



4 November 2021

Chairman's Address

Bipolar Economy Causing Short Term Delays in Sales

The \$265,000 profit before tax is as expected given a 63.69% decline in revenue primarily due to the following reasons:

- COVID-19 travel restrictions and lockdowns globally reducing demand for sunscreen products.
- Our key distributors reduced their stock levels in North America and Europe due to ANO establishing warehouse facilities in Netherlands and USA. This initiative, though creating an initial downturn, puts the Company in a strong position to react quickly to customer needs as the market begins to turn around.

While this result is disappointing, the Company has used this time to invest in infrastructure to support an expanding product range and capacity including laboratory and manufacturing facilities. At the time of issuing this address, the Company remains commercially debt free.

Strong Forward Orders – Hamstrung by Global Energy & Material Shortages

Based on current sales orders and sales forecasts for the next 2 months, ANO will achieve sales revenue of approximately \$7.1 million for the first half FY22. The \$10 million in sales orders and forecasts predicted in our announcement in July 2021 are current, however, unfortunately some of these sales will occur early in the next half.

Importantly unlike last year, we are not seeing any cancellation of sales orders, but there have been some short-term delays to shipments requested by our distributors as a result of many large manufacturers unable to fulfil their customer orders due to shortages in other raw ingredients and materials, in particular packaging materials.

Following the FDA's release stating "infants are at greater risk than adults of sunscreen side effects" published 24/08/2021, (which we believe only applies to chemical sunscreens, as Zinc Oxide is the only broad-spectrum sunscreen UV filter that the FDA has found to be safe and effective), Amazon US search volume has shown that "organic baby sunscreen" searches have increased from 9% to 25%. With an ever-increasing demand for organic sunscreens, and a limited supply, there is a unique opportunity for us to be the first to offer a 100% Organic (NSF/ANSI 305-2016) 100% Vegan Dispersion range.

The FDA sunscreen safety review, published 24/09/2021, has confirmed Zinc Oxide to be the only broad-spectrum active ingredient considered safe and effective, whilst the 12 chemical ingredients below have been identified as potentially toxic and/or carcinogenic:

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

A recently published study by Ginzburg et al. suggested "that caution must be taken when formulating sunscreens containing both zinc oxide and small-molecule (petrochemical) UV-filters to avoid unintended consequences during use." Also, recent mineral sunscreen recalls by Banana Boat, Coppertone and Neutrogena clearly shows the risk involved with using equipment also used for manufacturing of chemical sunscreens. None of our dispersions include petrochemical UV filters and as a result we offer a ready made solution for sunscreen manufacturers.

On the other hand, according to the WHO, Zinc is a vital mineral needed in almost every cell of humans, plants and animals. Globally around a third of people don't get enough Zinc, risking and/or increasing the possibility of serious disease. Zinc Oxide is a miracle mineral that blocks the sun, heals wounds, boosts the immune system and regenerates skin.

We are witnessing strong demand for our zinc oxide based products and our new organic/natural dispersions are being sampled globally at present as the world commences a slow recovery post COVID19. Whilst sales forecasts are very positive, we are unable to predict sale revenue due to the significant manufacturing bottlenecks created from lack of supply of packaging materials and long delays in logistics, including inland rail and port delays.

Key Milestones for FY22

- Close monitoring of the Company's supply chain and pricing structures during this unprecedented time to ensure that the company is able to take advantage of the opportunities that arise during the year
- Finalise the organic audit of our Brisbane manufacturing facility.
- Revamp the Alusion facility in Perth to double production capacity.
- Establish a new Alusion facility in Brisbane to reduce risk of only having one Alusion facility and to further increase production capacity.
- Develop further organic/vegan dispersions plus ZinClear XP based on different oils.
- Grow the distributor base with particular focus on Asia and Eastern Europe.
- Finalise the provisional patents in our sunscreen dispersions.
- Continue the NASDAQ process with the aim of dual listing in January 2023.

Questions from Shareholders

The Board has received the following questions from shareholders and have answered them as part of the Chairman's Address where we can.

