

Interim Financial
Report 2020 for
the half year ended
31 December 2020

This interim financial report does not include all the notes of the type normally included in an annual financial report. This report is to be read in conjunction with the Annual Report for the year ended 30 June 2020 and any public announcements made by Zeotech Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001

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CORPORATE DIRECTORY

Directors

Sylvia Tulloch (Non-Executive Chair)
Peter Zardo (Managing Director)
Robert Downey (Non-Executive Director)

Company Secretary

Neville Bassett

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Stock Exchange Listing

Zeotech Limited securities are listed on the Australian Securities Exchange (ASX code: ZEO).

DIRECTORS' REPORT

Your directors are pleased to present their report on Zeotech Limited and its controlled entities ("Zeotech" or "the Group"), formerly Metalsearch Limited, for the half-year ended 31 December 2020.

DIRECTORS

The names of the directors who held office during or since the end of the half year are:

Sylvia Tulloch	Non-Executive Chair (appointed 7 July 2020)
Peter Zardo	Managing Director (appointed 7 July 2020)
Robert Downey	Non-Executive Director
John Goody	Non-Executive Director (resigned 12 January 2021)
Keong Chan	Non-Executive Director (resigned 7 July 2020)

RESULT

The Group recorded a loss for the half-year ended 31 December 2020 of \$1,678,260 compared to a loss of \$670,990 for the corresponding period in the prior year.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the period was continued research and development of the Group's patent-pending zeolite mineral processing technology at The University of Queensland, with the objective of finalising lab test-work in preparation for pilot plant program and assessing potential of the technology using mine tailings and process residues as feedstock. The Group also continued its evaluation of the kaolin mineralisation at its Abercorn Project, in central Queensland.

REVIEW OF OPERATIONS

SYNTHETIC ZEOLITE MINERAL PROCESSING TECHNOLOGY

Early Market Interest in Zeolite Technology continues from China

On the 10 August 2020, the Group announced its mainland China manufacturer and end user market research program ("the Program") had delivered further early market interest, with Zeotech receiving commercial zeolite product and "Sample Statements" under agreed terms from Inner Mongolia Risheng Recycling Resource Co., Ltd and Xaimen Zhongzhao IMP.&EXP. Co., Ltd. The Group also received detergent builder samples of Type A4 zeolite from one of China's leading detergent manufacturers in Beijing.

The Program was facilitated by The China Trade and Investment Council ("CATIC"), which enlisted a team of expert consultants to reach out across mainland China, representing ZEO's zeolite Technology and has been successful in establishing early market interest.

Exploring Agricultural Applications for Synthetic Zeolites

On the 28 September 2020, the Group announced it was participating in agronomic trials to evaluate the performance of synthetic zeolites across a range of agricultural applications. The trials are being undertaken in collaboration with Griffith University and the University of Queensland.

Zeotech is exploring the application of synthetic zeolites in the agricultural industry after being introduced to Griffith University by the University of Queensland, in order to link into an agronomic zeolite trial program, which is being conducted over a 6-9 month period.

Patent Application lodged for the Synthesis of Zeolites from Lithium Refinery Process Residue

On 1 August 2020, the Group executed an accelerated research program with the University of Queensland's School of Chemical Engineering ("UQ"), focused on evaluating the potential to efficiently synthesize zeolites from mine tailings and process residues.

On 21 October 2020, the Group announced the University of Queensland's technology transfer company UniQuest, had filed a provisional patent application ("Provisional Patent") for the manufacturing (synthesising) of zeolites from lithium refinery process residue derived from the production of lithium concentrates from spodumene ("Li Process Residue").

The novel and proprietary process leverages low energy and production time efficiencies of Zeotech's existing intellectual property portfolio – creating an innovative and cost-effective approach for the manufacture of zeolites from Li Process Residue.

The Provisional Patent will form part of the Group's expanding intellectual property portfolio.

Commercial Grade Zeolite Type A produced from Lithium Refinery Process Residue

On 28 October 2020, the Group announced the successful synthesis of commercial grade zeolite Type A also known as Linde Type A ("LTA") from leached spodumene process residue using patent-pending technology ("IP") developed by the University of Queensland. This promising result was the product of a dedicated accelerated mine-tailings and process residues research program.

