



ASX Announcement: 23 April 2019

ELIXINOL GLOBAL LIMITED Q1 FY2019 APPENDIX 4C AND QUARTERLY BUSINESS UPDATE REVENUE GROWTH OF 21% ON PCP

KEY HIGHLIGHTS:

- Q1 FY2019 group revenue of \$8.2m¹, representing 21% growth on the prior corresponding period (PCP) Q1 FY2018 of \$6.7m and a 31% decline quarter on quarter (QoQ) vs Q4 FY2018 of \$11.8m
- The quarter on quarter revenue decline was driven by Elixinol's strategic decision to reduce focus on low margin private label business in the US to enable increased capacity for expected future growth of higher margin branded products and provide the ability to capture further market share
- US retail broker Presence Marketing appointed with reach into 15,000+ retail stores
- Strong balance sheet with cash of \$27.4m at 31 March 2019
- Post the 31 March 2019 reporting period:
 - US national distribution sales commenced beginning of Q2 FY2019 following an initial order for 13 Elixinol branded CBD topical and dietary supplement products from a large 'bricks and mortar' national retailer initially across 330 stores with expectations of a rollout to more than 1,000 stores
 - Europe promotional partnership agreement reached with Cambrian Alliance Group (UK) (over 1,200 member pharmacies) and a purchase order received for distribution in a popular UK high end retail chain; further conversations ongoing with other leading distributors and chains in Europe
 - EXL strengthened the Board with the appointment of consumer retail specialist Mr. Greg Ellery as Non-Executive Director effective 12 April 2019 and expansion of the global executive team with the appointment of Mr. Stratos Karousos as Chief Commercial and Legal Officer

Elixinol Global Limited (EXL or the Company) (ASX:EXL; OTCQX:ELLXF), 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 31 March 2019 (Q1 FY2019).

Revenue growth of 21% on PCP

EXL reported unaudited group revenue of \$8.2m for Q1 FY2019 representing 21% growth over Q1 FY2018. EXL has demonstrated strong quarter on quarter sales growth over the past four quarters since its IPO on ASX, however, sales declined by 31% QoQ, predominantly due to a strategic decision by EXL to reduce focus on low margin private label business in the US. The reduction in private label sales provides EXL with expanded capacity for expected future growth across higher margin products and the ability to capture further market share.

¹ All dollar amounts are in AUD unless otherwise stated; Average AUD/USD for Q1 FY2019 = 0.71



Outlook

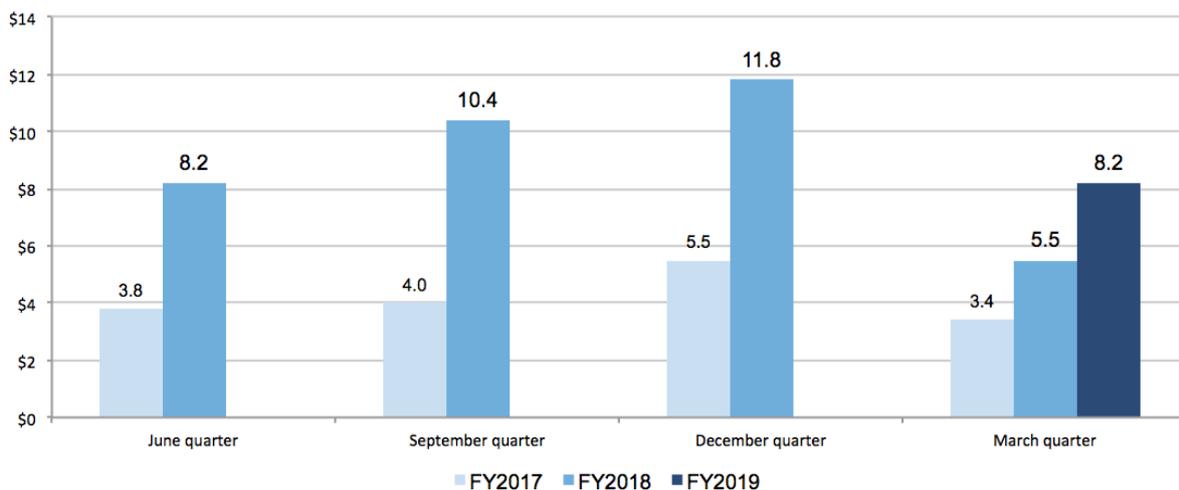
EXL's global investment into top line growth is on track. There is a significant opportunity to grow sales in Europe and the US via large retailers, with ongoing conversations expected to lead to the signing of distribution agreements over the coming quarters. Japan continues to provide significant export opportunities as the industry matures.

