This strategic relationship with Dow Amerchol will give Antaria a strong partner to address the personal care opportunities within this region.

Antaria has significant business opportunities in other key markets. We are very encouraged with the potential of our Cercat™ cerium oxide fuel catalyst and our AlPearl™ alumina based pearlescent pigment substrate. We are also continuing our innovative zirconia ceramics concepts which have the potential to revolutionise the manufacture of small ceramics parts and coatings. We are also working with a manufacturer of building systems on some very interesting concepts based on geopolymers.

Success of our cerium oxide fuel catalyst, Cercat™, was hampered during 2007 as a result of the cancellation of our supply agreement with Oxonica plc and its subsequent replacement with an agreement with Energenics Pte Ltd.

Energenics are aggressively marketing their clean fuel technologies, including Cercat™, around the world, and we are confident that Cercat™ can again become a significant contributor to Antaria's business over the next few years.

Our aluminium oxide plate shaped particles that formed the basis of our Alusion® product used in cosmetics has been evolved to address the significantly larger market of pearlescent pigments. AlPearl™ is now being assessed by major manufacturers as to suitability for use as the substrate that is the building block for their high end paint pigments and we are receiving encouraging signals.

Antaria should look to its future with confidence. The Company is rich with a wealth of ideas and opportunities. The future is tangible; it is now a matter of realisation. I see my most important task as one of ensuring that the Company understands what strategies need to be adopted to shorten the timeframe to success and then to guide and encourage the implementation of those strategies.

Your directors present their report on Antaria Limited (Antaria or the Company), formerly Advanced Nanotechnology Limited, for the year ended 30 June 2008.

DIRECTORS AND SECRETARY

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

Bruce Cameron (Executive Chairman)

BE (Hons), BCS, FAICD, FAIM

Bruce Cameron was appointed as a non-executive director on 18 December 2006 and Executive Chairman on 8 April 2008. Mr. Cameron also served as Chairman of the Audit Committee from 21 August 2007 to 8 April 2008.

Mr. Cameron is the managing director of Camco Engineering Pty Ltd, a privately owned and operated engineering, machining and fabrication business. Mr. Cameron has over 30 years experience in manufacturing and engineering and has developed specialist skills in production management, strategic planning, business process design, and information technology.

Mr. Cameron has not served as a director of any other listed companies over the past three years.

David Griffiths (Non-Executive Director)

BEc (Hons), MEc, FAICD

David Griffiths was appointed as a non-executive director on 11 December 2003 and was Chairman from 15 March 2007 to 8 April 2008. Mr. Griffiths also served as Chairman of the Audit Committee from its inception until 15 March 2007. Mr. Griffiths remains a member of the Audit Committee.

Mr. Griffiths has more than 15 years experience in equity capital markets, mergers and acquisitions and the corporate advisory sector. He is a former Division Director of Macquarie Bank Limited and Executive Chairman of Porter Western Limited.

Mr. Griffiths has also served as a director of the following other listed companies over the past three years:

- Great Southern Limited* – director and chairman since 4 July 2005;
- ARC Energy Limited – director and chairman from 8 July 2005 to 25 August 2008;
- Automotive Holdings Group Limited* – director since 27 February 2007 and deputy chairman since 7 May 2008;
- ThinkSmart Limited* – director since 4 June 2007 (date ThinkSmart Limited listed on the ASX); and
- Northern Iron Limited* - director since 12 December 2007 (date Northern Iron Limited listed on the ASX).

* denotes current directorship

Robert Mangioni (Non-Executive Director)

BA, LLB

Robert Mangioni was appointed as a non-executive director on 4 November 2004. Mr. Mangioni is the current Chairman of the Audit Committee.

Mr. Mangioni is a director of the Sydney based law firm Watson Mangioni Lawyers Pty Limited. Mr. Mangioni has over 20 years experience in the practise of law in Australia and London. He holds a Bachelor of Arts and a Bachelor of Laws from the University of New South Wales. He has extensive experience in corporate law including corporate governance, market regulation, takeovers and public floats.

Mr. Mangioni has not served as a director of any other listed companies over the past three years.

John Young (Non-Executive Director)

BE, MBA

John Young was appointed as a non-executive director on 5 October 2007 and is also a member of the Audit Committee.

Mr. Young has more than 18 years' experience in private equity and corporate development activity. He is the former Director Corporate Development for Boral Limited and previously was an executive and executive director for Patrick Corporation Ltd. Mr. Young graduated a Bachelor of Engineering from Sydney University and a Master in Business Administration from Harvard University. Later, Mr. Young worked for seven years as a consultant with McKinsey & Company in Australia, the USA and Europe.

Mr. Young is currently a director of Pacific Development Capital, a pooled development fund managed by KTM Capital Pty Ltd, a specialist equity capital markets group. He also serves as honorary president of the Aeromech Engineering Foundation at the University of Sydney.

Mr. Young has not served as a director of any other listed companies over the past three years.

DIRECTORS (continued)**Dr. Paul McCormick (Executive Director)**

B.S., M.S., PhD, FAA, FTSE

Paul McCormick was appointed as a director on 10 January 2000 and served as Chief Executive Officer from 24 November 2000 to 8 April 2008.

Dr. McCormick is one of the originators of the MCP™ nanoparticle technology and founded Antaria in 1997 to commercialise the MCP™ manufacturing process. In 2000 he led the successful negotiations that resulted in the establishment of Advanced Nano Technologies Pty Ltd, the joint venture with Samsung Corning Co. Ltd. Prior to joining Antaria, Dr. McCormick was an internationally recognised researcher in the areas of mechanochemical processing and synthesis of nanopowders. His previous positions have been in senior research management roles in academia, including director of both the Western Australian Centre for Microscopy and Microanalysis and the Research Centre for Advanced Mineral and Materials Processing. In August 2007, Dr. McCormick was appointed to the Board of the Australian Nano Business Forum, the peak national body representing and promoting Australian industries and companies involved in nanotechnology.

Dr. McCormick has not served as a director of any other listed companies over the past three years.

Thibaut Mortier (Executive Director) (resigned 29 August 2008)

MSc (Chemical Engineering), MBA

Thibaut Mortier joined Antaria in August 2006 as Vice President – Global Business Development, Sales and Marketing and served as General Manager from 8 April 2008. Mr. Mortier resigned from his executive position and as a director of the Company on 29 August 2008.

Mr. Mortier was previously Development Director Europe, Building Products, for CRH, a listed Irish global building materials company. Prior to joining CRH. Mr. Mortier had a six-year career with Cytec Industries, first as Manager of Corporate Development at Cytec Industries headquarters in New Jersey, USA, followed by the position of Regional Director Asia Pacific, based in Singapore.

Mr. Mortier has not served as a director of any other listed companies over the past three years.

Mr. William Harold Clough AO, OBE (Non-Executive Director) (retired 21 November 2007)

BE(Hons), MS(Calif), Hon FIEAust, CPEng, Hon DE(UWA), FTSE, FAICD, FAIM

Harold Clough served as a non-executive director from his appointment on 10 January 2000 until his retirement on 21 November 2007, and was Chairman until 15 March 2007. Mr. Clough was also Chairman of the Audit Committee from 15 March 2007 to 21 August 2007.

Mr. Clough is an engineer and is Chairman and Managing Director of McRae Investments Pty Ltd, engaged in nickel and coal mining in Indonesia and a range of other activities. For nearly 50 years Mr. Clough was Chairman and Managing Director of Clough Limited, an Australian engineering company. He has also been Chairman and Director of a number of private and public companies.

Mr. Clough has been President of the Chamber of Commerce and Industry of Western Australia, the Australian Chamber of Commerce and Industry and Vice President of the Confederation of Asia-Pacific Chambers of Commerce and Industry. He was also a member of the Senate of the University of Western Australia for more than ten years and is Chairman of Alzhyme Pty Ltd, a company supporting research into Alzheimer's Disease.

Mr. Clough has also served as a director of the following other listed companies over the past three years:

- Clough Limited – director from 12 March 1998 (date Clough Limited listed on the ASX) to 26 October 2007.

COMPANY SECRETARY**Ms. Deana Cesari (Chief Financial Officer)**

CA, B.Comm, MAICD

Deana Cesari joined Antaria in June 2004 and was appointed as Company Secretary on 4 August 2004.

Ms. Cesari is responsible for the Group's accounting, financial and secretarial functions. She has over 15 years experience in financial and commercial roles including positions with KPMG, Orbital Corporation Limited, Perth (group financial controller and company secretary), and Orbital Fluid Technologies, Virginia, USA (commercial director and general manager).

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the number of shares and options held by directors and director-related interests in Antaria Limited were:

Director	SHARES		OPTIONS			
	No. Held	No. Held	Grant Date	Vesting Date	Expiry Date	Exercise Price
Bruce Cameron	1,572,444	250,000	27-Nov-07	N/a	21-Feb-10	30.8 cents
David Griffiths	2,885,593	250,000	17-Feb-05	22-Feb-07	21-Feb-10	30.8 cents
Robert Mangioni	2,088,874	250,000	17-Feb-05	22-Feb-07	21-Feb-10	30.8 cents
John Young	9,656,735	250,000	27-Nov-07	N/a	21-Feb-10	30.8 cents
Paul McCormick ⁽¹⁾	4,069,617	5,911,157	09-Nov-06	24-Feb-07	21-Feb-10	30.8 cents
	<u>20,273,263</u>	<u>6,911,157</u>				

(1) Dr. McCormick has the right to acquire, under an Inventors Call Option Deed, 13,902,165 shares held by the University of Western Australia. As at the date of this report, Dr. McCormick has not exercised this right.

PRINCIPAL ACTIVITIES

The principal activities during the year of the entities within the consolidated entity were the development, production and sale of advanced metal oxides powders and dispersions. To date, Antaria's commercialised products include powders and dispersions of zinc oxide, aluminium oxide and cerium oxide.

There have been no significant changes in the nature of those activities during the year.

OPERATING AND FINANCIAL REVIEW

GROUP OVERVIEW

Antaria was first formed in 1997 to commercialise advanced materials technology originally developed by the University of Western Australia. The technology was first scaled-up via a joint venture with Samsung Corning Co. Ltd, of Korea (May 2000 to January 2005), and then as a stand-alone operation.

The Company's name change to Antaria Limited (effective 1 July 2008) reflects the Company's expansion from the original research based foundations to the development of a broader range of advanced materials opportunities. Antaria's core skills now include the development, scaling-up, manufacturing and marketing of innovative products based on a range of proprietary advanced material technologies and manufacturing processes.

Antaria focuses on selected high growth market segments, for example: cosmetics, fuel additives, pigments, and plastic additives. Product selling is performed via both a network of specialist distributors around the world, and strategic distribution alliances such as those with Dow Amerchol and Energenics. Those sales channels are supported by dedicated business development specialists and a strong technical service team. This approach successfully combines world-leadership industry expertise with focused geographical penetration for each targeted end-use.

TECHNOLOGY PLATFORM

Antaria's original proprietary MCP™ process is capable of manufacturing a wide range of advanced materials such as our Alusion® or ZinClear® product lines. Antaria has also developed proprietary downstream processing techniques that allow the materials so produced to be effectively dispersed into a wide range of carriers, such as plastic resins, coating binders and cosmetic emollients. Antaria has also developed and implemented variations and additions to its core MCP™ technology that further expand the Company's ability to meet market demand for advanced materials produced at large scale.

MARKET SEGMENTS

Antaria has aligned its product development, sales and marketing activities around two key market segments to best resolve customers' needs in those technically-demanding applications:

- Personal Care; and
- Industrials.

Personal Care

Antaria's Personal Care business currently includes two product lines: ZinClear® and Alusion®.

- ZinClear® products are dispersions of broad spectrum, mineral-only UV filters in cosmetic emollients used for sunscreen, skincare, and pharmaceutical formulations. The ZinClear® product line currently includes ZinClear® and ZinClear-S™, stable dispersions of transparent zinc oxide nanopowders, and ZinClear-IM™, stable dispersions of transparent micron-sized zinc oxide powders; and
- Alusion® product range of plate-shaped alumina particles used to enhance colour cosmetics formulations to mask wrinkles and fine lines.

Antaria's sales of its range of ZinClear® products increased by 128% to \$2,376,611 in financial year 2008, as a result of the continuing acceptance of ZinClear® in the sunscreen market. We estimate the global market for UV actives to be in excess of US\$300m, and believe that ZinClear® can aspire to a meaningful share of that total.

MARKET SEGMENTS (continued)

We are working hard to make ZinClear® products a accepted worldwide as the active ingredient of choice for sunscreen and daily wear cosmetics, offering excellent UVA and UVB protection, superior transparency, chemical stability and very low irritancy.

Utilising the Company's Index-Match™ technology, the new ZinClear-IM™ combines all of these safety and broad spectrum UV absorption properties in a micron-sized particle. This product line was expanded in May 2007 with the introduction of ZinClear-IM™ 50CCT, a dispersion of Antaria's micron-sized transparent particles in a natural-derived, Ecocert-approved, cosmetic emollient.

In April 2008, Antaria appointed the Amerchol division of The Dow Chemical Company (Dow) as the Company's exclusive marketer and distributor of ZinClear-IM™ product range in North and Latin America. This multi-year, renewable distribution agreement provides personal care customers in North America and Latin America with Antaria's leading-edge sun care technology combined with the technical and marketing resources of Dow to ensure formulation, technical and logistics support. As a result, Dow placed initial orders for ZinClear-IM™, and contributed a rebateable working capital advance.

Alusion® sales for the 2008 financial year were in line with the prior financial year. The Company is working on important enhancements to Alusion® to reinvigorate its market appeal.

Industrials

Antaria's Industrials division encompasses a wide range of products and opportunities.

In June 2007, Antaria entered into a strategic alliance with Singapore-based Energenics for the marketing of its Cercat™ product in the fuel-borne combustion catalyst market. The relationship progressed well during the 2008 financial year, with Antaria optimising the product formulation, resuming production and delivering initial test quantities of Cercat™ for Energenics. The Company continues to work with Energenics on formulation optimisation ahead of commencing shipment of commercial quantities.

AlPearl™ platelet-like alumina substrate targets the pearlescent pigment market for cosmetics, plastics, coatings and related applications. In financial year 2008, Antaria developed and successfully scaled-up AlPearl™ substrates matching the required 10 to 20 micron particle diameter target. Scaled-up samples are currently being assessed in the market by a range of potential customers.

Antaria's NanoZ® product range includes transparent zinc oxide powders and dispersions used in coating, plastics and related industries to protect against UV, stabilise colour, block wood tanning, increase plastics clarity, or provide non-chemical biocide performance. NanoZ® was launched across Asia in financial year 2008, with key applications seen as a UV protectant in food packaging and biocide in fibres and coatings.

For Industrial products, Antaria's current product development activities are focusing on lowering manufacturing costs to allow broader market acceptability and enhancing particle coatings to improve dispersion and efficacy.

PERFORMANCE INDICATORS

Management and the Board monitor Antaria's overall performance, from implementation of the strategic plan through to the performance of the Company against operating plans and financial budgets.

Antaria has developed a set of Key Performance Indicators (KPI's) which are used to monitor performance of its manufacturing operations. Management monitors these KPI's on a regular basis and are included in periodic reports to the management team and/or the Board. KPI's currently included in such reports include first time yield, actual to forecast sales, delivery in full and on time, turnaround time of quality assurance samples, number of open/closed Corrective/Preventative Action Reports (CPARs), number of days before CPAR's are closed, and incidents and accidents reporting and estimated cost of injury.

EMPLOYEES

The consolidated entity employed 28 employees (full-time equivalent) as at 30 June 2008 (2007: 41 full-time equivalent).

OPERATING RESULTS FOR THE YEAR

The 2008 financial year has been one of significant progress and transition for the Company. Outstanding success has been achieved in the commercialisation of Antaria's zinc oxide technology and the Company has made exciting progress in our development of other products. Antaria has become a leaner organisation more focused on commercial outcomes.

Important initiatives made during the 2008 financial year, such as the partnering with Dow Amerchol to distribute ZinClear-IM™ in the North and Latin American markets, and the establishment of a new relationship with Energenics to commercialise Cercat™, have not yet translated to the Company's results. These benefits are expected to accrue in future years.

The significant increase in Personal Care sales for 2008 has been very pleasing, predominantly driven by the success in Australia of Antaria's new ZinClear-IM™ sunscreen active. In the Industrials area, the 2008 financial year was a transition year for the Company moving from the September 2007 termination of Antaria's supply agreement with Oxonica (following Oxonica's termination of their supply agreement with Petrol Ofisi, Turkey) to the new supply arrangements with Energenics.

In the second half of the 2008 financial year, the Company took a number of measures to more effectively focus its efforts on commercial outcomes. These measures included actions to reduce the Company's overhead base and to reorientate sales, marketing and product development efforts, all of which are expected to positively impact future financial results.

OPERATING RESULTS FOR THE YEAR (continued)

	2008	2007	Change		
	\$	\$			
Revenue from sale of goods					
Personal Care	2,741,135	1,408,343	1,332,792	Increased	95%
Industrial Coatings & Environmental	277,436	1,378,394	(1,100,958)	Decreased	80%
Total revenue from sale of goods	3,018,571	2,786,737	231,834	Increased	8%
Finance revenue	204,765	262,194	(57,429)	Decreased	22%
Total revenue from continuing operations	3,223,336	3,048,931	174,405	Increased	6%
Cost of goods sold	(2,835,270)	(2,283,463)	(551,807)	Increased	24%
Gross profit (including finance revenue)	388,066	765,468	(377,402)	Decreased	49%
Gross profit (excluding finance revenue)	183,301	503,274	(319,973)	Decreased	64%
As a % of revenue from sale of goods	6%	18%			
Other income	690,372	468,375	221,997	Increased	47%
Expenses and overheads					
Expensed R&D and product development	(1,037,083)	(1,078,595)	41,512	Decreased	4%
Business development, sales and marketing	(1,443,124)	(1,038,501)	(404,623)	Increased	39%
Corporate and other expenses and overheads	(1,599,582)	(2,007,324)	407,742	Decreased	20%
Total expenses and overheads	(4,079,789)	(4,124,420)	44,631	Decreased	1%
Net (loss) before non-cash items	(3,001,351)	(2,890,577)	(110,774)	Increased	4%
Non-cash items not included in above	(1,556,053)	(1,507,282)	(48,771)	Increased	3%
Net (loss) from continuing operations	(4,557,404)	(4,397,859)	(159,545)	Increased	4%

Product Revenues and Other Income

Total revenue from continuing operations for financial year 2008 was \$3,223,336 compared to the 2007 total of \$3,048,931. Revenue from sale of goods for the 2008 financial year totalled \$3,018,571, an increase of 8% over the previous year's sales of \$2,786,737.

Personal Care

Sales of Personal Care products for the 2008 financial year were \$2,741,135, an increase of 95% compared to the 2007 total of \$1,408,343, and including June quarter sales of \$917,186, the highest quarterly Personal Care sales to date.

Antaria's sales of its range of ZinClear[®] products increased by 128% from \$1,044,355 to \$2,376,611 in financial year 2008, demonstrating the continuing customer acceptance of ZinClear[®] in the US\$300m global sunscreen market for UV actives. Our revenue growth reflects the expansion of the ZinClear[®] family of products in Australia as well as the first commercial shipment of ZinClear-IM[™] to Dow Amerchol in North America. ZinClear[®] products provide the intrinsic broad-spectrum protection from both UVA and UVB rays of zinc oxide in a transparent, non-greasy form on the skin, even when incorporated at high levels in formulations.

Alusion[®] sales for the 2008 financial year were \$364,524, in line with the prior financial year. The Company is extending the Alusion[®] product range to improve its market appeal.

Industrials

Sales of Industrial products for 2008 were \$277,436, including an amount of \$181,218 in relation to the cessation of activities with Oxonica plc in September 2007 due to the termination of a major supply agreement held by Oxonica with Petrol Ofisi, Turkey. Sales of Industrial products for 2007 were \$1,378,394 predominantly due to the sale of Cercat[™] to Oxonica. The Company's ability to replace this lost revenue stream with increased Personal Care sales was very pleasing and demonstrates the benefit of a diversified product portfolio.

Antaria is now focusing its activities in the fuel catalyst market with Energenics, a key customer and strategic partner. Late in the 2008 financial year, the Company resumed production of its fuel catalyst product Cercat[™] in support of the first commercial order from Energenics. The Company looks forward to re-establishing its Cercat[™] business line and continues to view Cercat[™] as an important component in its business model in the future.

Finance Revenue and Other Income

During the 2008 financial year, interest income reduced from \$262,194 to \$204,765 in line with the Company's reduced cash position.

Other income, mainly Commercial Ready grant income, increased 47% to \$690,372 in financial year 2008 from \$468,375 in 2007.

OPERATING RESULTS FOR THE YEAR (continued)Gross Profit Contribution

Antaria's gross margin as a percentage of sales to customers decreased from 18% in the 2007 financial year to 6% in 2008. The adverse margin trend was affected by the change in product mix and a number of one-off factors, rather than an intrinsic deterioration in manufacturing margin.

