

Appendix 4C and Quarterly Activities Report: Further growth in sales

ASX Announcement

28 July 2021

Highlights

- **Growth in quarterly sales across most of Holista's core businesses contributed to its improved Operating Cash Flow vs. pcp**
- **Quarterly unaudited sales increased 33% to \$1.6m and 1H 2021 unaudited revenue up 29% to \$3.6m**
- **Increase in forward orders of raw materials to buffer against COVID disruptions negatively impacted on cash flows, but impact is transitional**
- **M3® cleared / exempted for use in Australia, Malaysia and Singapore and Natshield™ Nasal Balm is scheduled for launch before year end**
- **Positive outlook for all of Holista's divisions with global trends remaining supportive**

Holista Colltech Limited (ASX: HCT, "Holista" or "the Company") wishes to provide the following quarterly update and commentary on its Appendix 4C for the three months to 30 June 2021.

Summary of cash position

The Company's cash and cash equivalent holdings at the end of the quarter was \$2.1 million and it has access to a further \$449,000 in unused debt facilities to take the total available cash to \$2.6 million at the end of the June quarter.

Further growth in sales, favourable exchange rates and the switch to lower interest-bearing debt bolstered Holista's cash position, while a temporary increase in operating expenses offset the gains (see next section for more details).

Holista is on-track to deliver further improvements in operating cash flow from its efficiency drive and organic growth across its various business divisions in the current financial year ending December 31, 2021.

As detailed in Item 6.1 of the accompanying Appendix 4C, the Company paid \$121,000 in relation to overhead reimbursement costs, consulting fees and directors remuneration to its related parties and associates.

Operating activities

Holista recorded growth across most of its divisions compared to the previous corresponding period (pcp), which is 2Q 2020. Customer receipts increased by 36% over the pcp to \$1.8 million with the Healthy Food Ingredients business reporting the biggest percentage revenue growth among Holista's four divisions of 411% during the quarter.

Sales from its Infection Control division rebounded to \$171,000 (1Q 2021: \$7,000) following the successful relaunch of Holista's global distribution partner, iGalen.

Quarterly and First Half Segment Revenue*

Division	Q2 2021	Q2 2020	% Chg	1H 2021	1H 2020	% Chg
Food Ingredients	\$414K	\$81K	+411%	\$769K	\$297K	+159%
Supplements	\$979K	\$1,131K	-13%	\$2,491K	\$2,280K	+9%
Infection Control	\$171K	\$0	N/A	\$178K	\$166K	+7%
Ovine Collagen	\$54K	\$0	N/A	\$128K	\$18K	+611%
Total Sales	\$1,618K	\$1,212K	+33%	\$3,566K	\$2,761K	+29%

**Final figures are subject to audit*

For the first half of 2021, sales in the Healthy Food Ingredients division increased by 159% pcp to \$ 769,000 due to orders of GI Lite™ and 80Less™, while sales from the Dietary Supplements and Infection Control businesses expanded by 9% to \$2.5 million and 7% to \$178,000, respectively.

Revenue from Holista's Ovine Collagen division is also rebounding strongly, albeit from a low base, and there is significant upside potential for this division over the coming months following the exclusive distribution agreement with Mutiara Seribumi Sdn Bhd that was announced to the market in May this year.

Holista reported a net operating cash outflow of \$372,000 in 2Q 2021, which is a significant improvement over the same period last year when the cash outflow was \$1.9 million, but represented an increase compared to 1Q 2021 when the outflow was \$17,000.

The increase in the operating cash outflow compared the March 2021 quarter was primarily due to Holista bringing forward orders of raw materials to protect the

business from potential supply chain disruptions caused by the ongoing COVID-19 lockdowns that continue to impact on several countries around the world.

This is not expected to be repeated in the next quarter and Holista's ongoing cost efficiency drive is targeting to save circa \$0.5 million over the next three years.

The largest expenses in the latest quarter are Product Manufacturing and Operating Costs of \$804,000, Staff Costs of \$744,000 and Administration and Corporate Costs of \$372,000.

Holista believes its outlook will remain positive through 2021 as global trends are supportive of growth across all of its four business divisions.

Investing and financing activities

The \$4,000 cash outflow from investing activities related to the purchase of fixed assets during the quarter.

The positive cash flow from financing activities is due to the refinancing of debt a lower interest rate facility, which attracts an interest rate of 3.77%.

Other significant events

Natshield™ is currently being tested for persistence (how long it remains effective) on hard surfaces and skin with SGS North America and Chemlab in Malaysia. The results are expected by the end of August 2021. This data will assist Holista in final formulation and making related claims for its nasal balm ahead of its expected launch in the US, Singapore and Malaysia in Q4 2021.

The M3® system has been approved for sale in Malaysia and Singapore, and can be used in Australia without regulatory approval, although Therapeutic Goods Administration (TGA) approval is required for Bioesque® formulated with Thymox® (EPA Reg. No: 87742-1-92595), from Laboratoire M2, the sanitiser that Global Infection Control Consultants ("GICC") has approved for use in the M3® system.

