



ASX Announcement: 30 April 2020

ELIXINOL GLOBAL LIMITED Q1 FY2020 APPENDIX 4C AND QUARTERLY BUSINESS UPDATE BUILDING A GLOBAL CBD NUTRACEUTICALS COMPANY

Summary:

- Elixinol undertakes major Board and Management team restructure: Oliver Horn appointed Group CEO (former CEO of Swisse Wellness ANZ & North America); other key appointments made in Australia and the US
- Margin-accretive, branded CBD consumer nutraceuticals strategy becomes key revenue channel focus
- Elixinol brand and product range relaunched from late March 2020
- Ideal World TV (UK) and Channel 21 (Germany, post Q1 FY2020), added as key shopping channel partners
- Sales channels adapted in response to COVID-19 environment to service in-home shopping more extensively
- Q1 FY2020 normalised revenue of \$3.3m¹, down 25% from Q4 FY2019 due to the current status of the US CBD market, e-commerce disruptions as the Company transitioned to Magento (which has now been rectified) and COVID-19 impacts across all channels:
 - Increased contribution of total revenue from e-commerce, retail, Europe & UK, representing ~82% for Q1 FY2020 (Q4 FY2019 ~77%)
 - Retail channel revenue increased to \$1.3 million in Q1 FY2020 (\$0.8 million in Q4 FY2019)
- Cash burn reduced by 17% in Q1 FY2020 over Q4 FY2019, driven by headcount reduction and reduced raw material purchases;
- \$25m inventory on hand, sufficient to support over 18 months of future US revenues

Elixinol Global Limited (Elixinol or the Company) (ASX:EXL; OTC:ELLXF), a global leader in the hemp derived CBD industry, innovating, manufacturing and selling hemp derived CBD products, releases its business review and Appendix 4C cash flow statement for the quarter ending 31 March 2020 (Q1 FY2020).

Group CEO, Oliver Horn commented, “We are making great strides in evolving our business model towards a very focused consumer and product led nutraceuticals CBD business. We are progressing well in establishing a foothold in the fast-growing European markets and remain optimistic about our business outlook, despite the current US CBD category and COVID-19 challenges.”

¹ All dollar amounts are in AUD unless otherwise stated; Average AUD/USD for Q1 FY2020 = 0.66; Historical revenues are unaudited and are shown on a normalised basis which exclude discontinuing operations of Elixinol Co Ltd (Elixinol Japan) and Hemp Foods Australia Pty Ltd.



