

Advance ZincTek Ltd Market Update

Monetising Our Capital Investment

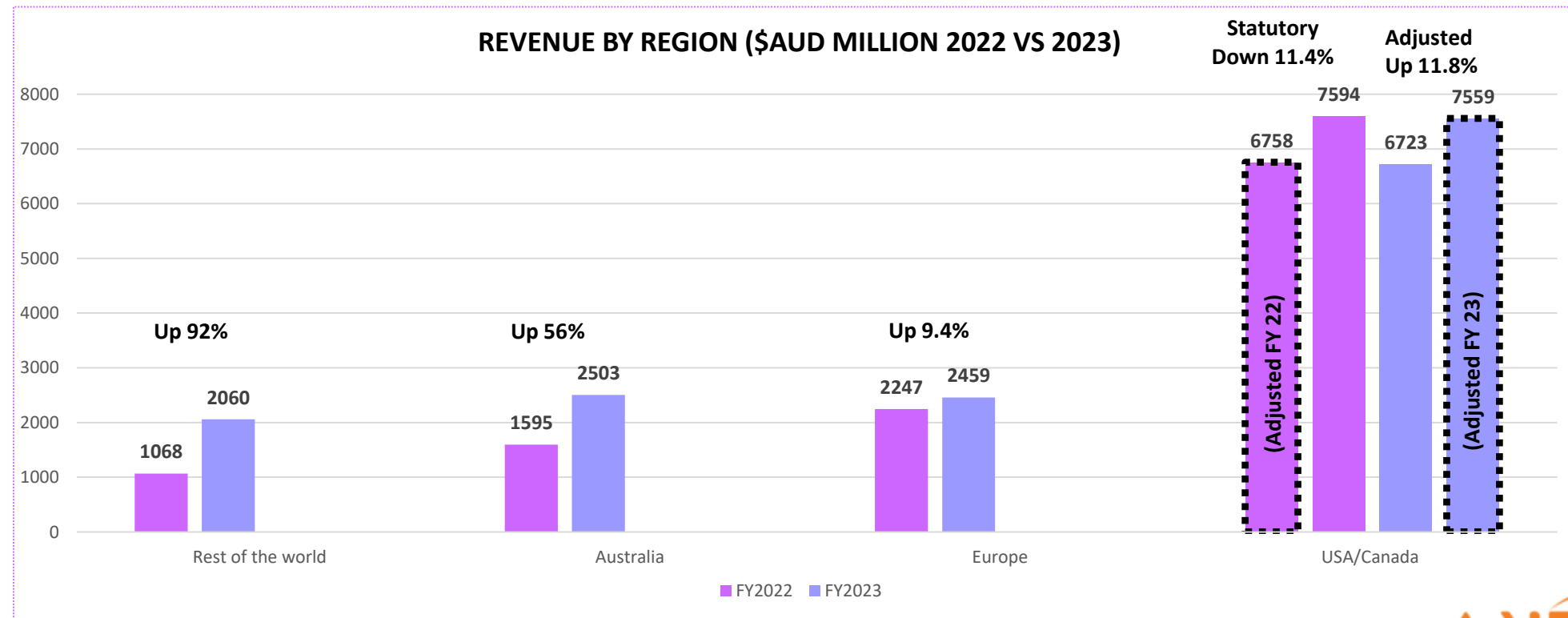


“36 various skin
cancer procedures
– For me it’s not
just business, it’s
personal”



COMPANY HIGHLIGHTS

- We have contained costs over the past 3 years and maintained pricing at 2020 levels. Unfortunately, it appears that our inexperience dealing with distributors has allowed them to increase margins particularly in the US.
- Profit after tax FY23 \$1.663 million FY22 \$2.191 million
- ANO generated \$4.421 million in excess operating cash flows and remains debt free.



- Total Production capacity is 5,000MT of powder and >800MT of dispersions.

