

1 June 2022

Market Update – June 2022 vs June 2020

Attached is the Market Update we plan to present to brokers later this week.

The key highlights of this update are as follows:

- At this stage our previously announced forecasts of revenue for FY22 of \$13.5 million (\$6.523 million FY21) remains on track subject to no delays in raw materials or changes from customers and the presentation covers the following items.

	FY20	FY22 (est.)
Gross Manufacturing Margin	47.25%	54.67%
Key Operating Costs – payroll	\$2.5 million	\$1.5 million
Number of Distributors	11	17
Electricity Costs	\$295,267	\$120,000
Installation of Solar	0kW	100kW+
Fixed Assets at cost	\$8.6 million	\$14.1 million
Sales Revenue	\$17.67 million	\$13.5 million

Dividend Reinvestment Plan

The Board have approved the first ANO Dividend Reinvestment Plan, a milestone for the company and a copy will be lodged on the ASX platform today.

Authorised by:
Geoff Acton (B.Com CA)
Managing Director

Advance ZincTek Ltd Market Update

June 2022

“32 various skin
cancer procedures
– For me it’s not
just business, its
PERSONAL”



GEOGRAPHIC REACH

Advance ZincTek Ltd has in excess of 140+ brands worldwide using our product

USA BRANDS 94+



ASIA BRANDS 20+



AUSTRALIA BRANDS 30+



2020 versus 2022

What's changed from 2020 through to 2022?

	2020	2022
Covid & Covid Travel Restrictions	✗	✓
Global Inflation Impact on all Raw Materials, Packaging and Consumables	✗	✓
Energy Shortages, Particularly in Europe and China, creating manufacturing delays	✗	✓
Container Shortages creating shipping delays	✗	✓
Shipping Costs up 3 - 6 times including cost and availability of air freight	✗	✓
Interest Rates Increases forcing our customers to reduce inventory	✗	✓
War in Europe negatively impacting business confidence in EU and USA	✗	✓

COMPANY HIGHLIGHTS

+145%

Revenue growth year on year but 36% below FY20*

Inventory increases from \$8.45m in 1 location to **\$10.5m in 3 locations (AU, EU & USA)**[^]

Reduction in wages of approx. **\$1m** with no loss of key production & development staff

Debt Free cash at bank **-\$1.3m. Est \$2.4m by end of FY22**

* In FY20 distributors were required to keep a minimum of 6 months stock, it was the first year we had spare stock to supply

[^] Cash increasing from \$260k to \$1.7m

+ Electricity costs dropped from \$295k in FY20 to \$120k in FY22 (est.), FY21 installed 100kW of solar

