

## ASX ANNOUNCEMENT

Melbourne, Australia, 31 July 2023: The Sustainable Nutrition Group (ASX:TSN) (“**TSN**” or the “**Company**”), a producer, manufacturer and distributor of premium hemp and plant-based health products, reports its quarterly activities report and Appendix 4C for the three months ended 30 June 2023 (“**Q4 FY23**” or the “**Quarter**”).

### Highlights

- **Q4 and FY23 revenue:** Revenue of \$875K compared with Q3 FY23 sales of \$922K. Cash receipts of \$1.03M were in line with Q4 FY22. Unaudited FY23 sales of \$3.61M up 8% on FY22 while FY23 gross margins of 40% for the Group were broadly in line with FY22.
- **Proposed merger with Elixinol Wellness Ltd (ASX: EXL):** TSN’s proposed merger with Elixinol Wellness Ltd is expected to be implemented on 17 August 2023. Upon deal completion, the combined Group will own brands across four verticals including, plant-based nutrition, pet nutritional, hemp-based nutraceuticals and skin health.
- **Resumption of Hemp Isolate Project:** TSN and Australian Plant Protein (APP) resumed work on the Hemp Isolate development project in mid-March. Several rounds of testing occurred during the reporting period. Upon successful completion, TSN will leverage EXL’s products, distribution channels and international network post-merger to build its ingredients revenue.
- **Further Advance of Loan Funding from EXL:** Following the final drawdown from the \$2M EXL facility, EXL agreed in late June to extend a further \$400K to cover TSN’s working capital requirements until merger completion to enable the Company to clear remaining obligations to contracted hemp growers.
- **Continued focus on cost reductions:** Net cash used in operating activities of \$280K during Q4 FY23. Net cash used in operating activities for FY23 declined to \$2.1M down 58% from FY22 as a result of the implementation of TSN’s leaner cost structure. Advertising and marketing costs, staff costs and product manufacturing and operating costs were all pared back significantly. Further savings are anticipated once EXL and TSN operations are integrated at TSN’s Geelong facilities.

### Quarterly and Unaudited FY23 Performance

Q4 Group revenue of \$875K was lower than Q3’s \$922K which was boosted by TASCo (The Australian Superfood Company) orders landing early. To this end, \$148K of the revenue recognised in Q3 was received in Q4, underwriting significantly higher Group receipts of \$1.03M.

FY23 unaudited sales of \$3.61M were \$252K or 8% more than FY22. While Grocery dominated TSN’s sales profile, ingredients sales to large direct customers are recovering after a lackluster 1H FY23, narrowing the year-to-date gap to \$25K compared with CY22.



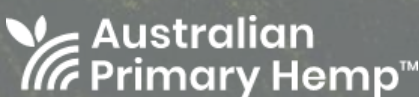
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Q4 gross margin across the Group at 33% (TASCo 45% and TSN 28%) was significantly lower than Q3's 49% as a result of TSN rebates and promotions. However, for FY23, the unaudited gross margin of 40% across the Group was in line with FY22's 41%. The Company will continue to monitor margins closely.

### Hemp Isolate Project Continues

TSN and Australian Plant Protein (APP) resumed work on the Hemp Isolate development project in mid-March. Since then, there have been several rounds of testing as part of the Stage 2 process. Upon successful completion of this stage, TSN will seek to leverage Elixinol's products, distribution channels and international network to build its ingredients revenue base.

### Final drawdown from \$2M EXL Facility

In May 2023, TSN received the final drawdown of \$251K from the \$2M EXL facility negotiated in late 2022. Of these funds, 12% was applied towards farmer payments with the remainder applied to working capital.

### Further Advance of Loan Funding from EXL

On 20 June 2023, the initial EXL facility amount was increased from \$2.0m to \$2.4m to cover TSN's additional working capital requirements resulting from delays to the timetable for implementation of the Scheme of Arrangement (merger). (*ASX Announcement of 20 June 2023: Update on Scheme of Arrangement with Elixinol Wellness Ltd*).

The Initial Loan and Further Advance are on the same arm's length commercial terms, with an interest rate of 11.51% per annum.

