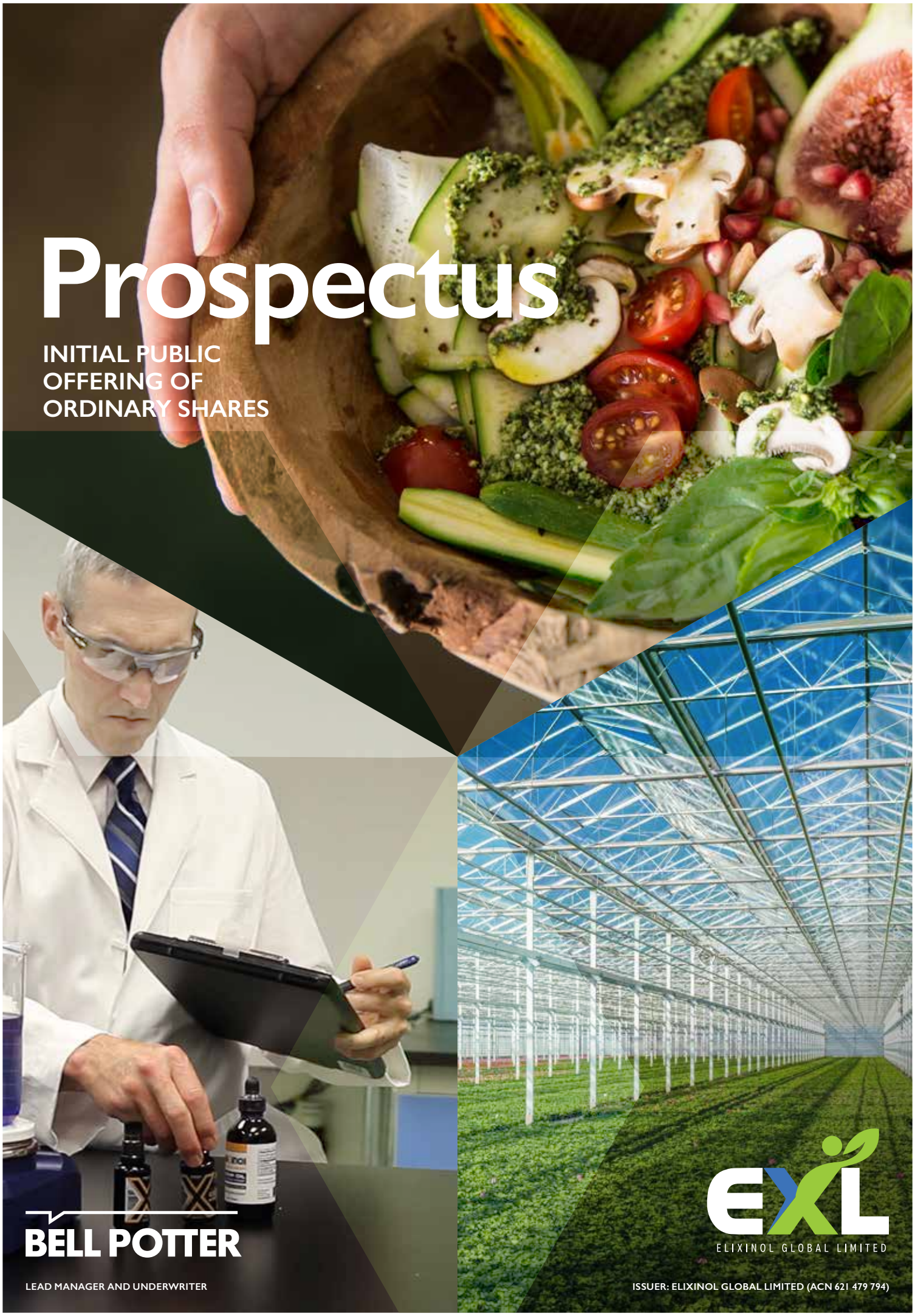

Prospectus

INITIAL PUBLIC OFFERING OF ORDINARY SHARES

BELL POTTER

LEAD MANAGER AND UNDERWRITER

EXL

ELIXINOL GLOBAL LIMITED

ISSUER: ELIXINOL GLOBAL LIMITED (ACN 621 479 794)

Important Notices

Offer

This Prospectus is issued by Elixinol Global Limited (ACN 621 479 794) (**Company**) for the purposes of Chapter 6D of the Corporations Act 2001 (Cth) (**Corporations Act**). This Prospectus contains an invitation for you to apply for fully paid ordinary shares (**Shares**) in the Company (**Offer**). Refer to Section 7 of this Prospectus for further information.

Lodgement and listing

This Prospectus is dated 28 November 2017 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. The Company will apply to Australian Securities Exchange (**ASX**) within seven days after the Prospectus Date for admission of the Company to the Official List and quotation of its Shares on ASX. None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The Company, the Share Registry, and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

Expiry Date

This Prospectus expires on the date which is 13 months after the Prospectus Date (**Expiry Date**). No Shares will be issued or transferred on the basis of this Prospectus after the Expiry Date.

Not investment advice

The information contained in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company.

In particular, you should consider the assumptions underlying the Forecast Financial Information and the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your investment objectives, financial situation and personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether or not to invest in the Company. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be other risk factors in addition to the risks in Section 5 that should be considered in light of your personal circumstances.

No person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company or the repayment of capital by the Company or any return on investment in Shares made pursuant to this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company, the Directors, the Lead Manager or any other person in connection with the Offer. You should rely only on information contained in this Prospectus.

Financial information presentation

Section 4 sets out in detail the financial information referred to in this Prospectus and the basis of preparation of that information.

The financial information for the Elixinol Group in Section 4 includes information for the historical financial years ended 31 December 2015 and 31 December 2016, and for the half-year ended 30 June 2017 (in the case of Hemp Foods Australia, for the historical years ended 30 June 2015, 30 June 2016 and 30 June 2017), and for the forecast 12 month calendar year ending 31 December 2017.

Accordingly, references to FY2015 and FY2016 appearing in this Prospectus are to the historical financial years ended 31 December 2015 and 31 December 2016, and in case of Hemp Foods Australia, to the financial years ended 30 June 2015 and 30 June 2016. References to FY2017 mean the historical financial year ended 30 June 2017 for Hemp Foods Australia. For clarity therefore, the forecast for the calendar year ending 31 December 2017 is referred to as CY2017. This will be the financial year of the Elixinol Group going forward.

The Historical Financial Information has been prepared and presented in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards, except where otherwise stated. The Forecast Financial Information included in this Prospectus is unaudited and is based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information is, to the extent applicable and unless stated otherwise, consistent with the basis of preparation and presentation of the Historical Financial Information.

Forward looking statements

This Prospectus contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. The Forecast Financial Information included in Section 4 of this Prospectus is an example of forward looking statements. Any forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of the Company. The Forecast Financial Information and the forward looking statements should be read in conjunction with, and qualified by reference to, the risk factors as set out in Section 5, the specific and general assumptions set out in Sections 4.7.1 and 4.7.2, the sensitivity analysis set out in Section 4.9 and other information contained in this Prospectus.

The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward looking statements. The Company does not intend to update or revise forward looking statements, or to publish prospective Financial Information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus, including the industry overview in Section 2, and business overview in Section 3, uses market data and third party estimates and projections. The Company has obtained significant portions of this information from market research prepared by third parties. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

Market Data

Certain statistical information, modelled data and analytics relating to the markets that the Elixinol Group operates (or intends to operate) in, such as market sizes, market shares, market positions, other industry data and macroeconomic trends and positions (**Market Data**), is sourced from information in the public domain.

Statements of past performance

This Prospectus includes information regarding past performance of the Elixinol Group and prospective investors should be aware that past performance is not, and should not be relied upon as being indicative of future performance.

Disclaimers

Bell Potter Securities Limited has acted as Lead Manager to the Offer. Bell Potter Securities Limited has not authorised, permitted or caused the issue or lodgement, submission, despatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by them or by any of its affiliates, officers or employees. To the maximum extent permitted by law, Bell Potter Securities Limited and its affiliates, officers, employees and advisers expressly disclaim all liabilities in respect of, and make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

Selling restrictions

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would be unlawful to make such offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia.

The taxation treatment of Australian securities may not be the same as those for securities in foreign jurisdictions.

The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Important Notices

This Prospectus may not be distributed to, or relied upon by, persons in the United States. The Shares have not been, and will not be, registered under the United States Securities Act of 1933 (**US Securities Act**) or the securities laws of any state of the United States, and may not be offered or sold in the United States, except in a transaction exempt from, or not subject to, registration under the United States Securities Act and applicable US state securities laws.

For details of selling restrictions that apply to the Offer and the sale of Shares in certain jurisdictions outside of Australia, please refer to Section 9.11.

Exposure Period

The Corporations Act prohibits the Company from processing Applications for Shares in the seven day period after the Prospectus Date (**Exposure Period**). ASIC may extend this period by up to a further seven days (that is, up to a total of 14 days). The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of the funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be given to Applications received during the Exposure Period.

Prospectus availability

During the Offer period, a paper copy of this Prospectus is available free of charge to any person in Australia by calling the Elixinol Global IPO Information Line on 1300 140 587 (within Australia) and +613 9415 4108 (outside Australia) from 8.30am to 5.00pm (Sydney time), Monday to Friday (excluding public holidays). This Prospectus is also available to persons who are Australian residents in electronic form at the Offer website http://www.elixinolglobal.com.

The Offer constituted by this Prospectus in electronic form is available only to persons downloading or printing it within Australia. Persons who access the electronic version of this Prospectus must ensure that they download and read the entire Prospectus.

Applications

Applications may be made only during the Offer period on the Broker Firm Offer Application Form or Priority Offer Application Form (whichever is relevant to you) (in general referred to as **Application Form**) attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form which must be downloaded in its entirety from http://www.elixinolglobal.com. By making an Application, you represent and warrant that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

Offer management

The Offer is being arranged, managed and underwritten by Bell Potter Securities Limited.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Defined terms and abbreviations

Some words and expressions used in this Prospectus have defined meanings, which are explained in the Glossary. Unless otherwise stated or implied, a reference to time in this Prospectus is to Sydney time. Unless otherwise stated or implied, references to dates or years are calendar year references. All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and the sum of components in tables contained in this Prospectus are due to rounding.

Privacy

By completing an Application Form to apply for Shares, you are providing personal information to the Company, through its service provider, Computershare Investor Services Pty Ltd (**Share Registry**), which is contracted by or on behalf of the Company to manage Applications. The Company and the Share Registry on its behalf, may collect, hold and use that personal information in order to process your Application, provide facilities and services that you request and administer the Company. If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time-to-time to inform you about other products and services offered by the Company, which it considers may be of interest to you. Your personal information may also be provided to the Company's members, agents and services providers on the basis that they deal with such information in accordance with the Company's privacy policy and applicable laws. The members, agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as afforded under Australian law.

The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of members;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows:

Email: privacy@computershare.com.au

Address: Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Company Website

The Company maintains a website at http://www.elixinolglobal.com. Any references to documents included on the Company's website are for convenience only, and information contained in or otherwise accessible through this or a related website is not a part of this Prospectus.

Investigative Accountant's Report and Financial Services Guide

The provider of the Investigating Accountant's Report is required to provide Australian retail investors with a financial services guide in relation to its independent review under the Corporations Act (**Financial Services Guide**). The Investigative Accountant's Report and Financial Services Guide is provided in Section 8.

Questions

If you have any questions about how to apply for Shares, please call your Broker. Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form. Alternatively, call the Elixinol Offer Information Line on 1300 140 587 (within Australia) and +61 3 9415 4108 (outside Australia) from 8.30am to 5.00pm (Sydney time) Monday to Friday (excluding public holidays).

If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, Broker, lawyer or other professional adviser before deciding whether to invest in Company.

This Prospectus is important and should be read in its entirety.

Contents

Offer Statistics and Key Dates

Offer Statistics

Offer Price	$1.00 per Share
Total proceeds from the Offer	$20.0 million
Number of Shares offered to investors under the Offer	20.0 million
Number of Shares to be held by Existing Shareholders on Completion of the Offer	82.9 million
Total number of Shares on issue on Completion of the Offer	102.9 million
Market capitalisation at the Offer Price [1]	$102.9 million
Pro forma net cash on Completion of the Offer	$17.9 million
Enterprise Value [2]	$85.0 million
Enterprise Value/pro forma forecast CY2017 Revenue [2,3]	5.5x

Key Dates

Prospectus Date	Tuesday, 28 November 2017
Retail Offer opens	Wednesday, 7 December 2017
Retail Offer closes	Friday, 15 December 2017
Settlement of the Offer	Tuesday, 19 December 2017
Issue of Shares under the Offer (Completion of the Offer)	Wednesday, 27 December 2017
Expected despatch of holding statements	Thursday, 28 December 2017
Shares expected to begin trading on the ASX on a normal settlement basis	Monday, 8 January 2017

Dates May Change

The dates above are indicative only and may change without notice. The Company and the Lead Manager reserve the right to vary any and all of the times and dates of the Offer without prior notice (including, subject to the ASX Listing Rules, the Corporations Act and other applicable laws, to close the Offer early, extend the date the Offer closes, to accept late Applications or to cancel the Offer before Settlement). If the Offer is cancelled before the issue of Shares, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Applicants are encouraged to submit their Application Forms as soon as possible after the Offer opens. No cooling-off rights apply to the Offer. The admission of the Company to the Official List and the quotation and commencement of trading of the Shares is subject to confirmation from the ASX.

Unless otherwise indicated, all times stated throughout the Prospectus are Sydney time.

How to invest

Applications for Shares can be made in accordance with the procedures described in this Prospectus. Instructions on how to apply for Shares are set out in Section 7 and on the back of the Application Form.

1 Market Capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares at Completion of the Offer.
2 Enterprise Value is equal to the market capitalisation of the Company less the expected pro forma net cash at Completion of the Offer.
3 The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4.7 and is subject to the key risks set out in Section 5. There is no guarantee that forecasts will be achieved. Certain Financial Information included in this Prospectus is described as pro forma for the reasons described in Section 4.2.3.


HEMP

Chairman's letter

Dear Investor,

On behalf of the Board, it is my pleasure to offer you the opportunity to become a shareholder of Elixinol Global Limited (Company).

The Company operates in the industrial hemp industry in Australia and the United States and intends to operate in the medicinal cannabis industry sectors in Australia. Within the industrial hemp sector, the Company has operations in the nutraceuticals and food products segments, including healthcare products, hemp food products, retail, processing, manufacturing and distribution.

On Completion of the Offer, the Company will own 100% of the shares in each of the companies in the Elixinol Group which consists of:

- **Elixinol LLC (Elixinol US)** which was founded in 2014 and manufactures and distributes industrial hemp-based nutraceutical, dietary supplement and skincare products, with operations based out of Colorado, United States.
- **Hemp Foods Australia Pty Ltd (HFA)** which was founded in 1999 and manufactures and distributes industrial hemp-derived products in Australia.
- **Elixinol Pty Ltd (Elixinol AUS)** which was founded in 2014 to participate in the emerging Australian medicinal cannabis market (subject to receiving the requisite licences, permits and approvals).

The Company's strategy is to leverage the synergies between its three discrete businesses and to capitalise on the opportunities provided by being invested in a range of emerging cannabis related sectors including hemp, CBD nutraceuticals and wellness products, hemp food products, cultivation and manufacture of medicinal cannabis products. The Directors believe the Company is well-positioned to capitalise on current and future growth opportunities. Elixinol US will aim to continue to increase its US and international market share directly through sales and distribution of its product lines and as a supplier to the natural and specialty channels seeking to include CBD in their products. Favourable legislative changes in Australia mean that HFA is now permitted to sell hemp food products, offering the potential to expand distribution channels and grow its market. In the medicinal cannabis sector, new legislation has been passed in Australia to enable the cultivation of cannabis for medicinal and related research purposes. Subject to obtaining the requisite licences, Elixinol AUS can leverage Elixinol US's expertise in extraction and processing of CBD derived products.

The purpose of the Offer is to provide the Company the financial flexibility to fund working capital to grow the Elixinol Group including, but not limited to, marketing, distribution, product development, operations and other growth opportunities. In addition, the Offer will provide the Company with access to capital markets, provide a liquid market for Shares and assist the Company to attract and retain quality employees.

This Prospectus contains detailed information about the Offer, the industry sectors in which the Elixinol Group operates, and the historical and forecast financial information position of the Elixinol Group, as well as the key risks associated with an investment in the Company. These key risks are set out in Section 5 and include, among others, risks in relation to the establishment and implementation of new legislative regime, obtaining licenses and permits, changes to laws or regulations, loss of key relationships and agricultural risks. Additionally, it is important to note that Elixinol AUS is a start-up business and as a result there are inherent risks that may prevent or delay the implementation of its business model.