KEY METRICS FY22 (est.) v FY20



Gross Manufacturing Margins increased to **54.6% in FY22** from 47.3%



Corporate overheads relatively **flat at \$515k in FY22** from \$470k



Wages have **significantly decreased to \$1.5m in FY22** from \$2.57m

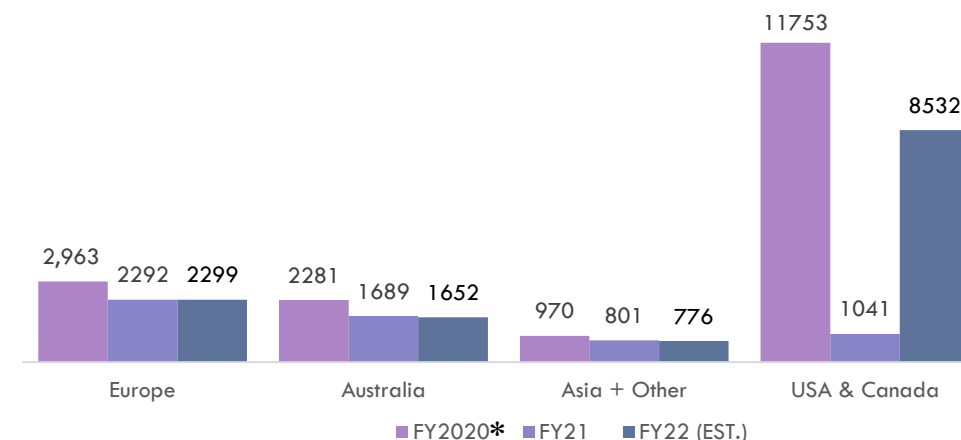


Other operating costs have also **decreased to \$560k in FY22** from \$775k



PPE at Cost (Fixed Assets) has **increased to \$14.1m in FY22** from \$8.6m

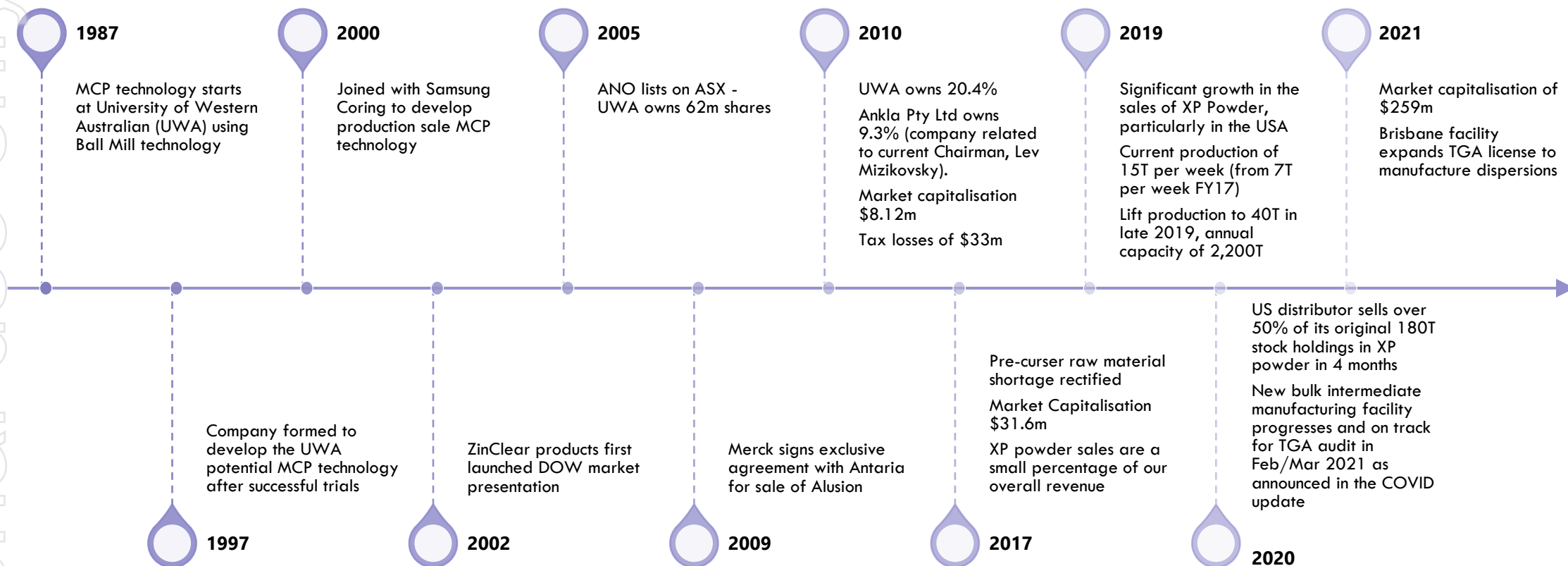
REVENUE BY REGION (\$000's)



* In FY20 distributors were required to keep a minimum of 6 months stock, it was the first year we had spare stock to supply

ABOUT US

ANO.AX Timeline (ASX Announcements) Company Performance



ABOUT US

ANO.AX Company Overview & Products

Publicly listed on ASX
since 2005
(Code: ANO)

Debt free
NTA \$33.75m as of 31
December 2021

Australia's largest Zinc
Oxide manufacturer
with capacity of 5000T

Stock Available - ex US
& Netherlands
warehouses

Working on dual listing
on NASDAQ aiming for
early 2023

PRODUCTS

SPF

- ✓ 6 Vegan/Organic Zinc & Zinc Based Powders.
- ✓ 4 Vegan/Organic Zinc & Zinc Based Dispersions.
- ✓ 4 Vegan Classic Zinc & Zinc Based Dispersions.
- ✓ 4 Vegan Premium Classic Zinc & Zinc Based Dispersions.
- ✓ 4 Vegan Bulk SPF 50+ Rated Intermediate Sunscreen Products (under development)
- ✓ **NEW:** Next Gen Zinc Oxide Coated Alumina Powder with SPF Boost Capabilities (XPA)

