

**ASX Announcement**  
**20 October 2022**

**Q3 FY22 QUARTERLY ACTIVITIES REPORT  
AND APPENDIX 4C**

***Elixinol Wellness reports 18% revenue growth on prior quarter; significantly further reduces cost base and retains strong funding position***

**Key Highlights**

- Q3 FY22 revenue of \$2.0m<sup>1</sup>, up 18% on the prior quarter (Q2 FY22: \$1.7m), driven by growth across all key markets.
- Hemp Foods Australia revenue 18% up on prior quarter, driven by Seed Mix launch into Coles plus addition of Costco New Zealand to customer mix.
- Elixinol Americas revenue 13% up on prior quarter, driven by sales to a newly appointed exclusive distributor for Brazil, higher margin e-commerce and subscription revenues.
- Operating cash used, excluding non-recurring items, during Q3 FY22 was \$1.6m, a 24% reduction on the prior quarter (Q2 FY22: \$2.1m), due to previously announced annualised cost savings of \$3.2m, other one-off savings. Additionally, a \$0.5m non-recurring cash tax refund was received from the IRS.
- Strong funding position at end Q3 FY22, with funds of \$7.2m<sup>2</sup> and reduced capex due to simplified and capital light business model.

Elixinol Wellness Limited (**Elixinol Wellness, EXL** or the **Company**) (**ASX: EXL**) a global leader in the hemp industry, innovating, marketing and selling hemp-derived nutraceutical, food and topical products, releases its Quarterly Activities Report and Appendix 4C quarterly cash flow report for the quarter ended 30 September 2022 (**Q3 FY22**).

Global Chief Executive Officer (**Global CEO**), Ron Dufficy, commented: *“We are very pleased to report another quarter of growth. Increasing distribution of Hemp Foods Australia products and steady uptake of our digital marketing in the US have been the main drivers for the revenue improvement. We also have a number of new products in the pipeline that will support our revenue growth trajectory.”*

*“In tandem, we achieved a leaner operating structure with our operating cash expenditures for Q3 FY22 reduced by a further 8% from an already heavily improved cost base. I am confident that our continued focus on driving efficiencies will lead to additional improvement in our cashflow and business profitability in the coming quarters.”*

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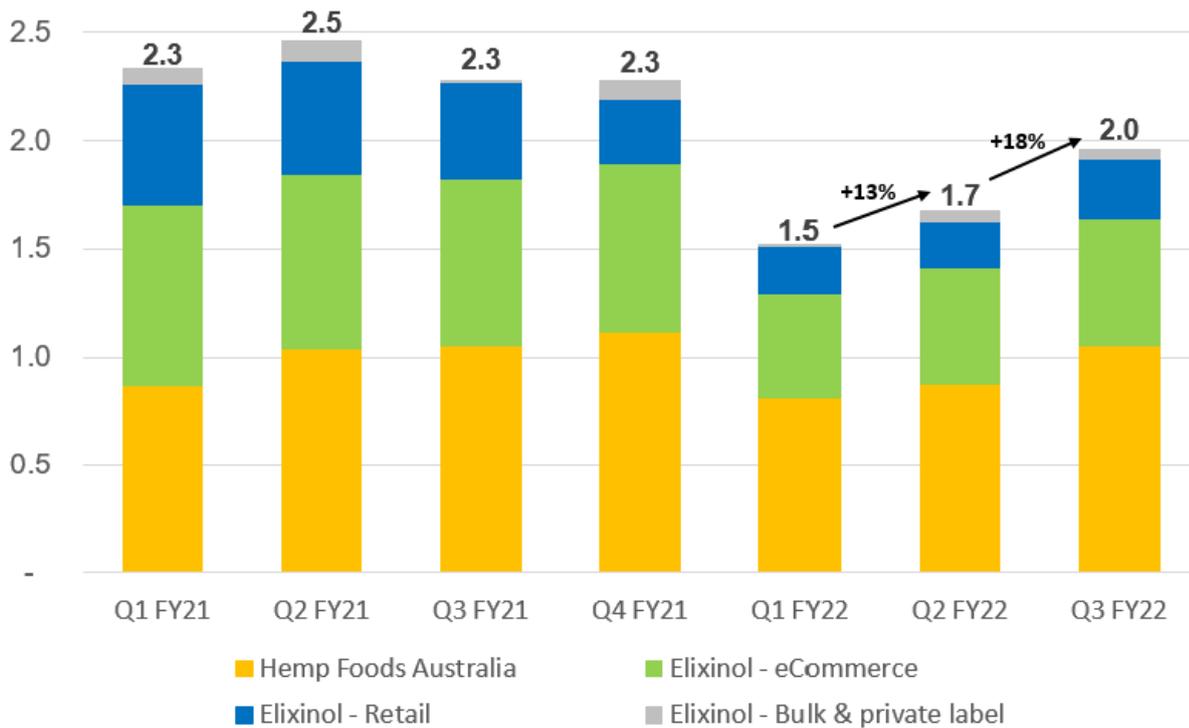
<sup>1</sup> All dollar amounts are in AUD unless otherwise stated; Average AUD/USD for Q3 FY22 = 0.6836; FY22 financials are unaudited.

