

MARCH 2022 QUARTERLY ACTIVITIES REPORT

KEY GROWTH INITIATIVES IN USA AND ASIA PACIFIC ON TRACK; US SUPPLY CHAIN IMPACTS IN Q1 RESTRICTED SALES GROWTH

KEY HIGHLIGHTS FOR Q1 FY22

- New Zealand manufactured product completed and shipped to distributors in Asia Pacific
 - Setting NGS up for sales in Asia Pacific for Q2
- Commenced sales on Walmart.com and RangeMe.com
- Quarterly revenue from sales of Healthy Heights® products in the US (excluding Italy) of US\$614k¹, up by 4% on pcp despite stock shortages, which have now been resolved
 - Inventory shortages in Q1 held back growth of retail sales in the US and delayed China expansion;
 - Overall revenue of US\$631K was up by 10% compared with December 2021 quarter (US\$570k);
 - Overall revenue is down on prior corresponding period (US\$814K) due to timing of Italy launch last year;
- Quarterly cash receipts from customers of US\$609K, down 12% on pcp
- Appointed industry veteran David Fenlon as Non-executive Chairman

29 April 2022 – **Nutritional Growth Solutions Ltd. (ASX: NGS)**, a global provider of scientifically formulated and clinically studied paediatric nutritional products, is pleased to provide a business update for the quarter ending 31 March 2022 (Q1 FY22), along with its Appendix 4C quarterly cash flow report.

Growth initiatives providing a strong footing for future growth in US and Asia Pacific

Nutritional Growth Solutions has delivered a solid March quarter for revenue and cash receipts, despite stock shortages, driven by continued demand for Healthy Heights® in the US and China markets.

Quarterly overall revenue was US\$631k, down on the prior corresponding period (pcp), due to the Healthy Heights® launch in Italy 2021 which saw 12 months of orders processed in an initial order. Quarterly revenue in the US from sales of Healthy Heights products are up 4% on pcp, despite having to navigate stock shortages over the quarter.

Supply chain shortages in the USA have now been resolved with a once off, large order of high-quality whey protein from Fonterra Co-operative Group.

¹ Unaudited

Commenting on the Company's progress during the quarter, Nutritional Growth Solutions CEO Liron Fendell said, "This quarter has been focused on finalising the manufacturing of our Healthy Heights® products in New Zealand. I am pleased to report that the product is now being delivered to our distributors in the Asia Pacific with sales to commence during Q2.

"US operations have been focused on advancing our retail expansion strategy, with Healthy Heights® ranging now live on Walmart.com and Rangeme.com. In addition, our President of North America, Stephen Turner has had a full schedule, meeting with numerous quality retail partners across the country on ranging options for Healthy Heights®. NGS has also recently won the Buyers Choice Award at the ECRM retailers' event.

"Our doctors at Schneider's Medical Centre undertook review of the nutritional profile of our KidzShake range, with updates made to the nutrient levels and post reporting period, have relaunched the KidzShake range under the new branding and Healthy Heights® umbrella as Healthy Heights® KidzProtein. There are 15 products in the new KidzProtein range including a vegan option to support the nutritional needs of the 2 in 10 children with intolerance to dairy-based products in the United States.

"We continuously work to grow the Healthy Heights® brand into a leading household name to support healthy growth development in children and truly believe in our growing product suite, that's backed by science and clinically proven to support growth development in children."

OPERATIONAL UPDATE

Sales commenced on Walmart.com and RangeMe.com as part of US retail expansion

Nutritional Growth Solutions' Healthy Heights® shake mixes started sales on Walmart's ecommerce platform which receives approximately 100 million unique visitors each month towards the end of the period. In addition, the complete Healthy Heights® product portfolio is now listed on leading product discovery and sourcing platform, RangeMe.com. The platform is used by over 10,000 retailers including Wholefoods, CVS Pharmacy, Target and 7-Eleven.

New Zealand manufactured product completed and received by distributors in Asia Pacific

Nutritional Growth Solutions has completed the manufacturing and packaging of Healthy Heights® Grow Daily 3+ with its manufacturing partner NIG Nutritionals in New Zealand. The product has been shipped to distributors in Asia Pacific who will commence selling the product through leading e-commerce platforms including Fortune 500 company and one of China's largest online retailers by transaction volume and revenue, JD.com (**NASDAQ: JD**), multinational e-commerce platforms Lazada Shopee, and TikTok, as well as the second largest cross-border e-commerce platform, Koala, and one of the world's largest community e-commerce platforms, Little Red Book.