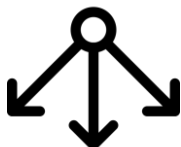
COSMETIC

- ✓ Alusion
- ✓ **NEW:** High Purity Alusion (under development)

COMPETITIVE ADVANTAGES

Key Competitors are Raising Prices vs Our Gross Manufacturing Margin FY20 - 47.25%, FY22 - 54.67%*

ADVANCE V COMPETITORS



Advance ZincTek only has a 7-day ex-warehouse lead-time for AUS, EU & USA

Competitors such as KOBLO, Ronacare & Vizor Sun have substantially longer lead-times. Ranging from 56 days up to 125 days lead-time for KOBLO product in the USA and furthermore they are suffering from material shortages

RECENT COMPETITOR COMMENTS

J.Jankowski, Nanophase Technologies Corporation - Earnings Call Transcript

- “We are currently in the process of implementing a double-digit price increase. This increase will largely address margin issues created by increases in material and labor costs”
- “Improvement in labor efficiency can add as much as 5% to our gross profit margin without negatively impacting our ability to grow”

Olivier Bernard, CCO, EverZinc

- “We continue to experience significant energy costs increases (mainly gas and energy) but also increased complexity in supply chains and logistics hurdles as well as backlogs around the world, which have significantly and persistently increased the cost of our operations.”
- “...we have been able to absorb some of these additional costs through cost-control measures but today the sustainability of our company however objectively requires us to increase our prices”.

* Without any major price rises and through cost control

COMPETITIVE ADVANTAGES

ZinClearXP Non-Nano Powder Designed to be Tinted

IN CONJUNCTION WITH ZINC OXIDE

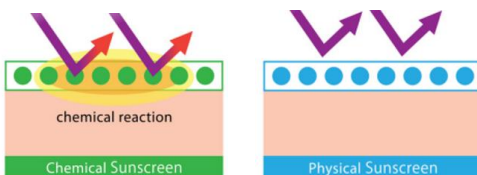
- 1 Iron oxides enhance protection against skin damage – new results demonstrate HEV blocking powder in specialty skin care products formulated with iron oxides (Carlsbad, CA. 2020) ColoreScience.
- 2 Iron oxides in novel skin care formulations attenuate blue light for enhanced protection against skin damage (Bernstein EF, et al. 2021) J Cosmet Dermatol.
- 3 ZINClear XP is designed to provide exceptional UVB (SPF – 280nm to 320nm) and UVA (Broad Spectrum – 320nm to 400nm) protection while minimizing reflection in the visible spectra (400nm+) which causes the ‘white cast’ on the skin. Adding iron oxides further diminish white cast on skin, especially important for darker skin tones, but welcomed by all.
- 4 Iron oxides provide protection against all visible light, including blue light.
- 5 Darker skin tones are more susceptible to immediate pigment darkening when exposed to visible light.
- 6 Lest you think this is a new notion, check out this reference to a 1991 paper from the JAMA dermatology; Efficiency of Opaque Photoprotective Agents in the Visible Light Range (Kaye, ET, et al., 1991).

HEALTH & SAFETY



Recent studies suggest that chemical sunscreens are absorbed in much higher concentrations that previously thought. This is not to suggest that they should not be used but further studies need to be undertaken in this area.

Although published studies suggest that several chemical sunscreens also interact with human sex or thyroid hormones, there is not enough information at present to determine the potential risks to humans from hormone disruptions.



The active ingredient in Zinc Oxide which has been classified by the FDA as GRASE (generally regarded as a safe and effective) unlike some chemical sunscreens which cause adverse effects

Chemical sunscreens are not GRASE because more data is needed to make a GRASE determination.



Queensland government authority **Work Safe recommends the “use of Zinc Sunscreen for Lips, Ears and Nose.”** in the Work Health & Safety Act 2011

- ✓ You can eliminate the risk of chemical sunscreen exposure to your workers by providing Zinc sunscreen.

COMPETING CHEMICAL UV FILTERS

In 2021 FDA identified 12 UV filters below that have been identified as potentially toxic and or carcinogenic.

