For personal use only

ASX Announcement
27 October 2020

Elixinol turnaround continues – 18% quarter on quarter revenue growth on a significantly reduced cost base

Key Highlights

- **Q3 FY2020 revenue[1] of $4.0m – 18% quarter on quarter improvement vs Q2 FY2020 of $3.4m, exceeding the previous guidance of 10-15% growth**
- **Cost reduction measures implemented in H1 FY2020 have reduced net cash used in operating activities in Q3 FY2020 to $3.5m – down from $6.2m in Q2 FY2020 and down from $9.0m in Q1 FY2020**
- **Distribution with Well Pharmacy commenced, with 8 Elixinol branded products now selling in 512 stores across the UK**
- **Elixinol's skincare range, *elixinolSkin* launched with Boots across Ireland**
- **Hemp Foods Australia performance and growth improvement continues, contributing 25% of total revenue in Q3 FY2020**
- **Investor briefing to be held today, 27 October at 11:30am ADST (Sydney time) – access information below**

Elixinol Global Limited (**Elixinol** or the **Company**) **(ASX:EXL; OTC:ELLXF**) a global leader in the hemp industry, innovating, and selling hemp derived nutraceutical and food products, is pleased to release its business review and Appendix 4C cash flow statement for the quarter ended 30 September 2020 (**Q3 FY2020**).

Group CEO, Oliver Horn, commented "Following aggressive efforts to reshape the business and operate from a materially lower cost base, we are very pleased to report robust revenue growth for the quarter across all business units."

"We are seeing continued improvement in our business based on the successful roll out of our new Elixinol product ranges including skincare, and significant new distribution coming on stream with Well Pharmacy UK and Boots Ireland. Hemp Foods Australia's performance also continues to improve and contributed 25% of total revenue in Q3 FY2020 also with a much lower cost base versus prior periods.

"We now move into Q4 FY2020 with positive revenue growth momentum, a refined product range, significant new distribution relationships and a rebased cost profile all of which is giving

[1] All dollar amounts are in AUD unless otherwise stated; Average AUD/USD for Q3 FY2020 = 0.715; Historical revenues are unaudited.

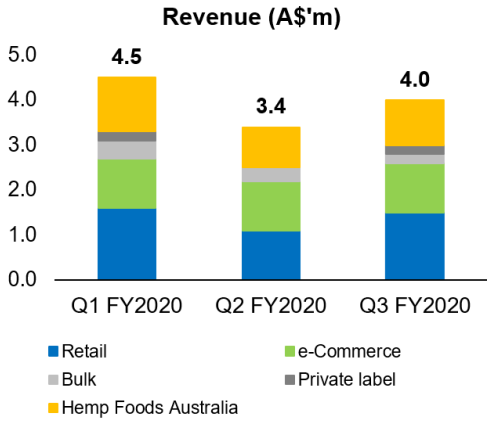
For personal use only

us growing confidence for our future. While we have more work to do, I am delighted with this result."

Revenue by Quarter (A$'m)[2]

Elixinol reported unaudited revenue of $4.0m for Q3 FY2020, representing an 18% increase over Q2 FY2020.

Elixinol continues to focus on a higher margin, consumer-led branded nutraceuticals model. Revenue mix was positioned toward Elixinol branded products with 65% of revenue in Q3 FY2020. The Company now has robust and diversified revenue streams from Elixinol branded retail channels, e-commerce and from Hemp Foods Australia which is a direct result of the strategy to focus on building consumer brands.



The e-commerce direct to consumer channel contributed $1.0m representing 25% of overall Q3 FY2020 revenue. As the highest margin revenue channel, the Company will continue to leverage its investment into the Magento e-commerce platform. With a revamped team capability, Elixinol is now in a strong position to move into the Company's key trading periods.

Elixinol Europe successfully continued its expansion growing 67% through the reporting period, contributing $1.0m in revenue in Q3 FY2020 versus $0.6m in the prior quarter.

Hemp Foods Australia also showed positive momentum contributing $1.0m or 25% to the quarter's revenue result. This result comes on the back of the continued rise in consumer demand for plant-based health foods.

