

ASX Announcement
30 October 2023

**Q3 FY23 QUARTERLY ACTIVITIES REPORT
AND APPENDIX 4C**

***Elixinol Wellness reports Q3 FY23 revenue up 29% on Q2 FY23;
TSN acquisition is complete and operations fully integrated***

Key Highlights

- Elixinol Wellness Group reports Q3 FY23 revenue of \$2.2m¹, 29% ahead of Q2 FY23, and a 10% improvement on PCP.
- The acquisition of The Sustainable Nutrition Group Limited (TSN) completed on 17 August 2023, significantly increasing the size and scale of the Group. Operations are now fully integrated with synergies beginning to be realised.
- Australian based revenue for Q3 FY23 was \$1.5m, 45% ahead of the prior quarter, supported by the introduction of new revenue streams following completion of the TSN merger in mid-August.
- Net operating cash utilised during Q3, excluding non-recurring items, was \$0.9m, in line with Q2 FY23, representing a 44% reduction compared with PCP (Q3 FY22: \$1.6m). It is expected that the level of net operating cash outflows will continue to reduce.
- Funding position as at 30 September 2023 was \$2.1m, including \$0.9m which is currently held as restricted cash. Negotiations have commenced to refinance existing debt which is expected to unlock this restricted cash. Additionally, non-core assets have been earmarked for potential sale, including divestment of the Group's minority interest in Altmed Pet LLC (Pet Relief) with a current net book value of US\$2.4m.

Elixinol Wellness Limited (**Elixinol Wellness, EXL**, the **Company**, or the **Group**) (**ASX: EXL**), a pioneer in the global hemp industry, innovating, marketing, and selling hemp and other plant-derived food, skincare, and nutraceutical products, releases its Quarterly Activities Report and Appendix 4C quarterly cash flow report for the quarter ended 30 September 2023 (**Q3 FY23**).

Group Chief Executive Officer and Managing Director (**Group CEO**), Ron Dufficy, commented: *“Closing the acquisition of The Sustainable Nutrition Group, a leader in plant-based food, health and wellness, was the highlight of the September quarter and marked a significant milestone for Elixinol Wellness. This strategic move reflects our commitment to driving growth, enhancing our market presence, and creating long-term value for our stakeholders.*

The team has worked diligently to quickly integrate the two businesses and we are excited about the Group's expanded scale and strategic opportunities.

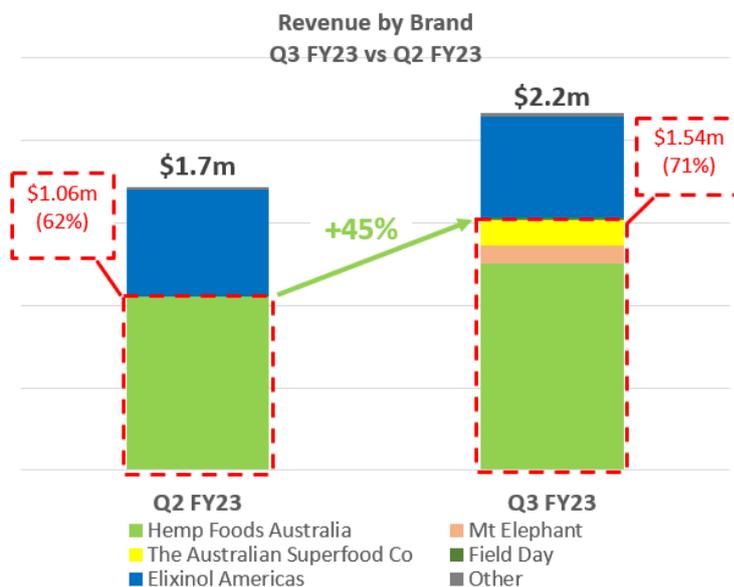
¹ All dollar amounts are in AUD unless otherwise stated; Average AUD/USD for Q3 FY23 = 0.6546; FY23 financials are unaudited.