These factors included:

- The Company's manufacturing overheads were increased in 2007 to support the expectations of a significant, ongoing revenue stream from Cercat™ sales to Oxonica. When the Oxonica supply agreement was terminated, the Company identified and progressively implemented a systematic reduction in these overheads. Going forward, and in light of actions taken in the second half of the financial year to reduce operating overheads (in particular indirect labour and excess factory space), the Company believes its current overhead structure is appropriate, yet has the capacity to support increased sales to customers with a minimal increase in costs.
- The 2008 financial year was the first year of volume production of ZinClear-IM™ and therefore involved significant scale-up efforts to ensure optimum raw material specification and process efficiencies. While these activities are expected to contribute to higher margins for volume product sales, these costs have been expensed as cost of goods sold in the 2008 financial year.

Antaria has experienced inflationary cost pressures in the 2008 financial year, including increases in the cost of certain raw materials, premises rents, and employee expenses. To combat these increases, the Company has implemented a range of measures, including: (i) price increases for certain products; (ii) review and validation of lower-cost sources of raw material supply; (iii) sub-letting of excess factory and office space; and (iv) reduction of headcount. The impact of each of these measures started to take effect in the later months of the 2008 financial year, with their full effect not expected to be seen until the 2009 financial year.

In light of the above factors, and the overhead reductions discussed below, the Board does not believe that the 2008 gross profit contribution and margins are reflective of the Company's ongoing potential.

Expenses and OverheadsCash Items

Antaria's total expenses and overheads (excluding non-cash items) for the 2008 financial year were \$4,079,789 down 1% from \$4,124,420 in the previous financial year.

Expensed research, product development and scale-up costs reduced by 4% from \$1,078,595 in 2007 to \$1,037,083 in 2008. While the Company's headcount was reduced in these areas, the proportion of costs expensed in 2008 increased compared to 2007 (i.e. less costs capitalised as development costs), and the 2008 expense included the one-off costs of redundancy payments. Offsetting these costs was an increase in income from the Company's Commercial Ready grant for transparent functional coatings from \$392,335 to \$567,838 (up 45%).

Sales and marketing expenses increased from \$1,038,501 to \$1,443,124, an increase of 39% for the year. The increase was predominantly driven by the opening of representative offices in New Jersey and Singapore to increase technical, commercial and logistical support provided to our customers in North America and Asia.

The Company also increased its investment in promotional activities in North America and Asia to support ZinClear-IM™ market development in cosmetics and further explore commercial opportunities in the plastics area.

Corporate and other expenses decreased by 20% from \$2,007,324 to \$1,599,582. Increases in occupancy and outsourced IT support were offset by reductions in labour, compliance, legal and investor relations costs.

As noted above, the Company took several measures in the second half of the 2008 financial year to reduce its overhead base and conserve cash resources. Significant items included:

- Reduction of Antaria's staff levels by over 30% since the beginning of the 2008 financial year. The Company has a total headcount of 28 full-time equivalents at 30 June 2008 compared to 41 at the end of the previous financial year. This headcount reduction was achieved through natural attrition and redundancy. Total cash outlays associated with this headcount reduction (being the payout of unused leave entitlements and redundancy payments) were approximately \$160,000 for the year.
- Relocation of the Company's administration to its product development facilities in Technology Park, Bentley. This was achieved without incurring any additional rent expense; and
- Sub-leasing of excess factory and office space resulting in a reduction in ongoing occupancy costs in excess of \$120,000 per annum (effective 1 August 2008);

Non-Cash Items

Non-cash items for the year included:

- Depreciation and amortisation charges of \$811,720 (2007: \$812,451);
- Options expense of \$128,195 (2007: \$591,470). There were no new option issues during the 2008 financial year other than the issue of 500,000 options to new directors as approved at the Company's 2007 Annual General Meeting.
- Remuneration expenses (excluding the options expense) of \$461,608. Non-executive directors and senior management elected to receive certain elements of their remuneration (directors fees, performance bonus, and Executive Chairman remuneration) by way of issues of Antaria shares under the Company's Salary Sacrifice Share Plan; and
- \$154,530 in relation to the write-off of certain development costs and other intangibles capitalised in prior financial years (2007: \$103,361).

SHAREHOLDER RETURNS

	2008	2007
Net assets per share (cents per share)	4.95	6.11
Net tangible assets per share (cents per share)	2.07	2.42
Loss per share (cents per share)	2.52	2.62

Net assets and net tangible assets per share have decreased over the 2008 financial year, as the Company has continued to invest in product development, sales and marketing activities aimed at increasing its sales of products across an increasing range of applications. With the exception of development costs, these items are expensed as incurred.

Antaria listed on the Australian Stock Exchange on 24 February 2005. Since this time, the Company's closing share price has fluctuated between a high of 25 cents and a low of 6 cents, with a weighted average closing share price of 12.3 cents over the 2008 financial year (2007: 16.5 cents).

INVESTMENTS IN FUTURE PERFORMANCEOperations

The Company has continued to improve production capacity to meet market demand. Capital expenditure has been minimised through the development of improved processes and optimised process efficiency. This has also increased production throughput and reduced variable manufacturing costs. Through close co-operation with key suppliers, the Company has established a consistent supply of quality raw materials.

Towards the end of the 2008 financial year, all production activities associated with its Cercat™ product were brought back into Antaria from sub-contractor control. This move has enabled closer control of production schedules, reduced costs and has increased the technical knowledge of Antaria production staff. The ability to monitor quality and condition at every step of the process has been beneficial in minimising processing delays.

As well as the Company's existing ISO certification, the Company implemented Good Manufacturing Practice (GMP) for its ZinClear® products to meet the requirements of large North American customers.

Product Development

During the 2008 financial year new product development activities have focused on enhancing the performance of our existing products as well as the selective development of new products.

Further development of Antaria's Personal Care product range has been aimed at providing new products that cover the range of market needs that vary in different geographic markets. The Company is working closely with a number of potential customers and our international distribution network to develop custom made products that meet customers' specific requirements.

Product development activities have continued under the Australian Government's Commercial Ready Program, aimed at the development of a range of nano ingredients for transparent functional coatings. Applications at an advanced stage of development include plastics and fibres containing zinc oxide nanoparticles to provide UV protection and other properties.

Significant progress has also been made in the development of AlPearl™, Antaria's plate-like aluminium oxide particles for use as substrate materials in the manufacture of pearlescent pigments. During the 2008 financial year, procedures were developed aimed at de-agglomerating the particles, allowing them to potentially lie flat in the end coating system, which is an important product requirement. Initial samples of de-agglomerated material have been very well received by companies conducting technical assessments.

Antaria also progressed in the development and scale-up of high performance ceramic coatings based on the Company's core material technologies, with trials underway in various industrial applications in North America and Australia.

REVIEW OF FINANCIAL CONDITIONCapital Structure

On 25 July 2007, the Company issued 13,636,364 new shares to Energenics Holdings Pte Limited, being an investment of \$3,000,000 at a price of \$0.22 per share. Along with these shares, Antaria also issued 4,545,455 free options to Energenics Holdings Pte Limited at an exercise price of \$0.308 per share and expiring on 30 June 2012. In addition, Energenics has agreed to subscribe for a second \$3,000,000 tranche of new shares and options under the same terms and conditions as the first tranche (being a price of \$0.22 per share and including the issue of 4,545,455 free options at an exercise price of \$0.308 per share and expiring on 30 June 2012). The second tranche of shares and options are to be subscribed for upon Antaria achieving invoiced sales of 150,000 litres of 2% Cercat™ (or equivalent) or within 24 months of the date of the agreement (20 June 2007).

During the year, Antaria also issued a total of 3,845,113 shares under its Salary Sacrifice Share Plan (743,038 shares on 17 December 2007 and 3,102,075 shares on 16 June 2008). Shareholder approval for the issue of shares to directors was obtained under Listing Rule 10.14. Details of the number of shares issued to key management personnel (including directors) is provided as part of the Company's Remuneration Report commencing on page 13.

These share issues bring the total number of outstanding shares to 185,252,679 as at the date of this report.

REVIEW OF FINANCIAL CONDITION (continued)Liquidity and Funding

As at 30 June 2008, Antaria has cash assets of \$2,460,592, a increase of \$291,756 from \$2,168,836 as at 30 June 2007. During the 2008 financial year, Antaria raised a total of \$2,969,887 through the issue of shares to Energenics (net of transaction costs). The Company's cash resources were used as follows:

- Cash outflows from operating activities - \$2,390,074 (2007: \$2,264,827);
- Payments for plant and equipment (net of sale proceeds) - \$188,979 (2007: \$746,857);
- Payments for patents, trademarks and development costs - \$19,695 (2007: \$439,061);
- Chattel mortgage payments - \$33,316 (2007: \$33,315).

At 30 June 2008, Antaria has one chattel mortgage totalling \$144,101 and expiring in February 2009 (2007: two mortgages totalling \$211,872). This mortgage is repayable in monthly instalments and bears interest at 9.526% per annum. Security for the loan is as follows:

- (i) First registered mortgage debenture over the Company's assets and undertakings including uncalled capital and called but unpaid capital; and
- (ii) Term deposit letter of set off for \$132,131 given by the Company.

Treasury Policy

To date Antaria's treasury function has consisted primarily of the investment of funds raised at the time of its initial public offering (February 2005) and subsequent capital raising (July 2007). The Company has invested these funds in a series of term deposits and deposits at call with financial institutions. The treasury function is overseen by the Chief Financial Officer and is performed in line with the risk level approved in advance by Antaria's Board of Directors.

RISK MANAGEMENT

As with all businesses, the activities of Antaria are subject to risks and there are many factors which may affect its operations and performance. The Board of Directors is responsible for overseeing and approving the Company's risk management strategy and policies, internal compliance and internal control.

The Company believes that its risk management policies will be achieved by implementation, throughout all parts of the Company's operations, of an effective risk management program including the following:

- Maintenance of an appropriate health, safety and environment system;
- Maintenance of a quality management system based on ISO standards;
- Maintenance of internal control systems in order to provide management with accurate, timely and reliable operating and financial information;
- Conduct of operations and maintenance of records in accordance with Company policies and legislative requirements;
- Implementation of strategies to limit liability arising from Antaria's operations by ensuring contractual arrangements do not assume unnecessary liabilities or give up rights and ensuring, where possible, contractual arrangements transfer risks and liabilities;
- Monitoring and reporting to the Board on significant circumstances and risk management issues which may affect Antaria;
- Management of insurance programs to acquire appropriate coverage at optimum premium levels; and
- Management of Antaria's liquidity and financial position.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with risks identified by the Board. These include the following:

- An established safety committee comprised of representatives from quality, production and research and development. The committee is responsible for the monitoring, management and reporting (to management and the Board) of Antaria's health and safety activities, with the goal of reducing the likelihood of workplace incidents;
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets; and
- An established Audit Committee to assist the Board in safeguarding the integrity of Antaria's financial reporting, corporate conduct and business ethics, including auditor independence, ongoing compliance with laws and regulations, and maintenance of an effective and efficient audit.

DIVIDENDS

No dividends have been declared or paid during the financial year.

OPTIONSUnissued shares

As at the reporting date there were 19,938,422 unissued ordinary shares under options, of which 200,000 options expired on 21 August 2008 and 3,000,000 options expired on 5 September 2008. Refer to note 18 of the Financial Report for further details of the options outstanding.

Shares issued as a result of the exercise of options

No shares were issued as a result of the exercise of options during the financial year or between the end of the financial year and the date of this report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the 2008 financial year, total equity decreased by \$1,074,242 from \$10,251,874 to \$9,177,632 (2007: decreased by \$3,806,389 from \$14,058,263 to \$10,251,874) and net of an increase in issued capital of \$3,354,967 (2007: Nil). This decrease is largely as a result of the Company's ongoing investment in its product development and sales and marketing activities as it seeks to expand its strategic business partnerships and customer base.

SIGNIFICANT EVENTS AFTER BALANCE DATE

There has not arisen in the interval between the end of the financial year 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information as to the likely developments in the operations of the Group is set out in the review of operations above. Further information as to the likely developments in the operations of the Group and the expected results of those operations in subsequent financial years has not been included in this report because to include such information would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

The Company's facilities are subject to various regulations including occupational health and safety, storage and handling of dangerous goods, Department of Environment registration, and disposal of effluents and waste. The Company's premises at 112 Radium Street, Welshpool are registered with the Department of Environment and Conservation for chemical manufacturing under the Environmental Protection Regulations 1987. The Company's storage facilities at 108 Radium Street, Welshpool are licensed with the Department of Consumer and Employment Protection to store dangerous goods. Operating a registered premise requires the Company to report and have approved any material changes to its terms of registration. The Company has invested in systems and personnel to minimise the impact of its activities on the environment and, as the number of products and processes expand, will continue to monitor and conform to all applicable Environmental Protection Regulations. The Company has never been cited for any breach of the Environmental Protection Regulations.

The Company also holds a licence from the Water Corporation relating to disposal of waste material from premises at 112 Radium Street, Welshpool and is monitored and tested by the Water Corporation. The cost of disposal to sewer works is on a sliding scale related to the type and quality of waste. Testing carried out by the Water Corporation is used to set the cost of industrial waste disposal to sewer. Antaria's production team also perform daily testing of the water effluent waste stream to ensure that the Company remains within the Water Corporation guidelines and ensures waste water charges are minimised. Antaria also contracts registered waste management companies for the disposal of other process waste.

It is possible that current or future laws and regulations could require the Company to make substantial expenditures for preventive or remedial action, reduction of chemical exposure or waste treatment or disposal. There can be no assurance that the Company's operations, business or assets will not be materially and adversely affected by the interpretation and enforcement of current or future laws and regulations.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the year the Company paid a premium in respect of a contract insuring all directors, officers and employees of the Company against liabilities that may arise from their positions within the Company and its controlled entities, except in certain circumstances. The directors have not included details of the nature or amount of liabilities covered or the amount of the premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

Antaria has agreed to provide access to the books and records of the Company to the current directors of the Company while they are officers and for a period of seven years from when they cease to be officers. The Company has agreed to indemnify, to the extent permitted by the Corporations Act, each director in respect of certain liabilities that the director may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company. Antaria has also agreed to use its reasonable commercial endeavours to maintain in favour of each director a directors' and officers' policy of insurance for the period that they are an officer and for a period of seven years after the director ceases to be an officer of the Company.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and executives of Antaria in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and during the year included the Company's three executive directors (Mr. Cameron, Mr. Mortier, and Dr. McCormick) and Chief Financial Officer (Ms. Cesari) being the executives in the Company and the Group receiving the highest remuneration.

KEY MANAGEMENT PERSONNEL**Directors**

Bruce Cameron	Executive Chairman from 8 April 2008 (Non-Executive Director from 18 December 2006 to 7 April 2008)
David Griffiths	Non-Executive Director (Non-Executive Chairman from 15 March 2007 to 8 April 2008)
Robert Mangioni	Non-Executive Director
John Young	Non-Executive Director from 5 October 2007
Harold Clough	Non-Executive Director to 21 November 2007
Paul McCormick	Executive Director (Chief Executive Officer to 8 April 2008)
Thibaut Mortier	Executive Director from 5 October 2007 to 29 August 2008.

Executives

Deana Cesari	Chief Financial Officer & Company Secretary
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Other than the resignation of Mr. Mortier, there were no other changes in Key Management Personnel after reporting date and before the date the financial report was authorised for issue.

REMUNERATION PHILOSOPHY

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives. To this end, the Company ensures that its remuneration framework provides competitive rewards to attract high calibre executives and ensures, through its employee share option plan, that its executives' interests are aligned with those of its shareholders. The remuneration framework takes into account:

- The capabilities and experience of the directors and senior executives;
- The directors' and senior executives' ability to manage the performance of all areas of the Company's business;
- The amount of incentive within each directors' and senior executives' remuneration; and
- The Company's performance including earnings and overall returns to shareholders.

Details of shareholder returns are provided below. Given the early stage of commercialisation of the Company's products and technologies, Antaria's ongoing investment in research and product development, and sales and marketing, has impacted shareholder returns.

	2008	2007	2006	2005	2004
Net assets per share (cents per share)	4.95	6.11	8.38	10.15	8.74
Net tangible assets per share (cents per share)	2.07	2.42	4.40	5.94	4.29
Loss per share (cents per share)	2.52	2.62	1.88	2.64	2.63

Note: Shareholder returns for 2005 have been restated in accordance with Australian equivalents to International Financial Reporting Standards. Shareholder returns for 2004 are shown in accordance with AGAAP.

The Company's remuneration framework is aligned to shareholders' interests as it has growth in shareholder wealth as an important component of its design and serves to attract and retain high calibre executives.

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct. Non-executive and executive remuneration includes elements relating to securities of Antaria (ordinary shares and options over ordinary shares). The Board's policy is that directors and executives should not enter into any arrangements limiting their exposure to risk in relation to Antaria securities. Adherence to this policy is monitored by the Board on an annual basis involving confirmation from each director and executive as to their compliance with the policy.

NON-EXECUTIVE DIRECTOR REMUNERATION

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

Under the Company's Constitution, each director (other than the Chief Executive Officer or an executive director) may be paid remuneration for ordinary services performed as a director. Under the ASX Listing Rules, the maximum fees payable to directors may not be increased without prior approval from the Company at a general meeting. Directors will seek approval from time to time as deemed appropriate.

The aggregate remuneration that may be paid to non-executive directors is \$350,000. This remuneration may be divided among the non-executive directors in such a fashion as the Board may determine. Notice of any proposed increase in the total amount of the remuneration payable to the non-executive directors must be given to members in the notice covering the general meeting at which the increase is to be proposed. Directors will seek approval from time to time as deemed appropriate.

Each non-executive director receives a base fee of \$40,000 per annum for being a director of the Group. An additional fee of \$10,000 is paid to those non-executive directors who reside outside of Western Australia (currently Mr. Mangioni and Mr. Young) and a fee of \$1,000 for each Audit Committee meeting for each committee member. A non-executive chairman also receives an additional fee of \$40,000 per annum reflecting the additional time commitment that this position requires.

Executive directors are part-time or full time employees of the Company. Mr. Cameron, Mr. Mortier and Dr. McCormick do not receive directors' fees in addition to their annual remuneration as executives.

The directors may also be paid all travelling and other expenses properly incurred by them in attending meetings of the directors or any committee of directors or general meetings of the Company or otherwise in connection with the execution of their duties as directors. In addition, any director who is called on to perform extra services or to make special exertions or to undertake any executive or other work for the Company beyond his ordinary duties or to go or to reside abroad or otherwise for the purposes of the Company may, subject to law, be remunerated either by a fixed sum or a salary as determined by the directors. This sum may be either in addition to or in substitution for his share in the remuneration for ordinary services.

Details of remuneration payable to the Company's non-executive directors for the years ended 30 June 2008 and 30 June 2007 are set out on page 18 of this report.

Salary Sacrifice Share Plan

Non-executive directors are encouraged by the Board to hold shares in the Company. It is considered good governance for directors to have a stake in the Company on whose board he or she sits.

In November 2006 (and as amended in November 2007), the Company established a Salary Sacrifice Share Plan (the Plan) so that non-executive directors and employees can elect to receive all or part of their remuneration by way of fully paid shares rather than cash. The number of shares to be issued to each participant will be the proportion of remuneration so elected divided by the issue price.

NON-EXECUTIVE DIRECTOR REMUNERATION (continued)Salary Sacrifice Share Plan (continued)

The issue price per share will be the weighted average sale price of Antaria shares on the Australian Securities Exchange over the five trading days immediately preceding (but excluding) the date of issue of the shares. During the 2008 financial year, 80% of non-executive directors' fees were elected to be received by way of an issue of Shares under the Plan.

Shareholder approval for the issue of shares under the Plan to directors was obtained under ASX Listing Rule 10.14 at the Company's 2007 Annual General Meeting. The total number of shares issued under the Plan to the date of this report are shown in the following table:

	<u>17-Dec-07</u>	<u>16-Jun-08</u>	<u>TOTAL</u>
	<u>No. Issued</u>	<u>No. Issued</u>	<u>No. Issued</u>
Non Executive Directors			
Bruce Cameron	174,089	-	174,089
David Griffiths	343,966	341,627	685,593
Robert Mangioni	216,558	272,316	488,874
John Young	-	272,316	272,316
	<u>734,613</u>	<u>886,259</u>	<u>1,620,872</u>
Executive Directors			
Bruce Cameron	-	698,355	698,355
Thibaut Mortier	-	631,740	631,740
Paul McCormick	-	390,574	390,574
	<u>-</u>	<u>1,720,669</u>	<u>1,720,669</u>
Other KMP			
Deana Cesari	-	489,247	489,247
	<u>-</u>	<u>489,247</u>	<u>489,247</u>
Other employees	<u>8,425</u>	<u>5,900</u>	<u>14,325</u>
Total shares issued	<u>743,038</u>	<u>3,102,075</u>	<u>3,845,113</u>

EXECUTIVE REMUNERATIONObjective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and competitive by market standards. The Company also ensures that its executives' interests are aligned with those of its shareholders through the operation of its employee share option plan.

