



## Quarterly business review for the period ending 30 June 2018



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## ELIXINOL GLOBAL LIMITED (ASX: EXL) QUARTERLY BUSINESS REVIEW – Q2 FY 2018

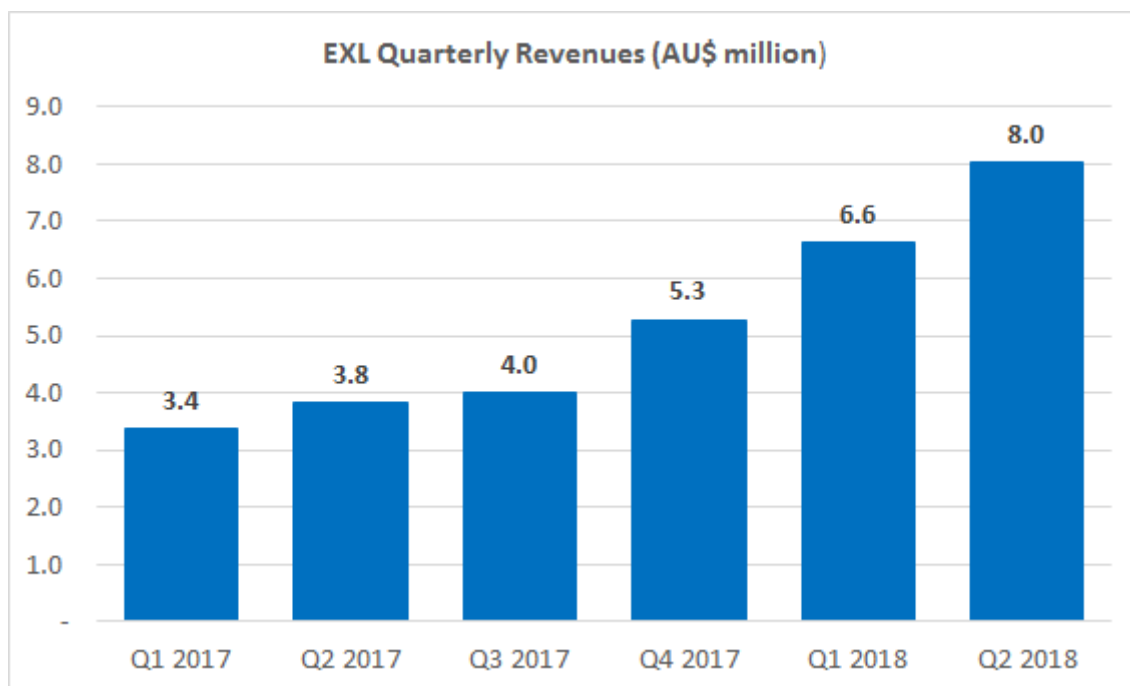
### HIGHLIGHTS:

- **Solid revenue growth reported for quarter ended 30 June 2018, with Elixinol Global Limited (referred to hereafter as EXL) reporting 111% revenue improvement**
- **Total operating revenues (sales) of AU\$8.0 million recorded for the June quarter, resulting from increasing demand for hemp derived products**
- **Elixinol Pty Ltd provides business update at inaugural AGM on its staged strategy to enter the Australian medicinal cannabis market**
- **First crop planted under the Colorado-based Northern Colorado High Plains Producers (NCHPP) joint venture, with Elixinol in partnership with Kersey Ag**
- **Western Institutional Review Board approval received for retrospective study into effect of Elixinol's CBD and liposome products in patients suffering PTSD and trauma related anxiety**
- **Elixinol launches CBD roll-on in Japan and secures first ever Japanese mainstream CBD advertising**
- **Hemp Foods Australia provides supply update; launches SATIVA™ skincare range**
- **United States 2018 Farm Bill, which includes the Hemp Farming Act of 2018 (S.2667), passes the US Senate**

EXL, 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 period ending 30 June 2018. During the period, further revenue growth was observed with a 21% improvement compared with the previous quarter and 111% improvement compared with the same quarter from the previous year. This solid growth trajectory follows the Company's Initial Public Offering, whereby the Company began trading on the ASX in January 2018.