We are already experiencing the benefit of our extended house of brands. Q3 results report a combined revenue position (for the partial quarter from 17 August onwards). Looking ahead, there is great potential for ongoing revenue synergies, collaborative product development and a shared vision for healthier living.”

Financial Summary

Elixinol Wellness reports Q3 FY23 Group revenue of \$2.2m, 29% ahead of the previous quarter (Q2 FY23: \$1.7m), and up 10% vs PCP (Q3 FY22: \$2.0m).

With growth strategies now focused on core brands in the Australian market, Australian revenues increased by 45% on the prior quarter, primarily driven by incorporating revenues of newly acquired brands (TSN acquisition effective 17 August 2023).



Hemp Foods Australia’s revenue increased by 18% compared with the prior quarter and 21% compared with PCP (Q3 FY23: \$1,254,000 vs Q2 FY23: \$1,059,000 and Q3 FY22: \$1,033,000). This increase was driven mostly by the inclusion of hemp ingredient sales previously sold under TSN’s Australian Primary Hemp brand. On a year-to-date basis, Hemp Foods Australia’s revenue is up 23% (Sep YTD FY23: \$3,353,000 vs Sep YTD FY22: \$2,723,000). Sales of Hemp Foods Australia’s functional seed mix range through Coles and sales of Hemp Seed Oil across Woolworths continue to grow. The Group’s TGA-approved range of Hemp Gold® Seed Oil was launched in August through health channels and has been well received. Mt Elephant, Field Day, and The Australian Superfood Co contributed \$281,000 (17 August to 30 September) to Australian revenue in Q3 FY23.

Elixinol Americas reported a decrease in revenue compared with the prior quarter and 19% decrease vs PCP (Q3 FY23: \$615,000, Q2 FY23: \$646,000 and Q3 FY22: \$900,000), mainly due to continued subdued sales through the retail channel. The traditional retail channel for Elixinol branded CBD continues to underperform due to the ambiguous regulatory status of CBD products. During the quarter, the Group received the first inventory of its new Elixinol

Life range which has been launched on www.elixinol.com and also www.amazon.com. Although sales to date have made only a minor contribution to reported revenue in Q3 FY23, the Group is preparing for the upcoming busy holiday period to create more awareness of these exciting new products.

		
<p>Elixinol Life Liver Love, Liver Support Supplement, with Artichoke Leaf and Bergamot...</p> <p>Adult 30 Count (Pack of 1)</p> <p>\$39⁹⁹ (\$1.33/Count)</p> <p> prime FREE delivery Tue, Oct 31 Or fastest delivery Sat, Oct 28</p>	<p>Elixinol Life Joints Rejoice Joint Supplement with Curcumin, 30 Capsules</p> <p>Adult 30 Count (Pack of 1)</p> <p>\$39⁹⁹ (\$1.33/Count)</p> <p> prime FREE delivery Tue, Oct 31 Or fastest delivery Sat, Oct 28</p>	<p>Elixinol Life Heart Health Cardiovascular Supplement with Olive Oil Extract, 30 Capsules</p> <p>Capsule 30 Count (Pack of 1)</p> <p>\$39⁹⁹ (\$1.33/Count)</p> <p> prime FREE delivery Tue, Oct 31 Or fastest delivery Sat, Oct 28</p>

Pleasingly, operating cash used, excluding non-recurring items, during Q3 FY23 was \$0.9m, in line with the prior quarter (Q2 FY23: \$0.9m), and a 44% reduction compared with PCP (Q3 FY22: \$1.6m). It is expected that the level of net operating cash outflows will continue to reduce.