Upon the Scheme becoming Effective, the Loan will be refinanced to an unsecured intercompany loan governed by Elixinol's Umbrella Intercompany Loan Agreement. If the Scheme does not complete, the Loan is repayable in full by 28 November 2023.

The company intends to allocate the Further Advance to the payment of its remaining liabilities to contracted hemp growers. Accordingly, of the amount drawn since the Further Advance was negotiated in late June, 100% has been allocated to remaining farmer payments.

Although the Company is carrying surplus grain inventory, the upside is that this should reduce ongoing cash requirements over the next 12-18 months and help to support margins in the current inflationary climate.




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### Summary of Cash Receipts and Outflows

Cash receipts of \$1.03M were recorded in Q4 FY23 in line with the same period last year (Q4 FY22: \$1.04M) and \$198K more than Q3 FY23. Cash receipts of \$3.85M for FY23 exceeded FY22 by \$100K.

Q4 net cash used in operating activities of \$280K was significantly lower than Q3's \$946K. In line with TSN's leaner cost structure announced as part of its Strategic Review (*ASX Announcement of 29 July 2022: Quarterly Activities Report and Appendix 4C- Q4 ending 30 June 2022*), net cash used in operating activities for FY23 declined to \$2.1M from \$5M in FY22, a reduction of \$2.87M or 58%.

Advertising and marketing costs were reduced by \$970K, staff costs by \$953K and product manufacturing and operating costs were pared back by \$671K. Further expenditure reductions are anticipated during the remainder of CY23 once EXL and TSN operations are integrated at TSN's Geelong facilities.

### Cash Balance

As of 30 June 2023, TSN recorded a cash balance \$105K excluding a term deposit of \$933K used as security for a bank loan of \$886K. Including the term deposit, the cash balance at the end of Q4 was \$1.04M.

### Related Party Statement

In accordance with Listing Rule 4.7C.3 payments to related parties of \$39,000 were made during Q4 in line with Q3 payment of \$40,000. On 19 June 2023, TSN Interim Executive Chair, Pauline Gately, ceased performing executive duties moving to the role of TSN Interim Non-Executive Chair. TSN Non-Executive Directors will continue to forgo fees until merger completion to preserve cash.

### Update on Proposed Merger with Elixinol Wellness Ltd (EXL)

TSN's proposed merger with EXL made significant progress during Q4 with Federal Court of Australia orders on 28 June 2023 approving the dispatch of the explanatory statement (Scheme Booklet) in relation to Elixinol Wellness Limited's ACN 621 479 794 (EXL) proposed acquisition of 100% of TSN's ordinary shares (Scheme). (*ASX Announcement of 28 June 2023: Court Approves Issue of Scheme Booklet and Convening Scheme Meeting*).

The proposed Scheme requires TSN shareholder approval and will be considered at the Scheme Meeting at K&L Gates offices (Level 25, 525 Collins Street, Melbourne) on Wednesday 2 August 2023 at 10 am. TSN Directors maintain their recommendation that TSN Shareholders should vote in favour of the Scheme in absence of a Superior Proposal.



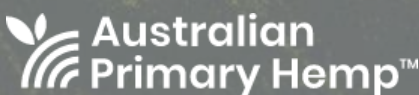
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Following registration of the Scheme Booklet by ASIC (*ASX Announcement of 29 June 2023: Scheme Booklet Registered by ASIC*), the Booklet containing information relating to the Scheme, the reasons for the TSN directors' recommendation, the Independent Expert's report and details of meetings was dispatched to TSN shareholders on 3 July 2023.

The indicative timetable to complete the Scheme transaction is set out below. Certain dates and times are still subject to receipt of necessary approvals from TSN Shareholders, and the Court. Implementation of the Scheme is also subject to the satisfaction or, if applicable, waiver of the Scheme Conditions (*see Sections 1.3 and 9.9 of the Scheme Booklet*).

