

12 February 2019

Ms Isabelle Andrews
Adviser
ASX Listing Compliance (Perth)
By Email: ListingsCompliancePerth@asx.com.au

Dear Ms Andrews,

HOLISTA COLLTECH LIMITED (THE COMPANY): APPENDIX 4C QUERY

We refer to your letter dated 8th February requesting clarification with regards to the Company's Appendix 4C quarterly report for the period ended 31 December 2018 with ASX Market Announcements Platform and released on 25 January 2019.

We will respond separately to each of the questions raised which have been reproduced below in bold.

1. Does the Company expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

The Company expects to continue to have negative operating cash flows this quarter. However, the Company advises that cash flows continue to improve as the result of lower demand from subsidiary companies for financial support, continuing strong sales in local health products, and growing demand for high margin collagen products. The Company's products of food ingredients and collagen have enjoyed an increasing sales profile with no additional costs other than direct inputs with robust margins. This has led to the following:

- Operating expenditure is directly proportional to sales and product delivering high margins and will grow as the business grows therefore creating positive and sustainable future cash flows.
- Corporate overheads are lower as a proportion of sales and continue to decline.
- We have also been able to negotiate more favorable terms from our suppliers.
- Our supplement business in Malaysia continues to grow above the market with little additional costs.
- We expect sales collection of AU\$1,748,000 in this quarter.
- US subsidiary's low GI noodles are being sold on Amazon Canada and USA. The product has been recently promoted to "Amazon Specials" due to increased sales. There has also been increased orders from Hilary's – the Canadian distributor as per our ASX announcement dated 26 November 2018.
- US subsidiary is also following up on a significant first gluten free order.
- For the Chinese business, the commercial 2 pallets leave for China in February 2019. Following this, we expect commercial orders from various Chinese parties via our agent, Express Trading.
- We also expect our first order from Kawan Foods as per our ASX announcement dated 16 January 2019
- The Company has delivered to Behn Meyer of Thailand product worth AU\$71,000. On top of this, we still have pending worth AU\$122,000 to be delivered by end of March 2019. We have just secured a further order of AU\$459,000 to be delivered during the balance of calendar year 2019.

Holista CollTech Limited

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2. **Has the Company 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?**

- The company is in the midst of a loan application with a leading Malaysian bank valued at AU\$330,000.

3. **Does the Company expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?**

The Company has taken / intends to take the steps as detailed in 2 above to enable it to continue its operations and to meet its business objectives.

4. **Please confirm that the Company is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.**

We confirm that the Company is in compliance with Listing Rule 3.1. The Company is not aware of any other information that has not already been released to the market.

5. **Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.**

The Company's responses to your questions above have been reviewed and authorised for release by the Company's Board of Directors.

Yours sincerely

Dr.Rajen Manicka
Chief Executive Officer

For personal use only



8 February 2019

Mr Jay Stephenson
Company Secretary
Holista Colltech Limited
283 Rokeby Road
Subiaco WA 6008

By email:

Dear Mr Stephenson

Holista Colltech Limited ('HCT'): Appendix 4C Query

ASX refers to HCT's Appendix 4C quarterly report for the period ended 31 December 2018 lodged with the ASX Market Announcements Platform and released on 25 January 2019 (the 'Appendix 4C').

ASX notes that HCT has reported:

- negative net operating cash flows for the quarter of \$536,000;
- cash at the end of the quarter of \$358,000; and
- estimated cash outflows for the next quarter of \$1,875,000.

It is possible to conclude, based on the information in the Appendix 4C, that if HCT were to continue to expend cash at the rate indicated by the Appendix 4C, HCT may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks HCT to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does HCT expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has HCT 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?
3. Does HCT expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that HCT is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that HCT's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of HCT with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that HCT considers may be relevant to ASX forming an opinion on whether HCT is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **09:00 AM AWST Wednesday, 13 February 2019**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in HCT's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, HCT's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to HCT's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that HCT's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in HCT's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Isabelle Andrews
Adviser, Listings Compliance (Perth)