

Advance ZincTek Limited

ACN 079 845 855

Interim Financial Statements

For the Half Year Ended 31 December 2023

ACN: 079 845 855
ASX Code: ANO

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Advance ZincTek Limited

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For the Half Year Ended 31 December 2023

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Chairman's Letter

The result of \$0.643 million compared to \$1.169 million first half FY23 is disappointing.

This includes the profit effect with the cancellation of orders as advised in our January 10, 2024 ASX announcement and the Board has decided to immediately commence a review of:

- All manufacturing operations in Brisbane and Perth to improve operational efficiencies.
- All significant costs within the business to create further cost savings.
- Continue with prior initiatives with particular focus on expanding range of zinc oxide dispersions.

USA Update

We can confirm that we have two distributors in place for the US, including Deveraux Specialties and are working on more distributors for USA and Canada.

Board Initiatives

Management continues to work on the initiatives as set out at the AGM and by the Board.

- The results of our small scale Alusion trials were promising and more raw materials have been ordered to move to large scale trials.
- We have identified new ingredients to manufacture high content zinc-based dispersions and expect the trials to be completed before end of March 2024.
- We have identified over 100 European manufacturers that will be targeted in conjunction with our current European distributors.
- Have a new distributor in Bangladesh and are continuing discussions with distributors in four more countries in Thailand, Czech Republic, Philippines, Indonesia and further distributors in Canada and USA.
- We have developed a range of sunscreen recipes based on one dispersion which will be launched to manufacturers once full testing is completed.

Given our products are used in premium priced sunscreen / cosmetic products, the Board has underestimated the sales impact of the current global contributions including interest rates and recessionary pressures. Nevertheless, trends towards to natural based products will continue and current initiatives should positively impact in FY25.



Lev Mizikovsky
Non-Executive Chairman

Dated: 2 February 2024

Advance ZincTek Limited

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Directors' Report For the Half Year Ended 31 December 2023

Your directors present their report, together with interim financial report of the Group being Advance ZincTek Limited (the Company) and its controlled entities, for the half year ended 31 December 2023.

Directors

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

Names	Position
Lev Mizikovsky	Non-executive Chairman
Rade Dudurovic	Non-executive Director
Linda Barr	Non-executive Director
Geoff Acton	Managing Director

Company Secretaries

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

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

Principal activities

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

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

Operating results

Advance ZincTek Limited result for the half year ended 31 December 2023 was a net profit after tax of \$643,000 a decrease of 49% compared to \$1.271 million for the prior corresponding period.

Review of financial position

The net assets of the Group are \$35.926 million as at 31 December 2023 (\$35.283 million at 30 June 2023).

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Directors' Report

For the Half Year Ended 31 December 2023

Significant changes in state of affairs

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

Dividends paid or recommended

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

Events after the reporting date

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

Future developments and results

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

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2023 has been received and can be found on page 4 of the interim financial report.

Signed in accordance with a resolution of the Board of Directors:



Lev Mizikovsky
Non-Executive Chairman

Dated: 2 February 2024

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 half-year ended 31 December 2023 there have been:

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

William Buck

William Buck (Qld)
ABN 21 559 713 106

M. Monaghan

M J Monaghan
Director

Brisbane, 2 February 2024

Advance ZincTek Limited

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2023

		31 December 2023	31 December 2022
	Note	000's	000's
Sale Revenue	3	5,573	6,671
Other income	3	468	782
Raw materials and consumables used		(2,087)	(2,499)
Financial Costs		-	(157)
Employee benefits expense		(991)	(1,204)
Amortisation charge		(22)	(36)
Depreciation expense		(859)	(854)
Legal expense		(44)	(59)
Directors fees - Non-executive		(251)	(249)
Insurance fees		(125)	(101)
Travel costs		-	(7)
Rates & taxes		(6)	(13)
Corporate costs		(166)	(123)
Consulting		(87)	(45)
Patent Renewal		(5)	(52)
Electricity		(91)	(62)
IT, Computer & Internet Expenses		(36)	(40)
Other operating expenses		(243)	(117)
Profit before income tax		1,028	1,835
Income tax benefit (expense)	4	(385)	(564)
Profit for the half year		643	1,271
Other comprehensive income, net of income tax			
Other comprehensive income for the year		-	-
Profit attributable to:			
Members of the parent entity		643	1,271
Total comprehensive income attributable to:			
Members of the parent entity		643	1,271
Earnings per share			
Basic earnings per share (cents)		1.03 cents	2.07 cents
Diluted earnings per share (cents)		1.03 cents	2.07 cents

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

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Consolidated Statement of Financial Position As At 31 December 2023