Pleasingly, these results have been achieved on an optimised business model with a significantly reduced cost base.

[2] All dollar amounts are in AUD unless otherwise stated; Average AUD/USD for Q3 FY2020 = 0.715; Historical revenues are unaudited.

For personal use only

Repositioning leads to revenue growth, an optimised cost base and cash flow improvement

Under new group leadership and with a renewed board, Elixinol's business has been aggressively repositioned to a more focused business with substantial cost reductions and improved cashflows. Key initiatives included:

- Extensive leadership changes at Board and operational level, bringing new strategic, commercial and governance disciplines
- Substantial operational and corporate cost reduction program completed in June 2020, leading to an annualised cost base approximately 45% lower than FY2019
- Leveraging the Company's e-commerce Magento platform has driven higher margin sales and supports future demand for Elixinol branded products
- Successful launch of the Elixinol brand along with an expanded global product line-up

Elixinol has delivered these strong results despite operating in regions where COVID-19 continues to impact trading conditions, particularly in traditional retail environments with US national pharmacy chain sales most severely impacted.

Business Update

Americas business returns to growth

Revenue for Elixinol Americas returned to growth in Q3 FY2020 versus Q2 FY2020. Elixinol has repositioned itself towards the higher margin, consumer-led branded nutraceuticals category. The Company's focus on the use of e-commerce for driving sales through the COVID-19 operating environment, and the sale of high-margin Elixinol branded products, has shifted the margin mix, leading to a positive impact on overall profitability.

To support this growth, Elixinol created leaner, more agile teams and significantly reduced cost whilst remaining focused on its strategy to create a profitable global nutraceuticals brand. Given the Company's strong inventory position and in line with a capital-light strategy, inhouse manufacturing was temporarily decommissioned while the economics remain in favour of an outsourced manufacturing model.



For personal use only

European business gathers pace

In August, it was announced that Well Pharmacy, the UK's third largest pharmacy chain with 760 stores, had launched 5 Elixinol branded CBD products (blended capsules: Dreams, Serene, Turmeric, Immune Boost and Digest) across 80 stores.

As of late September, Well Pharmacy expanded distribution for 8 products to more than 500 stores, including 3 new custom-developed products. The new products are water-soluble tinctures (tinctures: Serene, Turmeric and Dreams) containing active ingredients.



The *elixinolSkin* range has been launched in Boots pharmacies across Ireland, with the complete range of 8 CBD-derived skincare products now available in 74 of Boots' major stores across its network of 87 stores. The launch is being supported by an extensive Christmas gift box promotion and an integrated marketing campaign across radio, print and digital media formats.

This launch is a breakthrough which follows over a year of extensive research and development. The *elixinolSkin* range offers new growth opportunities for Elixinol in the high growth, global skincare category.



For personal use only

Hemp Foods Australia update

Hemp Foods Australia continued to grow throughout Q3 FY2020 with a significantly lower cost profile. In tandem with marketing Hemp Foods Australia branded products, the team's capability is being leveraged to explore Elixinol branded CBD opportunities in Australia under the Therapeutic Goods Administration's (**TGA's**) Special Access Scheme.

The Company continues to monitor for emerging profitable opportunities following the TGA's preliminary conclusion on 9 September 2020 that CBD will be moved to Schedule 3 and made available over the counter in pharmacies.

To thank our shareholders for their ongoing support, Hemp Foods Australia is offering for a limited time, a 50% off special offer for shareholders. Please visit Hemp Foods Australia's website to learn more about hemp foods, recipes and to redeem this special offer. Simply use the code **"EXLshareholder50"** at checkout before 31 October 2020.

Appendix 4C commentary

Pursuant to listing rule 4.7C.1, at item 1, the Company reported a total of $7.3m in operating cash expenditure to further its strategy to build a global consumer brand and increase sales distribution. This expenditure was incurred across the Company's business segments as follows: Americas $3.8m, Europe $1.5m, Australia $0.9m and Corporate $1.1m.

Pursuant to listing rule 4.7C.3, at item 6.1 the Company reported aggregate amount of payments to related parties totalling $154,000. These payments represent payment of non-executive director fees and executive director remuneration.

