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SECOND SUPPLEMENTARY TARGET'S STATEMENT

This document is a supplementary target's statement under section 644 of the *Corporations Act 2001* (Cth). It is the second supplementary target's statement (**Second Supplementary Target's Statement**) issued by Advance ZincTek Limited ACN 079 845 855 (**ANO**). This Second Supplementary Target's Statement supplements ANO's target's statement dated 21 December 2023 (**Target's Statement**) and the first supplementary target's statement dated 5 January 2024 (**First Supplementary Target's Statement**).

THE REVISED INDEPENDENT EXPERT'S REPORT MAINTAINS THAT THE OFFER IS FAIR AND REASONABLE

THE INDEPENDENT DIRECTORS REAFFIRM THEIR RECOMMENDATION TO SHAREHOLDERS TO ACCEPT THE OFFER

INTRODUCTION

This Second Supplementary Target's Statement is issued by Advance ZincTek Limited (**ANO**) in relation to the off-market takeover offer to acquire all the shares in Advance ZincTek by Ankla Pty Ltd ACN 074 315 432. A copy of this Second Supplementary Target's Statement has been lodged with ASIC on 5 February 2024. Neither ASIC nor any of its officers take any responsibility for the contents of this Second Supplementary Target's Statement.

This document supplements, and should be read together with, both the Target's Statement and the First Supplementary Target's Statement. This Second Supplementary Target's Statement prevails to the extent of any inconsistency with the Target's Statement and First Supplementary Target's Statement.

Unless the context requires otherwise, terms defined in the Target's Statement have the same meaning in this Second Supplementary Target's Statement. In addition, this Second Supplementary Target's Statement uses the same headings, subheadings, and numbering as is used in the Target's Statement.

1. REASON FOR THE INDEPENDENT DIRECTORS NOT ACCEPT THE OFFER IN RESPECT OF THEIR OWN ANO SHARES

The First Supplementary Target's Statement corrected a typographical error regarding the intention of the Independent Directors to not accept the Offer in respect of their own ANO Shares.

Notwithstanding the Independent Directors' recommendation to accept the Offer, for personal reasons the Independent Directors do not intend to accept the Offer in respect of their own ANO Shares.

The basis for not including any reasons for their respective decisions to not accept the Offer in the Target Statement or First Supplementary Target's Statement was primarily based on a concern that such disclosure may lead to ANO Shareholders placing too much emphasis on matters which are personally held views premised on uncertain and unquantifiable future opportunities for ANO. This was weighed up against the presently less speculative and overwhelmingly more certain factors forming the basis for the recommendation of the Independent Directors' that ANO Shareholders accept the Offer.

To provide ANO Shareholders with the reasons why the Independent Directors have chosen not to accept the Offer in respect of their own ANO Shares, these reasons are set out below:

- (a) The Independent Directors hold a long-term view on the prospects of ANO and if certain circumstances were to transpire and ANO is able to take advantage of any resulting opportunities, it could result in ANO Shares being worth more than the Offer Price in the future. In Section 2 of the Target's Statement, the following example was provided:

For example, the U.S. Food and Drug Administration may ban the sale of chemical sunscreens in the America in the future. If this were to occur, ANO would be well positioned to benefit from such a decision given its products are used in the manufacture of non-chemical sunscreens. This value is not reflected in the Offer.

- (b) The Independent Directors have a high-risk threshold in terms of their investment approach. For example, Mr Rade Dudurovic has a background in private equity, and he is comfortable in taking a longer-term view on uncertain events occurring.
- (c) The risk reward trade-off is equally well understood by the Independent Directors whose respective personal investment situations allows them to have a high tolerance for risk. While significant, the Independent Directors' investment in ANO is not so material that the Independent Directors are financially able to take investment risks which may not be appropriate for ANO shareholders in general.
- (d) Both Independent Directors are comfortable participating in and being long term owners of investments that may experience significant return volatility. *For example, many of the proposed strategic initiatives may require a longer timeframe to deliver results.*

2. COMMON DIRECTORSHIPS HELD BY THE INDEPENDENT DIRECTORS IN OTHER COMPANIES WHERE MR MIZIKOVSKY IS A MAJOR SHAREHOLDER

Below is a summary of directorships held by the Independent Directors in other companies where Mr Mizikovsky is a major shareholder:

Rade Dudurovic	VeganicSKN Limited
	SenterpriSYS Limited
Linda Barr	Tamawood Limited
	VeganicSKN Limited

3. REVISED INDEPENDENT EXPERT'S REPORT

The Independent Expert, Advisory Partner Connect Pty Ltd, has issued a revised Independent Expert's Report. The Independent Expert has maintained its conclusion that the Offer is fair and reasonable but has considered and provided additional information in respect its report to assist ANO Shareholders understand better the basis upon which the conclusion was reached.

Full details are set out in the copy of the revised Independent Expert's Report, which is attached to this Second Supplementary Target's Statement.

4. AUTHORISATION

This Second Supplementary Target's Statement is dated 5 February 2024 (being the date on which this Second Supplementary Target's Statement was lodged with ASIC) and has been approved by the Independent Directors.

Signed for and on behalf of Advance ZincTek Limited:



Rade Dudurovic
Independent Director
Advance ZincTek Limited



Advance ZincTek Limited
Independent Expert's Report
2 February 2024

Financial Services Guide

About us

Advisory Partner Connect Pty Ltd ("Advisory Partner") a Corporate Authorised Representative of AP Lloyds Pty Ltd ACN 643 090 359 Australian Financial Services Licence ("AFSL") 526061 has been engaged by Advance ZincTek Limited (ASX:ANO) ("ZincTek") or ("the Company") to provide financial product advice in the form of an independent expert report ("the Report") to express our opinion whether the offer is fair and reasonable ("Offer"). Our Report sets out our opinion as to the Fair Market Value of the shares in ZincTek. The Corporations Act 2001 (Cth) requires us to provide this Financial Services Guide ("FSG") in connection with the attached Report prepared for ZincTek. You are not the party who engaged us to prepare this Report and we are not acting for any person other than ZincTek. This FSG provides important information designed to assist Shareholders in forming their views of the Offer and in understanding any general financial advice provided by Advisory Partner in this Report. Our Report is not intended to comprise personal retail financial product advice to retail investors or market-related advice to retail investors. This FSG contains information about our engagement by the directors of ZincTek to prepare this Report in connection with the Offer, the financial services we are authorised to provide, the remuneration we (and any other relevant parties) may receive in connection with the Engagement, and details of our internal and external dispute resolution systems and how these may be accessed.

Financial services we are authorised to provide

Advisory Partner is a Corporate Authorised Representative of AP Lloyds Pty Ltd, the holder of Australian Financial Services Licence number 526061, is responsible to you for the services provided under this FSG. As a Corporate Authorised Representative the Australian Financial Services Licence authorises us to provide the following services to both retail and wholesale clients, financial product advice in relation to securities, fixed income and derivatives.

General financial product advice

This Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. Where the advice relates to the application for or acquisition of a financial product, you should also obtain and read carefully the relevant offer document or explanatory memorandum provided by the issuer or seller of the financial product before making a decision regarding the application for or acquisition of the financial product.

Remuneration, commissions and other benefits

Advisory Partner charges fees for its services and will receive a fee of \$20,000 (excluding GST) for its work on this Report. These fees have been agreed on, and will be paid solely by ZincTek, which has engaged our services for the purpose of providing this Report. Advisory Partner may seek reimbursement of any out of pocket expenses incurred in providing these services. Our advisers are directors and employees of Advisory Partner who are paid salaries and dividends by Advisory Partner and may also receive bonuses and other benefits from Advisory Partner. Our advisers may alternatively be paid by means of commission determined by a percentage of revenue written by the adviser.

Associations and relationships

Other than as set out in this FSG or this Report, Advisory Partner has no association or relationship with any person who might reasonably be expected to be capable of influencing them in providing advice under the Engagement. Advisory Partner, its officers and employees and other related parties have not and will not receive, whether directly or indirectly, any commission, fees, or benefits, except for the fees to be paid to Advisory Partner for services rendered in producing this Report. Advisory Partner, its directors and employees do not have an interest in securities, directly or indirectly, which are the subject of this Report. Advisory Partner may perform paid services in the ordinary course of business for entities, which are the subject of this Report.

Risks associated with our advice

This Advisory Partner advice is provided in connection with the attached Report relating to the Offer. The Report comprises general product advice and does not comprise personal retail financial product advice to retail investors or market-related advice to retail investors. The Report is an expression of Advisory Partner's opinion as to whether the Offer is fair and reasonable. However, Advisory Partner's opinion should not be construed as a recommendation as to whether or not to approve the Proposed Transaction. Approval or rejection of the Offer is a matter for individual Shareholders based on their own circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure, and tax position. Shareholders who are in any doubt as to the action they should take in relation to the Offer should consult their own independent professional advisers. Further information on the risks, assumptions and qualifications associated with the advice is contained within the Report.

Compensation arrangements

The law requires Advisory Partner to have arrangements in place to compensate certain persons for loss or damage they suffer from certain breaches of the Corporations Act by Advisory Partner or its representatives. Advisory Partner has internal compensation arrangements as well as professional indemnity insurance that satisfy these requirements.