Notice of Assignment of Intellectual Property relating to Zeolite Mineral Processing Technology

On 8 December 2020, the Group announced it had issued the University of Queensland's, technology transfer company UniQuest, a notice requesting the assignment to Zeotech for its intellectual property (IP), (Licenced IP) regarding patent-pending mineral processing technology for the manufacturing (synthesising) of zeolites. The assignment was completed subsequent to the end of the period.

The opportunity to move from a licensee to an IP owner is a major step for the Group. It offers Zeotech shareholders and potential commercial partners certainty that the IP is held directly by the Group, without any encumbrances, beyond Zeotech's ongoing obligation to pay royalties and performance milestone shares (or cash equivalent) to UniQuest. Zeotech's novel and proprietary mineral processing technology provides access to the A\$2.6 billion global Type A zeolite market¹, with a focus on high value molecular sieve zeolites, which achieve prices in excess of A\$2,850 per tonne.

¹ Aranca: Global Analysis 4A detergent grade and 3A, 4A and 5A molecular sieves grade Nov 2020

ABERCORN PROJECT, AUSTRALIA

The Abercorn Project is a large-scale kaolin prospect, located in central Queensland and has demonstrated it contains a resource of significant scale, and a very consistent grade of kaolinite mineralisation.

The Abercorn Project comprises 4 contiguous Exploration Permits for Mineral ("EPM") for a total of 50 sub-blocks, these are EPM 26837 comprising 33 sub-blocks, EPM 26903 comprising 4 sub-blocks, EPM 19081 comprising one sub-block and EPM 27427 comprising 12 sub-blocks.

The Abercorn Project is situated approximately 135km south of the deep-water port of Gladstone and 125km west of the deep-water port of Bundaberg in Central Queensland. Both major ports are connected to the Abercorn Project by sealed roads. The Burnett highway bisects the property.

The resource remains open in all directions with less than circa 10% of the Project area being drilled, leaving potential for substantial future upgrade.

Maiden Indicated and Inferred JORC Resource

During the period, the Group announced a Maiden Indicated and Inferred JORC 2012 Compliant Resource at the 100% owned Abercorn Project: (refer ASX announcement dated 06 July 2020)

- Total Maiden Resource for the Abercorn Project area is 39.06Mt yielding 36.8% -20µm grading 28.6% Al₂O₃ & 1.18% K₂O, using a cut-off grade of 26% Al₂O₃
- A high-grade section within the Project area called the Railcut Prospect contains 14Mt yielding 38% -20µm fraction grading 30.26% Al₂O₃ & 0.89% K₂O, using a cut-off grade of +29% Al₂O₃
- A second high-grade section within the Project area called the Area 3 Prospect contains 1.66 Mt yielding 30.9% -20µm fraction grading 30.7% Al₂O₃ & 0.83% K₂O

Highlights

- Circa 60% of the Mineral Resource is classified as Indicated
- The resource remains open in all directions with less than circa 10% of the Project area being drilled, leaving potential for the resource to be significantly upgraded
- The Abercorn Project has demonstrated it contains significant scale and a very consistent, high quality grade of mineralisation
- The resource runs from surface, contains little to no overburden and low impurities
- The Project is located close to existing infrastructure including, main sealed highway adjacent to the Project area, mains power on site, large water supply within the EPM and close to two deep water ports, both connected to the Abercorn Project by sealed roads

Summary

The Mineral Resources are reported in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 (JORC Code) and the ASX Listing Rules. The supporting information for the release of Mineral Resources is set out in the appendix of ASX announcement dated 06 July 2020.

The total Abercorn Project of + 26% Al₂O₃ cut-off grade:

Indicated Resource - 22.2 M Tonnes with 37.0% -20µm fraction grading 29.1% Al₂O₃ & 1.13% K₂O

Inferred Resource - 15.2 M Tonnes with 36.3% -20µm fraction grading 27.9% Al₂O₃ & 1.25% K₂O

Total Resource - 37.4 M Tonnes with 36.8% -20µm fraction grading 28.6% Al₂O₃ & 1.18% K₂O

The Railcut Prospect high grade block +29% Al₂O₃ cut-off grade:

Indicated Resource - 11.2 M Tonnes with 38.8% -20µm fraction grading 30.3% Al₂O₃ & 0.9% K₂O

Inferred Resource - 1.2 M Tonnes with 40.9% -20µm fraction grading 29.3% Al₂O₃ & 0.99% K₂O

Total Resource - 12.4 M Tonnes with 39% -20µm fraction grading 30.2% Al₂O₃ & 0.9% K₂O.