<sup>2</sup> Includes \$5.7m cash on hand plus approximately \$1.5m is expected to be received from one-off US COVID-19 relief measures (US\$1.0m from ERTC program).

The Company reported revenue of \$2.0m for Q3 FY22, up 18% on the prior quarter (Q2 FY22: \$1.7m), driven by growth across all key markets.

Following the announcement of the strategic review, the cost base has been significantly reduced with the impacts starting to be realised from Q2 FY22<sup>3</sup> (quarter ended 30 June 2022).

## Revenue by Quarter (A\$m)<sup>1</sup>



Operating cash used, excluding non-recurring items, during Q3 FY22 was \$1.6m, a 24% reduction from the prior quarter (Q2 FY22: \$2.1m) due to previously announced annualised cost savings of \$3.2m and additional efficiencies, following its US transition to a 3PL model, which was completed at the end of Q1 FY22. A non-recurring cash injection was also received via a \$0.5m cash tax refund received from the US IRS.

The Company finished the quarter well-funded with \$7.2m, including \$5.7m in cash and an additional approx. \$1.5m (US\$1.0m) expected from US COVID-19 relief measures.

<sup>3</sup> Elixinol Wellness operates on a 31 December year end.

## Hemp Foods Australia update

Hemp Foods Australia reported an 18% increase in revenue (Q3 FY22: \$1,033k vs Q2 FY22: \$877k). Major contributors were increased sales to Costco, which included supply to the new store opening in Auckland; launch of a new Seed Mix range into 830 Coles supermarket stores nationwide and continued strong consumer uptake of Hemp Foods Australia's new flavoured protein powder range.



During the quarter, Hemp Foods Australia began shipment of its new Seed Mix to be ranged in 830 Coles stores nation-wide. The seed mix contains hemp, mixed with other seeds, nuts and dried fruits. It is omega and antioxidant rich, is a great source of protein and targets functional health benefits such as gut health.

Post quarter, Hemp Foods Australia launched its full range of products, which are prominently featured in a vibrant point of sale display in the independent pharmacy channel. The initial pilot program was launched in 40 stores, with the majority being Chemist Discount Centre stores across Victoria. If successful, the program has the potential to be expanded in up to 1,100 stores across Australia.



### Elixinol Americas update

The Elixinol Americas business delivered a revenue increase through the quarter, up 13% (Q3 FY22: \$900k vs Q2 FY22: \$799k). This was predominantly driven by growth in online sales and a large initial shipment to our newly appointed exclusive distributor for the Brazil market. This growth was achieved despite experiencing supply challenges that caused a

delay in the launch of several new products. The launch of these new products is now expected to support the busy end of year promotions supporting our growth trajectory into Q4 FY22.