Complaints

Advisory Partner is a Corporate Authorised Representative of AP Lloyds Pty Ltd. They are required to have an internal complaints-handling mechanism. All complaints can be addressed to us at Level 18, 324 Queen St, Brisbane QLD 4000. You may contact us on T+61 7 3106 3399 or F+61 7 3054 0438, Eadmin@advisorypartner.com.au. If AP Lloyds Pty Ltd are not able to resolve your complaint to your satisfaction within 30 days of first lodging it with them, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA). You will not be charged for using the AFCA service. To contact the AFCA: Tel: 1800 931 678 or make a complaint at <https://www.afca.org.au/make-a-complaint>.

Privacy & use of information

We do not collect personal information on individual clients and are bound by the Advisory Partner Privacy Policy in the way that it governs personal information collected on clients. If you have any questions on privacy please see our privacy policy on our website.

2 February 2024

The Directors
Advance ZincTek Limited
1821 Ipswich Road
Rocklea
QLD 4106

Dear Sirs

INDEPENDENT EXPERT'S REPORT – OFFER TO PURCHASE OF ADVANCE ZINCTEK LIMITED BY ENTITIES OWNED BY MR LEV MIZIKOVSKY

Introduction

The directors of Advance ZincTek Ltd (ASX:ANO) ("ZincTek" or the "Company") have requested Advisory Partner Connect Pty Ltd ("Advisory Partner") to prepare an Independent Expert Report ("IER") to the unrelated shareholders of ANO (the "Shareholders"), setting out our opinion as to whether or not the offer by Ankla Pty Ltd ("Ankla"), an entity owned by Mr Lev Mizikovsky, is fair and reasonable.

The offer is to purchase all of the shares in ZincTech for \$1.05 per share (the "Offer" or "Transaction"), however the Mr Lev Mizikovsky has indicated a preference to purchase up to 11,237,709 shares in ANO.

There is no minimum acceptance condition.

ZincTek has engaged Advisory Partner to provide an Independent Expert Report (the "Report" or "IER"), which will be provided to the Shareholders, to assist the Directors of ZincTek in providing the Shareholders with sufficient information to make their to decision as to whether to accept the offer or not.

Summary Opinion

In our opinion, the Offer is fair and reasonable for the Shareholders of ZincTek.

Fairness

In forming our opinion to the fairness of the Offer, we have valued each component of the proposal being the fair market value of an ZincTek share relative to the cash offer provided by Ankla.

Table 1: Fair Value

Fair Value	Unit	Low Value	High Value
Fair Value of ZincTek share on a controlling basis	\$	0.59	0.62
Cash offer for shares		1.05	1.05
Premium / (Discount)	\$	77%	68%

Source: AP Analysis

Advisory Partner assessed the fair market value of ZincTek shares, on a control basis, is between \$0.59 and \$0.62 per share. By comparison, the assessed value of the consideration provided for under the Offer is \$1.05 per share. As demonstrated above, the value of the consideration being offered is higher than the value of an ZincTek share and as a result, the Offer is considered fair and reasonable for ZincTek Shareholders.

We note that we have valued the ANO shares on a controlling basis, which allows for a 25% control premium, and the Offer represents a premium above the assessed value of more than 60%.

Reasonableness

As the Offer is fair, it is also reasonable. To assist the Shareholders in their decision-making process we have summarized the following:

- The likely advantages and disadvantages associated with the Offer; and
- Alternatives, including the position of Shareholders if the Offer does not proceed.

Shareholders of ZincTek should read the full Report, where their matters are explained in more details.

Advantages of Approving the Offer

Set out below is a summary of the key advantages to the Shareholders of accepting the Offer.

- **Liquidity of ZincTek's Shares**
ZincTek shareholders currently face illiquidity in the trading of their shares. On a typical trading day, ZincTek shares are thinly traded and have a wide bid-ask spread. As a result, it is difficult to sell shares in ZincTek. The offer provides shareholders with a fixed cash price to sell their shares.
- **Trading Conditions**
As indicated in the company's annual report, the sales orders received have not been converting into revenues and has proven an unreliable indicator for future sales. This offer provides a liquidity event in tough trading conditions.

Disadvantages

- **ASX Shareholder Spread Requirement**
The company may be unable to hold the minimum shareholder spread required by the ASX to keep their listing. This requirement is 300 non-affiliated security holders who each hold shares with a value (based on the issue price) of at least \$2,000.
- **Liquidity of ZincTek's Shares**
Mr Lev Mizikovsky has indicated that despite that the offer is in respect of all ANO shares, the preference is to increase the holding from 51.58% to 70%. In the case that Mr Lev Mizikovsky does not acquire all shares, existing shareholders will face further illiquidity conditions on the ASX. This will also grant Mr Lev Mizikovsky greater control over the company.
- **Greater concentration of shareholding**
If the offer is accepted by shareholders, it will result in Mr Lev Mizikovsky having greater control over the company. This may result in negative implications such as a greater difficulty to raise capital, less control for minority shareholders, and a more difficult governance environment.

Other Considerations

- **Availability of alternative transaction**
The company has not received any other offers since the announcement of this Offer.
- **Compulsory acquisition if the 90% ownership threshold is reached.**
The corporations act allows for a compulsory acquisition if the balance of the shares if the Mr Lev Mizikovsky achieves 90% ownership.

Shareholder circumstances

Advisory Partner has not considered the effect of the Offer on the particular circumstances of individual Shareholders. Some individual Shareholders may place a different emphasis on various aspects of Proposed Transaction from that adopted in this Report. Accordingly, individuals may reach different conclusions as to whether or not the Offer is in their individual best interests. The decision of an individual Shareholder in relation to the Offer may be influenced by their particular circumstances (including their taxation position) and accordingly, Shareholders are advised to seek their own independent advice.

Other matters

This Report has been requested by the ZincTek Directors to assist the Shareholders in their decision to accept or reject the Proposed Transaction.

This Report should not be used for any other purpose and Advisory Partner does not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

Advisory Partner acknowledges that this Report may be lodged by the Directors with the ASX.

Conclusion

Based on the above, we have concluded that the Offer is "fair" having assessed the consideration paid is greater than the value of a ZincTek share. As a result of being fair the transaction is also "reasonable".

This opinion should be read in conjunction with the full text of this report which sets out our findings.

Yours faithfully



Brett Plant
Director

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Glossary of Terms

Table 2: Glossary of Terms

Term	Meaning
Advisory Partner or we or AP or our	Advisory Partner Connect Pty Ltd
Ankla Pty Ltd	Entity owned by Mr Lev Mizikovsky
ASIC	Australian Securities and Investment Commission
ZincTek	Advance ZincTek Limited
ASX	Australian Securities Exchange
Bid-Ask Spread	A bid-ask spread is the amount by which the ask price exceeds the bid price for an asset in the market.
Control Premium	An allowance made for the premium for control given the strategic benefit that a controlling interest would provide
Corporations Act	Corporations Act 2001
Dilution	Dilution refers to the reduction in the percentage of existing shareholders' ownership in a company when it issues new shares of stock.
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
EBITDA Multiple	The ratio Enterprise Value: Earnings Before Interest Tax Depreciation and Amortisation
Engagement	Our engagement by the Directors of ZincTek to prepare this Report in connection with the Offer.
Enterprise Value	The total value of the business and is equal to Debt + Equity
FOS	Financial Ombudsman Service
Free Float	The shares of a company that can be publicly traded and are not restricted (ie., held by insiders).
FSG	Financial Services Guide
Future Maintainable Earnings Method	The capitalisation of estimated future maintainable earnings by an appropriate multiple.
FY	Financial Year
HY	Half Year
Liquidity	The ease in which an asset or security can be converted into ready cash without affecting its market price.
LTM	Last Twelve Months
Net Debt	Current Portion of Debt + Non-Current Portion of Debt - Cash and Cash Equivalents
NACE Code	Nomenclature of Economic Activities (NACE) is the European statistical classification of economic activities
NAICS Code	North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments
NPV	Net Present Value
NRV	Net Realisable Value
Report	This independent expert's report
RG 111	Regulatory Guide 111 - Content of Expert Reports
Statistical Outlier	An extremely high or extremely low data point relative to the nearest data point and the rest of the neighbouring co-existing values in a dataset.
Surplus Assets	Surplus assets are assets that form part of a business entity or company but do not contribute to the earnings or cash flow generation capacity of that business or company.

Source: AP Analysis

1.0 Outline of the Offer

1.1 Introduction and Background

Advance ZincTek Limited (ASX:ANO) (ANO or the Company) in its announcements on 11 October 2023 was advised that Ankla, an entity owned by My Lev Mizikovsky, intended to make a cash off-market takeover offer for all ANO shares. Mr Lev Mizikovsky clarified that its offer is in respect of all ANO shares however its preference is that it will only acquire up to 11,237,709 shares in ANO as part of the Takeover Offer. As the Offer is for all of the shares that Mr Lev Mizikovsky doesn't own in ANO, its percentage ownership could be more than 70% as a result of the Transaction.

There is no minimum acceptance condition.

1.2 Key steps and Conditions of the Offer

The Offer has the following elements:

- ZincTek shareholders will be offered on the basis of \$1.05 cash for each share held;
- The Shareholders need to make a decision at or before the end of the Offer Period whether to accept the offer or not; and
- There is no minimum or maximum acceptance.

