

Quarterly Activities Report for the Period Ended 31 March 2023

HIGHLIGHTS

- Revenues for the March 2023 quarter of US\$812k (approx. A\$1.214m¹), an increase of 29% from cash receipts of US\$631k (approx. A\$943k¹) for the March 2022 quarter.
- This was a record period for the company in terms of sales in North America, which is the company's core market. The strong sales performance in North America was driven by a combination of factors, including Walmart sales, Amazon sales growth, increased marketing efforts, and growing customer demand.
- Significant opportunity exists to grow revenue from Walmart stores with March 2023 cash receipts comprised of:
 - Amazon - 69%
 - HealthyHeights.com – 26%
 - Walmart – 5%
- Continued focus on the US market building sales momentum through Walmart:
 - Sales performance through Walmart continued to grow during the Quarter, demonstrating strong demand for Healthy Heights products.
 - Sales velocity (units sold per store per week) at Walmart of 0.97, an increase of 12% from the December 2022 quarter velocity of 0.87 vs 0.5 expected.
 - Walmart stores stocking NGS products increased from 409 to 465.
 - Happy Tummies[®] supplement to be stocked in Walmart in Q3/Q4 2023, following initial performance of the Kidz Protein[®] products.
 - Advanced discussions continue with additional retailers.
 - Continued execution of NGS's marketing strategy in North America, securing key media coverage across television and print, with the aim of further building awareness to support sales growth.
- Amazon sales increased by 35% from the March 2022 quarter.
- Online sales through HealthyHeights.com increased by 11%, with returns down 29% and online conversion rate up 170% from the March 2022 quarter.
- Appointment of Stephen Turner as CEO to drive North American Growth.
- Commenced clinical trials to evaluate the effects of the NGS innovative sports supplement on physical performance in children.

¹ US\$1 = AU\$.149

- **Cash receipts for the March 2023 quarter of US\$758k (approx. A\$1.132m²), an increase of 25% from cash receipts of US\$609k (approx. A\$910k¹) for the March 2022 quarter.**
- **To maintain its growth trajectory while minimizing short-term cash needs, the company is planning some significant cuts in non-essential areas of the business, which it believes will ensure efficient and effective operations in the current economic climate.**

Nutritional Growth Solutions Ltd (ASX:NGS) (“NGS”, or the “Company”) a global nutrition company, is pleased to provide an overview of the Company’s quarterly activities for the period ended 31 March 2023 (“Quarter”, “Reporting Period”).

Nutritional Growth Solutions CEO, Steve Turner, commented: “During the Quarter, we continued to advance our North American expansion strategy with a focus on Walmart. Importantly, the number of Walmart stores stocking NGS products increased from 409 to 465 with our Happy Tummies[®] supplement to be stocked in Walmart in Q3/Q4 2023, following initial performance of the Kidz Protein[®] products. This increase in stores and SKU’s sold through Walmart directly aligns with our strategy of growing the number of stores and expanding revenues through further product development.

During the Quarter, sales velocity through Walmart reached 0.97, up 12% from the December 2022 quarter velocity of 0.87 and significantly higher than the velocity of 0.5 expected by the Walmart category buyer.

Online sales remained as the key revenue driver for the Company during the Reporting Period, with Amazon and HealthyHeights.com delivering 69% and 26% of revenue respectively.

Amazon grew by 35% compared to the March 2022 Quarter, and NGS continued to optimise the Company’s website, which is now achieving a conversion rate of 1.92%, a significant increase of 170% compared March 2022 Quarter. Notable, returns through the NGS’ online store were down 29%.

These metrics illustrate how we have significantly improved our ability to access and convert customers on our e-commerce marketplaces. This important channel continues to be an import part of our mix in sales and continued growth. As we gain more distribution and exposure in our retail efforts, we expect to see continued growth and acceleration in all channels as we gain more consumer awareness over time.

I would like to thank shareholders for their ongoing support, and we look forward to an exciting 2023 as we continue to execute on our North American expansion strategy.”

Continued Focus on the US Market Building Sales Momentum through Walmart

During the Quarter, NGS maintained its focus on the US market and building sales momentum through leading US retailer Walmart.

² US\$1 = AU\$.149

Walmart point-of-sale sales continued to demonstrate growth in consumer demand within the stores we have distribution from January to March 2023.