ZinClear

1. What is the grand vision for production scale and cost?
We anticipate that the demand for Zinc will increase post Covid recovery combined with further media attention on the dangers of UV chemical filters to people, in particular young children, accordingly our maximum capacity is several times greater than sales. We have good supplier relationships and costs remain under control apart from logistics.
2. Would it ever be necessary to setup production in the US or EU?
ZinClear XP powder production will always remain in Australia to protect our IP.
3. Is there any notable development in the Japanese market following the exit of Sakai Chemical due to a plant explosion?
No impact, Sakai explosion affected the chemical zinc business only. The cosmetic zinc part of the factory was not damaged.
4. Will there be a coated ZinClear XP? Is Alusion the coating?
We will consider various organic coatings in 2022 with Alusion our priority. However, uncoated zinc maximises the chemist's ability to formulate tinted products.
5. Has ZinClear reached its full potential in terms of aesthetics/feel?
We are continually making improvements and the latest versions include new oils, additives and manufacturing processes.
6. Will there be newer versions of ZinClear to reach higher SPF with lower concentration?
All R&D options are on the table, however, we are achieving good SPF results, higher SPF can be achieved by better end product design and improved manufacturing processes.

7. Can you provide a view of the impacts on ZinClear distribution/sales due to the supply chain issues in West Coast USA?

This is mentioned in the Chairman's Address.

8. What is the impact to gross profit margin given the increase in Zinc prices? Can this be passed onto customers with higher ZinClear prices?

With extensive use of solar and no increased costs on ingredients we are satisfied with our current prices.

Alusion

9. How did you come up with the idea to mix Alusion with ZinClear?

Alusion has been used in cosmetic applications by some of the best known premium brands.

10. What percentage of new Alusion products are earmarked for use in ZinClear products?

Impossible to gauge as the new dispersions with Alusion have only been available to distributors and are currently being tested by their customers. We should have a better indication later in 2022.

11. Are there any specific opportunities to add value to Alusion for customers that can be shared? (e.g. doped with iron oxide and magnetized)

We are writing a patent at present so no information can be shared at this stage.

12. Are there any major opportunities that you can elaborate on if production scale is ramped and costs lowered?

We are talking to some of the world's largest brands, but nothing significant yet.

13. You recently expanded Alusion capacity. Can you please talk about secular demand for Alusion across various end markets and potential growth rates now that you are not exclusive to Merck? How is the sales channel different than Zinc Oxide?

Merck remains our priority customer for 2022. It is impossible to ascertain other sales for Alusion as our distributors have only started offering the product this year.

Other Products

14. Are there any promising products that will be revived?

We are fully focused on the ZinClear and Alusion.

15. Is there a team working on R&D internally for the rest of the portfolio, or is it mostly outsourced?

All of our other IP is currently on hold. Our focus over the next 12 months is to establish a range of organic/vegan products/dispersions. The other IP will be reviewed once we finalise the organic/vegan product range.

Other/Admin

16. What do you think is a sustainable margin for the businesses, longer term (~5years)?

At this point, our margin is under no apparent pressure, we could not comment on what way or may not be the case in the future.

17. Section 5.6 of the AGM notice is a request to cancel employee shares. Why are these being cancelled if they were just issued?

This was a different share issue. These were issued a number of years ago and the employees are no longer in the business.

18. What is the importance of innovation for the company? (e.g. early production gains from fixing mistakes using the existing database of information)

We are constantly looking for opportunities and will continue to do so.

19. Do you have an estimate on energy savings from the solar installation? Are you also using batteries for energy storage?

No batteries at this stage. We are seeing a saving with the solar, but we cannot ascertain the full savings as the warehouse has not been at full production capacity.

20. Can we have a livestream of AGMs in future? (Much like the AIR webcast that is setup)

We will consider this for next year.

21. After the dual listing, will management regularly talk to investors in person or present at conferences?

We will get appropriate advice later.

22. Is there an update on the dual listing?

In progress and still on track for 2023.

Authorised By:

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Chairman