



ASX Announcement

30 JULY 2020

HOLISTA COLLTECH LIMITED APPENDIX 4C QUARTERLY REPORT

Holista Colltech Limited (**Holista, or the Company**) (ASX CODE: HCT) is pleased to release the Appendix 4C for the quarter ending 30 June 2020. Holista's group of companies report the following:

- 1) Holista enters binding collaboration agreement with Skin Elements to launch all natural skin friendly sanitiser (ASX Announcement 2 April 2020).
- 2) Holista successful UK Lab test showing Natshield™ active ingredients efficacy against surrogate of Covid 19 (ASX Announcement 20 April 2020).
- 3) \$2.2m raised by the Company this quarter utilising the Controlled Placement Agreement which is now terminated. (ASX Announcement 21 April 2020).
- 4) Holista files Global patent for Natshield™ Nasal sanitizing Balm (ASX Announcement 8 May 2020).
- 5) Holista announces a low Glycemic Index (GI) rating of 54 for its Tortilla tested by Sydney University, that is 30% lower and healthier compared to traditional versions of flatbreads sold around the world (ASX Announcement 3 June 2020).
- 6) Holista acquires Protectene™ to add Advanced Skin Ingredients to its range of Sanitising Products under Natshield™ (ASX Announcement 12 June 2020).

OVERVIEW

The second quarter to June 2020 saw unprecedented activity in the Company especially in relation to its Natshield™ Sanitiser. The increased activity around Natshield™ has focused the Company on sourcing fresh funds, strengthening the Company Board and Governance, introducing greater depth to the Scientific Advisory Board, securing control over the global rights to the application of Path-Away® in sanitising lotions and balms and acquiring Protectene™ a skin stabiliser for cosmetic applications that incorporates Path-Away®.

Sales Update

It has been a challenging quarter for the Company in the face of the unfolding global Covid 19 pandemic and associated economic uncertainty. The Company now expects revenue of \$3m for the 6 months to 30 June 2020 which is 10% below the prior corresponding period.

During the period of Malaysian Movement Control Order (MCO) from 18 March 2020 till 9 June 2020, our core business being the manufacture and sales of dietary supplement in Malaysia has seen a 21% drop in the 6 months to 30 June 2020 as compared to same period last year.

Malaysia currently is in Recovery Movement Control Order (RMCO) which runs from 10 June 2020 till 31 August 2020, whereby the movement control is been lifted in stages. As the economy has opened, we have started to see sales volumes pick up again.

The MCO has also affected our food ingredients business out of Malaysia.

On 14 February 2019, Holista launched a low-GI and low-calorie sugar, 80Less™, which is a blend of two internationally approved substances – Sucrose (table sugar) and Sucralose (an intense sweetener derived from sugarcane) with 80% fewer calories. On 11 March 2020, Holista announced its maiden 80Less™ sale of A\$1.4 million by 31 December 2020, which was a part of a five-year agreement with Malaysia's Rex Industry Berhad,

to supply 80Less™ for a range of sweetened drinks to be sold in Malaysia and Singapore. Due to the impact of the lockdown, commercialization of the product has been delayed and in 1H FY2020 Holista recorded A\$82k of sales of 80Less™ to Rex. Consequently, the Company wants to make it clear that Rex are unlikely to meet the commitment of A\$1.4m by 31 December, notwithstanding the revocation of any revenue guidance as announced to the ASX on 13 July 2020.

Holista and Malaysia-listed Kawan Food signed an agreement on 16 January 2020 to co-develop low-GI Asian flatbreads after successful tested by the University of Sydney on chapatti and roti canai (paratha). Kawan has started selling these products in Malaysia and the U.S since February 2020. Holista sold A\$43,000 worth of GI Lite™ to Kawan Food in 1H FY2020 and we expect further sales in 2H FY2020..

Products sold into international markets have also been impacted by the Covid-19 pandemic, including lower demand from our Thai distributor of our proprietary ovine collagen from our facility in Perth, due to store closures during the pandemic from its key client base in Thailand.

As previously, advised to the market on 9 July 2020, after a slow start, Holista is working closely with Health Therapies LLC, its US distributor of Natshield to expedite purchase orders, accelerate sales and increase distribution points prior to the North American winter season. It also continues to develop opportunities for industrial applications of PathAway in various Asia Pacific territories.

The sales of low Glycemic Index pasta by our 39.2% owned US subsidiary has performed ahead of the prior corresponding period with a 140% increase in revenue to A\$181,000.

Cost Management

Operating costs for the 6 months to 30 June 2020 have grown by 23% compared to the prior corresponding period including incremental expenses of A\$88,000 in relation to the capital raised via Acuity Capital and the settlement of the ATM Metabolics dispute for A\$112,000 in accordance with the out of court settlement reached in November 2019.

Operating cash outflows for the quarter as outlined in the Appendix 4c predominantly relate to payments for product and manufacturing costs of A\$1.9m and staff costs of \$0.7m. Product manufacturing outflows were higher due to a buildup in inventory.

