

Advance ZincTek Limited

ACN 079 845 855

Interim Financial Statements

For the Half Year Ended 31 December 2022

Advance ZincTek Limited

ACN 079 845 855

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For the Half Year Ended 31 December 2022

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Chairman's Letter

The FY23 first half net profit before tax is \$1.835 million (1st half FY22: \$1.948 million). When you exclude the one-off gain on sale of IP in FY22 of \$832,000, the net profit before tax is up 64% half on half. Sales revenue to 25 January 2023 is \$8.002 million, up 36% compared to January 2022. Confirmed sales orders to 25 January 2023 are up 76% compared to January 2022.

We have now formed a view that sales revenue will catch up to confirmed orders in this half. In addition, we anticipate that the increase in our container deliveries to USA and Netherlands will reduce average lead times for future sales orders to under 4 weeks.

In addition, the recent changes by the TGA to hold Australian manufacturers accountable for their zinc oxide importation where overseas factories are required to be audited to the same standard as ANO and the grade of zinc oxide meets the TGA requirements. This has had a positive effect on Australian sales, with orders up 6% and actual sales up 24% January 2023 compared to January 2022. We thank the TGA for levelling out the playing field.

FY23 Outlook

Despite the uncertainty of global events and economic pressures, the Board continues to remain positive that sales for FY23 will exceed FY22.



Lev Mizikovsky
Non-Executive Chairman

Dated: 6 February 2023

Advance ZincTek Limited

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Directors' Report For the Half Year Ended 31 December 2022

Your directors present their report, together with interim financial report of the Group being Advance ZincTek Limited (the Company) and its controlled entities, for the half year ended 31 December 2022.

Directors

The names of the directors in office at any time during, or since the end of, the half year are:

Names	Position
Lev Mizikovsky	Non-executive Chairman
Rade Dudurovic	Non-executive Director
Laurie Lefcourt	Non-executive Director (retired 16 November 2022)
Linda Barr	Non-executive Director (Appointed 23 September 2022)
Geoff Acton	Managing Director

Company Secretaries

The following persons held the position of Company Secretary during the financial year:

- Geoff Acton (B.Com, CA, GAICD)
- Narelle Lynch ("Cert Gov Prac")

Principal activities

During the half year the principal continuing activities of the Group consisted predominantly of the manufacture of aluminium oxide powder (Alusion), zinc oxide dispersions and zinc oxide powder (collectively ZinClear) for the Personal Care Sector.

There were no significant changes in the nature of the Group's principal activities during the half financial year.

Operating results

Advance ZincTek Limited's result for the half year ended 31 December 2022 was a net profit after tax of \$1.271 million an increase of 18.8% compared to \$1.069 million for the prior corresponding period.

Review of financial position

The net assets of the Group are \$32.58 million as at 31 December 2022 (\$34.989 million at 30 June 2022).

Directors' Report

For the Half Year Ended 31 December 2022

Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the Group during the half year.

Dividends paid or recommended

An interim unfranked dividend of \$0.06 per share was declared on 17 October 2022, payable on 22 March 2023.

Events after the reporting date

No matters or circumstances have arisen since the end of the financial half year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments and results

The Group has established a solid platform which to grow sales, improve margin and deliver profitability.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2022 has been received and can be found on page 4 of the interim financial report.

Signed in accordance with a resolution of the Board of Directors:



Lev Mizikovsky
Non-Executive Chairman

Dated: 6 February 2023

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C
OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF ADVANCE
ZINCTEK LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2022 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

William Buck (Qld)
ABN 21 559 713 106

J A Latif

J A Latif
Director

Brisbane, 6th February 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2022

		31 December 2022	31 December 2021
	Note	\$000's	\$000's
Sale revenue	3	6,671	5,585
Other income	3	782	1,338
Raw materials and consumables used		(2,499)	(2,253)
Finance costs		(157)	(58)
Employee benefits expense		(1,204)	(916)
Amortisation charge		(36)	(33)
Depreciation expense		(854)	(726)
Legal expense		(59)	(50)
Directors fees		(249)	(211)
Insurance fees		(101)	(121)
Travel costs		(7)	-
Rates & taxes		(13)	(16)
Corporate costs		(123)	(200)
Consulting		(45)	(46)
Patent renewal		(52)	(23)
Other operating expenses		(219)	(322)
Profit before income tax		1,835	1,948
Income tax expense	4	(564)	(879)
Profit for the half year		1,271	1,069
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that will be reclassified to profit or loss when specific conditions are met		-	-
Profit attributable to:			
Members of the parent entity		1,271	1,069
Total comprehensive income attributable to:			
Members of the parent entity		1,271	1,069
Earning per share			
Basic earnings per share (cents)		2.07 cents	1.75 cents
Diluted earning per share (cents)		2.07 cents	1.73 cents

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Advance ZincTek Limited

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Consolidated Statement of Financial Position As At 31 December 2022