Structure

Senior manager and executive director remuneration is currently made up of a fixed salary and participation in the Company's employee share option plan, the extent to which is at the discretion of the Board reflecting the past and current performance of that executive. Senior managers and executives may also be eligible for bonus payments from time to time at the discretion of the Board.

The Board believes that, at this stage of the Company's development and in light of the size of the Company and its executive team, this is an appropriate remuneration structure.

In determining the level and make-up of executive remuneration, the Board considers external information to help ensure the Company provides a competitive and acceptable remuneration level and that the market value for executives and senior managers in similar companies were considered along with the work that they would be required to perform.

The Company has entered into service agreements with each of its executives, details of which are set out below:

Executive Chairman – Bruce Cameron

Mr. Cameron (a non-executive director since 18 December 2006) was appointed Executive Chairman on 8 April 2008 on the basis that his executive role would be not less than the equivalent of a 50% full-time appointment. During Mr. Cameron's tenure as Executive Chairman, Mr. Cameron will be remunerated by a fixed package of \$180,000 (inclusive of mandatory superannuation contributions, excluding the value of options issued, and with Mr. Cameron waiving any leave entitlements).

To date, Mr. Cameron has elected to receive the total value of his remuneration (except for a nominal amount) as Executive Chairman by way of an issue of shares under the Company's Salary Sacrifice Share Plan (refer table above). Details of Mr. Cameron's executive remuneration for the year ended 30 June 2008 is provided on page 18 of the Directors' Report.

Executive Director – Paul McCormick

In December 2004, Antaria entered into an Executive Service Agreement with Dr. McCormick (Chief Executive Officer to 8 April 2008). The Agreement had an initial term of three years (unless terminated earlier in accordance with the Agreement) with Dr. McCormick undertaking not to engage in competitive conduct with Antaria for the term of the Agreement and for a further period of two years.

EXECUTIVE REMUNERATION (continued)

During the initial term, the Agreement was able to be terminated at any time by Dr. McCormick giving three months notice in writing, and the Company able to terminate the Agreement in accordance with the following provisions:

- (i) At any time after the third anniversary of the commencement date by giving two months notice in writing;
- (ii) In the event the executive becomes incapacitated by illness or accident, by giving two months notice in writing; or
- (iii) Immediately, if the executive commits any acts which detrimentally affect the Group or in the event of material breach of the Agreement where the executive does not remedy the breach within 14 days of notice from the Company.

Further, if the Agreement was terminated by the Company as a direct result of a takeover, the Company must pay the executive the equivalent of the base salary and all other entitlements under the Agreement for a period of the succeeding twelve months as if the term continued for a further period of twelve months as compensation instead of notice.

Details of the Agreement with Dr. McCormick are as follows:

<i>Agreement Date</i>	<i>Commencement Date</i>	<i>Expiry Date – Initial Term</i>	<i>Expiry Date – Current Term</i>	<i>Remuneration</i>
14 December 2004	24 February 2005	23 February 2008	23 February 2011	\$210,000 ⁽¹⁾

- (1) The above remuneration was effective until 8 April 2008 and comprises base remuneration, inclusive of mandatory superannuation contributions and excludes the value of options issued and bonuses. Details of remuneration paid during the year ended 30 June 2008 is provided on page 18 of the Directors' Report, including the number of options offered in accordance with the above Executive Service Agreement and any bonuses.

On 6 November 2006, the Company issued 5,911,157 options to Dr. McCormick. These options vested on 24 February 2007, expire on 23 February 2010 and have an exercise price of \$0.308 per share. The issue or exercise of these options is not dependent on the satisfaction of any performance conditions as they were issued to replace options which expired on 28 June 2006 and which were originally issued in 2001 as an incentive associated with Dr. McCormick's appointment as Chief Executive Officer.

In accordance with the terms and conditions of the Company's Employee Option Share Plan, any options held by Dr. McCormick (the Employee) will automatically expire (if not exercised) on:

- (i) the date shown as the expiry date on the face of the option certificate;
- (ii) the date that the Employee is dismissed by the Company or a related body corporate for fraud, defalcation or misconduct;
- (iii) the date that the Employee resigns from the service of the Company or a related body corporate, if the Employee resigns within 2 years after the grant date;
- (iv) the date 7 days after the Employee resigns from the service of the Company or a related body corporate, if the Employee resigns more than 2 years after the grant date;
- (v) the date 3 months after the date the Employee retires, if the Employee retires upon or after attaining the age of 65 or otherwise with the consent of the Board;
- (vi) the date 3 months after the Employee is retrenched from the service of the Company or a related body corporate; or
- (vii) the date 1 year after the death or total and permanent disability (evidenced to the satisfaction of the Board) of the Employee.

On 8 April 2008, Dr. McCormick stepped down as Chief Executive Officer. In conjunction with the change in Dr. McCormick's responsibilities, the following amendments to his service arrangements have been agreed:

- (i) Effective from 8 April 2008, Dr. McCormick's annual remuneration shall be a total of \$150,000 per annum (inclusive of mandatory superannuation contributions and excluding the value of options issued and bonuses);
- (ii) Dr. McCormick has elected to receive \$30,000 of his annual remuneration by way of an issue of shares under the Company's Salary Sacrifice Share Plan, with the balance of \$120,000 payable in cash; and
- (iii) Either Dr. McCormick or the Company may terminate these service arrangements at any time after 30 June 2009 by providing three months notice in writing.

Executive Director – Thibaut Mortier

On 30 June 2006, Antaria entered into an Executive Service Agreement with Mr. Thibaut Mortier. This Agreement had a term of five years from the commencement date (14 August 2006), unless terminated earlier in accordance with the Agreement, with Mr. Mortier undertaking not to engage in competitive conduct with Antaria for the term of the Agreement and for a further period of one year within Australia.

The Agreement may be terminated at any time by Mr. Mortier by giving three months notice in writing. The Company may terminate the Agreement in accordance with the following provisions:

- (i) Without cause at any time by the Company giving three months notice in writing to Mr. Mortier;
- (ii) In the event Mr. Mortier becomes incapacitated by illness or accident, by giving two months notice in writing; or
- (iii) Immediately, if Mr. Mortier commits any acts which detrimentally affect the Group or in the event of material breach of the Agreement where Mr. Mortier does not remedy the breach within 14 days of notice from the Company.

If the Agreement is terminated in accordance with (i) above, in addition to agreed relocation costs, the Company must pay Mr. Mortier, the lesser of (a) \$225,000; and (b) an amount equal to a proportion of Mr. Mortier's annual salary at the termination date that would have been payable for the period from the termination date to the date five years after the commencement date.

In addition, if the Agreement is terminated by the Company as a direct result of a takeover, the Company must pay Mr. Mortier the equivalent of the basic salary and all other entitlements under the Agreement for a period of the succeeding twelve months as if the term continued for a further period of twelve months as compensation instead of notice.

EXECUTIVE REMUNERATION (continued)

Details of the Agreement with Mr. Mortier are as follows:

<i>Agreement Date</i>	<i>Commencement Date</i>	<i>Expiry Date</i>	<i>Remuneration</i>
30 June 2006	14 August 2006	13 August 2011	\$230,000 ⁽¹⁾

- (1) The above remuneration was effective from 8 April 2008 and comprises base remuneration, inclusive of mandatory superannuation contributions and excludes the value of options issued and bonuses. Details of remuneration paid during the year ended 30 June 2008 is provided on page 18 of the Directors' Report, including the number of options offered in accordance with the above Executive Service Agreement and any bonuses.

Subsequent to year end, Mr. Mortier provided notice of his resignation effective 29 August 2008. Other than the payment of unused annual leave entitlements totalling \$10,674, Mr. Mortier will not receive the payment of any further amounts in connection with his termination. As a consequence of his resignation, Mr. Mortier's option holdings (detailed on page 19) automatically expired on 5 September 2008, being 7 days from the effective date of his resignation.

Chief Financial Officer – Deana Cesari

In December 2004, Antaria entered into an Executive Service Agreement with Ms. Cesari. The Agreement had an initial term of three years (unless terminated earlier in accordance with the Agreement) with Ms. Cesari undertaking not to engage in competitive conduct with Antaria for the term of the Agreement and for a further period of two years. The Agreement is able to be terminated at any time by Ms. Cesari giving three months notice in writing, and the Company able to terminate the Agreement in accordance with the following provisions:

- (i) At any time after the third anniversary of the commencement date by giving two months notice in writing;
- (ii) In the event the executive becomes incapacitated by illness or accident, by giving two months notice in writing; or
- (iii) Immediately, if the executive commits any acts which detrimentally affect the Group or in the event of material breach of the Agreement where the executive does not remedy the breach within 14 days of notice from the Company.

Further, if the Agreement was terminated by the Company as a direct result of a takeover, the Company must pay the executive the equivalent of the basic salary and all other entitlements under the Agreement for a period of the succeeding twelve months as if the term continued for a further period of twelve months as compensation instead of notice.

Details of the Agreement with Ms. Cesari are as follows:

<i>Agreement Date</i>	<i>Commencement Date</i>	<i>Expiry Date – Initial Term</i>	<i>Expiry Date – Current Term</i>	<i>Remuneration</i>
14 December 2004	24 February 2005	31 March 2008	31 March 2011	\$175,000 ⁽¹⁾

- (1) The above remuneration is effective from 1 July 2008 and comprises base remuneration, inclusive of mandatory superannuation contributions and excludes the value of options issued and bonuses. Details of remuneration paid during the year ended 30 June 2008 is provided on page 18 of the Directors' Report, including the number of options offered in accordance with the above Executive Service Agreement and any bonuses.

On 10 October 2005, the Company granted 1,000,000 options to Ms. Cesari. The expiry date for these options is 24 February 2010 and they may be exercised at an exercise price of \$0.308 per share. The issue or exercise of these options is not dependent on the satisfaction of any performance conditions as they were considered a longer-term, non-cash incentive appropriate at the time of entering into the Executive Service Agreement. The options issued to Ms. Cesari vested on 24 February 2007.

On 22 June 2007, the Company issued a further 1,000,000 options to Ms. Cesari. These options will vest 22 June 2009, expire on 21 June 2012 and have an exercise price of \$0.20 per share. The issue or exercise of these options is not dependent on the satisfaction of any specific performance conditions although the Board considered Ms. Cesari's past performance in determining the number and terms and conditions of the options issued. Options were provided as part of the remuneration package as a non-cash retention incentive.

In accordance with the terms and conditions of the Company's Employee Option Share Plan, any options held by Ms. Cesari (the Employee) will automatically expire (if not exercised) on:

- (i) the date shown as the expiry date on the face of the option certificate;
- (ii) the date that the Employee is dismissed by the Company or a related body corporate for fraud, defalcation or misconduct;
- (iii) the date that the Employee resigns from the service of the Company or a related body corporate, if the Employee resigns within 2 years after the grant date;
- (iv) the date 7 days after the Employee resigns from the service of the Company or a related body corporate, if the Employee resigns more than 2 years after the grant date;
- (v) the date 3 months after the date the Employee retires, if the Employee retires upon or after attaining the age of 65 or otherwise with the consent of the Board;
- (vi) the date 3 months after the Employee is retrenched from the service of the Company or a related body corporate; or
- (vii) the date 1 year after the death or total and permanent disability (evidenced to the satisfaction of the Board) of the Employee.

REMUNERATION OF KEY MANAGEMENT PERSONNEL (KMP)

Year ended 30 June 2008	Short-term			Post Employment	Share-based payment		TOTAL	% Performance related
	Salary & Fees	Cash Bonus	Non-Monetary Benefits	Super-annuation	Shares	Options		
Non Executive Directors								
Bruce Cameron ⁽¹⁾⁽²⁾	1,000	-	-	-	31,137	4,780	36,917	Nil
David Griffiths	1,376	-	-	124	71,514	-	73,014	Nil
Robert Mangioni	1,376	-	-	124	50,637	-	52,137	Nil
John Young ⁽²⁾	12,972	-	-	83	24,932	4,780	42,767	Nil
Harold Clough	16,781	-	-	-	-	-	16,781	Nil
	<u>33,505</u>	<u>-</u>	<u>-</u>	<u>331</u>	<u>178,220</u>	<u>9,560</u>	<u>221,616</u>	
Executive Directors								
Bruce Cameron ⁽¹⁾	376	-	-	124	56,692	-	57,192	Nil
Thibaut Mortier ⁽³⁾⁽⁴⁾	139,509	-	-	12,556	62,100	-	214,165	29%
Paul McCormick	177,042	-	-	30,351	38,395	-	245,788	Nil
	<u>316,927</u>	<u>-</u>	<u>-</u>	<u>43,031</u>	<u>157,187</u>	<u>-</u>	<u>517,145</u>	
Other KMP								
Thibaut Mortier ⁽³⁾⁽⁴⁾⁽⁵⁾	54,658	-	-	4,919	-	84,258	143,835	Nil
Deana Cesari ⁽⁴⁾⁽⁶⁾	146,863	-	-	13,218	48,093	34,491	242,665	20%
	<u>201,521</u>	<u>-</u>	<u>-</u>	<u>18,137</u>	<u>48,093</u>	<u>118,749</u>	<u>386,500</u>	
Executive KMP	<u>518,448</u>	<u>-</u>	<u>-</u>	<u>61,168</u>	<u>205,280</u>	<u>118,749</u>	<u>903,645</u>	
TOTAL	<u>\$ 551,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,499</u>	<u>\$ 383,500</u>	<u>\$ 128,309</u>	<u>\$ 1,125,261</u>	

Year ended 30 June 2007	Short-term			Post Employment	Share-based payment		TOTAL	% Performance related
	Salary & Fees	Cash Bonus	Non-Monetary Benefits	Super-annuation	Shares	Options		
Non Executive Directors								
David Griffiths ⁽⁷⁾	9,011	-	-	39,249	-	6,658	54,918	Nil
Harold Clough ⁽⁷⁾	62,740	-	-	-	-	6,658	69,398	Nil
Robert Mangioni ⁽⁷⁾	43,946	-	-	4,054	-	6,658	54,658	Nil
Bruce Cameron	-	-	-	20,699	-	-	20,699	Nil
	<u>115,697</u>	<u>-</u>	<u>-</u>	<u>64,002</u>	<u>-</u>	<u>19,974</u>	<u>199,673</u>	
Executive Directors								
Paul McCormick ⁽⁸⁾⁽⁹⁾	189,070	1,500	-	20,916	-	295,289	506,775	Nil
	<u>189,070</u>	<u>1,500</u>	<u>-</u>	<u>20,916</u>	<u>-</u>	<u>295,289</u>	<u>506,775</u>	
Other KMP								
Thibaut Mortier ⁽⁴⁾⁽⁸⁾	161,187	1,141	6,651	13,338	-	98,967	281,284	35%
Deana Cesari ⁽⁸⁾⁽¹⁰⁾	136,083	1,500	-	12,247	-	754	150,584	Nil
Mark Norman	47,811	-	-	2,891	-	-	50,702	Nil
	<u>345,081</u>	<u>2,641</u>	<u>6,651</u>	<u>28,476</u>	<u>-</u>	<u>99,721</u>	<u>482,570</u>	
Executive KMP	<u>534,151</u>	<u>4,141</u>	<u>6,651</u>	<u>49,392</u>	<u>-</u>	<u>395,010</u>	<u>989,345</u>	
TOTAL	<u>\$ 649,848</u>	<u>\$ 4,141</u>	<u>\$ 6,651</u>	<u>\$ 113,394</u>	<u>\$ -</u>	<u>\$ 414,984</u>	<u>\$ 1,189,018</u>	

REMUNERATION OF KEY MANAGEMENT PERSONNEL (KMP) (continued)

- (1) Mr. Cameron was appointed Executive Chairman on 8 April 2008. Mr. Cameron's remuneration for the 2008 financial year has been disclosed separately for his period as non-executive director (1 July 2007 to 7 April 2008) and Executive Chairman (8 April 2008 to 30 June 2008).
- (2) On 27 November 2007, the Company issued 250,000 options each to Mr. Cameron and Mr. Young. Each option has an exercise price of 30.8 cents and expires on 21 February 2010. The issue of exercise of these options is not dependent on the satisfaction of any performance conditions as they were considered part of the director's initial remuneration and a non-cash mechanism by which Antaria could offer a longer-term incentive for their service with the Company.
- (3) Mr. Mortier was appointed Executive Director on 5 October 2007. Mr. Mortier's remuneration for the 2008 financial year has been disclosed separately for his period as an executive (1 July 2007 to 4 October 2007) and Executive Director (5 October 2007 to 30 June 2008).
- (4) The Company paid a bonus to Mr. Mortier and Ms. Cesari for the year ended 30 June 2008. These bonuses were calculated at 30% of total salary and were determined by the Board after consideration of the Company's achievements in terms of growth of Personal Care revenue and customer base, along with the establishment of new distribution channels and strategic alliances for Antaria's products. The Board considered that these criteria were most appropriate in light of the stage of commercialisation of the Company's products and technologies. Mr. Mortier and Ms. Cesari elected to receive this part of their remuneration by way of an issue of shares under the Company's Salary Sacrifice Share Plan. On 16 June 2008, shares were issued to Mr. Mortier and Ms. Cesari in satisfaction of this bonus (631,740 shares and 489,247 shares respectively).
- (5) On 14 August 2006, the Company granted and issued 3,000,000 options to Mr. Mortier. The terms and conditions of these options included varying vesting dates to provide maximum incentive for Mr. Mortier to remain with the Company along performance-based conditions (KPIs) the Board considered most appropriate given Mr. Mortier's responsibilities and the stage of commercialisation of the Company's product and technologies. The directors believe that the terms and conditions of these options (as detailed below) provide the executive with both short and long term incentives to achieve growth in shareholder wealth.

Tranche 1:

Number of options: 1,000,000
 Vesting date: 14 August 2008 (2 years from the commencement date)
 Expiry date: 13 August 2011 (5 years from the commencement date)
 Exercise price: 30.8 cents per ordinary share

Tranche 2:

Number of options: 1,000,000
 Vesting date: 14 August 2008 (2 years from the commencement date)
 Expiry date: 13 August 2011 (5 years from the commencement date)
 Exercise price: 20 cents per ordinary share

Tranche 3:

Number of options: 500,000
 Vesting date: 14 August 2007 (1 year from the commencement date), subject to the executive receiving notice from the Company that the executive has achieved the KPIs for Year 1. The KPI's for Year 1 included growth in revenue and number of customers, along with the establishment of new distribution channels and the development of a strategic alliance and new industrial market for Antaria's products.
 Expiry date: 13 August 2011 (5 years from the commencement date)
 Exercise price: 20 cents per ordinary share

Tranche 4:

Number of options: 500,000
 Vesting date: 14 August 2008 (2 years from the commencement date), subject to the executive receiving notice from the Company that the executive has achieved the KPIs for Year 2
 Expiry date: 13 August 2012 (5 years from the first anniversary of the commencement date)
 Exercise price: 20 cents per ordinary share

Subsequent to year end, Mr. Mortier provided notice of his resignation, effective 29 August 2008. As a consequence of his resignation, Mr. Mortier's option holdings (detailed on page 19) automatically expired on 5 September 2008, being 7 days from the effective date of his resignation.

- (6) On 22 June 2007, the Company issued 1,000,000 options to Ms. Cesari. These options will vest 22 June 2009, expire on 21 June 2012 and have an exercise price of \$0.20 per share.
- (7) On 22 February 2005, the Company issued 250,000 options to each of the Company's three non-executive directors at that time (750,000 options in total). These options vested on 22 February 2007. Each option has an exercise price of \$0.308 per share and a term of five years, expiring on 21 February 2010. The issue or exercise of these options is not dependent on the satisfaction of any performance conditions as they were considered part of the director's initial remuneration and a non-cash mechanism by which Antaria could offer a longer-term incentive for their service with the Company.
- (8) A \$1,500 cash bonus was paid to all employees, including Dr. McCormick, Mr. Mortier and Ms. Cesari, in December 2006. The bonus was calculated on a pro-rata basis depending on the employee's length of service during the period 1 July to 31 December 2006.
- (9) On 6 November 2006, the Company issued 5,911,157 options to Dr. McCormick. These options vested on 24 February 2007, expire on 23 February 2010 and have an exercise price of \$0.308 per share. The expense associated with these options was recognised fully in the 2007 financial year, over the period from issue date to vesting date.
- (10) On 10 October 2005, the Company granted 1,000,000 options to Ms. Cesari. The expiry date for these options is 24 February 2010 and they may be exercised at an exercise price of \$0.308 per share. The options issued to Ms. Cesari vested on 24 February 2007.

