



21 December 2023

Dear Advance ZincTek Limited Shareholders

TARGET'S STATEMENT - OFF-MARKET TAKEOVER BID BY ANKLA PTY LTD

Advance ZincTek Limited (ASX: ANO (ANO or the Company) refers to the previous announcement on 11 December 2023 in relation to the proposed cash off-market takeover offer for all of the shares in ANO for \$1.05 per share by Ankla Pty Ltd (**Ankla** or the **Bidder**), an entity owned by Mr. Lev Mizikovsky (the **Offer**).

Target's Statement

ANO is pleased to announce that ANO has prepared a Target's Statement for dispatch to ANO Shareholders in relation to the Offer, the Target's Statement includes an Independent Expert's Report.

ANO confirms that the Target's Statement has been lodged with the Australian Securities and Investments Commission (ASIC) pursuant to items 2 and 13 of section 633(1) of the *Corporations Act 2001* (Cth) (**Act**).

A copy of the Target's Statement is attached to this announcement, including for the purposes of items 5 and 14 of section 633(1) of the Act.

ANO Shareholders should read the Target's Statement in its entirety before making a decision on whether or not to accept the Offer in respect of some or all of their ANO shares.

Dispatch of the Target's Statement to ANO Shareholders

Recent changes to the Corporations Act permits this Target's Statement to be sent by email where ANO has an email address for you on file or you have elected to receive shareholder information in hard copy form by post.

ANO Shareholders that have been send this Target's Statement by email may also request a hard copy of be sent to them (if in Australia, by pre-paid ordinary post or by courier, or, if outside Australia, by pre-paid airmail post or by courier) by contacting the ANO Office on +61 7 3726 2021, Monday to Friday (excluding public holidays) between 8.30am and 2.30pm (Brisbane time).

ANO Update

Based on unaudited management accounts, the revenue and profit before tax for the first half FY24 are expected to be not dissimilar to the first half FY23.

Yours faithfully
Advance ZincTek Limited

Geoff Acton
Company Secretary

ENDS

This announcement was authorised for release by the Board of Directors of Advance ZincTek Limited.

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Target's Statement

Advance ZincTek Limited

ACN 079 845 855

Ankla Pty Ltd

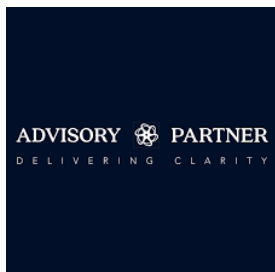
ACN 074 315 432

This Target's Statement has been issued in relation to the all-cash offer by Ankla Pty Ltd ACN 074 315 432 (the **Bidder**) to acquire all of your ordinary shares in Advance ZincTek Limited ACN 079 845 855 (**ANO**).

Target's Statement

This is an important document and requires your immediate attention. If you are in doubt about how to deal with this document, you should consult an appropriately licensed professional adviser immediately.

Advance ZincTek
financial Adviser



Advance Zinctek legal adviser



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Important Information

Nature of this Target's Statement

This Target's Statement includes an independent expert's report (the Independent Expert's Report) prepared by Advisory Partner (the Independent Expert) in accordance with the requirements of section 640 of the Act that states whether, in the opinion of the Independent Expert, the Offer is fair and reasonable and gives the reasons for forming that opinion. The Independent Expert's Report is set out in Attachment 1 of this Target's Statement.

ASIC and ASX Disclaimer

A copy of this Target's Statement and Independent Expert's Report was lodged with ASIC on 21 December 2023 and provided to ASX on 21 December 2023. Neither ASIC nor ASX, nor any of their respective officers, take any responsibility for the content of this Target and Independent Expert's Report.

Date of this Target's Statement

This Target's Statement is dated 21 December 2023.

Defined terms

A number of defined terms are used in this Target's Statement which are defined in the Glossary. The Independent Expert's Report contains its own defined terms which may differ from those set out in the Glossary.

No Investment Advice

The information in this Target's Statement does not constitute financial product advice. This Target's Statement has been prepared without reference to the investment objectives, financial situation or particular needs of any ANO Shareholder or any other person. It is important that you read this Target's Statement in its entirety before making any investment decision. If you are in any doubt in relation to these matters, you should consult an independent licenced financial advisor and other suitable professional adviser.

Disclaimer as to forward-looking statements

This Target's Statement contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. The forward-looking statements in this Target's Statement are based on, among other things, assumptions, expectations, estimates, objectives, plans and intentions as at the date of this Target's Statement. Forward-looking statements generally may be identified by the use of forward-looking words or phrases such as "believe", "expect", "aim", "anticipate", "intending", "likely", "should", "estimated", "potential", "may", "planned", "foreseeing", or other similar words and phrases. Similarly, statements that describe the ANO's objectives, plans, goals or expectations are or should be considered to be forward-looking statements.

The statements in this Target's Statement about the impact that the Offer may have on the operational and financial performance of ANO, and the advantages and disadvantages anticipated to result from the Offer, are also forward-looking statements. You should be aware that such forward-looking statements are not guarantees of future events and are only predictions and are subject to inherent known and unknown risks and uncertainties, which include factors and risks specific to the industry in which ANO operates, as well as general economic conditions and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement. None of ANO nor any of its affiliates or related entities nor any of its or their Subsidiaries, nor any of their respective directors, officers, employees or advisors nor any person named in this Target's Statement or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement. You are cautioned not to place undue reliance on any forward-looking statement. The forward-looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Other than to the extent required by law, ANO has no intention of updating or revising any forward-looking statements after the date of this Target's Statement regardless of whether new information, future events or any other factors affect the information contained in this Target's Statement.

Disclaimer as to information

ANO has prepared, and is responsible for, the Target's Information. To the maximum extent permitted by law, neither ANO, its affiliates or related entities nor any of its or their Subsidiaries, nor any of their respective directors, officers, employees or advisors is responsible for the accuracy or completeness of the information contained in this Target's Statement other than the Target Information and disclaim any liability in this regard. Information in the Target's Statement about the Bidder has not been independently verified by ANO. If the information obtained from the Bidder or the publicly available information is inaccurate or incomplete, this may affect the information included in the Target's Information. In particular, if the information has been used as the basis for forward-looking statements in the Target's Information, this may add to the risk that actual values, results, performance or achievements will differ materially from those expressed or implied by the forward-looking statements. Accordingly, ANO does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

The Independent Expert's Report has been prepared by the Independent Expert for the purposes of the Target's Statement and the Independent Expert takes full responsibility for that report. ANO nor its affiliates, related entities, Related Bodies Corporate, or any of their respective directors, officers, employees, shareholders, Associates or advisers takes any responsibility for the Independent Expert's Report.

Risk factors

ANO Shareholders should note that there are risks associated with both accepting the Offer and rejecting the Offer (and remaining a ANO Shareholder). Section 5 of the Target's Statement sets out further information on those risks.

Currencies

Currencies In this Target's Statement, unless otherwise specified references to dollars, \$, A\$, cents, ¢ and currency is a reference to the lawful currency of Australia.

Effect of rounding

A number of figures, amounts, percentage, prices, estimates, calculations of value and fractions in this Target's Statement may be subject to the effect of rounding. Accordingly, the actual calculation of these figures, amounts, percentages, prices, estimates, calculations of value and fractions may differ from the figures, amounts, percentages, prices, estimates, calculations of value and fractions set out in this Target's Statement.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions outside Australia may be restricted by law and any person who comes into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Target's Statement does not in any way constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

If you are not an Australian resident taxpayer or are liable for tax outside Australia, you should seek specific tax advice in relation to the Australian and overseas tax consequences of accepting the Offer.

Non-IFRS financial information

ANO's financial results are reported under Australian Accounting Standards and Interpretations issued by the Australian Accounting

Standards Board and comply with IFRS. However, the Target's Statement includes certain financial information that are non-IFRS financial measures for the purpose of providing a more comprehensive understanding of the performance of ANO.

These non - IFRS financial measures include EBIT, EBITDA, normalised EBITDA and operating profit. Such non-IFRS information is unaudited, however the numbers have been extracted from audited financial statements for yearly financial information and reviewed financial statements for half yearly financial information.

Privacy

ANO and their respective agents and representatives have collected your personal information from the register of ANO for the purposes of providing you with this Target's Statement. The personal information may include your name, contact details and information on your ANO shareholding. The primary purpose of the collection of personal information is to assist ANO to issue the Target's Statement. The Act requires the names and addresses of ANO Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to the Bidder and its and their Related Bodies Corporate and affiliates and holders of ANO Shares and external service providers, and may be required to be disclosed to regulators, such as ASIC. If you would like details of information about you held by ANO, please contact ANO using the contact details shown below.

References to website

References in this Target's Statement to any website is for your general information only. Information contained in, or otherwise accessible from, those websites is not incorporated in or a part of this Target's Statement.

ANO Shareholder information line

If you have any questions in relation to the Offer, please contact the ANO Office on +61 7 3726 2021. Further information relating to the Offers can be obtained from ANO's website at www.advancezinctek.com.

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Target's Statement

Issued in response to the off-market takeover offer made by Ankla Pty Ltd (**Ankla**), an entity owned by Mr. Lev Mizikovsky (**Mizikovsky Group**), for all the ordinary shares in Advance ZincTek Limited.

ACCEPT

Your Independent Directors
unanimously recommend that you
ACCEPT the takeover offer from
Ankla.

To accept Ankla's offer follow the
steps set out in section 1.5.5 of the
Bidder Statement.

This is an important document and requires your immediate attention.

If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.