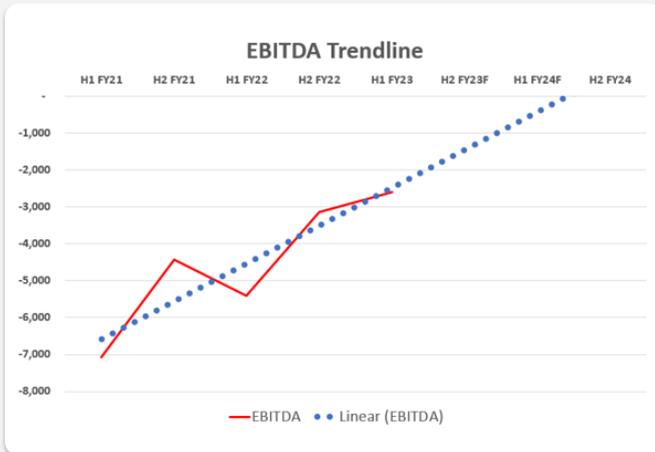
Funding position as at 30 September 2023 was \$2.1m, including \$0.9m which is currently held as restricted cash. Negotiations have commenced to refinance existing debt which is expected to unlock this restricted cash. Additionally, non-core assets have been identified for potential sale, including divestment of the Group's minority interest in Altmed Pet LLC (Pet Releaf) which has a current net book value of US\$2.4m.

Strategy Update

Post-quarter end, on 25 October 2023, Group CEO Ron Dufficy presented at the 12th Annual Australian Microcap Investment Conference, where he outlined the key drivers of current revenue growth and other core factors on the Group's pathway to profitability.

Trajectory to Profitability

Sales growth and synergies drive EBITDA trajectory to breakeven by mid-2024*



- Key drivers of current revenue growth:
 - Costco ranging and promotional activity
 - Continued success of functional products in Coles
 - National ranging of Mt Elephant in Woolworths
- Sales and synergies from acquisition being realised effective 17 August 2023.
- Driving towards profitability through a continued focus on cost controls.
- On a clear pathway to profitability which is expected to drive a valuation rerate.

* based on current trends and market conditions.

Group CEO Ron Dufficy commented, *“With our revenues returning to growth, driven by an optimised business model with a lean cost structure, profitability is now within our reach.*

Although we don’t disclose financial forecasts or provide market guidance, I am pleased to confirm that we are achieving our internal targets, and when we report our December half year financials, we expect to continue along this trajectory.”

The brand portfolio and market opportunities available under the combined, post-acquisition business was succinctly summarised as follows:

House of Brands

We help our customers feel better

Positioning: delicious, nutritious and convenient health products that improve & enrich our customers' lives.

Consumers: have a lifestyle focused on living well and prioritise health & wellness.

Retail Channels: grocery, independents, health, pharmacy, pet retailers, online.

AUSTRALIA		USA	
 <p>LTM revenue: ~A\$4.1m</p> <p>Channel - health / grocery / pharmacy / online</p> <p>Functional nutrition products & TGA approved supplements</p> <p>Functional meal replacement & beverages (coming soon)</p>	 <p>LTM revenue: ~A\$1.0m</p> <p>Channel - grocery</p> <p>Healthy baking mixes</p>	 <p>LTM revenue: ~A\$0.2m</p> <p>Channel - online & pet retail</p> <p>Wholefood meal supplements / dogs</p> <p>Nutraceuticals for dogs (coming soon)</p>	 <p>LTM revenue: ~A\$3.1m</p> <p>Channel - online</p> <p>CBD and vitamins</p>
<p>Total market size - VDS A\$3.1b¹</p> <p>Sports A\$1.4b¹ Hemp A\$15m²</p> <p>5yr revenue target: A\$20m</p>	<p>Total market size - A\$0.6b³</p> <p>5yr revenue target: A\$15m</p>	<p>Total market size - A\$4b⁴</p> <p>5yr revenue target: A\$10m</p>	<p>Total market size - US\$16b by 2026⁵</p> <p>5yr revenue target: US\$15m</p>

*LTM = Last Twelve Months

B2B Ingredients

Australian natives and superfoods

Positioning: plant-based, clean, nutritious, Australian grown (preferred)

Customers: B2B (trade)



