

Appendix 4C and Activities Report: Increased Investments in New Innovations & Product Launches

ASX Announcement

31 July 2023

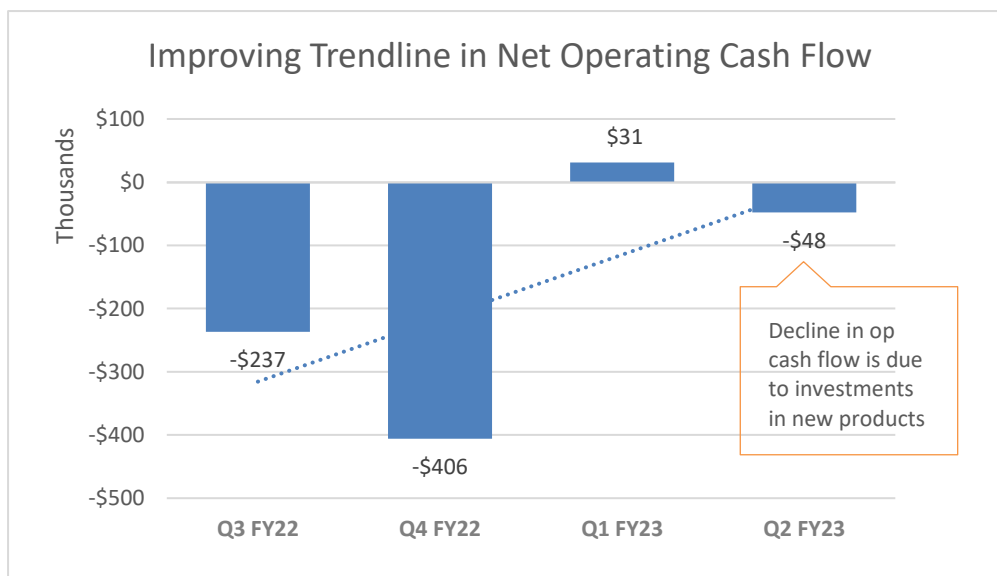
Highlights

- Increased R&D spend and promotional activities to support upcoming product launches across multiple categories
- Holista to launch three new supplements, two food ingredient innovations and a range of cosmeceutical products – most of which will occur in 2HFY23
- Net operating cash flow of -\$48k would have been positive if not for the increased investments linked to the new products
- Positive outlook as Holista believes the new innovations are expected to start making a positive contribution in the current half

Holista Colltech Limited (ASX: HCT, “Holista” or “the Group”) is pleased to provide the following quarterly update and commentary on its Appendix 4C for the three months to 30 June 2023 (2QFY23).

Summary of cash position

The Group recorded a modest net operating cash outflow of \$48K in the June quarter as it stepped up investments to drive future growth. If not for the \$53K increase in research and development (R&D) investments relating to range of new product innovations, and the associated increase in advertising and marketing costs associated with multiple product launches, net operating cash flow would be positive in the period.



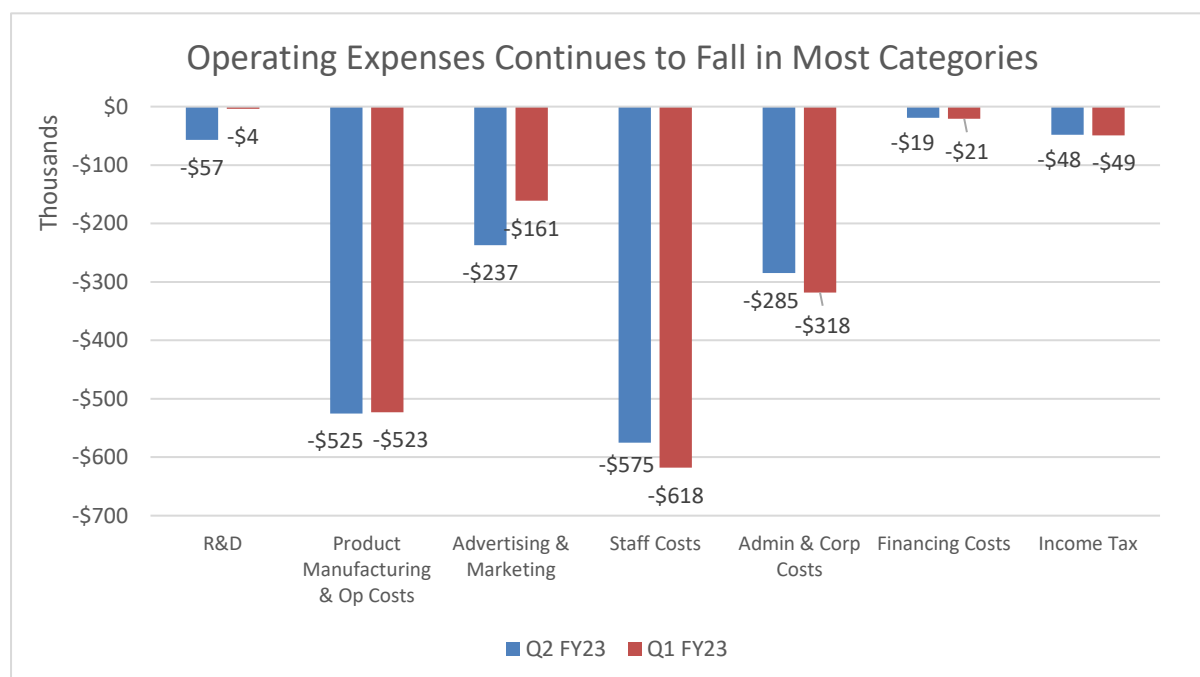
Holista's total available funds at the end of June was \$747K, which is made up of \$55K in cash and \$692K in available but unused financing facilities.

