



## Quarterly business review for the period ending 31 March 2018



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## ELIXINOL GLOBAL QUARTERLY BUSINESS REVIEW – Q1 FY 2018

### HIGHLIGHTS:

- **Strong sales revenue generated in quarter ended 31 March 2018, with Elixinol Global reporting 94% revenue growth\***
- **Total operating revenues (sales) of A\$6.6 million recorded for the March quarter, resulting from increased demand for the Company's hemp-derived products**
- **Elixinol USA to expand Hemp processing and operations facilities in Colorado, USA, to support future growth of hemp-based dietary supplements**
- **Elixinol USA's Gabriel Ettenson appointed to the Board of U.S. Hemp Roundtable and meets Senate Majority Leader Mitch McConnell**
- **Elixinol Australia submits its licence application to cultivate and manufacture medicinal cannabis in Australia**
- **Hemp Foods Australia launches Sativa skincare range; together with nutritious new products using organic hemp seeds; bolsters sales and new product development team**
- **Hemp Foods Australia successfully harvests its main Australian hemp seed crop in Victoria**
- **Post quarter, new high value joint venture signed between Elixinol USA and Kersey Ag, securing supply of high cannabidiol (CBD) proprietary strains of premium organic hemp**

**Elixinol Global (ASX: EXL)**, a global company operating in the industrial hemp and emerging medicinal cannabis sectors is pleased to release its inaugural quarterly business review and Appendix 4C cash flow statement for the period ending 31 March 2018, which is underpinned by 94% revenue growth compared with prior corresponding period\*. This is the Company's first quarterly report, post its oversubscribed initial public offering in January 2018, through which it raised \$20m.

### **Elixinol Global lists on ASX – January 5 2018**

On 5 January 2018 a major milestone was achieved when the Elixinol Global entity listed on the Australian Securities Exchange with the ticker code, EXL. Under the initial public offering (IPO), Elixinol Global raised \$20m in what was a heavily oversubscribed capital raise, requiring the significant scaling back of investment bids. The IPO had the strong support of both institutional and retail investors. Bell Potter acted as lead manager to the IPO.



From left to right: Darren Bray (shareholder and consultant to Elixinol Australia); Linda McLeod, Managing Director; Paul Benhaim, Chief Executive Officer & Co-Founder, Ron Dufficy, Chief Financial Officer; Arthur Jaffee, Co-Founder and Andrew Duff, Chairman at the Australian Securities Exchange during the company's listing day ceremony in January 2018

Following the IPO, Elixinol Global owns 100% of the shares in each of the following companies in the group:

- Elixinol LLC (Elixinol USA), which is an established and profitable company founded in 2014, that manufactures and distributes industrial hemp-derived dietary supplements and skincare products, with operations based out of Colorado, USA
- Hemp Foods Australia Pty Ltd, founded in 1999 to manufacture and distribute hemp-derived food and skincare products from its base in Bangalow, NSW, Australia
- Elixinol Pty Ltd (Elixinol Australia), is a new Australian company (established in 2014) formed to participate in the emerging Australian medicinal cannabis market (subject to receiving the requisite licences, permits and approvals)

The Company's strategy is to leverage the synergies between its three discrete businesses and to capitalise on the opportunities provided by being invested in a range of emerging cannabis related sectors, including hemp-derived CBD dietary supplement and wellness products, hemp food products, cultivation and manufacture of medicinal cannabis products. The Directors believe the Company is well-positioned to capitalise on current and future growth opportunities.

Elixinol USA will aim to increase its domestic and global market share directly through sales and distribution of its product lines, and as a supplier to the natural and specialty health channels seeking to include hemp-derived CBD in their products.

Favourable legislative changes in Australia mean that Hemp Foods Australia is now permitted to sell hemp derived food products. Hemp Foods Australia will now expand distribution channels and grow its market.