The Area 3 Prospect

The +29% Al₂O₃ cut-off grade block has the Resource:

Inferred Resource – 1.66 M Tonnes with 30.9% -20µm fraction grading 30.7% Al₂O₃ & 0.83% K₂O

The total for the Railcut and Area 3 Prospects, with a 29% Al₂O₃ cut-off grade is 14 million tonnes with 38% -20µm fraction grading 30.26% Al₂O₃ and 0.89% K₂O.

The Company is not aware of any new information or data that materially affects the information included in the referenced ASX announcement and confirms that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

KRAAIPAN PROJECT, BOTSWANA

Kraaipan Gold-Nickel-Copper-PGM Project

Zeotech's 100% owned Kraaipan Gold-Nickel-Copper-PGM Project comprises Prospecting Licence, PL232/2016 and covers approximately 50 kilometre strike extent of the Kraaipan Greenstone Belt in southern Botswana. The Kraaipan Project is part of the larger NNW trending Amalia-Kraaipan-Greenstone-Terrane ('AKGT') of the Kaapvaal Craton. The AKGT in Botswana is directly along strike from significant gold deposits, as well as adjacent to significant PGM deposits, across the border in South Africa.

No on-groundwork was undertaken during the period.

CORPORATE

Board Changes

On the 7 July 2020, the Group restructured the Board and Executive:

- Mr Keong Chan resigned as Chairman and from the board, and Ms Sylvia Tulloch joined the board and assumed the role as Chair.
- The Group appointed Chief Operating Officer, Mr Peter Zardo, as Managing Director.

New Securities Issues

On 6 July 2020, the Group announced a Maiden Indicated and Inferred JORC 2012 Compliant Resource at the 100% owned Abercorn Project, resulting in the issue of deferred consideration of 75,000,000 new ordinary shares to the Vendors of the Abercorn Project for achieving the first performance milestone.

On the 28 July 2020, the Group completed a \$1.657 million capital raising through the issue of 127,500,000 new ordinary shares at an issue price of \$0.013 each.

On 27 November 2020, shareholders approved the issue of 20,000,000 ordinary fully paid shares to Mr Peter Zardo, with provision of a non-recourse interest free loan of \$300,000 based on the approved issue price of \$0.015 per share. At the date of the notice of annual general meeting to seek shareholder approval for the issue of shares, the Group's share price was \$0.013 ascribing a value using the Black & Scholes valuation methodology of \$200,000. At the date of issue of the shares, the share price was \$0.042 resulting in a share-based payment expense of \$840,000 using the same valuation methodology.

Change of Company Name

Following shareholder approval at the Group's annual general meeting held on 27 November 2020, the company's name changed to Zeotech Limited.

Events subsequent to period end

Subsequent to the end of the period:

- the Group completed a \$1.7 million placement at \$0.05 per share to sophisticated and professional investors.

Proceeds from the Placement will be used to:

- Further advancing the Group's zeolite pilot plant program; and
 - Further expand research opportunities to enhance and develop diverse commercial applications of the novel and proprietary mineral processing technology.
- Mr John Goody resigned as a non-executive director.

- the Group completed the assignment of the intellectual property regarding patent-pending mineral processing technology for the manufacturing (synthesising) of zeolites from The University of Queensland's technology transfer company, Uniquist (refer ASX announcement dated 2 February 2021).
- the Group executed a dedicated research agreement with The University of Queensland to evaluate the performance of synthetic zeolites in the field of carbon capture. Zeotech is assessing how to leverage its novel and proprietary mineral processing technology for the low-cost synthesis of synthetic zeolites to deliver economically feasible environmental management solutions for carbon capture (refer ASX announcement dated 8 February 2021).
- the Group committed to the development and construction of a pilot plant and is undertaking an extensive test-work-program to further optimise the flowsheet of the Group's low-cost synthetic zeolite manufacturing technology to de-risk future commercial investment (refer ASX announcement dated 16 February 2021).

