

ASX Announcement
30 August 2023

H1 FY23 INTERIM REPORT AND APPENDIX 4D

Revenue growth and business optimisation drives 52% improvement in Adjusted EBITDA vs PCP

Key Highlights

- **52% improvement in Adjusted EBITDA, to a substantially reduced loss of \$2.6m in H1 FY23 from a loss of \$5.4m in H1 FY22 (vs a loss of \$7.1m in H1 FY21).**
- **Elixinol Wellness Group H1 FY23 revenue of \$3.5m, up 9% vs PCP (H1 FY22 \$3.2m).**
- **Hemp Foods Australia H1 FY23 revenue of \$2.1m, up 24% vs PCP (H1 FY22 \$1.7m), led by continued strong sales of Seed Mix through Coles and national ranging of Hemp Seed Oil through Woolworths.**
- **Business optimisation efforts drive a further 36% reduction in operating costs (\$2.5m of cost outs) with further cost reduction initiatives currently underway.**
- **Net operating cash utilised, excluding non-recurring items, during H1 FY23 was \$2.4m, a 56% reduction compared with PCP (H1 FY22: \$5.4m). Cash held as at 30 June 2023 was \$3.0m.**
- **During H1 FY23, Elixinol Wellness successfully completed a \$1.25m Placement to institutional and sophisticated investors; together with a \$1.0m fully underwritten Share Purchase Plan to shareholders on equal terms with a free attaching 1:1 option.**
- **The acquisition of The Sustainable Nutrition Group Limited (ASX: TSN) (TSN) completed on 17 August 2023 significantly increasing the size and scale of the business; 2X increase in pro forma Australian revenues with immediate cost synergies.**

Elixinol Wellness Limited (**Elixinol Wellness, EXL** or the **Company**) (**ASX: EXL**) a pioneer in the global hemp industry, innovating, marketing and selling hemp-derived nutraceutical, food and topical products, releases its Interim Report and Appendix 4D report for the half year ended 30 June 2023 (**H1 FY23**).

Group Chief Executive Officer and Managing Director (**Group CEO**), Ron Dufficy, commented: *"We are pleased to report a further improvement of our EBITDA, as we return the business to growth, and optimise the business cost structure. Today's result represents the 7th consecutive half year of EBITDA improvement, as we relentlessly pursue a pathway to profitability.*

Additionally, we were pleased to launch carefully considered new products of strategic importance through the half year. These new ranges sit within both the Elixinol and Hemp Foods Australia brand lines and will see these brands featured more prominently in traditional retail channels.

Post half, we were very proud to successfully conclude the acquisition and integration of The Sustainable Nutrition Group. My thanks go to both the Elixinol Wellness and the TSN teams who worked tirelessly through all the phases of identification, due diligence, negotiation,

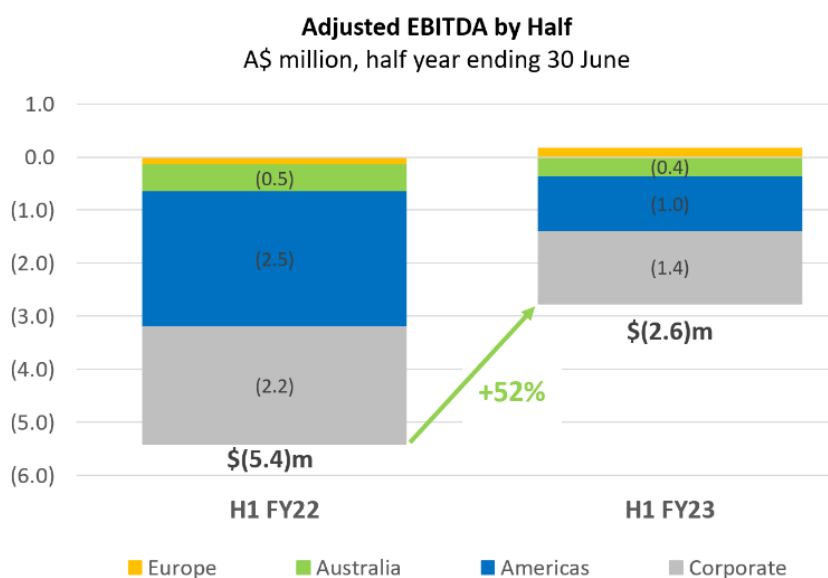
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documentation, integration planning and completion.