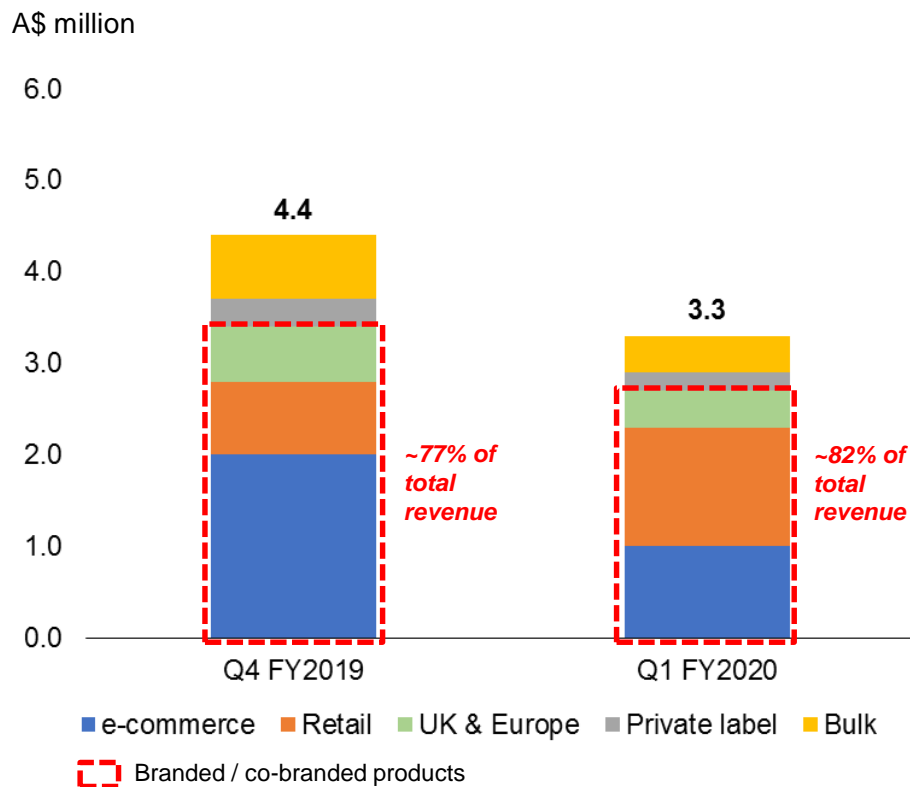
Revenue by Quarter (A\$m)²

Elixinol reported unaudited normalised revenue of \$3.3m (excluding discontinuing operations) for Q1 FY2020, representing a 25% decline on Q4 FY2019 and 51% decline on prior corresponding period Q1 FY2019.

Increased contribution of total revenue from e-commerce, Retail, UK/Europe channels representing 82% for Q1 FY2020 (77% in Q4 FY2019). Retail channel revenue increased to \$1.3 million in Q1 FY2020 (\$0.8 million in Q4 FY2019) however e-commerce sales were disrupted as the Company transitioned to the Magento e-commerce system. E-commerce represented 30% of total revenue in Q1 FY2020, down from 45% in Q4 FY2019. The disruptions the Company faced with transitioning to Magento have been rectified post Q1 FY2020.

Elixinol continues to reposition itself towards a higher margin, consumer-led branded nutraceuticals model and has been reducing its focus on its lower margin bulk and private label businesses.

Revenue by channel (Q4 FY2019 to Q1 FY2020)



² All dollar amounts are in AUD unless otherwise stated; Average AUD/USD for Q1 FY2020 = 0.66; Historical revenues are unaudited and are shown on a normalised basis which exclude discontinuing operations of Elixinol Co Ltd (Elixinol Japan) and Hemp Foods Australia Pty Ltd.



In line with previously announced cash conservation measures, Elixinol continued to refine its spend during the quarter. Cash burn was reduced by 17% from \$10.9m in Q4 FY2019 to \$9.0m Q4 FY2020, driven by headcount reduction, operating efficiencies and reduced raw material purchases.

Elixinol brand relaunch

During the quarter, the Company continued to shift its channel strategy toward margin-accretive, branded CBD consumer nutraceuticals as the key revenue driver. To support this, the new Elixinol brand and product range was relaunched in late Q1 FY2020. In line with the COVID-19 operating environment and the Company's focus on reduced cash burn, initial launch was focused around the Company's new e-commerce trading platform. It is progressively being rolled out to all other trading channels across the Americas and Europe.

The new Elixinol range (pictured) is positioned as a nutraceutical offering of hemp derived CBD formats. Product formulations have been driven by customer demand at both the enterprise and consumer level, and include tinctures, topicals, capsules, powders, gummies and CBD infused skincare / cosmetics.



Underpinning the launch is a comprehensive sales and marketing strategy, including an updated eCommerce platform that provides leading digital capabilities in the rapidly expanding e-commerce channel. The online platform also delivers educational product support and enables the tracking of consumer shopping behavior in real-time. The Company experienced transitional issues as it moved to the new Magento e-commerce platform, which impacted online sales. These issues have now been resolved and the e-commerce platform is functioning to expectations.

BUSINESS UPDATE

AMERICAS

Combined with the current oversupplied and highly competitive market for CBD nutraceuticals; slower than expected regulatory progress in the US leading to an under-regulated market, COVID-19 impacted sales in the Americas across all channels in Q1 FY2020.



On 25 March 2020, Elixinol appointed Mr Tom Siciliano as CEO – Americas. Mr Siciliano will lead Elixinol's refined strategy on hemp derived CBD in the Americas region.

The Company continues to invest in brand building initiatives and significantly reduce future cash burn in-line with its refined strategy. Key initiatives include:

- Launch of the new consumer centric and benefit led brand in late March 2020 via the Company's e-commerce platform and the pharmacy channel
- US website has been refreshed and the Company changed its e-commerce platform to Magento and has implemented Microsoft's Dynamic 365 ERP system
- Continued investment in sales and marketing to drive brand awareness and conversion
- Expanded facility located in Colorado is operational and will lead to improved product margins and reduce reliance on third party processing
- Adequate inventory is on hand to support at a minimum CY2020 demand, minimising ongoing cash requirements for raw material in the near term
- Conversion of the Company's A\$25m of inventory into cash – inventory has a shelf life of up to two years
- A further 45% reduction in workforce was completed during March and April 2020
- All major capital works programs are complete, and the Company currently has no ongoing significant capital expenditure or raw material supply commitments in the near term.