COMPENSATION OPTIONS – GRANTED AND VESTED DURING THE YEAR

Year ended 30 June 2008		Terms and Conditions for each Grant						Vested	
Options Issued	Number Granted	Grant Date	Fair value per option at grant date	Exercise price per option	Expiry Date	First Exercise Date	Last Exercise Date	Number Vested	% Vested
Directors									
Bruce Cameron	250,000	27-Nov-07	1.91 cents	30.8 cents	21-Feb-10	27-Nov-07	21-Feb-10	250,000	100%
John Young	<u>250,000</u>	27-Nov-07	1.91 cents	30.8 cents	21-Feb-10	27-Nov-07	21-Feb-10	<u>250,000</u>	100%
TOTAL	<u>500,000</u>							<u>500,000</u>	

Year ended 30 June 2007		Terms and Conditions for each Grant						Vested	
Options Issued	Number Granted	Grant Date	Fair value per option at grant date	Exercise price per option	Expiry Date	First Exercise Date	Last Exercise Date	Number Vested	% Vested
Directors									
P McCormick	5,911,157	06-Nov-06	5.00 cents	30.8 cents	23-Feb-10	24-Feb-07	23-Feb-10	5,911,157	100%
Executives									
T Mortier									
Tranche 1	1,000,000	14-Aug-06	5.52 cents	30.8 cents	13-Aug-11	14-Aug-08	13-Aug-11	-	-
Tranche 2	1,000,000	14-Aug-06	6.78 cents	20.0 cents	13-Aug-11	14-Aug-08	13-Aug-11	-	-
Tranche 3	500,000	14-Aug-06	6.54 cents	20.0 cents	13-Aug-11	14-Aug-07	13-Aug-11	500,000	100%
Tranche 4	500,000	14-Aug-06	7.43 cents	20.0 cents	13-Aug-12	14-Aug-08	13-Aug-12	-	-
D Cesari	<u>1,000,000</u>	22-Jun-07	6.89 cents	20.0 cents	21-Jun-12	22-Jun-09	21-Jun-12	<u>-</u>	-
TOTAL	<u>9,911,157</u>							<u>6,411,157</u>	

OPTIONS GRANTED AS PART OF REMUNERATION

Year ended 30 June 2008

	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Total value of options granted, exercised and lapsed during the year	% Remuneration consisting of options for the year
Directors					
Bruce Cameron	4,780	-	-	4,780	5.08%
John Young	<u>4,780</u>	-	-	<u>4,780</u>	11.18%
TOTAL	<u>9,560</u>	<u>-</u>	<u>-</u>	<u>9,560</u>	

Year ended 30 June 2007

	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Total value of options granted, exercised and lapsed during the year	% Remuneration consisting of options for the year
Directors					
P McCormick	295,289	-	-	295,289	58.27%
Executives					
T Mortier	192,879	-	-	192,879	35.18%
D Cesari	<u>68,888</u>	-	-	<u>68,888</u>	0.50%
TOTAL	<u>557,056</u>	<u>-</u>	<u>-</u>	<u>557,056</u>	

There were no alternations to the terms and conditions of options granted as remuneration since their grant date.

SHARES ISSUED ON EXERCISE OF COMPENSATION OPTIONS

There were no shares issued during the 2008 or 2007 financial years as a result of the exercise of compensation options.

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

Director	Directors' Meetings		Audit Committee	
	Number Held	Number Attended	Number Held	Number Attended
Bruce Cameron	12	12	2	2
David Griffiths	12	12	2	2
Robert Mangioni	12	10	2	1
John Young (1)	9	9	1	1
Paul McCormick (2)	12	12	N/a	N/a
Thibaut Mortier (1)(2)	9	9	N/a	N/a
Harold Clough (3)	6	5	1	1

- (1) Number of meetings held refers to the number of meetings held since 5 October 2007, the date on which Mr. Young and Mr. Mortier were appointed as directors of the Company.
- (2) Dr. McCormick and Mr. Mortier are not members of the Audit Committee due to their executive positions within the Company. They are however required to attend selected Audit Committee meetings, and attended both meetings held during the year.
- (3) Number of meetings held refers to the number of meetings held to 21 November 2007, the date on which Mr. Clough retired as a director of the Company.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an Independence Declaration from our auditors, Ernst & Young, as set out on page 64 of the Financial Report.

NON-AUDIT SERVICES

During the year Ernst & Young, the Company's auditors, performed certain non-audit services for the Company. Ernst & Young received or are due to receive a total of \$8,993 (refer note 25 to the Financial Report) for the provision of non-audit services, being the provision of expatriate taxation services and miscellaneous accounting services.

The directors have considered the non-audit services provided during the year and are satisfied that the services are compatible with, and did not compromise, the auditor independence requirements under the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure that they do not impact upon the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as they did not involve reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the Company, or jointly sharing economic risks and rewards.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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



Bruce Cameron (Executive Chairman)
 Director
 Date: 12 September 2008



David Griffiths
 Director
 Date: 12 September 2008

The Board of Directors of Antaria Limited (Antaria or the Company) is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Antaria on behalf of shareholders by whom they are elected and to whom they are accountable.

The following Corporate Governance Statement sets out the extent to which Antaria has followed the "Principles of Good Corporate Governance and Best Practice Recommendations" released by the Australian Securities Exchange Limited's (ASX) Corporate Governance Council in March 2003. Where a recommendation has not been followed, the following statement discloses this fact, together with the reasons for the departure.

The Company's Corporate Governance Statement is reviewed and updated at least annually. The various codes, policies and charters referred to in this statement are available for review on Antaria's website, www.antaria.com.

In August 2007, the ASX Corporate Governance Council released its revised Corporate Governance Principles and Recommendations (the Revised Principles). The Revised Principles apply to a company's first financial year commencing on or after 1 January 2008 and accordingly, will be applicable for Antaria's annual report for the year ended 30 June 2009.

Antaria's corporate governance practices were in place throughout the year ended 30 June 2008 unless otherwise stated. In April 2008, the Company implemented a change in senior management structure with the appointment of Mr. Cameron (non-executive director since December 2006) as Executive Chairman and Dr. McCormick (Chief Executive Officer since November 2000) stepping down as CEO. Dr. McCormick has continued his involvement with the Company in an executive capacity and will remain a director of Antaria.

PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board's primary role is to protect and enhance long-term shareholder value by providing strategic guidance and direction to the Company and evaluating its performance against these objectives.

The Company's Corporate Governance Guidelines include a formal Board Charter, which discloses the specific functions of the Board and provides that the Board shall delegate responsibility for the day to day operations and administration of the Company to the Executive Chairman (Chief Executive Officer to 8 April 2008), including (but not limited to):

- The implementation of corporate strategies and performance objectives as established by the Board;
- Approval of capital and other expenditure within authority limits as determined by the Board from time to time;
- Appointment of senior management and employees other than those appointments specifically reserved to the Board; and
- Developing systems of risk management and internal control compliance records.

The Board monitors the performance of the Company through the review and establishment of key objectives and deliverables, including the review of monthly financial and operational activities.

PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

The Antaria Board operates under a formal Board Charter, which sets out the functions of the Board, including:

- Charting the direction, strategies and financial objectives for Antaria and its subsidiaries;
- Overseeing and monitoring organisational performance against these goals and objectives;
- Approving and monitoring the Company's performance against its strategic plans and annual budgets;
- Ensuring the significant risks facing the Company and its investments have been identified, and appropriate control, monitoring and reporting mechanisms are in place;
- Monitoring financial performance, including approval of the annual and half-year financial reports and liaising with the Company's auditors;
- Communicating with and protecting the rights and interests of all shareholders and other stakeholders;
- Appointing and assessing the performance of the Company's senior managers;
- Ensuring that appropriate and effective remuneration packages and policies are implemented by the Company;
- Approving and monitoring major capital expenditure, capital management and significant business transactions;
- Formalisation and monitoring of corporate governance policies and codes of conduct;
- Enhancing and protecting the reputation of the Company; and
- Ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of directors having regard to the law and the best standards of governance.

The names, qualifications, experience and expertise of each of the Company's directors in office at the date of the annual report is included on pages 5 and 6 of the Directors' Report, along with the term of office held by each director. The composition of the Board is determined using the following principles:

- The Board is comprised of a minimum of three directors and a maximum of ten;
- A majority of directors should be independent;
- The composition of the Board is subject to shareholder approval. All nominations for appointment to the Board are reviewed by the current Board; and
- The Chairman of the Board should preferably be an independent director and shall be elected by the directors.

The Company has reviewed the independence of each director, including (but not limited to) assessment of the level of their current shareholdings and any relationships with any material customers, suppliers or advisers. For the purposes of assessing independence, the Company has used a materiality threshold of \$200,000 in respect of customer, supplier or adviser relationships.

The Company has concluded that each of Antaria's non-executive directors, Mr. Griffiths, Mr. Mangioni and Mr. Young (representing 50% of the Board) meet the relevant criteria for independence. The Board recognises Mr. Young is a substantial shareholder of the Company, holding a total of 9,656,735 shares in the Company, or 5.2% of the issued share capital. However notwithstanding Mr Young's shareholding, the Board has concluded that Mr. Young is independent based upon his exercise of impartial judgement in his decision making.

PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE (continued)

Mr. Cameron was appointed Executive Chairman on 8 April 2008 and is therefore not considered independent by virtue of his executive position. Prior to 8 April 2008, Mr. Cameron was a non-executive director and is considered to have met the criteria for independence during his period as a non-executive director (18 December 2006 to 7 April 2008). The Board recognises that the role of Chairman is recommended to be fulfilled by an independent, non-executive director. The Board believes, notwithstanding Mr. Cameron's appointment to an executive position from 8 April 2008, the Company is best served with Mr. Cameron's appointment as Executive Chairman due to the strength of his skills, experience and commitment to that role. A non-executive director has served as Chairman of the Company at all times from its ASX listing in February 2005 until the recent change in senior management structure on 8 April 2008.

Dr. McCormick and Mr. Mortier hold senior management positions with the Company and are therefore not considered independent. Dr. McCormick is also a founding shareholder of the Company. Dr. McCormick currently holds 4,069,017 shares in the Company, or 2.2% of the issued share capital as at the date of this report. Dr. McCormick also has the ability to acquire further shares, through an Inventors Call Option Deed, with the University of Western Australia (right to acquire a further 13,902,165 shares). Should Dr. McCormick exercise all of these rights, his total shareholding could represent up to 17,971,782 ordinary shares or 9.7% of the Company's outstanding share capital.

The Antaria Board generally meets on a monthly basis, and may also meet at such other times as may be necessary to address any specific significant matters that may arise. The meeting agenda and submissions are circulated in advance, with standing agenda items including strategic items, operations review, financial reports, and compliance, disclosure and governance matters.

Board meetings are attended by the Chief Financial Officer (who is also secretary of the Board) and other senior managers, employees and/or external parties are invited to attend any meeting of the Board (or part thereof) as appropriate.

As set out in the Board Charter, non-executive directors have the right to seek independent professional advice in the furtherance of their duties as directors of the Company at the Company's expense. The Chairman's prior approval of such expenditure is required.

Due to its current size, Antaria's Board does not have a separate nomination committee. The Board of Directors currently performs all functions relating to Board nomination and membership.

PRINCIPLE 3 - PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Antaria's reputation for honesty and integrity is valuable to the Company and its shareholders, and therefore must be maintained and protected at all times. The directors and employees of the Company are therefore expected to conduct their business on behalf of the Company in accordance with the highest ethical standards and sound corporate governance.

In order to provide a framework within which decisions and actions in relation to ethical conduct can be evaluated, Antaria has developed a Corporate Code of Conduct which sets out the standards expected of the directors and employees of the Company in the performance of their duties. The Code of Conduct also requires employees to report known or suspected events which involve questionable, dishonest or fraudulent activity and provides that all suspected breaches of the Corporate Code of Conduct will be investigated.

As part of Antaria's Corporate Governance Guidelines, the Company has also established a specific policy related to dealing in the Company's securities including guidelines for buying and selling securities in the Company (Securities Dealing Policy). This policy includes, amongst other items, restrictions on dealing in the Company's securities during certain "closed periods" (such as the period from the end of the relevant financial year to the date of the preliminary announcement of the Company's annual results) and the dealing on considerations of a short-term nature. The Securities Dealing Policy also provides that directors must not deal in any securities of the Company or related companies without advising the Chairman in advance and receiving clearance. Under this policy, the Chairman is required to advise and receive clearance from the Board.

PRINCIPLE 4 - SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Antaria has established an Audit Committee, the primary function of which is to assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to the following areas:

- Application of accounting policies and reporting of financial information to shareholders, regulators and the general public;
- Corporate conduct and business ethics, including auditor independence and ongoing compliance with laws and regulations;
- Maintenance of an effective and efficient audit; and
- Appointment, compensation and oversight of the external auditor, and to ensure that the external auditor meets the required standards for auditor independence.

The Company's Audit Committee operates under a formal charter and is comprised of Antaria's three non-executive directors, Mr. Griffiths, Mr. Mangioni and Mr. Young. The qualifications of the Audit Committee members are included in the Directors' Report on pages 5 and 6, along with the number of meetings of the committee and the number of meetings attended (page 21). All Audit Committee members are considered independent. Mr. Mangioni is the current Chairman of the Audit Committee.

Audit Committee members have direct access to the Company's external auditors and also have the authority to seek any information it requires to carry out its duties from any officer or employee of the Company.

The Company's Executive Chairman (Mr. Cameron), Executive Directors (Dr. McCormick and Mr. Mortier to 29 August 2008) and Chief Financial Officer (Ms. Cesari) are required to attend Audit Committee meetings, with other attendees invited at the request of the committee members. The Company's external auditors (currently Ernst & Young) are invited to attend at least two Audit Committee meetings per annum. The Audit Committee monitors the independence of its auditors and reviews their performance on an annual basis. The Audit Committee meets (at least annually) with the external auditors without the presence of management.

The Company's Code of Conduct also includes provisions detailing specific responsibilities of those employees and officers who are involved in the accounting and finance areas of the Company, or who influence the financial performance of Antaria.

PRINCIPLE 4 - SAFEGUARD INTEGRITY IN FINANCIAL REPORTING (continued)

In relation to the 2008 Annual Report, Antaria's Executive Chairman and Chief Financial Officer have stated in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial position and performance and are in accordance with relevant accounting standards.

PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE

Antaria is committed to complying with the continuous disclosure obligations of the Corporations Act and the ASX Listing Rules.

In order to ensure compliance with the requirements of the Corporations Act and the ASX rules relating to continuous disclosure of material information, Antaria's Corporate Governance Guidelines includes a specific Continuous Disclosure policy with established internal procedures for the dissemination and monitoring of that information.

The Chief Financial Officer is responsible for the implementation, operation and monitoring of this policy. This includes overseeing and coordinating disclosure of information to the ASX, educating employees on the Company's disclosure policies and procedures and communicating with the Executive Chairman and directors on continuous disclosure matters.

PRINCIPLE 6 - RESPECT THE RIGHTS OF SHAREHOLDERS

Antaria recognises and respects the right of its shareholders to be informed of matters, in addition to those prescribed by law, which affect their investment in the Company. The Company also encourages dialogue with its shareholders, with the Executive Chairman being the primary point of contact for shareholders requiring information about the Company.

The Company has developed and documented a Shareholder Communication Policy, which aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. This policy includes the provision of relevant information on the Company's website and a subscription service to allow shareholders to obtain an email from the Company alerting them to a release made to the ASX. Any such emails are sent once confirmation has been received from the ASX of the release of the announcement. The Company also has a practice of making public information available to shareholders by other means (post, fax, email) upon request.

The Board encourages participation of shareholders at its Annual General Meetings to ensure accountability and identification with the Company's strategies and goals. Important issues will be presented to shareholders as single resolutions. In accordance with the Corporations Act, the Board will provide its auditor with a notice of meeting and related communications. The Board will also request the external auditor to attend all annual general meetings of the Company and be available for shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report, and about any other matter required by the Corporations Act.

PRINCIPLE 7 - RECOGNISE AND MANAGE RISK

The Board of Directors is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The objectives of Antaria's risk management program are contained in the Company's Risk Management Policy included in its Corporate Governance Guidelines.

Responsibility for establishing and maintaining effective risk management strategies rests with Antaria's Executive Chairman (Chief Executive Officer to 8 April 2008) and senior managers, accountable to the Board of Directors. Each of these officers provides approval for all major items of expenditure, and is involved in the negotiation and agreement of all commercial contracts and commitments.

The Board of Directors reviews the business and financial risk management systems and internal control systems implemented by management to obtain reasonable assurance that the entity's assets are safeguarded and that the reliability and integrity of its financial information is maintained. The Board will review, at least annually, the effectiveness of the Company's risk management systems.

Antaria is a quality endorsed company under the ISO 9001:2000 quality standard. The Company has developed a set of policies and procedures (set out in the Company's Quality Manual) in relation to the Company's operations, the compliance of which is an essential part of each employee's responsibility to the Company and is referred to as such in the Company's Corporate Code of Conduct.

The Board recognises that no cost effective internal control system will preclude all errors and irregularities. The system is based upon written procedures, policies and guidelines, an organisational structure that provides an appropriate division of responsibility, and the selection and training of qualified personnel.

In relation to the 2008 Annual Report, Antaria's Executive Chairman and Chief Financial Officer have stated to the Board in writing that they have evaluated internal controls over financial reporting and that there is in place a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

PRINCIPLE 8 - PERFORMANCE EVALUATION

The Chairman of the Board is responsible for the performance evaluation of the Board and its Committees (namely the Audit Committee). At one meeting each year, the Board will evaluate and discuss its own performance as a whole and of each director and Chairman individually. At the same time, the Board will also review the performance of the senior managers. The Board considers the above process appropriate in light of the size of the Board.

The Company has also implemented an annual performance evaluation review process that commences in June of each year. This includes the evaluation of all management and staff, along with the establishment of objectives and deliverables for the coming year. The annual performance review process is conducted by requiring staff to complete a self review form and then holding a meeting with the staff member to discuss their performance, key deliverables for the coming year, and any issues raised in the review form.

PRINCIPLE 9 - REMUNERATE FAIRLY AND RESPONSIBLY

The Board recognises that the performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives. To this end, the Company ensures that its remuneration framework provides competitive rewards to attract high calibre executives and ensures, through its employee share option plan, that its executives' interests are aligned with those of its shareholders.

A detailed discussion of Antaria's remuneration policies and structure is provided in the Remuneration Report set out on pages 13 to 20 of the Directors' Report. Further details as to the current remuneration structure for directors is also included in the Antaria Board Charter which is available in the Corporate Governance section of the Company's website.

The Board does not have a remuneration committee, as the directors believe that the Board is not of a sufficient size to warrant the establishment of a remuneration committee at this time. Accordingly, the Board currently performs the functions of ensuring that appropriate and effective remuneration packages and policies are implemented within the Company, following recommendation by (or delegation to) the Executive Chairman and senior managers.

The Board recognises that the ASX recommends that non-executive directors should not receive options. The Board believes however that the level of remuneration paid by the Company to its non-executive directors is relatively modest, especially having regard to the high proportion of remuneration that Company's current non-executive directors have elected to receive in a non-cash form in order to preserve the Group's cash reserves (being the issue of shares under the Company's Salary Sacrifice Share Plan). The Board considers that the issue of options to non-executive directors provides additional non-cash mechanism by which directors can be remunerated for their service and contribution

PRINCIPLE 10 - COMPANY'S CONDUCT AND STAKEHOLDERS

Antaria's Corporate Code of Conduct provides that all dealings with customers, suppliers and external parties shall be conducted in a professional and courteous manner.

Antaria also expects its employees to avoid any circumstances where their personal, financial or other interest may be in conflict (either directly or indirectly) with their responsibilities to the Company. Employees are required to disclose any such conflicts to their supervisor or manager, including any personal interests or obligations which could create any suspicion that actions they take or decisions they make for the Company might be influenced.

	Notes	CONSOLIDATED		PARENT	
		30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
		\$	\$	\$	\$
Revenue	6(a)	3,223,336	3,048,931	3,254,574	3,048,758
Cost of goods sold		<u>(2,835,270)</u>	<u>(2,283,463)</u>	<u>(2,973,201)</u>	<u>(2,408,909)</u>
Gross profit		388,066	765,468	281,373	639,849
Other income	6(b)	690,372	468,375	669,655	441,668
Research and product development expenses		(1,249,203)	(1,181,956)	(1,247,559)	(1,108,666)
Sales and marketing expenses		(1,584,438)	(1,038,501)	(1,450,078)	(1,038,497)
Corporate and administrative expenses		<u>(2,802,201)</u>	<u>(3,411,245)</u>	<u>(2,662,095)</u>	<u>(3,332,213)</u>
Loss before income tax		<u>(4,557,404)</u>	<u>(4,397,859)</u>	<u>(4,408,704)</u>	<u>(4,397,859)</u>
Income tax expense	7	-	-	-	-
Loss after tax from continuing operations		<u>(4,557,404)</u>	<u>(4,397,859)</u>	<u>(4,408,704)</u>	<u>(4,397,859)</u>
Net loss attributable to members of parent		<u>(4,557,404)</u>	<u>(4,397,859)</u>	<u>(4,408,704)</u>	<u>(4,397,859)</u>
Loss per share (cents per share)	8				
- basic for loss for the year		(2.52)	(2.62)	(2.44)	(2.62)
- diluted for loss for the year		(2.52)	(2.62)	(2.44)	(2.62)
- dividends paid per share		Nil	Nil	Nil	Nil

The above Income Statement should be read in accordance with the accompanying notes.