Important notices

Nature of this document

This document is a Target's Statement issued by Advance ZincTek Limited (ACN 079 845 855) (**ANO** or **Company**) under Part 6.5 Division 3 of the Corporations Act in response to the off-market takeover bid made by Ankla Pty Ltd (ACN 074 315 432) (**Ankla**) a related entity to Mr. Lev Mizikovsky.

A copy of this Target's Statement was lodged with ASIC and given to ASX on 21 December 2023. Neither ASIC nor ASX nor any of their respective officers take any responsibility for the content of this Target's Statement.

Key dates

Offer Announced to market	11 December 2023
Date of this Target's Statement	21 December 2023
Offer Opens (unless extended or withdrawn)	14 December 2023
Offer Closes (unless extended or withdrawn)	18 January 2024

ANO shareholder information

ANO has established a shareholder information line which ANO Shareholders may call if they have any queries in relation to Ankla's Offer. The telephone number for the ANO Office is +61 7 3726 2021.

Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in section 10 of this Target's Statement.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, actual numbers may differ from those set out in this Target's Statement.

No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. You should seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

Disclaimer as to forward-looking statements

Some of the statements appearing in this Target's Statement may be in the nature of forward-looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which ANO operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement. None of ANO, ANO's officers and employees, any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward-looking statement.

Privacy

ANO has collected your information from the ANO register of shareholders for the purpose of providing you with this Target's Statement. The type of information ANO has collected about you includes your name, contact details and information on your shareholding in ANO. Without this information, ANO would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of shareholders to be held in a public register. Your information may be disclosed on a confidential basis to ANO's related bodies corporate and external service providers (such as the share registry of ANO and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by ANO, please contact Automic Pty Ltd at the address shown in the Corporate Directory. ANO's privacy policy is available at www.advancezinctek.com. The registered address of ANO is 1821 Ipswich Road, Rocklea Queensland 4106.

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Letter from Independent Board Committee

Dear ANO Shareholder,

The Independent Board Committee (IBC) of ANO recommends you ACCEPT the offer made by Ankla Pty Ltd (Ankla) to buy your ANO Shares by following the steps outlined at section 1.5.5 of the Bidder's Statement.

An Independent Board Committee has been formed to ensure your interests are protected

Ankla already has a Relevant Interest in 51.58% of the shares in ANO and is associated with ANO's Executive Chair, Lev Mizikovsky. Accordingly, we have taken appropriate steps to ensure ANO Shareholders' interests are protected via the formation of a special board committee of ANO's Independent Directors (the Independent Board Committee or IBC) to evaluate and respond to the Offer.

The IBC consists of Linda Barr and Rade Dudurovic.

Given Mr. Geoff Acton executive role as Managing Director of ANO he was not considered to be independent and will not sit on the IBC. Mr Acton will however provide information to the IBC and assist with the preparation of documents including ASIC documents required to respond to the Offer. Mr Acton has NOT made any decisions regarding the Offer nor provided a recommendation to shareholders as part of this process.

The establishment of the IBC ensures the independence of the advice provided to shareholders in this Target's Statement.

This Target's Statement sets out ANO's formal response to the Offer and the recommendations provided in this Target's Statement are provided by the members of the Independent Board Committee only.

Independent Expert Report

The Independent Board Committee appointed Mr Brett Plant of Advisory Partner as an Independent Expert to give an opinion as to whether the Ankla's Offer is fair and/or reasonable to ANO Shareholders.

The Independent Expert has concluded that the Offer of \$1.05 per ANO Share is fair and reasonable and is above the Independent Expert's estimated value of an ANO Share of \$0.51 to \$0.54.

A full copy of the Independent Expert's Report is set out in Attachment 1 to the Target's Statement.

Independent Directors Recommendation

After careful consideration and an assessment of what we believe is in the best interest of ANO Shareholders, the independent directors unanimously recommend that ANO Shareholders ACCEPT the Offer in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable.

To ACCEPT the Offer, you should follow the steps set out in section 1.5.5 of the Bidder's Statement.

You are encouraged to thoroughly read this Target's Statement, including the Independent Expert's Report, and consider the Offer having regard to your personal circumstances. You should also seek any independent financial, legal, taxation or other professional advice specific to your circumstances prior to

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deciding what action you will take in relation to the Offer.

The IBC will continue to keep you fully informed of key developments in relation to the Offer. All Company announcements are available on our website (<https://www.advancezinctek.com/investors-zinc-oxide-alumina>).

We thank you for your continued support.

Yours sincerely

Advance ZincTek Limited



Rade Dudurovic
Independent Director and IBC
Member



Linda Barr
Independent Director and IBC
Member

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1 Why you should ACCEPT Ankla's Offer

#1	The Independent Expert has determined that the Offer is fair and reasonable.
#2	The Offer of \$1.05 is a substantial premium of between 105% and 94% over the Expert's estimated value of an ANO Share of between \$0.51 and \$0.54.
#3	While there are many factors that influence the price and value of ANO Shares, the Independent Board Committee anticipate that, following the close of the Offer, it may be unlikely that ANO Shares will carry any potential premium for control, and the market price of ANO Shares may fall.
#4	At the same time as providing certain value for your investment, by accepting the Offer you will eliminate any exposure to the risks inherent in continuing to hold ANO Shares, including risks associated with ANO's business and general industry and market risks. Please refer to section 5.
#5	As at the date of this Target's Statement, ANO has not received a superior proposal from a third party. In light of the Mizikovsky Group's Relevant Interest in approximately 51.58% of ANO Shares, the Independent Board Committee considers that it is unlikely that a superior proposal will be forthcoming before the end of the Offer Period.
#6	There are a number of risks associated with remaining an ANO Shareholder. Section 5 of this Target's Statement sets out the key risks which may affect the future operating and financial performance of ANO and the value of ANO Shares. The Mizikovsky Group holds a majority shareholding in ANO of 51.58% of ANO Shares. Accordingly, ANO Shareholders who do not accept the Offer will continue to be minority shareholders in ANO.
#7	In a scenario where a large number of ANO shareholders accept the Offer, the market for ANO shares could become illiquid and shareholders who do not accept the Offer may experience difficulty trading ANO Shares post the Offer Period.

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2 Reasons why you may not wish to accept the Offer

#1	<p>You may disagree with the Independent Board Committee unanimous recommendation to accept the Offer. You may hold a view, based on the strategic initiatives outlined in Section 4.9 of this document and presented at the ANO Annual General Meeting and other ANO announcements, that ANO has solid growth prospects resulting in a future value for ANO shares that exceeds the Offer, and consequently you may form a view the Offer is opportunistic. You are not obliged to follow the unanimous recommendation of the Independent Board Committee who are recommending that ANO Shareholders accept the Offer, in the absence of a superior proposal.</p>
#2	<p>You may wish to remain invested in ANO If you accept the Offer, you will no longer be an ANO Shareholder and will forgo any direct benefits that may result from being an ANO Shareholder. In particular, you will no longer be able to directly participate in ANO's future financial performance. You may prefer to keep your ANO Shares to preserve your direct investment in a listed company with the specific characteristics of ANO. In particular, you may believe that ANO Shares will be worth more than the Offer Price in the future.</p> <p><i>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.</i></p>
#3	<p>You may consider that there is potential for a superior proposal to emerge. As at the date of this Target's Statement, ANO has not received a superior proposal from a third party. However, it is possible that a superior proposal for ANO Shareholders could materialise in the future, such as another takeover bid or scheme of arrangement, which would deliver total consideration for ANO Shareholders in excess of the Offer Price. In light of the Mizikovsky Group's Relevant Interest in approximately 51.58% of ANO Shares, the Independent Board Committee considers that it is unlikely that a superior proposal will be forthcoming before the end of the Offer Period.</p>
#4	<p>The tax consequences of transferring your ANO Shares pursuant to the Offer may not be attractive to you. The tax consequences of the Offer will depend on your personal situation. You may consider that the tax consequences of the Offer are not attractive to you. ANO Shareholders should consult with their own independent taxation advisers regarding the taxation implications of the Offer.</p>
#5	<p>You may wish to sell your ANO Shares on market You may wish to realise your investment in ANO through sale of your ANO Shares on the ASX. If you sell your ANO Shares on market, you:</p> <ul style="list-style-type: none"> • will lose the ability to accept the Offer or any other offer which may eventuate; • will not be entitled to receive any increased consideration if Ankla subsequently increases the consideration under the Offer; • may incur brokerage; and • may not obtain sufficient buyers to complete a trade above the implied value of the Offer Price (including because ANO Shares may be affected by reduced liquidity).

