

15 November 2022

Sales Continue to Improve

As at November 14, 2022, the ANO sales revenue for the first half FY23 is already at \$5.35 million compared to the \$5.5 million in the first half December FY22, with further confirmed sales orders still to be delivered this half, due to first half FY22 profit on the sale of IP (\$800,000) the first half FY23 profit is not expected to be much above FY22, subject to no delays with logistics

Approved Sunscreen Testing Lab

The investment on our sunscreen testing equipment has resulted in us achieving an approved in-vivo testing sunscreen licence with the TGA, we will also register our lab with the FDA. This will create a significant advantage for customers formulating using ZinClear products, with reduced testing times and fees. We are of the view that we are the only manufacturer to offer this important service to its customers.

In addition, we have received a number of questions from shareholders. Please understand that some of the questions cannot be address due to confidential information that must remain with the Company.

1. Do we increase the sales staff by two to increase sales?

We have a team of people in Brisbane including the Chairman who research the market and identify potential brand owners and manufacturers. As Managing Director, I am in the best position to relate these findings to the highest possible level of management within our distributors' businesses.

2. Now that Covid is over, what are the risks you see to orders not being processed in FY23 that makes guidance so wide? Why would customers delay orders for supplies further if they have already run down raw materials?

The answer here is that we are aware that brand owners are delaying the manufacturer. In addition, global conditions are having an effect on customer orders. USA interest rates, inflation, interest rates and the results of the mid-term elections and soaring manufacturing costs. These are relevant to the uncertainty in sales.

3. *How many suppliers does ANO currently have for zinc carbonate and how was this number decided to be sufficient?*

We are yet to find any suppliers from China that can deliver constant quality zinc carbonate, free from high levels of heavy metals. We fully endorse the TGA stance on zinc oxide being imported into Australia including audit of overseas manufacturers.

4. *In the June 1st 2022 presentation Gross Manufacturing Margin for FY22 was estimated to be 54.6%, whilst FY22 Gross Margin is 58.6%. What are the items that make up gross manufacturing margin that make up this 4ppt difference?*

As per our presentation, GM excludes a number of items including rent, labour costs, electricity and gas. These contain significant components of fixed costs.

5. *Why has the decision to pay a dividend been taken now and not nearer the March 2023 dividend date when management will have greater visibility on the best use of cashflows to maximise long term shareholder value?*

The Board is confident of cashflows and earnings going forward. In addition, the fact that it is an interim dividend suggests the Board is of the view there may be further dividends to follow whilst the Company to remain debt free.

6. *Aside from battery technology, what other IP is in the company that shareholders should be aware of? Why are we not investing cash flow in R&D for these potentially highly asymmetric bets that would maximise value for shareholders instead of returning capital in the form of dividends? What are the action points/timeline for assessing developing IP battery technology? Why are we waiting until 2024 to look at other industrial applications? Have we considered establishing a royalty agreement with potential partners to commercialise the IP in a capital efficient manner?*

Our current battery technology testing trials were promising, however, right now we are waiting on the current polymer electrolyte developments to enable production and new manufacturing processes to move forward. We are also waiting on equipment to conduct further trials on high purity aluminium oxide. In addition, ANO has reinvested since 2016 over \$7 million into equipment to enable ANO be the one of the largest global USP therapeutical grade zinc oxide manufacturers.

7. *How are you assessing whether distributors are doing enough to push the company's ZinClear products? Are there minimum sales requirements in place with these partners and if so do you think these minimums have been negotiated as high enough given our market leading position in zinc oxide powders and dispersions?*

As previously stated we have a team of people monitoring and researching markets. We are also looking to increase our distributor network. Our distribution agreements are confidential, however given sales in all areas are up we are pleased with the growth.

8. *Have trials started at the new Alusion facility in Brisbane? Since severing exclusivity agreement with Merck what alternative sales structures has management put in place to ensure a resumption of sales growth to new highs?*

Some equipment did not meet our standard Work Place Health and Safety practices and we have placed orders for new equipment this week. We are waiting on equipment to arrive to commence the trials. Merck continues to purchase its yearly quantity and our other distributors have sent multiple samples to potential customers. As you can appreciate end product development takes time before sales crystallise.

9. *What is the latest raw material and stock on hand in the Netherlands, Australia and the US? How is the company determining what the right level of working capital is to hold?*
We have reported on total inventory holding in our annual report, the breakdown is sensitive information.

10. *Given the big price rises of competitors and the 15% improvement in ANO's manufacturing costs detailed in the annual report, why are we passing these costs onto the end consumer when it is reasonable for ANO to increase prices?*

Our strategy to hold prices is working, we achieve higher returns by potential 90% increase in sales than we would by increasing prices by 15%.

11. *What is the latest timeline for the Nasdaq dual listing?*

At this stage we are aiming for April / May next year, we would prefer to list above \$4 USD.

12. *In last year's AGM it was mentioned that with production ramping "We are talking to some of the world's largest brands, but nothing significant yet" are we now at sufficient scale to be able to action a deal with one of these big brands?*

We are aware that we our product is in major brands ranges or is being trialled at present, except for one major brand in the USA who refuses to speak to us since 2013 due to failure to supply because of quality issues.

13. *As mentioned previously by the company: "The overall sunscreen market, based on estimates by Transparency Market Research, is expected to increase to \$24 billion by FY24 from \$15 billion in FY16 with most of this growth expected to occur in mineral-based sunscreens and ANO aims to capture 2-3% of this sunscreen market for active ingredients." If we assume 10% of the overall market is for active ingredients, is this still the aim for ANO to capture 2-3% of the active ingredients market? Would three years be a reasonable estimate for this target?*

As we understand it, we do not have current figures but based on your assumption the mineral active ingredient market is approximately \$120 million and the total market as well as our market share is growing.

14. Does management expect to receive any royalties for the hinokitiol/ zinc patent?

As per our ASX announcement on Monday, 7 February 2022 this year, we transferred all of our rights in this patent to Veganic SKN Limited, as further testing indicated it was not effective against viruses.

15. How much is the 40% increase in solar panels being installed expected to cost?

We anticipate this will cost less than \$70,000.

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