



ASX Announcement: 30 July 2019

ELIXINOL GLOBAL LIMITED Q2 FY2019 APPENDIX 4C AND QUARTERLY BUSINESS UPDATE REVENUE GROWTH OF 19% ON PCP

KEY HIGHLIGHTS:

- Q2 FY2019 group revenue of \$9.9m¹, representing 19% growth on the prior corresponding period (PCP) Q2 FY2018 of \$8.3m and 18% growth quarter on quarter (QoQ) vs Q1 FY2019 of \$8.4m;
- Continued investment in key areas of the business to pursue its growth strategy and increase its distribution of branded products;
- New Colorado production facility is operational and more than doubles current capacity;
- Elixinol launches Infusion Strategies, a strategic partnership with RFI, increasing Elixinol's exposure to the CBD-infused dietary supplement, nutraceutical, food and beverage industries via distribution to RFI's customers;
- Elixinol acquired 25% of US based Pet Releaf, a leading brand in the high growth cannabidiol (CBD) pet products market;
- Elixinol officially granted a coveted CBD Processor Authorization by the New York State Department of Agriculture Markets providing ability to scale future operations in a significant and targeted market;
- Elixinol Global raised \$50m to accelerate US expansion;
- Post the 30 June reporting period:
 - Elixinol partners with PharmaCare to release CBD products;
 - MedVec distribution agreement to Pharmacies in Germany;
 - Elixinol acquired global IP rights for another bio-available microencapsulation technology;
 - Nunyara granted medicinal cannabis manufacturing license;
 - Hemp Foods Australia launches Plant Protein - Grounded Hemp Burger's throughout Woolworths; and
 - Elixinol Global announced changes to leadership and group structure.

Elixinol Global Limited (Elixinol Global 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 30 June 2019 (Q2 FY2019).

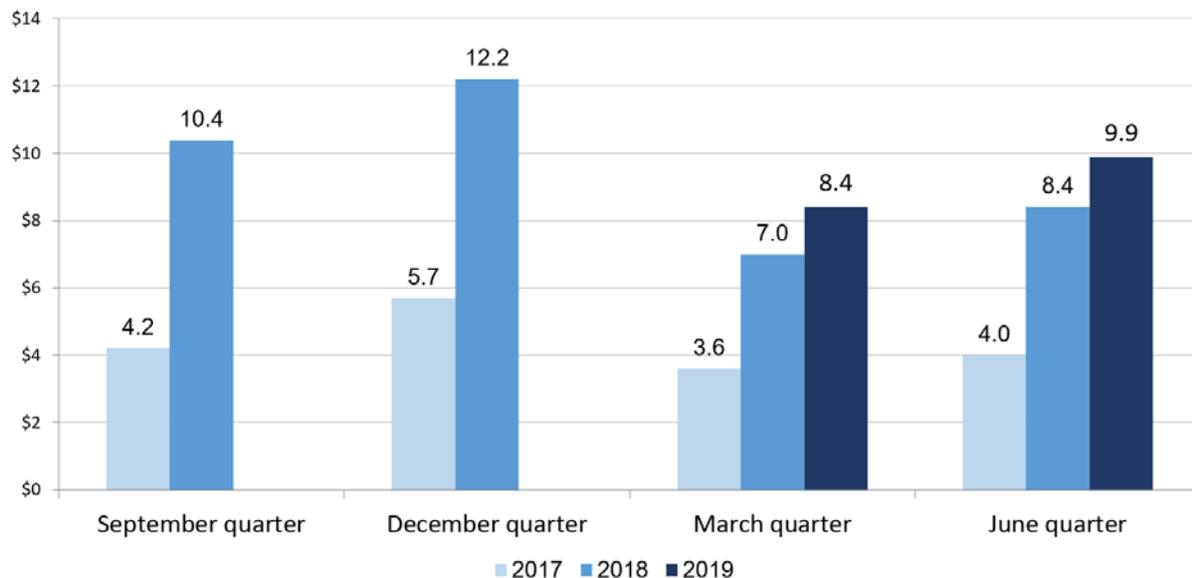
¹ All dollar amounts are in AUD unless otherwise stated; Average AUD/USD for Q2 FY2019 = 0.70; Effective 31 May 2019, Elixinol Co Ltd (Elixinol Japan) became a consolidated entity. Historical revenues are unaudited and are shown on a pro forma basis which include Elixinol Japan.



