

JUNE 2021 QUARTERLY ACTIVITIES REPORT

RECORD REVENUE AS NGS LAUNCHES HEALTHY HEIGHT® IN ITALY AND NUTRITION BARS IN NORTH AMERICA

KEY HIGHLIGHTS

- Record quarterly revenue¹ of US\$1,030k, up 90% on prior corresponding period (pcp); record quarterly cash receipts of US\$859k, up 24% from previous quarter
- Strong wholesale sales in Italy
- Launched the Healthy Height® Nutrition Bar in North America
- New Zealand production partner, NIG Nutritionals, appointed to produce Healthy Height® for the Asia Pacific region
- Secured trademark for Healthy Height® in China
- Three senior leadership hires post reporting period to drive international growth
- Strong cash position of US\$2.7 million as at 30 June 2021

29 July 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, is pleased to provide a business update for the quarter ending 30 June 2021 (Q2 FY21), along with its Appendix 4C quarterly cash flow report.

Another quarter of record sales and cash receipts

NGS has delivered another record quarter for sales and cash receipts, with momentum continuing to build. Unaudited revenue for Q2 FY21 was US\$1,030k¹, up 90% on pcp, while cash receipts were US\$859k, up 24% on previous quarter. This result was driven by continued strength in US sales, as well as a strong take up in sales in Italy after the Company’s March launch.



¹ Subject to external review by the company’s external auditors, yet to be completed

Commenting on the Company's progress during the quarter, Nutritional Growth Solutions CEO Liron Fendell said:

"It has been a quarter of continued growth for the Company as we gain momentum rolling out all aspects of our three-pillar growth strategy; new products, new territories, and new sales channels."

"We launched the Healthy Height[®] nutrition bar in North America that is formulated with the same nutritional profile as the patented Healthy Height[®] shake range and is clinically proven to increase height in children aged between 3 and 9 years old by 13.8% – 34% in their annual growth."

"Our entry into Europe through the Italian market has started very well with Healthy Height[®] exceeding wholesale sales expectations since its debut in March. This shows the strength of our distribution strategy through Dicofarm to pharmacies and health food stores across Italy, highlighting the differentiation of our clinically tested product."

"We are well placed to continue to deliver on our three-pillar strategy with the appointment of three senior hires since the reporting period to drive our next stage of growth, our partnership with NIG Nutritionals to produce our product and grow our presence in APAC, and our trademark approval in China that will open new doors to further develop relationships with reputable distributors, retail outlets and stockists."

"I am also pleased to update that our planned clinical trials that were placed on hold due to the COVID-19 pandemic have been given the green light to resume. Since the reporting period we have announced our upcoming clinical trial to test the effect of Healthy Height[®] on children being treated for ADHD with stimulant medication. This is the first of multiple clinical studies we have planned as we strive to find new ways our products can help even more children reach their potential."

"I am excited for Nutritional Growth Solutions' next stage of growth. We have a strong cash position, a refreshed team of highly skilled personnel, new territories to grow, new products to market, all underpinned by the drive to assist children around the world grow into the person they are meant to be."

OPERATIONAL UPDATE

Milestone Healthy Height[®] rollout in Italy

Since debuting in Italy, Nutritional Growth Solutions has received revenue from three purchase orders totalling US\$508,000 from its exclusive distribution partner in the region, Dicofarm, who distributes Healthy Height[®] under the name "Dico Up" to pharmacies and health food stores, nationally. Sales to consumers in Italy started in March 2021.

Italy was chosen as a launchpad into the European market due to the country's large child population of 8.2 million under the age of 14.

Healthy Height® to be produced in New Zealand for China and Asia Pacific markets

Healthy Height® is on track to be produced in New Zealand for the China and Asia Pacific markets following a binding Memorandum of Understanding (MoU) with dairy-based nutritional development company, NIG Nutritionals Limited (“NIG Nutritionals”).

NIG Nutritionals is well regarded in China for its high quality, local dairy supply chain and will manufacture under licence, package, and leverage its network to distribute and further commercialise Healthy Height® into China and possible new markets in the Asia Pacific region.

