

SEPTEMBER 2021 QUARTERLY ACTIVITIES REPORT

RECORD SEPTEMBER QUARTER AND PREPARATION FOR SOUTHEAST ASIA EXPANSION

KEY HIGHLIGHTS

- September quarterly cash receipts of US\$818k, up 92% on pcp;
- September quarterly revenue of US\$630k¹ up 39% on pcp
- Signed supply agreement with Chemist Warehouse in China
- Launched new overarching brand name Healthy Heights®
- Launched Healthy Heights® Grow Daily Boys 10+ range in North America
- Received positive clinical trial results for Grow Daily Boys 10+ formula
- Commenced clinical testing on children treating ADHD with stimulant medication
- Appointed three senior leaders to drive next stage of international growth
- Successful A\$5 million capital raise to accelerate US and international expansion; strong cash position of US\$5 million as at 30 September 2021
- Post balance date distribution agreements signed with Ultrahealth and Australia Sunshine to drive growth in Asian market (see ASX announcements 4 and 20 October)

27 October 2021 – **Nutritional Growth Solutions Ltd. (ASX: NGS)**, a global nutrition company that creates scientifically formulated and clinically tested supplements to support growth development in children and young people, is pleased to provide a business update for the quarter ending 30 September 2021 (Q3 FY21), along with its Appendix 4C quarterly cash flow report.

Cash receipts nearly double on prior corresponding period

Nutritional Growth Solutions has delivered a record September quarter for revenue and cash receipts, with momentum continuing to build. Quarterly cash receipts were US\$818k, up 92% on the prior corresponding period (pcp) with revenue of US\$630k up 39% on pcp. This result was driven by continued strength in US sales and supported by the launch of Healthy Heights® Grow Daily Boys 10+ in North America, in addition to further cash receipts on distributor's sales in Europe.

Commenting on the Company's progress during the quarter, Nutritional Growth Solutions CEO Liron Fendell said, "Since the inception of Nutritional Growth Solutions, we have been working to grow our flagship Healthy Height® formula into a leading product of growth support in children. With the addition of our recently launched formula for boys aged 10 plus, as well as our nutrition bars in Q2 and a pipeline of new products in the works, our focus is now to nurture growing kids while we position the entire Healthy Heights® brand as a trusted, international household name for child nutrition.

¹ Unaudited

“This period has been significant in building the foundations to achieve this vision. While our revenues were softer this quarter compared to Q2 2021 due to seasonality in the business, we now have a revitalised Healthy Heights® brand that is reflective of our expanded product offering, which is instrumental for our expected expansion into retail in the US. We have continued to work with Schneider Children’s Medical Centre to expand our clinical claims with our Grow Daily Boys 10+ trials now complete, as well as commencing new trials with children treated with stimulant medications for ADHD (Attention Deficit Hyperactivity Syndrome), and our expansion in the South Pacific is making headways.

These significant developments along with a successful A\$5 million capital raise, a refreshed leadership team and complimentary strategies that are delivering ahead of schedule, get us closer to achieving our vision and cement Healthy Heights® as a trusted, international household name for child nutrition”.

OPERATIONAL UPDATE

Distribution Deal with Chemist Warehouse in China

In August, NGS signed a supply agreement with the China subsidiary of Australia’s largest pharmacy retailer, Chemist Warehouse. The agreement will see NGS’ patented Healthy Heights® Grow Daily 3+ shake range on shelves in Chemist Warehouse stores in China, as well as on the Chemist Warehouse China T-Mall Global store – one of the largest pharmacy stores currently on the platform.

The supply contract is a direct result of the Commercial Director for China appointment in July 2021 and is another step forward in the Company’s expansion strategy in China.

Preparation for retail and medical expansion in the US

During the reporting period, NGS incorporated its new brand identity into packaging on all products, with a design that stands out on physical shelves and enables the creation of retail-only SKUs.

The Company also completed formulation development and began manufacturing a Healthy Heights® “Kids Protein” product range. Five new formulations will be available in two formats - bags and canisters. These additions to the Grow Daily 3+ and 10+ range, will see NGS enter FY22 with a broader suite of products, attracting additional retail partners and enhancing its position in digital marketplaces like Amazon.

NGS’ medical sales channel continues to develop. In New York state, the Company has successfully completed a medical review from regulators and is now eligible for Medicaid reimbursement and prescriptions from health care practitioners. NGS is working with its existing medical distributors in the region to implement support programs and leverage the potential for insurance reimbursements in the near future.

To fast-track growth, NGS has appointed a digital media agency to drive brand awareness and online and offline sales in the region.

New brand identity and rename to Healthy Heights®

As the company is expanding its product line into more age groups and more functionalities, NGS launched a new brand identity that includes a new overarching brand name “Healthy Heights®,” along with a refreshed look and feel that is designed to support the next stage of the brand’s evolution.

Clinical Trial Results and Launch of Grow Daily 10+

In September, NGS launched a new product range for boys aged ten years old and up, Grow Daily Boys 10+ (see ASX announcements 2 September and 23 August). Initially launching in the US, the new range is formulated with a patented blend of micro and macro nutrients to support the physical development of young males entering pre-teen and teenage years. The formula received positive clinical trial results that displayed an increase in growth in healthy, lean, and short pre-adolescent 10 to 14.5-year-old males with the results published in peer-reviewed medical journal Acta Paediatrica.