### Strong revenue growth continues for EXL in Q2 FY2018

EXL finished the June quarter of FY2018 with continued significant growth, reporting revenues of AU\$8.0m, representing 21% growth compared with the March quarter in FY2018 and 111% growth compared with the June quarter in FY2017.



*\* Revenues are unaudited and 2017 is reported on a pro forma basis. EXL has adopted a 31 December year end.*

Revenue growth was primarily driven by the Elixinol business, where demand for hemp-derived cannabidiol (CBD) dietary supplements and skincare products continues to grow.

Cash outflows for the period were around AU\$11.7m which was AU\$0.7m lower than forecast in our prior (March) quarter's Appendix 4C. Cash outflows were less than forecast due to favourable payment terms negotiated with equipment suppliers for the new U.S. facility, timing to fully fund the previously announced investment in NCHPP and were offset by higher inventory payments to facilitate ongoing product demand.

At the end of the June quarter, EXL held AU\$14.2m cash in the bank and AU\$0.25m in debt.

In the Company's Appendix 4C, attached with this document, cash outflows of AU\$13.9m are estimated for the September quarter. These outflows include AU\$4.0m of capital expenditure which primarily relate to the fit out and equipment of the new US facility and includes the balance of the investment in the NCHPP joint venture. The Company continues to expand its sales and marketing resources to support expected ongoing growth.

### **Operational update**

#### **EXL's medicinal cannabis business, Elixinol Pty Ltd provides business update at AGM**

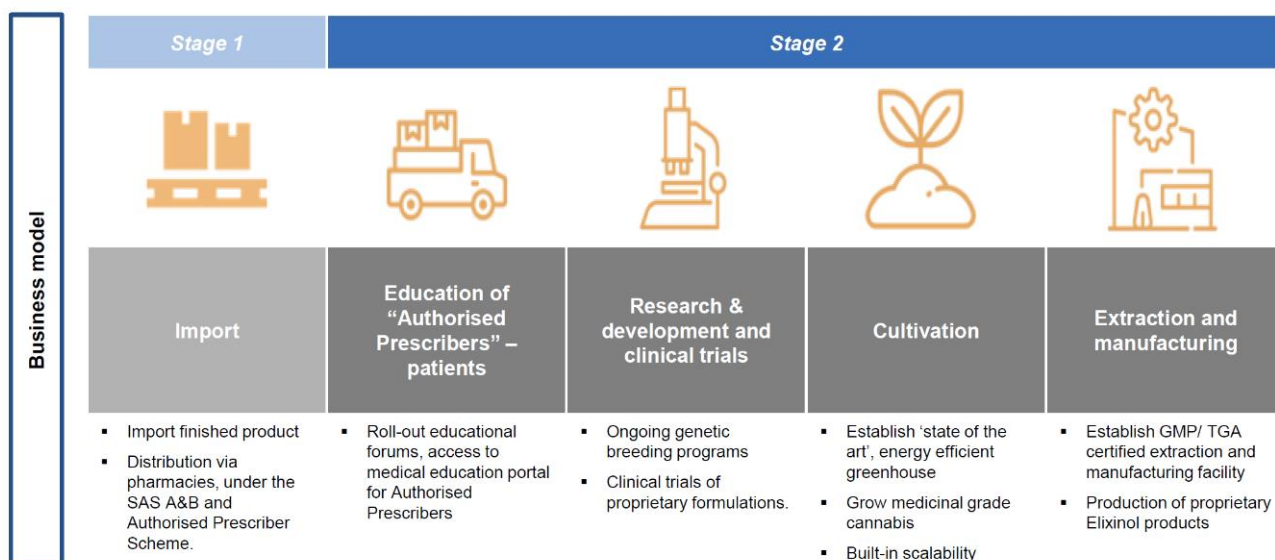
At EXL's inaugural AGM in May, Managing Director, Linda McLeod provided an overview of Elixinol Pty Ltd's strategy to enter the Australian medicinal cannabis market once appropriate licencing is in place.



Elixinol Pty Ltd's licence submissions for the cultivation and manufacturing of medicinal cannabis are under review by the Office of Drug Control (ODC). The ODC is unable to provide a timeline for completion of the review process.

The strategy overview below is predicated on obtaining the requisite licences from the ODC.