As outlined in ASIC media release 20-157MR *Focuses for financial reporting under COVID-19 conditions*, asset values and lease accounting were focus areas for financial reporting at 30 June 2020. Where asset impairment or reduced performance is attributable in whole or part to significant factors not related to the COVID-19 pandemic, these factors should be disclosed and given appropriate prominence in addition to any significant COVID-19 factors.

Accordingly, as announced on 14 September 2020 in its H1 FY2020 Interim Report, the Company decided to impair goodwill, inventories and other assets by $69 million.

As part of ASIC's ongoing surveillance program the Company has provided appropriate responses to ASIC's previous enquiries regarding the reasonableness and supportability of free cash flow forecasts used in assessing goodwill for impairment.

For personal use only

Investor briefing call

Investors are invited to attend a briefing call on Elixinol's results for the quarter ended 30 September 2020. Call details are as follows:

Date and time: today, 27 October from 11:30am Australian Daylight Savings Time

To register for the briefing session, please visit the following link:

https://us02web.zoom.us/webinar/register/WN_7QlH_2EiREO0VbI2qSvMwQ

This document was authorised to be given to the ASX by the Board of the Company.

For more information please contact:

Ron Dufficy
Chief Financial Officer
ron.dufficy@elixinolglobal.com

About Elixinol Global

Elixinol Global Limited (ASX:EXL; OTC:ELLXF) is a global leader in the hemp industry, innovating, marketing and selling hemp derived nutraceutical and food products. The Company's simplified business model is focusing on:

- In the Americas, innovating, marketing and selling high quality Elixinol branded hemp derived nutraceutical products based in Colorado, USA
- In Europe and UK, educating and selling high quality Elixinol branded and co-branded hemp derived nutraceutical and skincare products based in Utrecht, The Netherlands and London, UK.
- In Australia, providing stronger unified planning and support across the group to enable the various regional offices to focus on operational strategy and execution through its Global Executive Office based in Sydney, Australia
- Hemp Foods Australia Pty Ltd (Hemp Foods Australia), a leading hemp food wholesaler, retailer, manufacturer and exporter of bulk and branded raw materials, and finished products
- Across the Rest of World, expanding distribution of Elixinol branded hemp derived products through reputable distributors as key markets open.

See more at www.elixinolglobal.com

Appendix 4C

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

For personal use only

Name of entity	
Elixinol Global Limited	
ABN	**Quarter ended ("current quarter")**
34 621 479 794	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	3,807	10,830
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(2,301)	(8,921)
	(c) advertising and marketing	(1,308)	(3,609)
	(d) leased assets	(63)	(448)
	(e) staff costs	(2,491)	(10,829)
	(f) administration and corporate costs	(1,304)	(6,094)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	19	94
1.5	Interest and other costs of finance paid	61	-
1.6	Income taxes paid	(34)	(38)
1.7	Government grants and tax incentives	127	227
1.8	Other	(44)	-
1.9	**Net cash from / (used in) operating activities**	**(3,531)**	**(18,788)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(5)	(103)
	(d) investments	-	-
	(e) intellectual property	(14)	(32)
	(f) other non-current assets	-	-

For personal use only

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	230
	(c) property, plant and equipment	1	2,567
	(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	-	-
2.6	**Net cash from / (used in) investing activities**	**(18)**	**2,662**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	10,989
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	-	(1,224)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(396)	(1,129)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other	-	-
3.10	**Net cash from / (used in) financing activities**	**(396)**	**8,636**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	16,768	20,380
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,531)	(18,788)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(18)	2,662
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(396)	8,636

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.5	Effect of movement in exchange rates on cash held	(36)	(103)
4.6	**Cash and cash equivalents at end of period**	**12,787**	**12,787**

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	12,787	16,768
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)**	**12,787**	**16,768**

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	154
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

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.*	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.

N/A

For personal use only

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(3,531)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	12,787
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	12,787
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	3.6

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?

N/A – more than 3 quarters

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?

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?

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.

27 October 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

For personal use only

[*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.

For personal use only