- 25 mg CBD per gummy**
- Full-spectrum hemp extract
  - Tasty Strawberry
  - Flavored with natural juices from fruits & vegetables
  - Vegan
  - Subscription price \$37.49  
Everyday price \$49.99

Digital marketing campaigns drove an increase in email-led revenue, up 12% through Q3 vs Q2. Site traffic increased by 98% to an average of 940 visitors per day and subscription-based revenue continued to grow and accounted for 36% of reported revenues in the month of September.



In September, the company attended the National Association of Chain Drug Stores (NACDS) annual trade show where it received strong retailer interest in carrying its new line of non-CBD, VMS products, 'Elixinol Life'. Planned to launch in H1 FY23, Elixinol Life is a new line of natural plant-based products developed to support optimal health. Certified by medical practitioners, each Elixinol Life product has been formulated to target specific wellness outcomes and contain clinically studied, high potency proprietary ingredients.

### Appendix 4C commentary

During the quarter the Company reported operating cash expenditures, excluding non-recurring items, of \$3.5m, a further 8% reduction compared with the previous quarter (Q2 FY22: \$3.8m) and a 33% reduction vs PCP (Q3 FY21: \$5.2m). These expenditures supported shifting revenue toward direct-to-consumer channels and expanding e-commerce capabilities, as well as new product development; brand building, and the expansion of traditional retail distribution (in particular, in Australia via Hemp Foods Australia). The expenditures incurred across the Company's business segments were as follows: Americas \$1.5m, Europe \$0.0m, Australia \$1.1m and Corporate \$0.9m.

The Company reported payments to related parties totalling \$107,000. These payments comprise non-executive director fees.

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

### Investor relations please contact:

Ron Dufficy, Global CEO

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### About Elixinol Wellness

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

- In the Americas, innovating, marketing and selling high quality Elixinol branded hemp and other plant derived nutraceutical and skincare products based in Colorado, USA
- In Australia, Hemp Foods Australia is a leading hemp food wholesaler, retailer, manufacturer and exporter of bulk and branded raw materials, and finished products
- In the United Kingdom, South Africa, Japan, Brazil, Mexico and Malaysia (pending approvals), branded hemp and other plant derived products are available to consumers via exclusive Distribution and/or Trademark and Know-How Licensing Agreements
- Across the Rest of World, expanding distribution of branded hemp and other plant derived products through reputable distributors as key markets open

See more at [www.elixinolwellness.com](http://www.elixinolwellness.com)

## Appendix 4C

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

**Name of entity**

Elixinol Wellness Limited

**ABN**

34 621 479 794

**Quarter ended ("current quarter")**

30 September 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,875	5,213
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(727)	(3,282)
(c) advertising and marketing	(404)	(1,066)
(d) leased assets	(26)	(77)
(e) staff costs	(1,117)	(4,985)
(f) administration and corporate costs	(1,224)	(3,058)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	15
1.5 Interest and other costs of finance paid	(17)	(54)
1.6 Income taxes paid/(received)	537	535
1.7 Government grants and tax incentives	-	324
1.8 Other – non recurring	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,099)</b>	<b>(6,435)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses	-	-
(i) property, plant and equipment	-	-
(j) investments	-	-
(k) intellectual property	(5)	(7)
(l) other non-current assets	-	-

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	-	-
	(c) property, plant and equipment	1	53
	(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	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(4)</b>	<b>46</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	(185)	(575)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(185)</b>	<b>(575)</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 period	6,933	12,649
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,099)	(6,435)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	46

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(185)	(575)
4.5	Effect of movement in exchange rates on cash held	30	(10)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>5,675</b>	<b>5,675</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	5,675	6,933
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,675</b>	<b>6,933</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	107
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	--
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>		-
<b>7.5 Unused financing facilities available at quarter end</b>		-
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		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,099)
8.2 Cash and cash equivalents at quarter end (item 4.6)	5,675
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	5,675
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	5.2
<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.

20 October 2022

Date: .....

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 [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.