Holista has submitted the TGA registration and all necessary documentation for Bioesque® formulated with Thymox® (EPA Reg. No: 87742-1-92595), which is on the United States Environmental Protection Agency's "List N" of products that kill the coronavirus SARS-CoV-2 (COVID-19) when used according to the label directions.

This registration is for claims that Bioesque® formulated with Thymox® is effective against SARS-CoV-2 on hard surfaces and when used in fogging applications and Heating, Ventilation, and Air Conditioning (HVAC) systems.

This is particularly important given that some variants of the COVID-19 virus are believed to be airborne and transmittable through a building's HVAC system.

This announcement has been approved by the Board of Directors.

-Ends-

About Holista Colltech Limited

Holista Colltech Ltd (“Holista”) is a natural wellness company with the following divisions:

- Dietary Supplements
- Food Ingredients
- Ovine Collagen
- Infection Control Solutions

Holista has a global collaboration with Global Infection Control Consultants LLC to use Path-Away®, a plant-based solution that is proven to kill a broad spectrum of microbes. The all-natural alcohol-free active ingredient is used in Holista’s range of disinfectant products under the NatShield™ brand.

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Appendix 4C

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

Name of entity

HOLISTA COLLTECH LIMITED (ASX: HCT)

ABN

24 094 515 992

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,795	3,609
1.2 Payments for	-	-
(a) research and development	(52)	(79)
(b) product manufacturing and operating costs	(804)	(1,349)
(c) advertising and marketing	(187)	(414)
(d) leased assets	-	-
(e) staff costs	(744)	(1,512)
(f) administration and corporate costs	(372)	(657)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	(1)	7
1.5 Interest and other costs of finance paid	(3)	(6)
1.6 Income taxes paid	(10)	(25)
1.7 Government grants and tax incentives	6	37
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(372)	(389)
2. Cash flows from investing activities		
2.1 Payments to acquire:	-	-
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(4)	(12)
(d) investments	-	-
(e) Purchase or development of intangible assets	-	-
(f) other non-current assets	-	-

The year to date (6 months) of the Cash flows from operating activities include a reclassification of \$132 (\$A '000) to (f) administration and corporate costs that were included under (b) product manufacturing and operating costs in the previous quarter.

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) Purchase or development of intangible assets	-	-
(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	(4)	(12)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares (Net of issuance costs)	-	-
3.2 Proceeds from issue of convertible notes (Net of issuance costs)	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	545	612
3.6 Repayment of borrowings	(469)	(804)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	76	(192)
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,398	2,725
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(372)	(389)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(4)	(12)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	76	(192)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
4.5 Effect of movement in exchange rates on cash held	18	(16)
4.6 Cash and cash equivalents at end of period	2,116	2,116

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 \$A'000	Previous quarter \$A'000
5.1 Bank balances	304	587
5.2 Call deposits	1,812	1,811
5.3 Bank overdrafts	-	-
5.4 Other (Restricted cash)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,116	2,398

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	121
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

Note: Includes Director fees in the amount of \$121k during the quarter. Payments to related parties in the amount of \$17k for consultancy and legal services. No other related party payments were made.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<p>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.</p>		
7.1 Loan facilities	437	437
7.2 Credit standby arrangements	641	192
7.3 Other (please specify)		
7.4 Total financing facilities	1,078	629
7.5 Unused financing facilities available at quarter end		449
<p>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.</p>		
<p>Loan Facilities The term loan is repayable over 240 monthly instalments (principal plus interest) of \$2,866 (2019: \$5,119) which commenced on 1 October 2020. The term loan bears interest rates of 3.77% (2019: 5.77%) per annum and is secured by the following:</p> <ul style="list-style-type: none"> ● First-party absolute assignment of all rights, interest, title and benefits in and to property beneficially owned by a Subsidiary Company; ● Corporate Guarantee by subsidiary company; and ● Personal Guarantee by a Director of the subsidiary company. <p>Credit standby arrangements The bankers' acceptance bears interest of 3.7% (2019: 5.23%) and is secured by the following:</p> <ul style="list-style-type: none"> ● Pledge of fixed deposits with licensed banks; ● Execution of a fresh letter of authorisation, memorandum of Deposit and letter of set off; ● First-party assignment over the office lots of the Company; and ● Joint and several guarantees from a Director of the Company 		
8. Estimated cash available for future operating activities	\$A'000	
8.1 Net cash from / (used in) operating activities (item 1.9)	(372)	
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,116	
8.3 Unused finance facilities available at quarter end (item 7.5)	449	
8.4 Total available funding (item 8.2 + item 8.3)	2,565	
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	7	
<p>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</p>		

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

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows

Answer:

N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to

Answer:

N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business

Answer:

N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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:28 July 2021.....

Authorised by:By the Board.....
(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.