# Advance ZincTek Limited

## (Formerly Advance NanoTek Limited)

**ACN 079 845 855**

## Annual Report

**For the Year Ended 30 June 2022**

ACN 079 845 855
**ASX Code: ANO**

# Contents
## For the Year Ended 30 June 2022

# Chairman's Letter

The $3.682 million profit before tax is a 1289% improvement on FY21 but still well below the FY20 result. Whilst the result is below our expectations, we still have achieved many milestones in the past 6-12 months.

- The company remains debt free with sufficient stock of raw materials and finished products to accommodate expected growth.
- Our updated website is generating increasing enquiries and our sample requests are 300% up on FY21.
- 80% of the manufacturing equipment in our Brisbane manufacturing facility is less than 3 years old. Zinc oxide powder capacity remains at 5,000MT.
- We have grown zinc sales in Europe - $0.87 million in 2020 to $1.2 million in 2022 with growth expected to accelerate further. (Alusion sales are down on FY21 orders from Merck.) We are also seeing potential growth in our US sales with our distributor indicating record numbers of sample requests and increasing volumes in indicative forecasts from large customers.
- Our new organic dispersions are being sampled and trialled by a number of customers globally and we are seeing positive feedback. This is an exciting growth platform for the company, though a number of years is required by personal care companies to test and develop.
- Energy shortages and soaring energy prices expect to impact our competitors.
  Germany to overhaul law to bail out energy firms stricken by Russia woes - | Reuters
  *"Germany's government has warned of possible energy shortages and rationing in the winter months if it cannot fill its gas storage quickly enough."*
  Energy crisis slams Japan as weak yen sends import costs surging | The Japan Times
  *"Prime Minister Fumio Kishida's government joined the Group of Seven countries in imposing sanctions on Russia and shunning its oil and coal, tightening the pool of available supplies for Japan. His administration was jolted on Friday by Russia's move to transfer rights to a key natural gas project in Sakhalin that could force foreign stakeholders out, including Japan."*
  UPDATE 1-French energy giants urge consumers to cut energy use (yahoo.com)
  *"PARIS, June 25 (Reuters) - The heads of France's big energy companies on Sunday urged individuals and businesses to limit power consumption immediately to prepare for a looming energy crisis."*
- Our new Alusion facility in Brisbane, after some issues with the equipment, is almost complete and we hope to begin trials in October this year. A higher purity Alumina is in the final stages of development and testing.

We are positive that we will see growth in our ZinClear XP in FY23. We have worked very hard to manage the supply chain and additional logistics costs and we are able to keep our prices unchanged for all orders received before the end of the year.

Finally, I would like to thank our valued distributor partners, production managers in Brisbane and Perth, factory operators, chemists, QA staff, office staff and our Managing Director for their efforts over the past 12 months.

L Mizikovsky

Lev Mizikovsky
Non-Executive Chairman

Dated: 11 August 2022

# Managing Director's Review

**ANO Performance since 2016**

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|
| Revenue | 4,147,589 | 5,097,488 | 6,583,764 | 12,260,424 | 17,967,379 | 6,522,763 | 12,504,337 |
| Employee Wages | 849,428 | 591,385 | 782,310 | 1,052,523 | 2,565,532 | 1,784,171 | 1,867,738 |
| Profit Before Tax | (452,411) | 561,174 | 1,125,069 | 3,381,419 | 7,461,205 | 265,208 | 3,682,389 |
| EPS* | (3¢) | 1¢ | 4.62¢ | 16.90¢ | 8.99¢ | 0.054¢ | 3.58¢ |
| Share Price* as at 30 June | 23¢ | 24¢ | 50¢ | $6.72 | $4.25 | $3.70 | $2.02 |

* These EPS & share price figures have been adjusted to reflect the share consolidation completed in 2018.

**The Operating Results**

The profit before tax of $3.682 million is below my expectations for FY22. I am hoping to generate sales revenue for FY23 to levels above FY20 before the full impact of COVID-19.

Despite my disappointment, we have achieved a number of milestones during the year.

**ANO Unfranked Dividend**

Subsequent to 30 June, I will be proposing to the Board to consider an unfranked final dividend of 9 cents per share. I will look at the performance of the Company for the first couple of months for FY23 before I submit the proposal to the Board. Whilst the payment date and final amount of the dividend are yet to be ratified by the Board, it represents a significant milestone in the Company's history.

**Sales Outlook FY23**

- Current sales and sales orders in our system for FY23 are at $5.145 million, 20% up on prior year.
- Total forecast revenue, including sales orders, is already above $12.3 million for the first 9 months of FY23. In my opinion, given the global issues with logistics and supply of raw materials and the need to manufacture much earlier, customer forecasts to distributors seem to be more realistic than the previous year.
- However, the current economic conditions and world events in Europe do make it difficult to predict our total sales revenue at this stage.

**Production**

- Replaced old equipment – 80% of the manufacturing equipment in Brisbane is less than 3 years old. XP powder capacity remains at 5,000MT.
- We have available stock in US, Netherlands and Australia for immediate delivery and 580MT of raw materials on order or in the warehouse.
- Our Alusion facility in Perth is continuing its new fit out with new kilns and decanters to be installed in the next 6 months.
- The Brisbane Alusion facility is 80% complete and should commence production trials later this year.
- We have already received 15MT of orders from Merck and are researching new market channels for this and a new high grade Alusion product we are in the process of developing.

**Production Outlook FY23**

The production staff in conjunction with the Board are working very hard to negate the anticipated price increases of raw materials in the following ways:

- We have generated a 15% improvement in manufacturing costs including electricity, labour and other warehouse costs which will assist our gross margins in FY23.
- An additional 20% storage capacity has been achieved with the design of new racking systems in the warehouse.
- A new temperature controlled storage facility will be completed to assist with the storage of particular materials.
- Energy costs continue to be offset by our PV panels on the roof and we generated $26,000 of large-scale generation certificates last year. Our staff are proud of our efforts to contribute to the climate change and produce products which are safer for the environment.

# Managing Director's Review

**Sales**

- Grown our zinc sales in Europe - $0.87 million in 2020 to $1.2 million in 2022 and exported our material to seven distributors in Europe. A further four European companies are considering our products for customers. Expect further growth in FY23. Alusion sales are down on FY21 orders from Merck.

**Environmental Issues**

The Board and staff take the issues of the environment seriously. We are working with Veganic SKN Limited to develop a safe sunscreen that does not impact the environment like the UV chemical sunscreens which dominate the Australian retail market.

https://www.theguardian.com/environment/2022/apr/12/sunscreen-chemicals-accumulating-in-mediterranean-seagrass-finds-study

https://www.mdpi.com/2304-8158/11/11/1627

**Staff**

I would like to thank all staff for their exceptional effects in FY22. As a group we are all very focused on delivering the best outcomes for our shareholders. In particular, our production managers and production process operators in Perth and Brisbane

**Personal Note**

We will continue to advocate the TGA to review the safety data of particular UV chemical filters like the FDA are currently doing, in particular, the safety of these UV chemical filters that are sold in sunscreens by not for profit organisations that are used daily on children. We hope a review will encourage not for profit organisations to review their marketing of these potentially dangerous products with ingredients being used that are not approved in US or Europe.

e.g. 4% 4-Methylbenzylidene Camphor (enzacamene) “4-MBC”

In that regard, a recent opinion on 4-MBC by the European Commission Scientific Committee on Consumer Safety (SCCS), also a COB for safety, unanimously stated the following: https://ec.europa.eu/health/publications/4-methylbenzylidene-camphor-4-mbc_en

- In light of the data provided and taking under consideration the concerns related to potential endocrine disrupting properties of 4-Methylbenzylidene camphor (4-MBC), does the SCCS consider 4-MBC safe when used as a UV filter in cosmetic products up to a maximum concentration of 4%?

Further, there is evidence of 4-MBC contaminated waterways.
https://environment.des.qld.gov.au/__data/assets/pdf_file/0024/264444/water-quality-sampling-lake-wabby.pdf

Given Australia has one of the highest rates of skin cancers in the world, we all should be doing a lot more to protect children from dangerous UV chemical filters.

GActon

Geoff Acton
Managing Director

Dated: 11 August 2022

# Directors' Report
## For the Year Ended 30 June 2022

Your directors present their report, together with the financial statements of the Group, being Advance ZincTek Limited (the Company) and its controlled entities (the "Group"), for the financial year ended 30 June 2022.

### 1. General information

#### Directors

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

| Names | Position |
|---|---|
| Lev Mizikovsky | Non-executive Chairman |
| Rade Dudurovic | Non-executive Director |
| Laurie Lefcourt | Non-executive Director |
| Geoff Acton | Managing Director |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

#### Company Secretaries

The following persons held the position of Company Secretary during the financial year:

- Geoff Acton (B.Com, CA, GAICD)
- Narelle Lynch ("Cert (Gov Prac)")

#### Principal activities

During the year the principal continuing activities of the Group consisted predominantly of the manufacture of aluminium oxide powder, zinc oxide dispersions and zinc oxide powder for the Personal Care Sector.

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

### 2. Operating results and review of operations for the year

#### Operating results

Please refer to Managing Director's on page 2.

### 3. Financial review

#### Review of financial position

The net assets of the Group have increased by $7.033 million from $27.956 million at 30 June 2021 to $34.989 million at 30 June 2022.

### 4. Other items

#### Significant changes in state of affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

**Rights Issue**

A rights issue was undertaken which closed on 28 June 2021. 1,200,338 shares have been issued on 2 July 2021 raising $4,729,332.