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3 Frequently asked questions

This section answers some questions you may have about the Offer. It is not intended to address all relevant issues for ANO Shareholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer
1 What is the Bidder (i.e. Ankla) offering for my ANO Shares?	Ankla is offering \$1.05 cash for each ANO Share.
2 What choices do I have as an ANO Shareholder?	As an ANO Shareholder, you have the following choices in respect of your shares: <ul style="list-style-type: none"> a) do nothing and reject the Offer; b) sell your shares on the ASX; or c) accept the Offer.
3 Why is there an Independent Board Committee (IBC)?	<p>Because the Chair of ANO, Mr Lev Mizikovsky, is related to the Bidder and is also a substantial ANO shareholder, the Corporations Act and ASIC regulatory guidance requires the establishment of an IBC to consider and make a recommendation about the Offer to its shareholders.</p> <p>Mr Mizikovsky's has recused himself from sitting on the IBC and will not have access to the information reviewed by the IBC in deliberating on their recommendation.</p> <p>Mr Geoff Acton (Managing Director of ANO) was not considered to be independent due to his executive position with ANO. Accordingly, Mr Acton has provided information to assist in the preparation of documents including ASIC documents however has NOT made any decision nor recommendation on this Offer throughout the process.</p> <p>The establishment of the IBC ensures the independence of the advice given to shareholders in this Target's Statement.</p>
4 What are the Independent Directors recommending?	Each Independent Director recommends that you ACCEPT the Offer (and intends to do so in respect of their own ANO Shares).
5 What is the Independent Expert's opinion of the Offer?	<p>The Independent Expert has concluded that the Offer is fair and reasonable.</p> <p>A copy of the Independent Expert's Report is contained in Attachment 1 of this Target's Statement.</p>
6 How do I accept the Offer?	<p>To accept the Offer, you must follow the instructions provided in sections 1.5.5 of the Bidder's Statement.</p> <p>If you do not wish to accept the Offer, you do not need to do anything and can remain an ANO Shareholder.</p>
7 What are the consequences of accepting the Offer?	If you accept the Offer, you will be bound to sell your ANO Shares to Ankla under the terms of the Offer.
8 If I accept the Offer, can I withdraw my acceptance?	No. Once you have accepted the Offer, you will be unable to withdraw your acceptance.
9 When does the Offer close?	The Offer is scheduled to close at 5.00pm (Brisbane Time) on 18 January 2024 unless extended as required or permitted by the Corporations Act.

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10	Are there any conditions to the Offer?	<p>Yes, the conditions are as follows:</p> <ul style="list-style-type: none"> a) no material adverse change; b) no legal or regulatory restraints; or c) no prescribed occurrences.
11	Can Ankla withdraw the Offer?	Ankla may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Ankla may only withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.
12	What are the prospects of a competing offer?	Given over 50% of ANO Shares are controlled by the Mizikovsky Group (which includes Ankla) as outlined in the Bidder's Statement, the prospects of a competing offer are relatively low.
13	What happens if I do nothing?	<p>You will remain a shareholder of ANO.</p> <p>If the Mizikovsky Group acquires 90% or more of ANO Shares, it states that it intends NOT to compulsorily acquire your ANO Shares.</p>
14	Can I be forced to sell my ANO Shares?	The Bidder has indicated in the Bidder's Statement that if it receives acceptances of its Offer that give it a Relevant Interest in 90% or more of ANO Shares, the Bidder will not move to compulsory acquisition of the remaining ANO Shares on issue.
15	Can I accept the Offer for only some of my ANO Shares?	Yes. The terms of the Offer state that you may accept the Offer in respect of some or all of your ANO Shares.
16	When will I be paid if I accept the Offer?	If you accept the Offer, you will be paid cash within 21 days after the Offer closes.
17	What are the tax implications of accepting the Offer?	<p>A general outline of the tax implication of accepting the Offer is set out in section 8 of this Target's Statement.</p> <p>As the outline is general in nature and not intended to constitute tax advice to ANO Shareholders, you should seek your own independent advice on the tax implications applicable to your specific circumstances.</p>
18	Who should I call if I have any questions?	<p>ANO Shareholders should call +61 7 3726 2021 if they have any queries.</p> <p>This shareholder information line is available Monday to Friday (excluding public holidays) between 8.30am and 2.30pm (Brisbane time).</p>

4 About ANO

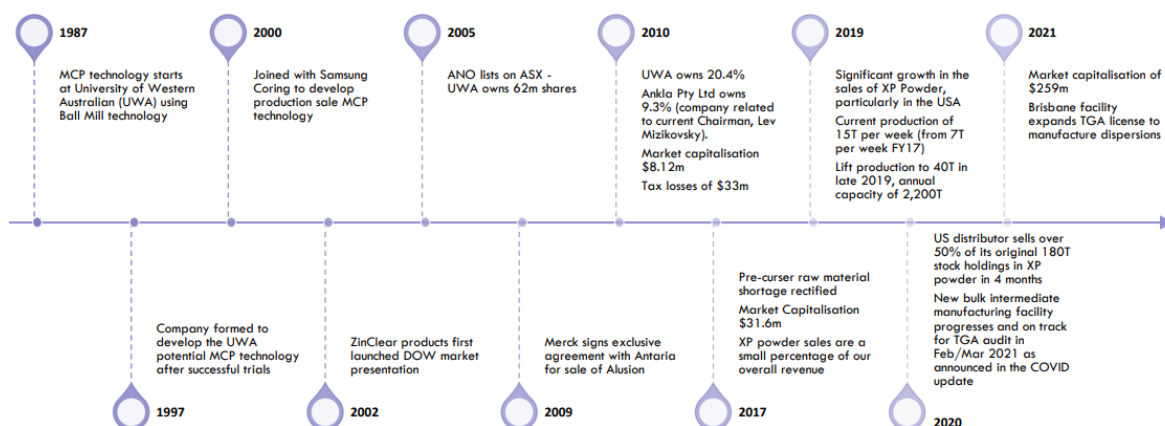
4.1 Overview

(a) Summary

ANO is one of Australia's leading zinc oxide manufacturers, with a global distribution network across 24 countries utilising 18 distributors.

(b) Timeline / History

ANO.AX Timeline (ASX Announcements) Company Performance



4.2 Board of Directors

The Directors of ANO are:

- Lev Mizikovsky (Non-Executive Chair);
- Linda Barr (Independent Non-Executive Director);
- Geoff Acton (Managing Director and Company Secretary); and
- Rade Dudurovic (Independent Non-Executive Director).

Mr Mizikovsky is also a Director of Ankla Pty Ltd, which is ultimately controlled by the Mizikovsky Group. Accordingly, Mr. Mizikovsky has a conflict of interest in relation to the Offer.

As at 14 December 2023, the Directors had the following relevant interests in ANO Shares:

Director	Number of ANO Shares
Lev Mizikovsky	32,199,517
Geoff Acton	642,429
Rade Dudurovic	418,772
Linda Barr	4,000
Total	33,264,718

4.3 Issued capital

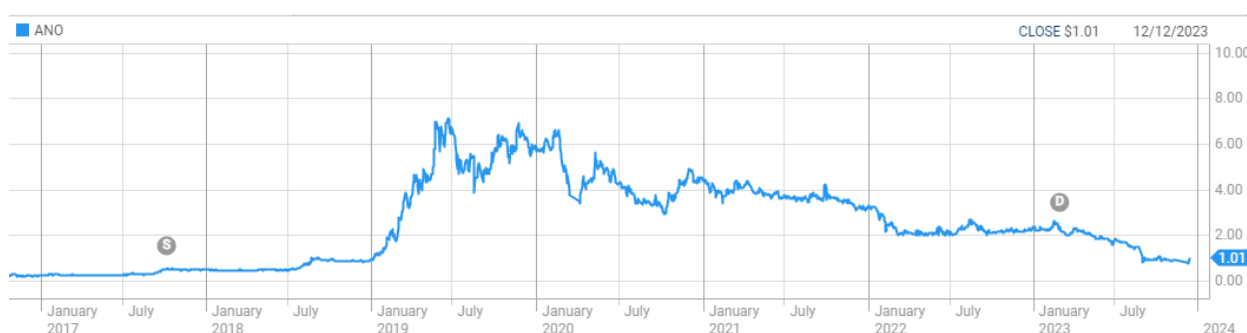
ANO has 62,431,719 shares on issue. Set out below are the substantial shareholders.

4.4 Substantial shareholders

Substantial holder	Number of ANO Shares	Voting power
The Mizikovsky Group	32,199,517	51.58%
Entities associated with Brian Kearney	6,976,480	11.17%
Total	39,175,997	62.75%
Remaining Shareholders	23,255,722	37.25%

4.5 Share price

The figure below illustrates the share price movements for the last 6 years



4.6 Summary of historical financial information

(a) ANO historical consolidated statement of profit and loss and other comprehensive income

	Period to 30 June 2021 (full year) (\$,000)	Period to 30 June 2022 (full year) (\$,000)	Period to 30 June 2023 (full year) (\$,000)
Sales Revenue	6,523	12,504	13,745
Gross Profit	5,761	9,088	8,963
Expenses	(5,368)	(5,202)	(6,460)
EBIT	393	3,886	2,503
Net Profit before income tax (NPBT)	265	3,682	2,291
Net Profit after tax (BPAT)	32	2,191	1,663

(b) ANO historical consolidated statement of financial position

	Period to 30 June 2021 (full year) (\$,000)	Period to 30 June 2022 (full year) (\$,000)	Period to 30 June 2023 (full year) (\$,000)
Current assets	14,243	17,951	17,742
Non-current assets	20,220	20,317	21,320
Total assets	34,463	38,268	39,062
Current liabilities	3,913	1,004	1,888

Non-current liabilities	2,594	2,275	1,891
Total liabilities	6,507	3,279	3,779
Net assets	25,956	34,989	35,283
Total equity	27,956	34,989	35,283

(c) **Historical financial information**

Comprehensive financial information about ANO can be found on the ASX website at www.asx.com.au. This includes copies of ANO's historical consolidated financial statements for FY23, FY22 and FY21, which can be found in ANO's:

- 2023 Annual Report (released to ASX on 30 August 2023);
- 2022 Annual Report (released to ASX on 11 August 2022); and
- 2021 Annual Report (released to ASX on 20 August 2021).