### Staged approach to the Australian medicinal cannabis market



The following key activities have already been completed:

- ✓ Site selected for cultivation and manufacture of medicinal cannabis
- ✓ Operation plan developed for integrated state of the art cultivation and pharma grade manufacture facility
- ✓ Developed proprietary CBD/THC formulations for approved indications
- ✓ Focus on epilepsy, multiple sclerosis, pain, nausea and vomiting from chemotherapy, and HIV/AIDS and palliative care
- ✓ Distribution strategy developed

Elixinol Pty Ltd is working through the development of its clinical trial strategy and medical education model.

To view more information on Elixinol Pty Ltd's business strategy, please review EXL's 2017 AGM presentation, dated 15 May 2018, via [www.elixinolglobal.com](http://www.elixinolglobal.com).

### NCHPP joint venture plants its first crop of high-CBD premium hemp

During the quarter, Elixinol announced a joint venture with Kersey Ag to cultivate high-CBD premium hemp. Formed in April, the venture was named the Northern Colorado High Plains Producers (NCHPP.) Kersey Ag is a Colorado-based agricultural company utilising the newest in efficient drip-irrigation techniques and technologies without the need for foreign chemicals. Elixinol and Kersey Ag each hold a strategic 50% interest. Following the April





announcement, the first hemp planting occurred on the land secured by NCHPP. Harvest is expected during the Colorado autumn, based upon on the Colorado Department of Agriculture's testing schedule.

NCHPP is expected to secure the ongoing supply of raw material for Elixinol's products and will support the Company's plans for sales and revenue growth.

NCHPP has access to up to 700 acres of irrigated farmland traditionally used to grow alfalfa, silage corn, and other forage crops with additional land available as required. The farmland including appropriate water rights, is secured by an initial five-year lease term extendable by up to 30 years.

### **Elixinol CBD products studied in PTSD and trauma-related anxiety patients**

At the end of June, Elixinol received approval from the Western Institutional Review Board for a retrospective review study on the effects of Elixinol's capsule and liposome products on PTSD or trauma-related anxiety.

The study began in July of 2017 where any patient with significant trauma or PTSD was offered the opportunity to participate at clinician discretion and was conducted over a one-year period at the Wholeness Center in Ft. Collins, Colorado under the oversight of Dr. Scott Shannon. Dr. Shannon is a Colorado-based Integrative Psychiatrist and the founder of the Wholeness Center, which is the United States' largest and most comprehensive integrative mental health clinic.

Data gathering is currently underway. It is expected the study outcomes will be published soon after completion.

### **New sports "influencers" added to Elixinol's roster**

Elixinol has added Tiffany "Time Bomb" Van Soest to its influencer roster. Van Soest is a world-champion kickboxer with Glory, a global stand-up combat sports league. In her first event wearing her Elixinol-branded fight skirt, on July 21 at the Glory 55 event, Van Soest earned a win against Sofia Olofsson, breaking Olofsson's 22-match winning streak, in a split decision, at Madison Square Garden in New York City. The event was televised in the U.S. by UFC Fightpass subscription and replayed on ESPN2.



Tiffany "Time Bomb" Van Soest joins Elixinol's influencer roster

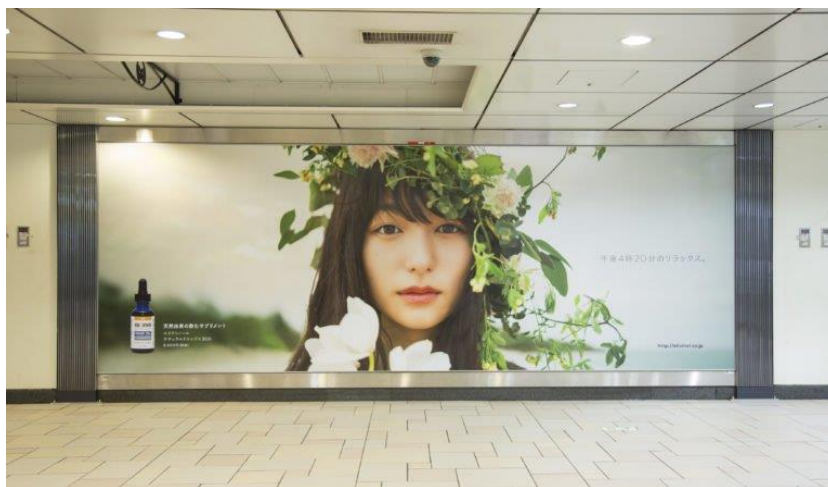
### **Elixinol launches CBD roll-on in Japan and secures first ever Japanese billboard advertising of a CBD product**

In Japan, Elixinol launched a CBD roll-on, a new topical product, at the Biople Festival during the quarter. The CBD roll-on product is filled with jojoba essential oil, peppermint essential oil and cannabidiol, and gives a refreshing feeling when applied to the skin, without leaving the skin feeling oily. The product launch was reported on by key local magazines.



