



26 March 2025

## **Business Update**

### **Cash Position**

Advance ZincTek Limited is starting to generate increasing free cash flow resulting in a growing cash balance of over \$400,000 and we anticipate the cash balance will continue to grow in line with the 31 December 2024 half year result as we offer 30 to 60 day credit terms for our customers.

### **Tariffs on Pharmaceuticals**

Presently, Australia imposes no tariffs on pharmaceuticals products from the USA. Whilst at this stage no US tariffs on zinc oxide have been confirmed, it is important to note that the additional cost of a 25% tariff, should one be imposed, will be around \$0.10 USD per 100 gram tube of sunscreen to US end consumers. We also plan to increase our stock levels and ship to the USA over the next 6 months to avoid additional costs to our USA customers.

In addition, Robert F Kennedy Jr., the recently appointed head of the US Department of health and Human Services, has publicly criticised certain chemical ingredients currently used in sunscreens. At this point we are seeing an increase in zinc oxide sales in the USA market of 104% (\$4.36 million AUD), however our worldwide revenue is only up 11% (\$7.57 million AUD) to end of February 2025. EU sales are impacted by a number of factors one of which is a reduction in sales of "White Sapphire".

### **Alusion**

We have finalised the development of a new product from our Brisbane facility, "White Sapphire Glow", and continue to manufacture the traditional, "White Sapphire Matte".

Unfortunately, we have had some production issues with our "White Sapphire Matte" and as a result our largest customer for this product has put a hold on further orders. As disappointing as it is, the total impact is less than \$350,000, which is not material to our total revenue for FY25. However, we have already found new markets for our "White Sapphire Matte" and anticipate sales of "White Sapphire Matte" to grow in FY26.

The "High Purity White Sapphire" Project is still under development. We have sourced some new precursor materials and will continue trials when the precursor arrives in April 2025.

### **Perth**

We have now completed the finalisation of the closure of Perth operations and no outstanding amounts remain with most already been expensed in the first half FY25.

Authorised by:

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