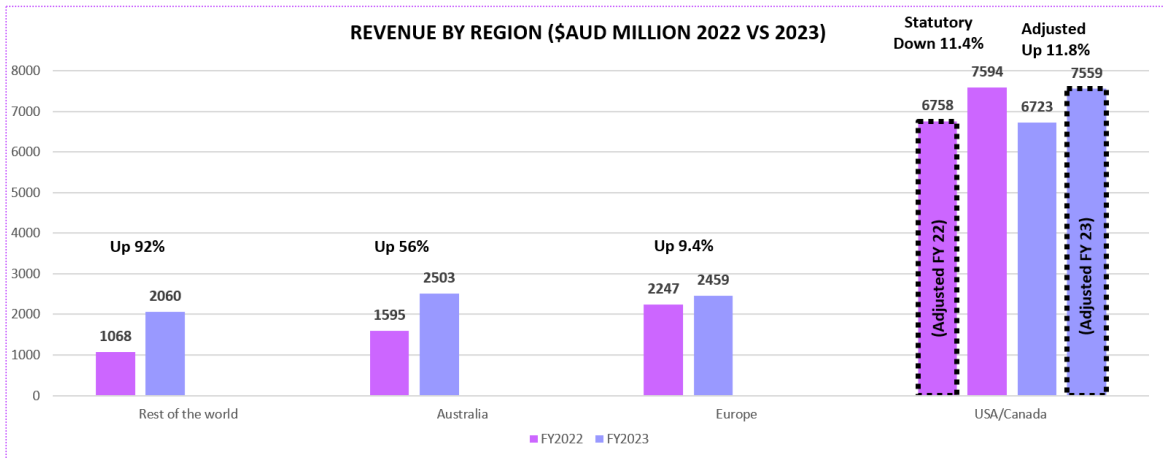
4.7 Revenue

(a) **Revenue by Product Segment**

Product Segmented Revenue	FY21	FY22	FY23
ZinClear	4,401	11,456	11,892
Alusion	2,122	983	945
Sunscreen		65	908

ZinClear remains the major source of revenue for ANO while sunscreen sales are growing.

(b) **Revenue by Region**



4.8 Recent trading performance and financial outlook

- ANO revenue results for the first half of FY24 are consistent with the sales in the first half of FY23 with traction still to be gained from the current board strategy and initiatives.
- ANO's underlying EBIT for the first half of FY24 is in line with last year.
- ANO's strategy for revenue growth, as outlined in the market update at the AGM on 6th Oct 2023, is progressing as scheduled. Any significant increase in revenue from this growth strategy is not anticipated until FY2025.
- Gross margins and operating costs are expected to remain constant during this growth phase with any additional revenue resulting in a relative improvement to EBIT.
- ANO continue to generate positive operating cash flows and remains debt free.

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4.9 Current Board Strategy and Initiatives

The Board and ANO management is in the process of implementing a number of key initiatives to grow sales:

(a) Grow distributors in Europe / Asia / South America

- Diversify ANO's product sales across multiple markets to increase sales revenue and reduce the revenue exposure from 2 major distributors.
- Target new distributors in 27 countries not currently supplied.

Future Actions

- Sales emails to potential new distributors have been drafted and will be sent in the financial year ending 30 June 2024 along with the investor presentation.

(b) Target new alternative markets for non USP grade zinc oxide

- To increase sales and utilise ANO's 5,000MT capacity so as to diversify product supply into multiple market segments thereby reducing ANO's exposure to fluctuations in the personal care sector.
- By targeting alternative markets, ANO will tap into new revenue streams, reducing over-reliance on existing markets and increasing profitability.

Future Actions

- 48 potential new distributors have been identified in these markets.
- Send proposal to all potential distributors in the agricultural market in the financial year ending 30 June 2024.

(c) Provide formulations recipes and full test results to potential users.

- Provide formulation recipes and full test result to the 48 potential new distributors, specific to the agricultural market, with whom ANO will be shortly engaging.

Future Actions

- Finalise 4-5 sunscreen new formulation recipes in the financial year ending 30 June 2024.
- Complete testing including in vivo and water resistance and accelerated stability, to ensure fully tested formulations are available in the financial year ending 30 June 2024.

(d) Introduce new organic/vegan oils expanding ANO's dispersion range

- To promote revenue growth in dispersions and utilise ANO's 800MT dispersion capacity.
- Provide brand owners, and manufacturers with multiple dispersion alternatives to produce a range of end products.

Future Actions

- Develop new dispersions following completion of full sunscreen testing of new formulation recipes.

(e) Leverage ANO's bulk buying power to supply additional ingredients into the Australian market.

- Increase revenue and gross margins, by promoting and selling already available raw ingredient stock.
- Introducing lower cost ingredients into the Australian market, needed to utilise ANO's actives.

Future Actions

- Launch 4 new ingredients on ANO's website by end of the financial year ending 30 June 2024.
- Launch 4 new ingredients on Amazon by end of the financial year ending 30 June 2024.

(f) **Alusion product development**

- ANO's latest trials of high purity Alusion with new precursor are promising. The investment in the new equipment will optimise ANO's manufacturing process and enhance pricing flexibility, the outcome being greater opportunities across multiple industry applications listed below.

Future Actions

- ANO has identified new markets including, Ceramics, Abrasives, Electronics, Cosmetics, Medical devices, Coatings and Glass.
- ANO has also identified pricing from US suppliers and are currently assessing ANO Alusion products supplied to Australia and European markets.
- Identifying potential customers to target with ANO's new product include Saint Gobain, Rhineland Specialties, Technologica, Filmtronics, Orica, Litec-LLL, Lumileds, Ebner Industries and Seaborough.

4.10 Recently achieved Board driven initiatives

In addition to these initiatives, the Board has already implemented the following strategies as detailed in ANO's 2023 Annual Report:

- Centralise worldwide technical and formulation support for new end-user enquiries.
- List ANO zinc oxide on additional ingredient sourcing websites.
- Launch of Sunscreen Safety Testing Laboratory testing centre in September 2023, for products using ANO's ZinClear range.
- Promote range of "EcoZinc" – ZinClear CP – 100% powered by the sun, powders and dispersions.
- Installation of an additional 1,000 solar panels to combat increasing electricity costs.
- Development of a monthly newsletters to distributors

4.11 Publicly available information about ANO

ANO is a disclosing entity (as that term is defined in the Corporations Act) and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. Copies of documents lodged with ASX by ANO may be obtained from the ASX website at www.asx.com.au.

5 Risks

In considering the Offer, ANO Shareholders should be aware that there are a number of risk factors associated with:

- accepting the Offer
- rejecting the Offer; and
- continuing to hold ANO shares.

In deciding whether to accept the Offer, ANO Shareholders should read this Target's Statement (and the Bidder's Statement) carefully and consider these risks. While some of these risks can be mitigated, some are outside of the control of ANO and cannot be mitigated.

The risks set out in this section 5 do not take into account the individual investment objectives, financial situation, position or particular needs of ANO Shareholders.

In addition, these risks are general in nature only and do not cover every risk that may be associated with an investment in ANO now or in the future.

5.1 Risks associated with accepting the Offer

(a) Possibility of a superior offer

If a superior proposal emerges or is announced, and you have already accepted the Offer at that time you may not be able to withdraw your acceptance and accept the superior proposal except in limited circumstances, these being if the Takeovers Panels approves.

As at the date of this Target's Statement, the IBC are not aware of any competing proposal and can be no assurance that any such competing proposal will emerge or that such a competing proposal will be, or will become, a superior proposal.

(b) Limited withdrawal rights

Once you have accepted the Offer you will only be able to withdraw your acceptance in very limited circumstances mentioned above. You will not be able to withdraw your acceptance even if the value of ANO Shares varies significantly from the date of your acceptance or if a superior proposal is announced.

(c) Possibility of future ANO Share price appreciation

If you accept the Offer, you will forgo the opportunity to benefit from the price appreciation of ANO Shares and will be unable to sell your ANO Shares for more valuable consideration than that Offered under the Offer. However, this risk should be balanced against the risk of the ANO Share price depreciating as outlined in 5.2(a) below. The ANO Directors can give no assurances and make no forecasts of whether this will occur.

(d) Taxation consequences

There may be tax consequences of accepting the Offer and ANO Shareholders should consult with their tax adviser regarding the tax implications of accepting the Offer, given their own particular circumstances.

(e) Unknown risks

Other risks may not be known to ANO and some currently believed to be immaterial may subsequently turn out to be material. One or more or a combination of these risks could materially impact ANO's businesses, its operating and financial performance, the price or value of ANO Shares or the dividends (if any) paid in respect of ANO Shares.

(f) No interest in equity upside

If you accept the Offer, you will lose your interest and exposure in future profits and dividends (if any) associated with owning ANO Shares.

5.2 Investment risks associated with rejecting the Offer

(a) ANO Share price may fall

If you do not accept the Offer or if the Offer is unsuccessful, there is a risk that upon expiry of the Offer Period, the ANO Share price may fall below the Offer Price.

(b) Liquidity of ANO Shares

If the Offer is successful, the outcome is likely to be a reduction in the ANO Shares that would typically trade on the ASX. In this situation, there is a risk that there may be a decrease in the liquidity of ANO Shares traded on the ASX which could result if ANO Shareholders having difficulty in selling as quickly as they would otherwise be able to if there was greater liquidity.

(c) Special Resolution if in excess of 75% ANO Share acquires

If the Bidder acquires 75% or more of ANO Shares, it would be able to pass special resolutions of the Company (where it is entitled to vote). This would enable the Bidder to, amongst other things, change the Company's constitution or cause a de-listing of Company from the ASX (subject to further conditions being satisfied at that time, as further explained below).

(d) Potential for de-listing

The Bidder may in certain circumstances, request that the Company to be removed from the official list on the ASX. ASX guidance indicates that the usual conditions that the ASX would expect to be satisfied in order for it to approve the removal of a Company from the official list in the context of a successful takeover bid.