CURRENT 1st HALF SALES

1 st Half FY23	1 st Half FY24
\$AUD6.671 million	\$AUD6.961 million (Estimated)

Key Points:

- Our US Distributor is behind \$AUD2.9 million in their minimum calendar year sales volumes as per their signed agreement and in September 2023 moved \$AUD2.5 million of sales orders forecast for delivery in Oct-Dec to Jan-Mar 2024.
- We have written to our US distributor regarding the requirement to meet minimum sales targets as per the signed agreement and await their response
- All distributors' 1st quarter sales in other markets are growing at rates above 15%. As a result of the US market, 1st half sales are below expectations.
- As a result of the deferral of sales orders by our US distributor, 1st half FY24 sales are estimated to be approximately \$AUD6.9 million.

Australia	Europe	Rest of the World
19%	488%	22%

ANO WAGES/ ELECTRICITY PERFORMANCE REVIEW

The calculation of gross wages as a percentage of total revenue including the fluctuations in finished goods, is set out below.

	FY22 AUD	FY23 AUD
Revenue	\$12.504 million	\$13.745 million
Stock Movement Finished Goods	(2.185 million)	2.210 million
Adjusted Total	\$10.319 million	\$15.955 million
% of Wages	23.9%	18.05%
% of Operating Costs Including ELECTRICITY	7.46%	5.49%

Despite the 8% minimum wage increase in Australia, we have managed to absorb the cost and reduce our wage percentage against revenue and stock.

Obviously, if ANO were to reduce its stock holdings and manufacture less product in FY24, the appropriate changes in staffing levels would be undertaken.

REVENUE & KEY EXPENSES 2022 VS 2023

	FY22	FY23
Gross Margin*	58.6%	58.6%
Rent as a % of revenue	4.1%	4.3%
Corporate Costs as a % of revenue (including Audit/ ASX fees)	2.7%	1.9%
Depreciation & Amoritsation as a % of revenue	7.9%	9.2%
CEO & Directors Fees as a % of revenue	2.8%	2.8%

* Gross Margin does not include direct payroll costs, rent and indirect factory costs.

COMPANY SNAPSHOT FY22 VS FY23

	FY22 \$AUD Million	FY23 \$AUD Million	FY22 \$AUD Million	FY23 \$AUD Million
Profit (Loss) Before Tax	Statutory Results		Adjusted Results	
	3.682	2.291	2.298 [°]	2.844
Revenue	12.504 million	13.745 million	11.668 million	14.581 million
Current Assets	17.951 million	17.742 million		
Fixed Assets	10.478 million	12.004 million		
Liabilities	0.505 million	1.266 million		
Net Tangible Assets	34.989 million	35.281 million		

- *Volume weighted average over last 3 months up to 31 October 2023
- °Adjusted for a one off profit affect of \$831,000 and adjusted sales in FY 2022

- The result of \$2.291 million compared to \$3.682 million FY22, needs to be viewed in light of distributors' stock fluctuations and first quarter orders. Adjusting for these factors including, sales to our end users (contract manufacturers), deliveries are up approximately 24% year on year.

CONTINUE TO GROW THE NUMBER OF DISTRIBUTORS IN EUROPE/ ASIA/ SOUTH AMERICA

- **Diversify our product sales across multiple markets to increase sales revenue and reduce the revenue exposure from 2 major distributors**
- Target new distributors in 27 countries not currently supplied.
- Over 120 potential distributors have been identified in these 27 countries and will be approached in October 2023.
- Expanding distributor networks across these continents means tapping into a larger customer base, leading to increased sales, diversified revenue sources, and greater returns for shareholders.
- By spreading our distribution network across multiple continents, ANO minimises dependency on any single market, thus reducing potential financial impacts from regional economic downturns or geopolitical events.
- As the number of distributors grows in these regions, brand visibility and recognition for ANO will soar. A well recognised brand can command loyalty, premium pricing, and increased market share, further boosting shareholder value.
- Local distributors often have a deep understanding of their respective markets. By collaborating with them, ANO can gain valuable insights into customer preferences, potential challenges, and opportunities in each region, allowing for tailored strategies and product offerings.

