



ASX Announcement: 31 January 2019

**ELIXINOL GLOBAL LIMITED (ASX:EXL; OTCQX:ELLXF)
Q4 FY2018 APPENDIX 4C AND QUARTERLY BUSINESS UPDATE
REVENUE GROWTH OF 116% ON PCP**

HIGHLIGHTS:

- Revenue of \$11.9m¹ for Q4 FY2018, representing 116% growth on prior corresponding period (PCP) and 14% growth vs Q3 FY2018
- Full year FY2018 revenue growth of 121% vs FY2017 (December year end)
- 2018 Farm Bill signed by US President with US CBD market size forecast to grow from US\$174m (2016) to reach US\$22bn by 2022²
- International growth strategy commenced in Europe and New Zealand
- Continued focus on US growth initiatives with broader community awareness and increased marketing investment for FY2019 to drive top line revenue growth

Elixinol Global Limited (EXL or the Company) (ASX:EXL; OTCQX:ELLXF), a global company operating in the industrial hemp and emerging medicinal cannabis sectors, is pleased to release its business review and Appendix 4C cash flow statement for the quarter ending 31 December 2018 (Q4 FY2018).

Sustained revenue growth reported in Q4 FY2018³

For the December quarter (Q4 FY2018), EXL reported group revenue of \$11.9m representing 14% growth on the prior quarter (Q3 FY2018). Full year FY2018 revenue grew to \$37.2m, an increase of 121% over FY2017 of \$16.8 million. All reported revenues are currently unaudited.

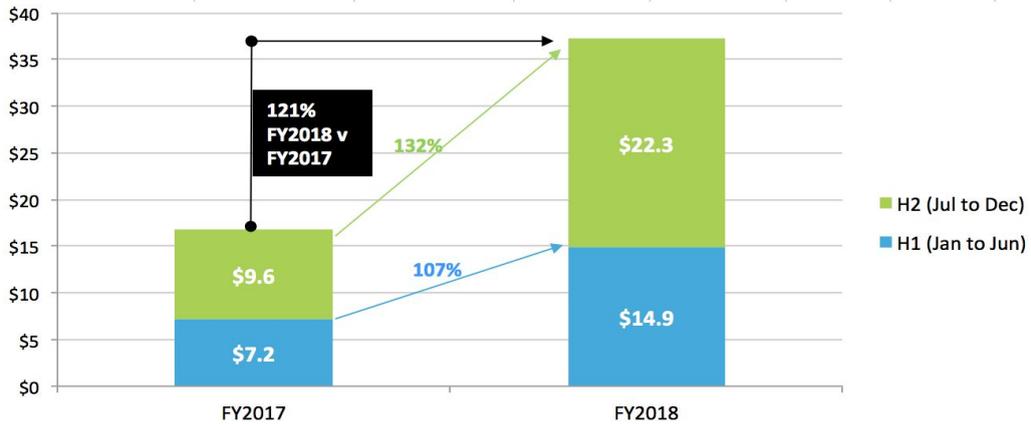
¹ All dollar amounts are in AUD unless otherwise stated; Average AUD/USD for Q4 FY2018 = 0.7170

² Research and forecast provided by the Brightfield Group

³ Revenues are unaudited and reflect a change in accounting method to include recovery of shipping costs from customers (impact is immaterial). FY2017 is reported on a pro forma basis.