It is important that you to read this Prospectus carefully, and in its entirety, before deciding whether to invest in the Company.

On behalf of the Board of Directors, I look forward to welcoming you as a Shareholder.

Yours Sincerely,

Andrew Duff
Chairman

01

Investment Overview

01 Investment Overview

1.1 Introduction

Topic	Summary	Section
Who is the Elixinol Group?	The Elixinol Group operates (or intends to operate) in the industrial hemp and medicinal cannabis industries via Elixinol US, Elixinol AUS and HFA. • Elixinol US is an established and profitable company which manufactures and distributes industrial hemp-based nutraceutical, dietary supplement and skincare products in the United States and in forty countries globally. • HFA manufactures and distributes industrial hemp-derived food and skincare products mainly in Australia. • Elixinol AUS is a newly formed Australian company, which has not yet commenced operations and was formed to seek the required licences and permits to participate in the emerging Australian medicinal cannabis market.  Elixinol US, Elixinol AUS and HFA are not currently owned by the Company, but will be acquired, effective on Completion of the Offer.	Section 3
Who is the Company?	The Company was registered in New South Wales on 4 September 2017 as a public company limited by shares. It is intended to be the holding company for each of Elixinol US, Elixinol AUS and HFA, with effect from Completion of the Offer. As at the date of this Prospectus it has one (1) ordinary share on issue to Paul Benhaim	Section 3.1
In what industry / sectors will the Elixinol Group operate?	On Completion of the Offer, the Elixinol Group will operate in the following industry/ sectors: • Elixinol US: industrial hemp-derived cannabidiol (CBD) nutraceutical and dietary supplement sector; • HFA: industrial hemp derived food and skincare products sector; and • Elixinol AUS: Australian medicinal cannabis sector (subject to licensing and commencing operations). Elixinol US does not operate in the US medicinal cannabis sector.	Sections 2 and 3

01 Investment Overview

Topic	Summary	Section
How is industrial hemp different to marijuana?	Both industrial hemp and marijuana come from Cannabis Sativa L (Cannabis Sativa) but are genetically distinct and are further distinguished by use, chemical makeup, and cultivation methods. Marijuana and industrial hemp differ in the levels of naturally occurring THC that they contain. Marijuana contains high amounts of THC, known for its psychoactive and intoxicating properties. Industrial hemp contains only trace amounts of THC, usually less than 0.3% and is grown as an agricultural crop. Where hemp is grown as an agricultural crop, stringent measures are taken by governments. Any person licenced to cultivate industrial hemp is required to submit samples of the crop to accredited licenced health organisations to ensure THC levels are low.	Section 2.2.1
Why is the Offer being conducted?	The purpose of the Offer is to: • provide the Company access to capital markets which it expects will provide additional financial flexibility to pursue further growth opportunities, including, but not limited to, marketing, distribution, product development, operations and other growth opportunities; • achieve a listing on ASX to broaden the Company's shareholder base and provide a liquid market for its Shares; • provide an opportunity for Existing Shareholders to realise part or all of their investment in the Elixinol Group; and • assist the Company in attracting and retaining staff.	Section 7.3

1.2 Key features of the Elixinol Group

Topic	Summary	Section
How does the Elixinol Group generate revenue?	**Elixinol US** Elixinol US predominately generates revenue through the sale of its portfolio of CBD nutraceutical products via on-line, wholesale, retail, bulk and export market distributors. The company will seek to expand its product line and enter new vertical markets. **HFA** HFA predominately generates revenue through the sale of both bulk and finished hemp derived products (seeds, oil, and protein powder) via on-line, wholesale and retail distribution channels. The company will seek to expand its product line and enter new vertical and horizontal markets. **Elixinol AUS** Elixinol AUS is a "start-up" company that does not currently have operations, and as such, does not currently generate revenue. Subject to licensing and commencing operations, Elixinol AUS intends to generate revenue through the commercialisation of medicinal cannabis for specific indications for the Australian market.	Section 3.2, 3.3.8, 3.4.2, 3.5.3

01 Investment Overview

Topic	Summary	Section
Who are the Elixinol Group's customers?	**Elixinol US** Elixinol US sells products on-line, directly to suppliers in the natural and specialty channels seeking to include CBD in their products and to its wholesale distributors. Elixinol US also sells its products internationally through a range of different distribution channels. **HFA** HFA currently sells its products on-line and through niche distribution channels, including health stores. Following the inclusion of low-THC hemp in the Australia New Zealand Food Standards Code (**ANZFS Code**) becoming effective on 12 November 2017, there is potential to expand its distribution channels and grow its market. **Elixinol AUS** Elixinol AUS is not currently in operation. Subject to obtaining the required licences, permits and approvals, Elixinol AUS intends to distribute its products in accordance with the Authorised Prescriber Scheme.	Sections 3.3.8, 3.4.6 and 3.5.3
Where are the operations of the Elixinol Group entities located?	The Company's senior management team will reside in NSW, Australia. The locations of the Elixinol Group entities are as follows: • Elixinol US is located in Boulder, Colorado, USA; • HFA is located in the Northern Rivers region of NSW, Australia; and • Elixinol AUS' cultivation and manufacture facility is intended to be located in the Northern Rivers region of NSW, Australia.	Section 3.1
Who are the Elixinol Group's competitors?	Each of the industry sectors in which the Elixinol Group operates (or intends to operate) are immature and evolving, driven largely by the legislation within different industry sectors and jurisdictions. Given the emergence of hemp related industry sectors globally, it is Management's expectation that the competitive landscape will continue to evolve over time and key competitors to the Elixinol Group will vary by sector. The Company does not identify one organisation as a key competitor across all sectors. In relation to the industrial hemp industry in Australia, the market is largely fragmented. In addition to HFA, there are approximately five other relatively small established manufacturers of industrial hemp products. In relation to the industrial hemp industry in the United States, the market is largely fragmented. The Company considers that there are approximately 5 or 6 other established operators that are of a similar size to Elixinol US that are currently operating in the market. Finally, in relation to the medicinal cannabis industry, although the market is only just emerging, there are approximately 11 ASX listed companies operating (or intending to operate) in the space. Additionally, in each of the relevant industries, there are significant barriers to entry preventing new entities establishing competing businesses. These barriers to entry are primarily: obtaining the requisite licences, permits and approvals; and attracting and retaining employees with the required highly specialised know-how.	Sections 2.2.3 and 3.4.8

01 Investment Overview

Topic	Summary	Section
Who are the Elixinol Group's suppliers?	**Elixinol US** Elixinol US sources high quality industrial hemp from licensed suppliers globally for its ingredients, packaging and service requirements. Elixinol US has an experienced procurement team who manage the relationships with the company's suppliers. **HFA** HFA has a range of suppliers for its ingredients and packaging requirements. Tiverton Agriculture is an Australian strategic partner directly managing 40,000 acres of cropping land in Victoria and Queensland. Tiverton Food, a related party to Tiverton Agriculture, will be a shareholder of the Company following Completion. Please see Section 9.6.3.1 for more information. **Elixinol AUS** Elixinol AUS is non-operating and does not currently have any supply arrangements in place.	Sections 3.3.7, 3.4.5 and 9.6.3.1
What is the Company's key financial information?	The tables below set out the summary historical income statements for Elixinol US, Elixinol Australia and Hemp Foods Australia. Historical financial information for Elixinol US and Elixinol Australia has been prepared on a December year-end basis, while Hemp Foods Australia has historically reported to a June year-end. As a result, the historical financial information has not been presented on an aggregated basis. However, to provide additional information for investors on an aggregated basis, a Pro forma aggregated income statement for the Elixinol Group is presented below for calendar year 2017 (CY2017) which reflects estimated incremental costs as a result of the Elixinol Group becoming listed on the ASX.	Section 4

Elixinol US A$ million	Historical FY2015	 FY2016	 1H2017
Revenue	2.8	7.1	5.8
EBITDA	0.6	0.5	1.4
NPATA	0.5	0.5	1.4

Elixinol Australia A$ million	Historical FY2016	 1H2017
Revenue	—	—
EBITDA	(0.1)	(0.1)
NPATA	(0.1)	(0.1)

Hemp Foods Australia A$ million	Historical FY2015	 FY2016	 FY2017
Revenue	2.7	2.5	2.9
EBITDA	0.3	0.4	(0.8)
NPATA	0.4	0.2	(1.0)

Topic	Summary	Section
What is the Company's key financial information? (continued)	Elixinol Group - Pro forma Income Statement for Calendar Year 2017, and Statutory Income Statement from Completion to 31-Dec-17 A$ million / Elixinol LLC / Elixinol Australia / Hemp Foods Australia / Elixinol Global / Pro forma CY2017 / Statutory Revenue: 12.3 / — / 3.2 / — / 15.5 / 0.2 EBITDA: 2.2 / (0.3) / (0.6) / (1.5) / (0.2) / (3.5) NPATA: 1.3 / (0.3) / (0.8) / (1.5) / (1.3) / (3.5) Further detail in respect of the financial information of the Elixinol Group including balance sheet and cash flow information is presented in Section 4 of this Prospectus.	Section 4
What is the Company's dividend policy?	The Directors have no current intention to declare and pay a dividend. It is the Directors' current intention to reinvest available cash flows into the continued development of the Elixinol Group.	Section 4.11

1.3 Key strengths

Topic	Summary	Section
Attractive industry fundamentals	Hemp is a sustainable and versatile crop. It is easy to cultivate and has nutritional, medicinal and industrial properties. The primary product categories are: • food; • personal care (lotions, salves, cosmetics); • nutritional supplements; • medicines (registered and unregistered); • textiles; • bioplastics; • building materials; • industrial applications such as car parts; and • other consumer products such as paper.	Section 2
Highly experienced management team	Each of the businesses within the Elixinol Group was co-founded by Paul Benhaim. Paul has over 25 years' of experience in the hemp industry with particular focus on industrial hemp legislation, cultivation, manufacturing, production, sales and marketing in Europe, North America and Australasia. Paul developed 9bar, one of the first commercial hemp food products in Europe. Paul is considered an expert in the Australian industrial hemp industry. The Elixinol Group's senior management team generally has significant experience and expertise across industrial hemp, medicinal cannabis, skin care food and nutritional products, manufacturing, product development, sales, marketing, distribution and finance.	Section 6.1

01
Investment Overview

Topic	Summary	Section
Elixinol Group's business model	The Elixinol Group works directly with farmers to develop, manufacture and distribute high quality industrial hemp CBD nutraceutical and hemp food products. The Elixinol Group intends to be vertically integrated in the medium to long term. In addition, the Elixinol Group has a global network of key relationships which allows the Company the ability to quickly adapt and respond to consumer tastes, trends and medical professionals within this fast growing industry. The Elixinol Group has a strong focus on quality assurance and quality control via monitoring the sourcing of raw ingredients, production formulation, product manufacturing, quality testing, packaging and distribution.	Sections 3.3.2, 3.4.2 and 3.5.3
Research and development	The Elixinol Group believes that it has the knowledge, expertise, experience and resources to design, formulate, produce and distribute products from conception through to shelf readiness. Each member of the Elixinol Group's ongoing commitment to investment in products ensures a strong capability and a quality offering which includes: • Elixinol US: product development and delivery systems for CBD nutraceutical products; • HFA: continued focus on research and development and the development of innovative hemp derived consumer products; and • Elixinol AUS: subject to obtaining the relevant licencing, Elixinol AUS will undertake research and development in cannabis genetics/breeding and in product formulation, testing and education.	Sections 3.3.5, 3.4.2 and 3.5.3
Diversified revenue model	**Elixinol US** Elixinol US operates in the industrial hemp CBD nutraceutical segment of the market and has a track record of profitability. It has a clear strategy for ongoing growth, vertical integration and strategic partnerships. **HFA** HFA operates in the industrial hemp food segment of the market and its operations have grown since its establishment. HFA has been a pioneer in the Australian hemp industry, with experience and know-how across the supply chain from cultivation to consumer sales. **Elixinol AUS** Elixinol AUS is a start-up, non-producing entity, with success predicated on obtaining the necessary licence approvals. Elixinol AUS will leverage the expertise, know-how and IP of Elixinol US in the processing and manufacture of medical products to produce and supply medicinal cannabis products for the Australian market via the Authorised Prescriber Scheme.	Sections 3.3, 3.4 and 3.5

Topic	Summary	Section
Growth opportunities	The Company is well-positioned to capitalise on future organic growth opportunities, including: • Elixinol US is aiming to continue to increase its US and international market share directly through sales and distribution of its product lines and as a supplier to the natural and specialty channels seeking to include CBD in their products. • Favourable legislative changes in Australia mean that HFA, which has not historically been able to sell hemp food products, will now be permitted to sell hemp food products, offering the potential to expand distribution channels and grow its market. Management considers that HFA is well-positioned to grow by leveraging its established infrastructure and HFA's distribution and sales capabilities. • In the medicinal cannabis sector, new legislation has been passed in Australia enabling the cultivation of cannabis for medicinal and related research purposes. Subject to obtaining the requisite licences and permits, Elixinol AUS can leverage Elixinol US' expertise in extraction and processing of CBD derived products. The industry segments in which the Elixinol Group operates are evolving and fragmented, which may provide opportunities for partnership collaborations and acquisitions.	Sections 3.3.9. 3.4.7 and 3.5.5

1.4 Key risks for the Company

There are a number of potential risks associated with the members of the Elixinol Group and the industry in which they operate in, which may impact their financial performance. Some of the risks are summarised below and are described in Section 5.

Topic	Summary	Section
Obtaining and retaining licenses and permits	Elixinol AUS' business model is reliant on obtaining the necessary licences and permits issued by the ODC to import products, cultivate cannabis and manufacture medicinal cannabis products (see Section 3.5). Elixinol AUS will apply for the required licences and undertake the necessary requirements for approval. The length of time for approval is currently unknown. There is no assurance or guarantee that the necessary licences and permits will be granted to Elixinol AUS, or granted on the terms anticipated by Elixinol AUS. Investors should be aware that Elixinol AUS cannot guarantee that any approvals, licences or permits required for its proposed operations will be obtained. A failure to obtain any such approvals, licences or permits will result in Elixinol AUS being unable to establish its business. Additionally, in the event that the necessary licences and permits are granted, there is no guarantee that they will not be revoked during the term, or that they will be renewed for a further period of time, or renewed on terms anticipated by Elixinol AUS. Should any of these circumstances eventuate, it is likely to have a material adverse effect on Elixinol AUS' proposed activities and operations, financial performance and prospects, and consequently, the Company's financial performance and prospects.	Section 5.2.1

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Topic	Summary	Section
Start-up	Potential investors should be aware that investing in a start-up enterprise and industry, such as the Company, and in particular, with respect to Elixinol AUS, should be considered highly speculative and involves several significant risks including under capitalisation and obstacles or delays in the implementation of the business model or revenue generation. The Company can make no representation that any of its internal milestones will be achieved, or that products will be developed that are commercially exploitable.	Section 5.2.2
Uncertainty of future profitability	On Completion of the Offer, the Elixinol Group will contain three independent businesses – two of which are established, with Elixinol AUS yet to commence operations. The future profitability of Elixinol AUS (and consequently, the Elixinol Group) will be impacted by Elixinol AUS' ability to: • obtain and comply with the licences to import, and cultivate and manufacture medicinal cannabis in Australia; • execute its business plan and strategy; and • educate and access general practitioners and specialists as Authorised Prescribers. Additionally, the future profitability of Elixinol AUS is contingent on patient uptake, the results of further medical research and clinical trials, general economic conditions, the level of competition in the industry and regulatory factors. As a result, anticipated or expected sales may not be achieved, and even if achieved, may not result in Elixinol AUS being profitable. More generally, the Elixinol Group will need to build internal capacity to service growth in the business. Elixinol US is currently unable to service 100% of customer calls and development opportunities at current volumes, and support functions must grow to retain new business going forward. These risks may impact the profitability of the Company, its financial prospects and its ability to pay dividends going forward.	Section 5.2.3