1.3 Outcome of the Offer

Should all Shareholders of ZincTek accept the Offer, the no longer trade on the ASX and will be a privately owned company.

If more than 90% of shares are held by Ankla, they are able to force a compulsory acquisition of the balance of the shares.

2.0 Purpose, Scope and Basis of Assessment

2.1 Legislative requirements

Section 640 of the Corporations Law requires an expert opinion to be provided where the bidder is connected with the target company.

Section 640 provides that if:

- (a) the bidder's voting power in the target is 30% or more; or
- (b) for a bidder who is, or includes, an individual — the bidder is a director of the target; or
- (c) for a bidder who is, or includes, a body corporate — a director of the bidder is a director of target.

A target statement given in accordance with subsection 638 must include, or be accompanied by, a report by an expert that states whether, in the expert's opinion, the takeover offers are fair and reasonable and gives the reasons for forming that opinion.¹

2.2 Purpose of the report

Advisory Partner has been appointed by the Directors to prepare this report to satisfy the request for the preparation of an IER as described above. This report is intended to accompany the target statement to be provided by the Directors to the Shareholders entitled to vote on the Offer ("**Target Statement**").

This report accompanies the Target Statement, required to be provided to the Shareholders, and has been prepared to assist the Directors in fulfilling their obligation to provide shareholders with full and proper disclosure to enable them to assess the merit of the Offer.

This report should not be used for any other purpose, and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

For the purposes of our opinion, the term "fair market value" is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser, and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

2.3 Scope

The scope of the procedures we will undertake in forming our opinion on whether the Offer is fair and reasonable for Shareholders will be limited to those procedures we believe are required in order to form our opinion. Our procedures, in the preparation of the report, will not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards issued by the Australian Auditing and Assurance Standards Board ("**AUS**") or its predecessors. Accordingly, Advisory Partner does not warrant that its inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose.

In preparing this report, we have relied on information provided by various officers of ZincTek. We have not undertaken any verification of the financial or other information provided by those officers, or other parties, as set out in this report. Advisory Partner believes the information provided to be reliable, complete and not misleading and has no reason to believe that any material facts have been withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming our opinion. Where Advisory Partner has relied on the views and judgement of management the information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

ZincTek has agreed to indemnify Advisory Partner and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided by ZincTek, which is false and misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

Advisory Partner is a Corporate Authorised Representative of AP Lloyds Pty Ltd ACN 643 090 359 Australian Financial Services Licence 526061. As a Corporate Authorised Representative of an Australian Financial Services Licence, we are required to provide a Financial Services Guide in situations where we may be taken as providing financial product advice to retail clients. A copy of Advisory Partner Financial Services Guide is set out in the beginning of this Report.

2.4 Basis of evaluation

In forming our opinion as to whether or not the Offer is fair and reasonable for the Shareholders of ZincTek, we have considered the following:

The Corporations Act does not define the expressions "fair" and "reasonable". However, guidance is provided by the Regulatory Guides issued by ASIC, which establish certain guidelines in respect of independent expert's reports required under the Corporations Act or commissioned voluntarily. In particular, Regulatory Guide 111 "Content of Expert Reports" (RG 111) has been considered.

RG 111 draws a distinction between "fair" and "reasonable". An offer is fair if the consideration is equal to or greater than the value of the securities subject to the offer. The comparison must be made assuming 100% ownership of the target company irrespective of the percentage holding of the bidder or its associates in the target company.

RG 111 considers an offer to be "reasonable" if:

- The offer is "fair"; or
- Despite not being "fair", the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher offer.

RG 111 sets out some of the factors that an expert might consider in assessing the reasonableness of an offer including:

- The bidder's pre-existing voting power in the target company;
- Other significant security holding blocks in the target;
- The liquidity of the market in the target's securities;
- Taxation losses, cash flow or other benefits arising through achieving 100% ownership of the target;
- Any special value of the target to the bidder;
- The likely market price if the offer is unsuccessful; and
- The value to an alternative bidder and likelihood of an alternative offer being made.

In our opinion, the Offer will be fair if the value is greater than the market value of the securities in ZincTek Group, inclusive of an appropriate premium for control.

In considering whether the Offer is reasonable, other factors that have been considered include:

- Current financial performance and forecast performance;
- The likelihood of an alternative offer and alternative transactions;
- The likely market price of ZincTek Group shares in the absence of the offer; and

- Other advantages and disadvantages for ZincTek's Shareholders of approving the Proposed Transaction.

We have not considered special value in forming our opinion. Special value is the amount which a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value to the potential acquirer of potential economies of scale, reduction in competition or other synergies arising from the acquisition of the asset not available to likely purchasers generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchasers.

2.5 Reliance on Information

This Report is based upon financial and other information provided by ZincTek. Advisory Partner has considered and relied upon this information. Advisory Partner believes the information provided to be reliable, complete and not misleading, and has no reason to believe that any material facts have been withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Offer is fair and reasonable.

ZincTek has agreed to indemnify Advisory Partner, and the directors, partners and employees of Advisory Partner and any related entity against any claim arising out of misstatements or omissions in any material supplied by the ZincTek, its subsidiaries, directors or employees, on which Advisory Partner has relied.

Advisory Partner does not warrant that its inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation. Preparation of this Report does not imply that Advisory Partner has audited in any way the financial accounts or other records of the Company.

It is understood that the accounting information provided to Advisory Partner was prepared in accordance with generally accepted accounting principles and except where noted, prepared in a manner consistent with the method of accounting used by the Company, in previous accounting periods.

An important part of the information base used in forming an opinion of the kind expressed in this report are the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

2.6 Current Market Conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time. Accordingly, changes in those conditions may result in any valuation opinions becoming quickly outdated and in need of revision. Advisory Partner reserves the right to revise any valuation, or other opinion, in the light of material information existing at the date of this Report that subsequently becomes known to Advisory Partner.

2.7 Sources of Information

Appendix A to this Report sets out details of information referred to and relied upon by Advisory Partner during the course of preparing this Report and forming our opinion.

2.8 Assumptions

In forming our opinion, the following has been assumed:

- All relevant parties have complied, and will continue to comply, with all applicable laws and regulations and existing contracts and there are no alleged or actual material breaches of the same

or disputes (including, but not limited to, legal proceedings), other than as publicly disclosed and that there has been no formal or informal indication that any relevant party wishes to terminate or materially renegotiate any aspect of any existing contract, agreement or material understanding, other than as publicly disclosed;

- That matters relating to title and ownership of assets (both tangible and intangible) are in good standing, and will remain so, and that there are no material legal proceedings, or disputes, other than as publicly disclosed;
- Information in relation to the Offer provided to the Shareholders or any statutory authority by the parties as part of the bidder's statement or the target's statement is complete, accurate and fairly presented in all material respects; and
- The legal mechanisms to implement the Offer are correct and effective.

3.0 Business Environment

In arriving at our valuation opinion, we have considered the outlook for the Australian economy and the relevant industry affecting ZincTek's.

3.1 Economic Analysis

While the economy has been subdued in 2023, the economy has proven resilient than expected, supporting better conditions for Australian businesses. The November outlook for growth has been revised up by the RBA compared to the August statement due to stronger than expected growth in private and public investment along with other factors have more than offset a weaker outlook for household consumption. However, higher interest rates, cost of living pressures and higher tax payable have impacted disposable incomes. Despite this, GDP growth is expected to increase from early next year reflecting stronger growth in household consumption and public demand.

Inflation is forecast to decline to 3.5% by the end of 2024, and further below 3% by 2025. Goods prices have accounted for majority of the decline in inflation to date and is expected to continue falling in the short-term. However, services inflation remains above target but is expected to gradually ease to the end of 2025. In the coming years it is expected there will be an improved balance in the supply and demand across the economy, including labour and product markets, which is expected to support lower inflation while GDP returns to growth.

The short-term outlook for employment growth has been revised higher due to stronger expected domestic activity and stronger growth in the working-age population. The labour market has greater spare capacity than in 2022 but remains at multi-decade lows. Employment growth is forecast to rise more gradually than forecast than previously at around 4.25% from late 2024 to 2025. There is expected to be greater balance in the supply and demand in the labour market to support the return to low and stable inflation as growth in domestic activity returns to trend.

The tightness of the labour market is driving robust nominal wages in the short-term. Wider measures of labour incomes are expected to outpace the wage price index (WPI), reflecting additional earnings growth with improvements in skills over time and the use of bonuses and other non-base wage payments to attract or retain staff.

The cash rate is projected to peak at 4.5% before declining to 3.5% by the end of 2025. This has been increased since the August statement. The exchange rate is assumed to remain unchanged at the current level.

The economic outlook is fairly positive going into 2024 as inflation and GDP are expected to trend a return to historical norms. These conditions may provide markets reasonable confidence that companies will continue to operate business as usual. As such, we do not believe that Advanced ZincTek will be adversely affected by these economic factors in the near future.