While the acquisition is only freshly completed, we have moved at pace to bring our teams together. Within 10 days of completion, we have already relocated operations to our Geelong-based facility. We are now focused on strategic plans to drive value from the acquisition and look forward to keeping the market updated on our progress.”

Financial Summary

The Group’s continued focus on revenue growth, margin improvement and cost reduction initiatives enabled Elixinol Wellness to deliver on its EBITDA targets. The Group’s profitability-focused initiatives led to a further 52% improvement to the Adjusted EBITDA result vs PCP, enabling it to continue its trajectory towards profitability. The Group has now reported EBITDA improvement across seven consecutive half year financial reporting periods.



The Group reported revenue of \$3.5m for H1 FY23, up 9% vs PCP (H1 FY22 \$3.2m).

Hemp Foods Australia reported revenue of \$2.1m for H1 FY23, up 24% vs PCP (H1 FY22 \$1.7m), led by continued strong sales of Seed Mix through Coles and national ranging of Hemp Seed Oil through Woolworths.

Net operating cash utilised, excluding non-recurring items, during H1 FY23 was \$2.4m, a 56% reduction compared with PCP (H1 FY22: \$5.4m). Continued focus on cost reduction is expected to drive lower operating cash expenditures in the coming quarters.

With improving cash flow, the Group finished H1 FY23 with cash on hand of \$3.0m including \$0.4m which was received from the US Internal Revenue Service (**IRS**) from its COVID-19 relief measures and a further \$0.5m received from the successful German arbitration. Also received during the quarter were the proceeds from a \$1.25m capital raise via an institutional placement and a further fully underwritten SPP of \$1.0m.

The Group also delivered numerous strategic objectives designed to position it for future growth, including acquiring The Sustainable Nutrition Group via a scheme of arrangement.

This transaction was completed on 17 August 2023.

In conjunction with the proposed TSN acquisition, Elixinol Wellness provided a loan to TSN of up to \$2.0m. On 20 June 2023, this loan facility was increased to \$2.4m to ensure outstanding liabilities to hemp growers were extinguished. As at 30 June 2023, \$0.3m of this facility remained undrawn by TSN and was utilised in Q3 FY23, prior to the completion of the acquisition. Our inventory holdings of hemp grain are expected to further reduce ongoing cash requirements of the combined Australian business over the next 12 months. The Company will continue to work with Australian farmers to help develop a sustainable hemp growing industry, which is fundamental to its strategy.

Hemp Foods Australia Update

Hemp Foods Australia reported revenue growth of 24% vs PCP (H1 FY23: \$2,100k vs H1 FY22: \$1,690k and H2 FY22: \$2,001k). This solid start to the year was driven by continued strong sales of its Seed Mix range through Coles nationally, the rollout of Hemp Seed Oil across Woolworths stores nationally, and promotional activity with Costco.

On 29 November 2022, Hemp Foods Australia was able to secure a two-year period of 'market exclusivity' from the Australian Therapeutic Goods Administration (**TGA**) to use and supply Hemp Seed Oil for listed complementary medicines in the Australian market. Hemp Foods Australia is capitalising on its first mover advantage to exclusively produce, sell and/or licence products that include this Hemp Seed Oil ingredient for two years with exclusivity to make claims on those products over that period.

In August 2023, the Company launched its new TGA-approved range of Hemp Seed Oil capsules in health food and specialty stores supported both by distributors and online, via the www.hempfoods.com.au website.

Pain Relief Capsules, with Hemp Gold® Seed Oil



Why they are loved:

- Organic Hemp Gold® Seed Oil providing Plant-Based Omega 3 & 6, in a ratio that is considered optimum (1:3).
- Relieves inflammation.
- Reduces mild joint pain & soreness.
- Australian Made.
- TGA Approved.

Ingredients: Organic Hemp Gold® Seed Oil, Curcumin (Turmeric), Black pepper.
Size: 60 capsules
RRP: \$24.95

Containing extra virgin, cold pressed oil extracted from organic hemp seeds, Turmeric, and Black Pepper these capsules are a balanced source of Omega 3, 6 & 9 and fatty acids. Here to support everyday health and vitality, relieve inflammation and reduce mild joint pain and soreness.