Topic	Summary	Section
Establishment and implementation of new legislative regime	Each of the members of the Elixinol Group operate (or intend to operate) in industries which have recently experienced key regulatory and legislative changes. In particular: **Elixinol US** The US Federal legislation authorising the cultivation of industrial hemp products was introduced in 2014 under President Obama. Given this Federal legislation (and associated State-based legislation) is still in its relative infancy, there is a risk that the interpretation and implementation of the law changes. Additionally, given the varied and evolving regulation of industrial hemp at a state level, there is a degree of uncertainty that could make compliance challenging. **HFA** The changes to the FSANZ that permits consumption of hemp products as food only came into effect in November 2017. Whilst this is seen as an opportunity for growth for the business, as with any legislative and regulatory change, there is a natural period of uncertainty whilst regulators, market participants and consumers interpret and respond to the change. **Elixinol AUS** The amendments to the ND Act in relation to medicinal cannabis only came into full effect in Australia in October 2016. The ODC has published regulations and a series of guidelines which explain how the reforms will operate and the application processes for licences and permits. Although this guidance is quite prescriptive, as with any new legislative regime, there remains some uncertainty as to the interpretation of the new laws and regulations and the review methodology that the ODC will adopt. In particular, the specific considerations that the ODC will consider when reviewing licence and permit applications and the precise weight given to each consideration are not yet widely understood. Management considers that the businesses of Elixinol US, Elixinol AUS and HFA have complied historically with all applicable industry laws and regulations. Notwithstanding this, given the continuing developments in the relevant laws and regulations, there is a risk that a regulatory body could, in the future, change the retrospective application of these laws which may adversely impact the Elixinol Group.	Section 5.2.4
Clinical trials	Various State and Territory Governments are conducting select clinical trials in relation to medicinal cannabis. Separately, both Elixinol AUS and Elixinol US intend to undertake a series of clinical trials. Clinical trials are expensive, time consuming, difficult to design and implement and by definition and purpose, uncertain as to outcome. Prior to conducting clinical trials involving cannabis extracts/derivatives, a number of approvals, licences and /or permits are required. Delays in obtaining all necessary authorisations can impact downstream activities, including the potential introduction of scheduling schemes. Moreover, after commencement, clinical trials are also subject to suspension, delay or termination by regulatory bodies and/or ethical review boards. Any adverse findings from the Elixinol Group's proposed clinical trials or other recognised clinical trials (including any findings which establish a health risk, do not support the case for the benefits of industrial hemp or the therapeutic effects of medicinal cannabis or related products, or support the treatment for only very limited diseases or symptoms) are likely to have an adverse effect on the Company's financial performance and prospects and/or the industry generally.	Section 5.2.5

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Topic	Summary	Section
Change to laws or regulations	The operations and proposed operations of the Elixinol Group are subject to a variety of laws, regulations and guidelines. The industrial hemp and medicinal cannabis industries are evolving globally, including in Australia and the USA. It is likely that governments worldwide, including Australia and the USA, will continue to explore the benefits, risks and operations of companies involved in the hemp and medicinal cannabis sectors. In particular, the regulation of hemp and medicinal cannabis is a partisan and divisive issue and, as a result, a change in government or increase in political lobbying may result in a change in government policy and an amendment of legislation and/or regulation. For example, there is a risk that the allowable levels of THC in hemp products sold in Australia or the US changes, this could potentially result in additional processing costs for the Elixinol Group and impact the Company's financial performance. In the US, given that many of the applicable laws and regulations are determined at the State-level, there is a risk that the regulatory regime governing Elixinol US' operations and distribution network becomes fragmented and difficult to comply with. The introduction of new legislation or amendments to existing legislation by governments, or the respective interpretation of the legal requirements in any of the legal jurisdictions which governs the operations or contractual obligations of the Elixinol Group, could impact adversely on the assets, operations, and the financial performance of the Elixinol Group and the industry in general. The US federal government is currently in the process of trying to enact tax reform legislation. Such legislation, if enacted, would likely impact the tax profile of the Company and/or one or more if its subsidiaries. The discussion of US tax consequences in this Prospectus is based on current US federal income tax law. Some of these tax consequences could change if tax reform is enacted into law.	Section 5.2.6

Topic	Summary	Section
Fit and proper persons	Under the medicinal cannabis regulatory regime, in order to obtain the necessary licences, the ODC must first establish the integrity of the person applying for a licence, or who has the ability to substantially influence the conduct of activities under a licence. This is known as the 'fit and proper person' test. In respect of an applicant who is a company, this test is applied to the directors of the company and any shareholder (or ultimate holder) who has the ability to influence the conduct of the company. As Elixinol AUS intends to apply for licences to import, cultivate and manufacture medical cannabis products for the Australian market, there is a risk that the ODC does not establish that the directors of Elixinol AUS, the directors of the Company or a substantial shareholder of the Company is a fit and proper person. Further, if there is a change in the Board or shareholding of the Company and that change results in a person having the ability to substantially influence the conduct of Elixinol AUS and that person does not pass the fit and proper person test, then any licences granted to Elixinol AUS will be revoked. As the Company is a public company and is seeking to be admitted to the official list of ASX, the Board cannot control or prevent the transfer of shares in the Company or the election of a person or persons as new directors of the Company. In particular, a person may make a takeover bid, resulting in the acquirer being in a position to influence the management or operations of the Company, or a "board spill" resolution may be passed, requiring the Company to have elections of its directors. In these circumstances, should the ODC determine that the new person with substantial influence over the conduct of Elixinol AUS (i.e. the acquirer under a takeover bid, or new director) is not a fit and proper person, the licences held by Elixinol AUS are likely to be revoked. Separately, to the extent that HFA operates under a cultivation or supply of low-THC hemp licence (granted the HI Act 2008), there is a requirement that the applicant for that licence and each close associate is a suitable person to be concerned in or associated with the cultivation or supply of low-THC under the licence. A licence may be revoked if at any time this requirement is not complied with. The Company, the Board and a substantial shareholder of the Company are each likely to fall within the definition of "close associate". As a result, a change in the Board or a substantial change in the shareholding of the Company involves the risk that the Department of Primary Industries may revoke a licence on the basis that a close associate of the licensee is not a suitable person to be concerned in or associated with the cultivation or supply of low-THC. Should any such circumstances cause a member of the Elixinol Group to not be granted the required licences or have those licences revoked, there will likely be a materially adverse impact on the relevant companies' proposed activities and operations, and consequently, the Company's financial performance and prospects.	Section 5.2.7

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Investment Overview

Topic	Summary	Section
Product approval risk	There is a risk that the products produced and supplied by the Elixinol Group are not approved for supply. This risk is particularly relevant for Elixinol AUS, as it intends to operate in the highly regulated medicinal cannabis industry. Medicinal cannabis products are regulated as medicines in Australia. Generally, medicines imported, supplied in, and exported from Australia must be entered in the Australian Register of Therapeutic Goods (**ARTG**). However, there are mechanisms such as the Special Access Scheme and Authorised Prescriber Schemes which provide alternative pathways while evidence to support registration through clinical trials is obtained. The Company intends to provide access to its products under the Authorised Prescriber Schemes. The Company cannot guarantee that any or all its medicinal cannabis products will be approved for supply to patients through Authorised Prescriber Schemes (or an alternative pathway). Additionally, there is no guarantee that medical practitioners will be authorised under the Authorised Prescriber Scheme, or that they will elect to prescribe the Company's products.	Section 5.2.8
Risk of adverse events, product liability or other safety issues	As with all medical or nutraceutical products, there is a risk that the products sold by the Elixinol Group cause serious or unexpected side effects, including risk or injury to consumers. Should any of the Elixinol Group's products be associated with safety risks such as misuse or abuse, inadvertent mislabelling, tampering by unauthorised third parties or product contamination or spoilage, a number of materially adverse outcomes could occur, including: • regulatory authorities may revoke any approvals that have been granted, impose more onerous facility standards or product labelling requirements or force the Company to conduct a product recall; • the Company could be subject to regulatory action or be sued and held liable for any harm caused to customers; or • the Elixinol Group's brand and reputation could be damaged. Additionally, material risks to the health and safety of customers may force the Company to voluntarily suspend or terminate sales and/or operations. The Company will endeavour to secure appropriate insurance coverage to mitigate these risks to the greatest extent possible. Additionally, the Elixinol Group will maintain rigorous standards in respect of product safety. However, there is still the potential for the products to contain defects, which may result in systems failures. These defects or problems could result in the loss or delay in generating revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, and damage to the Company's reputation or increased insurance costs. The Company cannot guarantee that all such risks will be adequately managed through imposing standard or its insurance policies, and may have an adverse impact on the Company's financial performance and prospects.	Section 5.2.9

Topic	Summary	Section
Loss of key relationships	The medicinal cannabis, CBD nutraceutical and hemp food industry are undergoing rapid growth and change, which has resulted in increasing consolidation and formation of strategic relationships. It is expected that this consolidation and strategic partnering will continue. Acquisitions or other consolidating transactions could harm the Elixinol Group in a number of ways. The Elixinol Group may lose strategic relationships if third parties with whom the Elixinol Group has arrangements with are acquired by or enter into relationships with a competitor (which could cause the company to lose access to necessary resources). The Elixinol Group's current competitors could become stronger, or new competitors could form from consolidations. This could cause the Elixinol Group too lose access to markets or expend greater resources in order to stay competitive. Separately, the relationship between the Elixinol Group and third parties may deteriorate organically, which may have an adverse impact on the Company's business.	Section 5.2.10
Agricultural Risks	The businesses of Elixinol AUS, Elixinol US and HFA are reliant on agricultural products. As such, the businesses are subject to the risks inherent in the agriculture industry. These risks include insects, plant diseases, storm, fire, frost, flood, water availability, water salinity, pests, bird damage and force majeure events. Additionally, set out below are specific agricultural risks associated with each of the Elixinol Group entities: **Elixinol US** – although it (or its suppliers) may at times implement climate controlled indoor growing areas and employ trained personnel to carefully monitor growing conditions, there can be no assurance that natural elements will not have a material adverse effect on Elixinol US' growing operations. Elixinol US' operations centre on "broadacre hemp cultivation" which is subject to the risks inherent in open field cultivation and production. **Elixinol AUS** – there are numerous risks associated with the construction and use of indoor rooms, greenhouses or alternative cultivation systems to grow medicinal cannabis, including the sourcing of suitable cannabis varieties either domestically or overseas, plant diseases, underestimating the costs and time for cultivation, underestimating the lighting/heating requirements and costs of installation, human error in the execution of engineering and construction, equipment failure, supplier delays and underestimating breakages and consumables. Each of these risks may be mitigated to some degree by proper management and external professional advice, however, they still may impact grow time, the number of harvests or the oil yield generated from each harvest. **HFA** – given the growing of broadacre industrial hemp in Australia is an evolving practice, there are a range of risks that may have a material adverse effect on its business. The risks inherent in growing broadacre organic industrial hemp for seed production include, identifying geographic locations that provide the best agronomic conditions for growing organic industrial hemp on a large scale, selecting the most suitable varieties for the growing conditions, pests and birds, storm, fire, frost, flood, water availability, water salinity, and force majeure events. Any adverse outcomes in respect of these matters will or may adversely affect the Elixinol Group's activities and operations, financial performance and prospects.	Section 5.2.11

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Topic	Summary	Section
Production risk	The ability for the Elixinol Group entities to cultivate and produce products is dependent on a number of key inputs and their related costs. These key inputs include raw materials, electricity, water, other utilities and skilled labour. Any significant interruption or negative change in the availability or cost of these inputs could materially impact the production of the business and subsequently, the operating results of the Elixinol Group. In particular, given the nature of the raw materials used by each of the Elixinol Group entities, supply may be limited to a single or limited number of suppliers, with access to these raw materials more competitive than conventional ingredients. As a result, there is an enhanced risk of difficulties in securing the required supplies, or to do so on appropriate terms.	Section 5.2.12
Supplier arrangements	The Company has arrangements with a number of key suppliers. In particular, currently, the key grower for Elixinol US is Colorado Cultivars, whilst HFA has a key supply relationship with Tiverton Agriculture. To the extent that Elixinol US, HFA and Elixinol AUS (once it commences operations) cannot secure and retain key suppliers or negotiate binding long form agreements, their respective abilities to maintain consistent production levels may be compromised, which in turn may have a material adverse impact on the financial performance and position of the Elixinol Group.	Section 5.2.13
Organic certification	HFA relies on independent certification, such as certifications of some of its products as 'organic'. This certification differentiates the HFA's products from some of its competitors. The loss of any independent certifications could adversely affect HFA's market position as a certified organic and natural products business and result in a loss of consumer confidence in the brands of HFA. In addition, a failure to provide customers with the quality of product they expect from HFA, or a recall issue could adversely affect consumer confidence in the HFA brand.	Section 5.2.14
Reputational risk	There is a risk that incidents beyond the control of Elixinol US, Elixinol AUS and HFA could occur which would have the effect of reducing patient, medical/scientific or regulatory confidence, or preferences for cannabis or medicinal cannabis products generally. This reputational risk could result from incidents involving members of the Elixinol Group or other non-related industry participants. This risk is particularly relevant as HFA operates in the regulated food industry where incidents could have impact consumer sales, while Elixinol US operates, and Elixinol AUS intends to operate in, the medicinal industry where incidents could impact prescriptions by authorised medical professionals.	Section 5.2.15
Protection of intellectual property	The Elixinol Group's success will depend on, in part, its ability to protect its intellectual property, including its trade marks, copyright, trade secrets and know-how. To the extent the Company fails to protect its intellectual property or infringes a third party's intellectual property, the Company may face increased competition from similar products, have to cease using certain intellectual property or be liable for damages. In the event that this occurs, there is a risk that it has a materially adverse impact on the Elixinol Group's operations, financial performance and future prospects.	Section 5.2.16
Key personnel and management risk	Skilled employees and consultants are essential to the delivery of each of the Elixinol Group's businesses. There is a risk that the Company cannot attract, retain or develop the relevantly skilled individuals to successfully execute its business plan. Should this occur, it is likely to have a materially adverse impact on the Elixinol Group's operations, financial performance and future prospects.	Section 5.2.17

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Topic	Summary	Section
Competition risk	The industry in which the business entities are involved is subject to domestic and international competition. While the companies will undertake all reasonable due diligence in its business decisions and operations, the companies will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company. Some of the Company's competitors and potential competitors may have significantly more financial resources and marketing experience than the Company which may lead to reduced margins and loss of revenue or loss of market share. Further, revenues in the future may be reduced as the industry consolidates and seeks revenue accretion at the expense of profit margin. In particular, in respect of HFA, given the recent amendment to the Food Standards in November 2017, it is expected that both local and foreign competitors will enter the Australian hemp market, supplying hemp derived bulk and finished food products.	Section 5.2.18
Technology and innovation risks	The industries that the Elixinol Group operates, and intends to operate, in, require a deep understanding of cultivation and processing techniques and technologies. Should the Company fail to adequately invest and stay abreast of innovative technologies and processes, the Company's competitiveness and financial performance may be adversely impacted.	Section 5.2.19
Uncontracted sales	A material proportion of the Elixinol Group's revenue (in particular, HFA's revenue) is derived from uncontracted customer relationships, with sales made under standard terms and conditions. There is a risk that these customer relationships may not be able to be maintained, or new relationships may not be formed, on terms acceptable to the Company. Additionally, given the uncontracted nature of these relationships, it is not possible to guarantee consistency of sales volumes, price or terms going forward. The Company's financial performance could be materially and adversely impacted by wholesale customers: • materially changing its trading terms; • promoting the products of one or more of the Company's competitors; or • refusing to promote or stock the Company's products or significantly reducing orders for its products.	Section 5.2.20
Requirements for additional funding	The funds to be raised under the Offer are considered sufficient to meet the current objectives of the Company. However, additional funding may be required in the event that costs exceed the expectations of the Company or further opportunities arise for capital expenditure, acquisitions or joint ventures. Should such events occur, the Company will look to raise additional funds via equity financing, debt financing or licensing arrangements. Failure to obtain sufficient funding may result in delay and indefinite postponement of the Companies activities. There can be no assurance that additional financing will be available when needed, on terms appropriate to the Company or that do not involve substantial dilution to Shareholders.	Section 5.2.21
Integration risk	Given that on Completion of the Offer, three independent businesses will be brought together to be members of the Elixinol Group, a process will be necessary to align, expand and improve the financial reporting system for the Elixinol Group. While this process takes place, historical deficiencies may be discovered which may have a material impact on the financial position of the Company.	Section 5.2.22

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Topic	Summary	Section
Contract and agreements	There are a number of risks associated with the Elixinol Group's existing contracts and agreements, including those related to previous supply arrangements and property leases. There is a risk that the Elixinol Group's existing contracts may be terminated, lost or impaired, or renewed on less favourable terms. Some of the Elixinol Group's contracts can be terminated without cause or on short notice periods (depending on events and circumstances), and although the relevant parties may continue to operate on existing commercial terms, a number of its existing contracts have expired or will shortly expire. A number of the Elixinol Group's contracts contain change of control provisions which will be triggered by the Offer. In the event that consent to the change of control is not obtained from the relevant counterparty, there is a risk that the contract could be terminated and this could materially adversely affect the financial position of the Company. A loss of any of the Elixinol Group's contracts could have a materially adverse effect on its business, operating and financial performance. Similarly, there is a risk that the Elixinol Group may not meet its existing obligations under current contracts and agreements. Should this be the case, the Elixinol Group may be liable (to varying extents) under indemnity provisions in a number of contract and agreements. Any failure to meet these obligations could materially adversely impact the financial position of the Company.	Section 5.2.23
Counterparty risk	Elixinol US, Elixinol AUS and HFA has entered, and may enter, into several commercial agreements and arrangements (including licences) with third parties that are, or could be, material to the financial performance and prospects of the business. There is a risk that counterparties may not either execute these agreements or, in respect of agreements that have been executed or are executed in the future, the counterparty may fail to meet their obligations under those agreements and arrangements. Negative commercial consequences will, or are likely to result from, the non-execution of such an agreement or any non-observance of obligations under such agreements. These consequences may include the prevention of the relevant member of the Elixinol Group to execute a part, or parts, of its business plan. This in turn may result in an adverse effect on the Elixinol Group's proposed activities and operations, financial performance and prospects.	Section 5.2.24
Inversion	The US anti-inversion rules may apply to the Company. To the extent, immediately after the acquisition, the former shareholders of Elixinol US own at least 80% of the vote or value of the Company by reason of the transfer of Elixinol US, the Company should be treated as a US resident corporation. The Company may be exempt from the anti-inversion rules to the extent the Company and its subsidiaries have "substantial business activities" in Australia. In the current circumstances, the Company is likely to fail the substantial business activities test and is expected to be subject to the general anti-inversion rules described above. The impact of the US anti-inversion rules on the Company is an ongoing matter. It is likely that the acquisition of Elixinol US by the Company should result in the Company being treated as a US resident corporation, subject to US federal income tax on its worldwide earnings.	Section 5.2.25
Other risks	A number of other key risks relating specifically to an investment in the Company and generally to an investment in the Shares are included in Section 5.	Section 5

1.5 Directors and Management

Topic	Name Experience	Section
Who are the Directors and key management of the Company?	• **Andrew Duff**, Non-Executive Chairman • **Stratos Karousos**, Non-Executive Director • **Paul Benhaim**, Executive Director, CEO • **Linda McLeod**, Managing Director • **Ron Dufficy**, Chief Financial Officer and Company Secretary • **Gabriel Ettenson**, General Manager of Elixinol US	Section 6.1

1.6 Significant interests of key Shareholders and related party transactions

Topic: Who are the Existing Shareholders and what will their interest in the Company be at Completion of the Offer?