As detailed in Item 6.1 of the accompanying Appendix 4C, the Company paid \$116k in relation to consulting fees and directors' remuneration to its related parties and associates.

Operating activities

The Group's net operating cash outflow in the quarter was \$48K due to a slight 1.5% decrease in customer receipts to \$1.7 million and an increase in investments to drive future growth. This included a \$57K investment in R&D in 2QFY23, compared to \$4K in the previous quarter, and advertising and marketing spend of \$237K vs. \$161K in 1QFY23.

The lift in R&D spend is related to new products that will be offered across all of the Group's four divisions. The increase in promotional spend relates to pre-marketing of the new products and to support sales of Holista's existing product portfolio.



Further, the Group has been successful in reducing other expenses in 2QFY23 compared to the previous quarter even as the unfavourable exchange rate added to cost pressures.

Holista's largest operating expenses in the period included staff costs of \$575K (-7% from Q1FY23), product manufacturing and operating costs of \$525K (+0.4% vs. Q1FY23) and administrative and corporate costs of \$285K (-10.4% vs. Q1FY23).

New products and opportunities

Dietary Supplements

Holista is aiming to drive growth in its Dietary Supplements division with two new product offerings targeting the premium end of the market and an affordable range of vitamins for children in Malaysia. These are two market segments that are more resilient to economic cycles.

The Group entered into an exclusive agreement with US-based Premium Vitamins and Supplements LLC to sell its Nugevity brand of vitamins in Malaysia. The popularity of the premium supplement is underpinned by the US company's partnership with the National Aeronautics and Space Administration (NASA) to jointly develop nutritional technologies for use by astronauts on long-duration missions.

Holista also developed a fish oil supplement called Pristin Max, which is six times more concentrated than other fish oil supplements in the Malaysian market, and a low-cost range of children's supplement for economically disadvantaged households.

These three new supplements are anticipated to be launched in the current half, subject to Holista obtaining the relevant Malaysian government approvals.

Healthy Food Ingredients

Separately, Holista has developed a high-intensity sweetener and a food-grade collagen product for its Food Ingredients division. The high-intensity sweetener is 40-times more concentrated than sugar compared with its current 80Less™ offering, which is five times stronger than sugar.

As less sweetener is required, the new product will allow food and drink (F&B) manufacturers to further cut input costs, generate supply-chain savings and offer a healthier alternative to consumers.

Holista is also pleased to announce that it has developed a prototype of its first food-grade collagen ingredient utilising its patented process and is in active discussions with F&B manufacturers from around the world, including China, the US and Australia. Holista will work with contract manufacturing partners to scale up production of the ingredient should it secure a commercial contract as its Collie plant manufactures cosmetic-grade collagen.

Ovine Collagen and Infection Control

Meanwhile, in consultation with Guangzhou Sinbio Cosmetic Co Ltd (**Sinbio**), Holista has successfully developed a range of cosmeceutical products that leverages on the all-natural protection of the Natshield™ sanitising formulation and its unique ovine collagen solution.

These include a nasal balm for rhinitis, facial cleanser, vaginal wash, collagen face mask, anti-aging cream and a collagen with exosomes¹ solution.

Apart from the latter, all other products are being test marketed by Sinbio, a State-Owned Enterprise and one of the largest OEM cosmetic manufacturers in China. A successful result from the test marketing exercise may lead to a commercial order, although it is too early for Holista to speculate on the timing of such orders or quantify the value of any potential contracts.

Divisional performance

Total unaudited sales for the quarter came in at \$1.2 million compared with \$1.9 million in the previous corresponding quarter (**pcp**), meaning Q2FY22, as a restructuring of Holista's sales team, ongoing cost of living pressures and the uncertainty caused by the upcoming Malaysian elections weighed on the Group's performance.

The decline in quarterly sales should also be viewed in the context of the Group cycling from a period of record sales in the previous financial year.

However, Holista noted that recent sales have stopped declining and have stabilised. This, together with a range of new and innovative product offerings to be launched over the coming months (as detailed in the previous section), present a positive outlook for the Group going forward.