**COVID-19 Impacts to the Company**

The Board have assessed the impact of Covid-19 and the key issues are:

- An increase of 91.7% in revenue but 30% below pre COVID revenue due to continued travel restrictions, consumer confidence in Europe with the war between Russia and Ukraine.

For further information, please see the Managing Director’s Review on page 2 of this Annual Report.

# Directors' Report
## For the Year Ended 30 June 2022



### 4. Other items (cont)

#### Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

#### Dividends paid or recommended

No dividends have been paid or declared during the financial year (2021: Nil).

#### Future developments and results

The Group has established a solid platform from which to grow sales, improve margins and deliver profitability.

#### Environmental issues

The Group'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.

No breaches of environmental regulations occurred during the year.

The Board and staff take the issues of the environment seriously. We are working with Veganic SKN Limited to develop a safe sunscreen that does not impact the environment like the UV chemical sunscreens which dominate the Australian retail market.

https://www.theguardian.com/environment/2022/apr/12/sunscreen-chemicals-accumulating-in-mediterranean-seagrass-finds-study

https://www.mdpi.com/2304-8158/11/11/1627

#### Indemnification and insurance of officers

The Directors, Secretaries and Officers of the Group and its controlled entities are insured for liabilities that include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group.

The liabilities insured exclude any criminal, fraudulent, dishonest or malicious act or omission or improper use of information or position to gain a personal advantage.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

#### Shares under option

There are no un-issued shares of Advance ZincTek Limited under option at the date of this report.

#### Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

#### 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

# Directors' Report
## For the Year Ended 30 June 2022



### Information on directors

| | |
|---|---|
| **Lev Mizikovsky** | **Non-executive Chairman** |
| Qualifications | FAICD |
| Experience | Since 1977, Mr. Lev Mizikovsky has been a Fellow of the Australian Institute of Company Directors (AICD). He is a substantial shareholder in a number of other Queensland companies including Lindsay Australia Limited (LAU), Tamawood Limited (TWD) and SenterpriSys Limited (NSX: SPS). |
| Special Responsibilities | Member of all Committees |
| Directorships held in other entities | Lev is the founding Director of Tamawood Limited which started in July 1989 and is still a Non-executive Director. He is Chairman of SenterpriSys Ltd. |

| | |
|---|---|
| **Rade Dudurovic** | **Non-executive Director** |
| Qualifications | B.Com (Hons), LLB (Hons) |
| Experience | Rade has an extensive background in private equity with strong exposure to industrial and branded consumer manufacturing and distribution businesses particularly in the Asian region. He has qualifications in commerce and law and is a CPA as well as Senior Fellow of FINSIA |
| Special Responsibilities | Chairman of the Nomination & Remuneration Committee |
| Directorships held in other entities | Non-executive Director of SenterpriSys Limited (NSX: SPS) |

| | |
|---|---|
| **Laurie Lefcourt** | **Non-executive Director** |
| Qualifications | B. Finance & Administration, FCA, GAICD |
| Experience | Laurie has extensive experience in senior finance roles across a number of industries including mining and resources, construction, infrastructure and agriculture. She has held CFO and company secretary roles in both small and large organisations. Laurie has significant experience from her executive career relating to strategy, governance, risk management and compliance. |
| Special Responsibilities | Chairperson of the Audit and Risk Management Committees |
| Directorships held in other entities | Non-executive Director of SenterpriSys Limited (NSX: SPS), Non-executive Director of Acrow Formwork and Construction Services Limited (ASX: ACF) |

| | |
|---|---|
| **Geoff Acton** | **Managing Director** |
| Qualifications | B.Com, CA, GAICD |
| Experience | Geoff brings to Advanced ZincTek Ltd a vast amount of capabilities in his 22 year history with the Tamawood Group including as Chief Financial Officer and Company Secretary. Further, he has an in-depth knowledge of the renewable energy sector as head of the successful Renewable Energy Certificate trading business established in 2004. |
| Special Responsibilities | Member of Audit and Risk Management Committees |

### Company secretaries

#### Geoff Acton

Appointed Company Secretary on 13 July 2015. Geoff is a chartered accountant and has more than 20 year history with Tamawood Limited in various capabilities including Director, Chief Financial Officer, Company Secretary and head of Tamawood's Renewable Energy Certificates trading business, which Geoff established in 2004.

#### Narelle Lynch "Cert (Gov Prac)"

Narelle was appointed joint company secretary on 9 August 2017.

# Directors' Report
## For the Year Ended 30 June 2022

### Meetings of directors

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

| | Directors' Meetings | | Audit Committee | | Risk Committee | | Nomination & Remuneration Meetings | |
|---|---|---|---|---|---|---|---|---|
| | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| Lev Mizikovsky | 11 | 11 | 3 | 3 | 1 | 1 | 2 | 2 |
| Rade Dudurovic | 11 | 11 | 3 | 3 | 1 | 1 | 2 | 2 |
| Laurie Lefcourt | 11 | 9 | 3 | 3 | 1 | 1 | 2 | - |
| Geoff Acton | 11 | 11 | 3 | 3 | 1 | 1 | 2 | 2* |

*Attended by invitation.

### Non-audit services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants (including Independence Standards) set by the Accounting Professional and Ethical Standards Board.

The total fees to the Group's external auditors, William Buck (Qld) for non-audit services during the year ended 30 June 2022 was Nil (2021: Nil).

### Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2022 has been received and can be found on page 14 of the financial report.

# Directors' Report
## For the Year Ended 30 June 2022



**Remuneration report (audited)**

This report details the nature and amount of remuneration for the key management personnel of the Group, including the Directors in accordance with the requirements of the Corporations Act 2001 and its Regulations, and has been audited in accordance with section 308(3C).

**Remuneration policy**

The performance of Advance ZincTek Limited depends upon the quality of its key management personnel. To prosper, the Group must attract, motivate and retain highly skilled Directors and other key management personnel.

To this end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre key management personnel.
- Link executive rewards to shareholder value.

In accordance with best practice corporate governance, the structure of Non-executive Director and Executive remuneration is separate and distinct.

**Non-executive Director Remuneration**

**Objective**

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain Directors of the highest calibre, and at a remuneration level within market rates.

**Structure**

The Company's Constitution and the ASX Business Rules specify that the aggregate remuneration of Non-executive Directors shall be determined from time to time by a general meeting. The aggregate remuneration that may be paid to Non-executive directors is $350,000 exclusive of Superannuation Guarantee Levy. 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 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. The Board will seek approval from time to time as deemed appropriate.

The current directors' fees were last reviewed with effect from 1 July 2021. The Non-Executive Chairman will receive no fees. Other Directors receive fees commensurate with their time commitment and responsibilities.

**Executive Director Remuneration**

**Objective**

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain Directors of the highest calibre, and at a remuneration level within market rates.

**Structure**

The Board believes that, at this stage of the Group's development, and in light of the size of the Group and its executive team, senior manager and executive director remuneration should be comprised of the following three components:

Fixed salary and benefits, including superannuation;

Short-term performance incentives (bonus payments); and

Long-term performance incentives (such as options, shares or performance rights)

In determining the level and make-up of executive remuneration, the Board considers external benchmarking information to help ensure that the Group provides a competitive and acceptable remuneration level and that the market value for executives and senior managers in similar companies is considered taking into account the work that they are required to perform.

# Directors' Report
## For the Year Ended 30 June 2022

**Remuneration report (audited)**

**Short term performance incentives**

Senior managers and executives may be eligible for bonus payments from time to time at the discretion of the Board, if the Board considers that any executive's contribution warrants such recognition. No bonuses have been awarded in this financial year.

**Long-term performance incentives**

There are no long term performance incentives in place with key management personnel and the executive director.

**Company performance, Shareholder Wealth and Key Management Personnel Remuneration**

The Board is cognisant of the link between Directors', and other key management personnel remuneration to the achievement of strategic goals and performance of the Group. In setting remuneration policy the Group seeks to align key management personnel rewards with overall shareholder value creation.

The Board reviews senior management remuneration on a regular basis to ensure base remuneration and any performance payments are directly linked to the achievement of profit contribution targets.

Details of shareholder returns are provided below. Given the stage of commercialisation of the Group's products and technologies, shareholder returns have been adversely impacted by ongoing investment in research and product development.

| | **2022** | **2021** | **2020** | **2019** | **2018** |
|---|---|---|---|---|---|
| | **cents** | **cents** | **cents** | **cents** | **cents** |
| Net assets per share | 57.06 | 46.70 | 46.25 | 31.43 | 11.81 |
| Net tangible assets per share | 45.15 | 28.25 | 28.63 | 16.25 | 8.29 |
| Earnings/(loss) per share | 3.58 | 0.054 | 8.99 | 16.90 | 5.47 |
| Earnings/(loss) per share - excluding impairment & tax | 6.01 | 0.44 | 12.63 | 5.93 | 5.47 |
| Share price | $2.02 | $3.70 | $4.25 | $6.72 | $0.50 |

# Directors' Report
## For the Year Ended 30 June 2022

### Remuneration report (audited)



The following table of benefits and payments details, in respect to the 2022 and 2021 financial years, the components of remuneration for each member of the key management personnel (KMP) of the Group.

