

Zoono Group Limited (ASX:ZNO)**ASX ANNOUNCEMENT**

31 October 2022

Quarterly Report

- **Cash receipts from customers were NZ\$1.0M for the quarter (down by NZ\$0.6M on prior quarter)**
- **Negative net operating cash flow of NZ\$2.0M (up NZ\$0.7M on prior quarter)**
- **NZ\$1.6M in cash at bank down NZ\$2.1M on prior quarter**
- **Significant reduction in overheads, further reductions underway**

Zoono Group Limited (**Company**) (ASX: ZNO) today releases its Appendix 4C for the quarter ended 30 September 2022. In conjunction with that release, Zoono provides the following quarterly update to shareholders and the market on developments during the quarter and the outlook.

Continuing challenging and volatile market conditions:

As previously highlighted, market conditions continue to remain challenging. Given the slowdown in our core hygiene market, which has seemingly impacted all participants in this market, the Company has prioritised developing significant commercial opportunities in both the animal health market and in food packaging. In both the Company's core business and in the above areas, there are several potentially exciting developments to share with you.

- Zoono has entered into a formal agreement with Bunzl Cleaning & Hygiene (**BCHS**), a subsidiary of Bunzl plc, to act as our master distributor in the UK. Bunzl plc is listed on the London Stock Exchange and is a British multinational distribution and outsourcing company, founded in 1854 generating annual revenues in excess of £10B globally. The distribution contract is for an initial 3-year term, with an option to extend, for distribution and end user sales in the UK. Zoono's current clients (excluding animal health and packaging) will be migrated to BCHS, with sales, logistics and cash collection to be managed by BCHS in return for a margin on sales and rebate on meeting agreed targets.
- In France, we have entered into a formal agreement with PLG Group to act as our master distributor for an initial 16-month term. PLG is one of France's leading networking group for professionals actively involved in the healthcare industry with annual revenues of +€400M. They supply regional and central government agencies and many large private and publicly owned companies. PLG will receive a discount rate on all orders, increasing when distribution

is opened up to Group subsidiaries. PLG has placed and paid for its first order in the sum of NZ\$70k in September.

- As recently announced, Zoono has entered into a formal agreement with Douglas Pharmaceuticals to commercialise the Company's new nasal spray product. We are also considering further similar products for development and commercialisation.
- Zoono is currently conducting trials with one of Europe's largest supermarket chains focused on reducing mold and product degradation in its fruit and vegetable business. To date, the results have been excellent. Further information will be provided once the trials have concluded.

Overhead Reduction Initiatives

After the unprecedented and ongoing dip in demand for our products in existing key markets, the Company has undertaken a detailed review of its operations to identify and action a material reduction in its overhead structure. The primary objective has been to preserve capital while existing growth opportunities come to fruition.

To that end, Barry Woolcott has agreed to step down as Chief Executive Officer and will be leaving the Company at the end of January 2023. While the Company is very disappointed to lose Barry and his skill set, the Board is grateful to Barry for his support of the current 'right-sizing' of the business and his offer to resign as part of that effort. Paul Hyslop will continue to lead the business as Managing Director and Barry will be available to the Company, as required, for advisory / consulting work beyond January 2023.

Additional cost reduction initiatives are continuing to be implemented with the objective, over the short term, to drive overhead cost savings of circa NZ\$1M for FY23 and in excess of NZ\$2M in FY24. It is not expected that these cost reduction actions will impact the Company's ability to service key markets or execute on key business development and/or growth initiatives.

Working capital

While the Board expects the Company to have sufficient working capital to fund its future activities, especially given the positive impact to date of the reduction in monthly operating costs, the Board is aware, depending on sales and cash receipts from customers over the next quarter, that it may need to access additional working capital in the first quarter of CY23.

If that need does arise, the Company has in place an undrawn loan facility of up to NZ\$1.0M available to it from the Company's Managing Director, Paul Hyslop. The unsecured loan facility is available for a term of up to 12 months.

The terms of the loan facility are as follows:

- Facility available of up to NZ\$1.0M
- Interest rate of 10% per annum, with interest payable monthly in arrears
- Term of 6 months, with the right to extend for a further 6 months
- Ability to convert to equity at \$0.15 per share, subject to shareholder approval, if for any reason loan funds are not repaid.