Where the ordinary securities of the entity will not be able to be traded on another exchange, the ASX will usually require satisfaction of the following conditions:

- The entity obtains the approval of its security holders to its removal from the official list of the ASX by special resolution; and
- The removal not take place any earlier than one month after the security holder approval has been obtained.

All holders of ordinary securities (including a person holding sufficient securities to secure the passage of a special resolution) will generally be permitted to vote on the special resolution. However, where an entity has been the subject of a takeover bid in the preceding 12 months, the ASX may require the removal from the ASX to be approved by the entity's security holders and will impose a voting exclusion on the Bidder and its Associates.

In a situation where a Bidder foreshadowed in its bidder's statement for a takeover bid that if it secures control it will cause the entity to apply for removal from the ASX, it acquires ownership or control of at least 75% of the ordinary securities as a result of the bid, and all the minority shareholders minority shareholders having holdings with a value of at least \$500 is fewer than 150, the ASX will generally not require the entity to obtain security holder approval.

If ANO were to be removed from the ASX, this would mean that the ANO Shareholders would become shareholders of an unlisted company controlled by the Bidder with no immediate exit mechanisms for their investment other than an off-market sale of their ANO Shares.

(e) Creeping acquisition

If the Bidder holds less than 90% of the ANO Shares on issue, under the Corporations Act it will be entitled to acquire up to 3% of the ANO Shares on issue every 6 month period without making an offer to all ANO Shareholders which could result in the Bidder gaining the compulsory acquisition rights described above over time.

5.3 Selected risks associated with an investment in ANO

There are risks which are specific to ANO and other risks which apply to similar investments generally, which may adversely affect the future operating and financial performance of ANO and the price or value of ANO Shares.

A non-exhaustive list of risks that could impact the operating performance and value of ANO Shares in the future include:

- changes in the competitive environment in which ANO operates;
- the general economic climate (both domestically and internationally) in which ANO operates may experience changes, which may adversely affect the price of ANO Shares and ANO's operating and financial performance. Factors that may influence to the general economic climate include, but are not limited to, changes in government policies, taxation and other laws; the strength of the equity and share markets in Australia and throughout the world; changes in investor sentiment toward particular market sectors; movement in, or outlook on, exchange rates, interest rates and inflation rates; industrial disputes in Australia and overseas; financial failure or default by an entity with which ANO may become involved in a contractual relationship; and natural disasters, social upheaval, global pandemics or war; and
- there is no guarantee that dividends will be paid in the future as this is a matter to be determined by the ANO Board in its discretion. The ANO Board's decision will have regard to, among other things, ANO's financial performance and position, relative to its capital expenditure and other liabilities. Moreover, to the extent ANO pays any dividends it may not have sufficient franking credits in the future to frank dividends. The extent to which a dividend can be franked will depend on ANO's franking account balance and level of distributable profits. The franking account balance is contingent upon it making Australian taxable profits and will depend on the amount of Australian income tax paid by ANO on those Australian taxable profits. The value and availability of franking credits to an ANO Shareholder will be dependent on the ANO Shareholder's particular tax circumstances.

6 Recommendation of the Independent Directors

6.1 Independent assessment of the Offer

The Chair of ANO, Mr Mizikovsky, is a director of the Bidder, Ankla Pty Ltd, which is ultimately controlled by the Mr Mizikovsky and therefore Mr Mizikovsky has a conflict of interest in relation to the Offer.

In broad terms, three measures have been taken to protect the interests of minority shareholders.

1. In recognition of Mr Mizikovsky's conflict, a special board committee comprising only the Independent Directors of ANO was established to evaluate and respond to the Offer. This is called the Independent Board Committee or IBC.
2. The IBC considered how best to manage Mr Mizikovsky's conflict, bearing in mind that his input and insights on company matters are highly regarded by the other Directors. This led to two arrangements being agreed.
 - (a) Firstly, Mr Mizikovsky will continue in his role as Chair of ANO, but will recuse himself from the ANO Board in connection with any deliberations in relation to the Offer or a competing proposal (if any). Mr Mizikovsky is not to be a member of the IBC.
 - (b) Secondly, the IBC and Mr Mizikovsky have agreed a number of protocols which limits Mr Mizikovsky's access to company information for the duration of the Offer. Mr Mizikovsky will not have access to information used by the IBC to consider and deliberation on the Offer or a competing proposal (if any). To the extent ANO provides Mr Mizikovsky with additional information during the Offer, ANO will endeavour to provide that information to all other ANO shareholders.

The IBC considers that these arrangements are in the best interests of ANO Shareholders and ensures the independence of the advice given to shareholders in this Target's Statement, as well as equal access to material information for all ANO Shareholders.

3. In addition, as required by the Corporations Act whenever the bidder has voting power in excess of 30% and/or where the bidder and the target company have a common director, an independent expert, Advisory Partner, has been appointed to give a report whether, in its view, the Offer is fair and reasonable. The Independent Expert's Report is attached in Attachment 1.

6.2 Directors' recommendation

The Independent Directors, Ms. Linda Barr and Mr Rade Dudurovic, recommend that you ACCEPT the Offer, for the reasons set out in section 1 of this Target's Statement.

Mr Mizikovsky and Mr Acton have declined to make a recommendation on whether the Offer should be accepted for the following reasons:

- (a) Mr Mizikovsky has a conflict of interest as described in section 6.1; and
- (b) Mr Acton is the Managing Director and Company Secretary of ANO and is therefore not considered an Independent Director of the Company.

7 Key features of the Offer

7.1 Summary of the Offer

The Offer	Ankla is offering to acquire all of your ANO shares.
Offer Price	Ankla is offering \$1.05 cash for each ANO share.
Offer Period	Unless the Offer is withdrawn or extended, it is open for acceptance until 5.00pm (Brisbane Time) on 18 January 2024. The circumstances in which Ankla may extend or withdraw the Offer are set out in sections 7.3 and 7.4 of this Target's Statement.
Timing for receipt of consideration if you accept the Offer	If you accept the Offer, you will be paid cheque within 21 days of the Offer Period ending.

7.2 If you sell your ANO shares on market, you will not receive any improved Offer Price

If you sell your ANO shares on market and Ankla subsequently increases its Offer Price, you will not be entitled to the benefit of that increased Offer Price.

If you accept the Offer and Ankla subsequently increase the Offer Price you will be entitled to receive the increased Offer Price on all the shares you elect to sell to Ankla pursuant to the Offer.

7.3 Variation of the Offer

Ankla may increase the Offer Price or extend the Offer Period at any time up until the end of the Offer Period.

7.4 Withdrawal of the Offer

Ankla may only withdraw its Offer with ASIC's written consent, subject to any conditions specified in such consent.

Any withdrawal of the Offer must be announced by Ankla to the ASX.

7.5 Ankla's intention to acquire up to 70%

As per the ASX announcement, Ankla's intention is to acquire up to 70% of ANO shares which would represent 11,237,709 ANO Shares.

Ankla has indicated that it does NOT intend to delist the company nor compulsorily acquire 100% of ANO shares should it subsequently own more than 90% of ANO shares.

8 Tax considerations for ANO Shareholders

8.1 Introduction

The following is a general description of the Australian income tax and GST consequences for ANO Shareholders relating to the Offer. It is general in nature and is not intended to constitute tax advice to ANO Shareholders. Accordingly, each ANO Shareholder should seek independent professional advice in relation to their own particular circumstances.

The information below deals only with the taxation implications for ANO Shareholders who hold their ANO Shares on capital account. It does not address the taxation implications for ANO Shareholders who:

- hold their ANO Shares for the purposes of speculation or a business of dealing in securities (e.g. as trading stock) or who otherwise hold their ANO Shares on revenue account;
- have made any of the tax timing method elections pursuant to the taxation of financial arrangements rules in Division 230 of the Income Tax Assessment Act 1997 (Cth) in relation to gains and losses on their ANO Shares;
- are subject to the Investment Manager Regime under Division 842 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their ANO Shares;
- acquired their ANO Shares pursuant to an employee share or option plan;
- are exempt from Australian income tax;
- are foreign tax residents and hold their ANO shares in carrying on a business at or through a permanent establishment in Australia; or
- are subject to any other special tax rules not mentioned above.

ANO Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences under the laws of their country of residence, as well as under Australian law, when determining whether to accept the Offer.

The information contained in this section is based on the Australian law and administrative practice in effect at the date of this Target's Statement.

8.2 Australian resident shareholders

(a) ANO Shareholders who accept the Offer

Acceptance of the Offer will involve the disposal by ANO Shareholders of their ANO Shares by way of transfer to Ankla. This change in the ownership of the ANO Shares will constitute a Capital Gains Tax (CGT) event for Australian CGT purposes.

The date of disposal for CGT purposes will be the date the contract to dispose of the ANO shares is formed, which is the date of acceptance if you decide to accept the Offer.

(b) Calculation of capital gain or capital loss

ANO Shareholders will make a capital gain to the extent that their capital proceeds from the disposal of the ANO shares are more than the cost base of those ANO shares. Conversely, ANO Shareholders will make a capital loss to the extent that their capital proceeds are less than their cost base of those ANO shares.

The cost base of the ANO Shares generally includes the cost of acquisition and certain non-deductible incidental costs of their acquisition and disposal.

The capital proceeds of the CGT event will equal the consideration price of \$1.05 cash per ANO share received by the ANO Shareholder in respect of the disposal of their ANO shares.