Summary:

Key Shareholders	Shares held prior to the Offer (m)	Shares held prior to the Offer (%)	Shares held at Completion of the Offer (m)	Shares held at Completion of the Offer (%)
Raw With Life [1]	54.6	65.9%	54.6	53.1%
D&G Health LLC	12.7	15.3%	12.7	12.4%
Other Existing Shareholders [2]	15.6	18.8%	15.6	15.1%
New Shareholders	—	—	20.0	19.4%
Total [3]	82.9	100.0%	102.9	100.0%

1 An entity controlled by Mr Paul Benhaim.
2 Excludes any Shares held by Raw With Life and D&G Health LLC.
3 Total may differ due to rounding.

Note: This table includes interests held in each member of the Elixinol Group prior to the Offer. As at the date of this Prospectus, only one share is on issue in the Company.

Section: Section 7.5

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Topic	Summary	Section
What significant benefits are payable to Directors and other persons connected with the Company or the Offer?	On Completion of the Offer, the number of Shares held by the Directors, or in which the Directors have an interest, is expected to be as follows:	Section 6.2.2

Name	Shares held immediately prior to the Offer [5]	Shares acquired/ (sold) in the Offer	Shares held on Completion of the Offer
Andrew Duff [1]	n/a	25,000 [7]	25,000
Paul Benhaim [2]	54,623,008	—	54,623,008
Linda McLeod [3]	n/a	200,000 [7]	200,000
Stratos Karousos [4]	n/a	100,000 [7]	100,000
Ron Dufficy [6]	n/a	30,000	30,000

1 In connection with the Offer, Andrew Duff (or a related body corporate) will receive Shares.
2 Paul Benhaim (or a related body corporate) holds Shares.
3 In connection with the Offer, Linda McLeod (or a related body corporate) will receive Shares.
4 In connection with the Offer, Stratos Karousos (or a related body corporate) will receive Shares.
5 Consolidated shareholding of each Shareholder based on the pre-IPO valuation of Elixinol US, HFA and Elixinol AUS.
6 In connection with the Offer, Ron Dufficy (or a related body corporate) will receive Shares.
7 These shares were issued as part of the Offer for nil consideration.

Key people	Interest or benefit	More information
Existing Shareholders	Ownership of Shares	Sections 7.5
Management	Remuneration	Sections 6.2.2.5
Non-Executive Directors	Directors' fees and ownership of Shares	Sections 6.2.2.1
Advisers and other service providers	Fees for services	Sections 6.2.1

Will any Shares be subject to restrictions on disposal following Completion of the Offer?	It is expected that certain Shares held by Existing Shareholders will be classified by ASX as restricted securities and be subject to escrow restrictions for up to 24 months from the Company's date of quotation. For all Shares classified by ASX as restricted securities, the Company will enter into escrow agreements with the holders of the restricted securities, in accordance with Chapter 9 of the ASX Listing Rules. Prior to the Shares commencing trading on ASX, the Company will announce to ASX full details of the Shares that have been classified as restricted securities, including the number of escrowed Shares and the relevant periods of the escrow restrictions.	Section 7.6
What related party arrangements are in place?	The Elixinol Group has a number of related party arrangements in place. These include: • Distribution agreements; • Supply agreements; • Loan agreements; and • IP licence agreements. Potential investors are strongly encouraged to read Section 9.6 in full for further information in respect of the Elixinol Group's related party arrangements.	Section 9.6

1.7 Proposed use of funds and key terms and conditions of the Offer

Topic	Summary	Section
What is the Offer?	The Offer is an initial public offering of approximately 20 million Shares at the Offer Price of $1.00 per Share. The Offer is expected to raise approximately $20 million. The Offer comprises the Broker Firm Offer, the Priority Offer and the Institutional Offer. The Shares being offered to New Shareholders under the Offer will represent approximately 19.4% of the Shares on issue at Completion of the Offer. The free float will be at least 20% of the Shares on issue on Completion of the Offer.	Section 7.1
Who is the issuer of this Prospectus?	Elixinol Global Limited (ACN 621 479 794).	Section 7.1
What is the proposed use of funds raised under the Offer?	The funds received under the Offer will be used as follows: Use of Funds / $ million / % of Offer proceeds Purchase of land for Elixinol AUS facility — 2.6 — 13.0% Cultivation/greenhouse facility — 5.3 — 26.5% GMP/TGA extraction and manufacturing facility — 5.5 — 27.5% Working capital — 2.6 — 13.0% Costs of the Offer — 4.0 — 20.0% **Total uses — 20.0 — 100.0%**	Section 7.4
How is the Offer structured and who is eligible to participate in the Offer?	The Offer comprises: • the Retail Offer, consisting of the: – Broker Firm Offer; and – Priority Offer; and • the Institutional Offer. No general public offer of Shares will be made under the Offer.	Section 7.2
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Lead Manager.	Sections 7.14 and 9.7
Will the Shares be quoted on ASX?	Elixinol will apply to ASX within seven days after the Prospectus Date for its admission to the Official List, and quotation of Shares by ASX under the code 'EXL'. If permission is not granted for official quotation of the Shares on ASX within three months after the Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received by Elixinol Global will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.17

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Investment Overview

Topic	Summary	Section
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer, Priority Offer and the Institutional Offer was determined by agreement between the Lead Manager and the Company having regard to the allocation policies outlined in Sections 7.8.5, 7.9.5 and 7.12.2. The allocation of Shares among Applicants in the Institutional Offer was determined by the Lead Manager in agreement with the Company. The allocation of Shares among Applicants in the Priority Offer will be determined by the Company in consultation with the Lead Manager. With respect to the Broker Firm Offer, it is a matter for the Brokers how they allocate Shares among their retail clients.	Section 7
Is there any brokerage, commissions or stamp duty payable by Applicants?	No brokerage, commission or stamp duty will be payable by Applicants on the acquisition of Shares under the Offer.	Section 7.7
What are the tax implications of investing in the Shares?	A summary of certain Australian tax consequences of participating in the Offer and investing in Shares are set out in Section 9.9. The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 9
How can I apply for Shares?	**Broker Firm Offer Applicants** Broker Firm Offer Applicants may apply for Shares by completing a valid Broker Firm Offer Application Form attached to or accompanying this Prospectus and following the instructions of their Broker who invited them to participate in the Broker Firm Offer. **Priority Offer Applicants** Applicants under the Priority Offer must apply on-line in accordance with the instructions provided in their Priority Offer invitation made under this Prospectus. **Institutional Offer Applicants** The Lead Manager has separately advised Institutional Investors of the application procedure under the Institutional Offer.	Section 7
What is the minimum Application size?	The minimum Application size under the Broker Firm Offer and Priority Offer is $2,000 of Shares in aggregate.	Section 7
When will an Applicant receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched to successful Applicants by standard post on or around 28 December 2017.	Section 7.7 and 7.17
Can the Offer be withdrawn?	The Company may withdraw the Offer at any time before the allocation and issue of Shares to successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).	Section 7.16

Topic	Summary	Section
Where can I find out more information about this Prospectus or the Offer?	All enquiries in relation to this Prospectus should be directed to the Elixinol Global IPO Offer Information Line on: • within Australia 1300 140 587; or • outside Australia: +61 3 9415 4108, from 8.30am to 5.00pm (Sydney time), Monday to Friday (excluding public holidays). If you have any questions about whether or not to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, tax adviser, lawyer or other professional adviser before deciding whether or not to invest.	Section 7.7

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Industry Overview

02 Industry Overview

Some useful terms

Term	Meaning
Cannabinoids	Cannabinoids are the chemical compounds secreted by cannabis flowers (trichomes) and include Tetrahydrocannabinol (THC) and Cannabidiol (CBD). Cannabinoids work by interacting with specific receptors. These receptors are located within different parts of the body, such as the central nervous system and immune system. Different cannabinoids have different claimed effects depending on which receptors they bind to.
Cannabidiol (CBD)	Cannabidiol (CBD) is one of the two most common cannabinoid, and is non-intoxicating. CBD interacts with the body through the endocannabinoid system (**ECS**), which regulates the body's homeostasis, or general state of balance, impacting such functions as mood, sleep, appetite, hormone regulation, and pain and immune response. The ECS is made up of millions of cannabinoid receptor sites located primarily throughout the brain and central nervous system and immune system that act in neural communication.
Terpenes	Terpenes are the pungent oils that colour cannabis varieties with distinctive flavours. They are secreted from the same glands that produce cannabinoids like THC and CBD. Terpenes have the ability to interact synergistically with other compounds, like CBD, that magnifies the therapeutic benefits of the plant's individual components, what some scientists refer to as the 'entourage effect'.
Tetrahydrocannabinol (THC)	Tetrahydrocannabinol (THC) is one of the two most common cannabinoids. THC is responsible for the intoxicating effect of some forms of medicinal cannabis. It is generally found in the resin secreted by the glands of the cannabis plants.
Hemp seed oil	Hemp seed oil is obtained by cold pressing the seeds of the hemp plant. When cold pressed the hemp seed oil appears greenish in colour with a nutty flavour if ingested. The oil is high in nutritional value and contains abundant levels of Omega 6 & Omega 3 essential fatty acids.
CBD Hemp oil	CBD hemp oil is derived from the flowers, leaves and stalks of the hemp plant. It is a natural botanical concentrate that is high in the compound CBD which has been shown to have therapeutic benefits for a range of indications. Because industrial hemp is not high in THC, hemp oil products are not intoxicating. The cultivars used for CBD hemp oil contain significantly higher concentrations of CBD and other micro ingredients such as terpenes and flavonoids, as well as essential vitamins, minerals, fatty acids, terpenes, flavonoids, and other non-psychoactive cannabinoids.
Medicinal Cannabis	The term medicinal cannabis refers to pharmaceutical grade products (or medicines) using the cannabis plant or chemical compounds contained within to treat medical conditions.
Nutraceuticals	Nutraceuticals is a broad umbrella term that is used to describe any product derived from food sources with extra health benefits in addition to the basic nutritional value found in foods. Nutraceuticals are botanically-derived dietary supplements that provide health benefits in addition to the basic nutritional value.

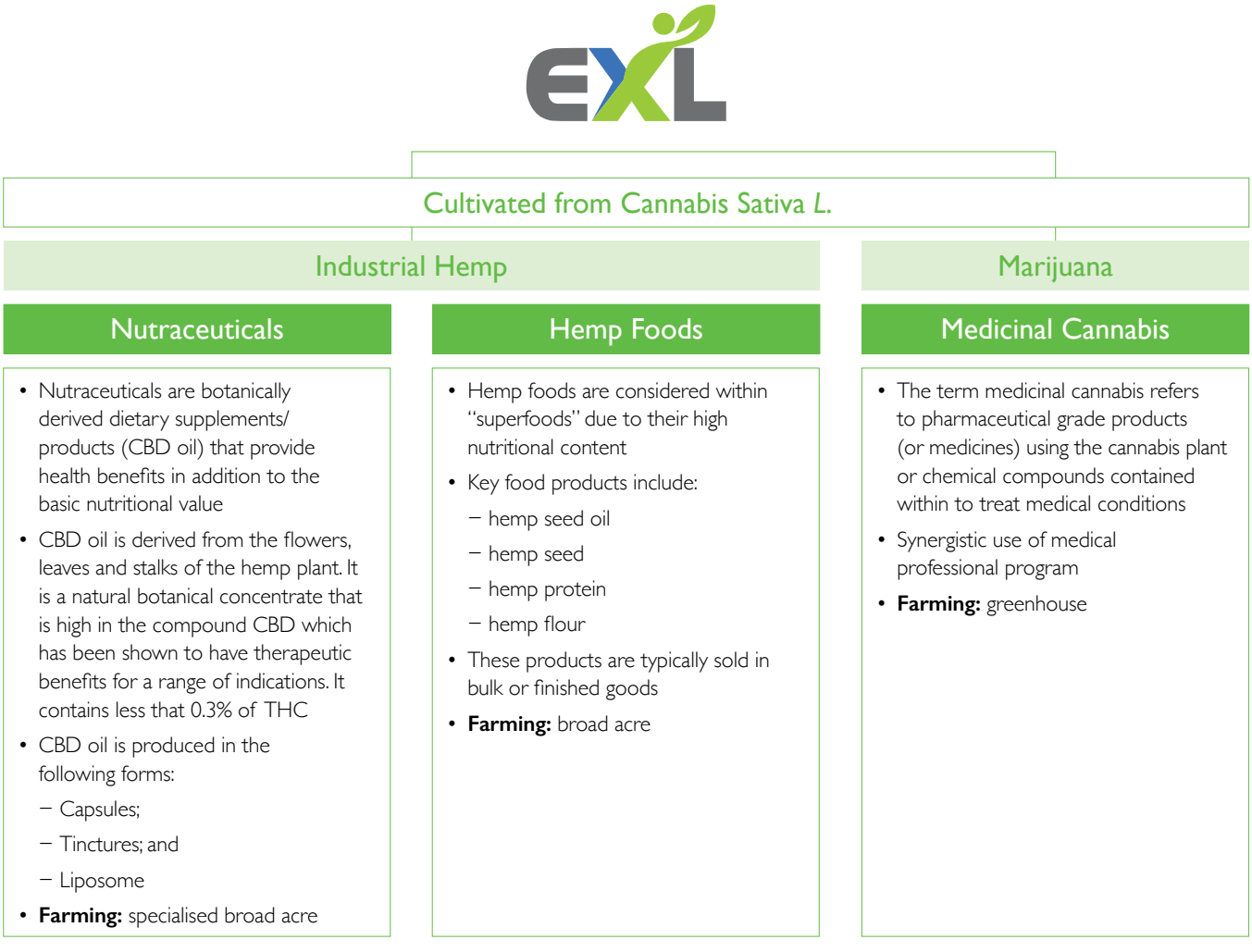
02 Industry overview

2.1 Introduction

The Elixinol Group operates in the following sectors:

- Industrial hemp – CBD nutraceutical products;
- Industrial hemp – cosmetic, skin care and food products; and
- Medicinal cannabis products (subject to obtaining the necessary licences and permits and commencing operations).