3.2 Industry Analysis

ZincTek's main product is ZinClear XP, which is sold to sunscreen and other cosmetic companies to include in their skin care products. The globalised nature and rapidly changing trends in the cosmetics and beauty care industry heavily influence manufacturers. This is best represented by the fact that imports satisfy over three-quarters of domestic demand. However, domestic skincare manufacturers are making progress in the sunscreen and skincare market. In recent times, local skincare manufacturers have been successful in capitalising on the growing consumer preferences toward natural or organic skin care products. These companies have now been able to leverage the functional properties of Australia's native botanicals. Furthermore, 'clean beauty' trends and growing consumer demand for home-grown brands have also worked in the favour of local skincare manufacturers.

ZincTek is most appropriately placed within the Sunscreen and Other Skincare Product Manufacturing Industry, which is part of the larger Cosmetics, Perfume and Toiletries Manufacturing industry. Prior to the COVID-19 outbreak, growth was mainly driven by strong export earnings, however, during the pandemic, skincare manufacturers introduced "healthy" skincare products, reflective of the shifts in consumer preferences toward hygiene, safety and self-care. This trend had continued into 2022-23 contributed to a higher rate of growth in revenue because of higher prices.

The sunscreen and other skincare product manufacturers are expected to benefit in the coming years due to the continued shift towards niche and upscale products. Furthermore, the recent emphasis of Australian brands being preferred by customers is also expected to be advantageous to this industry. Recent trends also identify that this consumer trend is more supportive of new entrants, which is expected to further drive future revenue growth. Although these factors may be advantageous, an appreciation in the Australian dollar may detriment export growth. It is expected that the industry revenue is forecasted to grow by 3.2% annualised over the five years to 2027-28 to an estimated \$812.0 million.

Moreover, the industry has recently seen a shift to targeting pharmacies such as Chemist Warehouse and Priceline Pharmacies in the domestic market, where the manufacturers sell their products only to pharmacies to protect and control their brand image. Similarly, some manufacturers have used the rise in online shopping trends and created their own e-commerce platforms and other direct selling channels for mass-market products at discounted prices, along with niche or premium products. Overall, the sunscreen and other skincare product manufacturers have high international trade, reflective of their highlight globalised nature which has been an important aspect of the industry in recent years.

With ZincTek being an Australian brand, focussed on using healthy and organic ingredients for their products, the company is likely to be supported by the recent shift in consumer preferences and is expected to be in an advantageous position over the long term for growth.

4.0 ZincTek Company Profile

4.1 Company overview

ZincTek manufactures aluminum oxide powder, and zinc oxide dispersions and powder for use in the personal care sector in Australia, the United States, Canada, Europe, and internationally. The company produces and distributes dispersion of mineral-only UV filters in cosmetic emollients that are used for sunscreen, skincare, and pharmaceutical formulations, as well as alumina plate-like powders used for cosmetic applications. It operates through a network of distributors. The company was formerly known as Advance NanoTek Limited and changed its name to Advance ZincTek Limited in November 2021. The company was incorporated in 1997 and is based in Rocklea, Australia. ZincTek was formed in 1997 to commercialise an advanced materials technology originally developed by the University of Western Australia.

The main product that ZincTek sells is ZinClear XP, it represents 94% of sales. ZinClear XP is designed to provide exceptional UVB (SPF – 280nm to 320nm) and UVA (Broad Spectrum – 320nm to 400nm) protection while minimizing reflection in the visible spectra (400nm+) which causes the 'white cast' on the skin.

4.2 Key personnel

The Directors and officers of ZincTek are detailed below:

Table 3: Directors and Officers of ZincTek

Name & Position	Description
Lev Mizikovsky Executive Chairman	Mr. Lev Mizikovsky, NZCD (ARCH), AIMM, FAICD (DIP) founded Tamawood Limited in July 1989 and served as its Managing Director from April 2003 to February 2010. Mr. Mizikovsky serves as Executive Chairman at SenterpriSys Limited and served as Non-Executive Chairman. He is the Non-Executive Chairman at Advance ZincTek Limited (formerly known as Advance NanoTek Limited) (formerly known as Advanced Nano Technologies Limited) since March 3, 2017. He served as an Executive Chairman of Tamawood Ltd. from March 27, 2006 to July 2008. He has been Non-Executive Director of Tamawood Ltd. since August 2000 and Antaria Limited since April 10, 2015. Mr. Mizikovsky has completed Directors Diploma Course and has been Fellow of the Australian Institute of Company Directors (FAICD) since 1997.
Geoffrey Acton Joint Company Secretary and non-executive Director	Mr. Geoffrey B. Acton, also known as Geoff, B.Com., C.A., ACA, GAICD, has been the Managing Director at Advanced ZincTek Limited (formerly known as Advanced Nano Technologies Limited) (Antaria Limited) since June 2016 and serves as its Company Secretary since July 13, 2015. Further, he has an in-depth knowledge of the renewable energy sector as head of the successful Renewable Energy Certificate trading business established in 2004. He serves as Executive Director at Advance ZincTek Limited (formerly known as Advance NanoTek Limited).

Name & Position	Description
Linda Barr Non-Executive Director	Mrs. Linda Barr is Non-Executive Director of Advance ZincTek Limited from September 23, 2022. She has knowledge in accounting systems and over several years in accounting and management roles. Growth and expansion focused director with executive experience in finance and ICT gained in Manufacturing, Engineering, Hospitality and Wholesale Distribution industries. Importantly, she has a wealth of experience in Pronto. She gained valuable skills in senior finance and executive roles reporting to an ASX 100 listed Company Board, where she focused on delivering strategic integration of acquisitions, identifying synergies, and creating value added services for Finance and ICT to support business operations.
Rade Dudurovic Non-Executive Director	Mr. Rade Dudurovic, B.Com. (Hons), L.L.B. (Hons), C.P.A., is Non-Executive Director at AstiVita Limited. Mr. Dudurovic has been Non-Executive Independent Director at SenterpriSys Limited. He served as Non-Executive Director at SenterpriSys Limited since August 17, 2017. Mr. Dudurovic has many years' experience in investment and private equity, including senior executive roles with Farallon Capital, ANZ Private Equity, PricewaterhouseCoopers Financial Advisory and Peregrine Investments Limited. Mr. Dudurovic serves as the Non-Executive Chairman of Queensland Manufacturing Industries Pty. Ltd.. Mr. Dudurovic has been an Independent Non-Executive Director of Advance ZincTek Limited (formerly known as Advance NanoTek Limited) (formerly known as Advanced Nano Technologies Limited) since September 15, 2009.

4.3 Ownership and Capital Structure

ZincTek has the following 100% owned subsidiaries:

Figure 1: ZincTek's Corporate Structure



As at 11th of December 2023, ZincTek had 62,431,709 shares on issue. The top 10 shareholders and total issued ordinary shares of ZincTek as at 11th of December 2023 are summarised below.

Table 4: Top 10 Shareholders as at 11th of December 2023

Shareholder Name	Number of Ordinary Shares Held	Percentage Held of Issued Ordinary Capital
L Mizikovsky & M Mizikovsky	32,199,517	51.58%
Kearney Ethical Investments Pty Ltd	5,076,598	8.13%
Mr Brian Maurice Kearney & Mrs Mirella Ughetta Dorica Kearney	1,899,882	3.04%
Acropolis Pty Ltd	1,345,375	3.04%
BNP Paribas Nominees Pty Ltd	1,318,166	2.15%
Citicorp Nominees Pty Ltd	937,370	2.11%
Mr Alan Graham Rochford	550,000	1.50%
Mr Edwin Giovanni Diaz	540,140	0.88%
Top 10 Shareholders	43,867,048	70.26%
Other Shareholders	18,564,661	29.74%
Total Issued Shares	62,431,719	100%

Source: Advance ZincTek Management & ASX Announcements

4.4 Share Price Analysis

In order to assess the reliability of using the traded market price of ANO's shares as a basis for determining the fair market value of the shares in ANO we have had regard to:

- the liquidity of the stock over the trading period;
- the 'spread' of ordinary shareholders and the total number of ordinary shares that they hold in the Company, taking into account any trading or other restrictions applicable to the quoted ordinary shares;
- the level of trading activity of the quoted ordinary shares in the Company (i.e. the volume of trades of the quoted ordinary shares in the market as a percentage of the total quoted ordinary shares, and the frequency of the trades);
- the number and frequency of 'unusual' and/or 'abnormal' trading that takes place in the Company's quoted ordinary shares;
- the presence of any factors that may indicate that trading in the shares is the result of significant speculative trading; and
- the level of knowledge that the 'willing' buyers and sellers have in respect of the Company and the market in which it operates.

We have analysed ZincTek's daily share close price and volume traded during the period from 4th of November 2022 to 3rd of November 2023.

Figure 3: ZincTek Share Price Analysis



Source: Capital IQ and AP Analysis

Notable events disclosed by ZincTek's company announcements during the trading period which may have impacted ZincTek's share price movements and trading volumes are set out as follows:

Table 5: ZincTek's Recent Company Announcements

Date	Report	Description
31/10/2023	Press Release (PR)	Takeover Offer Update & Adviser Appointments
10/10/2023	Press Release (PR)	Intention to Make Takeover Bid
29/08/2023	Annual Report (AR)	Annual Report to shareholders
5/05/2023	Press Release (PR)	Sales Update
5/02/2023	Interim Report (SR)	Half Year Accounts
1/02/2023	Earnings Release (ER)	1st Half FY23 NPBT up 64% Compared DecFY22(Minus sale of IP)
1/11/2022	Press Release (PR)	Chairman's Address & FY23 Outlook

Source: Capital IQ

The following tables outline ZincTek's trading data. The past 12-months of trading data was used to determine daily turnover and monthly volumes. Typically, the large sophisticated and founding shareholders of small-cap companies are not traders of their shares.