Healthy Height® Nutrition Bar Launched in North America

In May, the Healthy Height® nutrition bar was launched in North America. The new product is formulated with the same nutritional profile as the patented Healthy Height® shake range that is clinically proven to increase growth development in children aged between 3 and 9 years old by 13.8% – 34% in their annual growth and has been well received by customers with good order levels and positive feedback.

Trademark secured in China

In April, Nutritional Growth Solutions secured the right to the Healthy Daily Height® trademark in China. This allows NGS to register its brand in China under a Class 5 trademark which includes pharmaceuticals, dietary supplements and food for babies, enabling NGS to better protect and enforce its intellectual property rights against imitation products and develop relationships with reputable distributors, retail outlets and stockists.

The Healthy Daily Height® trademark ensures customers can shop confidently for the NGS’ patented range of nutritious shakes, knowing they are receiving genuine products that have been clinically tested and scientifically formulated with the highest quality ingredients.

Three senior hires to drive next stage of international growth

Post reporting period, NGS has appointed a President in North America, a Commercial Director for China and a Global Strategic Advisor to drive the Healthy Height® brand into its next stage of growth.

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

Based in Australia, Ms Vicky Hou has been appointed as Commercial Director for China and will drive the Company’s sales and marketing efforts in the region. Ms Hou has previously worked for Bayer, Natures Care and GSK.

Also based in Australia, Ms Linda Luo has been appointed as Global Strategic Advisor and will implement the Company’s global strategic direction. Ms Luo has previously worked for The A2 Milk Company, Blackmores and Bellamy’s.

LOOKING AHEAD

Commenting on the Company’s priorities for the second half of the year, Ms Fendell said:

“We have really strong momentum in North America, Italy and China and will continue to harness distribution networks that yield the best results for each particular region.”

“We are equally focused on the Asia Pacific. With new production capability being developed in New Zealand, we are confident we can win our first contracts in this region, which remains a large opportunity for us, with strong demand for our clinically proven products.”

“In addition to launching new products and tapping into new regions in the next 6-12 months, we also plan to focus on expanding our sales channels and distribution in the US and in China.”

FINANCIAL OVERVIEW

NGS achieved a record quarterly customer collection of US\$859k, up 24% on the previous quarter.

Operating cash outflows of US\$1.57 million for the quarter included:

- US\$762K advertising and marketing;
- US\$96K in research and development; and
- US\$438K in product manufacturing and operating costs in response to increased actual and forecast demand.
- US\$277K in other, general and administrative expenses.

The Company’s cash balance as at 30 June 2021 is US\$2,688,000, 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 US\$35k directors’ fees and US\$136k 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 9 months ending on 30/6/2021
Sales & Marketing Expense	A\$3,700,000	A\$2,434,078
Intellectual property Protection	A\$100,000	A\$99,613
International Expansion and Global Business Development	A\$700,000	A\$274,255
Research and Development Expenses	A\$500,000	A\$248,961
Working Capital	A\$1,000,000	A\$1,493,564
Costs of the Offer	A\$1,000,000	A\$971,701
Total	A\$7,000,000	A\$5,522,172

	Prospectus Amount	Total
Salaries and Wages	A\$1,900,000	A\$674,510
Social Media campaigns, adverting and brand awareness	A\$1,600,000	A4916,950
Other Sales and Marketing expenses	A\$200,000	A\$842,618
Total	A\$3,700,000	A\$2,434,078

-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 30/06/2021

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	859	2,396
1.2 Payments for		
(a) research and development	(96)	(286)
(b) product manufacturing and operating costs	(438)	(1,554)
(c) advertising and marketing	(762)	(2,452)
(d) leased assets	-	-
(e)		
(f) administration and corporate costs	(277)	(1,039)
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	(714)	(2,935)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	(150)
(c) property, plant and equipment	-	(5)
(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	-	(155)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		5,005
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	-	(540)
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	-	4,465

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,402	1,313
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(714)	(2,935)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(155)

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)	-	4,465
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	2,688	2,688

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	2,688	3,402
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)	2,688	3,402

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	171
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)	129	129
7.4 Total financing facilities	129	129
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.		
The US\$129K refers to Payroll Protection Plan loan, granted under the US federal Covid-19 aid program.		

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(714)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,688
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	2,688
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.76
<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 July 2021

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.