**Table of benefits and payments**

| | Short term employee benefits | | Post employment benefits | LSL Benefits | | |
|---|---|---|---|---|---|---|
| | cash salary fees | bonus | Superannuation | | Termination Benefits | |
| **Year Ended 30 June 2022** | **$** | **$** | **$** | **$** | **$** | **TOTAL$** |
| **Non-Executive Directors** | | | | | | |
| Lev Mizikovsky | **-** | **-** | **-** | **-** | **-** | **-** |
| Rade Dudurovic | **50,000** | **-** | **-** | **-** | **-** | **50,000** |
| Laurie Lefcourt | **55,000** | **-** | **-** | **-** | **-** | **55,000** |
| **Sub-total Non-Executive Directors** | **105,000** | **-** | **-** | **-** | **-** | **105,000** |
| **Executive Directors** | | | | | | |
| Geoff Acton | **240,000** | **-** | **4,760** | **1,940** | **-** | **246,700** |
| **Sub-total Executive Directors** | **240,000** | **-** | **4,760** | **1,940** | **-** | **246,700** |
| | **345,000** | **-** | **4,760** | **1,940** | **-** | **351,700** |

| | Short term employee benefits | | Post employment benefits | LSL Benefits | | |
|---|---|---|---|---|---|---|
| | cash salary fees | bonus | Superannuation | | Termination Benefits | |
| Year Ended 30 June 2021 | **$** | **$** | **$** | **$** | **$** | **TOTAL$** |
| Non-Executive Directors | | | | | | |
| Lev Mizikovsky | - | - | - | - | - | - |
| Rade Dudurovic | 50,000 | - | - | - | - | 50,000 |
| Laurie Lefcourt | 55,000 | - | - | - | - | 55,000 |
| Sub-total Non-Executive Directors | 105,000 | - | - | - | - | 105,000 |
| **Executive Directors** | | | | | | |
| Geoff Acton | 240,040 | - | 5,099 | 1,075 | - | 246,214 |
| Sub-total Executive Directors | **240,040** | **-** | 5,099 | 1,075 | - | **246,214** |
| | **345,040** | **-** | **5,099** | **1,075** | **-** | **351,214** |

Remuneration for Mr. Acton's company secretarial services is set out in Note 26.

# Directors' Report
## For the Year Ended 30 June 2022

**Remuneration report (audited)**

### Service Agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of director.

The remuneration and other terms of employment for the Group's executives are formalised in service agreements and/or letters of employment, each of which provides for the executive's participation in any bonus or employee share schemes, plus other benefits and membership of approved professional or industry bodies.

On termination, Directors and other key management personnel are entitled to their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits. No other termination benefits are payable.

Unless otherwise stated, service agreements and employment contracts do not provide for predetermined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy and outlined above. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the Board.

### Employment details of members of key management personnel

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the Group. The table also illustrates the proportion of remuneration that was performance based and the proportion of remuneration received in the form of options.

# Directors' Report
## For the Year Ended 30 June 2022

### Director's' shareholdings

| 30 June 2022 | Balance at beginning of year | Granted as remuneration | Exercised | Other changes | Balance at the end of year |
|---|---|---|---|---|---|
| Directors | | | | | |
| Lev Mizikovsky | 28,236,052 | - | - | 1,979,077 | 30,215,129 |
| Rade Dudurovic | 263,501 | - | 150,000 | 5,271 | 418,772 |
| Laurie Lefcourt | 3,769 | - | - | 76 | 3,845 |
| Geoff Acton | 389,429 | - | - | (35,500) | 353,929 |
| | **28,892,751** | **-** | **150,000** | **1,948,924** | **30,991,675** |
| **30 June 2021** | | | | | |
| Directors | | | | | |
| Lev Mizikovsky | 28,042,854 | - | - | 193,198 | 28,236,052 |
| Rade Dudurovic | 263,501 | - | - | - | 263,501 |
| Laurie Lefcourt | 3,769 | - | - | - | 3,769 |
| Geoff Acton | 83,629 | 392,000 | - | (86,200) | 389,429 |
| | **28,393,753** | **392,000** | **-** | **106,998** | **28,892,751** |

### Directors' Options

| 30 June 2022 | Balance at beginning of year | Options Granted | Other changes | Vested during the year | Exercised during the year | Balance at the end of year | Balance of Vested Options |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Rade Dudurovic | 200,000 | - | (50,000) | - | (150,000) | - | - |
| Geoff Acton | 392,000 | - | (392,000) | - | - | - | - |
| | 592,000 | - | (442,000) | - | (150,000) | - | - |

| 30 June 2021 | Balance at beginning of year | Options Granted | Other changes | Vested during the year | Exercised during the year | Balance at the end of year | Balance of Vested Options |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Rade Dudurovic | 250,000 | - | (50,000) | - | - | 200,000 | 150,000 |
| Geoff Acton | 1,176,000 | - | (392,000) | - | (392,000) | 392,000 | - |
| | 1,426,000 | - | (442,000) | - | (392,000) | 592,000 | 150,000 |

**End of Audited Remuneration Report**

This Directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

L Mizikovsky

Lev Mizikovsky
Non-Executive Chairman

Dated: 11 August 2022

# Directors' Declaration
## For the Year Ended 30 June 2022

*The directors of the Company declare that:*

1. *the financial statements and notes for the year ended 30 June 2022 are in accordance with the Corporations Act 2001 and:*

    a. *comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and*

    b. *give a true and fair view of the financial position and performance of the consolidated group;*

2. *the Chief Executive Officer have given the declarations required by Section 295A that:*

    a. *the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;*

    b. *the financial statements and notes for the financial year comply with the Accounting Standards; and*

    c. *the financial statements and notes for the financial year give a true and fair view.*

3. *in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.*

This declaration is made in accordance with a resolution of the Board of Directors.

L Mizikovsky

Lev Mizikovsky
Non-Executive Chairman

Dated: 11 August 2022

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022 there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Advance ZincTek Limited and the entities it controlled during the period.

William Buck

**William Buck (Qld)**
ABN 21 559 713 106

**J A Latif**
Director

Brisbane, 11th August 2022

**ACCOUNTANTS & ADVISORS**
Level 21, 307 Queen Street
Brisbane QLD 4000
GPO Box 563
Brisbane QLD 4001
Telephone: +61 7 3229 5100
**williambuck.com**

# Corporate Governance Statement
## 30 June 2022



The objective of the Board of Advance ZincTek Ltd is to create and deliver long term shareholder value through a range of diversified product sales and development in cosmetics and sunscreen.

Advance ZincTek Ltd and its subsidiaries operate as a single economic activity under a unified Board and management. As such, the Board's corporate governance arrangements apply to all entities within the economic Group ("the Group").

Advance ZincTek Ltd has adopted the recommendations of the ASX Corporate Principles Edition 4. Advance ZincTek Ltd has completed and lodged an Appendix 4G in conjunction with the lodgement of its Annual Report. Advance ZincTek Ltd has clearly explained in its governance strategy where principles have been adopted and if not why not.

The company's charters, committees and corporate governance principles are on our website www.advancezinctek.com.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income
## For the Year Ended 30 June 2022

| | Note | 2022 000's | 2021 000's |
|---|---|---|---|
| Revenue | 5 | **12,504** | 6,523 |
| Other income | 5 | **1,750** | 982 |
| Raw materials and consumables used | | **(5,166)** | (1,744) |
| Employee benefits expense | | **(1,625)** | (1,551) |
| Superannuation | | **(243)** | (233) |
| Amortisation charge | 14 | **(66)** | (85) |
| Depreciation expense - property, plant & equipment | 12 | **(999)** | (831) |
| Depreciation expense - right of use assets | | **(495)** | (510) |
| Legal expense | | **(80)** | (167) |
| Directors fees - Non-executive | | **(105)** | (106) |
| Insurance fees | | **(233)** | (190) |
| Rent expense | | **(37)** | (6) |
| Lease interest expense | | **(127)** | (128) |
| Finance costs | | **(77)** | - |
| Patent Renewal | | **(86)** | (60) |
| Travel costs | | **(2)** | (2) |
| Rates & taxes | | **(16)** | (15) |
| Corporate costs | | **(342)** | (284) |
| Consulting | | **(103)** | (242) |
| Other operating expenses | | **(770)** | (1,086) |
| **Profit before income tax** | | **3,682** | 265 |
| Income tax expense | 7 | **(1,491)** | (233) |
| **Profit for the year** | | **2,191** | 32 |
| **Other comprehensive income, net of income tax** | | | |
| Items that will not be reclassified subsequently to profit or loss | | **-** | - |
| Items that will be reclassified subsequently to profit or loss | | **-** | - |
| **Other comprehensive income for the year, net of tax** | | **-** | - |
| **Total comprehensive income for the year** | | **2,191** | 32 |
| **Profit attributable to:** | | | |
| Members of the parent entity | | **2,191** | 32 |
| **Total comprehensive income attributable to:** | | | |
| Members of the parent entity | | **2,191** | 32 |

| | 2022 | 2021 |
|---|---|---|
| **Earnings per share** | | |
| Basic earnings per share (cents) | 3.58 Cents | 0.054 Cents |
| Diluted earnings per share (cents) | 3.58 Cents | 0.053 Cents |