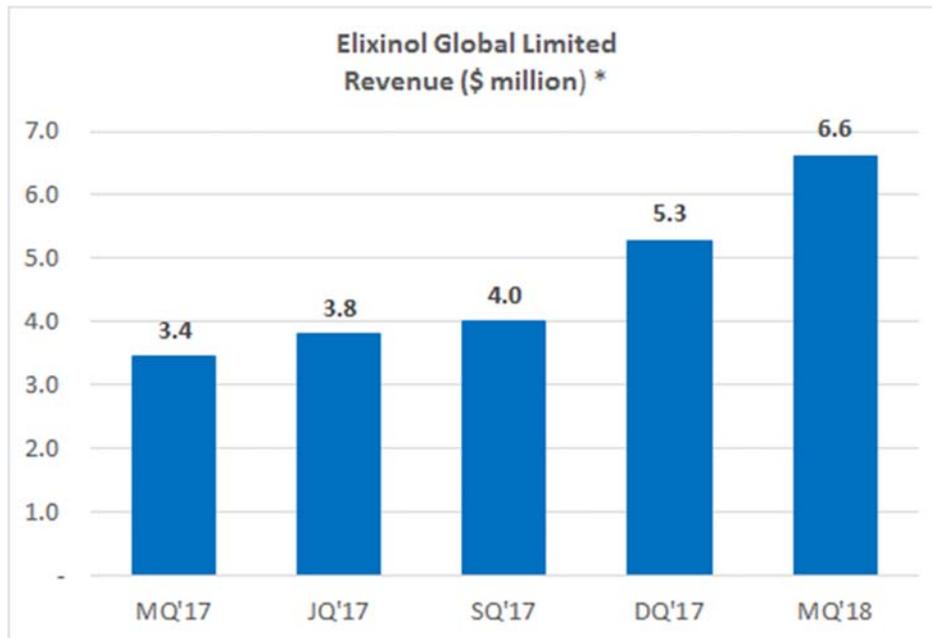


In the medicinal cannabis sector, Australian legislation allows the cultivation and manufacture of cannabis for medicinal and related research purposes under licence.

Subject to obtaining the requisite licences, Elixinol AUS can leverage Elixinol USA's expertise in extraction and processing of hemp-derived CBD products.

### Strong growth for Elixinol Global in Q1 FY 2018

Elixinol Global closed its inaugural quarter as a listed company and continues to report significant growth. In the March quarter of FY 2018 the group reported revenues of \$6.6m representing 94% growth compared with the March quarter in FY 2017.



\* historical revenues are shown on a pro forma basis; MQ'18 unaudited management accounts

Strong revenue growth has been reported due to increased demand for Elixinol USA's hemp-derived CBD dietary supplements and skincare products, and Hemp Foods Australia's hemp-derived food products.

At the end of the March quarter, Elixinol Global held a robust cash balance, with \$18.3m cash in the bank and \$0.25m debt.

In the Company's Appendix 4C, attached with this document, cash outflows of \$12.4m are estimated for the June quarter. These outflows are in line with expectations and include a \$2.4m (US\$1.8m) investment to capitalise the NCHPP joint venture (announced in April 2018), plus \$2.3m of capital expenditure, mostly relating to equipment purchases for the new US facility.



## Operational update

### Elixinol USA enters into joint venture to cultivate high-CBD organic hemp

Post the quarter, Elixinol announced that its subsidiary which is a leading provider of high-quality, whole plant CBD dietary supplements and wellness products, Elixinol USA had entered into a farming joint venture with Kersey Ag LLC to cultivate high-CBD premium organic hemp.

Kersey Ag is a Colorado-based agricultural company utilising the newest in efficient drip-irrigation techniques and technologies without the need for foreign chemicals. Elixinol USA and Kersey Ag will each hold a strategic 50% interest in the joint venture, which has been named the Northern Colorado High Plains Producers (NCHPP).

NCHPP will utilise up to 700 acres of farmland traditionally used to grow alfalfa, silage corn, and other forage crops with additional land available as required. The farmland, including appropriate water rights, is secured by an initial five-year lease term, extendable by up to 30 years.

The joint venture has commenced preparations for the 2018 hemp harvest which will see premium quality hemp grown, using genetics optimised for Elixinol's proprietary formulation and production efficiencies. The NCHPP joint venture will secure the ongoing supply of Elixinol USA's products that are distributed throughout the USA and to over 40 countries globally and support the Company's plans for sales and revenue growth.

These new cultivation activities are being implemented in parallel with Elixinol USA's Manufacturing Supply Agreement with Colorado Cultivars USA LLC (Colorado Cultivars) which has been renewed for a further 12 months. The agreement requires Colorado Cultivars to supply Elixinol USA with a minimum amount of organic hemp flower in monthly instalments up until October 2019.



Preparations for the planting of Elixinol USA's Colorado crop have begun



### Elixinol USA expands hemp processing and operations facilities

To increase production capacity and facilitate future growth, Elixinol USA will relocate to a newly leased facility in the Colorado Tech Centre (CTC), located in the neighbouring town of Louisville. This move will provide Elixinol USA with double the usable space available for its processing, manufacturing and fulfillment operations, preparing it for future growth. Relocation and commissioning of the leased facility is expected to be complete by October 2018.

