



ASX Announcement

30 October 2018

ELIXINOL GLOBAL LIMITED (ASX: EXL; OTCQX: ELLXF) 3Q FY2018 APPENDIX 4C AND QUARTERLY BUSINESS UPDATE – REVENUE GROWTH OF 159% ON PCP

HIGHLIGHTS:

- Revenue of \$10.4m¹ for 3Q FY2018, representing 159% growth on prior corresponding period (PCP) and 27% growth vs 2Q FY2018 (December year end)
- Elixinol Global raised \$40m to accelerate international growth via a placement to new and existing domestic and international institutional and sophisticated investors (funds received in October)
- Ownership in Elixinol Japan increasing to 50.5%, funding working capital to scale the business for anticipated growth for hemp-derived CBD, foods and skincare in the Japanese market
- Elixinol Global commenced trading on the OTCQX exchange to make the Company more accessible to US investors

Elixinol Global Limited (EXL or the **Company**), 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 30 September 2018 (3Q FY2018).

Sustained revenue growth reported in 3Q FY2018²

During the September quarter, EXL group revenue was reported at \$10.4m¹ representing 159% growth on the prior corresponding period and 27% growth vs 2Q FY2018.



¹ All dollar amounts are in AUD unless otherwise stated; Average AUD/USD = 0.73.

² 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.



Operational update

Elixinol USA (hemp-derived CBD dietary supplements)

The Company's strong revenue growth was primarily driven by Elixinol USA where demand for hemp-derived cannabidiol (**CBD**) dietary supplements and skincare products continues to grow strongly.

The first harvest of high-CBD premium hemp has been completed by the NCHPP Joint Venture (post quarter end). The harvest by the Colorado based joint venture with Kersey Ag follows planting of the first crop in Q2 FY2018. The NCHPP joint venture will provide ongoing supply of raw material for Elixinol USA's products.

During the quarter, a new US National Account Manager was hired to be responsible for the growth of regional and national sales. Their primary goal will be to enhance brand value and relationships with national health food and chain stores.

Hemp Foods Australia (hemp-derived foods and skin care)

Hemp Foods Australia also continues to report strong revenue growth. Hemp Seed Oil and Hemp Protein products delivered strong sales during the quarter through Hemp Foods Australia's distributors. Bulk sales also continued to grow across all product ranges.

Immediately following 3Q FY2018, the first range of finished products was launched under the brand Essential Hemp™. The range of health bars, which was developed with a holistic nutritionist, is available in three flavours: Salted Caramel Crunch, Ginger Macadamia Turmeric and Choc Banana Coconut. The Essential Hemp health bars are available through health food stores nationwide and via www.hempfoods.com.au.

Elixinol Australia (pharmaceutical medical cannabis)

Elixinol Australia's licence submissions for the cultivation and manufacturing of medicinal cannabis are under review by the Office of Drug Control (**ODC**). During the quarter an information request (s14J) was received from the ODC. There is no update on potential timing of receiving licences however the Company will update investors accordingly once further information is obtained.

Corporate update

Capital raising

Late in the quarter, EXL announced an equity capital raising of \$40m to accelerate international growth. The capital raising was conducted via a placement to new and existing domestic and international institutional and sophisticated investors. Proceeds from the placement were received on 3 October 2018 and the placement shares issued 4 October 2018.

Proceeds from the placement will be used to:

- Support the growth of Elixinol USA's hemp-derived CBD business including ramping up sales and marketing efforts and further expanding Elixinol USA's production capacity
- Expand Elixinol's sales and marketing activities in Europe
- Provide general working capital, including for the funding of strategic investments



Elixinol Japan

On 24 September 2018, the Company announced that it planned to increase its ownership in Elixinol Japan to 50.5% for \$2.2m. The funds provided by the Company will be applied to working capital to scale Elixinol Japan for anticipated growth in the Japanese market for hemp-derived CBD, food products and skincare. The transaction is expected to complete 4Q FY2018.

OTCQX trading in the USA

During the quarter, EXL commenced trading on the OTCQX exchange. This is expected to bring awareness of EXL to the US market and broaden the investor base.