Individuals, complying superannuation entities or trustees that have held their ANO shares for at least 12 months should be entitled to discount the amount of the capital gain (after application of capital losses) from the disposal of ANO Shares by 50% in the case of individuals and trusts or by 33⅓% for complying superannuation entities. For trusts, the ultimate availability of the discount may depend on

each beneficiary's entitlement to the discount. Companies are not entitled to a discount on any capital gain they realise.

Capital gains (prior to any CGT discount) and capital losses (including allowable carried forward losses) of a taxpayer in an income year are aggregated to determine whether there is a net capital gain in the relevant income tax year. Any net capital gain is included in assessable income and is subject to income tax. Capital losses may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains (subject to satisfaction of loss recoupment tests for certain taxpayers).

8.3 Goods and services tax

ANO Shareholders should not be liable for GST in respect of their disposal of ANO Shares.

ANO Shareholders may be charged GST on costs (such as adviser fees) that relate to their participation in the Offer. ANO Shareholders may not be entitled to input tax credits or only entitled to reduced input tax credits in relation to the GST incurred on costs associated with their disposal of their ANO shares. ANO Shareholder should seek independent professional taxation advice specific to their individual circumstances.

8.4 Duty

No Australian duty should be payable on ANO Shareholders on the disposal of ANO shares to Ankla.

9 Additional information

9.1 Consents to be named

Advisory Partner Connect Pty Ltd has given and not withdrawn before the lodgment of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as ANO's Independent Expert in the form and context it is so named and to the inclusion of the Independent Expert's Report contained in Attachment 1 to this Target's Statement. Advisory Partner Connect Pty Ltd has not caused or authorised the issue of this Target's Statement and, other than any references to its name and the Independent Expert's Report, takes no responsibility for any part of this Target's Statement.

In addition, the following persons have given, and not withdrawn before the lodgment of this Target's Statement with ASIC, their written consent to be named in this Target's Statement in the form and context in which it appears:

- Advisory Partner Connect Pty Ltd to being named as ANO's financial adviser;
- Sparke Helmore Lawyers, to being named as ANO's legal adviser; and
- Automic Pty Ltd, to being named as ANO's share registrar.

None of these persons have caused or authorised the issue of this Target's Statement, and does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based (other than a statement included in this Target's Statement with the consent of that party) and takes no responsibility for any part of this Target's Statement other than any reference to its name and the statements (if any) included in the Target's Statement with the consent of that party.

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX. Pursuant to the Class Order, consent is not required for the inclusion of such statements in this Target's Statement. Any ANO Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting the ANO Office on +61 7 3726 2021 between 8.30am and 2.30pm (Brisbane time), Monday to Friday, excluding public holidays.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by certain statements:

- fairly representing what purports to be a statement by an official person; or
- that are a correct and fair copy of, or extract from, what purports to be a public official document; or
- that are a correct and fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication.

9.2 No other material information

(a) Background

This Target's Statement is required to include all the information that ANO Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any Director of ANO.

(b) No other material information

The Directors (excluding Mr Mizikovsky) are of the opinion that the information that ANO Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is the information contained in:

- the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- ANO's releases to the ASX, and in the documents lodged by ANO with ASIC before the date of this

Target's Statement; and

- this Target's Statement.

The Directors (excluding Mr Mizikovsky) have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, they do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, regard has been had to:

- the nature of the ANO Shares;
- the matters that ANO Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to ANO Shareholders' professional advisers; and
- the time available to ANO to prepare this Target's Statement.

10 Glossary and interpretation

10.1 Glossary

The meanings of the terms used in this Target's Statement are set out below.

Term	Meaning
\$, A\$ or AUD	Australian dollar.
ACN	Australian company number.
Ankla	Ankla Pty Ltd (ACN 074 315 432), being the bidder under the Offer.
ANO or Company	Advance ZincTek Limited (ACN 079 845 855).
ANO Share	a fully paid ordinary share in ANO.
ANO Shareholder	a registered holder of ANO Shares.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
Bidder's Statement	the bidder's statement of Ankla dated 11 December 2023.
Board	the board of directors of ANO.
CGT	capital gains tax.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Director	a director of ANO.
EBIT	earnings before interest and taxation.
EBITDA	earnings before interest, taxation, depreciation and amortisation.
FY	financial year
FY21	the financial year ended 30 June 2021.

FY22	the financial year ended 30 June 2022.
FY23	the financial year ended 30 June 2023.
GST	goods and services tax or similar value added tax levied or imposed in Australia under the GST Law or otherwise on a supply.
GST Law	has the same meaning as in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Independent Board Committee or IBC	a committee of the Board comprising the independent directors of ANO, namely Mrs Linda Barr and Mr Rade Dudurovic.
Independent Directors	means all of the directors of ANO, other than Mr Mizikovsky and Mr Acton.
Independent Expert or Advisory Partner	Advisory Partner Connect Pty Ltd.
Independent Expert's Report	the independent expert's report prepared by Advisory Partner and dated 18 December 2023 which is contained in Attachment 1 to this Target's Statement.
Listing Rules	the listing rules of ASX (as amended or varied from time to time).
Mizikovsky Group	Entities owned by Mr Lev Mizikovsky including Ankla Pty Ltd.
Offer	the offer by Ankla for the ANO Shares, details of which are contained in the Bidder's Statement.
Offer Period	the period during which the Offer will remain open for acceptance in accordance with the Bidder's Statement.
Offer Price	\$1.05 per ANO Share.
Relevant Interest	has the meaning given to that term in sections 608 and 609 of the Corporations Act.
Target's Statement	this document (including the attachment), being the statement of ANO under Part 6.5 Division 3 of the Corporations Act.

10.2 Interpretation

In this Target's Statement:

- (a) Other words and phrases have the same meaning (if any) given to them in the Corporations Act.
- (b) Words of any gender include all genders.
- (c) Words importing the singular include the plural and vice versa.
- (d) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.
- (e) A reference to a section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target's Statement as relevant, unless stated otherwise.
- (f) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.
- (g) Headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.
- (h) A reference to time is a reference to Melbourne time, unless otherwise stated.

- (i) A reference to dollars, \$, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

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11 Authorisation

This Target's Statement has been approved by a resolution passed by each Director of ANO other than Mr Mizikovsky, who has recused himself from the Board's consideration of the Offer.

Signed for and on behalf of ANO:

Date 21 December 2023

Sign here ►



Print name

Rade Dudurovic

Position

Independent Non-Executive Director
Advance ZincTek Limited

Date

21 December 2023

Sign here ►



Print name

Linda Barr

Position

Independent Non-Executive Director
Advance ZincTek Limited

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Attachment 1 Independent Expert's Report



Advance ZincTek Limited
Independent Expert's Report
18 December 2023

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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, the holder of Australian Financial Services Licence number 526061, is responsible to you for the services provided under this FSG. Our 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

As an Australian Financial Services Licence holder, we are required to have an internal complaints-handling mechanism. All complaints can be addressed to us at Level 3, 349 Coronation Drive, Milton QLD 4064. You may contact us on T +61 7 3106 3399 or F +61 7 3054 0438, E:admin@advisorypartner.com.au. If we are not able to resolve your complaint to your satisfaction within 30 days of first lodging it with us, 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.

18 December 2023

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 entities owned by Mr Lev Mizikovsky (“Mizikovsky Group”) is fair and reasonable.

The offer is to purchase all of the shares in ZincTek for \$1.05 per share, however the Mizikovsky Group 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 Mizikovsky Group.

Table 1: Fair Value

Fair Value	Unit	Low Value	High Value
Fair Value of ZincTek share on a controlling basis	\$	0.51	0.54
Cash offer for shares		1.05	1.05
Premium / (Discount)	\$	104%	93%

Source: AP Analysis

Advisory Partner assessed the fair market value of ZincTek shares, on a control basis, is between \$0.51 and \$0.54 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 Best Interests of ZincTek Shareholders.

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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 93%.

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.
- **Difficult 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.

Disadvantages

- **Greater concentration of shareholding**
The Offer, if accepted by individual shareholders, will result in the Mizikovsky Group owning a greater percentage of ZincTek.

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 of the balance of the shares if the Mizikovsky Group 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
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.
Net Debt	Current Portion of Debt + Non-Current Portion of Debt - Cash and Cash Equivalents
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 advised entities owned by My Lev Mizikovsky (Mizikovsky Group) intended to make a cash off-market takeover offer for ANO shares. The Mizikovsky Group 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, such that the Mizikovsky Group's aggregate shareholding in ANO will increase from approximately 51.58% to 70%.

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 the Mizikovsky Group they are able to force a compulsory acquisition of the balance of the shares.

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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.'

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 in the best interests of the 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.

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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;
- If the Offer is accepted, it will be implemented in accordance with the Bid Implementation Agreement and its terms; and
- The legal mechanisms to implement the Offer are correct and effective.

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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

Growth in economic activity in Australia is forecast to remain subdued over the rest of the year as cost-of-living pressures and the rise in interest rates continue to weigh on domestic demand. It is expected that growth will then increase gradually over the remainder of the forecast period, supported by an easing in these headwinds and a pick-up in household wealth. Labour market conditions have been very tight but these are forecast to ease, with an increase in both the unemployment and underemployment rate over coming years as a result of subdued economic growth. Inflation is forecast to decline to be around 3¼ per cent by the end of 2024 and to be back within the 2–3 per cent target range in late 2025. Goods prices have accounted for most of the decline in inflation so far and this is expected to continue in the near term as the resolution of supply disruptions flows through to prices paid by consumers. By contrast, electricity costs will increase, and high services inflation is forecast to persist. There are several key domestic uncertainties that may result in different outcomes than forecast. These are discussed at the end of this chapter.