UK / EUROPE

Unlike the relatively under-regulated and highly competitive US market, higher barriers to entry are being implemented in Europe and UK. Companies seeking to market CBD nutraceuticals post March 2021 require a novel food authorisation application. Elixinol intends to pursue its application under this new regulation.

Leveraging its first mover advantage as a CBD supplier in Europe, Elixinol is continuing to develop its distribution strategy, prioritising pharmacy, home TV shopping and direct-to-consumer channels. Ideal World TV (UK) launched during the quarter and Channel 21 (Germany) launched in April.

Elixinol's new Magento based website launched in April making it the centerpiece of its refreshed digital brand strategy. Elixinol will invest in a significant social media and influencer strategy to support the brand relaunch.

In UK / Europe, Elixinol uses contract manufacturing for early-stage market entry. Operating efficiencies have been identified to further improve margins.

Post quarter corporate structure changes

As announced to the ASX on 21 April 2020, Elixinol appointed Mr Oliver Horn as Group CEO. Mr Horn is the former CEO of Swisse Wellness ANZ and North America and has extensive global industry experience, leadership credentials and passion for wellbeing. Mr Horn replaced Mr Stratos Karousos, effective immediately.



In addition, Elixinol announced the appointment of Ms Helen Wiseman to the Elixinol Global Board as Non-Executive Director. Ms Wiseman has extensive international experience in food, pharmaceutical, natural healthcare, professional services, energy and natural resources and manufacturing industries.

This ASX Announcement was authorised by the Board of the Company.

For more information please contact:

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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

Appendix 4C

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

Name of entity

Elixinol Global Limited

ABN

34 621 479 794

Quarter ended ("current quarter")

31 March 2020

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	3,972	3,972
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,643)	(4,643)
(c) advertising and marketing	(1,172)	(1,172)
(d) leased assets	(167)	(167)
(e) staff costs	(4,387)	(4,387)
(f) administration and corporate costs	(2,637)	(2,637)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	22	22
1.5 Interest and other costs of finance paid	(41)	(41)
1.6 Income taxes paid	4	4
1.7 Government grants and tax incentives	-	-
1.8 Other (N/A)	-	-
1.9 Net cash from / (used in) operating activities	(9,049)	(9,049)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(86)	(86)
(d) investments	-	-
(e) intellectual property	(3)	(3)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	2	2
	(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 (N/A)	-	-
2.6	Net cash from / (used in) investing activities	(87)	(87)
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	-	-
3.6	Repayment of borrowings	(291)	(291)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (N/A)	-	-
3.10	Net cash from / (used in) financing activities	(291)	(291)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	20,380	20,380
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(9,049)	(9,049)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(87)	(87)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(291)	(291)
4.5	Effect of movement in exchange rates on cash held	141	141
4.6	Cash and cash equivalents at end of period	11,094	11,094

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	3,093	10,094
5.2	Call deposits	8,000	10,286
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)	11,094	20,380

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

162

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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

7. Financing facilities

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
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.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(9,049)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	11,094
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	11,094
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.23

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- 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?

Answer:

No, the Company expects the level of net cash used in operation activities to be reduced over the next two quarters, this is mainly driven by staff cost savings from headcount reduction and a decrease in payments for raw materials as the level of commitment has been reduced.

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 continued reduction in headcount effected by the Company in March and April 2020 and a reduction in ongoing working capital requirements for raw materials.

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?

Answer:

Elixinol continues to assess its funding requirements in light of its business objectives on an ongoing basis and as a result, Elixinol proposes to undertake an equity capital raising that, if successful, will improve its financial position to further support its operations and business objectives. The Company is currently in a trading halt pending an announcement to the market in connection with a proposed capital raising, which comprises a fully underwritten pro rata accelerated entitlement offer.

Further, post quarter end, the Company has received proceeds of \$0.2m from the sale of Elixinol's 50.5% interest in Elixinol Japan and expects to receive proceeds of \$0.5m from the sale of its 100% interest in the Hemp Foods Australia. Elixinol also anticipates receiving proceeds from the sale of land held for the Nunyara business, valued at approximately \$2.6m.

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:

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.

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.

30 April 2020

Date:



Authorised by:

Teresa Cleary
Company Secretary

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
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