Revenue growth of 19% on PCP

Elixinol Global reported unaudited group revenue of \$9.9m¹ for Q2 FY2019 representing 19% growth on the PCP Q2 FY2018 and 18% growth over Q1 FY2019. Since its IPO on the ASX, Elixinol Global has continuously reported strong quarterly sales growth compared with PCP. In the Company's March 2019 quarterly update, it communicated its strategic decision to reduce focus on lower 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. Excluding this private label business, normalised revenue growth for Q2 FY2019 would have been reported at 38% on PCP (normalised revenue growth for H1 FY2019 would have been reported at 34% on PCP).

Revenue growth – quarterly (A\$m)²



Elixinol Global's US based wholly owned subsidiary Elixinol LLC (**Elixinol**) continues to focus on gaining distribution through nationally recognised retail outlets. Elixinol's products are currently sold at over 1,000 natural, specialty & conventional supermarkets in the USA. As the CBD market in the USA continues to experience unprecedented growth, a lack of product regulation and quality standards creates a difficult environment for consumers to make informed choices and certain competitors are price discounting with low quality products. Elixinol continues to promote consumer education and the highest quality practices in anticipation of an impending Food and Drug Administration (**FDA**) regulatory framework creating appropriate barriers to entry and set standards which are likely to correct the market. To mitigate any future risk in the regulatory environment, Elixinol Global has entered strategic

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partnerships with RFI, LLC (**RFI**) to better serve the global market for hemp derived CBD nutraceuticals and functional foods by strengthening the organic supply chain for hemp derived CBD, obtaining quality genetics, implementing leading processing and extraction methods and advancing innovation and product development.

Elixinol Global's Dutch based wholly-owned subsidiary Elixinol B.V. also continues to make strong progress in Europe with co-branded products sold under the "Naturopathica" brand which are now available via Europe's leading health and wellness retailer, Holland & Barrett's online store, [HollandandBarrett.com](https://www.hollandandbarrett.com) and in over 800 Holland & Barrett retail stores. Created in partnership with the prominent UK-based company, PharmaCare, the Naturopathica CBD+ range encompasses six capsule-based SKUs that blend with Elixinol's high strength, full spectrum CBD products with specific vitamins and minerals to target different areas of health and wellbeing. The Company is in the process of fulfilling a second order of 60,000 units (i.e. post 30 June).

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 market share.

In anticipation of increasing consumer demand and regulatory driven catalysts, the Company significantly increased its inventories and placed sizable deposits for raw material supply contracts in the USA which incurred operating cash outflows of \$11.5m during Q2 FY2019 (\$17.3m during H1 FY2019). Despite an anticipated significant increase in hemp farming acres across the USA, the Company has taken a strategic decision to mitigate the risk of typical first and second year crop failures resulting in potential scarcity of premium quality high-yielding CBD hemp biomass. The Company has long standing relationships with reliable and well-established hemp farmers who use proper handling and agricultural practices. Risk of stock obsolescence is mitigated by extracting biomass into CBD oil which then has up to a 3-year shelf life.

The Company continues to deploy capital to accelerate growth of its European business which, during Q2 FY2019, incurred \$0.8m net operating cash outflows (\$2.8m H1 FY2019).

The Company continues to invest and prepare for a significant increase in global demand in the hemp derived CBD market. Increased levels of expenditure are being incurred across the business with key focus on building sales distribution, growing brand awareness through marketing activities, as well as building an appropriate supporting infrastructure.

Capital expenditure during Q2 FY2019 totaled \$8.1m, which includes \$6.2m cash paid for the Company's investment in Pet Releaf and \$1.7m in equipment and fit out related to the



commissioning of the new Colorado production facility which more than doubles current capacity. Whilst the facility is now substantially operational, an additional \$2.2m of cash outflows are expected to be incurred during Q3 FY2019 due to timing of payments and final works being undertaken.

Further developments throughout the period

Elixinol Global announces changes to leadership and group structure

With the industry evolving at such a rapid pace the board and the executive management groups concluded that the Company would be best placed to deploy its human capital in a much more effective and focused way to capitalise on the various growth opportunities, simply deploying the correct skill set to the correct task. Accordingly, in July, the Company announced changes which are summarised below.

Stratos Karousos was appointed as Chief Executive Officer, as Paul Benhaim stepped into the role of Chief Innovation Officer. Mr Benhaim retains his position on the Board and Mr Karousos re-joined the Board. Mr Benhaim can now focus 100 per cent of his energies on leveraging his unique knowledge and position within the industry to drive revenue growth through market and partner relationships. The Company also announced that it will expand its Global Executive Office in Sydney, Australia, to provide stronger unified planning and support across the Elixinol Global Group and to enable the various regional offices to focus on operational strategy and execution. New appointments who will report directly to Elixinol Global CEO, Stratos Karousos, are as follows:

- Mr Gabriel Ettenson, Global Chief Technology Officer;
- Mr Greg Smith, Global Chief Information Officer;
- Mr Leif Harrison, CEO Americas; and
- Mr Ali Atcha, CEO Europe & UK.

