

DECEMBER 2021 QUARTERLY ACTIVITIES REPORT

STRONG DOUBLE DIGIT GROWTH MAINTAINED WHILE PREPARING FOR NORTH AMERICA AND ASIA PACIFIC EXPANSIONS

KEY HIGHLIGHTS

- December quarterly cash receipts of US\$604k, up 36% on pcp
- December quarterly revenues of US\$570k¹ up 38% on pcp
- Distribution agreements signed with Ultrahealth and Australia Sunshine to drive growth in Asian market
- Preparation for retail expansion in the United States
- Approval to sell on Walmart.com and RangeMe.com as part of US retail expansion
- New Zealand production on track for Q1 2022 completion

31 January 2022 – **Nutritional Growth Solutions Ltd. (ASX: NGS)**, a global nutrition company that creates scientifically formulated and clinically tested supplements to support growth development in children, is pleased to provide a business update for the quarter ending 31 December 2021 (Q4 FY21), along with its Appendix 4C quarterly cash flow report.

Continued strong growth in sales drives 36% increase in cash receipts

Nutritional Growth Solutions has delivered a record December quarter for revenue and cash receipts, driven by continued strength and positive feedback on new products recently launched in the US and a 300% increase in sales on NGS' Tmall flagship store in China. Quarterly cash receipts were US\$604k, up 36% on the prior corresponding period (pcp) with revenue of US\$570k up 38% on pcp. The Company is continuing to progress with manufacturing of products in New Zealand for the Asia Pacific market, with product coming on line by the end of Q1 2022.

Commenting on the Company's progress during the quarter, Nutritional Growth Solutions CEO Liron Fendell said, "This quarter has been focused on the manufacturing of our Healthy Heights® products in New Zealand and ensuring the first production run is on time and available to fulfill our new distribution arrangements in Asia Pacific.

"The Ultrahealth and Australia Sunshine agreements signed this quarter symbolise a milestone in our growth strategy as we enter South East Asia and expand our footprint in China. We are in a strong position to reach our growth objectives with additional markets planned to launch Healthy Heights® in 2022.

"Our US operations have been concentrating on preparing for the launch of our retail expansion strategy, which is due to commence in Q1 2022 and lead by our newly appointed president of North America, Stephen Turner. To support this, we commenced a high-level brand awareness campaign specifically targeting parents of young children, we held numerous ranging meetings with retailers

¹ Unaudited

across the US, and also placed purchase orders for Healthy Heights® canister shake mixes which are retail shelf friendly”.

“Since Nutritional Growth Solutions was founded, we have been working to grow the Healthy Heights® brand into a leading household name to support healthy growth development in children. Our activities and performance this quarter have been paramount to achieve this and has us well placed to reach our short-term objectives outlined in our three-pillar growth strategy around new territories, new products and new sales channels.”

OPERATIONAL UPDATE IN DETAIL

Preparation of retail expansion launch in the US

Nutritional Growth Solutions is preparing to commence its retail expansion strategy in the US in early 2022. Throughout the quarter, the Company completed design requirements and placed purchase orders for the canister range of its Healthy Heights® shake mixes, conducted a high-level brand awareness campaign, specifically targeting parents of children aged 0 – 12 years old, and met with key retailers to introduce the brand and discuss ranging.

Approval to sell on Walmart.com and RangeMe.com as part of US retail expansion

After the reporting period, NGS received approval from Walmart Inc and RangeMe America LLC to begin selling Healthy Heights® through Walmart.com and RangeMe.com respectively. These two platforms will play a key role in the Nutritional Growth Solutions US retail expansion strategy.

Nutritional Growth Solutions’ flagship product, Healthy Heights® Grow Daily 3+ single serve shake mixes will be sold on Walmart’s ecommerce platform, which receives approximately 100 million unique visitors each month, as soon as the products are ready for shipping, which is expected March 2022. Further ranging expansion is expected in Q2 2022. In addition, the complete Healthy Heights® product portfolio, including upcoming product launches, will list on leading product discovery and sourcing platform, RangeMe.com. The platform, used by over 10,000 retailers including Wholefoods, CVS Pharmacy, Target and 7-Eleven.