If required, the Company may also seek to raise additional working capital (in part to fund its contribution to the joint venture established pursuant to the Co-Development and Licence Agreement with Douglas Pharmaceuticals announced to the ASX on 17 October 2022) by way of a capital raising in Q3 of FY23. The capital raise is likely to be by way of a pro-rata non-renounceable rights issue or other private placement of its shares.

Appendix 4C

Related party payments of \$119,000 shown on the following Appendix 4C are payments of fees to directors (including executive directors) for services rendered.

Summary of Q4 Expenditure

Expenditure incurred during the quarter on business activities was primarily on product manufacturing and operating costs (NZ\$0.69M), staff costs (NZ\$0.66M) and administration and corporate overheads (NZ\$1.5M). Other material expenditure included advertising and marketing (NZ\$162k), and leased assets (NZ\$91k).

For up to date with what is happening globally on a day-to-day basis, follow Zoono Global on:

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Newsletters: <https://zoono.com/newsandmedia/>

This announcement has been authorised and approved for release to ASX by the Board of Zoono Group Limited.

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About Zoono

Zoono Group Limited is a global biotech company that develops, manufactures, and distributes a suite of scientifically validated, long-lasting and environmentally friendly antimicrobial solutions. Zoono's mission is to improve health and well-being through innovative, safe, non-toxic and durable germ protection.

Zoono produces sprays, wipes and foams suited for skin care, surface sanitisers, and mold remediation treatments. The products are based on the 'Zoono molecule', a unique antimicrobial molecule that bonds to any surface and kills pathogens including bacteria, viruses, algae, fungi, and mold.

Zoono's products have received numerous regulatory approvals and Zoono's technology claims are supported by independent testing conducted in laboratories worldwide. Zoono is headquartered in New Zealand and its products are available globally.

To learn more, please visit: www.zoono.com

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Zoono Group Limited (ZNO)

ABN

73 006 645 754

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows	Current quarter \$NZ'000	Year to date (3 months) \$NZ'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,037	1,037
1.2 Payments for		
(a) research and development	(23)	(23)
(b) product manufacturing and operating costs	(687)	(687)
(c) advertising and marketing	(161)	(161)
(d) leased assets	(91)	(91)
(e) staff costs	(661)	(661)
(f) administration and corporate costs	(1,458)	(1,458)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,044)	(2,044)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(2)	(2)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$NZ'000	Year to date (12 months) \$NZ'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(2)	(2)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,659	3,659
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,044)	(2,044)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(2)

Consolidated statement of cash flows		Current quarter \$NZ'000	Year to date (12 months) \$NZ'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(18)	(18)
4.6	Cash and cash equivalents at end of period	1,595	1,595

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$NZ'000	Previous quarter \$NZ'000
5.1	Bank balances	1,497	3,250
5.2	Call deposits	98	409
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,595	3,659

6.	Payments to related parties of the entity and their associates	Current quarter \$NZ'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	119
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities	Total facility amount at quarter end \$NZ'000	Amount drawn at quarter end \$NZ'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities		-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$NZ'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,044)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,595
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,595
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.8
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
<p>Answer:</p> <p>No, the Company is in the process of rightsizing its business and expects to materially reduce its overhead in the coming months. Overall, the Company expects cost savings of in excess of NZ\$1M for FY23 and annualised to over NZ\$2M in FY24. Further, as the Company has stock inventories of NZ\$13M, it expects in most instances to be able to materially reduce its cost of goods sold given we do not have to order and pay for additional stock to generate sales.</p>	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
<p>Answer:</p> <p>Yes, the Company has undertaken three initiatives to ensure it has sufficient cash to fund its operations:</p> <ul style="list-style-type: none"> • first, it has undertaken a significant restructure of its business which involves a material reduction in the Company's monthly overhead structure; • second, the Company has put into place a short-term loan facility of NZ\$1.0M (which is currently undrawn); and • the Company may undertake a capital raise in Q3 of FY23 to increase its working capital 	

Quarterly cash flow report for entities subject to Listing Rule 4.7B

and, as required, raise additional funds to fund its contribution to the joint venture established pursuant to the Co-Development and Licence Agreement with Douglas Pharmaceuticals announced to the ASX on 17 October 2022.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Yes, with the Company's reduced overheads and the expected receipts from customers over the next quarter, supplemented if necessary by the loan facility available to it, the Company fully expects to be able to continue its operations and to meet its business objectives.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2022

The Board of Zoono Group Limited

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g. Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.