



ASX Announcement

(ASX:EXL)

6 February 2020

Ms Isabella Wong
Advisor, Listings Compliance (Sydney)
ASX Limited

Sent by email

Dear Isabella,

APPENDIX 4C QUERY

I refer to your letter dated 3 February 2020 regarding the Appendix 4C quarterly report for the period ending 31 December 2019 for Elixinol Global Limited (“Elixinol” or “Company”). In response Elixinol advises the following:

1. Does Elixinol expect that it will continue to have negative operating cashflows for the time being and if not, why not?

Negative operating cashflows are not uncommon for a company in the global CBD sector due to an evolving regulatory environment and are often necessary to prepare the Company for anticipated future growth opportunities. Elixinol’s reported operating cashflows reflects the activities being undertaken in pursuit of the Company’s long-term growth strategy.

Elixinol has also taken steps to significantly reduce its cash burn to account for the delayed development of the hemp derived CBD market in the US and Europe & UK. Elixinol currently has no ongoing significant capital cash expenditure commitments. Elixinol will continue to focus on return on investment to enable it to leverage the significant capital that has been deployed to date in operations, e-commerce, raw materials and key people.

Elixinol anticipates operating cashflow will continue to be negative in the short term but the Company intends to achieve positive cashflow through its revised strategy to move forward with a simplified business model. This is supported by a material reduction in headcount effected by the Company in January 2020 and an expected significant reduction in ongoing working capital requirements for raw materials.



- 2. Has Elixinol 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?**

Elixinol continues to assess its funding requirements in light of its business objectives on an ongoing basis. Elixinol has not taken any specific steps externally to raise further cash to fund its operations but has no reason to believe it will be unable to raise further equity or debt if and as required.

Further, in addition to the revenue from the recent sales of Elixinol's 51% interest in Elixinol Japan valued at \$0.2m and 100% interest in the Hemp Foods Australia valued at \$0.5m, Elixinol anticipates additional revenue and reduced cash burn in the coming quarter from the planned sale of land held for the Nunyara business, valued at approximately \$2.6m.

- 3. Does Elixinol expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?**

Yes, we expect Elixinol to be able to continue its operations and meet its business objectives as outlined in our quarterly cash flow update and above.

The Elixinol Board will review company operations and business objectives from time to time and update the market if there are any material changes.

- 4. Please confirm that Elixinol is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.**

We confirm that Elixinol is in compliance with the Listing Rules and, in particular, Listing Rule 3.1 concerning the Company's continuous disclosure obligations.

- 5. Please confirm that Elixinol's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of Elixinol with delegated authority from the board to respond to ASX on disclosure matters.**

The Company's responses to the questions above have been authorised and approved in accordance with its continuous disclosure requirements and pursuant to collective board approval.



6. Please also provide any other information that Elixinol considers may be relevant to ASX forming an opinion on whether Elixinol is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

Elixinol does not have any other information at this time (other than as disclosed above).

We trust the above addresses your queries. For more information, please contact me or Elixinol's Chief Financial Officer, Mr Ron Dufficy on ron.dufficy@elixinolglobal.com.

Yours sincerely,

Teresa Cleary
General Counsel & Company Secretary

For more information please contact:

Ron Dufficy
Chief Financial Officer
ron.dufficy@elixinolglobal.com

About Elixinol Global

Elixinol Global Limited (ASX:EXL; OTC:ELLXF) is a global leader in the hemp derived CBD industry, innovating, manufacturing and selling hemp derived CBD products. The Companies simplified business model is focusing on:

- In the Americas, innovating, manufacturing and selling Elixinol branded hemp derived CBD products based in Colorado, USA
- In Europe & UK, educating and selling Elixinol branded and co-branded hemp derived CBD products based in Amsterdam, The Netherlands
- In Australia, providing stronger unified planning and support across the group to enable the various regional offices to focus on operational strategy and execution through its Global Executive Office based in Sydney, Australia
- Globally, expanding distribution of Elixinol branded hemp derived CBD products through reputable distributors as key markets open.

See more at www.elixinolglobal.com



3 February 2020

Ms Teresa Cleary
Company Secretary
Elixinol Global Limited
Level 12, 680 George Street
Sydney NSW 2000

By Email

Dear Ms Cleary

Elixinol Global Limited ('EXL'): Appendix 4C Query

ASX refers to EXL's Appendix 4C quarterly report for the period ended 31 December 2019 lodged with the ASX Market Announcements Platform and released on 31 January 2020 (the 'Appendix 4C').

ASX notes that EXL has reported:

- negative net operating cash flows for the quarter of \$10,850,000;
- cash at the end of the quarter of \$20,373,000; and
- estimated cash outflows for the next quarter of \$13,231,000.

It is possible to conclude, based on the information in the Appendix 4C, that if EXL were to continue to expend cash at the rate indicated by the Appendix 4C, EXL may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks EXL to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does EXL expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has EXL 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?
3. Does EXL expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that EXL is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that EXL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of EXL with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that EXL considers may be relevant to ASX forming an opinion on whether EXL is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEDT Friday, 7 February 2020**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in EXL's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, EXL's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail at ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to EXL's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that EXL's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in EXL's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Isabella Wong
Adviser, Listings Compliance (Sydney)