For the Reporting Period, the Company achieved a sales velocity (number of units sold per store per week) of 0.97 units per store per week, an 11% increase over the December 2022 quarter sales velocity of 0.87, and a 94% increase over the initial 0.5 sales velocity indicated by the Walmart buyer for the category. In addition, 53% of stores performed at a velocity of 1.6 units per store per week, significantly over performing in the category, demonstrating strong demand for NGS' products.

In March 2023, the Company announced that the number of Walmart stores carrying NGS products will be increased from 409 to 465, representing a net increase of 56 stores, with the product to become available in stores from May 2023. The increase in the number of stores follows NGS' continued strong performance in the Growing Up Milk Category and growing sales velocity.

NGS continues to work with Walmart to expand the number of units stores. Currently, NGS is selling 2 products in 465 stores, out of over 3,500 Walmart stores in the US, providing the opportunity for significant growth with this key NGS customer.

During the Reporting Period, Walmart confirmed placement with the Company's new supplement Happy Tummies[®], following the initial performance of its Kidz Protein[®] products in Walmart stores and last year's participation in Walmart's exclusive "Open Call" event.

The dietary supplement was developed based on conversations with Walmart's team and market analysis to design a digestive support product for kids. Happy Tummies[®] is a unique blend of prebiotic, probiotic and protein, for digestive support in children.

Happy Tummies[®] will be available at Walmart in Q3/Q4 CY 2023, with the number of stores to be confirmed. NGS expects Walmart revenues to further increase with the Company's new Happy Tummies[®] supplement to be stocked in Walmart in Q3/Q4 2023, following initial performance of the Kidz Protein[®] products.

In addition to the potential for growth with Walmart, the sales performance is key to gaining distribution with other retailers across the US. NGS continues to work with the Company's US sales, distribution, and marketing partners to gain further retail distribution in the US, and NGS expects other major US retailers to leverage off the proven sales through Walmart.

Supporting bricks and mortar retail, online sales through Walmart.com continue to grow and our conversion.

Amazon sales also increased for Quarter, with revenues up 35% from the March 2022 quarter, with an average order value of US\$39.91 or 1.1 units sold per order.

The Company also continues to execute its marketing strategy in North America, securing key media coverage across television and print, with the aim of further building awareness to support Walmart sales.

Online Sales through HealthyHeights.com

Online sales through HealthyHeights.com continued to be an important contributor to revenue and increased by 11%, with returns down 29% and online conversion rate up 170% from the March 2022 quarter.

NGS continues to optimise its online store which now has a conversion rate of 1.92%, an increase of over 170% compared March 2022 Quarter.

New CEO Appointed to Drive North American Growth

During the Quarter, NGS President of North America, Stephen Turner, was appointed to the role of CEO, effective 1 March 2023, succeeding Ms Liron Fendell who remains on the Board as a Non-Executive Director.

Mr Turner joined NGS in 2021, contributing over 20 years industry experience having previously held senior roles with numerous publicly listed, multinational health and pharmaceutical companies. He held the role of VP of sales at PharmaCare managing and controlling the sale functions across all lines of business for the Company's brands including Sambucol, Promensil, Skin Doctors, Real Health and Kids Smart brands in North America.

In his role as VP of Sales and Marketing at New York Stock Exchange listed Strides Pharma Science Ltd (NYSE: STAR), an international pharmaceutical company specialising in development and manufacturing services, he was responsible for creating and building a new OTC Consumer Products division for North America as the company began branching out from generic prescription pharmaceuticals.

Prior to his involvement with Strides, Mr. Turner served in various executive roles ranging from Chief Technology officer to CEO with SCOLR Technologies, a public company that was previously traded on the American Stock Exchange and OTC Bulletin board stock exchanges. With a strong understanding of science and technical aspects, combined with the ability to formulate and implement creative and engaging marketing strategies, he has a proven industry track record in sales expansion.

Commencement of Clinical Trials

During the Quarter, the Company announced the commencement of a clinical trial to evaluate the effects of the NGS innovative sports supplement on physical activity performance.

NGS developed a cutting-edge nutritional supplement designed to meet the elevated nutritional needs of adolescent athletes, with the goal of enhancing their body composition, physical performance, and overall health.