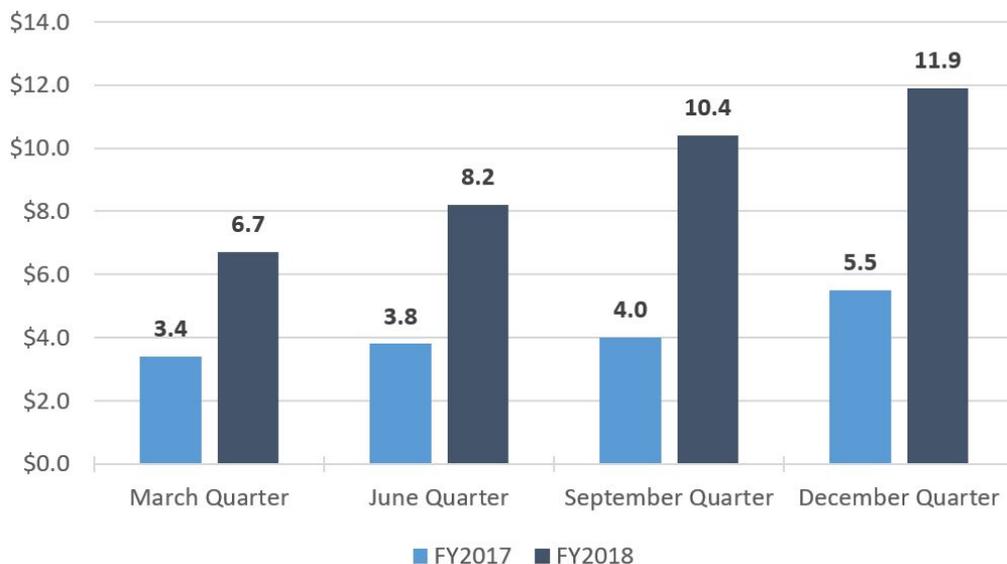
Revenue growth - full year



Revenue growth - half year



Revenue growth - quarterly





Operational update

EXL is a diverse portfolio of hemp and cannabis companies trading globally. Key activities by geography during the quarter:

United States of America

During Q4 FY2018, Elixinol, based in Colorado, continued its strong revenue growth led by broader consumer awareness and demand for hemp-derived CBD products.

In late December 2018, the much awaited 2018 Farm Bill was signed by the US President, paving the way for significant trade and marketing opportunities to the hemp-derived CBD industry. As an example, Elixinol secured advertising space in New York City's iconic Times Square for the recent New Year's Eve celebrations. The advertising campaign in Times Square is indicative of expected additional advertising opportunities that may arise for Elixinol now that hemp is no longer listed as a controlled substance due to passing of the 2018 US Farm Bill.

To support the case, research by Brightfield Group revised during Q4 FY2018 following the legislative change of the 2018 Farm Bill forecast the US market size to grow from US\$174m in 2016 to US\$22bn by 2022 (a significant increase over its 2017 report projection of growth in sales to US\$2bn by 2022).

To help build national brand awareness, recognised advertising, public relations and marketing agencies are expected to be appointed post quarter end. Sales activities have been focused on penetration of mainstream national distribution channels to enable Elixinol to commence national distribution of its unique high-quality hemp CBD products and to increase digital marketing presence to further grow direct to consumer e-commerce sales.

Over the past several months, Elixinol has initiated technology upgrades to its direct to consumer logistics channel, which enabled Elixinol to achieve a record month of e-commerce sales in November which included Black Friday and Cyber Monday promotions. Further updates to Elixinol's website www.elixinol.com are expected in Q1 FY2019.

As hemp products have become more accepted by US consumers, Elixinol launched Sativa Skin Care to US consumers on 8 December. The hemp-based all-natural skin care and hair care line are plant-based, cruelty-free, and carbon neutral. Sativa adds to Elixinol's line of quality, finished and branded products.

During the quarter, Elixinol's new product development team advanced its R&D efforts in new technologies and formulations preparing for new product launches in 2019.

After experiencing minor construction delays due to delayed legal diligence by the City Council, City of Louisville (Colorado), contractor delays, power upgrade scheduling and the holiday season, the commissioning of Elixinol's Louisville facility is well advanced.

Installation of new CO₂ extractors has commenced and a large custom-built ethanol



extraction unit is expected to arrive in Q1 FY2019. Final commissioning is expected during H1 FY2019 which, once fully commissioned, will more than double Elixinol's production capacity.

During the quarter Elixinol's farming joint venture, NCHPP, completed its first harvest of high CBD hemp. Whilst the yields were below expectations the knowledge gained positions the venture well for success in future seasons. Elixinol has now secured the supply of raw material to deliver FY2019 revenues in excess of its current growth trajectory.

Australia

Hemp Foods

Despite a change in the legislative environment which impeded manufacturing operations throughout most of the year, Hemp Foods Australia reported strong revenue growth vs prior year.

Following the launch of snack bars under the Essential Hemp brand, Hemp Foods Australia continues to invest in the development of new products and new categories. The frozen and ready meal category is forecast to see strong growth and Hemp Foods Australia is positioning itself to bring plant based nutritional products to consumers. A market launch into the ready meal category is anticipated in the first quarter of 2019 under the Essential Hemp™ brand.

Hemp Foods Australia also continues to develop supply arrangements for local supply of organic hemp seeds whilst continuing its normal operating activities with existing overseas suppliers.

Medical Cannabis

Elixinol Australia's licence submissions for the cultivation and manufacturing of medicinal cannabis continue to be under review by the Office of Drug Control (ODC). Although the Company remains optimistic that it will receive both cultivation and manufacturing licences, it is nevertheless disappointing that the ODC is unable to provide any timing on the granting of both licences.

The Development Application (DA) for the Company's integrated cultivation and manufacture facility is under review by the Byron Shire Municipal Council. The comprehensive operational plan for the facility is completed and a project manager has been appointed to oversee the construction of the facility. Upon receipt of the cultivation and manufacturing licences, focus will be on the construction of the Company's state of the art facility.