Figure 2.1: Overview of the sectors in which Elixinol Group operates



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Industry overview

2.2 The industrial hemp industry

2.2.1 How is industrial hemp different to marijuana

Industrial hemp, also known as 'Indian hemp', has been cultivated since ancient times for its bast fibre in the stem, multi-purpose oil in the seeds (achenes) and resin secreted by the epidermal glands. Both industrial hemp and marijuana come from Cannabis *Sativa L.* (**Cannabis Sativa**), but are genetically distinct and are further distinguished by use, chemical makeup, and cultivation methods.

Marijuana is used to describe a Cannabis Sativa plant that is bred for its potent, resinous glands (known as trichomes). These trichomes contain high amounts of THC, known for its psychoactive properties. Industrial hemp, on the other hand is used to describe a Cannabis Sativa plant that contains only trace amounts of THC, usually less than 0.3%. With marijuana, most of the THC content is found in the buds and flowers of the cannabis plant, but industrial hemp is usually cultivated for the stems, stalks and seeds.

In summary, marijuana and industrial hemp differ in the levels of naturally occurring THC that they contain. Industrial hemp is low in THC and marijuana has intoxicating amounts of THC. Where hemp is grown as an agricultural crop, stringent measures are taken by governments. Any person licenced to cultivate industrial hemp may be required to submit samples of the crop to accredited licenced health organisations to ensure THC levels are low.

2.2.2 Industrial hemp and its uses

Hemp is a sustainable and versatile crop, it is easy to cultivate and is thought to have been cultivated for over ten thousand years due to its nutritional, medicinal and industrial properties. The primary product categories are:

- food;
- personal care (lotions, salves, cosmetics);
- nutritional supplements;
- medicines (registered and unregistered);
- textiles;
- bioplastics;
- building materials;
- industrial applications such as car parts; and
- other consumer products such as paper.

2.2.3 Competitive landscape

The industrial hemp industry in Australia is a nascent market that is largely fragmented, and in addition to HFA, consists of approximately five relatively small manufacturers of industrial hemp foods. Given the scale of HFA's manufacturing facility and breadth of hemp food products, HFA estimates that it holds leading positions for its product categories and believes it does not have any one headline competitor and/or no other Australian manufacturers that locally produce all of the hemp food categories in which it operates.

The industrial hemp industry in the United States is similarly still emerging and as a result is largely fragmented. The Company considers that there are approximately 5 or 6 other established operators that are of a similar size to Elixinol US that are currently operating in the market.

Given that the importation and cultivation of industrial hemp requires licensing and permissions, the barriers to entry for new players are relatively high. In order to enter the market, it is necessary to have considerable specific expertise and adequate resources and time to invest in facilities and ensure practices meet the relevant standards.

2.2.4 Legislative and regulatory framework

United States:

On 7 February 2014, President Obama signed the Farm Bill of 2014 into law. Section 7606 of this Act, Legitimacy of Industrial Hemp Research, defines industrial hemp as distinct from marijuana. Importantly, it also authorises institutions of higher education or State Departments of Agriculture to regulate and conduct research and pilot programs.

Since then approximately:

- 31 States have passed hemp legislation removing barriers to its productions; and
- 15 States launched hemp pilot or research programs.

For a detailed breakdown of the legal status of industrial hemp products under US Federal and State laws, and the applicability of those laws to Elixinol US' business, refer to Appendix B. Elixinol US does not operate in the US medicinal cannabis sector.

Europe:

Within the European Union (**EU**), foods containing hemp products are allowed in several countries including the UK, Germany, France, the Netherlands, Austria, Finland, and Italy, but the THC limit varies from country to country. According to the EU law, the cultivation of hemp is allowed if it contains less than 0.2% THC in the upper 1/3 of the mature crop.

Australia:

In relation to the cultivation and supply of industrial low-THC hemp, each Australian State and Territory has its own licensing regime setting out the precise terms on which licences for cultivation or supply may be granted. Set out below is an overview of the NSW regime – the applicable regime for HFA.

02 Industry overview

NSW

Under the *Hemp Industry Act 2008* (NSW) (**HI Act**) the Secretary of the Department of Industry, Skills and Regional Development may grant a licence authorising a person to cultivate or supply low-THC hemp (being cannabis with a concentration of THC of no more than 1%) for:

- commercial production;
- use in any manufacturing process;
- scientific research, instruction, analysis or study; or
- any other purpose prescribed by the regulations.

Before a licence is granted, it must be established that the applicant, and each close associate of the applicant, are suitable persons to be concerned in or associated with the cultivation or supply of low-THC under the licence. In determining this, consideration is to be given to whether the person, and each close associate, is of good repute, having regard to character, honesty and integrity.

Where a licence is granted, conditions are imposed under the HI Act, the *Hemp Industry Regulations 2016 (NSW)* and at the discretion of the Secretary of the Department of Industry, Skills and Regional Development. These conditions include, amongst others, that:

- the licensee must ensure that the activities authorised by the licence remain under the licensee's control at all times;
- any activity authorised by the licence must be carried out only in the area specified in the licence;
- licensee may only use seed that is supplied on the basis that it will not produce hemp that has a concentration of THC (in its leaves and flowering heads) of more than 0.5%; and
- licensee must take all necessary steps to ensure that any hemp cultivated by the licensee has a concentration of THC (in its leaves and flowering heads) that does not exceed 1%.

Food Standards Code

Under the Food Standards Australia New Zealand Act 1991 (FSANZ Act), Food Standards Australia New Zealand (**FSANZ**) is an independent statutory agency. FSANZ develops standards that regulate the use of ingredients, processing aids, colourings, additives, vitamins and minerals. It does this via a legislative instrument known as the Australia New Zealand Food Standards Code (the **ANZFS Code**). The ultimate decision-makers in the system is the Australia New Zealand Ministerial Forum on Food Regulation (**Forum**). The Forum signs off on the ANZFS Code and can also request that a draft standard be developed, reviewed, amended or rejected.

The ANZFS Code states a food for sale must not be, and must not have as an ingredient or component, a prohibited plant. Previously, "Cannabis (all cannabis species)" was listed as a prohibited plant. This prohibition included a part or derivative of the cannabis species or a substance derived from that plant, part or derivative.

In March 2017, the FSANZ amended the ANZFS Code to provide an exception relating to cannabis sativa seeds.

Broadly this exception allows cannabis sativa seeds to be a food for sale (or used as an ingredient in a food for sale) if (amongst other things):

- the seeds:
  - are low THC cannabis sativa (being cannabis sative where the leaves and flowering heads do not contain more than 1% delate 9-tetrahydrocannabinol);
  - contain no more than 5 mg/kg of total THC; and
- if the food is for retail sale – are not able to germinate and are hulled; and
- the only cannabinoids in or on the seeds are naturally present.

This exception expressly includes the following products that may be sold as food or used as an ingredient in a food for sale:

- oil extracted from seeds of low THC cannabis sativa if the oil contains not more than 10 mg/kg of total THC;
- a beverage derived from seeds of low THC cannabis sativa if the beverage contains not more than 0.2 mg/kg of total THC; and
- any other product that is extracted or derived from seeds of low THC cannabis sativa and contains not more than 5 mg/kg of total THC.

On 28 April 2017, the Forum did not "seek a review" of FSANZ's draft variation to the ANZFS Code, meaning the variation was approved. As a result, the variation to the ANZFS Code was gazetted on 11 May 2017.

Although gazetted in May 2017, the commencement date for this change to the ANZFS Code was delayed for six months (until 12 November 2017). This change did not become effective until 12 November 2017. Prior to this change hemp-derived products were sold in Australia as cosmetic and skin care products and not allowed for human consumption.

Importation of hemp

The restrictions and relevant licences for the importation of low-THC industrial hemp are the same as for all cannabis products. See Section 2.3.5.2 below for further details.

For further information about the legal status of industrial hemp and hemp as a food in Australia and NSW, see Appendix C.

02 Industry overview

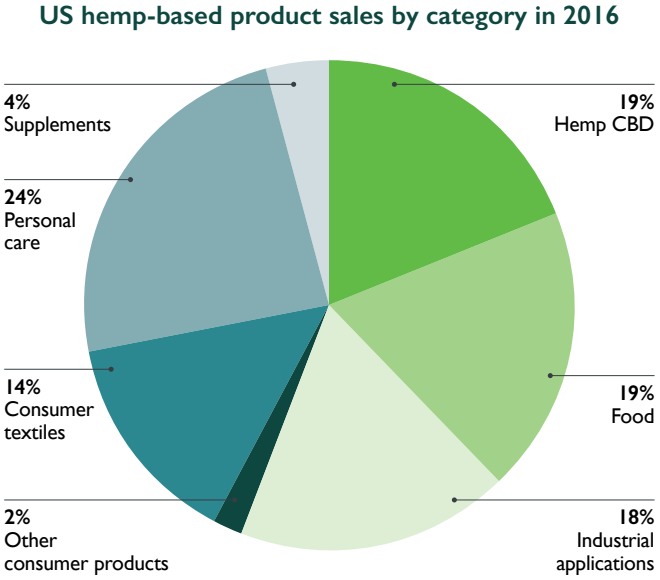
2.2.5 Size of the Market

Hemp based products

The total retail value of hemp products sold in the US in 2016 was approximately US$688 million.

Set out in Figure 2.2 below is the breakdown of the total US hemp-based CBD product sales by these categories for 2016.

Figure 2.2: Total US hemp-based product sales category in 2016



Asia Pacific is anticipated to emerge as a significant market for hemp-based food products.

2.2.6 Drivers of growth for hemp based CBD nutraceutical products

Management believe growth of the hemp-based CBD nutraceutical market is expected to accelerate as CBD products become more popular for treatments of various medical applications. Some of these medical applications include:

- chronic pain;
- post-traumatic stress disorder;
- sleep disorders;
- anxiety; and
- nerve pain.

2.2.7 Drivers of growth for hemp based food products

The demand for hemp-based foods, hemp seeds, hemp oil and hemp protein powder is increasing, primarily due to the emergence of hemp as a "superfood" due to the nutritional value found in hemp food products. In particular, hemp food products have been claimed to have attributes including the following:

- **Easy to digest** – unlike many grains, legumes and nuts, hemp contains no enzyme inhibitors, and the seeds do not need to be soaked or sprouted before being consumed in order to get their full nutritional benefit.
- **Essential Fatty Acids (EFAs)** – hemp is considered an excellent source of EFAs, and in ideal ratio of 3:1 for Omega-6 to Omega-3.
- **Essential Amino Acids** – amino acids are the building blocks of protein – hemp seeds contain 8 essential amino acids.
  Gluten-free – hemp seeds are gluten-free.
- **Hemp** – a reliable source of protein.

The global health and wellness food market in 2015 was estimated to be worth approximately US$754.4 billion, of which the hemp-based food market was estimated to be worth US$215.8 million, or 0.03% of the total global market.

According to a Global Hemp-Based Foods Market report, the main driver of growth for hemp-based foods is anticipated to be the increase in consumer acceptance of hemp-based food products due to increased awareness and education of the nutritional benefits of hemp.

2.3 The medicinal cannabis industry

The Elixinol Group does not currently operate in the medicinal cannabis industry. Subject to obtaining the required licences and permits, Elixinol AUS intends to supply a range of medicinal cannabis products.

2.3.1 What is medicinal cannabis?

Medicinal cannabis refers to a product which includes, or is from, any part of the cannabis plant and is used for the purposes of attempting to cure, or alleviating the symptoms of a disease, ailment or injury.[4]

The efficacy of cannabis for particular medical conditions is affected by the types and amount of cannabinoids in the product.[5] Although a large number of cannabinoids have been identified, the most prevalent of these are THC and CBD. The main difference between these two types of cannabinoids is, THC is psychoactive, whereas CBD is, in contrast, non-psychoactive.

4 Schedule 1, Narcotic Drugs Amendment Act 2016 (Cth).
5 Medicinal Cannabis Report, Victorian Law Reform Commission, August 2015, see Chapter 2 "The Uses of Cannabis for Medicinal Purposes".

02 Industry overview

2.3.2 Medical indications and benefits:

Medicinal cannabis (CBD and THC) has been shown to have therapeutic benefits for a range of indications. Some of these are set out in Table 2.1 below:

Table 2.1: Benefits of medicinal cannabis for various medical conditions [6]

Condition	Benefit of Medicinal cannabis via various delivery systems
Multiple sclerosis	Has shown to be beneficial in the treatment of pain, gastrointestinal distress and muscle spasms associated with multiple sclerosis
Epilepsy	Has shown a reduction in symptoms for children suffering intractable epilepsy
Chemotherapy induced nausea	Has shown to be beneficial in alleviating the symptoms of chemo-therapy induced nausea
Chronic pain	CBD has been shown to relieve chronic pain largely related to the natural cannabinoid receptors present in the body
Rheumatoid Arthritis	Has shown to ease arthritis pain, associated inflammation and other associated symptoms,
Parkinson's Disease	Has shown to be efficacious in the treatment of symptoms related to Parkinson's Disease
HIV/AIDS	Has shown to be beneficial in the treatment of pain, nausea, appetite loss, cachexia and emotional decline associated with HIV/AIDS
PTSD	In addition to the relief provided, the high from THC is also associated with temporary memory impairments, a positive for those with PTSD
Nausea/ vomiting/ lack of appetite	THC has shown the ability to reduce nausea and also works as a powerful appetite stimulant in both healthy and unwell individuals
Glaucoma	THC has shown to relieve eye pressure in patients with glaucoma

2.3.3 What is the market size?

Medicinal cannabis is a nascent industry in Australia, and the size of the market is still relatively unknown. There is growing public support for medicinal cannabis, with polling conducted in 2015 reporting that 91% of Australians support the legalisation of medicinal cannabis. The legislative framework designed for manufacturing and dispensing medicinal cannabis suggests that Australia is taking a measured approach to medicinal cannabis. However, extrapolating data from the comparable Canadian and USA markets indicates that by 2024 over 1.2% of the Australian population (300,000) could use medicinal cannabis for the treatment of various indications.

The Australian market is currently estimated to be in excess of $100 million per annum.

2.3.4 Competitive landscape

Due to the emerging nature of the Australian medicinal cannabis industry, the competitive landscape is evolving. There are currently 11 ASX listed companies positioned and operating in various parts of the medical cannabis supply chain. As the medicinal cannabis industry expands, it is likely that new entrants will emerge, and company collaboration and consolidations will likely occur.

Given the relatively new and complex legislative and regulatory regime governing the importation, cultivation, manufacturing and supply of medicinal cannabis, the barriers to entry for new entrants are material.

6 Handbook of Cannabis, Roger Pertwee (Editor), Oxford University Press, 2014.

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2.3.5 Current Legal position of medicinal cannabis in Australia

Australia is a signatory to three international drug control treaties that aim to restrict production, manufacture, export, import, distribution, trade and possession of narcotic drugs (including cannabis) exclusively to medical and scientific purposes. The three treaties are:

- Single convention on Narcotic Drugs (1961);
- Convention on Psychotropic Substances (1971); and
- United Nations Convention Against Illicit Traffic in Narcotic Drug and Psychotropic Substances (1988).

Under the *Single Convention on Narcotic Drugs 1961* (**Convention**) Australia has an obligation to control, supervise and report on various stages of cannabis cultivation, production and manufacture. The purpose of the Convention is to establish a framework to both prevent abuse and diversion of controlled substances such as cannabis, and to facilitate the availability of these substances for medical and scientific purposes. The enabling legislation for these obligations is the *Narcotic Drugs Act 1967* (Cth) (**ND Act**).

On 29 February 2016, the *Narcotic Drugs Amendment Act 2016 (Cth)* (**NDA Act**) was given royal assent. The NDA Act amends the ND Act to establish a licensing scheme for the cultivation of cannabis for medicinal and scientific purposes, giving effect to Australia's obligations under the Convention.

The Commonwealth Department of Health, through the Office of Drug Control (**ODC**), has overall legislative control and licenses those who cultivate, produce and manufacture cannabis and cannabis products for medical and scientific use. Additionally, the Therapeutic Goods Administration (**TGA**) regulates the manufacture, registration and supply of medicinal cannabis as it does for other therapeutic goods.

The availability of medicinal cannabis products is governed by individual states and territories. The legislation regarding access to medicinal cannabis differs from state to state, with variations of 'who' specifically can prescribe medicinal cannabis and for 'what' indications of medicinal cannabis. State and Territory legislation covers licensing of manufacture, wholesale, supply and patient access to medicinal cannabis products within each jurisdiction. The relevant aspects of the medicinal cannabis regulatory regime is set out below.

For further information in respect of the Australian medicinal cannabis regulatory regime, see Appendix C.