	31 December 2022 \$000's	30 June 2022 \$000's
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	259	1,331
Trade and other receivables	5,674	4,439
Inventories	11,796	10,891
Other assets	1,318	1,290
TOTAL CURRENT ASSETS	19,047	17,951
NON-CURRENT ASSETS		
Property, plant and equipment	11,301	10,478
Right of use assets	2,257	2,382
Deferred tax assets	5,405	5,514
Development assets	1,942	1,943
TOTAL NON-CURRENT ASSETS	20,905	20,317
TOTAL ASSETS	39,952	38,268
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	776	445
Lease liabilities	503	454
Provisions	119	105
Provision for dividend	3,680	-
Borrowings	200	-
TOTAL CURRENT LIABILITIES	5,278	1,004
NON-CURRENT LIABILITIES		
Lease liabilities	1,925	2,084
Provisions	169	191
TOTAL NON-CURRENT LIABILITIES	2,094	2,275
TOTAL LIABILITIES	7,372	3,279
NET ASSETS	32,580	34,989
EQUITY		
Issued capital	50,793	50,793
Reserves	1,519	1,519
Retained earnings	(19,732)	(17,323)
TOTAL EQUITY	32,580	34,989

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2022

	Ordinary Shares \$000's	Accumulated Losses \$000's	Foreign Currency Translation Reserve \$000's	Share Based Payment Reserve \$000's	Total \$000's
Balance at 1 July 2022	50,793	(17,323)	16	1,503	34,989
Profit for the half year	-	1,271	-	-	1,271
Other comprehensive income for the half year	-	-	-	-	-
Total Comprehensive Income for the half year	-	1,271	-	-	1,271
Transactions with owners in their capacity as owners					
Dividends paid or provided for	-	(3,680)	-	-	(3,680)
Balance at 31 December 2022	50,793	(19,732)	16	1,503	32,580

	Ordinary Shares \$000's	Accumulated Losses \$000's	Foreign Currency Translation Reserve \$000's	Share Based Payment Reserve \$000's	Total \$000's
Balance at 1 July 2021	45,951	(19,514)	16	1,503	27,956
Profit for the half year	-	1,069	-	-	1,069
Other comprehensive income for the half year	-	-	-	-	-
Total Comprehensive Income for the half year	-	1,069	-	-	1,069
Transactions with owners in their capacity as owners					
Shares issued during the half year	4,729	-	-	-	4,729
Balance at 31 December 2021	50,680	(18,445)	16	1,503	33,754

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2022

	31 December 2022 \$000's	31 December 2021 \$000's
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	6,435	4,566
Payments to suppliers and employees	(5,258)	(4,617)
Lease interest paid	(56)	(58)
Net cash provided by/(used in) operating activities	1,121	(109)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Employee loans advanced	(696)	-
Proceeds from sale of plant and equipment	(1,425)	(1,255)
Payment for capitalised development costs	(35)	(484)
Net cash used in investing activities	(2,156)	(1,739)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	-	2,329
Net increase/(decrease) in borrowings	200	(200)
Repayment of principal portion of lease liabilities	(237)	(230)
Net cash (used in)/provided by financing activities	(37)	1,899
Net increase/(decrease) in cash and cash equivalents held	(1,072)	51
Cash and cash equivalents at beginning of year	1,331	95
Cash and cash equivalents at end of the half year	259	146

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

The interim financial report covers Advance ZincTek Limited and its controlled entities ('the Group'). Advance ZincTek Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 6 February 2023.

Comparatives are consistent with prior years, unless otherwise stated.

The Group is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and, accordingly amounts in the interim financial statements and Directors' Report have been rounded to the nearest thousand dollars.

1 Basis of Preparation

This condensed consolidated interim financial report for the reporting period ending 31 December 2022 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Advance ZincTek Limited and controlled entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2022, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The financial statements have been prepared on an accruals basis and are based on historical costs.

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

2 Summary of Significant Accounting Policies

(a) Adoption of new and revised accounting standards

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. These standards did not have a material impact on the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

3 Revenue and Other Income

Revenue from continuing operations

	31 December 2022 \$000's	31 December 2021 \$000's
Sales revenue		
- Sale of ZinClear	6,333	5,189
- Sale of Alusion	331	333
- Sale of Sunscreen Products	7	63
Total Sales Revenue	6,671	5,585
Other revenue		
- R&D tax incentive	455	349
- Interest	23	-
- Gain / (Loss) on exchange differences	35	147
- Other income	269	10
- Gain on disposal of IP & PPE	-	832
Total Other Income	782	1,338

4 Income Tax Expense

The tax expense of \$564,250 for the half year ended 31 December 2022 is not payable in cash due to the utilisation of prior year tax losses.

5 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2022 (30 June 2022:None).

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

6 Operating Segments

Segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (Chief Operating Decision Maker) in assessing performance and determining the allocation of resources.