Earnings Update

The Company expects to report a loss before income tax expense for the 6 months to 30 June 2020 of approximately A\$5m. This includes a foreign exchange loss of A\$0.3m and a A\$3.2m provision for impairment dissected as follows:

| | (A\$) |
|-------------------------|------------------|
| US Subsidiary good will | 584,353 |
| Loan to Shipley | 294,533 |
| Prepayment to Proimmune | 464,920 |
| iGalen Trade Receivable | 1,614,443 |
| Loan to iGalen | 180,701 |
| | 3,138,950 |

iGalen is a related party of Dr Rajen Manicka and Mr Chan Heng Fai, with principal business in multilevel network and has a longstanding agreement to source all its network marketing products exclusively from Holista.

The above revenue and earnings guidance remain subject to audit review.

Capital Raised

During the quarter, the Company raised A\$2,200,000 from the Controlled Placement Agreement (CPA) with Acuity Capital on 21 April 2020. The CPA was terminated the same day. The Company has cash of \$3.8m as of 30 June 2020 and does not see the need for any further capital raise in the immediate future.

Payments to Related Parties (Refer Section 6 of Appendix 4C)

During the quarter, the Company paid A\$138k in relation to overhead reimbursement costs, consulting fees and directors remuneration to its related parties and associates.

The Company confirms compliance with Listing Rule 3.1 and that it is not aware of any other information that has not already been released to the market.

ENDS

This announcement has been authorised by the Board.

Authorised for release by:

Dr Rajen Manicka
Managing Director

END

About Holista CollTech Limited (ASX:HCT)

Holista CollTech Ltd ("Holista") is a natural wellness company, that has 3 main divisions:

- Dietary supplements and personal care
- Food Ingredients
- Ovine collagen

Holista has a global collaboration with 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 sanitising products under the NatShield™ brand.

Listed on the Australian Securities Exchange ("ASX"), Holista researches, develops, manufactures and markets health style products. Holista's suite of ingredients includes low GI baked products, reduced sodium salts, low fat fried foods and low calorie sugar without compromising taste, odour and mouthfeel. Holista also produces sheep (ovine) collagen using patented extraction methods.

For further information, please contact:**Corporate Affairs & Business Opportunities**

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Global

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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 2020

| 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 | 1,322 | 3,311 |
| 1.2 Payments for | | |
| (a) research and development | (96) | (153) |
| (b) product manufacturing and operating costs | (1,898) | (3,241) |
| (c) advertising and marketing | (161) | (413) |
| (d) leased assets | (10) | (18) |
| (e) staff costs | (721) | (1,591) |
| (f) administration and corporate costs | (273) | (496) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 4 | 4 |
| 1.5 Interest and other costs of finance paid | (16) | (39) |
| 1.6 Income taxes paid | (10) | (21) |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (1,859) | (2,657) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | (7) | (9) |
| (d) investments | (4) | (4) |
| (e) intellectual property | - | (7) |
| (f) other non-current assets | - | - |

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

| 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) 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 | (11) | (20) |
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 2,200 | 6,527 |
| 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 | (30) | (30) |
| 3.5 | Proceeds from borrowings | 243 | 250 |
| 3.6 | Repayment of borrowings | (337) | (337) |
| 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 | 2,076 | 6,410 |
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 3,637 | 101 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,859) | (2,657) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (11) | (20) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 2,076 | 6,410 |

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

| 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 | (11) | (2) |
| 4.6 | Cash and cash equivalents at end of period | 3,832 | 3,832 |

| 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 | 1,232 | 1,037 |
| 5.2 | Call deposits | 2,600 | 2,600 |
| 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) | 3,832 | 3,637 |

| 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 | 138 |
| 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.

During the quarter, the Company paid A\$138k in relation to overhead reimbursement costs, consulting fees and directors remuneration to its related parties and associates.

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

| 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 | 454 | 454 |
| 7.2 | Credit standby arrangements | 300 | 199 |
| 7.3 | Other (please specify) | | |
| 7.4 | Total financing facilities | 754 | 653 |
| 7.5 | Unused financing facilities available at quarter end | | 101 |
| 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>Loan Facilities</p> <p>The term loan is repayable over 240 monthly instalments (principal plus interest) commenced on 1 July 2008. The term loan bears interest rates ranging from 3.95% (2019: 5.77%) per annum is secured by the following:</p> <ol style="list-style-type: none"> i. As principal Instrument, an "all monies" Facilities Agreement stamped to the amount of facilities advanced; ii. First-party absolute assignment of all rights, interest, title and benefits in and to property beneficially owned by a Subsidiary Company; iii. Corporate Guarantee by subsidiary company for \$823,949; and iv. Personal Guarantee for \$823,949 by a Director of the subsidiary company. <p>Credit standby arrangements</p> <p>The bankers' acceptance bears interest of 4.30% (2019: 5.23%) and is secured by the following:</p> <ol style="list-style-type: none"> i. Facility Agreement; ii. Pledge of fixed deposits with licensed banks iii. Execution of a fresh letter of authorisation, memorandum of Deposit and letter of set off; iv. First-party assignment over the office lots of the Company; and v. 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) | (1,859) |
| 8.2 | Cash and cash equivalents at quarter end (item 4.6) | 3,832 |
| 8.3 | Unused finance facilities available at quarter end (item 7.5) | 101 |
| 8.4 | Total available funding (item 8.2 + item 8.3) | 3,933 |
| 8.5 | Estimated quarters of funding available (item 8.4 divided by item 8.1) | 2.1 |
| | <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:

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.

30 July 2020

Date:

By the board

Authorised by:

(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

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

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.