Appendix 4C

Capital expenditure during 3Q FY2018 totalled \$1.5m which included:

- Payments for equipment for the Colorado production facility - \$0.8m
- Settlement of land purchased - \$0.4m
- Website development to support eCommerce - \$0.3m

A capital contribution of \$1.0m to the NCHPP joint venture that was anticipated to occur during 3Q FY2018 was deferred to 4Q FY2018. Instalment payments for equipment and fit out of the Colorado stage 2 production facility, totaling \$1.3m were also deferred to 4Q FY2018.

Gross cash outflows for the 4Q FY2018 are estimated at \$19.9m (excluding cash inflows). These gross outflows include \$13.8m for ongoing operating costs and inventory purchases including funding an expansion of sales and marketing activities to support further significant top line growth. Capital expenditure of \$5.9m is estimated for 4Q FY2018 predominantly relating to equipment and fit out of the new Colorado stage 2 production facility (includes payments deferred from 3Q FY2018).

At the end of the September quarter, EXL held \$10.7m cash at bank and \$0.25m in debt. The Company has a pro forma cash balance of \$48.6m which includes cash at the end of 3Q FY2018 and net proceeds of \$37.9m received from the capital raising on 3 October 2018.

	1Q FY2018	2Q FY2018	3Q FY2018	ESTIMATE 4Q FY2018
Revenue	6.7	8.2	10.4	
Cash on hand - beginning of period	18.8	18.4	14.2	10.7
Net proceeds from capital raise	-	-	-	37.9
Receipts from customers	6.3	8.6	9.8	
Interest received	0.1	0.1	0.1	
Total Cash Inflow:	6.4	8.7	9.9	
Payments to suppliers and employees	(6.4)	(9.1)	(11.8)	(13.8)
Income taxes paid	-	(0.7)	(0.1)	(0.2)
Capital expenditure	(0.4)	(3.2)	(1.5)	(5.9)
Total Cash Outflow:	(6.8)	(13.0)	(13.4)	(19.9)
Effects of currency movements	-	0.1	-	
Cash on hand - ending of period	18.4	14.2	10.7	



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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. Elixinol Global's businesses include:

- Elixinol USA (hemp-derived CBD dietary supplements), which was founded in 2014, is a manufacturer and global distributor of industrial hemp based dietary supplement and skincare products, with operations based out of Colorado, USA.
- Hemp Foods Australia (hemp-derived foods and skincare), which was founded in 1999, is a leading hemp food wholesaler, retailer, manufacturer and exporter of bulk and branded raw materials, and finished products.
- Elixinol Australia (pharmaceutical medical cannabis), which was founded in 2014 to participate in the emerging Australian medicinal cannabis market has applications pending for cultivation and manufacturing licences.

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")

30 September 2018

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	9,831	24,674
1.2 Payments for		
(a) research and development	(76)	(247)
(b) product manufacturing and operating costs	(7,701)	(16,384)
(c) advertising and marketing	(818)	(2,148)
(d) leased assets	(126)	(257)
(e) staff costs	(1,711)	(4,924)
(f) administration and corporate costs	(1,329)	(3,324)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	111	307
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(156)	(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	(1,975)	(3,075)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,230)	(3,206)
(b) businesses (see item 10)	-	-
(c) investments	-	(1,454)

Consolidated statement of cash flows	Current quarter A\$'000	Year to date (9 months) A\$'000
(d) intellectual property	(268)	(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	(1,498)	(5,098)

3. Cash flows from financing activities		
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	(7)	(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	(7)	(35)

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	14,170	18,834
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,975)	(3,075)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,498)	(5,098)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(7)	(35)

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	41	105
4.6	Cash and cash equivalents at end of quarter	10,731	10,731

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	6,043	1,512
5.2	Call deposits	4,688	12,658
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	1	1
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	10,732	14,171

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.		

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9. Estimated cash outflows for next quarter	A\$'000
9.1 Research and development	(75)
9.2 Product manufacturing and operating costs	(8,569)
9.3 Advertising and marketing	(978)
9.4 Leased assets	(176)
9.5 Staff costs	(2,427)
9.6 Administration and corporate costs	(1,614)
9.7 Income tax payments	(200)
Investments and other capital expenditure	(5,905)
9.8 Total estimated cash outflows	(19,943)

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:  Date:30 October 2018.....
Company Secretary

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.