Holista's Dietary Supplements division recorded unaudited sales of just over \$1 million in 2QFY23 vs. \$1.5 million in the pcp due to the headwinds listed above, while its Healthy Food

¹ Exosomes are found in biological fluids, such as saliva and blood, and have specialised functions in physiological processes, from coagulation and waste management to intercellular communication.

Ingredients division recorded unaudited sales of \$107K compared with \$386K in the pcp as ongoing demand from Rex Industry Bhd was not sufficient to offset softer demand from other customers.

Meanwhile, Holista's Ovine Collagen division reported unaudited sales of \$60K with further orders from Behn Meyer Thailand expected before the end of 2023, while the Infection Control division recorded no sales in the quarter. Both divisions did not report any sales in the pcp.

In a separate development, Holista has, on its own volition, written to the Western Australian government to withdraw from the grant funding agreement, which was announced to the ASX on 26 May 2021. The grant would have provided matching funding for Holista to upgrade its Collie plant to produce medical-grade collagen.

Given the significant capex required by Holista, and the multiple lower-cost and higher priority growth opportunities outlined in the section above, Holista does not believe it will be in a position to undertake such an upgrade to the plant in the foreseeable future.

Investing and financing activities

The Group recorded a \$10K cash outflow from its Investing Activities, which was due to a fixed deposit linked to its banking facility.

Holista recorded a cash inflow of \$35K from Financing Activities. The cash movement reflects the difference between what it received and what it repaid in trade financing during the period.

This announcement has been approved by the Board of Directors.

-ENDS-

About Holista Colltech Limited

Holista Colltech Ltd ("**Holista**" or "the **Company**") is an innovator in health and wellness solutions based in Perth, Western Australia. It is listed on the Australian Securities Exchange (ASX:HCT).

Holista's core business divisions are Dietary Supplements, Healthy Food Ingredients, Ovine Collagen and Infection Control Solutions. The suite of health and food related solutions, combines the best of nature and science to address evolving needs in order that people may live better and healthier lives.

Key products include one of the market-leading and best-selling health supplements, low-GI food ingredients used by leading food manufacturers, disease-free ovine collagen, all-natural and non-toxic effective sanitisers for consumers and industrial applications.

Over the years, the company has successfully developed and patented outstanding technologies in the field of Global Health and Wellness Industry.

Holista is passionate about combining economic success with enriching lives for a sustainable future.

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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 2023

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	1,698	3,422
1.2 Payments for		
(a) research and development	(57)	(61)
(b) product manufacturing and operating costs	(525)	(1,048)
(c) advertising and marketing	(237)	(398)
(d) leased assets	-	-
(e) staff costs	(575)	(1,193)
(f) administration and corporate costs	(285)	(603)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(19)	(40)
1.6 Income taxes paid	(48)	(97)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(48)	(18)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(5)
(d) investments	(10)	(20)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the 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	(10)	(25)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1	1
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	964	1,993
3.6	Repayment of borrowings	(930)	(2,010)
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	35	(16)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	78	118
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(48)	(18)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(10)	(25)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	35	(16)

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	-	(4)
4.6	Cash and cash equivalents at end of period	55	55

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	55	78
5.2	Call deposits	-	-
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)	55	78

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	116
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		
Fees include Salaries, Director Fees and Consulting Fees to Executive Director and Non-Executive Directors		

7.	Financing facilities <i>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.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	460	460
7.2	Credit standby arrangements	1,128	436
7.3	Other (please specify)		
7.4	Total financing facilities	1,588	896
7.5	Unused financing facilities available at quarter end		692

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.

Loan facilities:

The bankers' acceptance bears interest of 5.18% (2022: 4.58%).

The term loan is repayable over 240 monthly instalments (principal plus interest) of \$2,896 (2021: \$2,882) which commenced on 1 October 2020. The term loan bears interest rates of 4.50% (2022: 3.50%) per annum.

Both facilities are secured by the following:

- Fixed deposits with licensed banks of the Group and the Company;
- Facility agreement
- First party assignment over the office lots of the Company;
- Deed of assignment of rental proceeds;
- Executed fresh letter of authorisation, memorandum of deposit and letter of off-set; and
- Guarantee by a director of the Company

Loan facilities:

The bankers' acceptance bears interest of 4.53% (2022: 4.51%)

The term loan is repayable over 60 monthly instalments (principal plus interest) of \$1,302 (2022: \$1,300) which commenced on 28 September 2022. The term loan bears interest rates of 6.60% per annum.

The facility is secured by the following:

- Fixed deposits with licensed banks of the Group and the Company;
- Assignment of director insurance;
- Corporate guarantee; and
- Guarantee by 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)	(48)
8.2	Cash and cash equivalents at quarter end (item 4.6)	55
8.3	Unused finance facilities available at quarter end (item 7.5)	692
8.4	Total available funding (item 8.2 + item 8.3)	747
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	15.5

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.

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 for the time being and, if not, why not?

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 fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3 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

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:31 July 2023.....

Authorised 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.