	31 December 2023	30 June 2023
Note	000's	000's
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	102	325
Trade and other receivables	2,922	3,833
Inventories	14,080	13,066
Other assets	1,806	518
TOTAL CURRENT ASSETS	18,910	17,742
NON-CURRENT ASSETS		
Property, plant and equipment	12,080	12,004
Right of use assets	1,743	2,000
Deferred tax assets	5,471	5,341
Development assets	2,080	1,975
TOTAL NON-CURRENT ASSETS	21,374	21,320
TOTAL ASSETS	40,284	39,062
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	2,100	1,266
Lease liabilities	488	513
Provisions	114	109
TOTAL CURRENT LIABILITIES	2,702	1,888
NON-CURRENT LIABILITIES		
Lease liabilities	1,437	1,665
Provisions	219	226
TOTAL NON-CURRENT LIABILITIES	1,656	1,891
TOTAL LIABILITIES	4,358	3,779
NET ASSETS	35,926	35,283
EQUITY		
Issued capital	53,103	53,103
Reserves	1,519	1,519
Retained earnings	(18,696)	(19,339)
Total equity attributable to equity holders of the Company	35,926	35,283
TOTAL EQUITY	35,926	35,283

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

Advance ZincTek Limited

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Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2023

Note	Ordinary Shares 000's	Accumulated Losses 000's	Foreign Currency Transaction Reserve 000's	Share Based Payment Reserve 000's	Total 000's
Balance at 1 July 2023	53,103	(19,339)	16	1,503	35,283
Profit / (Loss) for the half year	-	643	-	-	643
Other comprehensive income for the half year	-	-	-	-	-
Total Comprehensive Income for the half year	53,103	(18,696)	16	1,503	35,926
Transactions with owners in their capacity as owners					
Balance at 31 December 2023	53,103	(18,696)	16	1,503	35,926

Note	Ordinary Shares 000's	Accumulated Losses 000's	Foreign Currency Transaction Reserve 000's	Share Based Payment Reserve 000's	Total 000's
Balance at 1 July 2022	50,793	(17,323)	16	1,503	34,989
Profit / (Loss) for the half year	-	1,271	-	-	1,271
Other comprehensive income for the half year	-	-	-	-	-
Total Comprehensive Income for the half year	50,793	(16,052)	16	1,503	36,260
Transactions with owners in their capacity as owners					
Dividends paid or provided for	-	(3,680)	-	-	(3,680)
Balance at 31 December 2022	50,793	(19,732)	16	1,503	32,580

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

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Consolidated Statement of Cash Flows For the Half Year Ended 31 December 2023

	31 December 2023	31 December 2022
Note	000's	000's
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	6,559	6,435
Payments to suppliers and employees (including GST)	(5,676)	(5,258)
Lease Interest Paid	(48)	(56)
Net cash provided by/ (used in) operating activities	<u>835</u>	<u>1,121</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(678)	(1,425)
Payment for capitalised development costs	(126)	(35)
Employee loans advanced	-	(696)
Net cash provided by/(used in) investing activities	<u>(804)</u>	<u>(2,156)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	-	200
Repayment of lease liabilities	(254)	(237)
Net cash provided by/(used in) financing activities	<u>(254)</u>	<u>(37)</u>
Net increase/(decrease) in cash and cash equivalents held	(223)	(1,072)
Cash and cash equivalents at beginning of year	<u>325</u>	<u>1,331</u>
Cash and cash equivalents at end of the half year	<u>102</u>	<u>259</u>

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

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Notes to the Financial Statements For the Half Year Ended 31 December 2023

The interim financial report covers 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.

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

The financial report was authorised for issue by the Directors on 2 February 2024.

Comparatives are consistent with prior years, unless otherwise stated.

The Group is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and, accordingly amounts in the interim financial statements and Directors' Report have been rounded to the nearest thousand dollars.

1 Basis of Preparation

This condensed consolidated interim financial report for the reporting period ended 31 December 2023 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Advance ZincTek Limited and controlled entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2023, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

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

2 Material Accounting Policy Information

(a) 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.

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

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Notes to the Financial Statements For the Half Year Ended 31 December 2023

3 Revenue and Other Income

Revenue from continuing operations

	31 December 2023 000's	31 December 2022 000's
Sales revenue		
- Sale of ZinClear	4,937	6,333
- Sale of Alusion	355	331
- Sale of Sunscreen Products	281	7
Total Sales Revenue	5,573	6,671
Other revenue		
- R&D tax incentive	515	455
- Interest	-	23
- Gain / (Loss) on exchange differences	(56)	35
- Other income	9	269
Total Other Income	468	782

4 Income Tax Expense

The tax expense of \$384,746 for the half year ended 31 December 2023 is not payable in cash due to the utilisation of prior year tax losses.

