

ASX ANNOUNCEMENT

24 October 2022

QUARTERLY ACTIVITY REPORT

EZZ Life Science Holdings Limited (ASX:EZZ) (EZZ or the Company), is a genomic life science company with a mission to improve quality of life and human health. EZZ has a focus on genomic research and development to address four key human health challenges: genetic longevity, human papillomavirus (HPV), helicobacter pylori, and weight management. EZZ is passionate about investing in the future of consumer health through the development of e-commerce and distribution of high-quality products via omnichannel models across Australia, New Zealand, China and worldwide. EZZ presents its quarterly activity report and Appendix 4C cash flow statement for the quarter ended 30 September 2022.

Highlights:

- Receipts from customers significantly increased by \$1.4m from last quarter and by \$2.5m on the prior year corresponding period.
- As expected, this quarter, operating cash flows turned negative due to increased advertising expenses and manufacturing expenditures in preparation of major shopping events both domestically and in China, which will take place during the upcoming quarter.
- Cash position remained robust with a balance of \$9.2m at 30 September 2022.

Activities:

- The Company commenced trading on Douyin (mainland China's version of TikTok) in June 2022 and generated \$1.8m of revenue in the first quarter which contributed 38% of the total revenue.
- James Hudson, the previous Director of Corporate Affairs and Marketing for Alibaba Group in Australia and New Zealand, was engaged by EZZ on a part-time basis as Director of Corporate Affairs.
- During September, EZZ successfully exhibited its products at China's largest pharmaceutical trade show, PharmChina.
- Four new EZZ products were released to the market and the formula has been upgraded for one of the existing core products during the quarter.
- EZZ partnered with national pharmacy retailer Priceline to run a number of in-store offline activations with Instagram and TikTok influencers to promote EZZ's hair care range.

Performance:

Continuing its strong sales trend from last quarter, EZZ closed 1Q FY23 with approximately \$6m in cash inflows from customers, representing a 31% increase from the previous quarter. Compared to the same quarter in FY22, the receipts from customers shows a significant increase of \$2.5m. This was mainly due to increased sales on Douyin (mainland China's version of TikTok), one of the largest e-commerce platforms in China.

Since the establishment of Douyin as an EZZ sales channel in June 2022, it has become the largest B2C sales channel for the Company producing \$1.8m of revenue over the last quarter. This represented about \$0.78m more than the sales generated on B2C e-commerce platform Tmall. Prior to the pandemic, Tmall was instrumental in EZZ's success in the mainland China market. EZZ expects Douyin will support strong sales growth of EZZ products into the mainland China market in the future.

This quarter saw several factors adversely impact the operating cash flow for the Company as spending ramped up ahead of major shopping events. These factors included: the increase in advertising expenses on Douyin and increased spending on inventory in preparation for two of the largest shopping events of the year - the 11.11 Global Shopping Festival in China and Black Friday in Australia and New Zealand (both to take place in 2Q FY23). While there has been a short-term negative effect on operating cash flow this quarter, the Company expects the benefits of this investment will be realised in the next quarter.

As at 30 September 2022, EZZ's cash balance remained robust at just on \$9.2m. The Company's strong cash balance will allow it to continue to implement its strategic plan to accelerate growth opportunities.

In September, the Company was delighted to engage James Hudson as Director of Corporate Affairs on a part-time basis. James Hudson was previously the Director of Corporate Affairs and Marketing for Alibaba Group in Australia and New Zealand. James will lead the media engagement, public relations, and stakeholder engagement for EZZ.

During 20-22 September, EZZ was proud to have the opportunity to be an exhibitor at China's largest pharmaceutical trade show, PharmChina. This event attracted more than 2000 exhibitors and 100,000 industry professionals from across the life sciences, pharmaceutical and health care industries. The event was an excellent opportunity for the Company to showcase its range of healthcare products.

During the quarter, EZZ launched four new products including EZZ Bone Growth Chews, EZZ Men's Performance and two other non-core products. EZZ Bone Growth Chews is a brother product to L-lysine capsule, but in a different format. EZZ Men's Performance capsule, which is listed on the Australian Register of Therapeutic Goods (ARTG), is formulated to support sperm health and motility. The Company also completed updating the formulation for one of its existing core products - Daily Energy and Wellbeing Tablet and released the updated product to the market during the quarter. Proanthocyanidins will be included as a main ingredient in this product. Proanthocyanidins, extracted from grape seeds, have been shown to provide antioxidant protection against heart disease and cancer.

Related party payments in the quarter related to the purchase of inventory from Australian United Pharmaceuticals Pty Ltd and directors' fees.

Cash inflows and outflows are reported on a gross basis, i.e., inclusive of GST.

Under Listing Rule 4.7C, the Use of Funds update from the IPO is as follows:

Use of Funds as per prospectus	Estimated expenditure (\$ 000')	Actual expenditure (\$ 000')	Comment
Software development	100	19	Commenced
Additional market expansion	1,375	264	Commenced
Manufacturing facility	2,460	39	Commenced
Research & development	450	142	Commenced
Experimental concept store	800	Nil	To commence

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

Cost of Offer	768	747	Completed
Additional working capital	47	Nil	To commence
Total	6,000	1,211	

This notice has been authorised for provision to the ASX by the Board of EZZ Life Science Holdings Limited.

For further information, please contact:

Investor Relations

<https://www.ezzlife.com.au/investors>

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Appendix 4C

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

Name of entity

EZZ Life Sciences Limited

ABN

88 608 363 604

Quarter ended ("current quarter")

30 Sep 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,014	6,014
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,170)	(3,170)
(c) advertising and marketing	(3,268)	(3,268)
(d) leased assets	-	-
(e) staff costs	(276)	(276)
(f) administration and corporate costs	(323)	(323)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	(225)	(225)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,249)	(1,249)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(2)	(2)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) 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	(2)	(2)

3.	Cash flows from financing activities		
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	(26)	(26)
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	(26)	(26)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,465	10,465
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,249)	(1,249)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(2)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(26)	(26)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	9,188	9,188

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	9,188	10,465
5.2	Call deposits	-	-
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)	9,188	10,465

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	1,370
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.

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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	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	-
8.2 Cash and cash equivalents at quarter end (item 4.6)	9,188
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	9,188
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<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	
<i>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.</i>	

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: ...24 October 2022.....

Authorised by:Board of EZZ.....
(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.