

ASX Announcement
30 August 2022

H1 FY22 INTERIM REPORT AND APPENDIX 4D

Elixinol Wellness continues its trajectory towards profitability and reports 24% improvement in Adjusted EBITDA. Business remains on track for a strong turnaround.

Key Highlights

- **Significantly improved Adjusted EBITDA with H1 FY22 losses reduced by 24% over H1 FY21 and reduced by 65% over H1 FY20, resulting from ongoing business optimisation efforts and a continued focus on profitability**
- **H1 FY22 revenue of \$3.2m¹, down 33% on the prior period (H1 FY21: \$4.8m), with revenue rebounding in Q2 FY22, up 13% over Q1 FY22, driven by growth across all markets.**
- **Operating cash used during H1 FY22 was \$5.3m, a 34% reduction on the prior period (H1 FY21: \$8.0m), due to ongoing cost optimisation**
- **Strong funding position at end H1 FY22, with funds of \$8.5m² and reduced capex due to simplified and capital light business model**
- **Strategic review completed with strategy confirmed to unlock opportunities in fast-growing global natural wellness space and Global CEO appointed**

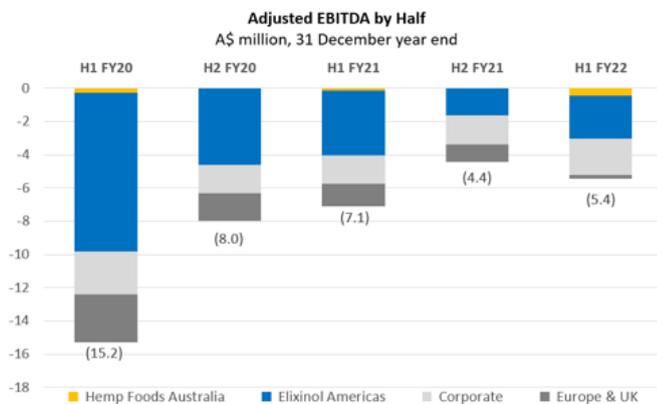
Elixinol Wellness Limited (**Elixinol Wellness, EXL** or the **Company**) (**ASX:EXL**) a global leader in the hemp industry, innovating, marketing and selling hemp-derived nutraceutical, food and topical products, releases its Interim Report and Appendix 4D for the half year ended 30 June 2022 (**H1 FY22**).

Global Chief Executive Officer (**Global CEO**), Ron Dufficy, commented: *“We are pleased to report yet another significantly improved half year result cementing our trajectory towards profitability and are entering the second half of FY22 with new products coming to market, a much leaner operating structure and an improving revenue position.*

As we move deeper into the second half of the financial year, we will maintain our focus on driving toward profitability, and we have a number of additional initiatives in place to drive growth in our key markets of the US and Australia.”

¹ All dollar amounts are in AUD unless otherwise stated; Average AUD/USD for Q2 FY22 = 0.7203

² Includes \$6.9m cash on hand plus \$1.6m expected to be received from one-off US COVID-19 relief measures (\$1.1m from ERC program plus \$0.5m refund of taxes paid in prior financial years).



The Company reported revenue for the half year ended 30 June 2022 of \$3,216,000, down 33% on the prior period (30 June 2021: \$4,790,000.) Revenue rebounded in Q2 FY22, up 13% over Q1, driven by growth across all markets.

Following the announcement of the strategic review, the cost base has been significantly reduced with the impacts starting to be realised from Q2 FY22³.

Adjusted EBITDA losses for the half were reduced to \$5.4m in H1 FY22 compared to losses of \$7.1m in H1 FY21 (and compared with \$4.4m in H2 FY21 which included \$1.6 of non-recurring income from US COVID-19 relief measures).

Operating cash used during H1 FY22 was \$5.3m, a 34% reduction from the prior half (H1 FY21: \$8.0m) due to previously announced annualised cost savings of \$3.2m and savings following the US transition to an outsourced manufacturing and logistics model, which was completed at the end of Q1 FY22.

The Company finished the period well-funded with \$8.5m, which comprised \$6.9m in cash and an additional \$1.6m expected from US COVID-19 relief measures.

Strategic Review Completed and Global CEO Appointment Confirmed

The Company announced its strategic review to the market on 25 February 2022, with an update provided on 28 March 2022, at which time executive leadership changes were also announced. The strategic review was commenced with the aim to assess all options to improve shareholder value and was completed on 29 July 2022 when the Company published its quarterly activities report. The strategic review process resulted in a significantly reduced cost base, a streamlined organisational structure that now combines corporate with business unit functions and importantly, confirmed the Elixinol Wellness' strategic direction to diversify its operations further towards natural and plant-based wellness products, reducing the reliance on its CBD portfolio.

In addition to continuing to consider and evaluate options for shareholder value creation when opportunities arise, the Company remains focussed on driving the already identified cost efficiencies and simplifying the business to strengthen its balance sheet and further enhance strategic value.

Hemp Foods Australia update

Hemp Foods Australia reported revenue of \$1,690,000 for the period ended 30 June 2022 (30

³ Elixinol operates on a 31 December year end.

June 2021: \$1,910,000). Investment was made during the period in new product development innovation with a range of products expected to be launched in H2 FY22, resulting in an EBITDA loss of \$502,000 (30 June 2021: \$155,000 EBITDA loss).