Future Actions

- Sales emails to potential new distributors have been drafted and will be sent on October 11 along with the investor presentation

TARGET NEW ALTERNATIVE MARKETS FOR NON USP GRADE ZINC OXIDE

- To increase our sales and utilise our 5,000MT capacity to diversify our product into multiple market segments reducing our exposure to fluctuations in the personal care sector.
- By targeting alternative markets, ANO will tap into new revenue streams, reducing over-reliance on existing markets and increasing overall company profitability.
- Discovering new applications can lead to a larger market share for non-USP-grade Zinc Oxide, positioning ANO as a versatile and adaptable industry leader, thereby potentially enhancing the company's stock value.
- Spreading products across various markets can act as a hedge against fluctuations in one particular market. This strategy can stabilise earnings, reduce volatility, and offer shareholders more consistent returns.
- Exploring alternative markets often results in valuable feedback and new demands, leading to potential product innovations and adaptations. Such innovation can lead to long-term growth, attracting more investors and further benefiting existing shareholders.
- Targeting and successfully penetrating new markets can increase brand visibility and recognition, further establishing ANO's reputation as a flexible and expansive enterprise, driving confidence and interest from both potential clients and investors.

Zinc Oxide Target Markets Identified

- Agricultural Applications, Rubber Applications, Textile Applications.

Future Actions

- 48 potential new distributors have been identified in these markets
- Send proposal to all potential distributors in the agricultural market in October/November 2023.

PROVIDE FORMULATION RECIPES AND FULL TEST RESULTS TO POTENTIAL USERS

- **Increase income by allowing much more rapid adoption of our active ingredients, providing manufacturers and brand owners with ready made end product solutions.**
- Offering innovative formulation recipes and comprehensive test results accelerates new product introductions for our brand owners and contract manufacturers.
- By providing formulation recipes and validating test results, potential users can easily assess the product's compatibility with their needs. This can expedite their decision-making process, leading to faster sales cycles and increased market penetration.
- Taking the step to openly share formulations and test outcomes positions ANO as a thought leader and industry innovator. This enhanced reputation can attract more investors, raising the company's stock value and bolstering shareholder returns.
- Being open about product compositions and their performance can reduce the chances of future disputes or regulatory issues. This proactive approach reassures shareholders about the company's commitment to best practices and risk management.
- Sharing detailed product information can invite collaborations with other companies or research institutions interested in utilising or enhancing the products. Such collaborations can lead to innovations, further expansions, and diversified revenue streams, all benefiting shareholders in the long run.

Future Actions

- 4-5 sunscreen formulation recipes to be developed in November 2023.
- Complete testing including in vivo and water resistance and accelerated stability, so fully tested formulations are available second-half FY24.

INTRODUCE NEW ORGANIC/VEGAN OILS EXPANDING OUR DISPERSION RANGE

- **To increase our revenue in dispersions and utilise our 800MT dispersion capacity.**
- Provide brand owners, and manufacturers with multiple dispersion alternatives to produce a range of end products.
- By sourcing more cost-effective or superior-performing alternative oils, ANO can achieve better production economics, which can translate into enhanced profit margins, leading to increased shareholder dividends.
- Incorporating superior or innovative oil alternatives can result in improved product performance and quality. This differentiates ANO's products from competitors, attracting more customers and potentially increasing market share.
- If the alternative oils are more sustainable or environmentally friendly, it would resonate with the growing eco-conscious consumer base. This not only expands market reach but also establishes ANO as a responsible and forward-thinking brand, appealing to socially conscious investors.
- Diversifying the oils used can reduce dependency on a single source, mitigating supply chain risks such as price volatility or supply interruptions. A stable supply chain can instill greater confidence among shareholders regarding the company's operational efficiency.
- Continually researching and adopting better raw materials prepares ANO for future market demands and potential regulatory changes. Being ahead of industry shifts assures shareholders of the company's long-term viability and growth prospects.

Future Actions

- Develop new dispersions after full sunscreen testing has been completed for the formulation recipes

LEVERAGE OUR BULK BUYING POWER TO SUPPLY ADDITIONAL NEW INGREDIENTS INTO THE AUSTRALIAN MARKET

- Increase revenue and gross margins, by promoting and selling already available raw ingredient stock.
- Introducing lower cost ingredients into the Australian market, needed to utilise our actives.
- Accessing and offering new ingredients diversifies our product portfolio, potentially tapping into new customer bases and markets.
- Increase our stock turnover of key ingredients.
- Additional volumes likely to further decrease our costs.
- Assist manufacturers and brand owners in using our recipes

Future Actions

- Launch 4 new ingredients on our ANO website by end of October 2023.
- Launch 4 new ingredients on Amazon by end of November 2023.