Octinoxate	Oxybenzone
Ensilizole	Meradimate
Avobenzone	Octisalate
Padimate O	Sulisobenzene
Octocrylene	Homosalate
Dioxybenzone	Cinoxate

RECENT STUDIES

Suzuki et al. (2005) reviewed thirty-five studies that have raised concerns about the potential adverse health effects caused by chemical UV filters. Also, a recently published study by Ginzburg et al. (2021) suggested: “that caution must be taken when formulating sunscreens containing both zinc oxide and small-molecule (petrochemical) UV-filters to avoid uncontaminated consequences during use.” This was highlighted recently when Mineral Sunscreens by Banana Boat, Coppertone, and Neutrogena were recalled due to contamination.

INFANTS, BABIES & PREGNANCY


The FDA's release published 24/08/2021 stated “infants are at greater risk than adults of sunscreen side effects.” Zinc oxide is considered safe for infants by the FDA and is even present at up to 40% in nappy rash creams. Therefore, if there is a situation where sun protection such as protective clothing or shade is not available the safest option for babies is a Natural Zinc based 100% Organic Vegan Sunscreen. Amazon US search volume (Year on Year 2020/2021) has shown that ‘organic baby sunscreen’ now represents 25% of baby sunscreen searches versus 9% the previous year, indicating a large and growing market.

FDA POSITION

The FDA sunscreen safety review, published 24/09/2021, has confirmed zinc oxide to be the only broad-spectrum UV Filter considered safe and effective.

2022 ACHIEVEMENTS

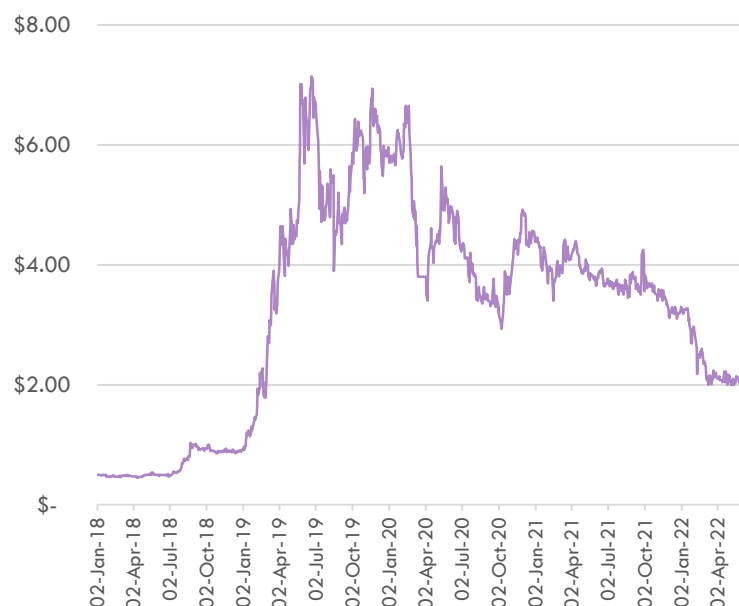
Advance ZincTek has been busy clocking up several milestones in FY22

	
REVENUE	145% Revenue growth - compared to FY21, but 36% below on FY20. Revenue between 2020 and 2022 is on par given distributors were required to keep a minimum of 6 months stock in 2020.
EQUIPMENT	Replaced old Equipment - 80% of the manufacturing equipment in Brisbane is new. Capacity remains at 5,000 MT.
MARKET SHARE	Market share in USA at 14% in Calendar 2021. Grown our zinc sales in Europe - \$0.87m in 2020 to \$1.2m in 2022 and further 4 companies are considering our products for customers.
EXPENSES	Reduction in our Energy Costs per unit because of our PV Panels and our negotiated new rates.
INVENTORY/CASH	Inventory Increases from \$8.45m in one location to \$10.5m in three locations with cash increasing from FY20 \$260k to FY22 \$1.3m (30/6/22 est. \$2.4M).
WAGES	Reduction in wages of approximately \$1m with no loss of key production and development staff.