BYRON BAY BORN 1995

Hemp Foods

AUSTRALIA

 <p style="font-weight: bold; margin: 10px 0;">Food</p> <p style="font-weight: bold; margin: 0 0 10px 0;">Food Manufacturers & Hospitality</p> <p style="font-size: small; margin: 0 0 10px 0;">Dried natives - powder, flaked & leaf</p> <p style="font-size: small; margin: 0 0 10px 0;">Bulk hemp ingredients</p>	 <p style="font-weight: bold; margin: 10px 0;">Beverage</p> <p style="font-weight: bold; margin: 0 0 10px 0;">Drink Manufacturers & Hospitality</p> <p style="font-size: small; margin: 0 0 10px 0;">Native & Australian extracts - fruits & herbs</p> <p style="font-size: small; margin: 0 0 10px 0;">Hemp protein powders</p>	 <p style="font-weight: bold; margin: 10px 0;">Beauty</p> <p style="font-weight: bold; margin: 0 0 10px 0;">Beauty Manufacturers & Brands</p> <p style="font-size: small; margin: 0 0 10px 0;">Botanical extracts – Kakadu Plum</p> <p style="font-size: small; margin: 0 0 10px 0;">Hemp seed oil</p>	 <p style="font-weight: bold; margin: 10px 0;">Pet</p> <p style="font-weight: bold; margin: 0 0 10px 0;">Animal Food Manufacturers & Brands</p> <p style="font-size: small; margin: 0 0 10px 0;">Horses – hemp hulls</p> <p style="font-size: small; margin: 0 0 10px 0;">Other pet</p>
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The complete presentation was released via the ASX on 25 October 2023.

Acquisition Complete and Operations Fully Integrated

On 29 November 2022, Elixinol Wellness announced plans to implement schemes of arrangement (**Schemes**) with The Sustainable Nutrition Group Ltd (**TSN**) to acquire 100% of TSN's ordinary shares.

The acquisition, completed on 17 August 2023, increases the size and scale of the Group with brands across four key verticals: plant-based food and nutrition, hemp-based nutraceuticals (including cannabinoids such as CBD), pet nutritional supplements and skin health. TSN brands include Australian Primary Hemp, Mt Elephant, Field Day and The Australian Superfood Co.

The Group has relocated its production, inventory, and despatch functions to Geelong with operational synergies expected to impact performance from 1 October 2023.

Appendix 4C Commentary

During the quarter, the Group reported net operating cash expenditure of \$1.5m. Excluding non-recurring payments associated with the acquisition of TSN, normalised net operating cash expenditure was \$0.9m, which was consistent with the previous quarter (Q2 FY23: \$0.9m) and represents a 44% reduction versus PCP (Q3 FY22: \$1.6m). These expenditures supported revenue, as well as investment in inventory purchases and new product development, brand building, and the expansion of traditional retail distribution (in particular, in Australia). Expenditures across business segments were as follows: Americas \$0.8m, Australia \$1.4m and Corporate \$0.5m.



The Group reported payments to related parties totalling \$95,000 (compared with \$173,000 in the previous quarter). These payments comprise Non-Executive Director fees and remuneration paid to the Group CEO and Managing Director. In line with cost reduction efforts, the Non-Executive Directors have elected to reduce their director fees from 1 July 2023 by 50% in exchange for equity, and the Group CEO and Managing Director elected to take a 20% salary reduction, in exchange for equity. These changes to the Directors' remuneration were approved at the Company's 31 May 2023 Annual General Meeting.

Note to Market

None of the information included in this announcement should be considered individually material, unless specifically stated. All figures in this announcement are provided on an unaudited basis. This Company presentation may include certain statements, estimates or projections with respect to the anticipated future performance of the Group, and any ongoing or future projects or both. Those statements, estimates or projections are based on assumptions about future events and management actions that may not necessarily take place and are subject to significant uncertainties, many of which are outside the control of the Company. Those assumptions may, or may not, prove correct. No representation is made as to the accuracy of those statements, estimates or projections.