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

# Consolidated Statement of Financial Position
## As At 30 June 2022

| | Note | 2022 000's | 2021 000's |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 8 | **1,331** | 95 |
| Trade and other receivables | 9 | **4,439** | 1,243 |
| Inventories | 10 | **10,891** | 12,153 |
| Other assets | 11 | **1,290** | 752 |
| **Total Current Assets** | | **17,951** | 14,243 |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 12 | **10,478** | 9,172 |
| Right of use assets | 13 | **2,382** | 2,722 |
| Deferred tax assets | 15 | **5,514** | 6,656 |
| Development assets | 14 | **1,943** | 1,670 |
| **Total Non-Current Assets** | | **20,317** | 20,220 |
| **TOTAL ASSETS** | | **38,268** | 34,463 |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 16 | **445** | 3,186 |
| Lease liabilities | | **454** | 434 |
| Provisions | 17 | **105** | 93 |
| Borrowings | 26 | **-** | 200 |
| **Total Current Liabilities** | | **1,004** | 3,913 |
| **Non-Current Liabilities** | | | |
| Lease liabilities | | **2,084** | 2,407 |
| Provisions | 17 | **191** | 187 |
| **Total Non-Current Liabilities** | | **2,275** | 2,594 |
| **TOTAL LIABILITIES** | | **3,279** | 6,507 |
| **NET ASSETS** | | **34,989** | 27,956 |
| **EQUITY** | | | |
| Issued capital | 18 | **50,793** | 45,951 |
| Reserves | 19 | **1,519** | 1,519 |
| Accumulated losses | | **(17,323)** | (19,514) |
| **TOTAL EQUITY** | | **34,989** | 27,956 |

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

# Consolidated Statement of Changes in Equity

## For the Year Ended 30 June 2022

**2022**

| | Issued Capital 000's | Accumulated Losses 000's | Foreign Currency Translation Reserve 000's | Share Based Payment Reserve 000's | Total 000's |
|---|---|---|---|---|---|
| **Balance at 1 July 2021** | **45,951** | **(19,514)** | **16** | **1,503** | **27,956** |
| Profit / (Loss) for the year | - | 2,191 | - | - | 2,191 |
| Other comprehensive income | - | - | - | - | - |
| **Total comprehensive income for the year** | - | 2,191 | - | - | 2,191 |
| **Transactions with owners in their capacity as owners** | | | | | |
| Shares issued during the year | 4,842 | - | - | - | 4,842 |
| **Total Transaction with owners** | 4,842 | - | - | - | 4,842 |
| **Balance at 30 June 2022** | 50,793 | (17,323) | 16 | 1,503 | 34,989 |

**2021**

| | Issued Capital 000's | Accumulated Losses 000's | Foreign Currency Translation Reserve 000's | Share Based Payment Reserve 000's | Total 000's |
|---|---|---|---|---|---|
| **Balance at 1 July 2020** | 45,598 | (19,546) | 16 | 1,503 | 27,571 |
| Profit / (Loss) for the year | - | 32 | - | - | 32 |
| Other comprehensive income | - | - | - | - | - |
| **Total comprehensive income for the year** | - | 32 | - | - | 32 |
| **Transactions with owners in their capacity as owners** | | | | | |
| Shares issued during the year | 353 | - | - | - | 353 |
| **Total Transaction with owners** | 353 | - | - | - | 353 |
| **Balance at 30 June 2021** | 45,951 | (19,514) | 16 | 1,503 | 27,956 |

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

## Consolidated Statement of Cash Flows
### For the Year Ended 30 June 2022

| | Note | 2022 000's | 2021 000's |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Receipts from customer (Inc GST) | | **11,120** | 10,184 |
| Payments to suppliers and employees (Inc GST) | | **(9,374)** | (8,663) |
| Lease interest expense | | **(127)** | (128) |
| Net cash provided by operating activities | 24 | **1,619** | 1,393 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Purchase of property, plant and equipment | | **(2,493)** | (3,239) |
| Payment for development assets | | **(715)** | (802) |
| Proceeds on sale of IP and PPE | | **1,395** | - |
| Employee loans advanced | | **(354)** | - |
| Net cash used in investing activities | | **(2,167)** | (4,041) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Shares issued during the year | | **2,442** | 353 |
| Share application monies received | | **-** | 2,400 |
| (Decrease) increase in borrowings | | **(200)** | 200 |
| Repayment of lease liabilities | | **(458)** | (469) |
| Net cash from financing activities | | **1,784** | 2,483 |
| Net increase/(decrease) in cash and cash equivalents held | | **1,236** | (165) |
| Cash and cash equivalents at beginning of year | | **95** | 260 |
| Cash and cash equivalents at end of financial year | 8 | **1,331** | 95 |

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

# Notes to the Financial Statements
## For the Year Ended 30 June 2022

The financial report covers the consolidated financial statements and notes of Advance ZincTek Limited and its controlled entities ('the Group'). Advance ZincTek Limited is a for-profit company limited by shares, incorporated and domiciled in Australia and whose shares are traded on the Australian Securities Exchange Limited.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 11 August 2022.

The separate financial statements and notes of the parent entity, Advance ZincTek Limited, have not been presented within this financial report as permitted by the Corporations Act 2001. Parent entity summary is included in note 4.

### 1 Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

These financial statements and associated notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

*Historical cost convention*
The financial statements have been prepared under the historical cost convention.

### 2 Summary of Significant Accounting Policies

#### (a) Principles of consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

**Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

A list of controlled entities is contained in Note 20 to the financial statements.

#### (b) Income Tax

ANO and its wholly-owned Australian subsidiary has formed an income tax consolidation group under the tax consolidation regime. The Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2015.

# Notes to the Financial Statements
## For the Year Ended 30 June 2022



### 2 Summary of Significant Accounting Policies

#### (b) Income Tax

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

#### (c) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

Where a material change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening consolidated statement of financial position at the earliest date of the comparative period has been presented.

When impracticable to determine the period to which an error relates, the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable are restated.

# Notes to the Financial Statements
## For the Year Ended 30 June 2022



### 2 Summary of Significant Accounting Policies

#### (d) Inventories

Inventories are measured 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 is determined using the first-in-first-out basis and is net of any rebates and discounts received.

*Finished Goods and Work-in-progress*

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

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. Costs are assigned in a first-in-first-out basis. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

#### (e) Property, plant and equipment

Classes of property, plant and equipment are measured using the cost model as specified below.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

**Plant and equipment**

Plant and equipment are measured using the cost model.

**Depreciation**

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Group, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The estimated useful lives used for each class of depreciable asset are shown below:

| Fixed asset class | Useful life |
|---|---|
| Plant and Equipment | 10 - 20 years |
| Motor Vehicles | 5 years |

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

When an asset is disposed, the gain or loss is calculated by comparing proceeds received with its carrying amount and is taken to profit or loss.

# Notes to the Financial Statements
## For the Year Ended 30 June 2022



### 2 Summary of Significant Accounting Policies

#### (f) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

**Financial assets at amortised cost**
Financial assets at amortised cost are measured using the effective interest rate method, less any allowances for expected credit losses.

**Financial assets at fair value through profit or loss**
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

**Financial assets at fair value through other comprehensive income**
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

**Impairment of financial assets**
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

# Notes to the Financial Statements
## For the Year Ended 30 June 2022



**2 Summary of Significant Accounting Policies**

**(g) Research and development costs**

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably.

**Work-in-Progress - Formulation Development Costs**

The development of end formulation products comprises a number of phases including initial development, customer testing and feedback, testing processes including stability and SPF testing and regulatory approvals in order to be "shelf-ready" and capable of being sold. These costs are capitalised to work-in-progress and once the products are fully approved, these work-in-progress amounts will be transferred to end formulation assets.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use and capitalised borrowing costs.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses.

**Amortisation**

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project which is generally 10 years.

**(h) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the consolidated statement of cash flows and are presented within current liabilities on the consolidated statement of financial position.

**(i) Employee benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on national government bonds, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

# Notes to the Financial Statements
## For the Year Ended 30 June 2022



### 2 Summary of Significant Accounting Policies

#### (j) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the consolidated statement of profit or loss and other comprehensive income.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

#### (k) Earnings per share

The Group presents basic and diluted earnings per share information for its ordinary shares.

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

#### (l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

#### (m) Right-of-use assets

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

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

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

# Notes to the Financial Statements

## For the Year Ended 30 June 2022



**2 Summary of Significant Accounting Policies**

**(n) Lease liabilities**

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

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

**(o) Revenue and other income**

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability. Revenue arises mainly from the sale of proprietary advanced material products.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

**Revenue from sale of proprietary advanced material products**

Revenue from sale of proprietary advanced material products is recognised when or as the Group has transferred control of the assets to the customer. Invoices for goods transferred are due upon receipt by the customer. Control transfers at the point in time the customer takes undisputed delivery of the goods.

# Notes to the Financial Statements
## For the Year Ended 30 June 2022

**2 Summary of Significant Accounting Policies**

**(o) Revenue and other income**

**Licence Income**

Revenue earned under licence agreements is recognised on an accrual basis over the expected term of the licence agreement.

**Other income**

Other income is recognised on an accruals basis when the Group is entitled to it.

**Government grants**

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants are recognised in other income.

**(p) Finance costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

**(q) Goods and services tax (GST)**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**(r) Foreign currency transactions and balances**

**Transaction and balances**

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

# Notes to the Financial Statements

## For the Year Ended 30 June 2022



### 2 Summary of Significant Accounting Policies

#### (r) Foreign currency transactions and balances

**Transaction and balances**

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the rates at the dates of the transaction are used.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

#### (s) Share based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

An Employee Share Plan ('Plan') has been established to enable officers, staff and contractors to participate in the capital growth of the Company. The Group follows this by allowing all Eligible Employees of the Group to be issued shares in the Company.