Table 6: ZincTek's Share Overview

Company	Ticker	Shares Outstanding	Free Float
Advanced ZincTek	ASX:ANO	62,431,719	17,087,561

Source: Capital IQ

The following table is a summary of Advance ZincTek's 12-month trading data including average daily volume, low price, high price, and closing price.

Table 7: ZincTek's Trading Data

Average Daily Volume	Share Price
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ASX:ANO		Low (\$AUD)	High (\$AUD)	Close (\$AUD)
Month Ended				
Nov-22	11,786	2.10	2.34	2.20
Dec-22	6,876	2.20	2.38	2.38
Jan-23	2,089	2.22	2.38	2.22
Feb-23	10,831	2.21	2.68	2.39
Mar-23	3,540	1.99	2.40	2.31
Apr-23	2,714	2.15	2.35	2.15
May-23	54,379	1.87	2.15	1.95
Jun-23	4,148	1.57	1.97	1.77
Jul-23	2,999	1.59	1.89	1.64
Aug-23	17,788	0.81	1.70	0.82
Sep-23	15,924	0.81	1.09	0.96
Oct-23	15,742	0.89	1.08	0.91

Source: Capital IQ & AP Analysis

Given the above data, we note the following regarding ANO's trading data:

- the share price peaked at \$2.34 in November 2022 and reached a low of \$0.81 in September 2023.
- average daily volumes ranged from 2,089 in January 2023 to 54,379 in May 2023.

4.5 Liquidity Analysis

The following table displays the volume for each month in the past year, as well as the percentage of total and free float shares for each given month.

Table 8: ZincTek's Liquidity Analysis

Month	Volume Traded	Vol. Traded as % of Total Shares	Vol. Traded as % of Free Float Shares
Nov-22	223,929	0.4%	1.3%
Dec-22	137,517	0.2%	0.8%
Jan-23	41,774	0.1%	0.2%
Feb-23	216,622	0.3%	1.3%
Mar-23	81,425	0.1%	0.5%
Apr-23	46,136	0.1%	0.3%
May-23	1,250,720	2.0%	7.3%
Jun-23	87,118	0.1%	0.5%
Jul-23	62,981	0.1%	0.4%
Aug-23	409,130	0.7%	2.4%
Sep-23	334,413	0.5%	2.0%
Oct-23	346,315	0.6%	2.0%
Min	41,774	0.1%	0.2%
Average	269,840	0.4%	1.6%
Median	177,070	0.3%	1.0%
Max	1,250,720	2.0%	7.3%

Source: Capital IQ & AP Analysis

We note the following regarding ANO's volume and liquidity data from November 2022 to October 2023:

- the cumulative volume traded of total shares is 5.2% over this period.
- the cumulative volume of free float shares is 7.3%.
- monthly volumes ranged from 41,774 in January 2023 to 1,250,720 in May 2023.

We have analysed the bid and ask spread in trading data for the previous 12-months. The below chart demonstrates the bid and ask spread from 4th of November 2022 to 3rd of November 2023.

Figure 4: ZincTek Bid/Ask Spread



Source: Capital IQ and AP Analysis

In regard to the data provided above, we note the following:

- the minimum spread is 0.27%
- the median spread is 3.98%
- the average spread is 4.56%
- the maximum spread is 22.08%

Based on this analysis we have concluded that ZincTek is a thinly traded share and as a result we have not used the share price as our primary valuation method.

4.6 Volume Weighted Average Price

We have reviewed the following factors relating to the trading activity of ANO's shares on the ASX:

- the daily high, low and closing share price of trades of ANO;
- the daily volume of ANO share trading; and
- the volume weighted average share price ("VWAP") of ANO.

Table 9: ZincTek's VWAP

Advance ZincTek VWAP	Low	High	VWAP
Up to 11th October 2023			
1 Day	0.8900	0.9900	0.9300
5 Day	0.9820	1.0800	0.9270
10 Day	0.9550	0.9920	0.9332
1 Month	0.9250	1.0000	0.9421
2 Month	1.5000	1.5050	0.9900
3 Month	1.7600	1.7650	1.0474

Source: Capital IQ & AP Analysis

We note the following regarding with respect to the share price of ANO in the 3-months leading up to the takeover announcement on the 11th of October 2023:

- The VWAP ranges from \$0.93 (5-day) to \$1.05 (3-month)
- The 1-month VWAP is at \$0.94 which is lower than the offer
- The 2-month and 3-month VWAPs are trading above the takeover offer at \$0.99 and \$1.05 respectively

4.7 Historical Profit and Loss

We detail below the past 3 years Profit and Loss for ZincTek.

Table 10: ZincTek's Historical Profit and Loss

Income Statement (000's)	ACTUAL		
	FY21	FY22	FY23
Revenue	6,523	12,504	13,745
Other Income	982	1,750	895
Total Income	7,505	14,254	14,640
Cost of Sales	1,744	5,166	5,677
Gross Profit	5,761	9,088	8,963
Expenses			
Employee benefits expense	1,551	1,625	2,357
Superannuation	233	243	314
Amortisation Charge	85	66	71
Depreciation	1,341	1,494	1,705
Legal expense	167	80	128
Directors fees	106	105	107
Insurance fees	190	233	209
Rent expense	6	37	48
Patent renewal	60	86	80
Travel costs	2	2	31
Rates and taxes	15	16	11
Corporate costs	284	342	268
Consulting	242	103	204
Other operating expenses	1,086	770	927
Total Expenses	5,368	5,202	6,460
EBIT	393	3,886	2,503
Interest	128	204	212
NPBT	265	3,682	2,291
Income Tax Expense	233	1,491	628
NPAT	32	2,191	1,663

Source: Advance ZincTek Management

Table 11: ZincTek's Historical Segmented Revenue

Segmented Revenue (000's)	ACTUAL		
	FY21	FY22	FY23
Revenue			
ZinClear	4,401	11,456	11,892
Alusion	2,122	983	945
Sunscreen	-	65	908

Source: Advance ZincTek Management

4.8 Historical Balance Sheet

We detail below the historical balance sheet for ZincTek as at 30 June 2021, 2022 and 2023.

Table 12: ZincTek's Historical and Current Balance Sheet

Balance Sheet	30-Jun 2021	30-Jun 2022	30-Jun 2023
ASSETS			
Current Assets			
Cash and cash equivalents	95	1,331	325
Trade and other receivables	1,243	4,439	3,833
Inventories	12,153	10,891	13,066
Other assets	752	1,290	518
Total Current Assets	14,243	17,951	17,742
Non-Current Assets			
Property, plant and equipment	9,172	10,478	12,004
Capitalised Software & Intangible assets	2,722	2,382	2,000
Restricted Cash	6,656	5,514	5,341
Other non-current assets	1,670	1,943	1,975
Total Non-Current Assets	20,220	20,317	21,320
Total Assets	34,463	38,268	39,062
LIABILITIES			
Current Liabilities			
Trade and other payables	3,186	445	1,266
Lease liabilities	434	454	513
Provisions	93	105	109
Borrowings	200	0	0
Total Current Liabilities	3,913	1,004	1,888
Non-Current Liabilities			
Lease liabilities	2,407	2,084	1,665
Provisions	187	191	226
Total Non-Current Liabilities	2,594	2,275	1,891
Total Liabilities	6,507	3,279	3,779
Net Assets	27,956	34,989	35,283
Equity			
Issued Capital	45,951	50,793	53,103
Reserves	1,519	1,519	1,519
Accumulated Losses	(19,514)	(17,323)	(19,339)
Total Equity	27,956	34,989	35,283

Source: Advance ZincTek Management

4.9 Historical Cash Flow Statement

We detail below the historical Cash Flow Statement for ZincTek as at 30 June 2021, 2022 and 2023.

Table 13: ZincTek Historical Cash Flow Statement

Cash Flow Statement (000's)	ACTUAL		
	FY21	FY22	FY23
Cash From Operating Activities			
Receipts from Customers (incl. GST)	10,184	11,120	15,346
Payments to Suppliers & Employees (inc. GST)	-8,663	-9,374	-10,823
Least Interest Expense	-128	-127	-102
Net Cash Provided by Operating Activities	1,393	1,619	4,421
Cash From Investing Activities			
Purchase of Property, Plant & Equipment	-3,239	-2,493	-2,737
Payment for development assets	-802	-715	-75
Proceeds on sale of IP and PPE	-	1,395	15
Employee loans advanced	-	-354	-696
Net Cash Provided by Investing Activities	-4,041	-2,167	-3,493
Cash From Financing Activities			
Shares issued during the year	353	2,442	-
(Decrease) / Increase in borrowings	2,400	-200	-
Repayment of lease liabilities	200	-458	-514
Dividends paid	-469	-	-1,420
Net cash used by financing activities	2,484	1,784	-1,934
Net Increase / (Decrease) in cash & cash equiv.	-165	1,236	-1,006
Cash and cash equiv at beginning of year	260	95	1,331
Cash and cash equiv at end of year	95	1,331	325

5.0 Valuation of ZincTek's Shares

We considered the various valuation methods as set out in Appendix 2 in the course of arriving at our valuation conclusion. Our assessment of the appropriate valuation methods applicable for the valuation of ANO are set out below.