In addition to this move, Elixinol USA has entered into an agreement to purchase an adjoining parcel of land within the CTC. At a cost of US\$0.3m, this land provides Elixinol USA with the option to build a new facility to further expand operations as required to support further growth.

### U.S. Hemp Roundtable – Elixinol USA has a seat at the table

In February 2017, hemp industry leaders (pictured below) formed the U.S. Hemp Roundtable, a national advocacy group with a mission to promote the full and permanent legalisation of industrial hemp and help to develop strong professional practices and standards for the industry. The U.S. Hemp Roundtable involves more than two dozen firms across the US at each link of the hemp supply and sales chain.

Previously a voting member of U.S. Hemp Roundtable advocacy group, Elixinol was appointed to the Board during the March quarter. Elixinol USA's General Manager & Co-Founder, Mr Gabriel Ettenson was also invited to join the Self-Regulatory Organization Guidance subcommittee of the Hemp Roundtable, which will be focused on creating and establishing standards of operation for those participating in the Hemp-CBD component of the industry.

Immediately post the quarter, on 16 April 2018, the Hemp Farming Act of 2018 S.2667 was introduced by Senate Majority Leader Mitch McConnell (R-Ky.). The Bill seeks to remove any existing legislative discrepancies for the Hemp Industry in the US and promote large scale industry growth across all elements of the existing and developing hemp industry in the United States. The Bill will also pave the way to remove barriers to banking and advertising that currently constrain the industry.

Although there is no guarantee this Bill will be passed or even debated imminently, the Bill will now bypass the traditional committee process directly to the full Senate by using a procedure called Rule 14.





### Hemp Foods Australia farming update

In April, Elixinol Global's subsidiary Hemp Foods Australia began harvesting a local Victorian crop across nearly 700 acres of farmland. This harvest represents a key milestone for our farming operations. The crop is important for Hemp Foods Australia's farming operation as it provides important data points in relation to soil quality, irrigation, and seed varieties.

After the harvest is completed the Hemp Food Australia farming team will commence preparations to sow more hemp in Victoria and other states in the second half of 2018. These crop growth activities are in line with the Company's strategy to become the largest hemp grower in Australia.



Elixinol Global's CEO, Paul Benhaim visits the Victorian hemp growing facility

### Nutritious new hemp-derived products launched

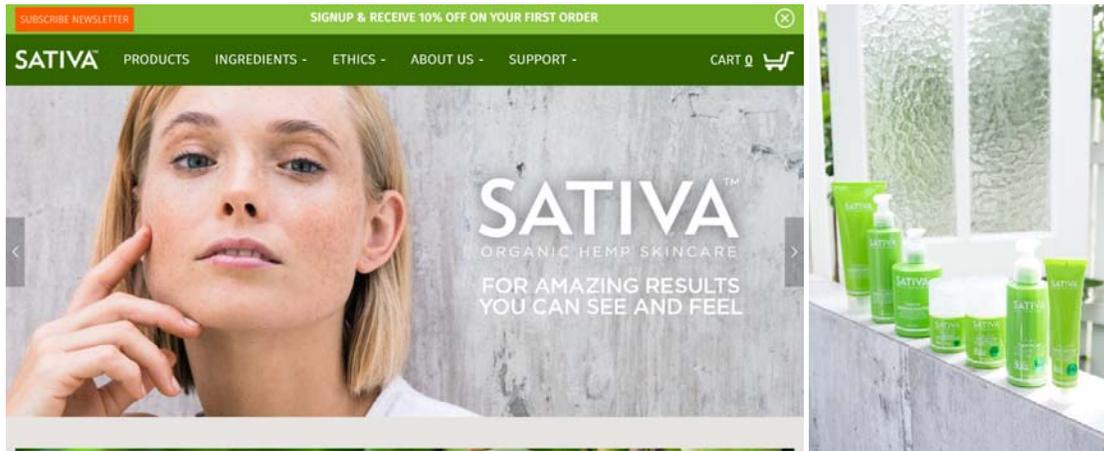
Hemp Foods Australia has seen a significant increase in the demand for both its branded retail products and as a supplier of bulk seeds, protein and flour to other food companies that are gaining distribution through mainstream channels. Innovative nutritious products incorporating Hemp Foods Australia products are being introduced across major grocery outlets and leading restaurant chains including:

- Grill'd healthy burgers
- Alpine Breads are launching a hemp bread through Coles
- Emma & Toms is currently finalising plans to launch a range of hemp snack bars
- Health Farm are launching Mayvers Protein Peanut butter, incorporating hemp seeds through Woolworths



### Hemp Foods Australia launches SATIVA™ skincare range

SATIVA™ is a unique and innovative range of organic skincare which combines hemp seed oil with nutrient-rich botanicals from the Australian outback and the Amazon to deliver amazing skincare results. The SATIVA™ product range, which has been under development by Elixinol Global's CEO, Paul Benhaim for the last four years, was formally launched at the Naturally Good Expo, in Sydney, Australia between 29-30 April 2018. For more information on the SATIVA™ range, shareholders are invited to visit the product website at <http://sativaskincare.com/>.