During Q4 FY2018, EXL's Australian medical cannabis company was renamed from "Elixinol Pty Ltd" to "Nunyara Pharma Pty Ltd". This change was driven primarily by the need to differentiate the Elixinol brand as a world leading hemp derived CBD brand.



Rest of World

During the quarter a team of highly experienced employees commenced with Elixinol to drive the Company's launch into Europe. As well as overseeing supply chain operations, the team is predominantly focused on replicating the quality systems from Elixinol's US sales and marketing processes for Europe, including preparing a new e-commerce website for European sales.

In Japan, focus has been on strengthening the management and sales function to support anticipated sales growth of Elixinol's CBD products. Marketing activities will include health food trade shows, influencer and digital sales programs. Additionally, R&D activities for novel hemp/ CBD products specific for the Japanese market is being undertaken.

Following the passage of New Zealand's Misuse of Drugs (Medicinal Cannabis) Amendment Act in December 2018, which classifies hemp CBD with low levels of THC as prescription medicine and removes hemp CBD as a Class B1 controlled drug, patients with a doctor's prescription can import a product from Elixinol's CBD range of capsules, and tinctures and liposomal products. Elixinol's products meet the required standard for import to New Zealand and the company has successfully shipped its first branded products.

Elixinol continues to explore opportunities throughout Asia and Central and Southern America and will ensure the market is fully informed of any future developments.

Appendix 4C

During the quarter, EXL began to deploy the funds raised from its \$40m equity financing conducted in late September 2018 by investing in key areas of the business. EXL will continue to focus on increasing its distribution of branded products to grow revenues and capture market share.

Capital expenditure during Q4 FY2018 totaled \$3.3m, which predominantly related to increasing the Group's ownership interest in Elixinol Japan to 50.5% (\$2.2m) and commissioning the new Colorado production facility (\$1.0m). Payments for the new facility totaling \$3.5m were deferred to H1 FY2019.

A capital contribution of \$1.0m to the NCHPP joint venture that was anticipated to occur during Q4 FY2018 will now be paid in Q1 FY2019.

Gross cash outflows for Q1 FY2019 are estimated at \$22.0m (excluding cash inflows). These gross outflows include \$15.1m for ongoing operating costs and inventory purchases including funding a significant increase in sales and marketing activities to support further focus of top line revenue growth across all segments, particularly direct to consumer and mainstream national distribution channels. The remaining capital expenditure of \$6.9m primarily relates to equipment and fit out of the new Colorado production facility (includes payments deferred from Q4 FY2018) plus the anticipated settlement of land to be purchased



for the Australian Medical Cannabis facility of which construction is expected to commence in H1 FY2019.

The Appendix 4C has been prepared on the basis that Elixinol Japan is an equity accounted investment and at this stage is not included in the group consolidated financial statements of EXL.

As at 31 December 2018, EXL held \$42.9m cash at bank and \$0.25m in debt.

| | Q1 FY2018 | Q2 FY2018 | Q3 FY2018 | Q4 FY2018 | ESTIMATE Q1 FY2019 |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------------------|
| Revenue | 6.7 | 8.2 | 10.4 | 11.9 | |
| Cash on hand - beginning of period | 18.8 | 18.4 | 14.2 | 10.7 | 42.9 |
| Net proceeds from capital raise | - | - | - | 37.8 | |
| Receipts from customers | 6.3 | 8.6 | 9.8 | 11.3 | |
| Interest received | 0.1 | 0.1 | 0.1 | 0.2 | |
| Total Cash Inflow: | 6.4 | 8.7 | 9.9 | 49.3 | |
| Payments to suppliers and employees | (6.4) | (9.1) | (11.8) | (14.1) | (15.1) |
| Income taxes paid | - | (0.7) | (0.1) | - | - |
| Capital expenditure | (0.4) | (3.2) | (1.5) | (3.3) | (6.9) |
| Total Cash Outflow: | (6.8) | (13.0) | (13.4) | (17.4) | (22.0) |
| Effects of currency movements | - | 0.1 | - | 0.3 | |
| Cash on hand - ending of period | 18.4 | 14.2 | 10.7 | 42.9 | |

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About Elixinol Global

Elixinol Global Limited (ASX:EXL; OTCQX:ELLXF) through its businesses has a global presence in the cannabis industry including hemp-derived CBD dietary supplements, hemp food and wellness products, as well as cultivation and manufacture of medicinal cannabis products. EXL's businesses include:

- Elixinol, founded in 2014, is a manufacturer and global distributor of hemp dietary supplement and skincare products, with operations based out of Colorado, USA.
- Hemp Foods Australia, founded in 1999, is a leading hemp food wholesaler, retailer, manufacturer and exporter of bulk and branded raw materials, and finished products.