The Board considers the business from a market perspective and has identified one reportable segment, the Personal Care segment, which produces and distributes dispersions of mineral-only UV filters in cosmetic formulation used for sunscreen, skincare and pharmaceutical formulations, as well as alumina plate-like powder used for cosmetic applications.

Revenue by geographical region

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	31 December 2022 \$000's	31 December 2021 \$000's
Australia	936	895
United States of America and Canada	4,020	3,276
Europe	580	1,012
Rest of the world	1,135	402
Total	6,671	5,585

7 Related Parties

Amounts receivable from related parties for the sales and purchase of goods and services are unsecured and interest free and are included in the balances of trade and other receivables. Balances are settled within normal trading terms or as per agreement with the Board. No provisions for expected credit losses has been recognised on these outstanding balances, nor have any bad debt expenses been incurred.

(a) The Group's main related parties are as follows:

(i) Key management personal:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personal.

(ii) Related parties

Tamawood Limited, SenterpriSys Limited, Veganic SKN Limited, Rainrose Pty Ltd and CyberguardAU Pty Ltd are deemed to be related parties by virtue of Mr Lev Mizikovsky, Non-executive Chairman having a controlling interest in these Companies.

Transaction with KMP and their related parties, excluding remuneration are shown below (b).

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

7 Related Parties

(b) Transactions with related parties

(i) Sales of Goods and Services

	31 December 2022 \$	31 December 2021 \$
<i>Key management personal:</i>		
Lev Mizikovsky		
- Expenditure on-charged at cost to entities associated with Lev Mizikovsky	216	4,497
Geoff Acton		
- Interest earned on employee share loan to Geoff Acton at amortised cost	13,057	-
<i>Related parties:</i>		
Tamawood Group (Includes Astivita from 2022)		
- Administration, expenditure on-charged at cost and accounting services	98,181	90,907
CyberGuardAU Pty Ltd		
- Expenditure on-charged at cost	1,938	1,423
SenterpriSys Limited		
- Expenditure on-charged at cost	-	26,989
Veganic SKN Limited		
- Sale of IP and PPE	-	1,395,000
- Sale of sunscreen products and related services	129,077	101,815

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

7 Related Parties

(b) Transactions with related parties

(ii) Purchase of Goods and Services

	31 December 2022 \$	31 December 2021 \$
<i>Key management personal:</i>		
Lev Mizikovsky		
- Lease of premises from an entity associated with Lev Mizikovsky	212,446	200,002
Geoff Acton		
- Provision of payroll, advisory & secretarial services by an entity associated with Geoff Acton	17,638	36,158
- Finance cost of employee share loan to Geoff Acton at amortised cost	101,416	-
<i>Related parties:</i>		
Tamawood Group (Includes Aktivita from 2022)		
- Provision of administration services, logistics, accounting services & construction material at cost & lease of premises	108,786	97,577
CyberguardAU Pty Ltd		
- Provision of IT equipment at cost & cyber security services	6,363	9,566
SenterpriSys Limited		
- Provision of IT equipment at cost & IT services	46,578	25,864
Winothai Pty Ltd		
- Provision of management services	8,600	11,090
Veganic SKN Limited		
- Purchase of raw materials at cost	42,099	55,221

Notes to the Financial Statements

For the Half Year Ended 31 December 2022

7 Related Parties

(c) Outstanding balances

	31 December 2022 \$	30 June 2022 \$
<i>Key management personal:</i>		
Lev Mizikovsky		
- Amounts receivable	-	2,657
- Amounts payable	-	-
- Loan payable *	200,000	-
Geoff Acton		
- Amounts receivable	5,781	7,781
- Amounts payable	-	-
- Loan receivable **	594,584	-
* These borrowings are unsecured and earn interest at 7% if not repaid within 1 year.		
** This full recourse loan is repayable on 8 September 2023 and incurs interest of 3.5% per annum.		
<i>Related parties:</i>		
Tamawood Group (Includes Aktivita from 2022)		
- Amounts receivable	149,781	105,711
- Amounts payable	69,550	27,222
CyberguardAU Pty Ltd		
- Amounts receivable	5,000	5,000
- Amounts payable	-	-
SenterpriSys Limited		
- Amounts receivable	36,203	703
- Amounts payable	22,310	14,955
Veganic SKN Limited		
- Amounts receivable	299,098	134,742
- Amounts payable	153,786	153,786

8 Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of the financial half year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Directors' Declaration

The directors of the Company declare that:

1. The interim financial statements and notes, as set out on pages 5-14 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Lev Mizikovsky
Non-Executive Chairman

Dated: 6 February 2023

Advance ZincTek Limited

Independent auditor's review report

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Advance ZincTek Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Advance ZincTek Limited is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b. complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Financial Report

The directors of the Advance ZincTek Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

William Buck

William Buck (Qld)
ABN 21 559 713 106

J A Latif

J A Latif
Director

Brisbane, 6th February 2023