New Japanese Elixinol CBD roll-on launched in June quarter

Also during the period Elixinol was successful in launching Japan's first ever billboard advertisement (below) for CBD hemp oil. The advertisement, which was run at Tokyo's Omotesando train station, followed many months of working with the relevant authorities to gain authorisation and was widely reported upon by international marketing and sector press.



### Growth in Latin America

Elixinol continues its global strategy to expand distribution of legal hemp products. Latin America is included in Elixinol's plans and a high strength product has recently been gaining traction in Brazil as reported in CDBD Cannabidiol Brasil magazine.



Elixinol products are undergoing growth in Brazil

### Hemp Foods Australia supply update

During the quarter, Hemp Foods Australia, with its agricultural partner completed the first harvest of hemp in Victoria for 2018. Given hemp food was only legalised in Australia in late 2017, growing hemp crops for food in Australian conditions is a relatively new practice and farmers continue to learn how to integrate this specialist crop into local conditions. This first harvest resulted in a lower yield than expected, however the lessons learned from this crop



will be incorporated into a further project to sow more hemp in Victoria and other states in the second half of 2018.

These crop growth activities are in line with the Company's strategy to become the largest hemp grower in Australia.

It is Hemp Foods Australia's vision to support the creation of a locally sustainable infrastructure. Hemp Foods Australia will always aim to source locally first, and then from around the world, using only ACO Certified Organic Suppliers.

In tandem with farming activities, in the short term, Hemp Foods Australia will continue its strategy to import non-irradiated, non-sterilised certified organic hemp seed from its preferred partners which will in turn, be manufactured in Hemp Foods Australia's plant in Bangalow, New South Wales.



CEO Paul Benhaim visiting our German strategic partners to inspect their current seed and crops. As one of our international suppliers, our German supply partner maintains among the highest quality standards in the world.

### Research and development collaborations

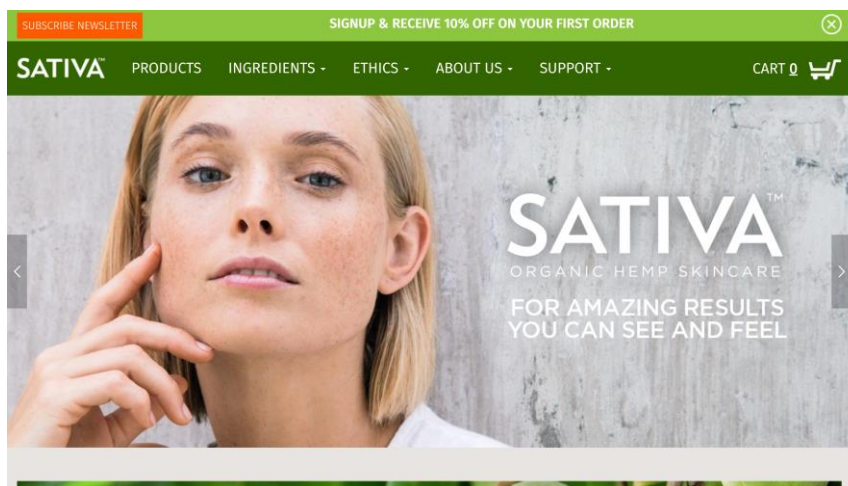
During the quarter, Hemp Foods Australia partnered with Charles Sturt University to conduct further research and development into the nutritional profile of hemp on human health. Hemp Foods Australia has also provided sponsorship towards the University of Newcastle to better understand how hemp can assist in soil restoration.