COMPANY SNAPSHOT

No options on issue, debt free cash at bank-\$1.3m & debtor days outstanding dramatically improved since FY20

SHARE PRICE (ANO.AX)



	FY20	FY22
Share Price	\$4.30	\$2.14
Market Capitalisation	\$256m	\$120m

* Graph source: yahoo finance

KEY FIGURES



The Mizikovsky Group owns 49.18%.
Purchasing 2.13m shares over the past 2 yrs



61.32m shares on issue



1,659 shareholders

DEBTORS

AGEING	FY20	FY22*
0-30 days	\$816k	\$3.26m
31-60 days	\$64k	\$536k
>61 days	\$3.37m	\$207k
Total	\$4.35m	\$4.00m

* As at 31/05/2022

BOARD MEMBERS

LEV MIZIKOVSKY

Non-Executive Chairman 7 years

RADE DUDUROVIC

Non-Executive Director 11 years

LAURIE LEFCOURT

Non-Executive Director 3 years*

GEOFF ACTON

Managing Director (6 years)

* Laurie has decided to not stand for re-election at the upcoming AGM & the Board have commenced finding a new Chair of the Audit Committee

PRODUCTS

Advance ZincTek has been focused on expanding its distribution network worldwide*

ASIAN DISTRIBUTORS
INCREASED TO 8 FROM 6



A further **4 companies in Europe** are considering our products for use, whilst **another 2 in Asia** are also

CAPACITY & STOCK



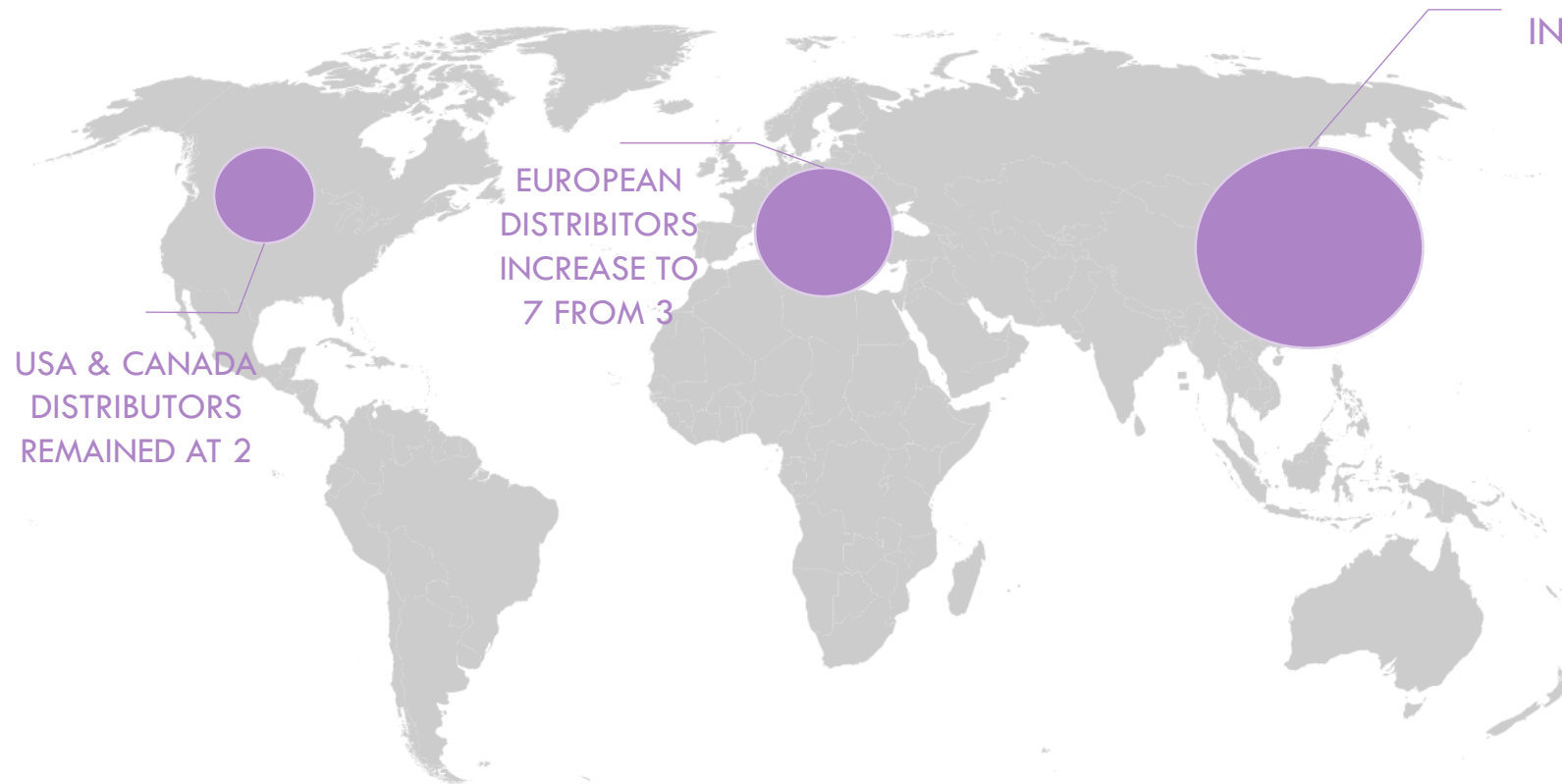
5,000 MT production capacity
vs 2400 MT 2020