David Fenlon appointed as Non-executive Chairman

During the quarter NGS appointed David Fenlon as Independent Non-Executive Chairman of the Company. David has over 30 years' experience in retail and consumer goods across Europe, Australasia and North America. Until very recently he was the Managing Director & CEO of leading beauty and wellness business BWX Limited (ASX: BWX), and was previously Managing Director – Australia & NZ for Blackmores Limited (ASX: BKL). In addition, Mr Fenlon is currently a Non-executive Director of

Quest for Life Foundation, an Australian not-for-profit organisation dedicated to supporting people through personal traumas.

LOOKING AHEAD

“Growing a brand into a global household name is no easy feat. The last stages of our rebrand are falling into place, and we have doubled our SKU offering over the last few months. Under new leadership of industry veteran David Fenlon, we have never been in a better position to continue the execution of our three-pillar growth strategy of new territories, products and sales channels, and reach our goal of ensuring children around the world have access to healthy products that support their growth development.”

WEBINAR DETAILS

An investor webcast will take place on Tuesday 3 May 2022 at 3:00pm AEST. Following the briefing, participants will have an opportunity to ask questions via an online facility. Please pre-register for webcast via:

https://us06web.zoom.us/webinar/register/WN_c2c_Gd69RTeML2aYgUNDpA

FINANCIAL OVERVIEW

The Company achieved quarterly customer collection of US\$609K, down 12% on Q1 FY21.

Operating cash outflows of US\$1.6 million for the quarter included:

- US\$817k in advertising and marketing;
- US\$79k in research and development; and
- US\$397k in product manufacturing and operating costs
- US\$338k in other, general and administrative expenses.

The Company’s cash balance as at 31 March 2022 is US\$3.1 million, providing flexibility for it to execute its growth plans.

Payments made to related parties and their associates shown in the Appendix 4C are as follows:

- Item 6.1 includes US\$36k directors’ fees and US\$138k payroll expenses

ASX Additional Information

Pursuant to ASX Listing Rule 4.7C.2, the Company provides the following comparison of its actual expenditure since admission to ASX (being 30 October 2020) against the total “use of funds” statement in its Prospectus dated 14 September 2020.

Item	Prospectus Amount	Actual Expenditures on cash basis for the 3 months ending on 31/03/2022	Total for the 18 months on cash basis ending on 31/03/2022
Sales & Marketing Expense	A\$3,700,000	A\$868,479	A\$5,176,250
Intellectual property Protection	A\$100,000	A\$7,422	A\$144,016

International Expansion and Global Business Development	A\$700,000	A\$248,464	A\$916,118
Research and Development Expenses	A\$500,000	A\$102,015	A\$556,137
Working Capital	A\$1,000,000	A\$474,223	A\$2,954,352
Costs of the Offer	A\$1,000,000	A\$0	A\$971,701
Total	A\$7,000,000	A\$1,700,603	A\$10,718,574

	Prospectus Amount	Actual Expenditures on cash basis for the 3 months ending on 31/03/2022	Total for the 18 months on cash basis ending on 31/03/2022
Salaries and Wages	A\$1,900,000	A\$208,683	A\$1,579,663
Social Media campaigns, advertising and brand awareness	A\$1,600,000	A\$388,407	A\$1,925,147
Other Sales and Marketing expenses	A\$200,000	A\$271,388	A\$1,671,440
Total	A\$3,700,000	A\$868,478	A\$5,176,250

-ENDS-

This announcement has been authorised for release by the Board of Directors of Nutritional Growth Solutions Ltd.

For more information:

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Appendix 4C

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

Name of entity

Nutritional Growth Solutions Ltd.

ABN

642 861 774

Quarter ended ("current quarter")

On 31/03/2022

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	609	609
1.2 Payments for		
(a) research and development	(79)	(79)
(b) product manufacturing and operating costs	(397)	(397)
(c) advertising and marketing	(817)	(817)
(d) leased assets	-	-
(e)		
(f) administration and corporate costs	(338)	(338)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
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)	-	-
1.9 Net cash from / (used in) operating activities	(1,022)	(1,022)
2. Cash flows from investing activities		
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 \$US'000	Year to date (3 months) \$US'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)	-	-
2.6	Net cash from / (used in) investing activities	-	-

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	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(10)	(10)
3.10	Net cash from / (used in) financing activities	(10)	(10)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,142	4,142
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,022)	(1,022)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(10)	(10)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	3,110	3,110

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 \$US'000	Previous quarter \$US'000
5.1	Bank balances	3,110	4,142
5.2	Call deposits		
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)	3,110	4,142

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	174
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>		

7. Financing facilities	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
<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	-	-
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	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,032)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,110
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	3,110
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.04
<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:	
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:	
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:	
<i>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.</i>	

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: 29 April 2022

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.