These changes have resulted in a more efficient reporting structure and enables the Company the ability to focus the right people on the right tasks. In conjunction with the changes announced to the Global and Executive Structure, the Company anticipates recruiting an additional 15-25 staff in Elixinol Global's regional operations to meet the uplift in the work demand as the CBD industry continues to expand across multiple regions, particularly in the US, UK and Europe.

United States of America

Colorado production facility

In June 2019, Elixinol received a certificate of occupancy from the City of Louisville for its new production facility. This new facility houses the latest technology in high yielding and highly



efficient CO² and ethanol extraction equipment as well as a fully functional technology laboratory. The facility more than double's the Company's production capacity and is expected to yield substantial cost efficiencies from Q4 FY2019. The facility has a cGMP audit scheduled for August 2019 and is operating in compliance with the Hemp Authority guidelines.

Elixinol launches “Infusion Strategies”, a strategic partnership with RFI

During the quarter, Elixinol entered into a strategic partnership with RFITD Holdings, LLC, an affiliate of RFI, LLC (**RFI**) via a newly incorporated Colorado based entity Infusion Strategies, LLC (**Infusion Strategies**). Infusion Strategies will increase Elixinol's exposure to the CBD-infused dietary supplement, nutraceutical, food and beverage industries via distribution to RFI's customers. RFI has 30 years' experience partnering with companies to provide a vertically integrated network of high quality, sustainable natural ingredients to ensure consistent quality and availability. Infusion Strategies combines each partner's respective industry positions, proven management expertise, distribution networks and operating capabilities to better serve the global market for hemp derived CBD nutraceuticals and functional foods. Infusion Strategies will be managed by RFI with a focus on strengthening the organic supply chain for hemp derived CBD, obtaining quality genetics, implementing leading processing and extraction methods and advancing innovation and product development.

Elixinol acquires 25% of US based Pet Releaf

During the period, Elixinol acquired 25% of Altmed Pets LLC (**Pet Releaf**). Pet Releaf are a leading brand in the high growth cannabidiol (CBD) pet products market. The investment is an extension of a long-standing relationship with Pet Releaf to which Elixinol has been the exclusive supplier of CBD extracts from Pet Releaf's exclusive strains of hemp since inception and has shared its best in class manufacturing expertise to select Pet Releaf-branded products. The founders of Pet Releaf and Elixinol have shared scientific, farming, and production ideas, costs and expertise for many years. Pet Releaf products are currently sold in over 4,000 independent pet stores throughout the USA and in multiple international markets. Revenues reported by Pet Releaf in H1 FY2019 continue to grow in line with expectations.

Elixinol granted New York State CBD authorisation

As announced in May 2019, Elixinol was officially granted a CBD Processor Research Partner Authorization by the New York State Department of Agriculture and Markets. The New York State Department promotes New York agriculture and its high-quality and diverse products, fosters agricultural environmental stewardship, and safeguards the State's food supply, land, and livestock to ensure the viability and growth of New York's agriculture industries. The Authorization provides Elixinol with further ability to scale future operations and improve efficiency.



Europe

MedVec distribution agreement in Germany

In July 2019, Elixinol Global's Dutch based wholly-owned subsidiary Elixinol B.V., signed an exclusive distribution agreement with MedVec International GmbH (**Distributor**) for pharmacy and para pharmacy channels in Germany. Under the terms of the exclusive distribution agreement, the Distributor will sell Elixinol branded products and white label products via its existing sales network in the pharmacy and para pharmacy sector for an initial graduated period and provides for an extension for a further three years. The exclusivity of the distribution agreement is based on achievement of minimum annual sales targets. Should the sales targets not be met the distribution agreement will become co-exclusive. In addition, the Distributor will be appointed co-exclusive for pharmacy and para pharmacy channels in Austria and Switzerland. This distribution agreement builds on the initiatives Elixinol Global announced 5 February 2019 with expansion of European operations to leverage the significant opportunity within the European hemp and cannabis market.

Elixinol acquires global IP rights for microencapsulation technology

In July, Elixinol announced it had acquired global IP rights for microencapsulation technology developed by Bionova, S.L. (**Bionova**). Bionova's unique microencapsulation technology offers a wide variety of uses for food, beverage and nutraceutical product formulations. Other advantages of microencapsulation technology include:

- increased absorption into the human body;
- increased efficacy of active ingredients within a product;
- increased uniformity of ingredients within a product;
- masking of unpleasant flavours or odours in finished products;
- added protection against environmental factors inside the human body once ingested; and
- better storage preservation of the encapsulated active ingredients.