In our opinion, the most appropriate method with which to value ANO is the capitalisation of future maintainable earnings methodology. The capitalisation of future maintainable earnings method estimates fair market value by capitalising the estimated future maintainable earnings by an appropriate multiple.

This method is appropriate for the following reasons:

- The business is profitable; and
- The business is a mature business with consistent financial performance.

We considered the following valuation methods inappropriate for the following reasons:

- As we have assessed the shares of ZincTek to be thinly traded, we don't consider the share price of ZincTek to be a reliable measure of the value of the company. We consider that the Net Realisable Value of Assets method would undervalue the business due to only considering the book value of the assets and not the future earnings potential of the business. It may also ignore the value of intellectual property, customer relationships, goodwill and other intangible assets.
- We don't consider the Discounted Cash Flow method to be appropriate as we do not have any reliable information with regard to future cash flows. The company's contract sales have been an inconsistent indicator of future revenues.

In undertaking the capitalisation of future maintainable earnings method to value ANO, we have given consideration to the determination of the following:

- an estimate of future maintainable earnings;
- selection of an appropriate earnings capitalisation multiple; and
- the value of any surplus assets

5.1 Future Maintainable Earnings

Future maintainable earnings ("FME") is the assessed level of sustainable profits, in real terms, that can be expected to be derived from the existing operations of the business regardless of short-term economic fluctuations and excludes any one-off profits or losses.

We have selected EBITDA as the appropriate measure of earnings. Earnings multiples based on EBITDA are less sensitive to different financing structures, depreciation/amortisation accounting policies and effective tax rates. This allows a better comparison with earnings multiples of other companies.

Our estimate of the future maintainable earnings of ZincTek is based on the last twelve months results, adjusted for non-cash and one-off accounts.

In arriving at FME and to ensure it is a reasonable proxy for underlying earnings of ANO, we have considered the following:

- The operational and financial history of ANO for the past 3 financial years. We deem this a reasonable timeframe to assess the financial performance of the company.

- The half-year financial reports for FY24 (July – December 2023).
- The EBITDA Margin and revenue growth of ANO from FY17 to FY23 (Appendix 3).
- Any relevant adjustments to the EBITDA of ANO in the last twelve months (Table 14).

We believe that the last twelve months trading period is representative of the future maintainable earnings of the enterprise going forward for the following reasons:

- The business in its current form is profitable.
- The company is a mature business with consistent financial performance.
- The EBITDA margin is around the historical norm for the business (Appendix 3). This ensures the current EBITDA is not significantly impacted by under or overperformance.
- It is the most recent financial data available reflecting current business operations.

The following table displays the normalised LTM EBITDA of Advanced ZincTek:

Table 14: ZincTek's Normalised EBITDA

	FY22	FY23	1H CY23	2H CY23	Last 12 months
Revenue	12,504	13,745	7,074	5,573	12,647
NPBT	3,682	2,291	1,020	1,028	1,484
D&A	1,560	1,776	886	881	1,767
Interest Expense	127	110	54	48	102
EBITDA	5,369	4,177	1,396	1,957	3,353

Normalisation Considerations in the 2023 Year:

- Management have advised that there was \$2.9 million of Research and Development expenditure in the 2023 year. Below are the specific projects currently being claimed by the company as Research and Development expenditure. Some of the projects have been paused due to lack of funds:
 - Advanced Mineral Combination/Blends (PQETW7HN7) - expected expenditure \$770,835;
 - Correlation of BET Specific Surface Area to UV Protection Performance of Zinc Oxide, as a Mineral UV Filter, in ZinClear Sunscreen Finished Products (P6C64TYGA)—expected expenditure \$232,525;
 - High Purity Alusion (PQR7EWZVW) – expected expenditure \$73,830;
 - Lithium Cathode Material (P8TJ80XB3) – expected expenditure \$0.00;
 - Zinc Oxide Coating – Surface Coating for ZinClear XP (PA3B7GF9W) – expected expenditure \$0.00; and
 - ZinClear XP Timber Oil (PSAKGYVVI) – expected expenditure \$5,202.

We note the following in relation to the projects as advised by the independent directors:

- All projects are a continuation of the company's existing business and are more incremental improvements than significant new products;
- There are no prospects for any of the Projects to produce a material change in the current business; and
- Any new products developed will require a significant period of time for them to enter the market and generate cashflows.

As a result of the information provided and detailed discussions with management we have not added back research and development as we consider this expenditure is required to stay in business. We have also concluded that there isn't any separate value in the research and development due to it relating to current operations and marginal improvement to existing business.

- Management have advised that they have adjusted their bill of materials, accordingly, an adjustment has been made in November to revalue the current Inventory holding based on the following.
 - Cost of Labour has increased.
 - A cost has been added for consumables, and
 - Freight cost has been added to inventory held overseas.

This adjustment has increased the inventory value on hand by \$671,512.36. We have been advised by the company's audit committee that \$235,000 relates to the 2024 financial year with the balance relating to the prior year. In using the last 12 months, as the future maintainable earnings, we consider that this adjustment will be absorbed within this period and as a result we don't consider that an adjustment is required to take the change in inventory value into account.

5.2 Earnings Multiple

The appropriate earnings multiple is usually assessed by collecting market evidence with respect to the earnings multiples of companies that are comparable. Such multiples are derived from:

- share market prices of comparable listed companies;
- initial offer prices of shares in comparable companies; and
- prices achieved in mergers and acquisitions of comparable companies.

As Advance ZincTek has little, if any, direct comparable firms listed in Australia, Advisory Partner has identified key criteria which best reflects the company's core business operations which include:

- NACE Code begins with 20.59 (Manufacture of other chemical products);
- OR NAICS Code begins with 3259 (Other Chemical Product and Preparation Manufacturing);
- AND Company Type In Public Company; and
- AND Business Description includes "personal care" OR "healthcare" OR "cosmetics"

The criteria were then used in the Screener tool provided by S&P Capital IQ database to identify potential comparable firms. These companies were further researched to evaluate the screen and is shown below:

Table 15: Comparable Companies

Company Name	Company Type	Market Cap (AU\$M)	EV (AU\$M)	EV/Revenue	EV/EBITDA	Weighting
Advance ZincTek Limited	Public Company	64.62	66.47	4.58x	16.27x	
Iofina plc	Public Company	90.42	90.58	1.26x	4.38x	30%

Narmada Gelatines Limited	Public Company	46.51	41.91	1.23x	9.71x	10%
Floridienne S.A.	Public Company	966.78	1399.86	1.56x	14.65x	10%
Nitta Gelatin India Limited	Public Company	173.69	171.75	1.68x	6.72x	20%
Groupe Berkem Société anonyme	Public Company	88.05	131.13	1.56x	16.71x	20%
Osaka Organic Chemical Industry Ltd.	Public Company	653.14	629.28	2.12x	10.17x	10%

Source: Capital IQ Pro & AP Analysis

The table below highlights key business characteristics which are similar between the comparable firms and AND. The companies were weighted based on similarities using the criteria in the table below. We've ascribed a weighting of 30% to companies who fulfill every characteristic and deduct 10% weighting for each characteristic missed.

Table 16: Comparable Company Similarity Table

Company	Chemical Processing	Supplied to cosmetics, healthcare	Global Market Operations	Market Cap Range (40-100)	EBITDA Margin (>20%)	Public Listing
Advance ZincTek Limited						
Iofina plc						
Narmada Gelatines Limited						
Floridienne S.A.						
Nitta Gelatin India Limited						
Groupe Berkem Société anonyme						
Osaka Organic Chemical Industry Ltd.						

Source: AP Analysis

The following observations were made with respect to the comparable companies:

- **Iofina plc** specializes in the production of iodine and the manufacturing of specialty chemical derivatives with headquarters in the United States and operations globally.
- **Narmada Gelatines Limited** is an Indian company which manufactures ossein and gelatin through chemical processes, selling products worldwide.

- **Floridienne S.A.** is a diversified Belgian industrial group with a key segment in chemical processing, along with operations in healthcare cosmetics and has a global market presence.
- **Nitta Gelatin India Limited** uses chemical processes to produce Gelatin for various commercial uses, including Pharmaceutical purposes and has operations across India, Japan and China.
- **Groupe Berkem Société anonyme** is a plant-based chemical manufacturer with a large international presence and a segment for health and nutrition.
- **Osaka Organic Chemical Industry** is a company located in Japan, focused on the production and marketing of organic chemistry industry products and other chemical derivatives with operations in Japan and Korea.

Although there are some differences between ZincTek and comparable companies, the analysis provides an indicative range of EV/Revenue and EV/EBITDA multiples that may be regarded relevant for the purpose of valuing ZincTek. Advisory Partner has placed a particular emphasis on the trading multiples of Iofina plc, Groupe Berkem Société anonyme and Nitta Gelatin India Limited in considering the appropriate multiple.