Consumer price inflation in Australia continued to decline in the June quarter but remains high and broadly based. While goods price pressures have continued to ease, services inflation remains persistently high, as has been the case overseas. The outlook for headline and underlying inflation remains similar to a few months ago. Recent evidence of stronger growth in the measure of unit labour costs (partly driven by weaker productivity) and higher rent inflation have largely offset the effects of the small downgrades to the forecasts for economic activity and weaker-than-expected goods price inflation in the June quarter. Inflation is forecast to decline to around 3¼ per cent by the end of 2024, and to be within the target range at 2¼ per cent by the end of 2025.

Underlying inflation is forecast to decline over coming years to be around 3 per cent by the end of 2024. The decline in inflation over the remainder of 2023 is expected to be driven by the resolution of supply disruptions and slower growth in demand. Ongoing tightness in the labour market and energy price increases are expected to keep domestic price pressures elevated in the near term before they start to ease later in the forecast period. There remains a high degree of uncertainty around the speed and extent of the decline in inflation expected in the period ahead. On the one hand, lower goods price inflation from the resolution of supply chain issues could come through sooner and swifter than anticipated. On the other hand, domestic price pressures may be stronger and more persistent than expected.

GDP growth is forecast to remain subdued over the rest of 2023, with GDP per capita declining over this period. The soft near-term outlook reflects subdued growth in household consumption as higher interest rates and cost-of-living pressures weigh on real disposable income. However, higher household net wealth – reflecting the recent increase in housing prices – is forecast to provide some support. Ongoing capacity constraints and weak demand for new housing are forecast to weigh on dwelling investment until mid-2024.

GDP growth is forecast to increase gradually from early next year, supported by household consumption and public demand. Household consumption growth is forecast to increase to around its pre-pandemic average, supported by a recovery in real income growth and a pick-up in household wealth. Exports will continue to be supported by the rebound in tourism and solid growth in education-related travel.

3.2 Industry Analysis

ZincTek's main product is ZinClear XP, it is sold to sunscreen and cosmetic companies to include in skin care products. Given the globalised nature of the beauty industry, international developments in cosmetics and beauty care heavily influence manufacturers. This is best evidenced by the fact that imports satisfy over three-quarters of domestic demand. Despite this, domestic skincare manufacturers are making headway in the sunscreen and skincare market. Many local skincare manufacturers are successfully capitalising on growing consumer demand for natural or organic skin care products by leveraging the functional properties of Australian native botanicals. Emerging 'clean beauty' trends and a growing preference for home-grown brands are also working in favour of local skincare manufacturers.

The Sunscreen and Other Skincare Product Manufacturing industry is part of the wider Cosmetics, Perfume and Toiletries Manufacturing industry. Given the globalised nature of the beauty industry, international developments in cosmetics and beauty care heavily influence manufacturers. This is best evidenced by the fact that imports satisfy over three-quarters of domestic demand. Despite this, domestic skincare manufacturers are making headway in the sunscreen and skincare market. Many local skincare manufacturers are successfully capitalising on growing consumer demand for natural or organic skin care products by leveraging the functional properties of Australian native botanicals. Emerging 'clean beauty' trends and a growing preference for home-grown brands are also working in favour of local skincare manufacturers.

Manufacturers' revenue is expected to grow at a healthy 3.4% annualised over the five years to 2022-23 to reach an estimated \$695.0 million. Prior to the COVID-19 outbreak, growth was driven by strong export earnings. In the wake of COVID-19, skincare manufacturers introduced new 'clean' or 'healthy' skincare products, reflecting increased consumer emphasis on hygiene, safety and self-care. In 2022-23, emergent health, wellbeing and beauty trends, combined with higher prices, will contribute to an expected 5.4% revenue growth.

The continued shift towards niche and upscale products will benefit sunscreen and other skincare product manufacturers in the coming years. As will the move by downstream consumers to increasingly favour Australian-made specialist brands with an 'authentic' brand story. Consumer trends favouring local niche, organic, vegan or sustainable brands over mass-market global brands will also support the entry of new small-scale skincare manufacturers, driving future revenue growth. However, an appreciation of the Australian dollar is forecast to limit export growth. The transition towards more specialised products will help support average firm profitability over the period. Manufacturers' revenue is forecast to grow by 3.2% annualised over the five years to 2027-28 to an estimated \$812.0 million.

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 2: 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
<p>Linda Barr Non-Executive Director</p>	<p>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.</p>
<p>Rade Dudurovic Non-Executive Director</p>	<p>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.</p>

4.3 Ownership and Capital Structure

ZincTek has the following 100% owned subsidiaries:

Figure 1: ZincTek's Corporate Structure



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As at 30 August 2021, ZincTek had 62,431,719 shares on issue. The top 10 shareholders and total issued ordinary shares of ZincTek as at 30 August 2021 are summarised below.

Table 3: Top 10 Shareholders as at 31st of March 2023

As of 31st of March 2023 Shareholder Name	Number of Ordinary Shares Held	Percentage Held of Issued Ordinary Capital
Lev Mizikovsky	31,069,759	49.77%
Kearney Ethical Investments Pty Ltd	4,888,378	7.83%
Bruce John Cameron	1,815,500	2.91%
Brian Maurice Kearney	949,941	1.52%
Mirella Ughetta Dori Kearney	949,941	1.52%
Keith Kerridge	900,000	1.44%
Geoffrey B. Acton	642,429	1.03%
Alan Graham Rochford	550,000	0.88%
Edwin Giovanni Diaz	532,044	0.85%
Christopher Silvestro	525,000	0.84%
Top 10 Shareholders	42,822,992	68.59%
Other Shareholders	19,608,727	31.41%
Total Issued Shares	62,431,719	100%

Source: Advance ZincTek Management

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 4: 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 5: ZincTek’s Share Overview

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

Source: Capital IQ & AP Analysis

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 6: ZincTek's Trading Data

ASX:ANO	Average Daily Volume	Share Price		
		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 7: 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 8: 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 VWAP's are trading above the takeover offer at \$0.99 and \$1.05 respectively.

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4.7 Historical Profit and Loss

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

Table 9: 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 10: 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

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4.8 Historical Balance Sheet

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

Table 11: 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

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5.0 Valuation of ZincTek's Shares

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 have considered other valuation methodologies and consider that Future Maintainable Earnings, is the most appropriate value measure of ZincTek.

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 FY23 results, adjusted for non-cash and one-off accounts.

We believe that the FY23 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 has a history of profitability.
- The company has displayed growth in the last 3 financial years.

Table 12: ZincTek's Normalised EBITDA

Advance ZincTek	FY23
NPBT	2,291
<i>Add/(Less):</i>	
Depreciation & Amortisation	1,776
Interest Expense	212
Other Income	(895)
EBITDA	3,384

Normalisaiton Considerations in the 2023 Year:

- Management have advised that there was \$2.9 million of Research and Development expenditure in the 2023 year. They have made a claim for this to received an adjustment against their tax payable, all of our analysis is based on before tax income. We were unable to get any information from management on the future income that would be derived from this project and given the nature of the business we expect that there is a requirement to continue to develop their product range to remain in business.
- Management have advised that they have adjusted their bill of materials, which has increased their inventory value on hand. To enable a correct comparative adjustment we have asked management for restated inventory values for prior years. Management have advised that they do not have the resources to complete this task. To avoid a distorted profit, by using a different inventory valuation method between the opening and closing inventory, we have not used the new inventory valuation provided.

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.

We have determined that the appropriate earnings multiple to be in the range of 8.13 to 8.57 times EBITDA. In selecting this range we have had regard to:

- share market prices of comparable listed companies on the ASX which can be seen in Appendix 3.

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%.

- The Mizikovsky Group holds more than 49% of the company currently and they achieve more than 90% ownership, the corporations act allows for a compulsory acquisition of the balance of the shares;
- The company doesn't have consistent growth;
- 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.

Table 13: ZincTek Net Debt Calculation

Advance ZincTek Valuation	FY23 ('000)
Current Portion of Debt	513
(+) Long Term Portion of Debt	1,665
(-) Cash	325
Net Debt	1,853

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 of 8.13x and 8.57x based on the comparable companies listed in Appendix 3.

Table 14: ZincTek Valuation

Advance ZincTek Valuation	Low	High
Maintainable EBITDA	3,384	3,384
Multiple	8.13x	8.57x
Enterprise Value on Minority Basis	27,512	29,001
<i>Add/(Less):</i>		
Surplus Assets	0	0
Net Debt	1,853	1,853
Fair Value of Equity on a Minority Basis	25,659	27,148
Control Premium	25%	25%
Fair Value of Equity on a Controlling Basis	32,074	33,935

Source: AP Analysis

This represents a per share value below.

Table 15: ZincTek Valuation per Share

Advance ZincTek Valuation	Low	High
Fair Value of Equity on a Controlling Basis	32,074	33,935
Fully paid ordinary shares outstanding	62,432	62,432
Equity Value Per Share	0.51	0.54

Source: AP Analysis

We have assessed the value of ZincTek based on the FME method to be in the range of \$0.51 to \$0.54 per share.

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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 16: Summary of Valuation

Valuation Cross-Check	Low	High
Revenue	13,745	13,745
Multiple	1.04	1.70
Enterprise Value on Minority Basis	14,343	23,381
<i>Add/(Less):</i>		
Surplus Assets	0	0
Net Debt	1,853	1,853
Fair Value of Equity on a Minority Basis	12,490	21,528
Control Premium	25%	25%
Fair Value of Equity on a Controlling Basis	15,613	26,909
Fully paid ordinary shares outstanding	62,432	62,432
Fair Value of Equity on a Controlling Basis	0.25	0.43

Source: AP Analysis

We have assessed the value of ZincTek based on using a multiple of revenue valuation method based on comparable in Appendix 3 (excluding outliers) which provides a value of \$0.25 to \$0.43.