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Rothsay Auditing, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 10 and forms part of this directors' report for the half-year ended 31 December 2020.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306 (3) of the Corporations Act 2001.



Sylvia Tulloch
Non-Executive Chair
Brisbane, 12 March 2021



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**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001**

As lead auditor of the review of Zeotech Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Zeotech Limited and the entities it controlled during the half-year.

Rothsay Auditing

Daniel Dalla
Partner

12 March 2021



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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$	2019 \$
REVENUE	2	37,651	260
EXPENDITURE			
Administration expenses		(180,215)	(200,727)
Depreciation expense		(2,873)	(2,750)
Exploration expenses		(118,455)	(385,123)
Salaries and employee benefits expense		(220,947)	(81,000)
Technology expenses		(353,421)	-
Other expenses		-	(1,650)
Share based payments expenses		(840,000)	-
LOSS BEFORE INCOME TAX		(1,678,260)	(670,990)
Income tax benefit / (expense)		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF ZEOTECH LIMITED		(1,678,260)	(670,990)
Basic and diluted loss per share (cents)		(0.001)	(0.001)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	31 December 2020	30 June 2020
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	2,301,749	1,566,656
Cash and cash equivalents – restricted in trust	350,000	-
Trade and other receivables	45,112	86,522
TOTAL CURRENT ASSETS	2,696,861	1,653,178
NON-CURRENT ASSETS		
Plant and equipment	8,778	10,180
Exploration and evaluation costs	4,267,216	4,267,216
Intangible assets	777,627	761,290
TOTAL NON-CURRENT ASSETS	5,053,621	5,038,686
TOTAL ASSETS	7,750,482	6,691,864
CURRENT LIABILITIES		
Trade and other payables	5	214,773
TOTAL CURRENT LIABILITIES	474,020	214,773
TOTAL LIABILITIES	474,020	214,773
NET ASSETS	7,276,462	6,477,091
EQUITY		
Issued capital	30,269,071	27,727,506
Reserves	1,155,399	1,219,333
Accumulated losses	(24,148,008)	(22,469,748)
TOTAL EQUITY	7,276,462	6,477,091

The above statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Contributed Equity	Share-based Payments Reserve	Options Reserves	Acquisition Reserves	Foreign Exchange Reserves	Accumulated Losses	Total
	\$	\$	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2019	22,234,213	-	-	-	223,057	(19,712,703)	2,744,567
Loss for the period	-	-	-	-	-	(670,990)	(670,990)
TOTAL COMPREHENSIVE LOSS	-	-	-	-	-	(670,990)	(670,990)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS							
Shares issued during the year	3,620,000	-	-	-	-	-	3,620,000
Share issue costs	(237,274)	-	-	-	-	-	(237,274)
Foreign exchange movement	-	-	-	-	(9,806)	-	(9,806)
BALANCE AT 31 DECEMBER 2019	25,616,939	-	-	-	213,251	(20,383,693)	5,446,497
BALANCE AT 1 JULY 2020	27,727,506	-	120,000	900,000	199,333	(22,469,748)	6,477,091
Loss for the period	-	-	-	-	-	(1,678,260)	(1,678,260)
TOTAL COMPREHENSIVE LOSS	-	-	-	-	-	(1,678,260)	(1,678,260)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS							
Shares issued during the year	1,657,500	-	-	-	-	-	1,657,500
Share issue costs	(15,935)	-	-	-	-	-	(15,935)
Shares issued under loan funded share plan	-	840,000	-	-	-	-	840,000
Shares issued for acquisition	900,000	-	-	(900,000)	-	-	-
Foreign exchange movement	-	-	-	-	(3,934)	-	(3,934)
BALANCE AT 31 DECEMBER 2020	30,269,071	840,000	120,000	-	195,399	(24,148,008)	7,276,462

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	2020	2019
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenditure on mining interests	(126,829)	(411,062)
Payments to suppliers and employees	(786,748)	(301,772)
Other income	37,651	260
Net cash outflow from operating activities	(875,926)	(712,574)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(1,472)	(7,000)
Net cash on acquisition of Abercorn Kaolin Pty Ltd	-	11,765
Due diligence	-	(1,650)
Payments to acquire mining assets	-	(350,000)
Payments for other intangible assets	(27,427)	-
Net cash outflow from investing activities	(28,899)	(346,885)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of ordinary shares net of share issue cost	1,641,565	1,867,726
Net cash inflow from financing activities	1,641,565	1,867,726
Net (decrease)/increase in cash and cash equivalents	736,740	808,267
Exchange differences on cash and cash equivalents	(1,647)	(10,281)
Cash and cash equivalents at the beginning of the half-year	1,566,656	1,757,605
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	2,301,749	2,555,591

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2020 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Zeotech Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Going Concern

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Group's assets and the discharge of its liabilities in the normal course of business.