2.3.5.1. Cultivation, production and manufacture licence

The ND Act set out the two types of cultivation and production cannabis licences that can be issued by the ODC, a medicinal cannabis licence and a cannabis research licence. Broadly, a cannabis research licence may authorise the cultivation or production of cannabis or cannabis resin for the purpose of activities relating to research and related scientific purposes. A medicinal cannabis licence may authorise the cultivation or production of cannabis or cannabis resin for medicinal purposes.

Before a licence holder can cultivate cannabis plants, or produce cannabis or cannabis resin, the licence holder must obtain a cannabis permit. Broadly, permits set out matters such as the types of cannabis plants that can be cultivated and the quantities of cannabis and cannabis resin that can be produced.

Separately, the ODC can issue a manufacturing licence that may authorise the manufacture of a drug (in accordance with a manufacture permit) and related activities to such as supplying, packaging, transporting, storing, possessing, controlling, disposing or destructing the drug. As for a cultivation and production licence, a manufacturing licensee must obtain a permit specifying the types and quantities of drugs that can be manufactured prior to commencing manufacturing.

In determining whether to grant a cultivation or production licence or a manufacturing licence, the ODC must consider (amongst other things) whether it is satisfied on reasonable grounds that the applicant, and each of the applicant's relevant business associates (whether or not in connection with the medicinal cannabis business), is a "fit and proper person" to hold the licence. In determining whether someone is a fit and proper person, the ODC may have regard to a range of matters, including prior convictions of offences, associates and family, previous business experience and matters going to character, honesty and integrity.

In order to receive either type of licence, an application must be submitted to the ODC complying with the requirements prescribed in the *Narcotic Drugs Regulation 2016* as to form, information, accompanying documents and fees.

Certain conditions are imposed on all cultivation / production licences and manufacture licences, whilst the ODC has the authority to impose additional conditions on individual licences. Additionally, in certain circumstances licences and permits may be varied or revoked.

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2.3.5.2. Importation licence

The Customs Act 1901 (Cth) (**Customs Act**) confers the Governor-General the power to prohibit (absolutely or under certain circumstances / conditions) the importation of goods into Australia. Broadly, under regulation 5 of the *Customs (Prohibited Imports) Regulation 1956* (**CPI Regulations**), the importation of cannabinoids, cannabis and cannabis resin is prohibited unless the person importing the drug is the holder of both:

- a licence to import drugs granted by the Secretary (or an authorised person); and
- a permission to import the drug granted by the Secretary (or an authorised person).

An importation licence will not be granted unless the applicant:

- furnishes all the information reasonably required in relation to the application;
- is a fit and proper person to be granted a licence (including any agents and employees); and
- the premises on which the drugs will be possessed is secure for that purpose.

In the event that an importation licence is granted, the licence holder must:

- keep the drugs in safe custody at all times (including during transport);
- only dispose the drugs for solely medical or scientific purposes;
- keep records in compliance with the regulations;
- furnish information, records or drugs when requested for inspection; and
- ensure importation of any drugs is in accordance with the terms of an Importation Permission.

An importation permission will not be granted unless the applicant:

- furnishes all the information reasonably required in relation to the application; and
- is the holder of a manufacturing licence under the ND Act (if the drugs are to be used for manufacturing), is the holder of all required State or Territory licences for supply (if the drugs are to be used for supply), or, if neither of the above are applicable, ensure the drugs are to be used for medical or scientific purposes only.

In respect of the above, importers may apply for an Importation Licence and Permission if it is established that the drug will be used for a Special Access Scheme, Authorised Prescriber Scheme or clinical trial under the Therapeutic Goods Act 1989 (see section below).

Separately, the person may also need an export licence and/or permit from the country of origin depending on the laws of that country.

2.3.5.3. Access

The Therapeutic Goods Act 1989 (Cth) (**TG Act**) provides for the establishment and maintenance of a national system of controls for the quality, safety, efficacy and timely availability of therapeutic goods that are used, or exported from, Australia. Under the TG Act, the Australian Register of Therapeutic Goods (**ARTG**) is administered by the TGA and compiles information in relation to, and for the evaluation of, therapeutic goods for use in humans. Generally, medicines (including medicinal cannabis) imported into, supplied in, and exported from Australia must be entered in the ARTG. However, for unapproved therapeutic goods, the TG Act provides a series of mechanisms to enable access. For medicinal cannabis, these pathways include:

- the Authorised Prescriber Scheme (**APS**);
- the Special Access Scheme (**SAS**); or
- access as part of a clinical trial.

APS and SAS

Broadly, under the APS, a medical practitioner can be approved as an "Authorised Prescriber" and once approved, can prescribe the relevant product for the relevant condition to individual patients in their immediate care. On the other hand, access under the SAS is undertaken by application to the TGA on a case-by-case basis.

Under these schemes, the importer or manufacturer of the medicinal cannabis products is considered the "sponsor". The sponsor has a legal obligation to ensure that all of the relevant approvals, licences, authorisations and exemptions have been obtained and that the products comply with all of the applicable standards (see below).

Clinical trials

There are two schemes under which clinical trials involving unapproved therapeutic goods may be conducted, the Clinical Trial Notification (**CTN**) Scheme and the Clinical Trial Exemption (**CTX**) Scheme. The TGA and he Human Research Ethics Committee (**HREC**) play important roles in clinical trial evaluation.

For a clinical trial under the CTN or CTX, the trial must have an Australian sponsor. This may be a medical practitioner, an organisation such as a hospital, or a company such as an importer or manufacturer (e.g., Elixinol AUS). TGA deals directly with the Australian sponsor on all matters relating to the trial.

Broadly, the CTN scheme is a notification scheme, where all material relating to the proposed trial (including the trial protocol) is submitted to the HREC, who assesses the scientific validity of the trial design, the safety and efficacy of the medicine and ethical acceptability of the trial process. The institution or organisation at which the trial will be conducted, referred to as the 'approving authority', gives the final approval for the conduct of the trial at the site, having due regard to advice from the HREC. CTN trials cannot commence until the trial has been notified to the TGA.

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The CTX scheme is an approval process, where the sponsor of the trial submits an application to the TGA for evaluation and comment. Should the TGA object to the application, trials may not proceed until the objection has been remediated. A sponsor cannot commence a CTX trial until written advice has been received from the TGA regarding the application and approval for the conduct of the trial has been obtained from an ethics committee and the institution at which the trial will be conducted.

2.3.5.4. Quality standards

Broadly, under the TG Act, an order may be made determining a standard for a class of therapeutic goods identified in the order. The *Therapeutic Goods Order No. 93 (Standard for Medicinal Cannabis)* (the **Order**) sets out the standard for all medicinal cannabis products.

The Order applies to both domestic and international manufacturers to ensure that all medicinal cannabis products (i.e., both imported and domestically manufactured products) meet the quality standard. The Order is intended to provide assurance to medical practitioners and patients that medicinal cannabis products manufactured in accordance with the Order meet minimum quality requirements.

2.3.5.5. Manufacturing licence under the TG Act and applicable standards

Under the TG Act, Australian medicines manufacturers are required to obtain a licence to manufacture medicinal cannabis products that are either on the ARTG or available through one of the access pathways described above. Once licenced, the manufacture of medicinal cannabis products must comply with the *Code of Good Manufacturing Practice for Medicinal Products* (**Code of GMP**), as determined in accordance with the TG Act.

2.3.5.6. Distribution

The TG Act sets out the scheduling of substances that dictates the restrictions to be placed on their supply to the public. The purpose of this system is to minimise the risks of poisoning from, and the misuse and abuse of, scheduled substances. Under the TG Act, the Secretary of the Department of Health is conferred the power to classify the substances into relevant schedules. Once determined, the schedules are published in the *Standard for the Uniform Scheduling of Medicines and Poisons* (also known as, the **Poisons Standard**), with the most recent Poisons Standard being published in October 2017. The scheduling of substances in the Poisons Standard is then implemented through relevant State and Territory legislation.

Subject to certain exceptions, cannabis (including seeds, extracts, resins and any part of the plant) that is:

- cultivated or produced, or in products manufactured, in accordance with the ND Act; and/or
- for use in products manufactured in accordance with the ND Act; and/or
- imported as therapeutic goods, or for use in therapeutic goods, for supply, in accordance with the TG Act; and/or
- in therapeutic goods supplied in accordance with the TG Act,

is a "controlled drug" under the Poisons Standard.

A controlled drug is a substance under the Poisons Standard that should be available for use, however requires restriction of manufacture, supply, distribution, possession and use to reduce abuse, misuse and physical or psychological dependence. As a result, medicinal cannabis can be prescribed provided that the applicable State or Territory permits prescription.

2.3.5.7. State-based laws

In addition to the above, each State and Territory has individual requirements for the manufacture, supply and access to medicinal cannabis. In relation to NSW (where Elixinol AUS intends to operate in), the following licences and approvals are required:

- a wholesale supply licence under the *Poisons and Therapeutic Goods Regulations 2008 (NSW)*;
- a manufacture licence under the *Poisons and Therapeutic Goods Regulations 2008 (NSW)*; and
- medical practitioners who are "authorised prescribers" must also apply for approval under the *Poisons and Therapeutic Goods Act 1966* (NSW).

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The details in Table 2.2 below, and published on the TGA website (www.tga.gov.au/medicinal-cannabis-products-overview-regulation), provides an overview of how the legislative requirements regarding medicinal cannabis in Australia work together, and in particular, the domain that each of the TG Act, ND Act and States / Territories regimes govern.

Table 2.2: Overview of legislative requirements regarding medical cannabis in Australia

Process Step		Therapeutic Goods Act (TGA)	Narcotic Drugs Act (ODC)	States and territories involved?
Patient need Medical authorisation	Access [1]	Special access scheme or Authorised prescriber	✘ No	✔ Yes
Import (if obtaining from overseas)	Import	Responsibility of the sponsor	Licence and permit to import controlled substances	✔ Yes
Distribution	**Patient** with medical authorisation	✘ No	Responsibility of the licensee	✔ Yes
Manufacture of medicine in its dosage form	Local cultivation and supply [2]	Licensable	Licences and permits	✔ Yes
Manufacture of active ingredient		Licensable	Licences and permits	✔ Yes
Harvest (termed 'production' in the Narcotic Drugs Act)		✘ No	Licences and permits	✘ No
Cultivation		✘ No	Licences and permits	✘ No

1 These access arrangements apply unless an appropriate medicinal cannabis product is on the ARTG and available.
2 Access requirements still apply.

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2.3.6 Medical Cannabis Legislation in other markets

An increased understanding of the benefits of medicinal cannabis and acceptance of its use is demonstrated by the growing number of governments introducing and/or amending legislation to facilitate the legal use of medicinal cannabis in various countries. What has happened in Australia in many ways reflects the legislative changes that have occurred overseas. In particular,

2.3.6.1. United States

Currently, 29 States, the District of Columbia and Guam, allow for medicinal cannabis under a variety of legalisation models including adult use (grow, possess and consume), medical use (patients consume with doctor's recommendation, with patients growing the cannabis personally or purchasing through licensed dispensary) or CBD only use (medicinal use of products containing little or no THC). With that being said, at a federal level cannabis remains a controlled substance, with no approval for use in any capacity.

With legislation approving the use of medicinal cannabis currently being considered in several states, and with public approval and support increasing, it is anticipated the number of states legalising medical cannabis will increase.

Elixinol US does not operate in the US medicinal cannabis sector.

2.3.6.2. Canada

In 2016, Health Canada announced the new Access to Cannabis for Medical Purposes Regulations (**ACMPR**). The ACMPR allow for reasonable access to cannabis for medical purposes for Canadians who been authorised to use cannabis for medical purposes by their health care practitioner. Under the ACMPR, Canadians who have been authorised by their health care practitioner to access cannabis for medical purposes, also have the option of purchasing safe, quality controlled cannabis from a "licenced producer", or are able to produce a limited amount of cannabis for their medical purposes, or designate someone to produce it for them.

The ACMPR continues to facilitate production of marijuana for commercial producers who must comply with strict safety and quality demands. It also streamlines the application process for patients who need a prescription from a health care practitioner. Health Canada is continuing to improve its reporting data. As of first quarter of fiscal year 2017-18, Health Canada reports that there are 201,398 patients registered for medicinal cannabis and 62 licenced producers of cannabis for medical purposes.[7]

2.3.6.3. Europe

In Europe, the member states of the European Union are free to set their own national drug laws, although all members are parties of the Convention. Broadly, countries that have legislated for medicinal cannabis use in some form include: The Netherlands, Poland, Belgium, Croatia, Czech Republic, France, Romania and Serbia.

7 Government of Canada, Health Canada – Market Data: www.canada.ca/en/health-canada/services/drugs/medical -use-marijuana/market-data.htlm.

03

Company Overview

03 Company Overview

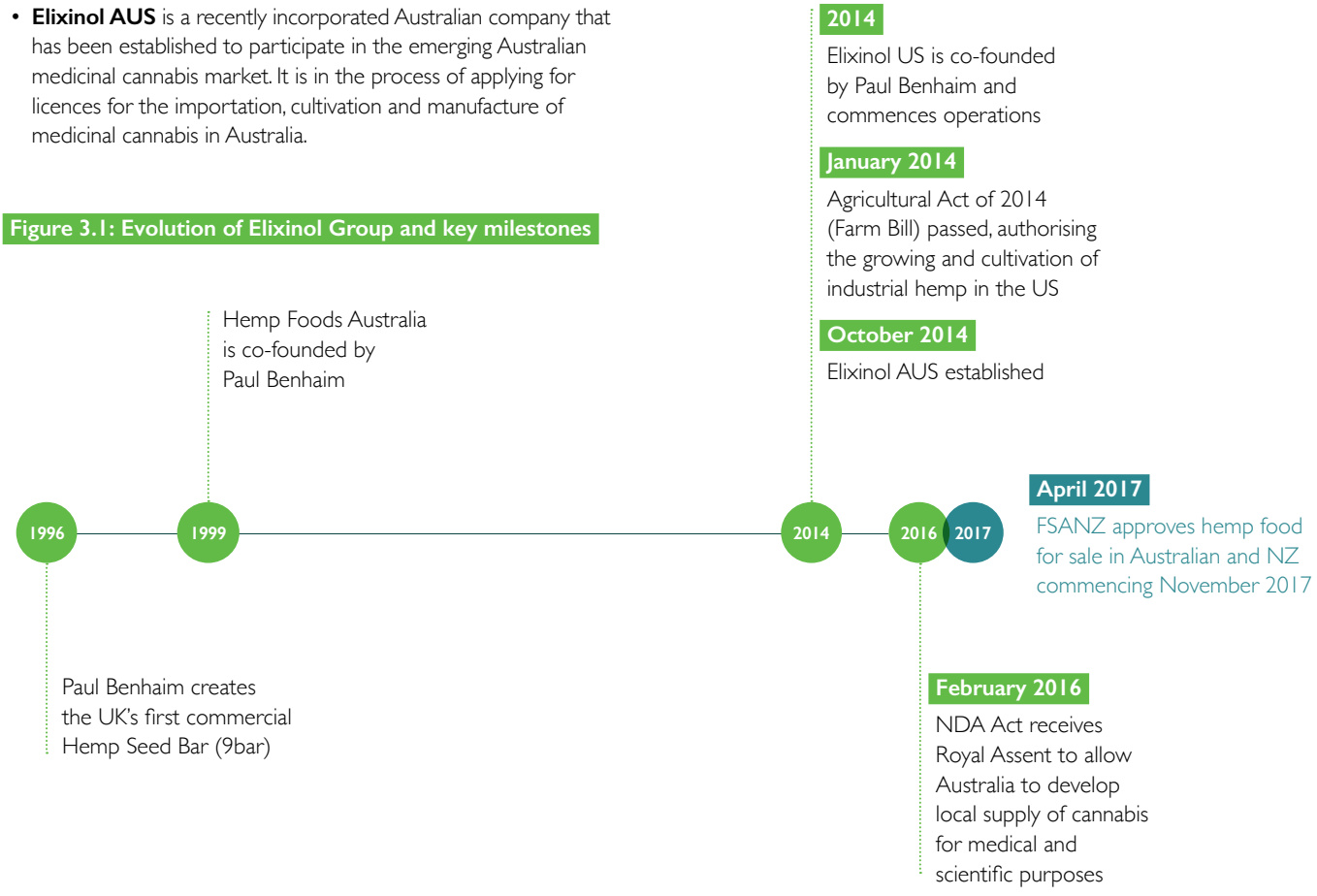
3.1 History of the Elixinol Group

The Company was registered in New South Wales on 4 September 2017 as a public company limited by shares. It is intended to be the holding company for each of Elixinol US, HFA and Elixinol AUS on Completion of the Offer. As at the date of this Prospectus it has 1 ordinary share on issue to Paul Benhaim.

The operating companies of the Elixinol Group have the history and operations set out below.