# Notes to the Financial Statements

## For the Year Ended 30 June 2022

**2 Summary of Significant Accounting Policies**

**(s) Share based payments**

Restriction on disposal - A participant may not dispose of, deal in, or grant a security interest over, any interest in a share issued under the Plan until the earlier of

(i) the end of the period of three years commencing on the date of the issue of that share
(ii) the date on which the participant is no longer employed by a Group company; and
(iii) the end of any other period determined by the Board in accordance with relevant law.

Shares to rank pari passu - Shares issued under the Plan will rank equally in all respects with ordinary shares in the company for the time being on issue except for any rights attached to the shares by reference to a record date prior to the date of issue.

The Plan is in compliance with the Corporations Act and Listing Rules of ASX as amended or waived from time to time.

**(t) Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

**(u) Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**(v) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current

# Notes to the Financial Statements

## For the Year Ended 30 June 2022



**2 Summary of Significant Accounting Policies**

**(w) Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**(x) Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**(y) Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**(z) Adoption of new and revised accounting standards**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. These did not have a material impact on the consolidated entity.

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

# Notes to the Financial Statements
## For the Year Ended 30 June 2022

### 3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

**Key estimates - 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 sales is not reasonably assured, the Group recognises an expense in the current year.

**Key estimates - 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.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets recognition criteria listed above. Where no internally generated intangible asset can be recognised, expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An impairment assessment is carried out at the end of each reporting period for development costs (WIP). The ability to generate sufficient future economic benefits is subject to greater uncertainty as the assets are not yet available for use.

# Notes to the Financial Statements
## For the Year Ended 30 June 2022

### 4 Parent entity

The following information has been extracted from the books and records of the parent, Advance ZincTek Limited and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Advance ZincTek Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

*Investment in subsidiaries*

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity.

| | 2022<br>000's | 2021<br>000's |
|---|---|---|
| **Statement of Financial Position** | | |
| Assets | | |
| Current assets | **17,951** | 14,243 |
| Non-current assets | **20,317** | 20,220 |
| Total Assets | **38,268** | 34,463 |
| Liabilities | | |
| Current liabilities | **1,004** | 3,913 |
| Non-current liabilities | **2,275** | 2,594 |
| Total Liabilities | **3,279** | 6,507 |
| Equity | | |
| Issued capital | **50,793** | 45,951 |
| Retained earnings | **(17,323)** | (19,514) |
| Reserves | **1,519** | 1,519 |
| Total Equity | **34,989** | 27,956 |
| **Statement of Profit or Loss and Other Comprehensive Income** | | |
| Total profit for the year | **2,191** | 32 |
| **Total comprehensive income** | **2,191** | 32 |

### Guarantees

The parent entity did not have any guarantees as at 30 June 2022 or 30 June 2021.

### Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2022 or 30 June 2021.

# Notes to the Financial Statements
## For the Year Ended 30 June 2022



### 5 Revenue and Other Income

**Revenue from continuing operations**

| | 2022<br>000's | 2021<br>000's |
|---|---|---|
| Sales revenue | | |
| - sale of ZinClear | **11,456** | 4,401 |
| - sale of Alusion | **983** | 2,122 |
| - Sale of Sunscreen Products | **65** | - |
| **Total Revenue** | **12,504** | 6,523 |
| Other Income | | |
| - R&D tax incentive | **349** | 490 |
| - Gain / (Loss) on exchange differences | **427** | (277) |
| - Gain on sale of IP and PPE | **831** | - |
| - Other income | **143** | 196 |
| - Government grants | **-** | 573 |
| **Total Other income** | **1,750** | 982 |

### 6 Auditors' Remuneration

| | 2022 | 2021 |
|---|---|---|
| Remuneration of the auditor of the parent entity for auditing or reviewing the financial statements | | |
| - William Buck (Qld) | **69,350** | 56,100 |
| **Total** | **69,350** | 56,100 |

# Notes to the Financial Statements
## For the Year Ended 30 June 2022



### 7 Income Tax Expense

(a) The major components of tax expense comprise:

| | 2022 000's | 2021 000's |
|---|---|---|
| Current tax expense | | |
| Current income tax | - | - |
| Adjustments recognised for current tax of prior periods | - | - |
| Deferred tax expense | | |
| Relating to the origination and reversal of temporary differences | 1,142 | (257) |
| Adjustments recognised for deferred tax of prior years | 349 | 490 |
| **Income tax expense for continuing operations** | 1,491 | 233 |
| **Total income tax expense** | 1,491 | 233 |

(b) Reconciliation of income tax to accounting profit:

| | 2022 000's | 2021 000's |
|---|---|---|
| Profit before income tax from continuing operations | 3,682 | 265 |
| Prima facie income tax expense at the statutory income tax rate of 30% (2021:30%) | 1,105 | 79 |
| Tax effect of: | | |
| - Permanent differences | (131) | 144 |
| Adjustments in respect of current income tax of previous years: | | |
| Adjustment recognised for impact of R&D tax incentive of prior years | 349 | - |
| Other | 168 | 10 |
| Income tax expense | 1,491 | 233 |

### 8 Cash and Cash Equivalents

| | 2022 000's | 2021 000's |
|---|---|---|
| Cash at bank and in hand | 1,331 | 95 |
| | 1,331* | 95 |

* Note: $576,000 USD ($834,000 AUD) due in June 2022 was received in the first week of July 2022.

# Notes to the Financial Statements
## For the Year Ended 30 June 2022



### 9 Trade and Other Receivables

| | 2022<br>000's | 2021<br>000's |
|---|---|---|
| CURRENT | | |
| Trade receivables | **4,017** | 1,185 |
| Allowance for expected credit losses | **(23)** | (66) |
| | **3,994** | 1,119 |
| Loans | **277** | - |
| Other receivables | **168** | 124 |
| **Total current trade and other receivables** | **4,439** | 1,243 |

#### (a) Aged analysis

The ageing analysis of receivables is as follows:

| | 2022<br>000's | 2021<br>000's |
|---|---|---|
| 0-30 days | **817** | 562 |
| 31-60 days | **2,083** | 409 |
| 61 days and over | **1,117** | 214 |
| | **4,017** | 1,185 |

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances. The trade receivable balance at 30 June 2022 includes USD $576,000 (AUD $834,000) that was due in June but received in the first week of July 2022.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements. Refer to Note 27(b) for further details of credit risk management.

# Notes to the Financial Statements
## For the Year Ended 30 June 2022



### 10 Inventories

| | 2022 000's | 2021 000's |
|---|---|---|
| CURRENT | | |
| At cost: | | |
| Raw materials and consumables | **2,844** | 1,766 |
| Work in progress | **845** | 1,000 |
| Finished goods | **7,265** | 9,450 |
| Provision for impairment | **(63)** | (63) |
| | **10,891** | 12,153 |

Write downs of inventories to net realisable value during the year were $ NIL (2021: $ NIL).

### 11 Other Assets

| | 2022 000's | 2021 000's |
|---|---|---|
| CURRENT | | |
| Prepayments | **21** | 18 |
| Deposits with suppliers | **1,269** | 734 |
| | **1,290** | 752 |

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

# Notes to the Financial Statements
## For the Year Ended 30 June 2022



### 12 Property, plant and equipment

| | 2022<br>000's | 2021<br>000's |
|---|---|---|
| **Motor Vehicles** | | |
| At cost | **220** | 220 |
| Accumulated depreciation | **(101)** | (61) |
| **Total Motor Vehicles** | **119** | 159 |
| **Office equipment, Furniture & Fixtures** | | |
| At cost | **886** | 851 |
| Accumulated depreciation | **(695)** | (582) |
| **Total Office equipment, Furniture & Fixtures** | **191** | 269 |
| **R&D equipment, Quality Equipment** | | |
| At cost | **814** | 782 |
| Accumulated depreciation | **(487)** | (451) |
| **Total R&D equipment, Quality Equipment** | **327** | 331 |
| **Production Plant** | | |
| At cost | **8,795** | 8,267 |
| Accumulated depreciation | **(3,344)** | (2,796) |
| **Total Production Plant** | **5,451** | 5,471 |
| **Leasehold Improvements** | | |
| At cost | **3,862** | 2,714 |
| Accumulated depreciation | **(564)** | (377) |
| **Total Leasehold Improvements** | **3,298** | 2,337 |
| **Laboratory** | | |
| At cost | **1,247** | 694 |
| Accumulated depreciation | **(206)** | (134) |
| **Total Laboratory** | **1,041** | 560 |
| **Clean Room** | | |
| At cost | **56** | 47 |
| Accumulated depreciation | **(5)** | (2) |
| **Total Clean Room** | **51** | 45 |
| **Total property, plant and equipment** | **10,478** | 9,172 |