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Hemp Foods
AUSTRALIA

Elixinol Americas Update

Elixinol Americas reported a revenue decline of 12% vs PCP (H1 FY23: \$1,332k vs H1 FY22: \$1,512k and H2 FY22: \$1,806k). Revenues from eCommerce were maintained in a highly competitive market, and, notably, this was achieved from a cost base 43% lower than the previous year. This was enabled by servicing a loyal customer base and through offering subscription-based ordering which continued to contribute approximately one-third of eCommerce revenue for the half. The traditional retail channel for Elixinol's branded CBD products continues to underperform due to the continued unclear regulatory status of CBD products in the USA.

As at 30 June 2023, the Company was well progressed in plans to launch a new non-CBD vitamin, mineral and supplements (VMS) line, targeting both retail and online channels. Upon receiving inventory in August 2023, the Company launched the products on its primary consumer website www.elixinol.com as well as on www.amazon.com.

This product launch is strategically important as it will enable Elixinol-branded products to be more readily sold in traditional retail channels in the US while the regulatory pathway for CBD products is outlined by the Food and Drug Administration.



INTRODUCING ELIXINOL LIFE

Plant-based. Potent. Science Backed.
Supporting the body for your life.

SHOP ELIXINOL LIFE

Corporate Update

As part of the Company's long-term strategy, which includes reducing corporate costs, Directors Mr Paul Benhaim and Mr Oliver Horn notified the Company of their intention to retire as Non-Executive Directors, effective from 6 April 2023.

Both Mr Benhaim and Mr Horn brought significant experience and expertise to Elixinol Wellness in management roles and as long-standing members of the Board.

The Board would like to thank our founder, Mr Benhaim and our former CEO, Mr Horn for their significant service and their insights and support in the navigation of the Company's revised strategy over this past year.

Additionally, the Board expanded Group CEO Ron Dufficy's role to also include the role of Managing Director. Mr Dufficy's terms of employment, as announced to the market on 29 July 2022, remain unchanged as a result of this role expansion.

On 19 April 2023, Ms Kim Bradley-Ware of Company Matters resigned as joint Company Secretary of the Company. Ms Sarah Prince from Company Matters was appointed as joint Company Secretary.

On 23 May 2023, Ms Teresa Cleary resigned as Company Secretary of the Company and Ms Josephine Lorenz, the Company's Group Chief Financial Officer, was appointed as joint Company Secretary.

Placement and Underwritten Share Purchase Plan Successfully Completed

On 5 April 2023, Elixinol Wellness announced that it had successfully completed a \$1.25m placement (**Placement**) with support from new and existing institutional and sophisticated investors, and that it would undertake an underwritten Share Purchase Plan (**SPP**) to make the offer available on the same terms to existing shareholders.

Placement shares were offered to sophisticated and institutional investors at the offer price of \$0.018 per share, representing a 25% discount to the last price close on 31 March 2023 (\$0.024 per share) and a 19.2% discount to the volume weighted average price of shares over the five-day and fifteen-day periods up to the last close on 31 March 2023 (\$0.022 per share). A total of 69,444,445 New Shares were issued within the Company's available placement capacity under ASX Listing Rules 7.1 and 7.1A.

Participants in the Placement and SPP were entitled to subscribe for one Attaching Option for every New Share issued. Each Attaching Option is exercisable for one share at an exercise price of \$0.02 and will expire two years after the date of issue.

On 24 May 2023, Elixinol Wellness announced the successful completion of the SPP which was fully underwritten by Canaccord Genuity (Australia) Limited (Canaccord). The approval of the underwriting was approved by the Company's shareholders at the Annual General Meeting (AGM) held on 31 May 2023.

Acquisition of The Sustainable Nutrition Group

On 29 November 2022, Elixinol Wellness announced plans to implement schemes of arrangement (**Schemes**) with The Sustainable Nutrition Group Ltd (ASX: TSN) (**TSN**) to acquire 100% of TSN's ordinary shares. On 17 August 2023, the acquisition was completed.

The acquisition increases size and scale for both Elixinol Wellness and TSN and will see the Group expand to own and operate brands across four key verticals: plant-based food and nutrition, hemp-based nutraceuticals (including cannabinoids such as CBD), pet nutritional supplements and skin health. TSN brands include Australian Primary Hemp, Mt Elephant, Field Day and The Australian Superfood Company.