The SATIVA™ range was formally launched, post the quarter, in April at the Naturally Good Expo

### Elixinol Pty Ltd (Elixinol Australia) submits its licence application to the Office of Drug Control (ODC) for the cultivation and manufacture of medicinal cannabis products for the Australian and export markets

Elixinol Australia welcomed the Australian Governments' announcement in February 2018 that it would legalise the export of medicinal cannabis products, with the announcement underpinned by the Narcotic Drugs Amendment (Cannabis) Regulations 2018.

Following this announcement, during the quarter, licence applications for Elixinol Australia to participate in the Australian medicinal cannabis industry were submitted to the Australian



Government's Office of Drug Control. Once approved, Elixinol will be able to cultivate and manufacture medicinal cannabis products for use in the Australian market and for export to other countries.

Subject to obtaining the requisite licences, permits and approvals, Elixinol Australia's business model involves establishing a facility for greenhouse cultivation and GMP manufacturing to enable the production of high quality medicinal cannabis products. Elixinol Australia will execute its business model by:

- Sourcing high yielding cannabis genetics;
- Developing breeding programs;
- Partnering with leading researchers for ongoing evaluation of the efficacy of the company's products for a range of therapeutic indications;
- Drawing on the expertise of Elixinol USA in extraction, pre-processing, processing activities in the development of a range of CBD/THC products for various indications; and
- Implementing a Medical Education Program for educating specialists and medical practitioners in medical cannabis, efficacy and dosage/treatment protocols.

In the short term, Elixinol Australia will be focused on obtaining the range of required licences to undertake its proposed activities, establishing the greenhouse cultivation and manufacture facilities, and developing proprietary CBD/THC medicinal cannabis products for a range of indications.

Plans are well advanced to commence construction of a state of the art cultivation and GMP manufacturing facility in New South Wales.

For more information, please visit [www.elixinolglobal.com](http://www.elixinolglobal.com) or contact the individuals below:

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**About Elixinol Global**

Elixinol Global Limited has a global presence in the cannabis industry including hemp-derived CBD dietary supplements, food and wellness products, and the cultivation and manufacture of medicinal cannabis products. Elixinol Global's companies include: Elixinol LLC, founded in 2014, manufacturer and distributor of industrial hemp based dietary supplement and skincare products, with operations based out of Colorado, USA. Hemp Foods Australia Pty Ltd, founded in 1999, manufacturer and distributor of industrial hemp food products in Australia. Elixinol Pty Ltd, founded in 2014, to take part in the emerging Australian medicinal cannabis market.

## 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 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	5,893	5,893
1.2 Payments for		
(a) research and development	(88)	(88)
(b) product manufacturing and operating costs	(3,207)	(3,207)
(c) advertising and marketing	(579)	(579)
(d) leased assets	(74)	(74)
(e) staff costs	(1,412)	(1,412)
(f) administration and corporate costs	(753)	(753)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	92	92
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)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(128)</b>	<b>(128)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(438)	(438)
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
(d) intellectual property	-	-
(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	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(438)</b>	<b>(438)</b>

<b>3. Cash flows from financing activities</b>		
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	(14)	(14)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(14)</b>	<b>(14)</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	18,834	18,834
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(128)	(128)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(438)	(438)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(14)	(14)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	10	10
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>18,264</b>	<b>18,264</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	5,679	3,845
5.2	Call deposits	12,585	15,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>18,264</b>	<b>18,845</b>

**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

<b>Current quarter \$A'000</b>
178
-

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

<b>Current quarter \$A'000</b>
-
-

8. <b>Financing facilities available</b> <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. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(78)
9.2 Product manufacturing and operating costs	(3,415)
9.3 Advertising and marketing	(908)
9.4 Leased assets	(82)
9.5 Staff costs	(2,046)
9.6 Administration and corporate costs	(1,149)
9.7 Investments and other capital expenditure	(4,710)
<b>9.8 Total estimated cash outflows</b>	<b>(12,388)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	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 April 2018.....  
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.