Table 17: Summary Multiples

Analysis	EV/Revenue	EV/EBITDA
Minimum	1.23x	4.38x
Median	1.56x	9.94x
Average	1.57x	10.39x
Weighted Average	1.52x	9.45x
Maximum	2.12x	16.71x
Skew	0.89	0.19

Source: AP Analysis

We've used the below formula to determine the skewness of the sample which indicates the symmetry of a dataset:

$$\frac{n}{(n-1)(n-2)} \sum \left(\frac{x_i - \bar{x}}{s} \right)^3$$

We have assessed the comparable list of companies based on their similarity to ANO's business operations and weighted each company based on this assessment. As a result, we have determined the weighted average earnings multiple and used this as the low end of our range. Furthermore, we have assessed the skew and statistical outliers within the comparable companies and as a result, determined the median of the comparable companies to be used for the high valuation of our range. As a result, we have determined the appropriate earnings multiple to be in the range of 9.45x to 9.94x EBITDA.

5.3 Surplus assets

Surplus assets are assets that form part of a business entity or company but do not contribute to the earnings or cash flow generation capacity of that business or company. These are assets which, if sold, would not impact on the revenue or profit generating capacity of the entity. There are no surplus assets in ZincTek.

5.4 Premium for Control

When valuing a controlling interest, an appropriate allowance should be made for the premium for control, given the strategic benefit that a controlling interest would provide. Empirical evidence on premiums for control indicates that these premiums tend to range between 15% and 40%.

- Mr Lev Mizikovsky owns over 50% of the company currently and ownership exceeds 90% ownership, the corporations act allows for a compulsory acquisition of the balance of the shares;
- The company has seen notable growth, however, the company faced a significant downturn in revenues during FY21.
- The company derives over 90% of revenues from a Zinc Oxide product and is heavily exposed to changes in demand for this product.
- The company is subscale to be able to carry the compliance costs and overhead of being a listed company;
- The company has limited ability to raise capital in its current form, due to illiquidity and low market capitalisation; and
- The company has been paying limited dividends.

Our view is that the circumstances mean that the control premium would be at the low end of the range and as a result we have selected 25%.

¹ Empirical Evidence of Control Premia:

CA ANZ Survey, September 2021: "For those using a standard control premium, the most common range adopted is 20-25%".

RSM Control Premium Study, 2021: "In the 15.5-year period ended 31 December 2020, the average implied 20-day pre-bid control premium for the Australian Market is 34.7%, whilst the median is 27.5%."The research also found premiums in the ranges of 9.5% to 40.6%.

Corporate Finance Institute, 2022: "Typically, control premiums can be in the 20%-30% range of the target's current share price and can sometimes go up to 70%".

Loneragan, Wayne, 'The Valuation of Businesses, Shares and Other Equity': "A typical control premium may be in the order of 25% to 40%".

Halligan & Co, Control Premium Research: "The median takeover premium on the 20-day pre-bid price is 30% based on our analysis of 605 takeovers over 14 years to FY2014".

5.5 Valuation conclusion

Advisory Partner's value of ZincTek derived from the capitalisation of future maintainable earnings is summarised as follows:

We have determined the net debt to be deducted from the Enterprise Value below. We have used the net debt at 31 December 2023 as the most current information on the cash and debt position of ANO.

Table 18: ZincTek Net Debt Calculation

Advance ZincTek Valuation	December 2023
Current Portion of Debt	513
(+) Long Term Portion of Debt	1,665
(-) Cash	52
Net Debt	2,126

Source: AP Analysis

Our valuation of ZincTek derived from the capitalisation of future maintainable earnings is summarised as follows. We have used an EBITDA multiple range of 9.45x to 9.94x based on the comparable companies listed in section 5.2.

Table 19: ZincTek Valuation

Advance ZincTek Valuation	Low	High
Maintainable EBITDA	3,353	3,353
Multiple	9.45x	9.94x
Enterprise Value on Minority Basis	31,690	33,328

<i>Add/(Less):</i>		
Surplus Assets	0	0
Net Debt	2,126	2,126
Fair Value of Equity on a Minority Basis	29,564	31,202
Control Premium	25%	25%
Fair Value of Equity on a Controlling Basis	36,955	39,002

Source: AP Analysis

This represents a per share value below:

Table 20: ZincTek Valuation per Share

Advance ZincTek Valuation	Low	High
Fair Value of Equity on a Controlling Basis	36,955	39,002
Fully paid ordinary shares outstanding	62,432	62,432
Equity Value Per Share	0.59	0.62

Source: AP Analysis

We have assessed the value of ZincTek based on the FME method to be in the range of **\$0.59 to \$0.62** per share.

5.6 Share Valuation Cross Check

We have cross checked the fair market value of ZincTek based on a Future Maintainable Revenue (FMR) of ZincTek.

Future maintainable revenue (“FMR”) is the assessed level of sustainable revenue, in real terms, that can be expected to be derived from the existing operations of the business regardless of short-term economic fluctuations.

Our estimate of the future maintainable revenue of ZincTek is based on prior years revenue.

In arriving at FMR and to ensure that it is a reasonable proxy for the underlying Revenue of ZincTek, we have considered the following:

- the historical operational performance of ZincTek; and
- the historical financial performance of ZincTek.

5.7 Valuation Cross Check Conclusion

Advisory Partner’s cross check of the value of ZincTek derived from the maintainable revenue multiple method is summarised as follows:

Table 21: Summary of Valuation

Valuation Cross-Check	Low	High
Revenue	12,647	12,647
Multiple	1.52	1.56
Enterprise Value on Minority Basis	19,203	19,706
<i>Add/(Less):</i>		
Surplus Assets	0	0

Net Debt	2,126	2,126
Fair Value of Equity on a Minority Basis	17,077	17,580
Control Premium	25%	25%
Fair Value of Equity on a Controlling Basis	21,346	21,974
Fully paid ordinary shares outstanding	62,432	62,432
Fair Value of Equity on a Controlling Basis	0.34	0.35

Source: AP Analysis

We have assessed the value of ZincTek based on using a multiple of revenue valuation method based on comparables listed in section 5.2 which provides a value of **\$0.34** to **\$0.35** per share.

We believe that this supports our primary valuation of **\$0.59** to **\$0.62** per share.

6.0 Assessment of Fairness

In forming our opinion in relation to the fairness of the Offer, we have valued each component of the proposal being the fair market value of an ZincTek share and the fair market value of the consideration.

Table 22: Fair Value

Fair Value	Unit	Low Value	High Value
Fair Value of ZincTek share on a controlling basis	\$	0.59	0.62
Cash offer for shares		1.05	1.05
Premium / (Discount)	\$	77%	68%

Advisory Partner assessed the fair market value of ZincTek shares, on a control basis, is between **\$0.59** and **\$0.62** per share. By comparison, the assessed value of the consideration provided for under the Offer is \$1.05 per share. As demonstrated above, the value of the consideration being offered is higher than the value of an ZincTek share and as a result, the Offer is considered fair and in the reasonable of ZincTek Shareholders.

We note that we have valued the ZincTek shares on a controlling basis, which allows for a 25% premium. The offer provides a premium above the assessed value of Advanced ZincTek of more than 60%.

7.0 Reasonableness

As the Offer is fair, it is also reasonable. To assist the Shareholders in their decision-making process we have summarized the following:

- The likely advantages and disadvantages associated with the Offer; and
- Alternatives, including the position of Shareholders if the Offer does not proceed.

Shareholders of ZincTek should read the full Report, where their matters are explained in more details.

Advantages of Approving the Offer

Set out below is a summary of the key advantages to the Shareholders of accepting the Offer.

- **Liquidity of ZincTek's Shares**
ZincTek shareholders currently face illiquidity in the trading of their shares. On a typical trading day, ZincTek shares are thinly traded and have a wide bid-ask spread. As a result, it is difficult to sell shares in ZincTek. The offer provides shareholders with a fixed cash price to sell their shares.
- **Trading Conditions**
As indicated in the company's annual report, the sales orders received have not been converting into revenues and has proven an unreliable indicator for future sales. This offer provides a liquidity event in tough trading conditions.

Disadvantages

- **ASX Shareholder Spread Requirement**
The company may be unable to hold the minimum shareholder spread required by the ASX to keep their listing. This requirement is 300 non-affiliated security holders who each hold shares with a value (based on the issue price) of at least \$2,000.
- **Liquidity of ZincTek's Shares**
Mr Lev Mizikovsky has indicated that despite that the offer is in respect of all ANO shares, the preference is to increase the holding from 51.58% to 70%. In the case that Mr Lev Mizikovsky does not acquire all shares, existing shareholders will face further illiquidity conditions on the ASX. This will also grant Mr Lev Mizikovsky greater control over the company.
- **Greater concentration of shareholding**
If the offer is accepted by shareholders, it will result in Mr Lev Mizikovsky having greater control over the company. This may result in negative implications such as a greater difficulty to raise capital, less control for minority shareholders, and a more difficult governance environment.

Other Considerations

- **Availability of alternative transaction**
The company has not received any other offers since the announcement of this Offer.
- **Compulsory acquisition if the 90% ownership threshold is reached.**
The corporations act allows for a compulsory acquisition if the balance of the shares if the Mr Lev Mizikovsky achieves 90% ownership.