5 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2023 (31 December 2022:None).

Notes to the Financial Statements
For the Half Year Ended 31 December 2023

6 Operating Segments

Segment information

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

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

(a) Revenue by geographical region

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

	31 December 2023 000's	31 December 2022 000's
Australia	1,162	936
United States of America and Canada	1,940	4,020
Europe	1,416	580
Rest of the world	1,055	1,135
Total	5,573	6,671

7 Related Parties

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

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

(i) Key management personal:

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

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

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

Notes to the Financial Statements
For the Half Year Ended 31 December 2023

7 Related Parties (Cont'd)

(b) Transactions with related parties

(i) Sales of Goods and Services

	31 December 2023	31 December 2022
	\$	\$
<i>Key management personal:</i>		
Lev Mizikovsky		
- Expenditure on-charged at cost to entities associated with Lev Mizikovsky	74,941	216
Geoff Acton		
- Interest earned on employee share loan to Geoff Acton at amortised cost	-	13,057
<i>Related parties:</i>		
Tamawood Group		
- Administration, expenditure on charged at cost and accounting services	96,661	98,181
CyberGuardAU Pty Ltd		
- Expenditure on-charged at cost	-	1,938
SenterpriSys Limited		
- Expenditure on-charged at cost	21,020	-
Veganic SKN Limited		
- Sale of sunscreen products and related services	582,498	129,077
- Rent of premises	37,400	-

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Notes to the Financial Statements
For the Half Year Ended 31 December 2023

7 Related Parties (Cont'd)

(b) Transactions with related parties (Cont'd)

(ii) Purchase of Goods and Services

	31 December 2023	31 December 2022
	\$	\$
<i>Key management personal:</i>		
Lev Mizikovsky		
- Lease of premises from an entity associated with Lev Mizikovsky	249,200	212,446
Geoff Acton		
- Provision of payroll, advisory & secretarial services by an entity associated with Geoff Acton	68,622	17,638
- Finance cost of employee share loan to Geoff Acton at amortised cost	-	101,416
<i>Related parties:</i>		
Tamawood Group		
- Provision of administration services & construction material at cost & lease of premises	117,798	108,786
CyberguardAU Pty Ltd		
- Provision of IT equipment at cost & cyber security services	-	6,363
SenterpriSys Limited		
- Provision of IT equipment at cost & IT services	40,059	46,578
Winothai Pty Ltd		
- Provision of management services	21,200	8,600
Veganic SKN Limited		
- Purchase of goods at cost	-	42,099

Notes to the Financial Statements
For the Half Year Ended 31 December 2023

7 Related Parties (Cont'd)

(c) Outstanding balances

	31 December 2023	31 December 2022
	\$	\$
<i>Key management personal:</i>		
Lev Mizikovsky		
- Amounts receivable	-	-
- Loan payable	-	200,000
- Amounts payable	43,002	-
Geoff Acton		
- Amounts receivable	98	5,781
- Loan receivable **	594,587	594,587
* This full recourse loan is repayable on 8 September 2025 and incurs interest of 3.5% per annum.		
<i>Related parties:</i>		
Tamawood Group		
- Amounts receivable	4,817	149,781
- Amounts payable	122,477	69,550
CyberguardAU Pty Ltd		
- Amounts receivable	-	500
- Amounts payable	-	-
SenterpriSys Limited		
- Amounts receivable	741	36,203
- Amounts payable	35,721	22,310
<i>Related parties:</i>		
Veganic SKN Limited		
- Amounts receivable	359,186	299,098
- Amounts payable	95,814	153,786

8 Events Occurring After the Reporting Date

On 10 January 2024, the Group announced that Deveraux Specialties have cancelled the majority of their orders, despite their agreement to continue as a non-exclusive distributor. The reason for the order cancellations was a result of Deveraux becoming a non-exclusive distributor and no longer being subject to the minimum stock holding obligations under the previous exclusive agreement and therefore cancelled the orders in respect of the excess stock.

Advance ZincTek Limited

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Directors' Declaration

The directors of the Company declare that:

1. The interim financial statements and notes, as set out on pages 5-14 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Lev Mizikovsky
Non-Executive Chairman

Dated: 2 February 2024

Advance ZincTek Limited

Independent auditor's review report

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Advance ZincTek Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, material accounting policy information and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Advance ZincTek Limited is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the half year ended on that date; and
- b. complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the consolidated entity 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Financial Report

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

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

William Buck

William Buck (Qld)
ABN 21 559 713 106

M. Monaghan

M J Monaghan
Director

Brisbane, 2 February 2024