		CONSOLIDATED		PARENT	
		30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
		\$	\$	\$	\$
ASSETS					
Current Assets					
Cash and cash equivalents	9	2,460,592	2,168,836	2,438,942	2,151,936
Trade and other receivables	10	518,073	337,808	745,537	415,092
Inventories	11	740,067	751,631	694,765	751,631
Prepayments	12	39,479	33,611	40,002	33,611
Other financial assets	13	9,093	10,652	9,093	10,652
Total Current Assets		3,767,304	3,302,538	3,928,339	3,362,922
Non-Current Assets					
Trade and other receivables	14	95,000	132,131	95,000	132,131
Investment in controlled entity	15	-	-	1,980,802	2,082,836
Property, plant and equipment	16	1,762,717	1,984,651	1,670,966	1,832,326
Intangible assets	17	5,347,671	6,196,936	3,695,230	4,336,769
Total Non-Current Assets		7,205,388	8,313,718	7,441,998	8,384,062
TOTAL ASSETS		10,972,692	11,616,256	11,370,337	11,746,984
LIABILITIES					
Current Liabilities					
Trade and other payables	19	251,852	98,179	504,014	225,751
Interest bearing loans and borrowings	20	144,101	64,326	144,101	64,326
Provisions	21	197,800	180,977	197,800	180,977
Deferred income	22	199,879	222,605	194,888	201,886
Other liabilities	22	400,887	432,359	373,686	432,250
Total Current Liabilities		1,194,519	998,446	1,414,489	1,105,190
Non-Current Liabilities					
Interest bearing loans and borrowings	20	-	147,546	-	147,546
Provisions	21	162,572	205,036	162,572	205,036
Deferred income	22	437,969	13,354	429,606	-
Total Non-Current Liabilities		600,541	365,936	592,178	352,582
TOTAL LIABILITIES		1,795,060	1,364,382	2,006,667	1,457,772
NET ASSETS		9,177,632	10,251,874	9,363,670	10,289,212

The above Balance Sheet should be read in accordance with the accompanying notes.

	Notes	CONSOLIDATED		PARENT	
		2008	2007	2008	2007
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		3,296,522	3,320,134	3,123,043	3,320,134
Payments to suppliers and employees		(6,511,375)	(6,316,728)	(6,345,088)	(6,305,366)
		(3,214,853)	(2,996,594)	(3,222,045)	(2,985,232)
Receipt of government grants		647,889	466,952	647,889	466,952
Interest received		206,323	288,513	206,221	288,340
Borrowing costs		(29,433)	(23,698)	(29,433)	(23,698)
Net cash (outflows) from operating activities	9	<u>(2,390,074)</u>	<u>(2,264,827)</u>	<u>(2,397,368)</u>	<u>(2,253,638)</u>
Cash flows from investing activities					
Purchase of property, plant and equipment		(203,933)	(746,857)	(186,435)	(746,857)
Purchase of patents, trademarks, and development costs		(19,695)	(439,061)	(19,695)	(439,061)
Proceeds from sale of property, plant and equipment		14,954	-	-	-
Net cash (outflows) from investing activities		<u>(208,674)</u>	<u>(1,185,918)</u>	<u>(206,130)</u>	<u>(1,185,918)</u>
Cash flows from financing activities					
Proceeds from issues of shares		3,000,000	-	3,000,000	-
Transaction costs of issue of shares		(30,113)	-	(30,113)	-
Repayment of borrowings		(33,316)	(33,315)	(33,316)	(33,315)
Net cash inflows/(outflows) from financing activities		<u>2,936,571</u>	<u>(33,315)</u>	<u>2,936,571</u>	<u>(33,315)</u>
Net increase/(decrease) in cash and cash		337,823	(3,484,060)	333,073	(3,472,871)
Cash and cash equivalents at the beginning of the year		2,168,836	5,718,870	2,151,936	5,690,781
Exchange rate adjustment		(46,067)	(65,974)	(46,067)	(65,974)
Cash and cash equivalents at the end of the year		<u>2,460,592</u>	<u>2,168,836</u>	<u>2,438,942</u>	<u>2,151,936</u>

The above Cash Flow Statement should be read in accordance with the accompanying notes.

CONSOLIDATED	Attributable to equity holders of the parent			
	Issued capital	Option premium reserve	Accumulated losses	Total
	\$	\$	\$	\$
As 1 July 2006	28,012,445	337,253	(14,291,435)	14,058,263
Total income and expense for the period recognised directly in equity	-	-	-	-
(Loss) for the period	-	-	(4,397,859)	(4,397,859)
Total (expense) for the period	-	-	(4,397,859)	(4,397,859)
Share-based payment	-	591,470	-	591,470
At 30 June 2007	<u>28,012,445</u>	<u>928,723</u>	<u>(18,689,294)</u>	<u>10,251,874</u>
As 1 July 2007	28,012,445	928,723	(18,689,294)	10,251,874
Total income and expense for the period recognised directly in equity	-	-	-	-
(Loss) for the period	-	-	(4,557,404)	(4,557,404)
Total (expense) for the period	-	-	(4,557,404)	(4,557,404)
Shares issued	3,354,967	-	-	3,354,967
Share-based payment	-	128,195	-	128,195
At 30 June 2008	<u>31,367,412</u>	<u>1,056,918</u>	<u>(23,246,698)</u>	<u>9,177,632</u>

PARENT	Attributable to equity holders of the parent			
	Issued capital	Option premium reserve	Accumulated losses	Total
	\$	\$	\$	\$
As 1 July 2006	28,012,445	337,253	(14,254,097)	14,095,601
Total income and expense for the period recognised directly in equity	-	-	-	-
(Loss) for the period	-	-	(4,397,859)	(4,397,859)
Total (expense) for the period	-	-	(4,397,859)	(4,397,859)
Share-based payment	-	591,470	-	591,470
At 30 June 2007	<u>28,012,445</u>	<u>928,723</u>	<u>(18,651,956)</u>	<u>10,289,212</u>
As 1 July 2007	28,012,445	928,723	(18,651,956)	10,289,212
Total income and expense for the period recognised directly in equity	-	-	-	-
(Loss) for the period	-	-	(4,408,704)	(4,408,704)
Total (expense) for the period	-	-	(4,408,704)	(4,408,704)
Shares issued	3,354,967	-	-	3,354,967
Share-based payment	-	128,195	-	128,195
At 30 June 2008	<u>31,367,412</u>	<u>1,056,918</u>	<u>(23,060,660)</u>	<u>9,363,670</u>

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

1. CORPORATE INFORMATION

The financial report for Antaria Limited (Antaria or the Company), formerly Advanced Nanotechnology Limited, for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 12 September 2008.

Antaria Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The principal activities of the Company during the year were the development, production and sale of advanced metal oxides powders and dispersions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards.

The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The following applicable Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2008:

<u>Reference</u>	<u>Title</u>	<u>Summary</u>	<u>Application date of standard</u>	<u>Impact on Group financial report</u>	<u>Application date for Group</u>
AASB Int. 13	Customer Loyalty Programmes	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services.	1 July 2008	The Group does not have any customer loyalty programmes and as such this interpretation is not expected to have any impact on the Group's financial report.	1 July 2008
AASB Int. 14	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Aims to clarify how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan.	1 January 2008	The Group does not have any defined benefit assets and as such this interpretation is not expected to have any impact on the Group's financial report	1 July 2008
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Group's segment disclosures.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

<u>Reference</u>	<u>Title</u>	<u>Summary</u>	<u>Application date of standard</u>	<u>Impact on Group financial report</u>	<u>Application date for Group</u>
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are not expected to have any impact on the Group's financial report as the Group does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into some business combinations during a future financial year and may therefore require adoption of the amendments.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
Amendments to IFRS	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	<p>The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.</p> <p>AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.</p>	1 January 2009	<p>Subsidiaries have not paid dividends to Antaria. However, if the Group enters into any group reorganisation then this may change and early adoption may be considered.</p> <p>In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.</p>	1 July 2009
Amendments to IFRS	Improvements to IFRSs	<p>The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.</p>	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	<p>This interpretation proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.</p>	1 January 2009	The Interpretation is unlikely to have any impact on the Group since it does not currently undertake hedging activities.	1 July 2009

Adoption of new accounting standard

The Group has adopted AASB 7 *Financial Instruments: Disclosures* and all consequential amendments which became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no effect on profit and loss or the financial position of the entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(c) Basis of consolidation**

The consolidated financial statements are those of the consolidated entity, comprising Antaria Limited (the Company) and all entities that Antaria controlled from time to time during the year and at reporting date (the Group).

Information from the financial statements of subsidiaries is included from the date the Company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, income and expenses and profits and losses from intra-group transactions, have been eliminated in full.

(d) Significant accounting judgements, estimates and assumptions*Significant accounting judgements*

In the process of applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based upon experiences and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions are believed to be reasonable based upon the most current set of circumstances available to management. However, given the uncertain nature of future sales and earnings, actual results may materially differ from judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Inventories

Inventories are valued at the lower of cost and net realisable value. The Group assesses net realisable value by reference to the current and expected future selling price of its products. Where the consumption of certain inventory balances for future sale is not reasonably assured, the Group recognises an expense in the current year.

Development costs

Development expenditure incurred on an individual project is carried forward (capitalised) when management considers that its future recoverability can reasonably be regarded as assured.

Impairment of intangible assets

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include consideration of the product performance and the Group's future product expectations, and the technological, market, economic or legal environments in which the Group operates. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves the value in use calculations, which incorporate a number of key estimates and assumptions.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Binomial pricing model based upon the assumptions detailed in note 18.

Useful lives of intangible assets

The Group has determined the useful lives of its intangible assets. In making this determination, consideration was given to the underlying asset. The Group's Intellectual Property, including licence fees granted in order to access the intellectual property, has been determined to have a useful life equivalent to the remaining term of the underlying patent portfolio.

The capitalised development costs have been determined to have a useful life approximating the product life of each individual product line. This ranges from 2 to 5 years. For further information relating to the Group's intangible assets, refer to note 17.

(e) Foreign currency

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(f) Cash and cash equivalents**

For purposes of the Cash Flow Statement, cash and cash equivalents includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which is readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms (with the exception of certain US debtors), are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Collectibility of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue without any agreed repayment plan are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the effective interest rate.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition, are accounted for as follows:

Raw Materials

Purchase cost on a first-in-first-out basis.

Finished Goods and Work In Progress

Cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Costs are assigned on a first in, first out basis.

(i) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator exists, the Group makes a formal estimate of recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the assets' value in use cannot be estimated to be close to its fair value.

In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash generating unit is considered impaired and is written down to its recoverable amount. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

In assessing value in use, the expected future cash flows included in determining recoverable amounts of assets are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group's assessment of an asset's impairment and recoverable amount is a subjective one, particularly given the stage of commercialisation of its products and technologies.

(j) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight line basis to write off the net cost of each item of property, plant and equipment over its expected useful life to the entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

	2008	2007
<i>Category</i>	<i>Useful life</i>	<i>Useful life</i>
Plant and equipment	3-15 Years	3-15 Years

Where items of plant and equipment have separately identifiable components which are subject to regular replacements, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(j) Property, plant and equipment (continued)**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(k) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(l) Leases

A distinction is made between finance leases which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments are recognised as expenses on a straight line basis over the lease term unless a more systematic basis is more representative of the time pattern of the user's benefits. The Group does not currently have any finance leases.

(m) Investment in controlled entities

The investment in the Company's subsidiaries are carried at the lower of cost and recoverable amount. Recoverable amount is determined with reference to net assets of the subsidiary.

(n) Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments – Recognition and Measurement* are classified as either:

- (i) Financial assets at fair value through profit or loss;
- (ii) Loans and receivables;
- (iii) Held-to-maturity investments; or
- (iv) Available-for-sale investments, as appropriate.

When financial assets are initially recognised they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, investments, which are classified as held for trading (in the category 'Financial assets at fair value through profit or loss') and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in profit or loss.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected future cash flows of the underlying net asset base of the investment.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profit or loss.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(o) Impairment of financial assets**

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(p) Intangible assets and expenditure carried forward*Acquired both separately and from a business combination*

Intangible assets acquired separately are initially measured at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets, i.e. they are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the 'depreciation and amortisation' line item.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis. The Group's assessment of an asset's impairment and recoverable amount is a subjective one, particularly given the stage of commercialisation of its products and technologies.

Intellectual property rights

The useful lives of these intangible assets are assessed to be finite. The cost of acquiring intellectual property rights (copyright) is carried at cost and amortised on a straight-line basis over 16.24 years, being the remaining useful life from the date of transfer.

Patents, trademarks and licenses

The useful lives of these intangible assets are assessed to be finite. Costs incurred for the preparation, application and registration of patents and trademarks (including patents attorney fees) are carried at cost and are amortised on a straight-line basis from the application date over the remaining useful life of the patent or trademark, being up to 20 years (patents) or 10 years (trade marks). If the patent or trademark is not granted, lapses or is abandoned, any capitalised cost is expensed when known. The costs associated with annual renewal fees are expensed as incurred. Costs associated with license fees issued over patents are amortised on a straight-line basis from the date of the license over the remaining useful life of the underlying patent.

Research and development costs

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward (capitalised) when its future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight-line basis over the products life, currently estimated at 2 to 5 years.

Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(q) Trade creditors and other payables**

Trade and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(r) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(s) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The Group currently has an Employee Share Option Plan and Salary Sacrifice Share Plan, which provides benefits to directors and employees and a mechanism by which they can elect to receive all or part of their remuneration by fully paid shares rather than cash.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Binomial valuation model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Antaria Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(t) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds.

(u) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

Sale of goods

Revenue from the sale of goods is recorded when goods have been despatched to a customer pursuant to a sales order and the associated significant risks and rewards of ownership of the goods have passed to the carrier or customer.

Services

Service revenue is recognised when service is provided.

Interest

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(v) Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is offset against the cost of the asset.

(w) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- (i) except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- (ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- (i) except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- (ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(x) Other taxes*Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST except:

- (i) Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (ii) Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a net basis and the GST component of cash flows, which is recoverable from, or payable to, the taxation authority, are included in payments to suppliers. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(y) Employee benefits*Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Annual leave liabilities which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflow to be made in respect of services provided by the employees up to the reporting date. In determining the present value of the future cash outflow it is assumed that employees will receive salary increases in line with CPI and therefore once discounted back to the present value the current value equals the present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(y) Employee benefits (continued)***Superannuation*

Contribution to employees' superannuation funds made up by the Group are charged to the income statement in the period in which the contributions are payable.

Long service leave

Liabilities for long service leave are measured at the present value of the estimated future cash outflow to be made in respect of services provided by the employees up to the reporting date. The provision is calculated using estimated future increases in wages and salary rates (including on-costs) and likelihood and timing of expected settlement dates based on the Group's experience. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(z) Earnings per share

Basic earnings per share (EPS) is calculated as net profit/(loss) attributable to members adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit/(loss) attributable to members, adjusted for:

- (i) Costs of servicing equity (other than dividends) and preference share dividends;
- (ii) The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- (iii) Other non discretionary changes in revenue or expenses during the period that would result from, the dilution of potential ordinary shares,

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(aa) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

3. CHANGE IN ACCOUNTING POLICY

AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED151 and Other Amendments* reinstates optional accounting treatments permitted by IFRS that were not initially available under Australian Accounting Standards. AASB 2007-4, which is applicable from 1 July 2007, has been applied in the preparation of these financial statements.

As permitted by AASB2007-4 and AASB 120 *Government Grants*, the Group has elected to adopt the policy of presenting government grants related to assets by deducting the grant in arriving at the carrying amount of the asset. Previously, where the grant income relates to an asset, the fair value was credited to a deferred income account and was released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

The Group's prior year's balance sheet has been amended for comparative purposes with the written down value of development costs decreasing by \$169,036 from \$769,542 to \$600,506 and deferred income also decreasing by \$169,036 from \$228,392 to \$59,356. There has been no impact of the change in policy on the net loss and the equity of the Group.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of cash and short term deposits, receivable deposits, fixed interest bearing loans, and non interest bearing loans.

The Antaria Group manages its exposure to key financial risks, including interest rates, and currency exchange rates, in accordance with the Group's financial risk management strategy. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest and foreign exchange rates, ageing analysis and monitoring of specific credit allowances to manage credit risk, and monitoring of liquidity risk through the development of future rolling cash flow forecasts.

Primary responsibility for identification of control of financial risks rests with the Audit Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below.

(a) Interest rate riskBorrowings

The Group currently has one chattel mortgage at a fixed interest rate over the life of the borrowings. Therefore, the Group has no current exposure to interest rate risk on its borrowings. Refer Note 20 for details of assets pledged as security for this mortgage.

Investments

The Group's limited exposure to market interest rates relates to its cash investments. The Group's investments consist of a portfolio of fixed term deposits and at call deposits.

The Group seeks to maximise its return on investment through a review of interest rates for varying terms to maturity and through obtaining deposit rates from multiple financial institutions.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)
(a) Interest rate risk (continued)

The interest rate risk tables below presents the mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

Year ended 30 June 2008	CONSOLIDATED			PARENT		
	Carrying Amount	Fair Value	Weighted average interest rate	Carrying Amount	Fair Value	Weighted average interest rate
	\$	\$	%	\$	\$	%
<u>Financial Assets</u>						
<i>Floating rate</i>						
Cash assets	898,796	898,796	2.90%	877,146	877,146	2.90%
Cash on deposit	1,561,796	1,561,796	7.67%	1,561,796	1,561,796	7.67%
Accrued income	9,093	9,093	7.67%	9,093	9,093	7.67%
<i>Weighted average effective interest rate</i>	6.08%			6.08%		

Year ended 30 June 2007	CONSOLIDATED			PARENT		
	Carrying Amount	Fair Value	Weighted average interest rate	Carrying Amount	Fair Value	Weighted average interest rate
	\$	\$	%	\$	\$	%
<u>Financial Assets</u>						
<i>Floating rate</i>						
Cash assets	641,378	641,378	0.95%	624,478	624,478	0.95%
Cash on deposit	1,527,459	1,527,459	6.36%	1,527,459	1,527,459	6.36%
Accrued income	10,651	10,651	6.36%	10,651	10,651	6.36%
<i>Weighted average effective interest rate</i>	4.56%			4.56%		

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

The following market sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

	CONSOLIDATED		PARENT	
	Post Tax Profit/ Equity Higher/(Lower)		Post Tax Profit/ Equity Higher/(Lower)	
	2008	2007	2008	2007
	\$	\$	\$	\$
+1% (100 basis points)	2,814	1,058	2,814	1,058
-.5% (50 basis points)	(1,407)	(529)	(1,407)	(529)

The interest rate movement used in sensitivity analysis is based on the typical variation in interest rates from various financial products and institutions.

The movements in profit are due to higher/lower interest revenue from cash investments. The sensitivity is higher in 2008 than 2007 because of an increase in cash held at call.

(b) Currency rate risk exposures

The Group has exposure to foreign currency risk through the following main components:

Supply and Distribution Agreements

The Group's strategic supply and distribution agreements with The Dow Chemical Company and Energenics Pte Ltd are denominated in United States dollars. Therefore, the Group's reported revenue and results can be affected by movements in the USD/AUD exchange rate.

Raw Materials

The Group sources a significant portion of its raw materials from overseas, with purchases denominated primarily in USD or Euro. The Group's exposure to US\$ purchases is managed through holding sufficient funds from the sale of goods in US\$, with other foreign exchange purchases at spot rates.

The Group ensures that its net exposure is kept to a minimum by buying or selling foreign currencies at spot rates when necessary. The Group does not hold foreign currency positions for trading purposes.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(b) Currency rate risk exposures (continued)**Investment in US subsidiary and Singapore Registered Office

The functional currency of its subsidiary Advanced Nano, Inc is United States dollars and the functional currency of its Singapore representative office is Singapore dollars. Therefore, the Group's reported investment and certain revenues and expenses can be affected by movements in the USD/AUD and SGD/AUD exchange rates.

