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Zoono Group Limited (ASX: ZNO)
ASX ANNOUNCEMENT

14 October 2020

Quarterly Report - Q1 FY21

Financial Highlights:

- Cash receipts from customers (unaudited) for the quarter ended 30 September 2020 were NZ$15.0M;
- Positive operational cash flow for the quarter of NZ$2.8M (without the tax payment of NZ$2.4M, operational cash flow would have been $5.2M which compares to the NZ$5.3M for the June 2020 quarter on higher customer receipts);
- Cash at bank decreased from NZ$10.3M to NZ$7.5M primarily as a result of the Tax and Dividend payments of NZ$7.5M (without these payments cash at bank would have been NZ$15M)
- An additional positive net receivables / payables (unaudited) balance of NZ$1.9M;
- Inventories of NZ$14.2M (unaudited) available to meet current demand. Stock is held at strategic global location to enable timely deliveries.

Zoono Group Limited (Company) (ASX: ZNO) is pleased to provide an overview of operations for Q1 2021.

Australia / New Zealand

Strong sales and orders continue in Australia and New Zealand (NZ$5.1M) across both the B2B and B2C markets. While B2C sales are important, especially for brand awareness, the B2B sector remains Zoono's primary focus. B2B sales across the region remain consistent, despite a glut of other competing products in the market.

During the quarter, the Company engaged a digital marketing specialist to help drive growth within the B2C sector via localised market specific programs. The Company also secured additional support (Financial and Human Resources) from New Zealand Trade and Enterprise (NZTE) to complement its growth strategies.

UK & Europe

Zoono promoted Jamal McCleary to the role of General Manager for UK and Europe during the quarter. Originally a Christchurch (NZ) based Zoono distributor partner, Jamal's move to the UK comes after an 8-month induction process completed in the NZ Head Office.

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Zoono is working with leading participants in the facilities management, transport, agriculture and healthcare sectors in the UK and EU, while also continuing to build relationships with key customers including Bunzl, Rentokil Initial, Atalian Servest, Killis and One Spray.

Zoono is also progressing well in obtaining regulatory approvals across the EU and continues to gain new customers in Scandinavia, Eastern Europe, Spain and Portugal. In addition, with the Company's products passing the new testing requirements in Germany, the Company is confident of sales growth in the German B2B market, including into new channels in the healthcare, childcare and government sectors.

In the UK, Zoono is continuing to work with Trading Standards in an effort to restore our efficacy and 30-day claims. Zoono has provided Trading Standards with additional test data which it believes sets out a compelling case for approval of its claims.

Asia & China

In China, Zoono is moving to a direct contact model with its customers. For that purpose, Zoono has established a wholly owned foreign entity in Shanghai, to be managed by Zoono's Chinese Regional Manager, Michael Wu, and is building a business development team in that country.

The recently opened Ali Baba international on-line store will be followed later this year by a TMall flagship store. Online sales have made a solid start and the Company will be investing a significant amount to grow both B2B and B2C channels in China.

Regulatory approvals (to hospital grade standard) have been now been received in China and the Company intends to aggressively target the healthcare markets.

Zoono is increasing B2B contact with key customers (unless already covered by existing Distributors) and intends to expand this model in all major markets. For example, IdsMED, Zoono's channel partner for selected ASEAN countries, continues to place regular orders and, following the United Airlines announcement, a number of Asian airlines are in discussions with the Company about the use of its products in the aviation sector.

USA / Canada

As previously advised, Zoono now fully controls its US distribution and is selling direct within the USA through a newly established subsidiary, Zoono Holdings USA LLC.

The Company is growing the team to meet demand and has signed a new premises lease in Eatontown, New Jersey. This new facility will be the distribution hub for Zoono brands in North, Central and South America.

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Zoono will be launching a new on-line sales website during November to drive B2C sales in the US. The Company is also partnering with national organisations to increase its distribution channels. Animal Health sales also continue to grow in the US.

A new chemical reactor, located in South Carolina, US, that allows the Company to make its own raw materials has been finished at a total cost of NZ$200k[1]. This minimises Zoono's reliance on third parties to produce its finished goods and follows establishment of the Company's bottle manufacturing abilities in NZ.

Following the recent announcement by United Airlines that it will be using Zoono Microbe Shield to spray its entire mainline and express fleet, there is fresh interest from aircraft manufacturers and other airlines to utilise Zoono Microbe Shield to inhibit the colonisation and growth of microbes.