Clinical trials for children treating ADHD with stimulant medication

In July, NGS announced it will clinically test the effectiveness of Healthy Heights® Grow Daily 3+ on the height and weight of children treated with stimulant medications for ADHD (Attention Deficit Hyperactivity Syndrome) (see ASX announcement 5 July). The randomised, double-blind, placebo-controlled clinical trial is conducted by the Schneider Children’s Medical Centre, the world-renowned specialists in child health and nutrition, where Healthy Heights® was created.

ADHD is a prevalent disorder globally, with treatment’s adverse side effects including decreased appetite. If the trial provides clear evidence that Healthy Heights® Grow Daily 3+ supports children with an ADHD diagnosis who have been prescribed meds achieve normal growth and counteract the negative effects of the drugs, US payers may be more likely to cover Healthy Heights® alongside an ADHD diagnosis

Three senior hires to drive next stage of international growth

During the reporting period, NGS appointed a President in North America, a Commercial Director for China and a Global Strategic Advisor to drive Healthy Heights® into its next stage of growth (see ASX announcement 8 July).

Pharmaceutical veteran, Mr Stephen Turner was appointed as President in North America to lead the company’s expansion into US retail and wholesale distribution. Mr Turner previously worked for pharmaceutical companies SCOLR Pharma, PharmaCare and Strides Pharma.

Ms Vicky Hou was appointed as Commercial Director for China to drive the Company’s sales and marketing efforts in the region. Ms Hou previously worked for Bayer, Natures Care and GSK and;

Ms Linda Luo was appointed as Global Strategic Advisor to implement the Company’s global strategic direction. Ms Luo previously worked for The A2 Milk Company, Blackmores and Bellamy’s.

LOOKING AHEAD

NGS' global strategy to become a household name in child nutrition is in full swing. New Zealand production of Healthy Heights[®] for the South Pacific is expected to be completed in Q1 2022, with our manufacturing partner, NIG Nutritionals.

The company has a new network of reputable suppliers and distributors including Chemist Warehouse in China, and post reporting period, Ultrahealth (see ASX announcement 4 October), which will distribute to major e-commerce platforms and general trade channels such as hospital e-commerce and pharmacy retail in China, and Australia Sunshine(see ASX announcement 20 October) which will distribute to major e-commerce platforms across Southeast Asia and China including JD.com, TikTok e-commerce, Lazada and Shopee, who will all increase our visibility in China and Southeast Asia in early 2022.

The agreements are key milestones in our expansion strategy, as these are highly reputable Australian companies who work with well-known international brands including Elevit[®], Panadol[®], Nurofen[®] and Canesten[®].

These agreements will be rolled out in two stages, with initial registration and marketing work to commence immediately, and the first purchase orders to occur from the first quarter of 2022, once production of the New Zealand manufactured Healthy Heights[®] product becomes available.

NGS is making headways in the US with expansion into retail and wholesale distribution and Italy is growing daily with distribution partner Dicofarm selling through their recent large order of product. With new clinical studies in progress and a pipeline of new products in the works, the pieces of the jigsaw are coming together.

WEBINAR DETAILS

An investor webcast will take place today (27 October 2021) at 1:30pm 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_Hweow21TT6GkxflR9iOEKA

FINANCIAL OVERVIEW

NGS achieved quarterly customer collection of US\$818k, up 92% on Q3 FY20.

Operating cash outflows of US\$1.06 million for the quarter included:

- A\$914K in advertising and marketing;
- US\$90K in research and development; and
- US\$381K in product manufacturing and operating costs
- US\$494K in other, general and administrative expenses.

The Company's cash balance as at 30 September 2021 is US\$4,995,000, providing flexibility for NGS 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 A\$52k directors' fees and A\$138k payroll expenses

ASX Additional Information

Pursuant to ASX Listing Rule 4.7C.2, NGS 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 for the 3 months ending on 30/9/2021	Total for the 12 months ending on 30/9/2021
Sales & Marketing Expense	A\$3,700,000	A\$1,019,059	A\$3,453,136
Intellectual property Protection	A\$100,000	A\$21,330	A\$120,943
International Expansion and Global Business Development	A\$700,000	A\$224,605	A\$498,860
Research and Development Expenses	A\$500,000	A\$101,319	A\$350,279
Working Capital	A\$1,000,000	A\$606,732	A\$2,100,297
Costs of the Offer	A\$1,000,000	A\$0	A\$971,701
Total	A\$7,000,000	A\$1,973,044	A\$7,495,216

	Prospectus Amount	Actual Expenditures for the 3 months ending on 30/9/2021	Total for the 12 months ending on 30/9/2021
Salaries and Wages	A\$1,900,000	A\$399,604	A\$1,074,114
Social Media campaigns, adverting and brand awareness	A\$1,600,000	A\$326,926	A\$1,243,877
Other Sales and Marketing expenses	A\$200,000	A\$292,528	A\$1,135,146
Total	A\$3,700,000	A\$1,019,059	A\$3,453,136

-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 30/09/2021

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (15 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	818	3,214
1.2 Payments for		
(a) research and development	(90)	(376)
(b) product manufacturing and operating costs	(381)	(1,935)
(c) advertising and marketing	(914)	(3,366)
(d) leased assets	-	-
(e)		
(f) administration and corporate costs	(494)	(1,533)
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	(1,061)	(3,996)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	(150)
(c) property, plant and equipment	(4)	(9)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (15 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	(4)	(159)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,623	8,628
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	(251)	(791)
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)	-	-
3.10	Net cash from / (used in) financing activities	3,372	7,837

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,688	1,313
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,061)	(3,996)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(159)

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

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (15 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,372	7,837
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	4,995	4,995

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	4,995	2,688
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)	4,995	2,688

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	190
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)	(1,061)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,995
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	4,995
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.71
<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: 27 October 2021

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.