- **Elixinol US** is based in Broomfield, Colorado (US) and was established in 2014 to specialise in the manufacturing and distribution of products made from premium quality, 'whole plant' CBD Hemp Oil which is extracted from the stem, seed, and stalks of organically grown hemp.
- **HFA** was founded in 1999 and manufactures industrial hemp-derived food and skincare products in Australia. HFA distributes mainly within Australia and will look to expand further into export markets.
- **Elixinol AUS** is a recently incorporated Australian company that has been established to participate in the emerging Australian medicinal cannabis market. It is in the process of applying for licences for the importation, cultivation and manufacture of medicinal cannabis in Australia.

Figure 3.1: Evolution of Elixinol Group and key milestones



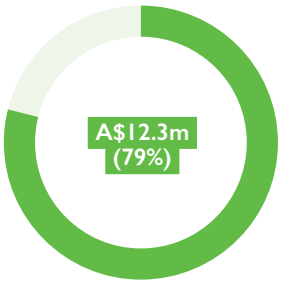
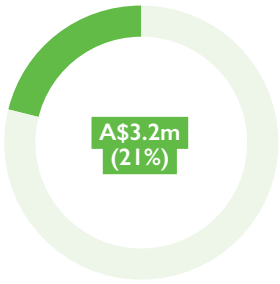
03 Company Overview

3.2 Summary of the Elixinol Group

This Section 3 provides an overview of the members of the Elixinol Group and the industry in which they operate, or intend to operate.

The Elixinol Group's operations are summarised in Table 3.1 below:

Table 3.1: Overview of Elixinol Group:

Subsidiary	Elixinol US	HFA	Elixinol AUS
Status	Operating	Operating	Non-producing
Headquarters	United States	Australia	Australia
% of CY2017 pro forma forecast revenue			NIL
Segment	Industrial hemp - Nutraceutical	Industrial hemp – Food	Medicinal cannabis
Focus	Manufacturing, sales, marketing and distribution of dietary supplement hemp (CBD) extracts (including capsules, oil tinctures and liposome products)	Manufacturing, sales, marketing and distribution of hemp food and cosmetic products	Cultivation, manufacture and distribution of CBD/THC products via "Authorised Prescribers".
Product range	Products include: • Hemp Oil Capsules • Hemp Oil Tinctures • X-Pen • Respira Hemp Oil • Liposome Hemp Oil • CBD Rescue Balm • CBD Lip Balm • CBD Dog Treats • Bulk packaged product and Private Label	Products include: • Hulled Hemp Seeds • Hemp Oil • Hemp Protein powder • Hemp Flour • Bulk Hemp Seeds • Bulk Oil • Bulk Protein powder • Bulk Flour	N/A
Markets	Sells to over 40 countries including: • United States • United Kingdom • South Africa • Japan	Sells to: • Australia • Japan (via Elixinol US) • South Korea (via Elixinol US) • United States (via Elixinol US)	Subject to obtaining the relevant licences and permits and being operational, sell in Australia.
Employees	Full-time employees: 20 Part-time employees / consultants: 4	Full-time employees: 11 Part-time employees: 6	Full-time employees: 2 until the company has obtained the requisite licences.

3.3 Elixinol US

3.3.1 Introduction

Elixinol US uses specially bred industrial hemp plants, which have a higher level of CBD and other compounds. Specialised extraction and production techniques are used to ensure a highly potent and pure CBD hemp oil. Elixinol US currently manufactures over 15 organic hemp-derived CBD nutraceutical, dietary supplement and skincare products, distributed via on-line, retail, wholesale and other distribution channels to US and international markets. Approximately 85% of sales are in the US, with 15% of sales occurring via distributors across 40 countries. A strategic priority
is to expand the company's footprint in these export markets.

The nature of the activities conducted by Elixinol US involve industrial hemp. Elixinol US does not operate in the US medicinal cannabis sector.

3.3.2 Business model and stategy

Elixinol US' business strategy is focused on the following key areas:

- expanding its footprint in the US and export markets;
- providing the highest quality industrial hemp-derived CBD products;
- increasing domestic and international distribution of existing products;
- entering other vertical markets;
- developing new products that have been tested and provide the most beneficial delivery mechanisms;
- further developing existing relationships with its customers and suppliers;
- identifying suitable brands and businesses for acquisition; and
- providing information and education about ways to promote natural health.

This approach has assisted Elixinol US in delivering strong revenue growth. From FY2016 to CY2017, Elixinol US' revenue growth is forecast to exceed 71%.[8] Management believes this growth reflects consumers' increasing awareness and attraction of hemp-derived CBD and towards brands and products with clean, green and 'natural' credentials and attributes.

Please see Section 5 for a description of the risks that affect the Elixinol Group, and Elixinol US specifically, and which may prevent Elixinol US from achieving its strategic goals.

3.3.3 Value drivers

The value drivers of Elixinol US are provided in Figure 3.2 below:

Figure 3.2 Value drivers of Elixinol US

8 The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4.7 and is subject to the key risks set out in Section 5. There is no guarantee that forecasts will be achieved.

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3.3.4 Overview of products

The "Elixinol" brand is positioned and marketed to consumers as high-quality, organic, CO2-extracted products for the nutraceuticals market. In addition to Elixinol US manufacturing its own products, Elixinol US currently supports several industry-leading brands through their limited-entry private labeling program. This program offers Elixinol US an additional source of revenue while also enabling Elixinol US to observe market trends and gain additional insight into the demands of the end consumers.

Figure 3.3 Overview of Elixinol US products

3.3.5 New product development

Elixinol US believes that it has the knowledge, expertise, experience and resources at its disposal to design, formulate, produce and distribute products from conception through to shelf readiness. In addition, Elixinol US maintains a database of formulations developed over many years which Elixinol US can utilise to expedite the commercialisation of new products in response to market trends.

Elixinol US is able to leverage its years of experience working with industrial hemp, and its CBD derivative, to bring new product applications to market, including our liposomal CBD hemp oil technology. Additionally, other increased bioavailability products are in development. Other examples include new product formulations and new products for vertical markets such as skincare and the pet/veterinary markets.

Elixinol US develops products that have been tested and provide the most beneficial delivery mechanisms to meet the demands and efficacy requirement for customers.

3.3.6 Production capability

Elixinol US production facilities are located in Broomfield, Colorado. The facility is licensed by the State of Colorado and registered in the City of Denver and is GMP-compliant. Products are manufactured, packaged and distributed from this facility, with the capacity to increase its scale in response to future growth and consumer demand.

To streamline processing the CBD CO2 extraction and pre-processing functions have been brought 'in house' via a partnership with H&W Holdings LLC (**'H&W'**) situated on site to Elixinol US' production facilities. Elixinol US owns 18.5% of the shares in H&W.

Management believes that the streamlining of Elixinol US' production and warehousing capability across a single location in Broomfield, Colorado has the following key advantages:

- **Adaptability** – The Company believes that in order to stay competitive in the nutraceuticals market it must be able to quickly adapt and respond to changes in consumer tastes and trends. Elixinol US' infrastructure and new product development team allows it to rapidly respond to market trends by adding or removing product lines with minimal disruption.
- **Quality Assurance** – Elixinol US closely monitors the sourcing of raw ingredients and product formulation, product manufacturing, quality testing, packaging, warehousing and distribution.
- **Cost Efficiencies** – Elixinol US has the flexibility to cost effectively produce both low volume high margin products and high volume low margin products.

3.3.7 Suppliers

Elixinol US sources high quality industrial hemp from licensed suppliers globally for its ingredients, packaging and service requirements. Elixinol US has an experienced procurement team who manage the relationships with the its suppliers. In particular, currently the key supplier for Elixinol US is Colorado Cultivars. See Section 9.6.2.1 for more information.

3.3.8 Sales and distribution

Elixinol US sells to end consumers, distributors, medical and allied health professions and hemp-based retailers, as well as white label customers and product manufactures. A diversified revenue stream enables Elixinol US to capture and maintain market share in a developing and growing industry sector.

Elixinol US has an experienced internal sales team that generates sales through tradeshows and conferences, industry networking events, and through leads generated via Elixinol US's website, social media and public relations marketing platform. Additionally, Elixinol US has exclusive and non-exclusive distributors in the United States and globally.

The majority of Elixinol branded product sales to date occur in the United States, however, distribution internationally is expected to continue to grow over the next several years.

3.3.9 Growth strategy / outlook

3.3.9.1. Organic growth

The Company intends to continue to grow Elixinol US by expanding its product and service offering to meet its customers' evolving requirements. As Elixinol US continues to grow, there should be opportunities to realise further operational efficiencies by extracting procurement synergies and from greater purchasing power of raw materials through economies of scale.

New adjacencies such as pet CBD products, through the Pet Releaf range of products that Elixinol US distributes, are expected to enable Elixinol US to increase market share within the industrial hemp industry. Elixinol Global is also considering plans to expand Elixinol US' operations into the retail sector, particularly in Colorado and California where retail opportunities and interest are growing due to advancing regulatory systems for manufacturing cannabinoid-based food products from industrial hemp.

Elixinol US has established the Medical Professional Education portal (**Portal**), which will enable Elixinol US to expand distribution of its products and services direct to health and medical provider networks. The Portal has been expanding since 2016 and has created a platform for developing a peer to peer knowledge base and communication tool for medical and health professionals. Through the continued development of this Portal, Elixinol US will also be able to more directly educate and interact with the US medical and health professionals. It is expected that the Portal will allow Elixinol US to more efficiently recruit new health and medical provider networks.

Elixinol US has developed strong relationships with key suppliers who provide products and services that Elixinol US does not provide. This has enabled Elixinol US to gain additional revenue by enabling distribution capabilities of these products and services through the Elixinol US sales team and existing distribution channels. This unique position has also enabled Elixinol US to understand the ever-expanding market appetite and demand for various hemp-derived CBD products and services.

3.3.9.2. Acquisition growth

Management believes the industrial hemp industry is highly fragmented with a number of brands and companies competing to establish a foothold in their respective markets. With Management's industry knowledge, operational experience and contacts, there is a strong potential pipeline of acquisition opportunities in the industrial hemp sector, including partnerships and joint ventures. The Elixinol Group will assess and execute earnings accretive and synergistic acquisition opportunities as they arise.

3.4 Hemp Foods Australia

3.4.1 Introduction

HFA, located in Bangalow, Northern Rivers region of NSW, was co-founded in 1999 by Paul Benhaim. HFA started as a small operation producing and distributing hemp oils in the Australian market. Since 2012 the company has grown, manufacturing organic hemp seeds, hemp oils and hemp protein and distributing both bulk and finished product via wholesale and retail channels in Australia and exports into overseas markets. Prior to 12 November 2017, these products were sold in Australia for external use only (skincare).

3.4.2 Business model

HFA's business strategy has been focused on the following key areas:

- new product development;
- new production technologies and know-how;
- distribution and introduction of parallel brand of consumer products;
- international distribution of HFA bulk and finished products;
- target health-conscious consumers in the Asia Pacific region;
- selling bulk raw materials to large manufactures for blending in producing their own products;
- identify suitable acquisition targets; and
- continue to educate the market in the beneficial properties of hemp.

This approach has assisted HFA to deliver strong revenue growth. From FY2016 to FY2017 (30 June year-end), HFA's revenue growth was 17.4%. With the inclusion of hemp as a food on the ANZFS Code on 12 November 2017, Management expects strong growth to continue as HFA executes its business strategy. In particular, as a result of HFA's immediate focus on marketing and broader distribution of its product lines, following the change to the ANZFS Code, it is expected that demand for HFA's hemp seeds, oils and protein powder will grow. Growth may also include expansion into the supermarket, grocery sector and food services sector.

Please see Section 5 for a description of the risks that affect the Elixinol Group, and HFA specifically, and which may prevent HFA from achieving its strategic goals.

03 Company Overview

3.4.3 Production and manufacturing

HFA manufactures hemp seeds, hemp protein, hemp flour and some hemp oil on site in Bangalow, Northern Rivers region of NSW. Additionally, HFA provides hemp seeds to one of the largest independent cold-pressed oil producers in Australia.

Separately, HFA intends to outsource production of its upcoming organic skincare range, Sativa Skincare, to an organic skincare and cosmetic specialist.

It is anticipated that new products in the 'snack' categories, planned for roll-out in 2018, will be outsourced to third party manufacturers to enable HFA to focus on its core products (seed, oils and powder).

HFA recently upgraded the capacity of its manufacturing facilities and its current equipment was installed in October 2015 after the concession of grants from the Australian government. HFA's manufacturing facility is currently operating at approximately 25% capacity. In addition, HFA has the potential to expand its operations to over 400% of its current capacity at its existing site.

3.4.4 Overview of HFA's main products

An overview of HFA's main products is provided in Figure 3.4 below:

3.4.5 Suppliers

HFA has a range of suppliers for its ingredients and packaging requirements. Tiverton Agriculture is an Australian strategic partner and supplier, directly managing 40,000 acres of cropping land in Victoria and Queensland.

As at the date of this Prospectus, Tiverton Food, a related party of Tiverton Agriculture, holds 30% of the shares in HFA. On Completion of the Offer, Tiverton Food will be a Shareholder of the Company.

For more information on the Elixinol Group's related party transactions, please see Section 9.6.

3.4.6 Distribution

The Australian market is the main focus of the business, with products also distributed to Japan, South Korea and the United States (via Elixinol US).

HFA has strong relationships with niche distribution channels, including health food stores, which allows the distribution of the products in Australia. Additionally, in light of the changes by FSANZ that became effective 12 November 2017, HFA is currently considering growth opportunities in the food retail and food services sectors.

Figure 3.4 Overview of HFA's main products

Hulled hemp seeds | Hulled hemp protein | Hemp oil

Figure 3.5 Established distribution channels

Hemp Foods Australia 200+ domestic distributors and expanding export market footprint:

Established Australian Distribution

Expanding International Distribution

3.4.7 Growth opportunities

In light of the inclusion of low-THC hemp as a food by FSANZ, management believes that HFA is well-positioned to capitalise on this change by leveraging its established infrastructure and HFA's distribution and sales capabilities.

On Completion of the Offer, HFA will continue to pursue a range of growth initiatives including:

- **Organic**
  - leverage off economies of scale; seek production efficiencies and increase production.
  - given the inclusion of low-THC hemp as a food by FSANZ, HFA will seek to introduce new consumer product lines' and expand its distribution network (both locally and abroad), with a renewed focus on internet sales to drive revenue.
- **Farming** – partnering with key supplier, Tiverton Agriculture. Tiverton Agriculture intends to supply certified organic, sustainably grown and conventional Australian hemp seeds. Tiverton Food, a related party of Tiverton Agriculture, is a shareholder of HFA and on Completion of the Offer, will be a shareholder of the Company.
- **Acquisitions** – fragmented and immature industry both in Australia and globally providing opportunities for consolidation across the supply chain – 'seed to spoon'.

3.4.8 Competitors

The competitive landscape in Australia is set to change given the inclusion of low-THC hemp as a food in the ANZFS Code on 12 November 2017. HFA is well positioned having already established manufacturing facilities and distribution networks in place, along with strong brand recognition in the natural and organic 'superfood' food sector.

The industrial hemp industry in Australia is a nascent market that is largely fragmented, and in addition to HFA, consists of approximately five relatively small manufacturers of industrial hemp foods. Given the scale of HFA's manufacturing facility and breadth of hemp products, HFA estimates that it holds leading positions for its product categories and believes it does not have any one headline competitor and/or no other Australian manufacturers that locally produce all of the hemp categories in which it operates.

3.5 Elixinol AUS

3.5.1 Introduction

Elixinol AUS is a recently incorporated Australian company which has not yet commenced commercial operations. It is seeking the required licenses and permits to import, cultivate, produce, manufacture and supply medicinal cannabis in Australia (see Section 3.5.2).

Although in its infancy, the Company plans to leverage Elixinol US's experience in industrial hemp and its derivatives, whole plant extracts, product formulations and delivery systems to develop Elixinol AUS into a significant participant in the nascent Australian cannabis market.

Elixinol AUS may consider export opportunities once the Australian market for medicinal cannabis is established and should exportation be legalised. Currently, the *ND Act* does not permit the exportation of medicinal cannabis. The ODC conducted a consultation process in relation to the proposed export of Australian cultivated and manufactured medicinal cannabis products, which received overwhelming support. However, as at the date of this Prospectus, no exportation regime has been legislated for. Any future regime cannot be guaranteed and if established may involve obtaining additional licences and permits and there is no guarantee that Elixinol AUS would obtain those licences.

3.5.2 Dependence on licence

The Elixinol AUS business model is predicated on the company obtaining the necessary licences to import, cultivate and manufacture medical cannabis products for the Australian market. Set out in Table 3.2 below is a summary of Elixinol AUS' proposed activities and the necessary licences it intends to apply for.