Zoono also has new EPA applications underway (including further testing being undertaken by Nelson Laboratories in New Jersey), which could take several months, following which the Company expects it will be allowed to make COVID related and longevity claims in the US.

India & MENA

Following the appointment of Dennis Montgomery as Zoono Regional Manager with responsibility for the Middle East, Africa, Turkey, India, Pakistan and Bangladesh, a new, UAE registered company is being established to protect Zoono's intellectual property and prevent unauthorised distributors from operating in the Middle East.

South Africa is performing well with large orders under negotiation. A new Egyptian distributor has also come on board. Zoono is expecting significant business from these regions in the next six months.

Animal Health

Significant business continues to be pursued in the veterinary and animal health sector through Zoono's channel partner, Zoono Animal Health, particularly in New Zealand, Australia, USA, UK, Ireland, Portugal, Hungary and Germany. Pig and poultry are forming the core of this business where Zoono products have already been shown to be very effective against several viral and bacterial groups, including African swine fever[2].

New operations around the globe continue to be set-up based around best practice to ensure ongoing success and obtaining new customers.

[1] Approximately 66% of this CAPEX was including in Q4 2020 with the remaining spent in the this quarter (Q1 2021)

[2] See announcement dated 9 December 2019 for further information on Zoono's test results against African Swine Fever at: https://asx.api.markitdigital.com/asx-research/1.0/file/2924-02183223-2A1191834?access_token=83ff96335c2d45a094df02a206a39ff4

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Zoono has recently commissioned a series of further tests, benchmarked to the latest EN1500 Standard (Hand Sanitiser), plus a series of tests for Microbe Shield efficacy on plastics, steel, rubber, carpet and even wood. The testing is being done by the UAE Government Laboratories. It is expected that the test results will allow Zoono to make a series of efficacy and 30-Day durability claims in this region.

Appendix 4C

The Appendix 4C Quarterly Cash Flow Report follows. Payments to related parties of the entity and their associates detailed in the report are to directors.

Summary of Q1 Expenditure

Expenditure incurred during the quarter on business activities was primarily on product manufacturing and operating costs (NZ$3M), staff costs (NZ$1.1M) and administration and corporate overheads (NZ$1.1M). Other expenditure included advertising and marketing (NZ$200k), payments for leased assets (NZ$88k), research and development (NZ$62k) and other selling costs (NZ$600K).

Zoono remains confident of delivering a year-end revenue that surpasses last year.

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

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About Zoono

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

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

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

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

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Appendix 4C

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

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Name of entity

Zoono Group Limited (ZNO)

ABN	**Quarter ended ("current quarter")**
73 006 645 754	30 September 2020

Consolidated statement of cash flows		**Current quarter $NZ'000**	**Year to date (3months) $NZ'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	15,010	15,010
1.2	Payments for		
	(a) research and development	(68)	(68)
	(b) product manufacturing and operating costs	(7,093)	(7,093)
	(c) advertising and marketing	(152)	(152)
	(d) leased assets	(118)	(118)
	(e) staff costs	(832)	(832)
	(f) administration and corporate costs	(1,616)	(1,616)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	92	92
1.5	Interest and other costs of finance paid	(4)	(4)
1.6	Income taxes paid	(2,430)	(2,430)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**2,789**	**2,789**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(302)	(302)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $NZ'000	Year to date (3months) $NZ'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(302)**	**(302)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(11)	(11)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	(5,133)	(5,133)
3.9	Other (provide details if material)		-
3.10	**Net cash from / (used in) financing activities**	**(5,144)**	**(5,144)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	10,323	10,323
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,789	2,789
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(302)	(302)

Consolidated statement of cash flows		Current quarter $NZ'000	Year to date (3months) $NZ'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(5,144)	((5,144))
4.5	Effect of movement in exchange rates on cash held	(170)	(170)
4.6	**Cash and cash equivalents at end of period**	**7,496**	**7,496**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $NZ'000	Previous quarter $NZ'000
5.1	Bank balances	4,897	3,788
5.2	Call deposits	2,599	6,535
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**7,496**	**10,323**

6.	Payments to related parties of the entity and their associates	Current quarter $NZ'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	163
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

Directors of the entity.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $NZ'000**	**Amount drawn at quarter end $NZ'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	**Estimated cash available for future operating activities**	**$NZ'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	2,789
8.2	Cash and cash equivalents at quarter end (Item 4.6)	7,496
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	7,496
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	N/A as cash from operating activities in item 8.1 is positive

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

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

Answer: N/A

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Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 14 October 2020

Authorised by: The Board of Zoono Group Limited
.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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