Details of the financial assets and financial liabilities denominated in foreign currencies and the net open position of the foreign currency risks in AUD:

CONSOLIDATED	2008			2007		
	USD	EURO	SGD	USD	EURO	SGD
<u>Financial Assets</u>						
Cash	435,815	-	-	411,652	-	-
Trade receivables	50,829	-	-	47,552	-	-
	<u>486,644</u>	<u>-</u>	<u>-</u>	<u>459,204</u>	<u>-</u>	<u>-</u>
<u>Financial Liabilities</u>						
Trade creditors	84	27,497	2,694	-	-	-
Accruals	-	90,347	-	-	92,311	-
	<u>84</u>	<u>117,844</u>	<u>2,694</u>	<u>-</u>	<u>92,311</u>	<u>-</u>
Net exposure	<u>486,560</u>	<u>(117,844)</u>	<u>(2,694)</u>	<u>459,204</u>	<u>(92,311)</u>	<u>-</u>
Exchange rate for conversion	<u>0.9564</u>	<u>0.6073</u>	<u>1.3015</u>	<u>0.8494</u>	<u>0.6272</u>	<u>1.3012</u>
PARENT	2008			2007		
	USD	EURO	SGD	USD	EURO	SGD
<u>Financial Assets</u>						
Cash	424,157	-	-	411,652	-	-
Trade receivables	235,001	-	-	47,552	-	-
	<u>659,158</u>	<u>-</u>	<u>-</u>	<u>459,204</u>	<u>-</u>	<u>-</u>
<u>Financial Liabilities</u>						
Trade creditors	-	27,497	2,694	-	-	-
Accruals	-	63,145	-	-	92,311	-
	<u>-</u>	<u>90,642</u>	<u>2,694</u>	<u>-</u>	<u>92,311</u>	<u>-</u>
Net exposure	<u>659,158</u>	<u>(90,642)</u>	<u>(2,694)</u>	<u>459,204</u>	<u>(92,311)</u>	<u>-</u>
Exchange rate for conversion	<u>0.9564</u>	<u>0.6073</u>	<u>1.3015</u>	<u>0.8494</u>	<u>0.6272</u>	<u>1.3012</u>

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date.

	CONSOLIDATED		PARENT	
	Post Tax Profit/ Equity		Post Tax Profit/ Equity	
	Higher/(Lower)		Higher/(Lower)	
	2008	2007	2008	2007
	\$	\$	\$	\$
AUD/USD + 2%	9,307	7,801	12,608	7,801
AUD/USD - 10%	(46,534)	(39,003)	(63,042)	(39,003)
AUD/EURO + 3%	(501)	-	(501)	-
AUD/EURO - 5%	835	-	835	-
AUD/SGD + 2%	(70)	-	(70)	-
AUD/SGD - 5%	175	-	175	-

The foreign exchange movement for the above sensitivity analysis was based on the historical movement required to reach the highest/lowest exchange rate over the six month period ending 30 June 2008.

The movements in the profit in 2008 are more sensitive than 2007 due to higher level of US dollar cash due Antaria's operations in North America.

(c) Liquidity risk exposures

The Group's objective is to maintain a balance between preserving its cash reserves and investing its funds in developing and commercialising its products and technologies. The Group manages its liquidity position by monitoring expected cash flow on an ongoing basis.

The only external borrowing of the Group is the fixed interest chattel mortgage expiring in February 2009. As at 30 June 2008, the Group also has \$70,000 of unused credit facilities available for its use.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(c) Liquidity risk exposures (continued)**

The following are the contractual maturities and cash flows of financial assets and financial liabilities with relevant maturity periods as at 30 June:

CONSOLIDATED	2008				2007			
	Up to 3 mths	>3 mths to 1 year	> 1 Year	Total	Up to 3 mths	>3 mths to 1 year	> 1 Year	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets								
Cash	898,796	-	-	898,796	641,378	-	-	641,378
Cash on deposit	1,561,796	-	-	1,561,796	1,527,458	-	-	1,527,458
Receivables - Cash on deposit (i)	-	132,131	95,000	227,131	-	129,455	132,131	261,586
Receivables	385,942	-	-	385,942	187,162	-	-	187,162
Accruals	9,093	-	-	9,093	10,651	-	-	10,651
	<u>2,855,627</u>	<u>132,131</u>	<u>95,000</u>	<u>3,082,758</u>	<u>2,366,649</u>	<u>129,455</u>	<u>132,131</u>	<u>2,628,235</u>
Financial Liabilities								
Payables	179,783	-	-	179,783	31,040	-	-	31,040
Accruals	400,887	-	-	400,887	341,238	-	91,121	432,359
Secured loans (ii)	-	158,699	-	158,699	-	40,190	204,244	244,434
	<u>580,670</u>	<u>158,699</u>	<u>-</u>	<u>739,369</u>	<u>372,278</u>	<u>40,190</u>	<u>295,365</u>	<u>707,833</u>

PARENT	2008				2007			
	Up to 3 mths	>3 mths to 1 year	> 1 Year	Total	Up to 3 mths	>3 mths to 1 year	> 1 Year	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets								
Cash	877,146	-	-	877,146	624,478	-	-	624,478
Cash on deposit	1,561,796	-	-	1,561,796	1,527,458	-	-	1,527,458
Receivables - Cash on deposit (i)	-	132,131	95,000	227,131	-	129,455	132,131	261,586
Receivables	570,114	-	-	570,114	221,736	-	-	221,736
Accruals	9,093	-	-	9,093	10,651	-	-	10,651
	<u>3,018,149</u>	<u>132,131</u>	<u>95,000</u>	<u>3,245,280</u>	<u>2,384,323</u>	<u>129,455</u>	<u>132,131</u>	<u>2,645,909</u>
Financial Liabilities								
Payables	439,823	-	-	439,823	158,612	-	-	158,612
Accruals	373,686	-	-	373,686	341,129	-	91,121	432,250
Secured loans (ii)	-	158,699	-	158,699	-	40,190	204,244	244,434
	<u>813,509</u>	<u>158,699</u>	<u>-</u>	<u>972,208</u>	<u>499,741</u>	<u>40,190</u>	<u>295,365</u>	<u>835,296</u>

- (i) Represents fair value of securities lodged as collateral; and
(ii) Represents fair value of secured loans.

(d) Credit risk exposures

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from the potential default of the counterparty, with the maximum exposure being equal to the carrying value of the asset.

The Antaria Group conducts transactions with the following major types of counterparties:

- (i) Receivables counterparties - the majority of sales to the Antaria group customer are made on open terms;
(ii) Payment guarantee counterparties - a small proportion of sales to the Antaria Group customers occur via secured payment mechanisms such as letters of credit; and
(iii) Cash investment counterparties - as part of managing its credit risk, the Antaria Group holds short term cash deposits with a multiple of major financial institutions.

To manage credit risk, the Antaria Group maintains group wide procedures covering the application for credit approvals, granting and renewal of counterparty limits and regular monitoring of exposures against these limits. Antaria monitors its trade receivables balances on an ongoing basis and also maintains a credit insurance policy where appropriate. Details of the ageing of the Group's trade receivables balances are set out in the table below.

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$
Not past due	300,506	168,656	484,678	148,009
Past due 0-30 days	31,878	-	31,878	-
Past due 30-60 days	34,242	18,505	34,242	18,505
Past due 61 days and over	19,316	-	19,316	-
Total trade receivables	<u>385,942</u>	<u>187,162</u>	<u>570,114</u>	<u>166,514</u>

5. SEGMENT INFORMATION

(a) Segment products and locations

The consolidated entity is organised and managed separately according to the nature of the products and services they provide, with each segment offering different products and serving different markets.

The Personal Care segment produces and distributes dispersions of mineral-only UV filters in cosmetic emollients used for sunscreen, skincare, and pharmaceutical formulations. The Industrials segment produces and distributes cerium oxide nanoparticle dispersions to date used in diesel fuel applications and transparent zinc-oxide powders and dispersions and alumina substrates used in coating, plastics and related applications.

Geographically, the Group operates in four predominant segments, being Australia, North America, Asia & Africa and Europe. All production operations, research and product development, and the head office and investment activities of the Group currently take place in Australia. Geographical segments indicate where the customers are located.

(b) Primary segment – Business segments

	Personal Care		Industrials		Consolidated	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Revenue						
Sales to customers	2,741,135	1,408,343	277,436	1,378,394	3,018,571	2,786,737
Total segment revenue	2,741,135	1,408,343	277,436	1,378,394	3,018,571	2,786,737
Non-segment revenues						
Interest revenue					204,765	262,194
Total revenue					3,223,336	3,048,931
Results						
Cost of goods sold						
Direct variable production costs	(1,498,769)	(658,581)	(35,953)	(467,178)	(1,534,722)	(1,125,759)
Segment result (note 1)	1,242,366	749,762	241,483	911,216		
Unallocated cost of goods sold					(1,300,548)	(1,157,704)
Total cost of goods sold					(2,835,270)	(2,283,463)
Gross margin					388,066	765,468
Other income					690,372	468,375
Unallocated expenses					(5,635,842)	(5,631,702)
Loss before income tax expense					(4,557,404)	(4,397,859)
Income tax expense					-	-
Loss after income tax expense					(4,557,404)	(4,397,859)
Assets						
Unallocated assets					10,972,692	11,616,256
Total assets					10,972,692	11,616,256
Liabilities						
Unallocated liabilities					1,795,060	1,364,382
Total liabilities					1,795,060	1,364,382
Other segment information						
Acquisition of property, plant and equipment, intangibles assets and other non-current assets					223,628	1,195,981
Depreciation					417,180	455,041
Amortisation					714,428	724,628
Inventory write-down					-	144,829
Impairment of development costs					154,532	103,361
Cash flow information						
Net cash inflows/(outflows) from operating activities					(2,390,074)	(2,264,827)
Net cash inflows/(outflows) from investing activities					(208,674)	(1,185,918)
Net cash inflows/(outflows) from financing activities					2,936,571	(33,315)

5. SEGMENT INFORMATION (continued)

(c) Secondary segment – Geographic segments

	Segment revenue		Segment assets	
	2008	2007	2008	2007
	\$	\$	\$	\$
Australia	2,063,708	1,235,494	10,816,588	11,616,256
North America	663,477	245,921	156,104	-
Asia & Africa	599,470	570,700	-	-
Europe	587,053	1,465,191	-	-
Consolidated	3,913,708	3,517,306	10,972,692	11,616,256

6. REVENUES AND EXPENSES

(a) Revenue

	CONSOLIDATED		PARENT	
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
	\$	\$	\$	\$
Sale of goods	3,018,571	2,786,737	3,049,911	2,786,737
Finance revenue	204,765	262,194	204,663	262,021
	3,223,336	3,048,931	3,254,574	3,048,758

(b) Other income

Government grants realised	690,372	468,375	669,655	441,668
Total other income	690,372	468,375	669,655	441,668

Government grants

During the 2007 financial year, the consolidated entity has recognised government grant income in four instances:

- (i) In October 2006, Antaria was awarded a \$1,947,755 grant under the Commonwealth Government's Commercial Ready program. Grant amounts received are initially recognised as deferred income, with income recognised as eligible project activities are undertaken. During the year, an amount of \$567,838 (2007: \$392,335) was recognised as income;
- (ii) An amount of grant income totalling \$20,717 was recognised during the 2007 financial year (2007: \$26,705) in relation to ANT's START grant;
- (iii) An Export Marketing Development Grant, received during the 2008 financial year, amounted to \$80,879 and relates to marketing activities undertaken overseas in order to develop export sales revenue and was recognised as income, at the time it was received, at its fair value (2007: \$49,335); and
- (iv) An amount of \$20,938 was received during the 2008 financial year from the Australian Institute of Commercialisation in relation to certain marketing and testing costs (2007: Nil).

(c) Employee benefits expense

	CONSOLIDATED		PARENT	
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
	\$	\$	\$	\$
Wages and salaries and oncosts	2,311,128	2,066,482	2,234,424	2,066,052
Defined contribution superannuation expense	143,198	158,081	143,198	158,081
Directors fees	33,924	179,699	33,924	179,699
Annual and long service leave provision	(36,226)	97,997	(36,226)	97,995
Share-based payments expense	513,273	591,470	513,273	591,470
Other labour and personnel expenses	96,263	239,322	92,603	239,322
	3,061,560	3,333,051	2,981,196	3,332,619

	CONSOLIDATED		PARENT	
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
	\$	\$	\$	\$
6. REVENUES AND EXPENSES (continued)				
(d) Depreciation, amortisation and costs of inventories included in the income statement				
<i>Included in cost of goods sold:</i>				
Depreciation	210,214	248,376	210,212	248,376
Amortisation of development costs	109,676	118,842	98,154	107,320
	<u>319,890</u>	<u>367,218</u>	<u>308,366</u>	<u>355,696</u>
<i>Included in depreciation and amortisation:</i>				
Depreciation	206,966	206,665	132,185	77,315
Amortisation of patents, trademarks and licences	604,754	605,786	408,548	410,116
	<u>811,720</u>	<u>812,451</u>	<u>540,733</u>	<u>487,431</u>
Cost of inventories recognised as an expense	<u>1,013,094</u>	<u>1,017,862</u>	<u>1,013,094</u>	<u>1,017,862</u>
(e) Finance costs				
Finance charges payable on chattel mortgages	<u>23,695</u>	<u>23,698</u>	<u>23,695</u>	<u>23,698</u>
(f) Research and development costs				
Research and development costs included in the income statement	<u>856,993</u>	<u>702,739</u>	<u>856,953</u>	<u>702,739</u>
(g) Lease payments and other expenses included in income statement				
<i>Included in cost of sales:</i>				
Minimum lease payments - operating lease	<u>24,014</u>	<u>33,245</u>	<u>160,982</u>	<u>170,213</u>
(h) Other expenses				
<i>Included in research and product development expenses:</i>				
Writedown of development costs	<u>154,532</u>	<u>103,361</u>	<u>154,532</u>	<u>103,361</u>
<i>Included in corporate and administration expenses:</i>				
Impairment of investment in subsidiary	<u>-</u>	<u>-</u>	<u>102,134</u>	<u>186,761</u>
7. INCOME TAX				
The major components of income tax expense are:				
<i>Current income Tax</i>				
Current income tax charge	-	-	-	-
<i>Deferred income tax</i>				
Relating to origination and reversal of temporary differences	-	-	-	-
Income tax expense reported in the income statement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

7. INCOME TAX (continued)

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$
Accounting (loss) before income tax	(4,557,404)	(4,397,859)	(4,408,704)	(4,397,859)
At the Group's statutory income tax rate	(1,367,221)	(1,319,358)	(1,322,611)	(1,319,358)
Diminution of shares in controlled entity	-	-	30,640	56,028
Non deductible entertainment expenses	3,581	(3,314)	3,581	(3,314)
Research and development costs (125% deduction)	(55,189)	(48,241)	(55,189)	(48,241)
Share Based Payments	153,982	177,441	153,982	177,441
Deferred tax asset on temporary differences and tax losses not brought to account at balance date as realisation is not regarded as probable	1,264,847	1,193,472	1,189,597	1,137,444
Income tax reported in the consolidated income statement	-	-	-	-

Deferred income tax at 30 June relates to the following:

CONSOLIDATED	BALANCE SHEET		INCOME STATEMENT	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>Deferred tax liabilities</i>				
Non deductible amortisation on development costs	(116,492)	(183,347)	66,856	(66,950)
<i>Deferred tax assets</i>				
Provisions	116,753	115,878	875	32,138
Deferred Income	120,266	129,708	(9,442)	70,427
Plant & Equipment	175,514	59,326	116,188	(109,774)
Losses available for offset against future taxable income	5,146,051	4,055,680	1,090,370	1,267,631
Deferred tax assets not brought to account as realisation is not regarded as probable	(5,442,092)	(4,177,245)	(1,264,847)	(1,193,472)
Deferred tax income/(expense)	-	-	-	-
<i>Deferred tax liabilities</i>				
Intellectual Property	(93,068)	(153,965)	60,897	(73,870)
<i>Deferred tax assets</i>				
Provisions	116,753	115,878	875	32,138
Deferred Income	112,106	129,675	(17,569)	81,895
Plant & Equipment	33,207	59,326	(26,119)	9,598
Losses available for offset against future taxable income	5,150,229	3,978,716	1,171,513	1,087,683
Deferred tax assets not brought to account as realisation is not regarded as probable	(5,319,227)	(4,129,630)	(1,189,597)	(1,137,444)
Deferred tax income/(expense)	-	-	-	-

The Group has not recognised a deferred tax asset as the realisation of the benefit is not regarded as probable.

Tax Consolidation

Antaria Limited and its Australian subsidiary, Advanced Nano Technologies Pty Ltd, have not formed a tax consolidated group.

8. LOSS PER SHARE

Basic (loss) per share amounts are calculated by dividing net (loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted (loss) per share amounts are calculated by dividing the net (loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

8. LOSS PER SHARE (continued)

The following reflects the income and share data used in the calculating basic and diluted (loss) per share computations:

	CONSOLIDATED	
	2008	2007
	\$	\$
Net (loss) attributable to ordinary equity holders of the parent	(4,557,404)	(4,397,859)
	Number	Number
Weighted average number of ordinary shares for basic (loss) per share	181,040,454	167,771,202
Weighted average number of ordinary shares adjusted for the effect of dilution	181,040,454	167,771,202

Potential ordinary shares not considered dilutive

As at 30 June 2008, the Company had on issue 19,938,422 unissued ordinary shares under options (2007: 22,065,361). These options have not been considered dilutive as (i) the notional exercise of these options would decrease basic loss per share; and (ii) their exercise price is greater than the average market price for the year.

On 20 June 2007, Antaria entered into an agreement with Energenics to subscribe for a second \$3,000,000 tranche of new shares and options under the same terms and conditions as the first tranche (being a price of \$0.22 per share and including the issue of 4,545,455 free options at an exercise price of \$0.308 per share and expiring on 30 June 2012). The second tranche of shares and options are to be subscribed for upon Antaria achieving invoiced sales of 150,000 litres of 2% Cercat™ (or equivalent) or within 24 months of the date of the agreement (20 June 2007).

9. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
	\$	\$	\$	\$
Cheque account	160,245	23,946	150,253	7,046
Grant account	302,736	205,780	302,736	205,780
USD account	435,815	411,652	424,157	411,652
Cash on deposit	1,561,796	1,527,458	1,561,796	1,527,458
	<u>2,460,592</u>	<u>2,168,836</u>	<u>2,438,942</u>	<u>2,151,936</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and two months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Cash on deposit

- (i) \$281,362 of the cash on deposit has been invested in an at call deposit with a floating interest rate of 7.15%;
- (ii) \$591,844 of the cash on deposit has been invested with a fixed interest rate of 7.95% for 30 days, maturing on 11 July 2008; and
- (iii) \$688,590 of the cash on deposit has been invested with a fixed interest rate of 7.64% for 30 days, maturing on 14 July 2008.

CONSOLIDATED		PARENT	
30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
\$	\$	\$	\$

9. CASH AND CASH EQUIVALENTS (continued)Reconciliation of net loss after tax to net cash flows from operations

(Loss) from ordinary activities after income tax	(4,557,404)	(4,397,859)	(4,408,704)	(4,397,859)
Depreciation and amortisation	1,131,610	1,179,669	849,099	843,127
Non-cash remuneration (share-based payments)	513,273	591,470	513,273	591,470
Loss on disposal of property, plant & equipment	(6,266)	13,170	5,401	13,170
Loss on disposal of Intangibles	154,530	-	154,530	-
Impairment of investment in subsidiary	-	-	102,134	186,761
Non cash investment in subsidiary	-	-	(100)	-
Change in operating assets and liabilities				
Decrease/(increase) in receivables (trade and related parties)	(177,588)	349,274	(327,768)	327,849
Decrease/(increase) in other assets	(4,309)	9,734	(4,832)	8,969
Decrease/(increase) in inventories	11,564	(566,154)	56,866	(566,154)
Increase/(decrease) in other liabilities	370,417	502,067	364,044	525,690
Increase/(decrease) in payables	153,673	(55,311)	278,263	60,970
Increase/(decrease) in provisions	(25,641)	43,139	(25,641)	86,395
Net cash (outflows) from operating activities	(2,436,141)	(2,330,801)	(2,443,435)	(2,319,612)
Less exchange rate adjustment	46,067	65,974	46,067	65,974
Net cash (outflows) from operating activities	<u>(2,390,074)</u>	<u>(2,264,827)</u>	<u>(2,397,368)</u>	<u>(2,253,638)</u>

10. TRADE AND OTHER RECEIVABLES

Trade receivables	(i)	385,942	187,162	570,114	166,514
Allowance for doubtful debts		-	-	-	-
		<u>385,942</u>	<u>187,162</u>	<u>570,114</u>	<u>166,514</u>
Goods and services tax (GST) receivable	(ii)	-	21,192	-	25,061
		<u>385,942</u>	<u>208,354</u>	<u>570,114</u>	<u>191,575</u>
Related party receivables					
Loans to controlled entities	(iii)	-	-	43,292	94,063
Receivable - Cash on deposit	(iv)	132,131	129,454	132,131	129,454
Carrying amount of trade and other receivables		<u>518,073</u>	<u>337,808</u>	<u>745,537</u>	<u>415,092</u>

- (i) Trade receivables are non-interest bearing and are due for settlement (with the exception of certain US debtors) no more than 90 days from the date of recognition. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors. During the 2008 financial year, an amount of \$5,696 was written off as a bad debt (2007: Nil);
- (ii) Goods and services tax (GST) receivable is non-interest bearing and is applied to the Company's business activity statement lodged 21 days after the end of the period; and
- (iii) Loans to controlled entities are non-interest bearing and repayable on demand.
- (iv) Cash on deposit of \$132,131 has been invested with a fixed interest rate of 7.65% for 90 days maturing on the 9 September 2008. The term deposit is subject to a term deposit letter of set off under the chattel mortgage, details of which are set out in note 20.

