

14 December 2020

Investment in Production & Packaging Facility

Tubed Sunscreen Products

The Board has decided to establish its own finished goods manufacturing and packaging facility, including a clean room environment enabling AIR to manufacture and package its range of tubed sunscreen products.

Production for US and Australia will start once its supplier of intermediate bulk sunscreen, Advance NanoTek Limited ('ANO'), has obtained its own TGA approvals for the manufacture of intermediate bulk sunscreen product. This is expected to occur by March 2021.

As previously announced in the Chairman's Address on 13 October 2020, AIR was in the process of "identifying and entering into arrangements with contract manufacturers for our products". The decision to manufacture and package finished goods was a result of the inability of AIR to identify and partner suitable Australian contract manufacturers.

AIR utilised the technical, manufacturing and regulatory expertise of ANO to make equipment purchases on its behalf and construct the facility to TGA standards. AIR will continue to utilise ANO Quality Assurance, technical and manufacturing staff as it commences production and packaging of sunscreen from the new facility.

The total investment by AIR to enable it to produce, fill and package its range of tubed sunscreen products comprises:

- \$418,000 for the purchase and installation of filling and packaging equipment.
- \$250,000 for the purchase of an initial supply of bulk intermediate sunscreen from ANO, at a price equating to ANO's cost. The pricing reflects the collaborative approach between the two companies as ANO views AIR as a key customer in its effort to establish itself as a global supplier of bulk intermediate sunscreen. AIR proposes to sell the finished product into Europe (where no TGA or FDA licensing is required) early next year.
- \$65,000 to ANO for construction of the clean room and other associated costs.

AIR has successfully completed its first trial run of 5,000 tubes manufactured from the bulk intermediate sunscreen purchased from ANO, using the newly purchased manufacturing and packaging equipment, with these tubed products to be sold in Europe early next year.

The investment by AIR has been funded through the provision of interest free loans to AIR by Rainrose Pty Ltd, a related entity of Mr. Lev Mizikovsky.

To enable AIR to fund its investment in 100+ new products within 8 to 20 brand categories, as outlined in the Chairman's Address of 13 October 2020, the Board proposes to raise capital in the second half of FY21 to eliminate debt and provide working capital.

The company will update shareholders further on the proposed capital raising once terms and timing has been finalised.

AIR does not anticipate any material revenue or material profits will be derived from the sale of tubed sunscreen products in FY21.

Dr ZinX

AIR confirms that sales of Dr ZinX oral mouth spray are gaining traction in the US, but European sales have been slow.

AIR reconfirms as per its announcement of 1 July 2020 that they do not expect any material revenue or material profits from the sale of Dr ZinX products in FY21.

Authorised by:
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