Cutoff for Proxy Form/POA lodgement for Scheme Meeting	31 July 2023 (10am)
Cutoff for eligibility to vote at Scheme Meeting	31 July 2023 (7pm)
Scheme Meeting (TSN Shareholders)	2 Aug 2023 (10am)
Second Court Date (Approval of the Scheme)	7 August 2023
Effective Date (Court Order lodged with ASIC and ASX)	8 August 2023
TSN shares cease trading (Close of trade)	8 August 2023
Scheme Record Date (Scheme consideration entitlements)	10 August 2023
Implementation Date (Transfer of shares and Scheme entitlements)	17 August 2023

*Note: All references to time are to Australian Eastern Standard Time unless otherwise stated.*

**For further information, please contact:**

Melanie Leydin  
Company Secretary  
The Sustainable Nutrition Group  
+61 3 9692 7222

**Authorised for release by the TSN Board of Directors**

**Forward-Looking Statements**

This announcement contains forward-looking statements, including references to forecasts. Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond TSN's control and speak only as of the date of this announcement. Readers are cautioned not to place undue reliance on forward-looking statements.




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## Appendix 4C

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

**Name of entity**

THE SUSTAINABLE NUTRITION GROUP LIMITED

**ABN**

43 071 666 334

**Quarter ended ("current quarter")**

30 June 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,034	3,853
1.2 Payments for		
(a) research and development	(45)	(111)
(b) product manufacturing and operating costs	(569)	(3,256)
(c) advertising and marketing	(66)	(210)
(d) leased assets	-	-
(e) staff costs	(350)	(1,640)
(f) administration and corporate costs	(265)	(652)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(19)	(96)
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>(280)</b>	<b>(2,111)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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 (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	352	2,437
3.6	Repayment of borrowings	(26)	(455)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material – see comment at 5.5 below for further information)	(33)	(143)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>292</b>	<b>1,839</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	94	378
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(280)	(2,111)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	292	1,839
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>105</b>	<b>105</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	105	105
5.2	Call deposits	-	-
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> <i>*Note: cash and cash equivalents at the end of the quarter excludes \$920,000 in a term deposit with National Australia Bank (NAB) which is security for a loan facility. See 7.6 below for more information.</i>	<b>105*</b>	<b>105</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(39)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>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.</i>		
7.1 Loan facilities	3,286	2,986
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>3,286</b>	<b>2,986</b>
<b>7.5 Unused financing facilities available at quarter end</b>		<b>300</b>
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.		
The loan facilities balance includes: <ul style="list-style-type: none"> <li>A loan balance of \$885,926 with NAB. The loan will mature in February 2032. The current interest rate (variable) is 8.49% per annum. Principal and interest payments commenced in April 2023. The loan balance is secured by a term deposit of \$932,907 with NAB which can only be accessed on a drawdown basis as the loan balance reduces; and</li> <li>A loan balance with Elixinol Wellness Limited ("the Lender") pursuant to a Facility Agreement entered on 28 November 2022 and extended by \$400,000 on 20 June 2023. The loan was drawn to \$2,100,000 at 30 June 2023. The loan facility is for an amount not exceeding \$2,400,000. The interest rate on the loan is 11.51% per annum. The loan is secured over the assets of The Sustainable Nutrition Group (Australia) Pty Ltd and The Sustainable Nutrition Group Limited. The maturity date is the earlier of 12 (twelve) months after the date of the Facility Agreement and the date of the Scheme Implementation Deed entered on 28 November 2022 or as otherwise agreed by the Lender.</li> </ul>		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(280)
8.2 Cash and cash equivalents at quarter end (item 4.6)	105
8.3 Unused finance facilities available at quarter end (item 7.5)	300
8.4 Total available funding (item 8.2 + item 8.3)	405
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>1.45</b>
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 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: It is expected that the level of net operating costs will continue to improve as a result of further revenue growth per quarter, strict cost control measures and the proposed merger with Elixinol Wellness Limited (ASX:EXL).	



8.6.2 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: Yes, the Company has a secured \$2.4m loan facility from Elixinol Wellness with remaining drawdown of \$300,000 expected to occur in Q1 FY24 as the Company progresses its Scheme of Arrangement with EXL.

8.6.3 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, the company expects to be able to continue its operations and meet its business objectives, noting the expected implementation of the Scheme of Arrangement of mid-August 2023. The Company intends to be funded through existing facilities to enable its business objectives to be met during the intervening period.

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## 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.

Date: 31 July 2023.....

Authorised by: Board of Directors.....  
(Name of body or officer authorising release – see note 4)

## 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.