Preparation for e-commerce expansion in Asia Pacific

Nutritional Growth Solutions will enter Southeast Asia and expand its presence in China through a multi-region distribution agreement signed during the quarter with leading Australian-based distributor, Australia Sunshine International Group Pty LTD (Australia Sunshine). The distribution agreement will see the Healthy Heights® Grow Daily shake stocked through leading e-commerce platforms in China and Southeast Asia, including Fortune 500 company and one of China’s largest online retailers by transaction volume and revenue, JD.com (**NASDAQ: JD**), as well as multinational e-commerce platforms Lazada and Shopee, and TikTok’s emerging e-commerce channel.

During the quarter, the Company also signed a distribution agreement with Australian-based distributor, Ultrahealth Group Pty Ltd (Ultrahealth). The distribution agreement will see the Healthy Heights® shake mix stocked through leading e-commerce platforms including the second largest cross-border e-commerce platform, Kaola, and one of the world’s largest community e-commerce platforms, Little Red Book.

Product development update

Throughout the quarter Nutritional Growth Solutions continued working on new product development to cater for Consumer needs. In addition to the Healthy Heights® range canister range, the Company progressed new product formulations including Kidz Protein dairy-based shake range, Kidz Protein vegan shake range, new Grow Daily 3+ nutrition bars and Ready-to-Drink Grow Daily 3+. These products are being presented to retailers currently and we expect additional ranging in Q2.

LOOKING AHEAD

“Growing a brand into a global household name is our company’s goal. Our imminent launch into Southeast Asia combined with our growing range of products and increasing distribution channels has us well placed to achieve this mission. In early 2022 we will have doubled our SKU offering as we prepare for our mass retail rollout in the US and we will be expanding our international footprint, entering new markets and territories. Ensuring children around the world have access to healthy products that support their development is at the forefront of our business and we look forward to executing on the strategies in place to ensure even more children around the world can access our products and reach their full potential.”

WEBINAR DETAILS

An investor webcast will take place on Tuesday 1 February 2022 at 4:00pm AEDT. Following the briefing, participants will have an opportunity to ask questions via an online facility. Please pre-register for webcast via:

https://us02web.zoom.us/webinar/register/WN_GThMhzX8QvC3CmO8JkAXOg

FINANCIAL OVERVIEW

The Company achieved quarterly customer collection of US\$604k, up 36% on Q4 FY20.

Operating cash outflows of US\$0.9 million for the quarter included:

- US\$748k in advertising and marketing;
- US\$87k in research and development; and
- US\$396k in product manufacturing and operating costs
- US\$269k in other, general and administrative expenses.

The Company’s cash balance as at 31 December 2021 is US\$4.1 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\$22k directors’ fees and US\$141k 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 31/12/2021	Total for the 15 months on cash basis ending on 31/12/2021
Sales & Marketing Expense	A\$3,700,000	A\$854,635	A\$4,307,771
Intellectual property Protection	A\$100,000	A\$15,651	A\$136,594
International Expansion and Global Business Development	A\$700,000	A\$168,794	A\$667,654
Research and Development Expenses	A\$500,000	A\$103,842	A\$454,121
Working Capital	A\$1,000,000	A\$379,833	A\$2,480,130
Costs of the Offer	A\$1,000,000	A\$0	A\$971,701
Total	A\$7,000,000	A\$1,522,755	A\$9,017,972

	Prospectus Amount	Actual Expenditures on cash basis for the 3 months ending on 31/12/2021	Total for the 15 months on cash basis ending on 31/12/2021
Salaries and Wages	A\$1,900,000	A\$296,866	A\$1,370,979
Social Media campaigns, adverting and brand awareness	A\$1,600,000	A\$292,863	A\$1,536,740
Other Sales and Marketing expenses	A\$200,000	A\$264,906	A\$1,400,052
Total	A\$3,700,000	A\$854,635	A\$4,307,771

-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 31/12/2021

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	604	2,975
1.2 Payments for		
(a) research and development	(87)	(364)
(b) product manufacturing and operating costs	(396)	(1,777)
(c) advertising and marketing	(748)	(3,187)
(d) leased assets	-	-
(e)		
(f) administration and corporate costs	(269)	(1,422)
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	(896)	(3,775)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	(75)
(c) property, plant and equipment	-	(4)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 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	-	(79)
3. Cash flows from financing activities			
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	67	3,690
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	(14)	(314)
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	43	3,366
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of period	4,995	4,630
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(896)	(3,775)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(79)

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

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	43	3,366
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	4,142	4,142

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	4,142	4,995
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)	4,142	4,995

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	163
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.</i>		
<i>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)	(896)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,142
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	4,142
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.62
<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: 31 January 2022

Authorised by: The 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.