

ASX Announcement
28 March 2022

***STRATEGIC REVIEW UPDATE,
BOARD AND EXECUTIVE LEADERSHIP CHANGES***

Key highlights:

- **Preliminary findings from the strategic review have identified opportunities that are expected to reduce operating costs by approximately \$3.2m on an annualised basis**
- **Additional strategic review opportunities continue to be explored, including the potential sale or merger of all, or parts, of the Elixinol Wellness group**
- **Executive leadership team changes announced, including the resignation of Global CEO Mr Oliver Horn, effective 8 April 2022, with Mr Horn to remain on the Board as a Non-Executive Director**
- **Ron Dufficy, who is the Company's current Global CFO, to be appointed as Interim Global CEO, effective 8 April 2022**
- **David Fenlon, former CEO of BWX Limited (ASX: BWX) and former Managing Director Australia and NZ of Blackmores Limited (ASX: BKL), joins Board as Independent Non-Executive Director effective 28 March 2022**
- **Strong funding position ending FY21 with \$14.7m¹ and reduced CAPEX due to simplified and capital light business model**

Elixinol Wellness Limited (**Elixinol Wellness** or the **Company**) (**ASX:EXL**) today announces the preliminary outcomes of its strategic review which is being undertaken to address challenges resulting from the current status of the CBD sector and to position the Company to achieve maximum value for shareholders from current and future opportunities. The Company also announces a series of changes to its executive leadership team and Board.

The strategic review remains ongoing, however the Board has decided to bring forward cost reductions through a well-considered and resolute approach to better position the Company for the current market environment.

Following a comprehensive organisational review, the Company is implementing a cost reduction program which is expected to reduce annualised operating costs by approximately \$3.2m, predominantly focused on reducing corporate costs and further right-sizing the Elixinol Americas operations.

¹ \$12.6m cash on hand as at 31 December 2021 plus \$2.1m expected to be received from one-off US COVID-19 relief measures (\$1.6m from ERC program plus \$0.5m refund of taxes paid in prior financial years).

These new US initiatives are expected to contribute approximately \$2.0m on an annualised basis in OPEX reduction and are in addition to savings of approximately \$1.0m annualised following the transition to an outsourced third-party logistics model in the US which was completed in Q1 FY22.

Throughout the strategic review, emphasis has been placed on optimising the Company's corporate cost structure. This has led to the decision to reduce corporate costs by substantially reducing the size and cost of the group executive team and integrating the group's stand-alone corporate functions across the group's entities. These initiatives are expected to reduce corporate overheads by approximately \$1.2m on an annualised basis.

These new savings are also in addition to previously communicated savings of approximately \$2.5m annualised from the transition to a licensing model in the UK which was completed in Q4 FY21. Importantly, these new cost efficiencies have been enabled by the work put in place over the previous 24 months, where the Board has focused on moving Elixinol Wellness to be an asset light, e-commerce led business.

Changes in Executive Leadership

As part of the strategic review, the Board has accepted the resignation of Mr Oliver Horn from the role of Global Chief Executive Officer (**Global CEO**) and Executive Director, effective 8 April 2022. Mr Horn will remain with the business as a Non-Executive Director after that date.

Mr Horn has led the Company through a significant transformation over the last two years, delivering continued EBITDA improvements and moving the business model towards a higher margin, capital light consumer wellness products business. The Board considers that Mr Horn's on-going leadership in a non-executive role is critical at this juncture for the Company to maintain momentum and to deliver on its strategic review initiatives.

Mr Oliver Horn, current Global CEO said, *"I am tremendously proud of our team and the progress we have made in repositioning and transforming our global business despite the most challenging economic circumstances. Today's announcement marks yet another resolute move to improve shareholder value and I am now looking forward to continuing our strategic transformation as member of the Board with the welcome addition of David Fenlon who brings with him fresh thinking and an extensive industry network to create new opportunities."*

Appointment of Interim Global CEO

In line with the focus on continuing the ongoing strategic transformation, the Company has appointed Mr Ronald (Ron) Dufficy, the Company's current Global Chief Financial Officer (**Global CFO**), as Interim Global CEO of Elixinol Wellness, effective 8 April 2022.

Mr Dufficy has been with Elixinol Wellness since 2017, prior to the Company's IPO, and in previous roles has led large international teams and driven growth initiatives across highly regulated markets including as General Manager, Global Shared Services, at Aristocrat and

Chief Financial Officer, Aristocrat Americas. With his extensive senior leadership and strategy experience, Mr Dufficy is the natural appointment to lead this transition period whilst the strategic review of the Company is completed. The Board is looking forward to Mr Dufficy stepping into the Interim Global CEO role. Material terms of Mr Dufficy's employment contract are attached to this announcement.

The current Group Financial Controller, Ms Josephine (Jo) Lorenz, will step into the role of Global CFO from 8 April 2022. Prior to joining Elixinol Wellness in 2017, Josephine was Group Financial Controller for Network Ten, and before that for Nine Entertainment Co. (ASX: NEC). She was also formerly Head of Finance at Independent Television News Limited in London and held various roles at Deloitte in both London and Melbourne.