## Hemp Foods Australia's SATIVA™ skincare range launched

Hemp Foods Australia's new SATIVA™ skincare range was formally launched at the Naturally Good Expo, in Sydney, Australia between 29-30 April 2018.



The SATIVA™ range was launched during the quarter at the Naturally Good Expo and is gaining early traction

The range, which incorporates a cleanser, serum, moisturiser, deodorant, hand and body wash, shampoo, conditioner, lip balm and hand cream, has been gaining early traction with support from some of Hemp Foods Australia's key distribution and wholesale partners.

## Significant macro developments

On 29 June, the United States Senate passed the 2018 Farm Bill, which includes the Hemp Farming Act of 2018 (S.2667), legislation that, among other things, would classify hemp as an agricultural commodity and remove CBD from the Drug Enforcement Agency's list of Schedule 1 drugs. The language, contained in the 1,000-plus pages of the Hemp Farming Act of 2018 (S.2667), is now in markup for the final version of the 2018 Farm Bill.

Once it clears the house reconciliation process and is signed by the U.S. President, the change is expected to remove significant existing barriers to trade, by more widely opening up the ability for hemp growers, processors and product manufacturers to access finance, banking and insurance services without restriction and provide better access to water rights. It is also expected to enable organisations like Elixinol to openly advertise and market its products directly to American consumers.

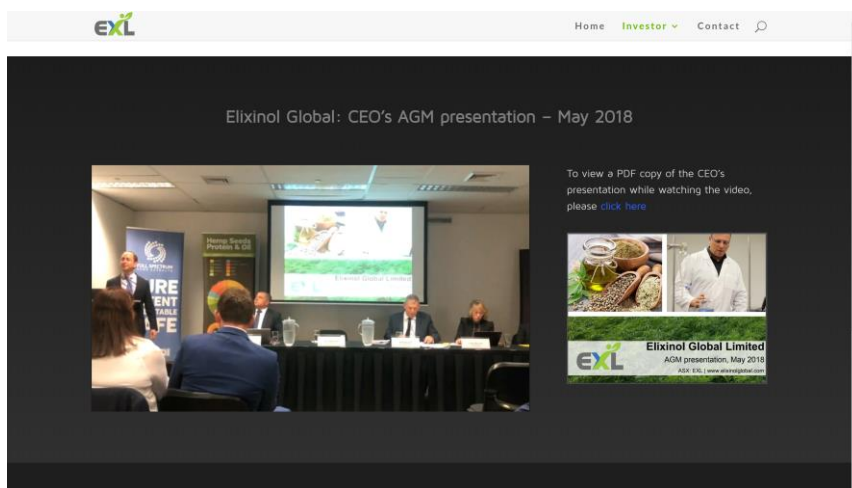
During the quarter, CEO Paul Benhaim agreed to join the International Cannabis Civil society's working group focussed on determining how cannabis fits with the United Nations' stated goals under their 2030 Agenda for Sustainable Development.



Paul is working together with a number of industry peers to develop a position on how cannabis can meet many of the UN's goals, with a paper expected to be submitted to the 62<sup>nd</sup> UN Commission on Narcotic Drugs High-Level Segment and official presentation inside the UN in early 2019.

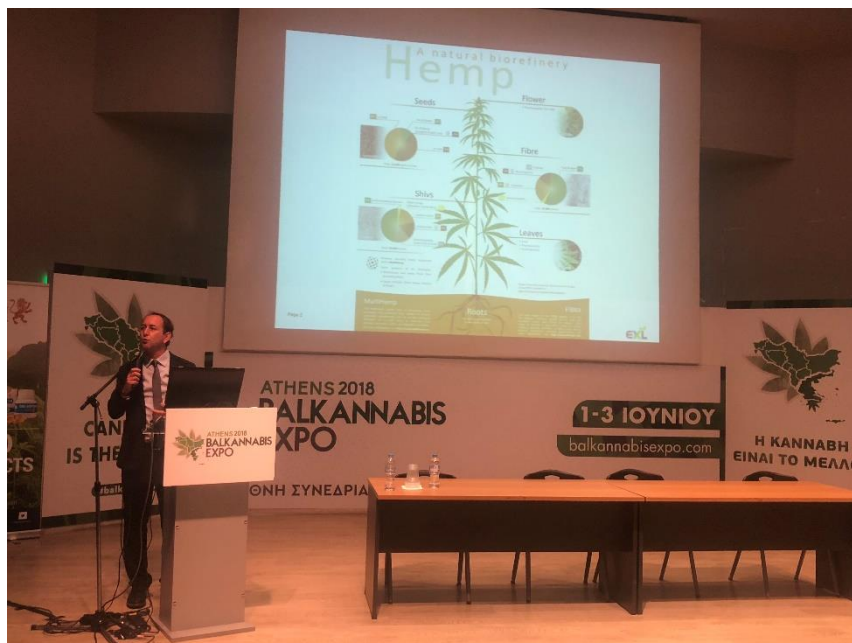
### Investor and public relations overview