# Notes to the Financial Statements
## For the Year Ended 30 June 2022

### 12 Property, plant and equipment

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

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

| | Office equip Furn & Fix 000's | Motor Vehicles 000's | R & D Quality Equip 000's | Production Plant 000's | Leasehold Improve 000's | Lab Assets 000's | Clean Room 000's | Total 000's |
|---|---|---|---|---|---|---|---|---|
| **Year ended 30 June 2022** | | | | | | | | |
| Balance at the beginning of year | **269** | **159** | **331** | **5,471** | **2,337** | **560** | **45** | **9,172** |
| Additions | **37** | **-** | **32** | **1,241** | **992** | **182** | **9** | **2,493** |
| Transfers between asset classes | **(2)** | **-** | **-** | **(492)** | **156** | **371** | **-** | **33** |
| Disposals - written down value | **-** | **-** | **-** | **(221)** | **-** | **-** | **-** | **(221)** |
| Depreciation expense | **(113)** | **(40)** | **(36)** | **(548)** | **(187)** | **(72)** | **(3)** | **(999)** |
| **Balance at the end of the year** | **191** | **119** | **327** | **5,451** | **3,298** | **1,041** | **51** | **10,478** |

| | Office equip Furn & Fix 000's | Motor Vehicles 000's | R & D Quality Equip 000's | Production Plant 000's | Leasehold Improve 000's | Lab Assets 000's | Clean Room 000's | Total 000's |
|---|---|---|---|---|---|---|---|---|
| **Year ended 30 June 2021** | | | | | | | | |
| Balance at the beginning of year | 247 | 121 | 257 | 4,098 | 1,478 | 550 | 13 | 6,764 |
| Additions | 117 | 71 | 198 | 1,481 | 1,245 | 93 | 34 | 3,239 |
| Transfers between asset classes | - | - | (92) | 399 | (274) | (33) | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| Depreciation expense | (95) | (33) | (32) | (507) | (112) | (50) | (2) | (831) |
| **Balance at the end of the year** | 269 | 159 | 331 | 5,471 | 2,337 | 560 | 45 | 9,172 |

# Notes to the Financial Statements
## For the Year Ended 30 June 2022



### 13 Right of use assets

| | 2022 000's | 2021 000's |
|---|---|---|
| Land and buildings - Right of use | **3,473** | 3,425 |
| Accumulated depreciation | **(1,091)** | (703) |
| | **2,382** | 2,722 |

Additions to the right-of-use assets during the year were $183,387.

The consolidated entity leases land and buildings for its offices, warehouses and retail outlets under agreements of between one to three years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

### 14 Development Assets

| | 2022 000's | 2021 000's |
|---|---|---|
| Work-in-Progress - Formulation Development - Cost | **1,768** | 1,402 |
| Formulations | **205** | 232 |
| Less: Accumulated amortisation | **(102)** | (60) |
| ZinXation | **123** | 123 |
| Less: Accumulated amortisation | **(51)** | (27) |
| **Total Development assets** | **1,943** | 1,670 |

# Notes to the Financial Statements

## For the Year Ended 30 June 2022

### 14 Development Assets

#### (a) Movements in carrying amounts of Development assets

| | Work-in-Progress – Formulation Development Costs | | | | | |
|---|---|---|---|---|---|---|
| | **Sunflower** | **Coconut** | **Other** | **Formulations** | **ZinXation** | **Total** |
| | **000's** | **000's** | **000's** | **000's** | **000's** | **000's** |
| **Year ended 30 June 2022** | | | | | | |
| Balance at the beginning of the year | **613** | **368** | **421** | **172** | **96** | **1,670** |
| Additions | **398** | **167** | **150** | **-** | **-** | **715** |
| Transfers | **13** | **7** | **(26)** | **(27)** | **-** | **(33)** |
| Disposals | **(172)** | **(103)** | **(68)** | **-** | **-** | **(343)** |
| Amortisation | **-** | **-** | **-** | **(42)** | **(24)** | **(66)** |
| **Closing value at 30 June 2022** | **852** | **439** | **477** | **103** | **72** | **1,943** |

| | Work-in-Progress – Formulation Development Costs | | | | | |
|---|---|---|---|---|---|---|
| | **Sunflower** | **Coconut** | **Other** | **Formulations** | **ZinXation** | **Total** |
| | **000's** | **000's** | **000's** | **000's** | **000's** | **000's** |
| **Year ended 30 June 2021** | | | | | | |
| Balance at the beginning of the year | 503 | 302 | 201 | - | 220 | 1,226 |
| Additions | 401 | 241 | 160 | - | - | 802 |
| Transfers | (204) | (123) | 95 | 232 | - | - |
| Write-offs | (87) | (52) | (35) | - | (99) | (273) |
| Amortisation | - | - | - | (60) | (25) | (85) |
| **Closing value at 30 June 2021** | 613 | 368 | 421 | 172 | 96 | 1,670 |

# Notes to the Financial Statements
## For the Year Ended 30 June 2022



### 15 Tax assets and liabilities

#### (a) Deferred tax assets

Deferred tax assets balance comprises temporary differences attributable to:

| | 2022<br>000's | 2021<br>000's |
|---|---|---|
| **Amounts recognised in profit and loss** | | |
| Intangibles | **85** | 90 |
| Provisions | **48** | 48 |
| Accrued expenses | **62** | 57 |
| Leases | **46** | 35 |
| Unrealised foreign exchange loss | **-** | 16 |
| Trade and other receivables | **7** | 20 |
| Other | **28** | 40 |
| | **276** | 306 |
| Losses available for offset against future taxable income | **4,879** | 5,758 |
| R&D offsets carried forward | **-** | 63 |
| Total amounts recognised in profit and loss | **5,155** | 6,127 |
| Amounts recognised in Equity | | |
| DTA relating to share issue costs | **5** | 9 |
| Tax losses relating to share issue costs | **449** | 449 |
| Total amounts recognised in equity | **454** | 458 |
| **DTA** | **5,609** | 6,585 |
| Deferred tax liabilities offset against deferred tax assets | **(95)** | - |
| Net adjustment to deferred tax assets for benefits not recognised in profit or loss | **-** | 71 |
| **Closing balance** | **5,514** | 6,656 |

#### (b) Deferred tax liabilities

Deferred tax liabilities balance comprises temporary differences attributable to:

| | 2022<br>000's | 2021<br>000's |
|---|---|---|
| Unrealised foreign currency gains | **95** | - |
| **Total deferred tax liabilities** | **95** | - |
| Deferred tax liabilities offset against deferred tax assets | **(95)** | - |
| **Closing balance** | **-** | - |

# Notes to the Financial Statements
## For the Year Ended 30 June 2022

### 16 Trade and Other Payables

| | 2022<br>000's | 2021<br>000's |
|---|---|---|
| CURRENT | | |
| Unsecured liabilities | | |
| Trade payables | **429** | 758 |
| Other payables | **16** | 28 |
| Unallotted share application monies | **-** | 2,400 |
| | **445** | 3,186 |

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

### 17 Provisions

| | 2022<br>000's | 2021<br>000's |
|---|---|---|
| CURRENT | | |
| Employee benefits | **105** | 93 |
| | **105** | 93 |
| NON-CURRENT | | |
| Employee benefits | **95** | 91 |
| Restoration/Decommissioning provision (112 Radium St.) | **96** | 96 |
| | **191** | 187 |

| | Restoration/ Decommmng provision<br>000's |
|---|---|
| Opening balance at 1 July 2021 | **96** |
| Less restoration costs | **-** |
| **Balance at 30 June 2022** | **96** |

# Notes to the Financial Statements
## For the Year Ended 30 June 2022



### 17 Provisions

**Provision for Restoration/Decommissioning**

The balance of $95,831 reflects the costs of restoration at 112 Radium Street when the lease expires in March 2023 with 1x2 year option. No provision of restoration at 81 Shettleston St. has been considered, given there is an agreement in place with the landlord that no make good clauses apply to the lease.

**Provision for Employee Benefits**

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

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

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

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

# Notes to the Financial Statements
## For the Year Ended 30 June 2022



### 18 Issued Capital

| | 2022 000's | 2021 000's |
|---|---|---|
| 61,322,278 (2021: 59,988,018) Ordinary shares fully paid | **50,793** | 45,951 |
| **Total** | **50,793** | 45,951 |

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

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

#### (a) Movement in ordinary shares

| | 2022 No. | 2021 No. |
|---|---|---|
| At the beginning of the reporting period | **59,988,018** | 59,611,018 |
| **Shares bought back during the year** | | |
| **Shares issued during the year** | | |
| Employee share scheme cancellations | **(16,078)** | (15,000) |
| Options exercised | **150,000** | 392,000 |
| Rights issue | **1,200,338** | - |
| At the end of the reporting period | **61,322,278** | 59,988,018 |

#### (b) Capital Management

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

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

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

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

# Notes to the Financial Statements
## For the Year Ended 30 June 2022



### 19 Reserves

| | 2022<br>000's | 2021<br>000's |
|---|---|---|
| Foreign currency translation reserve | | |
| Opening balance | **16** | 16 |
| Share based payment reserve | | |
| Opening balance | **1,503** | 1,503 |
| **Total** | **1,519** | 1,519 |

#### (a) Foreign currency translation reserve

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

#### (b) Share based payment reserve

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

### 20 Interests in Subsidiaries

#### (a) Composition of the Group

| | Principal place of business / Country of Incorporation | Percentage Owned (%)*<br>2022 | Percentage Owned (%)*<br>2021 |
|---|---|---|---|
| **Subsidiaries:** | | | |
| Antaria Pty Ltd | Australia | **100** | 100 |
| Antaria, Inc | USA | **100** | 100 |
| Antaria Europe, B. V. | Netherlands | **100** | 100 |

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

#### (b) Significant restrictions relating to subsidiaries

There are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

### 21 Earnings per Share

(a) Earnings used to calculate overall earnings per share

| | 2022<br>000's | 2021<br>000's |
|---|---|---|
| Profit attributable to members of the parent entity used in the calculation of basic and diluted EPS | **2,191** | 32 |

# Notes to the Financial Statements
## For the Year Ended 30 June 2022



### 21 Earnings per Share

(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

| | 2022 | 2021 |
|---|---|---|
| | No. | No. |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | **61,218,865** | 59,857,054 |
| - Diluted EPS | **61,218,865** | 60,449,054 |

### 22 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2022 (2021: None).

### 23 Operating Segments

**Segment information**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Board considers the business from a market perspective and has identified one reportable segment, the Personal Care segment which produces and distributes dispersions of mineral-only UV filters in cosmetic emolliements used for sunscreen, skincare and pharmaceutical formulations, as well as alumina plate-like powders used for cosmetic applications.