The supplement is for a randomized, double-blind, placebo-controlled pilot study involving 50 healthy soccer players aged 8 to 15, with the objective of evaluating the supplement's efficacy and safety compared to a placebo. The study will off an 8-week treatment phase followed by an 8-week open label phase, and initial findings are anticipated to be available in Q3 2023.

The Company intends to launch a range of sports supplements building on this robust clinical study, thus entering the sports supplements market.

Cost-Cutting Measures to Maintain Operations and Growth Trajectory

Given the company's cash position, it has become necessary to make some significant cuts in order to continue its operations while minimizing the amount of cash that needs to be raised in the short term, and to impact sales the least possible. These cuts will be made in non-essential areas of the business and will not affect the company's ability to maintain its growth trajectory. The company believes that these measures will ensure that it can continue to operate efficiently and effectively in the current economic climate.

FINANCIAL OVERVIEW

The Company achieved quarterly customer collection of US\$758k, up 25% on Q1 FY21 (US\$609k).

Operating cash outflows of US\$883k for the quarter included:

- US\$875k in advertising and marketing;
- US\$63k in research and development; and
- US\$323k in product manufacturing and operating costs
- US\$380k in other, general, and administrative expenses.

The Company's Cash Balance as of 31 March 2023 is US\$886k.

Payments made to related parties and their associates shown in the Appendix 4C are as follows:

Item 6.1 includes US\$40k directors fees and US\$113k payroll expenses

-ENDS-

This announcement has been authorised for release by the CEO and the Chairman of the Board of Directors of Nutritional Growth Solutions Ltd.

For Further information

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About Nutritional Growth Solutions

Nutritional Growth Solutions is a global nutritional health company focused on the well-being of children. NGS develops, produces and sells clinically tested nutritional supplement formulae for children following 20 years of medical research into pediatric nutrition at Schneider Children's Medical Centre, Israel's largest pediatric hospital. The nutritional supplements market has experienced tremendous growth in recent years, but most attention has been focused on adult users and children under three years of age. The three to twelve-year-old consumers represent a larger market opportunity and NGS is highly differentiated from its competitors with clinically tested products and an expanding product portfolio to capture this market opportunity.

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Appendix 4C

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

Name of entity

Nutritional Growth Solutions Ltd.

ABN

642 861 774

Quarter ended ("current quarter")

On 31/03/2023

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	758	758
1.2 Payments for		
(a) research and development	(50)	(50)
(b) product manufacturing and operating costs	(251)	(251)
(c) advertising and marketing	(665)	(665)
(d) leased assets	-	-
(e) staff costs	(404)	(404)
(f) administration and corporate costs	(271)	(271)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
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)	-	-
1.9 Net cash from / (used in) operating activities	(883)	(883)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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 (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
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	286	286
3.6	Repayment of borrowings	(28)	(28)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(10)	(10)
3.10	Net cash from / (used in) financing activities	248	248

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,521	1,521
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(883)	(883)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	248	248
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	886	886

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 \$US'000	Previous quarter \$US'000
5.1	Bank balances	886	1,521
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)	886	1,521

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	153
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 \$US'000	Amount drawn at quarter end \$US'000
<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	264	286
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	264	286
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.		
<p>A US\$ 200K loan from Amazon Lending for 12 months. Annual interest rate 9.49%. first 3-month interest only and then 9 equal monthly payments (Principal and Interest). The loan repayments are offset from the company's monthly sales deposits.</p> <p>A US\$ 86K loan from Shopify Capital for 10 months. Estimated costs as a yearly rate 15%. Repayments - a 0.17% of the daily sales amount of the Company is remitted to Shopify Capital until Shopify Capital has received the full agreed amount of US\$97K</p>		

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(883)
8.2 Cash and cash equivalents at quarter end (item 4.6)	886
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	886
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.00
<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?	
<p>Answer: No, the company plans a significant reduction in its cash expenses through cost reduction and organizational change by focusing on activities that generate direct value for sales</p>	
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?	
<p>Answer: The Company will continue to assess the merits of various fundraising initiatives to ensure it has the financial capacity to meet its business and operational requirements</p>	

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: Based on its ability to raise more funds and implementing its plan to focus on activities that directly contribute to sales the Company expects to be able to continue its operation and to meet its business objectives

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: ...April 28, 2023.....

Authorised by: ...Board of Directors.....
(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.