The directors consider it appropriate to prepare the consolidated entity's financial statement on a going concern basis and recognise that additional funding may be required to ensure the consolidated entity can continue its operations for the next twelve months and to fund the continued development of the consolidated entity's exploration and technology assets. This basis has been determined after consideration of the following factors:

- the ability to issue additional capital under the Corporations Act 2001, if required, by share purchase plan, share placement or rights issue;
- debt financing, including convertible note issues;
- the option of farming out all or part of the consolidated entity's exploration projects; and
- the ability, if required to dispose of interest in exploration and development assets.

Consequently, the Board considers the Group is a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2020, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2020.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2020. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

NOTE 2: REVENUE

	Half Year Consolidated	
	December 2020	December 2019
From continuing operations	\$	\$
Interest revenue	145	260
Other revenue	37,506	-
Total revenue	37,651	260

NOTE 3: SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. For management purposes, the Group has identified two reportable segments being exploration activities undertaken in Australia, and Botswana. These segments include the activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in these geographic locations.

Primary Reporting – geographical segments

The geographical segments of the consolidated entity are as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 3: SEGMENT INFORMATION (continued)

Revenue by geographical region

Revenue attributable to the Group disclosed below, based on where the revenue is generated from:

	December 2020 \$	December 2019 \$
Australia	37,651	260
Botswana	-	-
Total revenue	37,651	260

Segment results by geographical region

Australia	1,666,017	559,733
Botswana	12,243	111,257
Net loss before tax	1,678,260	670,990

Assets by geographical region

The location of segment assets by geographical location of the assets is disclosed below:

	December 2020 \$	June 2020 \$
Australia	7,733,371	6,681,754
Botswana	17,111	10,110
Total assets	7,750,482	6,691,864

Liabilities by geographical region

The location of segment liabilities by geographical location of the assets is disclosed below:

	December 2020 \$	June 2020 \$
Australia	473,089	214,019
Botswana	931	754
Total liabilities	474,020	214,773

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 4: ISSUED CAPITAL

	December 2020 Shares	December 2020 \$	June 2020 Shares	June 2020 \$
Issues of ordinary shares during the half-year				
Issued for cash	127,500,000	1,657,500	333,333,333	2,000,000
Issued for acquisition	75,000,000	900,000	235,000,000	2,820,000
Issued to advisers for acquisition and capital raising	-	-	35,000,000	420,000
Issued for licence	-	-	92,307,692	600,000
Issued to employees for Incentive Share Plan	20,000,000	-	-	-
Share issue cost	-	(15,935)	-	(346,707)
	222,500,000	2,541,565	695,641,025	5,493,293

	Number of options	
	December 2020	June 2020
Movements of options during the half-year		
Options lapsed during the year	-	-
Issued during the year	-	20,000,000
	-	20,000,000

NOTE 5: TRADE AND OTHER PAYABLES

	Half-Year Consolidated	
	December 2020 \$	June 2020 \$
Trade creditors	81,180	183,711
Director's fees payable	28,899	8,000
Other payables and accruals	13,941	23,062
Share applications	350,000	-
Total	474,020	214,773

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 6: CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Group at balance date other than those detailed below.

Abercorn Acquisition

On 16 October 2019, the Group completed the acquisition of the Abercorn High Purity Alumina ("HPA") Project.

The acquisition included contingent consideration for issue of further Shares to the Vendors or their nominees upon the achievement of certain milestones:

- (i) upon certification by an independent Competent Person on or before the first anniversary of the date of the term sheet of an inferred JORC compliant resource of 10,000,000 tonnes of raw ore containing 29% Al_2O_3 at -20 μm sizing, the issue by the Group to the Vendors of 75,000,000 ZEO Shares: and
- (ii) upon completion by the Group of a Scoping Study (as defined in the JORC Code) before the 3rd anniversary of the date of the term sheet, the issue by the Group to the Vendors of 75,000,000 ZEO Shares.