**(a) Revenue by geographical region**

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Australia | **1,595** | 1,689 |
| United States of America & Canada | **7,594** | 1,041 |
| Europe | **2,247** | 2,992 |
| Rest of the world | **1,068** | 801 |
| | **12,504** | 6,523 |

**(b) Major customers**

The Group's most significant customers account for 63% (2021: 44%) of total revenue. All other customers are individually less than 10% of total revenue.

# Notes to the Financial Statements
## For the Year Ended 30 June 2022

### 24 Cash Flow Information

#### (a) Reconciliation of result for the year to cashflows from operating activities

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

| | 2022<br>000's | 2021<br>000's |
|---|---|---|
| Profit for the year | **2,191** | 32 |
| Adjustments for non-cash items in profit: | | |
| - amortisation | **66** | 85 |
| - depreciation | **1,494** | 1,341 |
| - write-off of development assets | **-** | 273 |
| - R&D grant | **(349)** | (490) |
| - discount on employee loans | **77** | - |
| - provision for doubtful debts | **(43)** | - |
| - gain on sale of IP and PPE | **(831)** | - |
| Net changes in assets and liabilities: | | |
| - (increase)/decrease in trade and other receivables | **(2,876)** | 3,112 |
| - (increase)/decrease in deferred tax assets | **1,491** | 234 |
| - (increase)/decrease in prepayments and deposits | **(538)** | 931 |
| - (increase)/decrease in inventories | **1,262** | (3,702) |
| - increase/(decrease) in trade and other payables | **(341)** | (470) |
| - increase/(decrease) in provisions (Current) | **12** | 10 |
| - increase/(decrease) in provisions (Non-Current) | **4** | 37 |
| Net cash from operating activities | **1,619** | 1,393 |

### 25 Key Management Personnel Disclosures

Key management personnel remuneration included within expenses for the year is shown below:

| | 2022 | 2021 |
|---|---|---|
| Short-term employee benefits | **345,000** | 345,040 |
| Long-term benefits | **1,940** | 1,075 |
| Post-employment benefits | **4,760** | 5,099 |
| **Total** | **351,700** | 351,214 |

Refer to the remuneration report for further details.

# Notes to the Financial Statements

## For the Year Ended 30 June 2022

### 26 Related Parties

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

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

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

*(i) Key management personnel:*

Any person(s) having authority and responsibilities for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

For details of remuneration disclosures relating to key management personnel, refer to Note 25: Key Management Personnel Disclosure and remuneration report in the Director's Report.

Other transactions with KMP and their entities are shown below.

**(b) Transactions with related parties**

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

The following transactions occurred with related parties:

***(i) Sale of goods and services:***

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| *Key management personnel:* | | |
| **Lev Mizikovsky** | | |
| - Expenditure on-charged at cost to entities associated with Lev Mizikovsky | **6,912** | 13,250 |
| **Geoff Acton** | | |
| - Expenditure on-charged at cost to entities associated with Geoff Acton | **1,073** | - |
| *Related parties:* | | |
| **AstiVita Limited** | | |
| - Admin, accounting services & sale of goods at cost & installation of PPE | **-** | 1,080,780 |
| **Tamawood Group (includes AstiVita from 2022)** | | |
| - Admin, Accounting services & expenditure on-charged at cost | **137,563** | 693 |
| **CyberguardAU Pty Ltd** | | |
| - Expenditure on-charged at cost | **-** | 4,561 |
| **SenterpriSys Limited** | | |
| - Expenditure on-charged at cost | **26,111** | 3,592 |
| **Veganic SKN Limited** | | |
| - Sale of IP and PPE | **1,395,000** | - |
| - Sale of sunscreen products | **54,588** | - |

# Notes to the Financial Statements
## For the Year Ended 30 June 2022

### 26 Related Parties

#### (b) Transactions with related parties

***(ii) Purchase of goods and services:***

| | 2022 $ | 2021 $ |
|---|---|---|
| *Key management personnel:* | | |
| **Lev Mizikovsky** | | |
| - Lease of premises & purchase of motor vehicle from an entity associated with Lev Mizikovsky | **443,202** | 452,075 |
| **Geoff Acton** | | |
| - Provision of payroll, advisory and secretarial services by an entity associated with Geoff Acton | **67,157** | 182,700 |
| *Related parties:* | | |
| **AstiVita Limited** | | |
| - Provision of administration, logistics and accounting services at cost | - | 65,360 |
| **Tamawood Group (Includes AstiVita from 2022)** | | |
| - Provision of administration services, logistics construction material at cost and lease premises | **223,811** | 154,203 |
| **CyberguardAU Pty Ltd** | | |
| - Provision of IT equipment at cost and cyber security services | **23,387** | 32,450 |
| **SenterpriSys Limited** | | |
| - Provision of IT equipment at cost and IT services | **86,928** | 161,144 |
| **Winothai Pty Ltd** | | |
| - Provision of Management services | **17,065** | 11,825 |
| **Veganic SKN Limited** | | |
| - Purchase of raw materials at cost | **168,821** | - |

***(iii) Outstanding balances:***

| | 2022 $ | 2021 $ |
|---|---|---|
| *Key management personnel:* | | |
| **Lev Mizikovsky** | | |
| - Amounts receivable | **2,657** | - |
| - Amounts payable | **-** | 73,334 |
| - Loan payable * | **-** | 200,000 |
| **Geoff Acton** | | |
| - Amounts receivable | **7,781** | - |
| - Amounts payable | **-** | - |

*These borrowings are unsecured and earn interest at 7% if not repaid within 1 year.

# Notes to the Financial Statements
## For the Year Ended 30 June 2022



### 26 Related Parties

#### (b) Transactions with related parties

| | 2022 $ | 2021 $ |
|---|---|---|
| *Related parties:* | | |
| **AstiVita Limted** | | |
| - Amounts receivable | **-** | 36,276 |
| - Amounts payable | **-** | 16,200 |
| **Tamawood Group (Includes AstiVita from 2022)** | | |
| - Amounts receivable | **105,711** | 8,064 |
| - Amounts payable | **27,222** | 126,477 |
| **CyberguardAU Pty Ltd** | | |
| - Amounts receivable | **5,000** | 10,017 |
| - Amounts payable | **-** | - |
| **SenterpriSys Limited** | | |
| - Amounts receivable | **703** | 3,951 |
| - Amounts payable | **14,955** | 55,043 |
| **Winothai Pty Ltd** | | |
| - Amounts receivable | **-** | - |
| - Amounts payable | **-** | 523 |
| **Veganic SKN Limited** | | |
| - Amounts receivable | **134,742** | - |
| - Amounts payable | **153,786** | - |

### 27 Financial Risk Management

This note discloses the Group‘s objectives, policies and processes for managing and measuring these risks.

The Group is primarily exposed to the following financial risks:

- Market risk - currency risk and cash flow interest rate risk
- Credit risk
- Liquidity risk

**Objectives, policies and processes**

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and whilst remaining ultimately responsible for them, it has delegated the authority to management for developing and operating processes that ensure the effective implementation of the objectives and policies of the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impact of these risks on the results of the Group where such impact may be material.

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and accounts payable.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Specific information regarding the mitigation of each financial risk to which the Group is exposed is provided below.

# Notes to the Financial Statements
## For the Year Ended 30 June 2022



### 27 Financial Risk Management

#### (a) Market risk

***(i) Foreign currency risk***

Exposures to currency exchange rates arise from the Company's overseas sales and purchases, which are primarily denominated in US dollars and Euro.

The Company's policy is that all foreign currency transactions are settled on a spot rate basis. There are no hedge facilities or other forward contract facilities in place.

In order to monitor the continuing effectiveness of the policy, the Board receives reports on its product pricing strategy together with data relating to any major fluctuations in foreign currencies. The Company's policy to mitigate foreign currency risk is to adjust selling prices for its products to reflect movements in foreign currencies.

Foreign currency denominated financial assets and liabilities, translated into Australian Dollars at the closing rate, are as follows:

| | 2022 | 2021 |
|---|---|---|
| **Financial assets** | **000's** | **000's** |
| Cash deposits in USD | **813** | 17 |
| Cash deposits in Euro | **255** | 38 |
| Customers denominated in USD | **3,638** | 448 |
| Customers denominated in Euro | **299** | 406 |
| **Financial liabilities** | | |
| Trade payables denominated in USD | **(22)** | (102) |
| Trade payables denominated in Euro | **(4)** | - |
| **Net exposure** | **4,979** | 807 |

***(ii) Interest rate risk***

The Group has no borrowings and has no current exposure to interest rate risk on borrowings.

The Group's minimum exposure to market interest rate relates to its cash investments which are minimal.

The Company adopts a policy of minimising exposure to interest rate risk. A +/-1% change in interest rates would change the net interest expense by +/-$13,313 per annum (2021: +/-$946) on cash held at year end.

***(iii) Foreign currency sensitivity analysis***

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Company's financial assets and financial liabilities and the US Dollar – Australian Dollar exchange rate and the Euro – Australian Dollar exchange rate. There have been no changes in the assumptions calculating this sensitivity from prior years. The sensitivity analysis is based on the foreign currency financial instruments held at the reporting date.