The acquisition of TSN accelerates Elixinol Wellness' ability to achieve its strategic objectives of being a premium hemp and plant-based health and wellness company, and will provide the following benefits to the group:

- Creates a global plant-based food, health and wellness company: Optimises access to supply chains in Australia and enables the group to leverage access to one of the largest contract growers networks in Australia.

- Highly complementary product set with improved product innovation: Number of brands increase from four to eight across the human nutrition, food, CBD, pet, and wellness verticals. Additionally, the combined group's new product development and IP sharing will assist in driving cost effective growth, whilst also accelerating e-commerce growth with the increased product range aimed to increase growth in website traffic and online sales through seven e-commerce sites, including in the US.
- Expands distribution network: Immediately broadens distribution capabilities across Australia to over 4,000 locations, providing substantial cross-sell opportunities for EXL and TSN brands, and the ability for EXL and TSN to expand existing relationships with partners and distributors.
- Increases size and scale: Leveraging the strategic reviews conducted by both TSN and EXL, the combined group aims to realise economies of scale through the rationalisation of operations and distribution channels. The combined group targets cost and revenue synergies to be realised over time, as well as margin expansion through the consolidation of operations.
- Leveraged to strong sector tailwinds: The combined group is positioned to leverage the mainstream shift towards plant-based, sustainable nutrition products. The global plant-based protein market is expected to significantly grow from US\$10.3bn in 2020 to US\$17.5bn in 2027¹.

Upon completion of the Scheme, Ms Pauline Gately, was appointed as a non-executive director of Elixinol Wellness with effect from 17 August 2023. Pauline led The Sustainable Nutrition Group during the merger process with Elixinol while growing revenue and executing significant cost reductions across the business. She is an experienced director who brings a sharp commercial focus to strategy. Her Board contributions are underpinned by 20 years investment banking experience spanning senior roles in investment strategy, research, and funds management across the Asia Pacific region. She is currently Non-Executive Chair of Kalgoorlie Gold Mining Ltd (ASX: KAL), a Non-Executive Director of Ardiden Ltd (ASX: ADV) and Non-Executive Director of Pioneer Credit Ltd (ASX: PNC).

More information on the acquisition can be found at the Elixinol Wellness website at www.elixinolwellness.com.

¹ UnivDatos Market Insights: Plant-Based Protein Market. Current Analysis and Forecast 2021-2027, July 2021.

Note to Market

None of the information included in this announcement should be considered individually material, unless specifically stated. All figures in this announcement are provided on an unaudited basis. This Company presentation may include certain statements, estimates or projections with respect to the anticipated future performance of the Company, and any ongoing or future projects or both. Those statements, estimates or projections are based on assumptions about future events and management actions that may not necessarily take place and are subject to significant uncertainties, many of which are outside the control of the Company. Those assumptions may, or may not, prove correct. No representation is made as to the accuracy of those statements, estimates or projections.

This document was authorised to be given to the ASX by the Board of the Company.

Investor relations please contact:

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About Elixinol Wellness

Elixinol Wellness Limited (ASX: EXL) is a pioneer in the global hemp industry, innovating, marketing and selling hemp and other plant derived nutraceutical, food and skincare products. The Company's simplified business model is focusing on:

- In the Americas, innovating, marketing and selling high quality Elixinol branded hemp and other plant derived nutraceutical and skincare products based in Colorado, USA.
- In Australia, Hemp Foods Australia is a leading hemp food wholesaler, retailer, manufacturer and exporter of bulk and branded raw materials, and finished products.
- In the United Kingdom, Japan, Brazil, Mexico and South Africa, branded hemp and other plant-derived products are available to consumers via exclusive Distribution and/or Trademark and Know-How Licensing Agreements.
- Across the Rest of World, expanding distribution of branded hemp and other plant derived products through reputable distributors as key markets open.

See more at www.elixinolwellness.com

About The Sustainable Nutrition Group Ltd ("TSN")

TSN is a vertically integrated business which produces, manufactures, and distributes a range of sustainable and plant-based nutrition brands, including hemp products under the Mt Elephant, Australian Primary Hemp, Field Day and The Australian Superfood Company brands to retail, wholesale, e-commerce and white label customers in Australia. TSN engages across the value chain encompassing seed selection, farming, processing, packaging, distribution and sales of bulk, food service and retail products.