The first milestone was met and the deferred consideration of 75,000,000 ZEO Shares were issued during the period.

Kraaipan Acquisition

On 29 May 2017, the Group completed the acquisition of the Kraaipan Gold-Nickel-Copper-PGM Project in southern Botswana.

The acquisition included contingent consideration for issue of further Shares to the Vendors or their nominees upon the achievement of certain milestones as follows ('Milestone Consideration'):

- (i) upon certification of a JORC compliant resource of gold or gold equivalent of 250,000oz which at least 50% is classified as Indicated or above ('First Milestone'), Shares with a total value of \$500,000 based on an issue price per Share equal to the higher of \$0.02 or the 5 day volume weighted average price for Shares for the previous five days on which Shares traded prior to the announcement of the First Milestone;
- (ii) upon certification of a JORC compliant resource of 500,000oz gold or gold equivalent of which at least 50% is classified as Indicated or above ('Second Milestone'), Shares with a total value of \$1,000,000 based on an issue price per Share equal to the higher of \$0.02 or the 5 day volume weighted average price for Shares for the previous five days on which Shares traded prior to the announcement of the Second Milestone;
- (iii) upon certification of a JORC compliant resource of 1,000,000oz gold or gold equivalent of which at least 50% is classified as Indicated or above (Fourth Milestone), Shares with a total value of \$1,000,000 based on an issue price per Share equal to the higher of \$0.02 or the 5 day volume weighted average price for the previous five days on which Shares traded prior to the announcement of the Fourth Milestone. No dividends were paid during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 6: CONTINGENCIES (continued)

Licence Agreement – Synthetic Zeolite

On 7 April 2020, the Company secured an exclusive worldwide licence from Uniquest Pty Ltd, the technology transfer company of the University of Queensland, for the manufacturing (synthesising) of Zeolites (the Technology).

The grant of the licence included contingent consideration upon the achievement of certain milestones and outcomes:

1. in the event that a patent is granted or on the successful production of three five kilogram batches of type A synthetic zeolite from the Pilot Plant that it will at that time pay a success milestone of \$600,000 either in cash or by way of the issue of ordinary fully paid shares in the capital of the Company, calculated on a 30 day VWAP (at the Company's election); and
2. a 5% royalty on gross sales of synthetic zeolites produced using the Technology.

The Licence Agreement also gives the Company the option, within specified circumstances, to acquire the Technology and the intellectual property rights, subject to the payment of an assignment fee (Refer Note 7 (2) – Subsequent Events).

NOTE 7: SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2020, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years other than the below.

1. The Group completed a \$1,700,000 placement at \$0.05 per share to sophisticated and professional investors;
2. the Group completed the assignment of the intellectual property regarding patent-pending mineral processing technology for the manufacturing (synthesising) of zeolites from The University of Queensland's technology transfer company, Uniquest on the payment of a non-refundable assignment fee of \$500,000. As a result of the assignment, the Group has no further obligations pursuant to the Licence Agreement (refer Note 6), other than the payment of the royalty;
3. the Group executed a dedicated research agreement with The University of Queensland to evaluate the performance of synthetic zeolites in the field of carbon capture. Zeotech is assessing how to leverage its novel and proprietary mineral processing technology for the low-cost synthesis of synthetic zeolites to deliver economically feasible environmental management solutions for carbon capture; and
4. the Group committed to the development and construction of a pilot plant and is undertaking an extensive test-work-program to further optimise the flowsheet of the Group's low-cost synthetic zeolite manufacturing technology to de-risk future commercial investment

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 11 to 20 are in accordance with the Corporations Act 2001, including:
 - a) complying with Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Zeotech Limited will be able to pay its debts as and when they become due and payable.

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



Sylvia Tulloch

Non-Executive Chair

Brisbane, 12 March 2021



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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
ZEOTECH LIMITED**

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Zeotech Limited ("the Company"), and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-Year Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company would be in the same terms if given to the directors as at the time of this auditor's review report.





Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Rothsay Auditing

Dated 12 March 2021

Daniel Dalla
Partner