Paul Benhaim, CEO of EXL commented: *"The positive movement in legislation across industrial hemp markets, in combination with our own investment into top line growth during the March quarter, underpins EXL's objective of becoming a global leader of CBD consumer products. We have continued to diversify our business across a variety of channels and made significant investments into a number of key geographies globally, including strong headway in Europe. We remain very confident in our future growth strategy as we continue to diversify our branded product mix with a focus on national retail sales..*

In the US, we are experiencing strong interest from national retailers to stock our products on the back of growing consumer demand. We are very excited to receive our first order from one of the largest national retailers in the US. In the UK, significant retail agreements were signed during the quarter, which will see our CBD products advertised on TV and stocked on shelves in major retail stores and pharmacies in the coming months. We see similar opportunities across many of the global markets that we are currently operating in, with ongoing discussions expected to lead to further agreements over the coming quarters.

It's a historic time to be participating in this rapidly growing industry as CBD pushes into global mainstream channels. EXL has engaged the services of a US distribution partner to drive sales of Elixinol branded products, starting with one major success of a leading US national retailer. To assist with the Company's growth, we are excited to have the expertise of Greg Ellery join the EXL Board and expansion of our global executive team with Stratos stepping down from the Board to become Chief Commercial and Legal Officer."

Revenue growth - quarterly





Operational update

Key activities by geography during the quarter:

United States of America

The March quarter has historically been the weakest quarter for the Elixinol business yet, modest growth was reported across both wholesale and bulk sales channels. After reporting record sales in Q4 FY2018, led by Black Friday / Cyber Monday promotional activity, retail sales were down compared to the prior quarter. Private label sales were significantly lower largely due to the Company restructuring supply arrangements with a private label customer whereby the Company will no longer perform private label services but instead will supply only bulk CBD products. Although revenues from this channel are expected to fluctuate from quarter to quarter, any reduction is in-line with our strategy to focus on higher margin branded product sales.

US retailer distribution

Post the 31 March 2019 reporting period, the Company has recently received an order for 13 SKUs from a large 'bricks and mortar' national retailer, which will stock Elixinol's hemp-derived CBD topical and dietary supplement products initially across 330 stores, with an expected rollout to more than 1,000 stores across their national retail network. Shipping is expected to begin this month (April 2019). This order is the first obtained through the newly signed agreement with Presence Marketing, further details are below.

US retail distributor and broker activities

US retail groups have been opening shelf space to CBD and hemp products following the passage of the 2018 US Farm Bill, which federally legalised hemp-extract products.

Elixinol signed an agreement with Presence Marketing (Presence), a leading independently owned national brokerage firm of specialty foods and products. Presence has access to over 15,000 retail stores across its client base and will allocate a network of more than 100 sales representatives to gain shelf placement and support product sales of Elixinol's hemp-derived CBD products on an ongoing basis throughout the US.

Access to this new retail sales & distribution network will significantly increase Elixinol's reach and make Elixinol's hemp-derived CBD products, including products from EXL's hemp skin care brand Sativa™, available to purchasing managers and health and wellness-focused consumers across every region of the US within the next few months.

Brands such as Elixinol must meet distributor supply and marketing requirements to secure shelf space in major retailers. In advance of the 2018 Farm Bill, Elixinol refined its labeling and packaging to meet retailer specifications and requirements, and appointed a national accounts manager with extensive experience in specialty foods and FMCG to lead this initiative.

Elixinol expanded its public relations and marketing efforts in the US by partnering with Multiply, a nationally recognised PR and Analytics Agency. Multiply will provide Elixinol with its vast experience in growing brands in the Consumer Packaged Goods segment to complement Elixinol's distribution presence, national marketing expansion and communication, driving brand awareness and foot traffic through multiple channels.



Hemp Authority Certification

Post 31 March 2019 reporting period, Elixinol received US Hemp Authority Certification which grants Elixinol the ability to use the Certified Seal of the US Hemp Authority on all hemp product packaging and marketing materials.

The Certification promotes Food and Drug Administration Current Good Manufacturing Practices (cGMP) and Good Agricultural Practices (GAP) and is audited by Validus, a division of Where Food Comes From, Inc.

Product launches

Elixinol launched a double strength hemp-CBD balm to support the growing demand for topical hemp-CBD products from both mid-market and national channel clients. Post the reporting period, Elixinol also launched the first of its new Physician recommended product category. This new category was created to support the Wholesale and Health professional verticals within its mid-market channel by creating a product category that would only be available through Wholesalers and Health professional outlets and not through Elixinol's direct sales channels.

New production facility

Elixinol's new production facility is on track for commissioning in H1 FY2019. New Colorado offices for the expanding team will be utilised this same H1 period.

Australia

Hemp Foods Australia

Sales continued to be supported across regular channels (B2C, B2B, distributor and export) with the addition in late 2018 of the Essential Hemp snack bar range.

In Q1 FY2019, Hemp Foods Australia launched the first of a range of fully designed Consumer Packaged Goods product: Grounded Veggie Patties (a.k.a. Hemp Burgers).