We believe that this supports our primary valuation of \$0.51 and \$0.54 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 17: Fair Value

Fair Value	Unit	Low Value	High Value
Fair Value of ZincTek share on a controlling basis	\$	0.51	0.54
Cash offer for shares		1.05	1.05
Premium / (Discount)	\$	104%	93%

Advisory Partner assessed the fair market value of ZincTek shares, on a control basis, is between \$0.50 and \$0.54 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 a ZincTek share and as a result, the Offer is considered fair and in the Best Interests of ZincTek Shareholders.

We note that we have valued the ZincTek shares on a controlling basis, which allows for a 25%. The offer provides a premium above the assessed value of Advanced ZincTek of at least 93%.

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.
- **Difficult 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.

Disadvantages

- **Greater concentration of shareholding**
The Offer, if accepted by individual shareholders, will result in the Mizikovsky Group owning a greater percentage of ZincTek.

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 of the balance of the shares if the Mizikovsky Group 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.

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7.0 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 in the best interests of the 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 Notice of Meeting and Explanatory Memorandum 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 Notice of Meeting and Explanatory Memorandum 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.

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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: List of Comparable Companies in Specialty Chemicals

Considering the distinctive operations of Advance Zinctek, Advisory Partner has chosen to conduct a broad assessment of specialty chemical firms enlisted on the ASX for comparison. The subsequent table presents the companies and their respective descriptions, revealing an average and median EV/EBITDA multiple of 8.57x and 8.13x, respectively.

Company	Description
Hazar Group Limited	Hazar Group Limited operates as a clean technology development company in Australia. It commercializes the Hazer Process, a low emission hydrogen and graphite production process technology. The company enables the conversion of natural gas and similar feedstocks into hydrogen and graphite. It serves the industrial hydrogen, hydrogen mobility, and synthetic graphite markets. Hazer Group Limited was incorporated in 2010 and is headquartered in Perth, Australia.
Sparc Technologies Limited	Sparc Technologies Limited manufactures and sells graphene-based technologies in Australia. The company develops graphene-based additives under the name ecosparc for marine and protective coating markets. It offers graphene-based additives for use in cementitious materials. In addition, the company engages in the renewable energy and develops photocatalytic green hydrogen technologies.
Zoono Group Limited	Zoono Group Limited, together with its subsidiaries, engages in the research, development, and sale of a range of antimicrobial products in New Zealand and internationally. The company's products include hand sanitizers, textile applicators, mould remediation, and surface sanitizers. It serves airlines, healthcare, childcare, facilities management, transportation, education, and hospitality sectors. The company was incorporated in 1986 and is headquartered in Auckland, New Zealand.
First Graphene Limited	First Graphene Limited engages in the research and development, mining, exploration, manufacture, and sale of graphene products in Australia. It operates through Graphene Production, Research and Development, and Mining Asset Maintenance segments. The company offers MB-LDPE graphene enhanced masterbatch, MB-EVA graphene enhanced masterbatch, MB-EVA bitumen graphene enhanced masterbatch, aqua pre-dispersed graphene additives, and nanoplatelet additives under the PureGRAPH brand.
DGL Group	DGL Group Limited provides specialty chemical formulation and manufacturing, warehousing and distribution, and waste management and recycling solutions in Australia, New Zealand, and the United States. The company operates through three segments: Chemical Manufacturing, Warehousing and Distribution, and Environmental Solutions.
Calix Limited	Calix Limited, an environmental technology company, provides industrial solutions to address global sustainability challenges in Australia, Europe, the United States, and South East Asia. Its solutions include ACTI-Mag for biogas and wastewater; AQUA-Cal+, a water conditioner for shrimp farming and lake remediation; BOOSTER-Mag, an agricultural solution for increased yield, fertilizer usage, insect/pest management, and fungal control; and low emissions intensity lime and cement (LEILAC) for cement and lime companies to mitigate carbon dioxide emissions.
SECOS Group Limited	SECOS Group Limited, together with its subsidiaries, develops, manufactures, and sells sustainable packaging materials in Oceanic, Asia, The Americas, Europe, and Africa. The company supplies biodegradable and compostable resins, packaging products, and cast films to blue-chip companies. It manufactures and distributes polyethylene films, renewable resources resins, and other products.
Fertoz Limited	Fertoz Limited manufactures and supplies organic input certified crop fertilizer products, including rock phosphate for agriculture, horticulture, and turf. The company holds interests in two rock phosphate mining projects, including the Wapiti and Fernie projects in British

	Columbia, Canada. It also develops and markets a range of organic fertilizer products in North America and Australia.
Range International Limited	Range International Limited manufactures and sells plastic pallets made from recycled mixed waste plastic in Indonesia, Australia, New Zealand, Thailand, the Philippines, and internationally. It also manufactures and sells plastic fencing and retaining wall panels out of recycled plastic. Range International Limited was founded in 2002 and is based in Sydney, Australia.
Terragen Holdings Limited	Terragen Holdings Limited engages in the research, development, production, and sale of biological products for the agriculture sector in Australia and New Zealand. It offers Mylo, a microbial feed supplement for animals; and Great Land Plus, a liquid biological soil conditioner that enhances soil characteristics. The company was incorporated in 1996 and is based in Coolum Beach, Australia.
Bio-Gene Technology	Bio-Gene Technology Limited, an agtech development company, engages in the development and commercialization of insecticides/pesticides for animal health, crop protection, public health, and consumer applications in Australia. Its lead products include Flavocide, a synthetically produced nature-identical compound; and Qcide, a natural oil extracted from a cultivar of eucalyptus cloeziana.
SciDev	SciDev Limited supplies environmental solutions focused on water intensive industries in Australia and the United States. The company offers engineering and process control; specialty chemical fluid formulations; and chemical products for applications, including flocculation, filtration, sludge dewatering, friction reduction, shale inhibition, rheology control, and pipe-on-pipe lubrication. It also provides water treatment technologies, including water treatment for mobile, temporary, and permanent treatment systems; PFAS treatment solutions; and liquid waste treatment services for modular, mobile, and onsite treatment systems.
Carbonxt Group Limited	Carbonxt Group Limited, a cleantech company, develops and markets specialized activated carbon (AC) products for the removal of pollutants and toxins in industrial processes in the United States. It offers powdered activated carbon and AC pellets, which are used in industrial air purification, wastewater treatment, and other liquid and gas phase markets primarily for the capture of mercury and sulphur to reduce harmful emissions into the atmosphere.
Alexium International Group Limited	Alexium International Group Limited manufactures and sells phase-change material (PCM) and other specialty textile solutions in the United States. It offers thermal regulation solutions, such as Alexicool, a PCM chemical finish for fabrics; Biocool, a natural and biobased PCM cooling for textile and foam bedding applications; and Eclipsys, a perpetual cooling technology that enhance the cooling experience for textile and foam bedding systems. The company also provides flame retardant solutions, such as Alexiflam, a flame-retardant treatment for cotton, linen, and other cellulosic textiles, as well as mattress applications. It serves bedding, military, and workwear markets. The company was incorporated in 1994 and is based in Greer, South Carolina.
Nufarm Limited	Nufarm Limited, together with its subsidiaries, develops, manufactures, and sells crop protection solutions and seed technologies in Europe, the Middle East, Africa, North America, and the Asia Pacific. It operates through two segments, Crop Protection and Seed Technology. The company's protection solutions include herbicides, insecticides, and fungicides that help growers protect crops against weeds, pests, and diseases. It focuses on crops, such as cereals; corn; soybean; pasture, turf, and ornamentals; and trees, nuts, vines, and vegetables. It also provides seed treatment products for the protection and treatment of damage caused by insects, fungus, and disease; and distributes sunflower, sorghum, and canola seeds. Nufarm Limited was founded in 1916 and is headquartered in Laverton North, Australia.
Incitec Pivot Limited	Incitec Pivot Limited manufactures and distributes industrial explosives, industrial chemicals, and fertilizers in Australia, the United States, Canada, Turkey, France, and internationally. The company manufactures and distributes fertilizers, including di/mono-ammonium phosphate, ammonia, granulated ammonium sulphate, urea, and single super phosphate, as well as imports and sells fertilizers.

Kalium Lakes Limited	Kalium Lakes Limited, together with its subsidiaries, operates as an exploration and development company in Australia. It focuses on the development of 100% owned the Beyondie sulphate of potash project, which include 16 granted exploration licenses, two mining leases, and various miscellaneous licenses covering an area of approximately 1,800 square kilometers located in Western Australia.
Orica Limited	Orica Limited manufactures, distributes, and sells commercial blasting systems, mining and tunnelling support systems, and various chemical products and services in Australia, Peru, the United States, and internationally. The company provides 4D bulk explosives systems, packaged explosives, initiating systems, boosters, and seismic explosive ranges; technical services and solutions; and supplementary services. It also offers automation solutions, including Avatel, a machine equipped with underground development charging system; and secondary breakage and hang up blasting, a tele-remote blasting solution. In addition, the company provides mining chemical products, such as cyanide sparges, emulsifiers, and sodium cyanide, as well as PRO services; digitally enabled benchmarks and insights at various stages of the blasting process; and nitrogen fertilizers, which includes urea ammonium nitrate and ammonia.

Source: Capital IQ Pro

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