Stock available for **immediate**
delivery in US, Europe and Australia



Raw material ingredients of 300 MT
in stock and a further 279MT ordered



* Asia also includes (other geographic regions) FY22 are est. Increases are shown from FY20 to FY22 (est.)

PATENTS

Advance ZincTek possesses a number of patents and a further several in the development pipeline



DEVELOPMENT OF OUR PATENTS

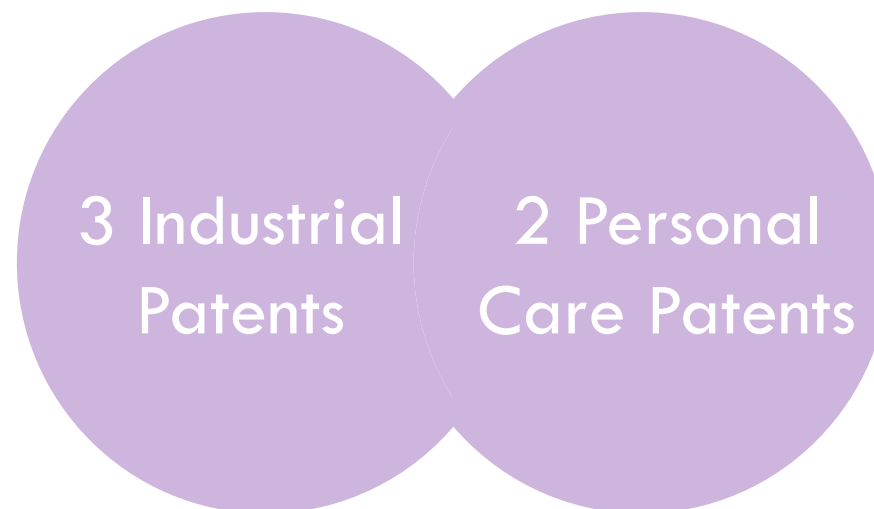
Finished the provisional patent for XP A

Our Next Gen Zinc Oxide coated Alumina Powder with SPF boost capabilities

Battery Application included as part of the provisional patent

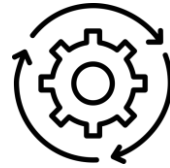
This extends the life of our critical IP – Alusion and XP powder manufacturing for a further 15 years

EXISTING PATENTS



FUNDING & MARGINS

- ✓ Nil capital raisings are expected in the foreseeable future
- ✓ Board has implemented a Dividend Reinvestment Plan, released in conjunction with this presentation
- ✓ Capital investments will be funded by increases in sales and internal cash generation



KEY OPERATING METRICS

	FY20	FY22 (est.)
Gross Manufacturing Margin	47.25 %	54.67 %
Corporate Overheads	\$470,000	\$515,000
Wages	\$2,566,000	\$1,500,000
Other Operating Costs	\$775,000	\$560,000
PPE at Cost (Fixed Assets)	\$8,600,000	\$14,100,000



DISCLOSURES REGARDING FORWARD LOOKING STATEMENTS



- This Market Statement includes forward-looking statements that have been based on Advance ZincTek's current expectations and predictions about future events including Advance ZincTek's intentions.
- These forward-looking statements are, however, subject to inherent risks, uncertainties and assumptions that could cause actual results, performance or achievements of Advance ZincTek to differ materially from the expectations and predictions, express or implied, in such forward-looking statements.
- None of Advance ZincTek, its officers, the persons named in this Market Update with their consent, or the persons involved in the preparation of this Market Update makes any representation or warranty (express or implied) as to the accuracy or likelihood of any forward-looking statements. You are cautioned not to place reliance on these statements in the event that the outcome is not achieved. These statements reflect views and opinions as at the date of this Market Update.