Australia

Nunyara granted medicinal cannabis manufacturing licence

In July, Nunyara was granted a licence to manufacture medicinal cannabis for extracts and tinctures of cannabis and cannabis resin, by the Australian Office of Drug Control. Nunyara is still awaiting approval to receive its Medicinal Cannabis Licence which will allow the Company to cultivate and produce cannabis for medicinal purposes.

Hemp Foods Australia

Hemp Foods Australia's strategy has been to develop and bring to market branded finished goods using healthy hemp derived ingredients. Post 30 June, Hemp Food Australia's latest products, Grounded Veggie Patties (a.k.a. Hemp Burgers), began to be stocked by Australia's mainstream supermarkets. Additional product lines that are in development are expected to be released during H2 FY2019.



Corporate

Elixinol Global raises A\$50m to accelerate US expansion

In early June, Elixinol Global announced that it successfully completed an institutional placement (**Placement**) to fund its ongoing expansion initiatives, with a particular focus on growing its USA CBD business. The Company issued approximately 12.8 million shares at A\$3.90 per share, representing an 8.7% discount to the last closing price as at Monday, 3 June 2019. The Placement represented 10.3% of the Company's shares on issue prior to the Placement. Proceeds from the Placement have been or will be used to:

- continue global expansion plans, with a particular focus on the USA CBD market;
- provide general working capital funding required as part of continued expansion;
- expand Elixinol's production facilities in Colorado, USA by an additional ~23,000 square feet to more than double the Company's current production capacity; and
- undertake opportunistic strategic acquisitions and enter joint ventures in select markets.

For more information please contact:

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About Elixinol Global

Elixinol Global Limited (ASX:EXL; OTCQX:ELLXF) is a global leader in the cannabis industry, selling hemp-derived CBD dietary supplements, hemp food and wellness products, as well as the cultivation and manufacture of medicinal cannabis products.

Elixinol Global's businesses include:

- Elixinol LLC (Elixinol), a manufacturer and global distributor of industrial hemp based dietary supplement and skincare products, with operations based out of Colorado, USA;
- Hemp Foods Australia Pty Ltd (Hemp Foods Australia), a leading hemp food wholesaler, retailer, manufacturer and exporter of bulk and branded raw materials, and finished products; and
- Nunyara Pharma Pty Ltd (Nunyara), founded in 2014 to participate in the emerging Australian medicinal cannabis market. Nunyara submitted licence applications for cultivation and manufacture to the Office of Drug Control in early 2018. The Manufacture Licence has been approved whilst the Medicinal Cannabis Licence is 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")

30 June 2019

Consolidated statement of cash flows	Current quarter A\$'000	Year to date (6 months) A\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	8,350	16,446
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(17,454)	(28,035)
(c) advertising and marketing	(3,707)	(6,120)
(d) leased assets	(174)	(568)
(e) staff costs	(3,506)	(6,336)
(f) administration and corporate costs	(2,706)	(4,812)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	170	372
1.5 Interest and other costs of finance paid	(67)	(67)
1.6 Income taxes paid	(212)	(189)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	4	9
1.9 Net cash from / (used in) operating activities	(19,302)	(29,300)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,764)	(6,188)
(b) businesses (see item 10)	-	-
(c) investments	(6,219)	(7,200)

Consolidated statement of cash flows	Current quarter A\$'000	Year to date (6 months) A\$'000
(d) intellectual property	(97)	(99)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	60	60
(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	1,214	1,214
2.6 Net cash from / (used in) investing activities	(6,806)	(12,213)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	50,000	50,000
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	(2,812)	(2,812)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(203)	(203)
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	46,985	46,985

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	27,395	42,922
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(19,302)	(29,300)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(6,806)	(12,213)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	46,985	46,985

Consolidated statement of cash flows		Current quarter A\$'000	Year to date (6 months) A\$'000
4.5	Effect of movement in exchange rates on cash held	(131)	(253)
4.6	Cash and cash equivalents at end of quarter	48,141	48,141

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	13,088	7,349
5.2	Call deposits	35,053	20,046
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)	48,141	27,395

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

202

-

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.		

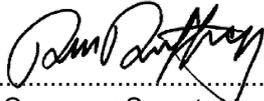
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9. Estimated cash outflows for next quarter	A\$'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(11,420)
9.3 Advertising and marketing	(3,296)
9.4 Leased assets	(293)
9.5 Staff costs	(4,104)
9.6 Administration and corporate costs	(3,145)
9.7 Investments and other capital expenditure	(3,305)
9.8 Total estimated cash outflows	(25,563)

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 July 2019.....
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.