Details regarding the credit risk and effective interest rate of current receivables are disclosed in note 4.

11. INVENTORIES

Raw materials (at cost)	330,215	216,119	330,215	216,119
Work in progress (at cost)	152,727	263,995	152,727	263,995
Finished goods (at cost)	166,778	224,659	148,678	224,659
Goods in transit (at cost)	90,347	46,858	63,145	46,858
	<u>740,067</u>	<u>751,631</u>	<u>694,765</u>	<u>751,631</u>

There were no inventory write-downs recognised as an expense during the current year (2007: \$144,829).

	CONSOLIDATED		PARENT	
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
	\$	\$	\$	\$
12. PREPAYMENTS				
Prepayments	39,479	33,611	40,002	33,611
13. OTHER FINANCIAL ASSETS (CURRENT)				
Accrued interest income	9,093	10,652	9,093	10,652
	9,093	10,652	9,093	10,652
14. TRADE AND OTHER RECEIVABLES (NON-CURRENT)				
Receivable - Cash on deposit	95,000	132,131	95,000	132,131

Cash on deposit of \$95,000 has been invested with a fixed interest rate of 7.60% for five months maturing on the 18 August 2008. The term deposit is subject to a term deposit letter of set off under a bank guarantee in relation to the lease over the premises at 108 Radium Street, Welshpool (lease term expires on 30 November 2011).

15. INVESTMENT IN SUBSIDIARIES

Investment in controlled entities	-	-	2,578,694	2,578,594
Impairment losses	-	-	(597,892)	(495,758)
	-	-	1,980,802	2,082,836

The amount of the impairment has been measured as the difference between the net assets of the subsidiary and the investment in the subsidiary.

16. PROPERTY, PLANT AND EQUIPMENT

Plant and Equipment

At cost	4,180,741	4,023,080	2,898,895	2,717,859
Accumulated depreciation	(2,418,024)	(2,038,429)	(1,227,929)	(885,533)
Net carrying amount	1,762,717	1,984,651	1,670,966	1,832,326

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below:

At beginning of financial year, net of accumulated depreciation and impairment	1,984,651	1,706,009	1,832,326	1,424,333
Additions	203,933	746,853	186,435	746,854
Disposals	(8,687)	(13,170)	(5,398)	(13,170)
Depreciation expense	(417,180)	(455,041)	(342,397)	(325,691)
At end of financial year, net of accumulated depreciation and impairment	1,762,717	1,984,651	1,670,966	1,832,326

The useful life of the assets was estimated as follows both for 2008 and 2007 are as follows:

Category	2008	2007
	Useful life	Useful life
Plant and equipment	3-15 Years	3-15 Years

No plant or equipment is held under a finance lease or hire purchase contract at 30 June 2008 (2007: Nil).

	CONSOLIDATED		PARENT	
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
	\$	\$	\$	\$
17. INTANGIBLE ASSETS				
Patents, trademarks and licences	766,029	848,711	671,272	742,971
Intellectual property rights	4,224,465	4,747,719	2,753,201	3,091,232
Development costs	357,177	600,506	270,757	502,566
	<u>5,347,671</u>	<u>6,196,936</u>	<u>3,695,230</u>	<u>4,336,769</u>
<u>Patents, trademarks and licenses</u>				
Patents, trademarks and licences at cost	1,194,642	1,197,585	1,034,694	1,037,637
Accumulated amortisation and impairment	(428,613)	(348,874)	(363,422)	(294,666)
Net carrying amount	<u>766,029</u>	<u>848,711</u>	<u>671,272</u>	<u>742,971</u>
At beginning of financial year, net of accumulated amortisation and impairment	848,711	853,247	742,971	736,555
Additions	1,157	79,425	1,157	79,424
Disposals	(2,339)	-	(2,339)	-
Amortisation expense	(81,500)	(83,961)	(70,517)	(73,008)
At end of financial year, net of accumulated amortisation and impairment	<u>766,029</u>	<u>848,711</u>	<u>671,272</u>	<u>742,971</u>
<u>Intellectual property rights</u>				
Intellectual property rights at cost	8,437,661	8,437,661	5,475,000	5,475,000
Accumulated amortisation and impairment	(4,213,196)	(3,689,942)	(2,721,799)	(2,383,768)
Net carrying amount	<u>4,224,465</u>	<u>4,747,719</u>	<u>2,753,201</u>	<u>3,091,232</u>
At beginning of financial year, net of accumulated amortisation and impairment	4,747,719	5,269,544	3,091,232	3,428,340
Amortisation expense	(523,254)	(521,825)	(338,031)	(337,108)
At end of financial year, net of accumulated amortisation and impairment	<u>4,224,465</u>	<u>4,747,719</u>	<u>2,753,201</u>	<u>3,091,232</u>
<u>Development costs</u>				
Development costs at cost	720,914	927,797	559,600	766,485
Accumulated amortisation	(363,737)	(327,291)	(288,843)	(263,919)
Net carrying amount	<u>357,177</u>	<u>600,506</u>	<u>270,757</u>	<u>502,566</u>
At beginning of financial year, net of accumulated amortisation and impairment	600,506	436,893	502,566	327,432
Additions	18,538	369,705	18,538	369,704
Disposals	(152,191)	(87,250)	(152,193)	(87,250)
Amortisation expense	(109,676)	(118,842)	(98,154)	(107,320)
At end of financial year, net of accumulated amortisation and impairment	<u>357,177</u>	<u>600,506</u>	<u>270,757</u>	<u>502,566</u>

18. SHARE BASED PAYMENT PLANS**Employee Share Option Plan**

In June 2004, the Company's Employee Share Option Plan was established so that directors and employees could be provided with a mechanism to participate in the ownership of the Company. All of the Company's employees and directors are eligible to participate in the plan. The plan was approved by shareholders for the purposes of Exception 9 of ASX Listing Rule 7.1 (to allow any options issued under the plan to be excluded from the prohibition against issuing more than 15% of the Company's capital in a 12 month period) and ASX Listing Rule 10.14 (to allow the issue of options under the plan to directors) at Antaria's General Meeting held on 19 June 2008.

Options granted under the employee share option plan carry no dividend or voting rights. When exercised, each option is converted into one ordinary share. Set out below are summaries of options granted under the plan and still outstanding at the beginning and/or the end of the financial year. All options granted to employees were for nil consideration. The directors believe that the terms and conditions of the options granted provide the employee with both short and long term incentives to achieve growth in shareholder wealth.

18. SHARE BASED PAYMENT PLANS (continued)

Employee Share Option Plan (continued)

As at 30 June 2008

Issue Date	Vesting Date	Expiry Date	Exercise Price	Balance 01-Jul-07	Movement during the year:				Balance 30-Jun-08	Exercisable 30-Jun-08
					Granted	Forfeited	Expired	Exercised		
10-Oct-05	24-Feb-07	23-Feb-10	30.8 cents	3,294,362	-	-	(1,240,267)	-	2,054,095	2,054,095
14-Aug-06	14-Aug-08	13-Aug-11	30.8 cents	1,000,000	-	-	-	-	1,000,000	-
14-Aug-06	14-Aug-08	13-Aug-11	Note (1)	1,000,000	-	-	-	-	1,000,000	-
14-Aug-06	14-Aug-08	13-Aug-11	Note (1)	500,000	-	-	-	-	500,000	-
14-Aug-06	14-Aug-08	13-Aug-11	Note (1)	500,000	-	-	-	-	500,000	-
29-Sep-06	24-Feb-07	23-Feb-10	30.8 cents	3,340,030	-	-	(1,112,315)	-	2,227,715	2,227,715
07-Nov-06	24-Feb-07	23-Feb-10	30.8 cents	5,911,157	-	-	-	-	5,911,157	5,911,157
22-Jun-07	12-Feb-09	11-Feb-12	20.0 cents	66,667	-	-	-	-	66,667	-
22-Jun-07	12-Feb-10	11-Feb-12	20.0 cents	66,667	-	-	-	-	66,667	-
22-Jun-07	12-Feb-11	11-Feb-12	20.0 cents	66,666	-	-	-	-	66,666	-
22-Jun-07	22-Jun-09	21-Jun-12	20.0 cents	1,000,000	-	-	-	-	1,000,000	-
				<u>16,745,549</u>	<u>-</u>	<u>-</u>	<u>(2,352,582)</u>	<u>-</u>	<u>14,392,967</u>	<u>10,192,967</u>

As at 30 June 2007

Issue Date	Vesting Date	Expiry Date	Exercise Price	Balance 01-Jul-06	Movement during the year:				Balance 30-Jun-07	Exercisable 30-Jun-07
					Granted	Forfeited	Expired	Exercised		
10-Oct-05	24-Feb-07	23-Feb-10	30.8 cents	4,997,478	-	(1,703,116)	-	-	3,294,362	3,294,362
14-Aug-06	14-Aug-08	13-Aug-11	30.8 cents	-	1,000,000	-	-	-	1,000,000	-
14-Aug-06	14-Aug-08	13-Aug-11	Note (1)	-	1,000,000	-	-	-	1,000,000	-
14-Aug-06	14-Aug-08	13-Aug-11	Note (1)	-	500,000	-	-	-	500,000	-
14-Aug-06	14-Aug-08	13-Aug-11	Note (1)	-	500,000	-	-	-	500,000	-
29-Sep-06	24-Feb-07	23-Feb-10	30.8 cents	-	3,340,030	-	-	-	3,340,030	3,340,030
07-Nov-06	24-Feb-07	23-Feb-10	30.8 cents	-	5,911,157	-	-	-	5,911,157	5,911,157
22-Jun-07	12-Feb-09	11-Feb-12	20.0 cents	-	66,667	-	-	-	66,667	-
22-Jun-07	12-Feb-10	11-Feb-12	20.0 cents	-	66,667	-	-	-	66,667	-
22-Jun-07	12-Feb-11	11-Feb-12	20.0 cents	-	66,666	-	-	-	66,666	-
22-Jun-07	22-Jun-09	21-Jun-12	20.0 cents	-	1,000,000	-	-	-	1,000,000	-
				<u>4,997,478</u>	<u>13,451,187</u>	<u>(1,703,116)</u>	<u>-</u>	<u>-</u>	<u>16,745,549</u>	<u>12,545,549</u>

- (1) Exercise price is calculated at the higher of 20 cents of the volume weighted average price calculated over the 10 days prior to the commencement date (14 August 2006). Based upon Antaria's closing share prices at that time (ranged from 13 to 14 cents), the exercise price for the options issued on 14 August 2006 is 20 cents.
- (2) Of the above options outstanding at 30 June 2007 and 30 June 2008, 3,000,000 options are held by Mr. Morter. As a consequence of his resignation, these options automatically expired on 5 September 2008, being 7 days from the effective date of his resignation.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2008 is 2.15 years (2007: 3.08 years). The weighted average fair value of options granted during 2007 was 4.94 cents.

The fair value of the equity settled share options granted under the option plan is estimated as at the date of grant using a Binomial options pricing model taking into account terms and conditions upon which the options were granted. The following table lists the input to the model used for the year ended 30 June 2008.

	2008	2007
Expected volatility	68.3%	67-80%
Risk-free interest rate	6.5%	5.85 to 6.43%
Expected life of option	1.7 years	1.9 to 5 years
Option exercise price	30.8 cents	20 to 30.8 cents
Weighted average share price at grant date	13.5 cents	13 to 15 cents

The expected life of the options is based upon management's assessment of useful life, namely a point between the vesting date and the expiry date (75% for senior management and 50% for all other employees) and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

		CONSOLIDATED		PARENT	
		30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
		\$	\$	\$	\$
19. TRADE AND OTHER PAYABLES					
Trade creditors	(i)	179,783	31,040	439,823	31,040
Other payables	(ii)	72,069	67,139	64,191	67,139
		251,852	98,179	504,014	98,179
Related party receivables					
Loans from controlled entities		-	-	-	127,572
Carrying amount of trade and other payables		251,852	98,179	504,014	225,751

Terms and conditions

Terms and conditions relating to the above financial instruments:

- (i) Trade creditors are non-interest bearing and generally on 30 day terms; and
- (ii) Other payables are non-interest bearing and generally on 30 day terms.

Information regarding the credit risk and effective interest rate of current payables is set out in note 4.

20. INTEREST BEARING LOANS AND BORROWINGS

Current

Loan facility - chattel mortgage	152,964	85,735	152,964	85,735
Unexpired interest on mortgage	(8,863)	(21,409)	(8,863)	(21,409)
	144,101	64,326	144,101	64,326

Non Current

Loan facility - chattel mortgage	-	158,699	-	158,699
Unexpired interest on mortgage	-	(11,153)	-	(11,153)
	-	147,546	-	147,546

Chattel Mortgage

At 30 June 2008, the Company has one chattel mortgage totalling \$144,101 and expiring in February 2009 (2007: two chattel mortgages totalling \$211,872). This mortgage is repayable in monthly instalments and bears interest at 9.526% per annum. Security for the loan is as follows:

- (i) First registered mortgage debenture over the Company's assets and undertakings including uncalled capital and called but unpaid capital; and
- (ii) Term deposit letter of set off totalling \$132,131 given by the Company.

Fair values

Unless disclosed below, the carrying amount of the Group's current and non current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at expected market interest rates over the next financial year varying from 6.91% to 7.015% (2007: 6.91% to 7.015%).

	CONSOLIDATED				PARENT			
	2008		2007		2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$	\$	\$	\$	\$
Secured Loans:								
Chattel Mortgage 1	(3,445)	-	37,900	50,208	(3,445)	-	37,900	50,208
Chattel Mortgage 2	147,546	196,496	173,972	200,437	147,546	196,496	173,972	200,437
	144,101	196,496	211,872	250,646	144,101	196,496	211,872	250,646

No material losses are expected and as such, the fair values disclosed are the directors' estimate that will be payable by the Group.

Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	CONSOLIDATED		PARENT	
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
	\$	\$	\$	\$
<u>Chattel mortgage</u>				
Plant and equipment	76,875	108,673	76,875	108,673
Receivable - Cash on deposit	132,131	166,535	132,131	166,535
	209,006	275,208	209,006	275,208

21. PROVISIONS

CONSOLIDATED	Restoration/De-commissioning	Long Service Leave	Annual Leave	Total
	\$	\$	\$	\$
At 1 July 2007	38,000	103,333	244,680	386,013
Arising during the year	22,000	26,523	191,188	239,711
Utilised during the year	-	(27,284)	(238,068)	(265,352)
At 30 June 2008	<u>60,000</u>	<u>102,572</u>	<u>197,800</u>	<u>360,372</u>
Current 2008	-	-	197,800	197,800
Non-current 2008	<u>60,000</u>	<u>102,572</u>	-	<u>162,572</u>
	<u>60,000</u>	<u>102,572</u>	<u>197,800</u>	<u>360,372</u>
PARENT	Restoration/De-commissioning	Long Service Leave	Annual Leave	Total
	\$	\$	\$	\$
At 1 July 2007	38,000	103,333	242,304	383,637
Arising during the year	22,000	26,523	193,564	242,087
Utilised during the year	-	(27,284)	(238,068)	(265,352)
At 30 June 2008	<u>60,000</u>	<u>102,572</u>	<u>197,800</u>	<u>360,372</u>
Current 2008	-	-	197,800	197,800
Non-current 2008	<u>60,000</u>	<u>102,572</u>	-	<u>162,572</u>
	<u>60,000</u>	<u>102,572</u>	<u>197,800</u>	<u>360,372</u>

Restoration/Decommissioning provision

In accordance with the lease agreements over 108 and 112 Radium Street, Welshpool, Western Australia, the Group must restore the leased premises to their original condition upon vacating the premises.

A provision of \$32,000 was made during the year ended 30 June 2005 and \$22,000 during the year ended 30 June 2008 in respect of the Group's obligations to remove leasehold improvements from the premises at 112 Radium Street. During the year ended 30 June 2006, the Group provided \$6,000 in relation to leasehold improvements from 108 Radium Street.

22. OTHER LIABILITIES

	CONSOLIDATED		PARENT	
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
	\$	\$	\$	\$
<u>Current</u>				
<i>Deferred income</i>				
Unearned grant income	15,762	46,002	10,771	25,283
Unearned income	<u>184,117</u>	<u>176,603</u>	<u>184,117</u>	<u>176,603</u>
	<u>199,879</u>	<u>222,605</u>	<u>194,888</u>	<u>201,886</u>
<i>Other liabilities</i>				
Accrued expenses	<u>400,887</u>	<u>432,359</u>	<u>373,686</u>	<u>432,250</u>
	<u>400,887</u>	<u>432,359</u>	<u>373,686</u>	<u>432,250</u>
<u>Non-Current</u>				
<i>Deferred income</i>				
Unearned grant income	8,363	13,354	-	-
Unearned income	<u>429,606</u>	-	<u>429,606</u>	-
	<u>437,969</u>	<u>13,354</u>	<u>429,606</u>	-

On 8 April 2008, Antaria and The Dow Chemical Company entered into a marketing and distributing agreement for the Company's ZinClear-IM™ product in North and Latin America. This multi-year, renewable distribution agreement included the payment by Dow of a rebateable working capital advance. This advance was initially recognised as unearned income and is progressively recognised as revenue (sale of goods) as product is sold to Dow.

On 6 September 2007, Antaria and Oxonica plc agreed to formally terminate their supply agreement relating to the sale of Envirox™, predominantly in support of Oxonica's business with Petrol Ofisi (Turkey). Further, Antaria and Oxonica have agreed that Antaria is entitled to retain in full the working capital deposit paid by Oxonica pursuant to this supply agreement. This deposit, in the amount of \$176,603 and shown as current unearned income for the year ended 2007, was recognised as revenue in the Company's financial statements for the year ended 30 June 2008 (\$181,218).

	CONSOLIDATED		PARENT	
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
	\$	\$	\$	\$
23. GOVERNMENT GRANTS				
<u>Current Liabilities</u>				
Unearned grant income	15,762	46,002	10,771	25,283
<u>Non-current Liabilities</u>				
Unearned grant income	8,363	13,354	-	-
Total government grants deferred	<u>24,125</u>	<u>59,356</u>	<u>10,771</u>	<u>25,283</u>
<i>Movement in government grants</i>				
As at 1 July	59,356	60,779	25,283	-
Received during the year	655,141	466,952	655,143	466,951
Released to the income statement	(690,372)	(468,375)	(669,655)	(441,668)
As at 30 June	<u>24,125</u>	<u>59,356</u>	<u>10,771</u>	<u>25,283</u>

24. CONTRIBUTED EQUITY AND RESERVES**(a) Issued and paid up capital**

Ordinary shares	<u>31,367,412</u>	<u>28,012,445</u>	<u>31,367,412</u>	<u>28,012,445</u>
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(b) Movements in Share Capital

	30-Jun-08		30-Jun-07	
	Number	\$	Number	\$
<i>Movements in ordinary shares on issue</i>				
As at 1 July 2007	167,771,202	28,012,445	167,771,202	28,012,445
Issued during the period	17,481,477	3,354,967	-	-
As at 30 June 2008	<u>185,252,679</u>	<u>31,367,412</u>	<u>167,771,202</u>	<u>28,012,445</u>

Effective 1 July 1998, the Corporations Legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Company does not have authorised capital nor par value in respect of its issued shares. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share Options

During the year, the Company had a share based payments options scheme under which options to subscribe for the Company's shares have been granted to certain employees (refer note 18).

(c) Capital Management

At this stage of the Company's growth, management's capital management objectives are to ensure that 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, and obtaining debt financing for certain equipment purchases via a chattel mortgage (refer note 20).

Management effectively manages the Group's capital by the ongoing monitoring of its cash reserves and assessing the timing and magnitude of any additional capital or debt raising activities that may be required to support future operations.

Other than the issue of the second tranche of shares to Energenics (refer page 11 of the Directors' Report), the Company 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 to take advantage of other opportunities.

The Group does not have any external debt (other than the chattel mortgage expiring in February 2009) and is not subject to any externally imposed capital requirements.

