

## HALO CONTINUES WITH STRATEGIC REVIEW TO UNLOCK VALUE FOR ALL STAKEHOLDERS

### QUARTERLY ACTIVITIES REPORT & APPENDIX 4C

31 July 2023

**Halo Food Co. Limited (ASX:HLF)** (“Halo” or the “Company”) provides the following quarterly update on its activities and lodge the Appendix 4C Cash Flow Statement for the first quarter of the 2024 financial year ending 30 June 2023 (“Q1 FY24”).

#### Q1 FY 24 Financial overview

- Halo reports continued steady sales in Australian Contract Manufacturing and the Brands division and overall group revenues from Q4FY23 to Q1FY24;
- Q1 FY24 sales are in line with Q4 FY23 sales and segmented as follows:
  - Australian contract manufacturing \$12.4m
  - New Zealand contract manufacturing \$2.8m
  - The Healthy Mummy \$3.4m
  - Brands \$953k
- Cash receipts from customers for the quarter totalled \$21.3m;
- Halo recorded a net cash outflow of \$13k cash from operations during Q1 FY24 compared with net cash outflow of \$1.1m in Q4 FY23;
- During the quarter, Halo repaid \$2.4m of debt from the proceeds of sales of land and buildings in NZ, comprising a payment of \$1.3m to Arrowpoint and \$1.1m to ANZ trade finance and overdraft facility in New Zealand. The ANZ facility was replaced with a trade finance facility from Pacific Invoice Finance for NZD3.5m, undrawn at 30 June 2023.

As at 30 June 2023, Halo had a combined cash balance of \$1.3m per the attached Appendix 4C, excluding \$538k of security deposits related to bank guarantees for various leased facilities across the Australian manufacturing footprint.

#### Strategic Review update

In Q4 FY23, Halo announced a strategic review by corporate advisory firm, Modus Partners, to drive value for stakeholders and unlock value within the Group to include asset disposals, sales of parts of the business or the whole business.



**Halo Food Co. Limited**  
ABN: 49 621 970 652  
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halofoodco.com

The strategic review continues with Modus in discussions with a number of interested parties regarding the sale of individual business units or assets of the Group. Any proceeds realised from the sale of individual business units or assets of the Group will be used to reduce or extinguish the senior debt and for working capital purposes.

#### Q4 FY23 Operational Highlights

Contract manufacturing in Australia continued in a steady state through Q4 FY23 and realised sales of \$12.4m and EBITDA \$793k, being ahead of budget.

The New Zealand contract manufacturing business signed a manufacturing agreement with Fonterra Brands (New Zealand) Limited during the quarter. Keytone will manufacture nine milk powder SKUs for Fonterra and distribute into China, India, Vietnam and New Zealand. Fonterra have provided a forecast valuing the manufacturing agreement at NZD6.4m over the contract term. This contract commenced in July 2023, subsequent to quarter end.

The branded division recorded sales of \$953k for the quarter and EBITDA of \$182k, ahead of budget and a material improvement on the financial position of the branded division against prior year performance.

Tonik sales are continuing to increase month on month as the brand increases distribution, brand recognition and builds on industry awards and brand awareness. Further trade shows have occurred and been attended through the quarter with further ranging secured as a direct result of the industry trade shows. Tonik will continue to attend trade and industry events as the profile of the brand builds.

The branded division is pursuing additional distribution in major petrol and convenience banner groups as well as major and independent grocery.

Halo's key growth initiative of expanding THM into major grocery and mass market retailers continues to expand. THM secured further strong sales into Woolworths in the quarter with powdered meal replacement shakes and vitamins growing well. Positive discussions continue with other retailers to range products.



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## Other

Payments to executive and non-executive directors in HLF totalled approximately \$33,000 for salaries and wages in the quarter, as outlined in section 6.1 of the accompanying Appendix 4C.

As at 30 June 2023, all prior Performance Shares on issue have lapsed.

The release of this announcement was authorised by the Board of Directors of Halo.

\* \* \* \* \*

## Further Information

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## About Halo Food Co. Limited

Based in Sydney and Melbourne, Australia and Christchurch, New Zealand, Halo Food Co. Limited is an established manufacturer and exporter of formulated dairy products and health and wellness products. Halo Food Co. is a leading Australian and New Zealand product developer and manufacturer in the health and wellness sector, with dry powder, ready to drink UHT and protein bar health and wellness-based product capability. In addition to Halo Food Co.'s own brands, including The Healthy Mummy and Tonik, the company is a trusted production partner, contract packing for well-known brands in Australia, New Zealand and internationally. The Company's purpose-built production facilities in Australia and New Zealand offer a wide range of dairy, health and wellness and nutritional packing solutions, meeting the diverse needs of consumers from different markets and cultures. Please visit [www.halofoodco.com](http://www.halofoodco.com) for further information.

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## Appendix 4C

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

**Name of entity**

Halo Food Co Limited

**ABN**

49 621 970 652

**Quarter ended ("current quarter")**

30 June 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	21,338	21,338
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(15,941)	(15,941)
(c) advertising and marketing	(375)	(375)
(d) leased assets*	(713)	(713)
(e) staff costs	(2,150)	(2,150)
(f) administration and corporate costs	(1,527)	(1,527)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(529)	(529)
1.6 Income taxes paid	(10)	(10)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	(106)	(106)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(13)</b>	<b>(13)</b>

*\*The 31 March 2023 YTD leased assets was reclassified in the 31 March 2023 Financial Report, with the above figure aligning with the Financial Report.*

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(35)	(35)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	3,117	3,117
	(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	<b>Net cash from / (used in) investing activities</b>	<b>3,082</b>	<b>3,082</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	(4,427)	(4,427)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>(4,427)</b>	<b>(4,427)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,771*	2,771*
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(13)	(13)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	3,082	3,082

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(4,427)	(4,427)
4.5	Effect of movement in exchange rates on cash held	(135)	(135)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>1,278</b>	<b>1,278</b>

\* Opening balance has been restated to align with the Financial Report for the year ended 31 March 2023.

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	1,278	2,771
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,278</b>	<b>2,771</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
33
-

*Note to Item 6.1: The amount of \$33k was payment of Director remuneration for the quarter ended 30 June 2023.*

**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.*

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	14,266	11,050
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>14,266</b>	<b>11,050</b>

7.5 **Unused financing facilities available at quarter end** 3,216

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.

The financing facilities outlined above are as follows:

- Arrowpoint Finance Facility for a total of \$11,050,000 in the parent company at a drawn rate of 7.75%p.a. plus the 3-month BBSW per annum and an expiry date of 31 May 2025. \$11,050,000 was drawn at 30 June 2023.
- On the 26<sup>th</sup> of June 2023, the Company entered into an invoice financing facility with Pacific Invoice Finance, with a facility limit of NZD\$3,500,000 and an interest rate of 11%p.a. No funds were drawn at 30 June 2023.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(13)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,278
8.3 Unused finance facilities available at quarter end (Item 7.5)	3,216
8.4 Total available funding (Item 8.2 + Item 8.3)	4,494
<b>8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>345</b>
<i>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.</i>	

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

## 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: Board of Directors .....  
(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.