ALUSION PRODUCT DEVELOPMENT

- Our latest trials of high purity Alusion with new precursor are promising. The investment in the new equipment will change our manufacturing process and will result in a reduction in price and open new opportunities in multiple industry applications listed below.

Future Actions

- We have identified new markets including, Ceramics, Abrasives, Electronics, Cosmetics, Medical devices, Coatings, Glass
- We have also identified pricing from US suppliers and are working on pricing our products in Australia and Europe
- Identifying potential customers to target with our new product include Saint Gobain, Rhineland Specialties, Technologica, Filmtronics, Orica, Litec-LLL, Lumileds, Ebner Industries and Seaborough.

INITIATIVES ALREADY IN PLACE

Centralise Worldwide Technical And Formulation Support For New End-user Enquiries.

Number of Enquiries	Products Requested
29 Since July 1	<ul style="list-style-type: none"> ZinClear XP Powder Distribution <ul style="list-style-type: none"> Formulation Support Dispersions

List Our Zinc Oxide On Additional Ingredient Sourcing Websites

Where
Special Chem, Australian Chemical suppliers, UL Prospector, Knowde

- We have updated all of our products to reflect benefits of the product
- Include our Recommended Reseller Price for each of our products in USD & Euro

Launch Of SSTL Testing Centre in September, 2023, for products using our ZinClear Range

GP Clinics Supporting the Project	Volunteers
33	83

Promote Range Of “EcoZinc” – ZinClear XP – 100% Powered By The Sun, Powders And Dispersions

Number of cooks since July	48
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EcoZinc.

Installed 1,000 More Solar Panels To Combat Soaring Electricity Costs.

- Initiated a cost benefit analysis to consider electricity supply vs wages if we manufacture on weekends using our PV panels and off peak power.

Develop Monthly Newsletters To Distributors (Examples sent)

Recent Newsletter Headings

French media: UV chemical filters' negatively impacting many aquatic ecosystems and reefs	médias français : les filtres chimiques UV ont un impact négatif sur de nombreux écosystèmes aquatiques et récifs
FDA safety data review expected to start September 2023 – may see further ban of UV chemical filters	l'examen des données de sécurité par la FDA devrait commencer en septembre 2023. - nous pourrions assister à une interdiction supplémentaire des filtres chimiques anti-UV

Conduct Regular Webinars For ZinClear Customers & Distributors

ENABLE BRAND OWNERS TO OBTAIN ENDORSEMENTS BY LEADING DERMATOLOGIST DR. RUSSELL HILLS

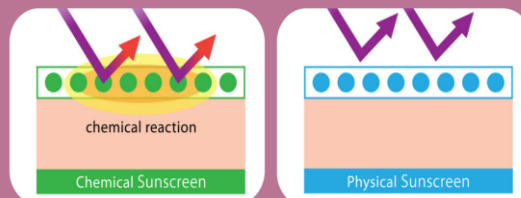
Dr Russell Hills – Sunscreen Safety Basics

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The recent contamination of some chemical sunscreens (available in Australia) with Benzene (a carcinogen) in the manufacturing process cannot occur in the production of Zinc Oxide sunscreen.

A recent study suggests that chemical sunscreens are absorbed in much higher concentrations than previously thought. This is not to suggest that they should not be used but further studies need to be undertaken in this area.

Although published studies suggest that several chemical sunscreens also interact with human sex or thyroid hormones, there is not enough information at present to determine the potential risks to humans from hormone disruption.



<https://skindrone.com/articles/seborrheic-dermatitis-sunscreen/>



The Board of ANO thank Dr Hills for his ongoing product development work and advice and his support of the ANO business.

DISCLOSURES REGARDING FORWARD LOOKING STATEMENTS

- This Market Statement includes forward-looking statements that have been based on Advance ZincTek's current expectations and predictions about future events including Advance ZincTek's intentions.
- These forward-looking statements are, however, subject to inherent risks, uncertainties and assumptions that could cause actual results, performance or achievements of Advance ZincTek to differ materially from the expectations and predictions, express or implied, in such forward-looking statements.
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- We obviously can't predict the situation in Europe with the war, the issues between China and the USA and what impact global inflation pressures will have on our views.