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

Investor relations please contact:

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About Elixinol Wellness

Elixinol Wellness Limited (ASX: EXL) is a pioneer in the global hemp industry, innovating, marketing, and selling hemp and other plant-derived food, skincare, and nutraceutical products:

- In Australia, Elixinol Wellness operates a vertically integrated business which produces, manufactures, and distributes a range of highly complementary products delivered across four verticals – human nutrition, human wellness, pet wellness and superfood ingredients. We help our customers feel better by providing delicious, nutritious, and convenient health products, that improve and enrich our customers' lives. These products are sold under brands including Hemp Foods Australia, Mt Elephant and Field Day and are sold through grocery, wholesale, and e-commerce channels. The Australian Superfood Co supplies Australian natives and superfood ingredients to white label customers as well as food, beverage, and beauty manufacturers.
- 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 the United Kingdom, Japan, Brazil, Mexico and South Africa, branded hemp and other plant-derived products are available to consumers via exclusive distribution and/or trademark and know-how licensing agreements.

See more at 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 2023

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	1,794	5,389
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,157)	(3,600)
(c) advertising and marketing	(260)	(743)
(d) leased assets	81	209
(e) staff costs	(854)	(2,877)
(f) administration and corporate costs	(614)	(1,887)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	68	107
1.5 Interest and other costs of finance paid	(12)	(40)
1.6 Income taxes paid/(received)	(1)	47
1.7 Government grants and tax incentives	22	1,426
1.8 Other – non recurring	(542)	(120)
1.9 Net cash from / (used in) operating activities	(1,475)	(2,089)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses	-	-
(i) property, plant and equipment	-	(1)
(j) investments	-	-
(k) intellectual property	-	-
(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	21	21
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(351)	(953)
2.4	Dividends received (see note 3)	-	-
2.5	Cash acquired on equity settled business combination	192	-
2.6	Net cash from / (used in) investing activities	(138)	(1,091)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,250
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	-	(199)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(188)	(531)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other	-	-
3.10	Net cash from / (used in) financing activities	(188)	1,520

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,043	2,864
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,475)	(2,089)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(138)	(1,091)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(188)	1,520
4.5	Effect of movement in exchange rates on cash held	(4)	34
4.6	Cash and cash equivalents at end of period	1,238	1,238

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	1,238	3,043
5.2	Call deposits	-	-
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)	1,238	3,043

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	95
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>		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	860	860
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities		-
7.5 Unused financing facilities available at quarter end		-
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.		
As a result of the acquisition of The Sustainable Nutrition Group, a loan facility, fully backed by a term deposit was acquired. The loan facility balance includes:		
A loan balance of \$860,000 with NAB. The loan will mature in February 2032. The current interest rate (variable) is 8.435% per annum. Principal and interest payments commenced in April 2023. The loan balance is secured by a term deposit of \$869,000 with NAB which can only be accessed on a drawdown basis as the loan balance reduces.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,476)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,238
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,238
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.8
<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?	
It is expected that the level of net operating cash outflows will continue to reduce following the completion of the acquisition of The Sustainable Nutrition Group during the quarter that resulted in one-off non-recurring costs totalling \$542,000, resulting in net operating cash flow of \$933,000. Also, investments in new product launches and investment in working capital were made during the period. As a result of the acquisition, synergies are now being realised and revenue growth is expected.	
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?	
Negotiations have commenced to refinance existing debt which is expected to unlock \$869,000 currently held as restricted cash. The Company is also actively marketing to sell its non-core assets to provide additional cash.	

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?

Yes, the company expects to be able to continue its operations and meet its business objectives. The Company intends to be funded through existing and new facilities to enable its business objectives to be met and expects to decrease the net cash outflows to be supported by existing and new revenue initiatives going forward.

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.

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.

Date: 30 October 2023

Authorised by: The Board
(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.