	CONSOLIDATED		PARENT	
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
	\$	\$	\$	\$

24. CONTRIBUTED EQUITY AND RESERVES (continued)**(d) Option premium reserve**

Option premium reserve	1,056,918	928,723	1,056,918	928,723
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	30-Jun-08	
	Number	\$
<i>Movements in options on issue</i>		
At 30 June 2007	22,065,361	928,723
<u>Issued this period</u>		
Options issued 25 July 2007	4,545,455	-
Options issued 27 November 2007	500,000	9,559
<u>Issued prior periods</u>		
Employee options	-	118,749
<u>Lapsed this period</u>		
Employee options forfeited	(2,602,582)	(113)
Options expired	(4,569,812)	-
At 30 June 2008	19,938,422	1,056,918

The option premium reserve is used to record the value of share-based payments provided to employees, including directors and key management personnel, as part of their remuneration. Refer to note 18 for further details of these plans.

(e) Accumulated losses

Movements in accumulated losses were as follows:

	CONSOLIDATED		PARENT	
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
	\$	\$	\$	\$
As at 1 July 2007	(18,689,294)	(14,291,435)	(18,651,956)	(14,254,097)
Net loss for the year	(4,557,404)	(4,397,859)	(4,408,704)	(4,397,859)
As at 30 June 2008	(23,246,698)	(18,689,294)	(23,060,660)	(18,651,956)

25. REMUNERATION OF AUDITORS

During the year, the auditor of the entity earned the following remuneration:

	CONSOLIDATED		PARENT	
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
	\$	\$	\$	\$
<u>Ernst & Young</u>				
<i>Audit Services</i>				
Audit of financial reports of the entity	44,187	37,658	44,187	37,658
Review of half year financial report	23,175	19,158	23,175	19,158
	67,362	56,816	67,362	56,816
<i>Other Assurance Services</i>				
Expatriate tax services	5,500	-	5,500	-
Accounting services	3,493	23,906	3,493	23,906
	8,993	23,906	8,993	23,906
Total audit and other assurance services	76,355	80,722	76,355	80,722

26. CONTINGENT ASSETS AND LIABILITIES**(a) Contingent Assets**

There were no contingent assets as at 30 June 2008 or 30 June 2007.

(b) Contingent LiabilitiesCommercial Ready Grant

On 11 October 2006, Antaria was awarded a grant of \$1,947,755 under the Australian Government's Commercial Ready Program. At 30 June 2008, instalments totalling \$970,942 (GST exclusive) have been received from the Commonwealth, \$567,838 of which was recognised as income during the year (2007: \$392,335).

The Commonwealth may, if a termination event occurs, require Antaria to repay so much of the grant as the Commonwealth reasonably determines plus interest. Under the provisions of the grant agreement between Antaria and the Commonwealth, the following events may cause the Commonwealth to terminate the grant:

- (i) An insolvency event occurs in relation to Antaria;
- (ii) Antaria ceases to carry on business, or a substantial part of its business;
- (iii) Antaria breaches a warranty contained in the deed;
- (iv) There is a change in control or ownership of Antaria which the Commonwealth reasonably considers has an adverse effect on Antaria's ability to comply with any of its obligations under the deed;
- (v) Antaria commits any breach in respect of which the deed provides a notice of termination may be given; or
- (vi) Antaria commits any breach which the Commonwealth reasonably considers is not capable of remedy.

As none of these events have taken place, as at the date of this report, Antaria has not recognised any liability in relation to the Commercial Ready contract. The above obligations will continue under the terms of the grant for a term of five years after the completion date (31 December 2014).

R&D START Grant

On 31 July 2004, Antaria's subsidiary Advanced Nano Technologies Pty Ltd (ANT) completed the requirements under a R&D Start grant from the Commonwealth under which ANT received a total of \$2,704,648 in grant funding. Under the terms of the grant the Commonwealth may, if a termination event occurs, require ANT to repay some or all of the Grant paid, plus interest. These obligations will continue under the terms of the grant for five years after the completion date (31 July 2009). The Commonwealth may terminate the deed if:

- (i) ANT is in breach of the deed, that breach is capable of being remedied and the ANT fails to remedy that breach within 21 days of receipt of a notice from the Commonwealth requiring it to do so;
- (ii) ANT is in breach of a warranty set out in the deed;
- (iii) ANT is otherwise in breach of the deed; or
- (iv) ANT is unable or threatens to become unable to pay all of its debts as and when they become due or goes into administration or receivership.

In addition, unless expressly authorised to do so under the deed, ANT must not deal with, or grant or create any encumbrance over its rights under the deed or its interest on the Project Intellectual Property without the prior written consent of the Commonwealth. A change in control of ANT is taken to be dealing with ANT's rights under the deed. Failure to obtain prior written consent may cause, should the Commonwealth reasonably consider that such an event adversely affects the objectives from time to time of the R&D Start Program, the Commonwealth to terminate the deed.

Prior to 24 January 2005, ANT was a joint venture entity between Antaria (50%) and Samsung Corning Co. Ltd (50%). On 24 January 2005, ANT underwent a selective buy back in relation to Samsung Corning Co. Ltd's 50% interest in the joint venture entity. Total consideration for the buy back included the transfer of a 50% interest in certain intellectual property rights. Upon completion of this transaction ANT became a wholly owned subsidiary of Antaria. On 18 January 2005, the Commonwealth gave written consent for the transfer of the 50% interest in the intellectual property. As a result, ANT has not recognised any liability in relation to the R&D Start grant contract.

Distribution Arrangements

As part of the Company's arrangements with its distributors, Antaria is likely to be required to develop overseas manufacturing capabilities in the future. As the exact nature of these manufacturing operations is yet to be determined, the Company has not recognised any liability in relation to these commitments.

27. COMMITMENTS FOR EXPENDITURE**(a) Operating lease commitments – Group as lessee**

The Group has entered into commercial property leases in relation to its facilities at 108 and 112 Radium Street, Welshpool and 3 Brodie Hall Drive, Bentley, Western Australia. Details of the lease terms and renewal options are included in the table below. There are no restrictions placed upon the lessee by entering into these leases.

<u>Property</u>	<u>Term</u>	<u>Expiry Date</u>	<u>Option</u>	<u>Expiry Date</u>
108 Radium Street, Welshpool	4 years	30-Nov-11	N/a	N/a
112 Radium Street, Welshpool	3 years 2 mths	30-Nov-10	3 years	30-Nov-13
3 Brodie Hall Drive, Bentley	5 years	31-Jan-12	3 years	31-Jan-15

27. COMMITMENTS FOR EXPENDITURE (continued)**(a) Operating lease commitments – Group as lessee (continued)**

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	CONSOLIDATED		PARENT	
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
	\$	\$	\$	\$
Within one year	437,845	204,861	357,947	341,829
Greater than one year but less than five years	710,156	331,693	710,156	879,565
	<u>1,148,000</u>	<u>536,554</u>	<u>1,068,103</u>	<u>1,221,394</u>

(b) Operating lease commitments – Group as lessor

Effective 1 August 2008, the Company entered into sub-lease arrangements for part of the premises at 108 Radium Street, Welshpool. The sub-lease is for a term of 3 years and 4 months and expires on 29 November 2011.

Commitments for minimum lease payments in relation to non-cancellable operating leases are receivable as follows:

	CONSOLIDATED		PARENT	
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
	\$	\$	\$	\$
Within one year	122,600	-	122,600	-
Greater than one year but less than five years	296,283	-	296,283	-
	<u>418,883</u>	<u>-</u>	<u>418,883</u>	<u>-</u>

(c) Capital commitments

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities payable:

Within one year	<u>1,650</u>	<u>1,965</u>	<u>1,650</u>	<u>1,965</u>
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(d) Other commitments

Commitments to suppliers for goods/supplies contracted for at the reporting date but not recognised as liabilities payable:

Within one year	<u>187,437</u>	<u>155,490</u>	<u>187,437</u>	<u>155,490</u>
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28. KEY MANAGEMENT PERSONNEL**(a) Details of specified Key Management Personnel**Directors

Bruce Cameron	Executive Chairman from 8 April 2008 (Non-Executive Director from 18 December 2006 to 7 April 2008)
David Griffiths	Non-executive Director (Non-Executive Chairman from 15 March 2007 to 7 April 2008)
Robert Mangioni	Non-executive Director
John Young	Non-executive Director (appointed 5 October 2007)
Harold Clough	Non-executive Director (retired 21 November 2007)
Paul McCormick	Executive Director (Chief Executive Officer to 8 April 2008)
Thibaut Mortier	Executive Director from 5 October 2007 to 29 August 2008

Executives

D Cesari	Chief Financial Officer and Company Secretary
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(b) Compensation of Key Management Personnel

Year ended 30 June	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short term benefits	551,953	660,640	551,953	660,640
Post employment benefits	61,499	113,394	61,499	113,394
Share-based payment	511,809	414,984	511,809	414,984
	<u>1,125,261</u>	<u>1,189,018</u>	<u>1,125,261</u>	<u>1,189,018</u>

28. KEY MANAGEMENT PERSONNEL (continued)

(c) Option holdings of Key Management Personnel

30 June 2008	Balance at beginning of period	Issued as remuneration	Options exercised	Net change other	Balance at end of period	Vested at 30 June 2008		
	1 July 2007				30 June 2008	Total	Exercisable	Non- exercisable
<u>Directors</u>								
Bruce Cameron	-	250,000	-	-	250,000	250,000	250,000	-
David Griffiths	250,000	-	-	-	250,000	250,000	250,000	-
Robert Mangioni	250,000	-	-	-	250,000	250,000	250,000	-
John Young	-	250,000	-	-	250,000	250,000	250,000	-
Paul McCormick	5,911,157	-	-	-	5,911,157	5,911,157	5,911,157	-
Thibaut Mortier ⁽¹⁾	3,000,000	-	-	-	3,000,000	500,000	500,000	-
Harold Clough ⁽²⁾	250,000	-	-	(250,000)	-	-	-	-
	<u>9,661,157</u>	<u>500,000</u>	<u>-</u>	<u>(250,000)</u>	<u>9,911,157</u>	<u>7,411,157</u>	<u>7,411,157</u>	<u>-</u>
<u>Executives</u>								
Deana Cesari	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000	-
TOTAL	<u>11,661,157</u>	<u>500,000</u>	<u>-</u>	<u>(250,000)</u>	<u>11,911,157</u>	<u>9,411,157</u>	<u>9,411,157</u>	<u>-</u>
30 June 2007	Balance at beginning of period	Issued as remuneration	Options exercised	Net change other	Balance at end of period	Vested at 30 June 2007		
	1 July 2006				30 June 2007	Total	Exercisable	Non- exercisable
<u>Directors</u>								
David Griffiths	250,000	-	-	-	250,000	250,000	250,000	-
Harold Clough	250,000	-	-	-	250,000	250,000	250,000	-
Robert Mangioni	250,000	-	-	-	250,000	250,000	250,000	-
Bruce Cameron	-	-	-	-	-	-	-	-
Paul McCormick	-	5,911,157	-	-	5,911,157	5,911,157	5,911,157	-
	<u>750,000</u>	<u>5,911,157</u>	<u>-</u>	<u>-</u>	<u>6,661,157</u>	<u>6,661,157</u>	<u>6,661,157</u>	<u>-</u>
<u>Executives</u>								
Thibaut Mortier	-	3,000,000	-	-	3,000,000	-	-	-
Deana Cesari	1,000,000	1,000,000	-	-	2,000,000	1,000,000	1,000,000	-
Mark Norman ⁽³⁾	1,000,000	-	-	(1,000,000)	-	-	-	-
	<u>2,000,000</u>	<u>4,000,000</u>	<u>-</u>	<u>(1,000,000)</u>	<u>5,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
TOTAL	<u>2,750,000</u>	<u>9,911,157</u>	<u>-</u>	<u>(1,000,000)</u>	<u>11,661,157</u>	<u>7,661,157</u>	<u>7,661,157</u>	<u>-</u>

- (1) Mr. Mortier ceased employment with Antaria on 29 August 2008. Under the terms and conditions of the Company's Employee Share Option Plan, all of Mr. Mortier's options automatically expired on 5 September 2008, being 7 days from his resignation date.
- (2) Mr. Clough retired as a director on 21 November 2007. Under the terms and conditions of the Company's Employee Share Option Plan, all of Mr. Clough's options were automatically cancelled on 21 February 2008, being 3 months from his retirement date.
- (3) Mr. Norman ceased employment with Antaria on 8 September 2006 and accordingly all option holdings automatically expired on that date.

28. KEY MANAGEMENT PERSONNEL (continued)**(d) Shareholdings of Key Management Personnel**

Key Management Personnel have the following interests (directly or indirectly) in shares in Antaria Limited:

	Balance at beginning of period 30 June 2008	Issued as remuneration	On exercise of options	Net change other	Balance at end of period 30 June 2008
	1 July 2007				30 June 2008
<u>Directors</u>					
Bruce Cameron (1)	-	872,444	-	700,000	1,572,444
David Griffiths	2,200,000	685,593	-	-	2,885,593
Robert Mangioni	1,600,000	488,874	-	-	2,088,874
John Young (2)	-	272,316	-	9,384,419	9,656,735
Paul McCormick (3)	3,679,043	390,574	-	-	4,069,617
Thibaut Mortier	-	631,740	-	-	631,740
Harold Clough (4)	5,000,000	-	-	(5,000,000)	-
	<u>12,479,043</u>	<u>3,341,541</u>	<u>-</u>	<u>5,084,419</u>	<u>20,905,003</u>
<u>Executives</u>					
D Cesari	50,000	489,247	-	-	539,247
TOTAL	<u>12,529,043</u>	<u>3,830,788</u>	<u>-</u>	<u>5,084,419</u>	<u>21,444,250</u>
	Balance at beginning of period 30 June 2007	Issued as remuneration	On exercise of options	Net change other	Balance at end of period 30 June 2007
	1 July 2006				30 June 2007
<u>Directors</u>					
DC Griffiths	2,000,000	-	-	200,000	2,200,000
WH Clough	5,000,000	-	-	-	5,000,000
RMA Mangioni	1,250,000	-	-	350,000	1,600,000
PG McCormick (3)	3,679,043	-	-	-	3,679,043
	<u>11,929,043</u>	<u>-</u>	<u>-</u>	<u>550,000</u>	<u>12,479,043</u>
<u>Executives</u>					
D Cesari	50,000	-	-	-	50,000
CM Norman	15,000	-	-	(15,000)	-
	<u>65,000</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>50,000</u>
TOTAL	<u>11,994,043</u>	<u>-</u>	<u>-</u>	<u>535,000</u>	<u>12,529,043</u>

(1) Net change other refers to shares bought on market during the year.

(2) Net change other refers to Mr. Young's shareholding as at 5 October 2007, the date on which he was appointed a director of the Company.

(3) Dr. McCormick also has the ability to acquire up to a further 13,902,165 shares through an Inventors Call Option Deed with the University of Western Australia. As at the date of this report, Dr. McCormick has not exercised this right.

(4) Net change other refers to Mr. Clough's shareholding as at 21 November 2007, the date on which he retired as a director of the Company.

(e) Loans to Key Management Personnel

There are currently no loans to directors, director-related entities and executives.

(f) Other transactions with Key Management PersonnelServices

Watson Mangioni Lawyers Pty Limited is a director-related entity and bills Antaria at normal commercial terms. During the year Watson Mangioni acted as commercial lawyer for Antaria. Fees related to these activities totalled \$81,172 (2007: \$77,381).

Camco Engineering Pty Limited is a director-related entity and bills Antaria at normal commercial terms. During the year, Camco Engineering provided production equipment repair services for Antaria. Fees in relation to these activities totalled \$35,190 (2007: \$6,503).

29. RELATED PARTY DISCLOSURES

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		Investment	
		2008	2007	2008	2007
Advanced Nano Technologies Pty Limited	Australia	100%	100%	1,980,702	2,082,837
Advanced Nano, Inc	USA	100%	100%	100	-
				<u>1,980,802</u>	<u>2,082,837</u>

Advanced Nano, Inc was incorporated in New Jersey, USA on 17 May 2007.

Other related parties

Aggregate amounts included in the determination of loss from ordinary activities before income tax that resulted from transactions with each class of other related parties:

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$
Sale of goods				
Advanced Nano, Inc	-	-	407,049	-
Other expenses				
Advanced Nano Technologies Pty Ltd	-	-	164,205	252,763
University of Western Australia	52,772	133,677	52,772	133,677
	<u>52,772</u>	<u>133,677</u>	<u>216,977</u>	<u>386,440</u>
Trade receivables				
Advanced Nano Technologies Pty Ltd	-	-	-	94,063
Advanced Nano, Inc	-	-	235,001	-
	<u>-</u>	<u>-</u>	<u>235,001</u>	<u>94,063</u>
Trade payables				
Advanced Nano Technologies Pty Ltd	-	-	260,123	127,572
Other liabilities (accrued expenses)				
University of Western Australia	91,121	91,121	91,121	91,121

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

30. EVENTS OCCURRING AFTER REPORTING DATE

There has not arisen in the interval between the end of the financial year 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.

Independent auditor's report to the members of Antaria Limited

Report on the Financial Report

We have audited the accompanying financial report of Antaria Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Auditor's Opinion

In our opinion:

1. the financial report of Antaria Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the financial position of Antaria Limited and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages x to y of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Auditor's Opinion

In our opinion the Remuneration Report of Antaria Limited for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

Ernst & Young

V Tidy
Partner
Perth
XX September 2008

Auditor's Independence Declaration to the Directors of Antaria Limited

In relation to our audit of the financial report of Antaria Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

V Tidy
Partner
XX September 2008

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 29 August 2008.

1. DISTRIBUTION OF EQUITY SECURITIES

Ordinary Fully Paid Shares

The number of shareholders, by size of holding in each class of share is:

Range	Total Holders	Ordinary Shares	% Issued Capital
1 - 1,000	7	1,862	0.00%
1,001 - 5,000	56	209,971	0.11%
5,001 - 10,000	186	1,698,648	0.92%
10,001 - 100,000	282	10,915,415	5.89%
100,001 and above	94	172,426,783	93.08%
Total	625	185,252,679	100.00%

Unmarketable Parcels

Unmarketable parcels	Total Holders	Holdings	Units
Minimum \$500 parcel at \$0.08 per unit	6,250	82	320,885

2. TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of quoted shares as per the share register as at 29 August 2008 is:

Rank	Name	Ordinary Shares held at end of period	% of Issued Capital
1	University Of Western Australia	48,260,323	26.05%
2	Energenics Holdings Pte Ltd	13,636,364	7.36%
3	HSBC Custody Nominees (Australia) Limited	7,857,400	4.24%
4	House Of Maister Financial Services Limited	7,500,000	4.05%
5	National Nominees Limited	6,135,506	3.31%
6	Ankla Pty Ltd	5,260,230	2.84%
7	Citicorp Nominees Pty Ltd	5,042,220	2.72%
8	Pacific Development Capital Limited	5,000,118	2.70%
9	Mr. Erik Adriaanse	5,000,000	2.70%
10	McRae Investments Pty Ltd	5,000,000	2.70%
11	Mr. Ian William Hodgson	4,450,000	2.40%
12	Dr. Paul Gerard McCormick	4,069,617	2.20%
13	Ariki Investments Pty Limited	3,697,362	2.00%
14	ANZ Nominees Limited <Cash Income A/C>	3,468,889	1.87%
15	Mr. John Catherwood Young & Mrs Corrine Girard Young <Young Family A/C>	2,611,877	1.41%
16	HGL Group Pty Ltd	2,600,000	1.40%
17	G Harvey Nominees Pty Ltd <Harvey 1995 Discretionary A/C>	2,500,000	1.35%
18	Larksea Investments Pty Ltd <Lake Avenue A/C>	2,200,000	1.19%
19	Yarandi Investments Pty Limited <Griffith Family No 2 A/C>	2,161,119	1.17%
20	Mr. Robert Street	2,031,157	1.10%
		138,482,182	74.76%

3. SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Name	Ordinary Shares	% of Issued Capital
University of Western Australia	48,260,323	26.05%
Energenics Holdings Pte Ltd	19,495,680	10.52%
Pacific Development Capital Limited	9,656,735	5.21%

4. VOTING RIGHTS

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

5. ON-MARKET BUY BACK

There is no current on-market buy back.

6. UNQUOTED EQUITY SECURITIES

The number of unquoted securities, number of holders, and persons currently holding more than 20% or more of the unquoted securities (excluding securities issued under the employee share plan) are as follows:

ASX Code	Options over Ordinary Shares		Number of Options	Number of Holders	Persons holding 20% or more ⁽¹⁾
	Exercise Price	Expiry Date			
ANOAA	30.8 cents	21-Feb-10	500,000	2	N/a
ANOAO	30.8 cents	21-Feb-10	500,000	2	N/a
ANOAS	30.8 cents	23-Feb-10	10,192,967	12	N/a
ANOAW	20.0 cents	21-Jun-12	1,000,000	1	N/a
ANOAZ	30.8 cents	30-Jun-12	4,545,455	1	Energenics Holdings Pte Limited
			16,738,422	18	

(1) Excluding securities issued under employee share plan