Hemp Foods Australia reported growth in Q2 FY2022 revenue, up 8% (Q2 FY2022: \$877k vs Q1 FY2022: \$813k). This was driven by increased sales to Costco and strong consumer uptake of Hemp Foods Australia's new flavoured protein powder range.

During the period, Hemp Foods Australia launched a new Mixed Berry flavoured Hemp Protein. Being the fourth flavour in our successful range of protein powders, the Mixed Berry flavoured Hemp Protein is a smooth blend of antioxidant rich acai and premium-grade Hemp Gold® Protein. The relaunch and expansion of our protein range has delivered a 63% growth in category revenue contribution for the quarter compared to the prior corresponding period (PCP).

On 7 December 2021, Hemp Foods Australia submitted a New Ingredient Application for its Hemp Seed Oil with the Australian regulator, the Therapeutic Goods Administration (TGA). On 31 January 2022, Hemp Foods Australia was notified that the first phase of the application was successful. This confirms that Hemp Foods Australia was the first application and therefore the only application that will be assessed by the TGA. If the application is successful, Hemp Foods Australia's Hemp Seed Oil will be accepted as a permissible ingredient for Listed Medicines and will be granted exclusivity of use for a two-year period. A final decision is anticipated to be received during or after September 2022.

During the period, Hemp Foods Australia also confirmed that Coles will be stocking its new Seed Mix in 830 stores nationwide by end of September 2022. 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.

In addition, Hemp Foods Australia recently received confirmation that its full range of products will be featured in a vibrant point of sale display in the independent pharmacy channel. The initial 50 store pilot program will be launched during Q3 FY22 and if successful, has the potential to be expanded in up to 1,100 stores across Australia.

Hemp Foods Australia has also secured federal government funding (reimbursements of up to \$20k) to support its Environmental Social and Governance (ESG) initiatives which include transitioning all its product lines to fully compostable or recyclable packaging, and to achieving carbon neutral certification. Federal government funding (\$73,800 cash over three years) was also secured, via a different program, that will be used by the Company to continue to develop its export strategy to deliver growth in key markets in Asia, Europe and North America.

Elixinol Americas update

Elixinol Americas reported revenue of \$1,512,000 for the period ended 30 June 2022 (30 June 2021: \$2,550,000) and reduced its EBITDA loss by 35%, to \$2,547,000 (30 June 2021: \$3,889,000 EBITDA loss).

During the period, Elixinol Americas continued the implementation of an aggressive transformation agenda focused on improved profitability and the transition to a fully outsourced logistics model that was completed in Q1 FY2022. Further efficiencies were implemented during the period with the transformation towards a leaner, capital light e-commerce driven business with annualised cost base reductions of approximately \$3.2m from FY2021.

In May and June 2022, the outsourced logistics partnership saw 99.8% of consumer and retailer orders delivered on-time and in-full, further improving operational efficiency and reducing expense.

The new e-commerce site continues to perform strongly. During the period, the Company implemented a new digital retargeting strategy which drove a 56% increase in user sessions during the month of June 2022. Additionally, the subscription program whereby customers can subscribe up front for regular orders, continues to grow and represented 39% of June e-commerce revenue.

After completing a thorough assessment of the competitive landscape, in mid-June 2022 the Company implemented a price increase, averaging 15%, in counter to rising supply costs. No noticeable decrease in sales volumes has been observed as a result and there has not been any significant negative feedback from customers or consumers.

During the period, the Company launched two new sleep products: the Sleep Rapid Reset Liposome and Sleep THC Free⁴ Gummies. The Sleep Rapid Rest Liposome and Sleep Gummies are unique, melatonin-free options for consumers to support optimal sleep. Both products contain CBD and CBN, marking a first for the brand to include a minor cannabinoid into product formulations.

Post period end Elixinol Americas placed production purchase orders for five new products to be launched in Q3 FY2022, being Everyday Adaptogen Complex Capsules, Calm Destress CBD Gummies, Beauty Collagen CBD Gummies, Everyday Vitality CBD Gummies and Everyday Extra Strength Gummies.

Other Markets

The Rest of World segment, which comprises Elixinol BV and Elixinol Limited ('Elixinol Europe'), and licensing agreements around the world, greatly reduced its EBITDA loss by 88% to \$151,000 over the prior period (30 June 2021: \$1,294,000 EBITDA loss). This EBITDA improvement was driven by a strategic decision to change its route to market in the United Kingdom and shift from a direct sale model to a licensing model. This change was in line with the Company's focus on divesting low margin business, in order to attain a position of profitability.

⁴ THC Free means testing conducted to 0.01%. Testing method and detection limits vary depending on the test conducted. This is not a guarantee that no THC is present at concentrations less than 0.01%. This product meets federal requirements for hemp products, however consumption may be flagged by some drug tests.

Improving outlook, and profitability focus

Through H1 FY22, the Elixinol Wellness' EBITDA position continued to improve, as a result of further cost-out initiatives driving toward a leaner operating structure.

In Q2, the Company reported a quarter of growth, owing to revenue improvements for Elixinol in the US and for Hemp Foods Australia.

Following the completion of the strategic review process, Elixinol Wellness has confirmed its strategy to further reposition as a natural wellness business with a heritage in hemp to unlock opportunities in the fast-growing natural and plant-based wellness space.

The Company will continue to focus on driving efficiencies that will contribute to further improvement in cashflow and business profitability in the coming quarters. Upcoming launches of new products are also expected to help with driving further revenue growth.

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

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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