Hemp Foods Australia's priority is to source locally grown hemp seeds where available whilst continuing its normal operating activities with overseas suppliers from Europe, North America and organic seed suppliers from China.

Nunyara Pharma (Medical Cannabis)

Nunyara's licence submissions for the cultivation and manufacturing of medicinal cannabis rest with the Office of Drug Control (ODC). There was no change to the status of licensing during the quarter and we remain optimistic despite the ODC being unable to provide any timing on the granting of both licences.

A unique 60-acre lot located in the Northern Rivers District of New South Wales, Australia was purchased on 7 February 2019 for \$2.6m. Nunyara's integrated cultivation and manufacturing facility has progressed with work started post reporting period on preparing the land on where Company's state of the art facility will be constructed.

The first stage of the integrated state of the art medical cannabis cultivation and manufacturing facility will be a 5,000m² footprint on a secured 4.9-acre lot within the 60 acre property.



Europe

A product sales and marketing promotional partnership agreement was reached with one of the UK's largest pharmacy buying groups, Cambrian Alliance Group, which has over 1,200 member pharmacies. Roll-out through this channel commenced in April 2019.

Separately, a sales and distribution agreement was entered into with a major UK distributor. A purchase order has been received for 60,000 units of 6 SKUs for distribution across an initial 250 stores. Details of this will follow a launch via a TV advertising campaign in June 2019.

These developments follow the announcement made by EXL on 5 February 2019 whereby the Company expanded its European operations to drive international growth through multifaceted initiatives. These initiatives included establishing new sales hubs in key centres across Europe (Netherlands, Spain, United Kingdom, Poland and Ireland), expanding and optimising its www.elixinol.eu e-commerce website in multiple languages, building a direct sales force and growing its network of distributors. The European sales & marketing team has now grown to 15 people.

European sales are expected to grow in significance by H2 FY2019 as a result of a strong pipeline of ongoing discussions. Fulfillment of European CBD product sales began at the end of Q1 FY2019 from select European contract manufacturers.

Appendix 4C

The Company continued to invest in key areas of the business to pursue its strategy and focus on increasing its distribution of branded products to grow revenues and capture further market share.

During Q1 FY2019 the Company significantly increased its inventory levels in anticipation of an expected increase in consumer demand.

Capital expenditure during Q1 FY2019 totaled \$5.4m, which included the purchase of land in NSW for the Nunyara business (\$2.6m), funding the final installment of the NCHPP joint venture equity contribution (\$1.0m) and fit out expenditure for the commissioning of the new Colorado production facility (\$1.5m).

As at 31 March 2019, EXL has a strong cash position of \$27.4m (\$0.25m in debt).

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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. EXL's businesses include:

- Elixinol LLC ("Elixinol"), founded in 2014, is a manufacturer and global distributor of hemp dietary supplement and skincare products, with operations based out of Colorado, USA.
- Hemp Foods Australia Pty Ltd ("Hemp Foods Australia"), founded in 1999, is a leading hemp food wholesaler, retailer, manufacturer and exporter of bulk and branded raw materials, and finished products.
- Nunyara Pharma Pty Ltd ("Nunyara"), formerly known as Elixinol Australia, was founded in 2014 to participate in the emerging Australian medicinal cannabis market and submitted licence applications for cultivation and manufacture to the Office of Drug Control in early 2018. These applications are currently pending approval.

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")

31 March 2019

Consolidated statement of cash flows	Current quarter A\$'000	Year to date (3 months) A\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	8,096	8,096
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(10,581)	(10,581)
(c) advertising and marketing	(2,413)	(2,413)
(d) leased assets	(394)	(394)
(e) staff costs	(2,830)	(2,830)
(f) administration and corporate costs	(2,106)	(2,106)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	202	202
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	23	23
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	5	5
1.9 Net cash from / (used in) operating activities	(9,998)	(9,998)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(4,425)	(4,425)
(b) businesses (see item 10)	-	-
(c) investments	(981)	(981)

Consolidated statement of cash flows	Current quarter A\$'000	Year to date (3 months) A\$'000
(d) intellectual property	(2)	(2)
(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	(5,407)	(5,407)

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	-	-
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	-	-

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	42,922	42,922
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(9,998)	(9,998)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(5,407)	(5,407)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter A\$'000	Year to date (3 months) A\$'000
4.5	Effect of movement in exchange rates on cash held	(122)	(122)
4.6	Cash and cash equivalents at end of quarter	27,395	27,395

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	7,349	12,922
5.2	Call deposits	20,046	30,000
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)	27,395	42,922

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

194

-

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

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-

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	-
9.2 Product manufacturing and operating costs	(9,690)
9.3 Advertising and marketing	(4,254)
9.4 Leased assets	(423)
9.5 Staff costs	(3,757)
9.6 Administration and corporate costs	(2,140)
9.7 Income tax payments	-
Investments and other capital expenditure	(4,453)
9.8 Total estimated cash outflows	(24,717)

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		