- Nunyara (formerly known as Elixinol Australia), was founded in 2014 to participate in the emerging Australian medicinal cannabis market and submitted licence applications for cultivation and manufacture to the Office of Drug Control in early 2018. These applications are currently pending approval.

See more at www.elixinolglobal.com

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Elixinol Global Limited

ABN

34 621 479 794

Quarter ended ("current quarter")

31 December 2018

| Consolidated statement of cash flows | Current quarter A\$'000 | Year to date (12 months) A\$'000 |
|---|------------------------------------|---|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 11,334 | 36,008 |
| 1.2 Payments for | | |
| (a) research and development | (36) | (283) |
| (b) product manufacturing and operating costs | (8,217) | (24,601) |
| (c) advertising and marketing | (1,211) | (3,359) |
| (d) leased assets | (148) | (405) |
| (e) staff costs | (2,558) | (7,482) |
| (f) administration and corporate costs | (1,930) | (5,254) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 187 | 494 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | (822) |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | - | 50 |
| 1.9 Net cash from / (used in) operating activities | (2,579) | (5,654) |

| | | |
|--|---------|---------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (1,109) | (4,315) |
| (b) businesses (see item 10) | - | - |
| (c) investments | (2,157) | (3,611) |

| Consolidated statement of cash flows | Current quarter A\$'000 | Year to date (12 months) A\$'000 |
|--|------------------------------------|---|
| (d) intellectual property | - | (438) |
| (e) other non-current assets | - | - |
| 2.2 Proceeds from disposal of: | | |
| (a) property, plant and equipment | - | - |
| (b) businesses (see item 10) | - | - |
| (c) investments | - | - |
| (d) intellectual property | - | - |
| (e) other non-current assets | - | - |
| 2.3 Cash flows from loans to other entities | - | - |
| 2.4 Dividends received (see note 3) | - | - |
| 2.5 Cash acquired on equity settled business combination | - | - |
| 2.6 Net cash from / (used in) investing activities | (3,266) | (8,364) |

| | | |
|--|---------------|---------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of shares | 40,000 | 40,000 |
| 3.2 Proceeds from issue of convertible notes | - | - |
| 3.3 Proceeds from exercise of share options | - | - |
| 3.4 Transaction costs related to issues of shares, convertible notes or options | (2,188) | (2,188) |
| 3.5 Proceeds from borrowings | - | - |
| 3.6 Repayment of borrowings | - | (35) |
| 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 | 37,812 | 37,777 |

| | | |
|--|---------|---------|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of quarter/year to date | 10,731 | 18,834 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (2,579) | (5,654) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (3,266) | (8,364) |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above) | 37,812 | 37,777 |

| Consolidated statement of cash flows | | Current quarter A\$'000 | Year to date (12 months) A\$'000 |
|---|--|------------------------------------|---|
| 4.5 | Effect of movement in exchange rates on cash held | 224 | 329 |
| 4.6 | Cash and cash equivalents at end of quarter | 42,922 | 42,922 |

| 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 | 12,922 | 6,043 |
| 5.2 | Call deposits | 30,000 | 4,688 |
| 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) | 42,922 | 10,731 |

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

| Current quarter \$A'000 |
|------------------------------------|
|------------------------------------|

| |
|-----|
| 178 |
|-----|

| |
|---|
| - |
|---|

6.1 represents payment of non-executive director fees and executive director remuneration.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

| Current quarter \$A'000 |
|------------------------------------|
|------------------------------------|

| |
|---|
| - |
|---|

| |
|---|
| - |
|---|

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|--|---|
| 8.1 Loan facilities | - | - |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Other (please specify) | - | - |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |

| |
|--|
| |
|--|

| 9. Estimated cash outflows for next quarter | A\$'000 |
|--|-----------------|
| 9.1 Research and development | (146) |
| 9.2 Product manufacturing and operating costs | (7,160) |
| 9.3 Advertising and marketing | (1,815) |
| 9.4 Leased assets | (250) |
| 9.5 Staff costs | (3,290) |
| 9.6 Administration and corporate costs | (2,396) |
| 9.7 Income tax payments | (6,931) |
| Investments and other capital expenditure | |
| 9.8 Total estimated cash outflows | (21,987) |

| 10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above) | Acquisitions | Disposals |
|--|--------------|-----------|
| 10.1 Name of entity | N/A | N/A |
| 10.2 Place of incorporation or registration | | |
| 10.3 Consideration for acquisition or disposal | | |
| 10.4 Total net assets | | |
| 10.5 Nature of business | | |

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.



Sign here: _____
Company Secretary

Date:31 January 2019.....

Print name:Ron Dufficy.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.