Shareholder circumstances

Advisory Partner has not considered the effect of the Offer on the particular circumstances of individual Shareholders. Some individual Shareholders may place a different emphasis on various aspects of Proposed Transaction from that adopted in this Report. Accordingly, individuals may reach different conclusions as to whether or not the Offer is in their individual best interests. The decision of an individual Shareholder in relation to the Offer may be influenced by their particular circumstances (including their taxation position) and accordingly, Shareholders are advised to seek their own independent advice.

Other matters

This Report has been requested by the ZincTek Directors to assist the Shareholders in their decision to accept or reject the Proposed Transaction.

This Report should not be used for any other purpose and Advisory Partner does not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

8.0 Qualifications, Declarations, and Consents

7.1 Qualifications

Advisory Partner provides corporate advisory services in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally. One of its activities is the preparation of company and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and schemes of arrangements. Advisory Partner's Director has prepared a number of public expert's reports.

The principal person responsible for preparing this Report on behalf of Advisory Partner is Brett Plant, BBus, MCom, FCA, he is a Director of Advisory Partner. Mr Plant has been actively involved in the preparation of this report. Mr Plant has in excess of 20 years experience in the commerce and the accountancy profession and has been involved in specialist corporate advisory services including company valuations, business sales, due diligence investigations, independent experts' reports as well as other corporate investigations for more than 10 years. Mr Plant has the appropriate experience and professional qualifications to provide the advice offered.

7.2 Declarations

It is not intended that this Report should be used or relied upon for any purpose other than as an expression of Advisory Partner's opinion as to whether the Offer is fair and reasonable and for Shareholders of ZincTek as a whole. Advisory Partner expressly denies any liability to any Shareholder who relies or purports to rely on this Report for any other purpose and to any other party who relies or purports to rely on this Report for any purpose.

This Report has been prepared by Advisory Partner with care and diligence and the statements and opinions given by Advisory Partner in this Report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Advisory Partner or any of its directors, officers or employees for errors or omissions however arising in the preparation of this Report, provided that this shall not absolve Advisory Partner from liability arising from an opinion expressed recklessly or in bad faith (unless the law otherwise requires).

7.3 Independence

Advisory Partner is entitled to receive a fee of \$20,000 to \$22,000 (exclusive of GST) for the preparation of this Report. Advisory Partner is also entitled to be reimbursed for any out-of-pocket expenses incurred in the preparation of this Report. Except for this fee and the reimbursement of these expenses, Advisory Partner has not received and will not receive any pecuniary or other benefit, whether direct or indirect, in connection with the preparation of this Report.

Neither the signatory to this Report nor the Advisory Partner holds securities in Advance ZincTek Limited. No such securities have been held at any time over the last two years.

Neither the signatories to this Report nor Advisory Partner have had within the past two years any business relationship material to an assessment of Advisory Partner's impartiality with in Advance ZincTek Limited or its associates.

Prior to accepting this engagement, Advisory Partner considered its independence with respect to Advance ZincTek Limited and any of its respective associates with reference to ASIC Regulatory Guide 112 entitled "Independence of Experts". In Advisory Partner's opinion, it is independent of in Advance ZincTek Limited and its associates.

A draft of this Report was provided to ZincTek and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this Report as a result of this review and there was no alteration to the methodology, evaluation or opinions set out in this Report as a result of issuing the draft.

7.4 Indemnity

Under the terms of our engagement, ZincTek has agreed that no claim shall be made by ZincTek or any of its subsidiaries against Advisory Partner, any of their directors, officers, partners, employees or agents (Indemnified Persons) to recover any loss or damage which ZincTek or any of its subsidiaries may suffer by reason of or arising out of anything done or omitted in relation to the provision of the services by Advisory Partner, provided that such loss or damage does not arise from the negligence or willful default of any of the Indemnified Persons. ZincTek has unconditionally indemnified Advisory Partner and their respective officers, employees and agents against any losses, claims, damages, liabilities, costs, expenses and outgoings whatsoever (Losses) which they may suffer or incur directly or indirectly arising out of:

- Advisory Partner relying on information provided by ZincTek or any of its employees, agents or advisers; or
- ZincTek failing to provide Advisory Partner with material information in relation to the Proposed Transaction.

Further, ZincTek must pay and must indemnify Advisory Partner against any Losses in relation to any investigations, enquiries or legal proceedings by ASIC or any other competent regulatory body arising out of, or in connection with, the Proposed Transaction, including reasonable legal expenses and disbursements incurred by Advisory Partner and fees payable to Advisory Partner attributable to time reasonably spent by its staff assessed at its hourly rates to the extent that investigation, enquiry or legal proceeding is not caused by an act or omission of the Indemnified Persons.

7.5 Consents

Advisory Partner consents to the issuing of this Report in the form and context in which it is to be included in the Target Statement to be sent to the Shareholders. Neither the whole nor any part of this Report nor any reference thereto may be included in, or attached to, any other document without the prior written consent of Advisory Partner as to the form and context in which it appears.

Advisory Partner takes no responsibility for the content of the Target Statement or any other documents provided to the Shareholders, other than this Report.

7.6 Other

The opinion of Advisory Partner is made at the date of this Report and reflects circumstances and conditions as at that date. In particular, Advisory Partner provides no representations or warranties in relation to the future value of shares of ZincTek.

Shareholders who are in any doubt as to the action they should take should consult their own independent professional advisers.

Advisory Partner has prepared a Financial Services Guide as required by the Act. The Financial Services Guide is set out at the beginning of this Report.

Appendix 1: Sources of Information

In preparing this report we have had access to and relied upon the following principal sources of information:

- audited annual reports of ZincTek for the years ended 30 June 2021 to 30 June 2023;
- details of ZincTek's shareholders and share register as at 30 June 2023;
- historical trading volumes and prices of ZincTek's ordinary shares traded on the Australian Stock Exchange ("ASX");
- various ASX announcements;
- meeting with management and management working papers in relation to the transaction;
- IBIS World report on Sunscreen and Other Skincare Products Manufacturing in Australia;
- Statement on Monetary Policy, Reserve Bank of Australia, October 2023;
- S&P Capital IQ; and
- other publicly available information on ZincTek.

In addition to the above, Advisory Partner has had various discussions with the management, officers and advisers of ZincTek regarding the nature of the ZincTek businesses, their operations, financial position and prospects.

Appendix 2: Valuation Methods

In conducting our assessment of the fair market value of the Company, the following commonly used business valuation methods have been considered:

Discounted Cash Flow Method

The discounted cash flow ("DCF") method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- the forecast of future cash flows of the business asset for a number of years (usually five to 10 years); and
- the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value ("NPV").

DCF is appropriate where:

- the businesses' earnings are capable of being forecast for a reasonable period (preferably five to 10 years) with reasonable accuracy;
- earnings or cash flows are expected to fluctuate significantly from year to year;
- the business or asset has a finite life;
- the business is in a 'start up' or in early stages of development;
- the business has irregular capital expenditure requirements;
- the business involves infrastructure projects with major capital expenditure requirements; or
- the business is currently making losses but is expected to recover.

Capitalisation of Future Maintainable Earnings Method

This method involves the capitalisation of estimated future maintainable earnings by an appropriate multiple. Maintainable earnings are the assessed sustainable profits that can be derived by the vendor's business and excludes any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

Net Realisable Value of Assets

Asset based valuations involve the determination of the fair market value of a business based on the net realisable value of the assets used in the business.

Valuation of net realisable assets involves:

- separating the business or entity into components which can be readily sold, such as individual business units or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of the assets can be determined on the basis of:

- *orderly realisation*: this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;
- *liquidation*: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or
- *going concern*: the net assets on a going concern basis estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding company. Adjustments may need to be made to the book value of assets and liabilities to reflect their going concern value.

The net realisable value of a trading company's assets will generally provide the lowest possible value for the business. The difference between the value of the company's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The net realisable value of assets is relevant where a company is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding company, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the company's value could exceed the realisable value of its assets.

Share Market Trading History

The application of the price that a company's shares trade on the ASX is an appropriate basis for valuation where:

- the shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's shares; and
- the market for the company's shares is active and liquid.

Constant Growth Dividend Discount Model

The dividend discount model works best for:

- firms with stable growth rates;
- firms which pay out dividends that are high and approximate free cash flow to equity;
- firms with stable leverage; and
- firms where there are significant or unusual limitations to the rights of shareholders.

Special Value

Special value is the amount which a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value to the potential acquirer of potential economies of scale, reduction in competition or other synergies arising from the acquisition of the asset not available to likely purchasers generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchases.

Appendix 3: EBITDA Margin Analysis

Advisory Partner has chosen to use EBITDA in FY23 as a fair representation of future maintainable earnings valuation method as discussed in section 5.1. The following table is a summary of ANO's EBITDA Margin from years FY17 to FY23. The EBITDA margin of 24.64% is the median in the sample relative to an average of 25.01%. Given the company has grown revenues from \$5.097m to \$13.745m during this time period, it provides evidence that the FY23 EBITDA is a reasonable basis for future maintainable earnings.

Table 23: Fair Value

EBITDA Margin Analysis	ACTUAL (%)						
	FY17	FY18	FY19	FY20	FY21	FY22	FY23
EBITDA Margin	19.33	18.28	27.18	38.47	19.29	27.91	24.64
Min	18.28						
Mean	25.01						
Median	24.64						
Max	38.47						

Source: Capital IQ Pro & AP Analysis