Interim Global CEO appointee, Mr Ron Dufficy commented, *"I am delighted to be stepping into the role of Interim Global CEO, taking over from Oliver to lead the Company through the completion of its strategic review process. I also would like to congratulate Jo Lorenz in her promotion to the Global CFO position. Jo has been an outstanding leader through this period of significant change. I look forward to continuing to work with Jo in this new capacity. The business remains in a strong funding position, and we are working our way through the various opportunities ahead of us."*

Appointment of David Fenlon as Non-Executive Independent Director to the Board

Mr David Fenlon has been appointed to the Board of Elixinol Wellness as an independent Non-Executive Director, effective 28 March 2022.

Mr Fenlon has over 30 years of experience in the FMCG and consumer sectors. He is currently CEO of The Platform Alliance Group, Non-Executive Chair for Nutritional Growth Solutions (ASX: NGS) and Non-Executive Director of Quest for Life Foundation. He was previously Group CEO and Managing Director of BWX Limited (ASX: BWX), and prior to that, was Managing Director for Australia and New Zealand at Blackmores Limited (ASX: BKL).

Mr Fenlon has worked with several other retail brands both in Australia and offshore, with a strong focus on strategic planning and business transformation. Mr Fenlon has held key positions in Tesco throughout Europe and Safeway in the UK. Mr Fenlon was also a member of the board of Directors for the Special Olympics from May 2017 until June 2019 and a non-Executive Director for the PAS group from June 2013 to June 2016.

Ms Helen Wiseman, Elixinol Wellness' Chair, said, *"Throughout his period as Global CEO, Oliver has demonstrated exceptional leadership, focus and integrity. He has led the Company through a full-scale transformation towards a leaner, capital light consumer products wellness business with a strong culture and sound foundations. On behalf of the Board, I would like to thank him for his immense contribution as Global CEO. We are very fortunate to retain his knowledge and strategic skillset on the Board. I look forward to continuing to work with him in his capacity as Non-Executive Director of Elixinol Wellness."*

The Board is also pleased to have in Ron Dufficy a very experienced leader who intimately understands the Elixinol Wellness business and all the opportunities surrounding it.

I congratulate Ron on his appointment, which we've termed interim while we work through the remainder of the strategic review process. He will be supported by Jo Lorenz, who is a highly capable finance leader, also with a longstanding history with Elixinol Wellness.

Through his appointment as Non-Executive Director, Dave Fenlon brings with him both directly relevant category knowledge from his time at Blackmores, NGS and BWX, as well as distribution, regulatory and M&A expertise. His appointment also fulfils our objective of adding another independent director to the Board.

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 global leader in the hemp industry, innovating, marketing and selling hemp derived nutraceutical and food products. The Company's simplified business model is focusing on:

- In the Americas, innovating, marketing and selling high quality Elixinol branded hemp 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, South Africa, Japan, Brazil, Mexico and Malaysia (pending approvals), Elixinol branded 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 derived products through reputable distributors as key markets open.

See more at www.elixinolwellness.com.

ATTACHMENT

Key Terms of Interim Global Chief Executive Officer Employment Agreement

In accordance with ASX Listing Rule 3.16.4, Elixinol Wellness makes the following disclosures in respect of the key terms of the employment agreement entered into with its Interim Global Chief Executive Officer, Mr Ronald Dufficy (**Agreement**).

TERM	DESCRIPTION
Position	Interim Global Chief Executive Officer
Commencement Date	8 April 2022
Term of Appointment	Mr Dufficy's employment has no fixed term. Mr Dufficy has been appointed as Interim Global Chief Executive Officer commencing from 8 April 2022.
Total Fixed Remuneration (TFR) (Including Superannuation)	Under the terms of the employment agreement, Mr Dufficy is entitled to a TFR of A\$305,000 per annum (inclusive of superannuation). The TFR is subject to annual review (starting in December 2022).
Short-term Incentive (STI)	In addition to the annual TFR, Mr Dufficy is eligible to receive a bonus in accordance with the Company's Short Term Incentive Plan Rules, of up to 40% of his TFR. The TFR may be increased by the Company from time to time.
Other benefits (including long-term incentive)	In addition to Mr Dufficy's base salary, the Company may, in its absolute discretion, provide Mr Dufficy with other benefits, such as other incentive payments, including any further grant of performance share rights in accordance with the Company's Equity Plan Rules, subject to any shareholder approval requirements.
Termination Provisions	Mr Dufficy will be employed indefinitely, subject to the rights of the Company, below: <ul style="list-style-type: none"> The Company may terminate the Interim Global Chief Executive Officer's employment immediately and without notice in certain circumstances, including if he is guilty of serious misconduct, is grossly negligent or otherwise incompetent in the performance of his duties, becomes bankrupt or commits a crime or other civil wrong which, in the Company's reasonable opinion, may seriously impact on the Interim Global Chief Executive Officer's ability to perform the duties of his position, or is likely to significantly damage the reputation or business of the Company.

	<ul style="list-style-type: none"> • The Interim Global Chief Executive Officer's employment may be terminated by either party giving six (6) months' written notice. • The Company may also terminate the Interim Global Chief Executive Officer's employment by either making a payment equal to six (6) months' pay in lieu of the entire notice period (or by making him work part of the notice period and making a payment in lieu of the balance of the notice period). <p>Any payments on termination are subject to the termination benefits cap under the Corporations Act.</p>
Post-employment Restraint	A six (6) month restraint provision applies.