During May, EXL held its inaugural Annual General Meeting (AGM) in Sydney. The meeting was well attended, and all resolutions were passed on a show of hands. Copies of the Chairman's address, CEO's presentation and outcomes of the official business are all available on the Company's website at [www.elixinolglobal.com](http://www.elixinolglobal.com).



Watch the video of our CEO presentation from the EXL AGM at [www.elixinolglobal.com](http://www.elixinolglobal.com).

Following the AGM, several institutional investor meetings were held in Australia, the US and Canada. In addition, CEO Paul Benhaim presented at several of the world's largest cannabis conferences including in Poland, Greece, Germany and Canada.



CEO, Paul Benhaim presented at Balkannabis in Athens during the quarter

Paul Benhaim will be presenting closer to home at the Cannatech conference in Sydney, Australia from 29-30 October 2018. Mr Benhaim is continually invited to many investment and industry events globally as he is a renowned speaker. Such conferences provide both the opportunity to present EXL to a broader audience and broaden networks with parties in the industry sectors in which the Company operates.

During the quarter, articles on EXL were featured by a number of financial publications, including the CommSec Executive Series; New Cannabis Ventures, Stockhead and Small Caps, amongst others.

The Company is in the process of planning an investor roadshow for September. For any meeting requests, please contact Ron Dufficy, CFO by emailing [ron.dufficy@elixinolglobal.com](mailto:ron.dufficy@elixinolglobal.com).

### About Elixinol Global Ltd

Elixinol Global Ltd (known as EXL) is publicly traded on the ASX under EXL. The Company has a global presence in the cannabis industry, including hemp-derived CBD dietary supplements, food and wellness products, and the cultivation and manufacture of medicinal cannabis products.

EXL companies include:

- Elixinol LLC, founded in 2014, manufacturer and distributor of industrial hemp based dietary supplement and skincare products, with operations based out of Colorado, USA.
- Hemp Foods Australia Pty Ltd, founded in 1999, manufacturer and distributor of industrial hemp food products in Australia.
- Elixinol Pty Ltd, founded in 2014, to take part in the emerging Australian medicinal cannabis market.

## 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")**

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	8,093	13,986
1.2 Payments for		
(a) research and development	(83)	(171)
(b) product manufacturing and operating costs	(4,619)	(7,826)
(c) advertising and marketing	(751)	(1,330)
(d) leased assets	(57)	(131)
(e) staff costs	(1,801)	(3,213)
(f) administration and corporate costs	(1,242)	(1,995)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	104	196
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(972)</b>	<b>(1,100)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,538)	(1,976)
(b) businesses (see item 10)	-	-
(c) investments	(1,454)	(1,454)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property	(170)	(170)
	(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	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(3,162)</b>	<b>(3,600)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
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	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(14)	(28)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(14)</b>	<b>(28)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	18,264	18,834
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(972)	(1,100)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,162)	(3,600)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(14)	(28)

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	54	64
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>14,170</b>	<b>14,170</b>

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	1,512	5,679
5.2	Call deposits	12,658	12,585
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	1	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>14,171</b>	<b>18,264</b>

**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. <b>Financing facilities available</b> <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.		

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9. <b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	(70)
9.2 Product manufacturing and operating costs	(5,084)
9.3 Advertising and marketing	(910)
9.4 Leased assets	(156)
9.5 Staff costs	(2,361)
9.6 Administration and corporate costs	(1,296)
9.7 Investments and other capital expenditure	(4,006)
<b>9.8 Total estimated cash outflows</b>	<b>(13,883)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
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: 30 July 2018

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.