The sensitivity analysis assumes a +/- 5% change of the Australian Dollar / US Dollar exchange rate for the year ended 30 June 2022 (30 June 2021: 5%). A +/- 5% change is also assumed for the Australian Dollar / Euro exchange rate (30 June 2021: 5%). Both of these percentages have been determined based on the historical market volatility in exchange rates.

# Notes to the Financial Statements

## For the Year Ended 30 June 2022



**27 Financial Risk Management**

| | 2022 000's | | 2021 000's | |
|---|---|---|---|---|
| | **+5%** | **-5%** | **+5%** | **-5%** |
| **USD** | | | | |
| Net results | **(221)** | **221** | (18) | 18 |
| Equity | **(221)** | **221** | (18) | 18 |
| **Euro** | | | | |
| Net results | **(27)** | **27** | (22) | 22 |
| Equity | **(27)** | **27** | (22) | 22 |

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

**(b) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The Group conducts transactions with the following major type of counterparties:

Receivables counterparties: The majority of sales to the Group customers are made on open terms. As part of managing this risk, new customers can be required to make (part) payment for goods prior to shipping initial orders

To manage credit risk, the Group maintains group wide procedures covering the application for credit approvals, granting and renewal of counterparty limits and regular monitoring of exposure against these limits. The Group monitors its trade receivables balances on an ongoing basis and also maintains a credit insurance policy where appropriate.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

**(c) Liquidity risk**

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

# Notes to the Financial Statements

## For the Year Ended 30 June 2022

### 27 Financial Risk Management

**Liquidity risk**

| | 2022<br>000's | 2021<br>000's |
|---|---|---|
| Current assets | **17,951** | 14,243 |
| Current liabilities | **(1,004)** | (3,913) |
| **Working capital** | **16,947** | 10,330 |

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the consolidated statement of financial position due to the effect of discounting.

| | Within 1 Year | | 1 to 5 Years | | Over 5 Years | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2022<br>000's | 2021<br>000's | 2022<br>000's | 2021<br>000's | 2022<br>000's | 2021<br>000's | 2022<br>000's | 2021<br>000's |
| **Financial liabilities due for payment** | | | | | | | | |
| Trade and other payables | **445** | 786 | **-** | - | **-** | - | **445** | 786 |
| Lease liabilities | **552** | 552 | **1,791** | 1,805 | **553** | 933 | **2,896** | 3,290 |
| Total contractual outflows | **997** | 1,338 | **1,791** | 1,805 | **553** | 933 | **3,341** | 4,076 |

The timing of expected outflows is not expected to be materially different from contracted cashflows.

### 28 Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

# Notes to the Financial Statements
## For the Year Ended 30 June 2022

### 29 Company Details

**The registered office of the company is:**
Advance ZincTek Limited
1821, Ipswich Road
Rocklea, QLD 4106

**Manufacturing Facilities**
112 Radium Street
Welshpool, WA 6106

Unit 1 & 2, 81 Shettleston Street
Rocklea, QLD 4106

**Warehouse Facilities**
7 Charles Street
Bentley, WA 6102

**Overseas Warehouse Facilities**

**United States**
**Johnson Storage & Moving Company**
464 Bronze Way
Dallas, Texas 75236

**Europe**
**Mainfreight**
Brede Steeg 1
s'Heerenberg 7041 GV
Netherlands

William Buck

# Advance ZincTek Limited

## Independent auditor's report to members

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Advance ZincTek Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**ACCOUNTANTS & ADVISORS**

Level 21, 307 Queen Street
Brisbane QLD 4000

GPO Box 563
Brisbane QLD 4001

Telephone: +61 7 3229 5100

**williambuck.com**

| Revenue recognition | |
|---|---|
| **Refer also to note 5** | **How our audit addressed it** |
| The group generated $12.504 million of sales revenue in the year ended 30 June 2022. This relates to sale of goods to customers which are recognised in the financial statements when revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the consolidated entity and at the point in time when the customer takes undisputed delivery of the goods.<br><br>There is a risk of incorrect timing of revenue recognition due to fraud or misstatements.<br><br>Due to this, we consider revenue recognition to be a key audit matter. | Our audit procedures included:<br>— An analysis of sales transactions to verify the correct treatment in accordance with the AASB 15 revenue recognition criteria;<br>— On a sample basis, comparing sales transactions to delivery documents;<br>— Checking for significant credit notes issued subsequent to year end;<br>— Obtaining confirmations from the group's key customer of accounts receivable balances at 30 June 2022 and reconciling cash payments received subsequent to year end against accounts receivable balances at 30 June 2022; and<br>— Assessing the adequacy of the allowance for expected credit losses.<br><br>We have also assessed the adequacy of disclosures in the notes to the financial statements. |

| Inventory valuation and existence | |
|---|---|
| **Refer also to note 10** | **How our audit addressed it** |
| The group held inventory of $10.891 million at 30 June 2022 across multiple locations.<br><br>Inventory is costed using absorption costs and is carried at the lower of cost and net realisable value. This balance accounts for approximately 28% of the group's assets at 30 June 2022 and misstatements in this balance may have a considerable impact on the group's profit from continuing operations. As a consequence, we consider inventory existence and valuation to be a key audit matter. | Our audit procedures included:<br>— Attending various stock counts during and at year end at locations holding material inventory values ensuring appropriate cut-off of goods in or out of inventory;<br>— Obtaining confirmations from third party's holding stock on behalf of the group at 30 June 2022;<br>— Agreeing on a sample basis the cost components of inventory items to actual prices;<br>— Assessing the reasonableness of costing for WIP and finished goods; and |

ACCOUNTANTS & ADVISORS
Level 21, 307 Queen Street
Brisbane QLD 4000
GPO Box 563
Brisbane QLD 4001
Telephone: +61 7 3229 5100
**williambuck.com**

| | |
|---|---|
| | — Assessing whether an appropriate provision has been made for slow moving or obsolete inventory items.<br>We have also assessed the adequacy of disclosures in the notes to the financial statements. |



### Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

**ACCOUNTANTS & ADVISORS**

Level 21, 307 Queen Street
Brisbane QLD 4000

GPO Box 563
Brisbane QLD 4001

Telephone: +61 7 3229 5100

**williambuck.com**

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our independent auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 12 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Advance ZincTek Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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.

William Buck

**William Buck (Qld)**
ABN 21 559 713 106

**J A Latif**
Director

Brisbane, 11th August 2022

**ACCOUNTANTS & ADVISORS**
Level 21, 307 Queen Street
Brisbane QLD 4000
GPO Box 563
Brisbane QLD 4001
Telephone: +61 7 3229 5100
**williambuck.com**

# Shareholder Information
## 30 June 2022



**ASX Additional Information**

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 2 August 2022.

**Voting rights**

*Ordinary Shares*
On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Options*
No voting rights.

**Distribution of equity security holders**

| | Ordinary shares | |
|---|---|---|
| **Holding** | **No. of shares** | **No. of holders** |
| 1 - 1,000 | 360,773 | 810 |
| 1,001 - 5,000 | 1,113,304 | 462 |
| 5,001 - 10,000 | 870,830 | 117 |
| 10,001 - 100,000 | 5,008,449 | 168 |
| 100,001 and over | 53,968,922 | 65 |
| | 61,322,278 | 1,622 |

There were 297 holders of less than a marketable parcel of ordinary shares.

# Additional Information for Listed Public Companies
## 30 June 2022



**Substantial shareholders**

The number of substantial shareholders and their associates are set out below:

**Twenty largest shareholders**

| | Ordinary shares | |
|---|---|---|
| **Holding** | **No. of shares** | **% of shares** |
| POLTICK PTY LTD | 23,833,752 | 38.87 |
| KEARNEY ETHICAL INVESTMENTS PTY LTD | 4,888,378 | 7.97 |
| ANKLA PTY LTD | 2,584,311 | 4.21 |
| RAINROSE PTY LTD | 2,347,642 | 3.83 |
| BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 1,945,491 | 3.17 |
| MR BRIAN MAURICE KEARNEY + MRS MIRELLA UGHETTA DORICA KEARNEY <KEARNEY ETHICAL INV S/F A/C> | 1,899,882 | 3.10 |
| ACROPOLIS PTY LTD <ACROPOLIS SUPER FUND A/C> | 1,350,000 | 2.20 |
| SKYLEVI PTY LTD <SUPERFUN SUPER FUND A/C> | 1,257,397 | 2.05 |
| CITICORP NOMINEES PTY LTD | 793,048 | 1.29 |
| MR ALAN GRAHAM ROCHFORD <ALAN G ROCHFORD SUPER A/C> | 550,000 | 0.90 |
| MR EDWIN GIOVANNI DIAZ | 532,044 | 0.87 |
| MR CHRISTOPHER SILVESTRO | 525,000 | 0.86 |
| MR KEITH WILLIAM KERRIDGE <AUSTRALASIAN ASSET MGMT A/C> | 500,000 | 0.82 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 482,923 | 0.79 |
| MR BRUCE JOHN CAMERON | 465,500 | 0.76 |
| BRADSHAW PTY LTD <THE GARLICK FAMILY A/C> | 401,532 | 0.65 |
| MELBOURNE CORPORATION OF AUSTRALIA PTY LTD | 400,000 | 0.65 |
| MRS NICOLE LOUISE BOWERS | 370,444 | 0.60 |
| ROLLEE PTY LTD | 367,821 | 0.60 |
| MARTZ HOLDINGS PTY LTD | 342,417 | 0.56 |
| | 45,837,582 | 74.75 |