



8 November 2018

## **Managing Director's Address**

### **Production Update**

#### **Trading Result**

The trading result for the first 4 months of FY19 based on unaudited management accounts is a profit of approximately \$850,000.

#### **Production Capacity**

We have undertaken a full review of production in Perth and will invest in new pre-cursor handling equipment which will see the weekly Alusion manufacturing double and our ZinClear production capacity increase through the automation of various components. This is all expected to be implemented early 2019.

We have leased a storage facility in Perth to cater for finished goods and 20T of Alusion storage for Merck. The total rent expense including Rocklea head office, Rocklea manufacturing facility, Rocklea lab, Perth manufacturing facility and Perth storage will be about \$240,000 compared to \$360,000 in FY18. The total occupancy costs for the entire business will reduce by \$120,000 (30% reduction) with total space occupied by the business increasing by 300m<sup>2</sup> and manufacturing capacity in zinc increasing by minimum of 500%.

#### **New Ovens**

The new ovens have been completed have been shipped from the US. We anticipate that once installed and commissioned it will increase production capacity to 1,000T of powder a year.

We are investigating the possibility of working with the State Government to secure government funding to assist with our advanced manufacturing process at Rocklea.

### **Production Manufacturing Facility Brisbane**

As a result of the sale of the current premises at Acacia Ridge, the Board will locate its bulk storage facility and powder manufacturing (2 new ovens) to Rocklea.

This will create significant operating efficiencies as powder manufacturing can be supervised by our chemists and management, based at the head office. In addition the powder can be efficiently tested in the NATA accredited lab also upstairs at Rocklea building that we currently use for our lab equipment and sample filling.

### **ZinXation Update SPF50+**

ANO expects its first shipment of ZinXation sunscreen to be produced and sold to a brand owner in December 2018. We expect further sales from distributors and other brand owners in 2019.

### **New Product Development**

In addition to ZinXation SPF50+ sunscreen, our chemist network has developed two more products which we expect to obtain TGA approval and launch next year, Anti-acne Cream SPF15+ and Whitening Cream SPF50+. Anti-acne SPF30+ is anticipated to be approved by the end of 2020. The patent applications have been prepared and/or filed for all 3 products.

### **FY19 Outlook**

- Increase in peak capacity and some price reductions should lead to further growth in sales of zinc based product.
- Anticipated sales with the launch of end products in 2019.
- Increase capacity in Alusion should grow further and sales potentially in line with current growth rates.
- With the recent developments with sunscreen in North Queensland Councils and protection of the Great Barrier Reef, we will reengage with Australian customers to switch from current chemical based sunscreen to our zinc based sunscreen. At this stage 75% of our sales are exported globally which can create significant uplift in earnings due to currency exchange fluctuations.

## Capital Raising

As a result of the significant increase in sales and urgent need to increase peak capacity, ANO will undertake a small capital raising, 1 share for every 30 shares at a small discount to market price.

The capital raising is to ensure that ANO can undertake the following initiatives in 2019

- Increase investment in raw materials to \$1 million to ensure supply continuity through the expected increase in sales in 2019.
- Investment in equipment to increase production capacity and prepare for new product production over the next 12 months which will cost approximately \$1 million.
  - New equipment – 2 new ovens at a cost of \$260,000 USD
  - New equipment that will automate various parts of the dispersion line to increase production capacity. (estimated cost \$120,000)
  - Additional equipment to develop a state of the art clean room to develop and produce end products.
  - Equipment to scale up production of our domestic solar battery material to test full scale prototype batteries.
  - Modifications and reinstallation of dispersion line at Rocklea.
- ANO plans to invest in further new product development with our global chemist network of approximately \$500,000 through 2019.
- Most importantly I want to thank all staff for their effort and dedication over the past 12 months.

Geoff Acton (B.Com CA)  
Managing Director

### Chairman's Address

I am delighted with the current result and take this opportunity to personally thank a number of people for the improvement in the business over the past 18 months.

- I thank all of the ANO staff which have worked numerous overtime hours to keep up with production increases over the past 6 months.
- I want to thank our chemist network team particularly Mark Chandler and Julian Hewitt who have developed 2 amazing new products that we are in the process of patenting.
- I want to thank two of our major shareholders Brian Kearney and Chris Silvestro who continuously provide feedback support and general ideas for the business.
- Finally, I want to thank Rade and Geoff who have worked especially hard over the past 12 months. "The harder they work the more luck we have with improvements to all aspects of the business".

Lev Mizikovsky  
Chairman