03 Company Overview

Table 3.2: Elixinol AUS proposed activities and necessary licences

Proposed Activity	Licensing requirements
Importation of medicinal cannabis	An importation licence (and relevant permission), under the *Customs (Prohibited Imports) Regulations 1956 (Cth)*. (Note: a wholesale supply licence (see below) is a prerequisite for this importation licence).
Clinical trials	Registration with the TGA under the Clinical Notification (CTN) or Clinical Trial Exemption (CTX) schemes.
Cultivation / production of medicinal cannabis	A cultivation / production licence (for medical purposes), granted by the ODC under the ND Act (with relevant permits).
Manufacturing of medicinal cannabis	• A manufacture licence (and relevant permissions), granted by the ODC under the ND Act. • A NSW manufacture licence under the *Poisons and Therapeutic Goods Regulations 2008 (NSW)*.
Supply of medicinal cannabis	A wholesale supply licence under the *Poisons and Therapeutic Goods Regulations 2008 (NSW)*.

In addition to the licences and permits listed above, Elixinol AUS must comply with the relevant laws, regulations and standards that govern each of the proposed activities.

3.5.3 Business model

Subject to obtaining the requisite licences, permits and approvals, Elixinol AUS' business model involves establishing a facility for glass house cultivation and GMP manufacturing to enable the production of high quality medicinal cannabis products. Elixinol AUS will execute its business model by:

- sourcing high yielding cannabis genetics;
- developing breeding programs;
- partnering with leading researchers for ongoing evaluation of the efficacy of the company's products for a range of indications;
- drawing on the expertise of Elixinol US in extraction, pre-processing, processing activities in the development of a range of CBD/THC products for various indications; and
- implementing a Medical Education Program for educating specialists and medical practitioners in medical cannabis, efficacy and dosage/treatment protocols.

As set out in Figure 3.6 below, the Elixinol AUS business model adopts a two staged approach. The Company expects both stages will run in parallel.

Please see Section 5 for a description of the risks that affect the Elixinol Group, and Elixinol AUS specifically, and which may prevent Elixinol AUS from achieving its strategic goals.

Figure 3.6: Two staged business model

Import	Education of "Authorised Prescribers" – Patients	Research and development	Cultivation	Extraction and manufacturing
• Import bulk raw material • Outsource manufacturing of proprietary formulations for a range of indications	• Roll-out educational forums, access to medical education portal for "Authorised Prescribers"	• Accessing genetics • Directed at 'next generation' cannabis • Expert technical support via collaboration	• Establish 'state of the art' energy efficient 'greenhouse' • Grow 'medicinal grade' cannabis • Built-in scalability	• Establish GMP/TGA certified extraction and manufacturing facility • Production of proprietary Elixinol products
STAGE 1	STAGE 2			

3.5.3.1. Stage I – Import

Stage I involves obtaining an import licence from the ODC to allow the importation of raw materials from overseas (under the authority of permits for the specific import consignment). Elixinol AUS intends to provide these raw materials to a third party manufacturer for the manufacturing of a range of medicinal cannabis products, for distribution in accordance with the Authorised Prescriber Scheme. In Australia, only general practitioners or medical specialists are authorised to prescribe medicinal cannabis products in Australia.

3.5.3.2. Stage II – Cultivation and manufacture license

Stage II centres on the roll-out of education forums and access to medical education portal for Authorised Prescribers, establishment of cultivation and production facilities in Australia.

As detailed in Section 3.3.9.1, the Portal, established by Elixinol US, will allow Elixinol AUS to provide the platform for a tailored program to meet the needs of the Australian medical profession. The Portal will provide knowledge of the endocannabinoid system and current state of knowledge of the application of cannabinoids in therapeutics, product information, dosage protocols, webcasts, webinars and a clinical studies and in-house anecdotal reference library. The Portal will also be a tool to assist general practitioners and medical specialists through the Authorised Prescriber Scheme.

In addition to the Portal and to undertake the proposed stage II activities, Elixinol AUS will submit licence applications:

- to the ODC for a cultivation/production licence;
- to the ODC for a manufacture licence; and
- to NSW Health for a manufacture licence (and any other required State or Territory approvals).

Should Elixinol AUS obtain the required licences, construction of the cultivation and GMP manufacture facilities will commence (see Section 3.5.4 below for further details). Once completed the company will seek the required permits from the ODC to commence commercial production. The permits specify the amount, type and timing of crops grown under a medicinal cannabis licence, and the limits on product types and quantities that may be manufactured by a holder of a manufacture licence.

The products produced under the proposed stage II activities will be distributed under the Authorised Prescriber Scheme. The distribution network established with the assistance of the Portal requires ongoing investment and maintenance, providing resources and educational forums for existing authorised prescribers and prospective authorised prescribers.

3.5.4 Production and manufacturing

As noted above, Elixinol AUS intends to establish a cultivation facility and a GMP/TGA certified manufacturing facility to produce a range of CBD/THC formulation for the Australian market. Elixinol Investments Pty Ltd (a wholly owned subsidiary of the Company) has entered an 'option to purchase' agreement for land in the Northern Rivers region of NSW. The acquisition is conditional upon Completion of the Offer, Elixinol AUS obtaining a cultivation licence and a manufacture licence from the ODC and obtaining necessary development approvals from the local council.

The manufacturing facility will require a GMP licence, issued by the TGA.

3.5.5 Growth strategy / outlook

In the short term, Elixinol AUS will be focused on obtaining the range of required licences to undertake its proposed activities, establishing the greenhouse cultivation and manufacture facilities, and developing proprietary CBD/THC medicinal cannabis products for a range of indications.

The embryonic stage of the industry will present opportunities for growth through strategic partnerships, collaborations and consolidation within the supply chain.

04

Financial Information

04 Financial Information

4.1 Introduction

The financial information for the Elixinol Group in this Section 4 includes information for the historical financial years ended 31 December 2015 and 31 December 2016, and for the half-year ended 30 June 2017 (in the case of HFA, for the historical financial years ended 30 June 2015, 30 June 2016 and 30 June 2017), and for the forecast 12 month period ending 31 December 2017.

This Section contains a summary of the historical financial information, pro forma historical financial information and forecast financial information of the Elixinol Group as defined below.

- **Historical Financial Information**, for the Elixinol Group comprising:
  - a) In relation to **Elixinol US**, the:
    - Historical statements of profit or loss and other comprehensive income for the financial years ended 31 December 2015 and 31 December 2016, and for the half-year ended 30 June 2017;
    - Historical statement of financial position as at 30 June 2017; and
    - Historical statements of cash flows before financing activities for the financial years ended 31 December 2015 and 31 December 2016, and for the half-year ended 30 June 2017;
  - b) In relation to **Elixinol AUS**, the:
    - Historical statements of profit or loss and other comprehensive income for all trading periods, being the financial year ended 31 December 2016, and the half-year ended 30 June 2017;
    - Historical statement of financial position as at 30 June 2017; and
    - Historical statements of cash flows before financing activities for the financial year ended 31 December 2016, and the half-year ended 30 June 2017; and
  - c) In relation to **HFA**, the:
    - Historical statements of profit or loss and other comprehensive income for the financial years ended 30 June 2015, 30 June 2016, and 30 June 2017;
    - Historical statement of financial position as at 30 June 2017; and
    - Historical statements of cash flows before financing activities for the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017.
- **Pro forma Historical Financial Information** (or the **Pro forma Historical Balance Sheet**), being the Pro forma historical statement of financial position as at 30 June 2017 incorporating the statements of financial position for each of Elixinol US, Elixinol AUS and HFA, adjusting for the impact of the Offer and other post balance date significant transactions and events.
- **Forecast Financial Information**, being the:
  - a) Statutory forecast consolidated statement of profit or loss and other comprehensive income and the Statutory forecast consolidated net cash flow of the Company for the financial period from Completion (at the date of this Offer, estimated to be 27 December 2017) and ending 31 December 2017 as set out in Table 4.12 and Table 4.14 of the Prospectus (the **Statutory Forecast Financial Information**); and
  - b) Pro forma forecast statement of profit or loss and other comprehensive income and the Pro forma forecast net cash flow of the Company for the twelve months ending 31 December 2017 as set out in Table 4.12 and Table 4.14 of the Prospectus (the **Pro forma Forecast Financial Information**).

The Historical Financial Information, Pro forma Historical Financial Information and the Forecast Financial Information together form the **Financial Information**.

The Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Fundraising and/or Prospective Financial Information*, by Deloitte Corporate Finance Pty Limited, whose Investigating Accountant's Report is contained in Section 8. Investors should note the scope and limitations of the report.

04 Financial Information

In addition, Section 4 summarises:

- the basis of preparation and presentation of the Financial Information (see Section 4.2);
- key financial and operating metrics for the Elixinol Group (see Section 4.3);
- a description of the pro forma adjustments to the Historical Financial Information and reconciliations between the Historical Financial Information and the Pro forma Historical Financial Information (see Section 4.4);
- Management's discussion and analysis of the Historical Financial Information (Section 4.6) and the Pro forma Forecast Financial Information (Section 4.7);
- Management's best estimate assumptions and general assumptions underlying the Forecast Financial Information (see Section 4.7);
- an analysis of key sensitivities in respect of the Pro forma Forecast Financial Information (see Section 4.9) including foreign currency impacts on the Elixinol Group; and
- a summary of Elixinol Global's proposed dividend policy (see Section 4.11).

The information in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus including the significant accounting policies set out in Appendix A. Tables in this Section 4 have not been amended to correct immaterial summation differences that may arise from this rounding convention. All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest thousand.

4.2 Basis of preparation and presentation of financial information

4.2.1 Overview

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flows and financial position of the Elixinol Group, together with its forecast financial performance and cash flows. The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of the Australian Accounting Standards, which are consistent with the International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board. The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by the Australian Accounting Standards (AAS) applicable to annual financial reports prepared in accordance with the Corporations Act.

The significant accounting policies adopted in the preparation of the Financial Information are set out in Appendix A and have been consistently applied throughout the financial periods presented in this Prospectus.

4.2.2 Preparation of Historical Financial Information

The Company was incorporated on 4 September 2017 and will present its Financial Information going forward on a 31 December year-end basis. There are no historical consolidated financial statements for the newly incorporated Company, which will become the holding company of Elixinol US, Elixinol AUS and HFA upon Completion of the Offer. This Section 4, therefore presents the historical financial information for each of the operating entities in the Elixinol Group separately.

- The Historical Financial Information for Elixinol US has been extracted from the special purpose financial statements of Elixinol US for the financial years ended 31 December 2015 (**FY2015**) and 31 December 2016 (**FY2016**), and the half-year ended 30 June 2017 (**1H2017**). These have been converted from US Dollars to Australian Dollars for presentation in this Prospectus using the average exchange rates applicable to the respective periods as set out in the footnotes in Section 4.3.1;
- The Historical Financial Information for Elixinol AUS has been extracted from the general purpose financial statements of Elixinol AUS which commenced operation in the second half of 2016 for the financial year ended 31 December 2016 (**FY2016**), and the half-year ended 30 June 2017 (**1H2017**); and
- The Historical Financial Information for HFA has been extracted from the special purpose financial statements of HFA for the financial years 30 June 2015 (**FY2015**), 30 June 2016 (**FY2016**) and 30 June 2017 (**FY2017**).

Deloitte Touche Tohmatsu was appointed auditor of Elixinol US, Elixinol AUS and HFA during 2017. The financial statements above were audited in accordance with Australian Auditing Standards. Deloitte Touche Tohmatsu issued unmodified audit opinions on the accounts of Elixinol AUS. However, in respect of HFA and Elixinol US, audit opinions were qualified in relation to the opening balances for the year ended 31 December 2014 for Elixinol US and for the year ended 30 June 2014 for HFA. Additionally, audit opinions were also qualified in relation to the existence of inventory as well as the subsequent period impact on opening inventory due to non-attendance by the auditor at the physical inventory counts at 31 December 2016 and 31 December 2015 (for Elixinol US) and at 30 June 2016 and 30 June 2015 (for HFA).

Due to the lack of alignment in the historical accounting periods, aggregated or consolidated historical financial information for the operating entities constituting the Elixinol Group has not been prepared. For the same reason, no pro forma historical income statements or cash flows have been prepared. Section 4.2.3 sets out the basis on which the Forecast Financial Information for the Elixinol Group for the 12 months to 31 December 2017 has been prepared.

The Pro forma Historical Financial Information reflects Balance Sheet information only. This has been prepared for the purpose of this Prospectus and has been derived from the audited statements of financial position of each of the entities at 30 June 2017, to illustrate the assets and liabilities of the Elixinol Group adjusted for the impact of the Offer which include Offer costs, the conversion of the Convertible Notes issued in Elixinol AUS at the Completion of the Offer, and certain other pro forma adjustments as set out in Section 4.4.

Investors should note that past results are not a guarantee of future performance.

4.2.3 Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared by the Elixinol Group with due care and attention, having regard to an assessment of present economic and operating conditions and based on a number of Directors' assumptions as set out in Section 4.7. The Directors believe the assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Presentation of the Directors' assumptions is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. The Forecast Financial Information is not fact and investors are cautioned not to place undue reliance on it. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that this may have a material positive or negative effect on the Elixinol Group's actual financial performance, cash flows or financial position. Accordingly, neither the Elixinol Group, the Directors, nor any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will arise. Investors are advised to review the Forecast Financial Information and the Directors' assumptions set out in Section 4.7 in conjunction with the sensitivity analysis set out in Section 4.9, the risk factors set out in Section 5 and other information set out in this Prospectus.

The pro forma forecast income statement and the pro forma forecast cash flow statement for the 12 months to 31 December 2017 have been derived from the statutory forecast consolidated income statement and the statutory forecast consolidated cash flow statement of the Elixinol Group after adjusting for pro forma adjustments to reflect the Elixinol Group's operations following Completion of the Offer as set out in this Section including the results of the entities forming the Elixinol Group for the period from 1 January 2017.

The pro forma forecast income statement which is set out in Section 4.5, differs from the statutory forecast consolidated income statement because the pro forma forecast income statement reflects the full year effect of the operating, debt and equity structure that will be in place on Completion of the Offer, but excludes costs directly attributable to the Offer and other non-recurring items which are not expected to occur in the future. Refer to Sections 4.5.1 and 4.5.2 for reconciliations between the Statutory and Pro forma Forecast Financial Information.

We note also that the pro forma forecast income statement does not reflect the impact of any future incentive schemes to be put in place for employees. Employees will be invited to participate in the employee incentive scheme following the release of the CY2017 financial accounts and meeting certain key performance indicators determined by the Company currently focused predominantly on earnings, margin and revenue. Following Listing, the Board, on the recommendation of the Nomination and Remuneration Committee (which will take into account professional advice on the matter), intends to implement a further long term employee incentive scheme to allow employees to be issued up to 5% in aggregate of the total share capital of the Company subject to exceeding performance benchmarks that will be determined by the Board.

The Elixinol Group has no intention to update or revise the Forecast Financial Information or other forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law. This is intended to be funded out of any outperformance to the forecast financials.

4.2.4 Functional and Reporting Currencies

The functional and reporting currency of Elixinol US has historically been the US Dollar, which is the currency adopted for the preparation of the special purpose financial statements of Elixinol US. The functional and reporting currency for all other Group entities is the Australian Dollar.

Going forward, however, the Elixinol Group has determined that its reporting currency will be the Australian Dollar and the consolidated financial statements will be prepared on this basis. The historical results of Elixinol US in this prospectus have therefore been translated from US Dollar to Australian Dollar at the prevailing exchange rates as set out in the footnotes to the tables in the following sections.

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4.2.5 Acquisition Accounting

Elixinol Global Limited was incorporated on 4 September 2017 for the purpose of becoming a listed company on the ASX, and has entered into conditional contracts to acquire all of the shares or relevant interests in Elixinol US, Elixinol AUS and HFA. The acquisition is being facilitated through an offer of shares in the Company.

Upon completion of the Offer, the transaction comprising the contemporaneous acquisition of the above three entities by Elixinol Global Limited will occur. The Directors consider this transaction to be a transaction of substance and as such, this will be accounted for using the acquisition method under AASB 3 *Business Combinations*. The Directors have further assessed the acquirer for the purposes of the application of AASB 3 as Elixinol Global Limited, notwithstanding the existing controlling entity (Raw With Life) as set out in Section 7.5 of this Prospectus, will hold more than 50% of the issued shares in Elixinol Global upon Completion of the Offer. Elixinol Global Limited is considered the acquirer as the new listed shareholders will hold a significant share of the issued capital of Elixinol Global.

AASB 3 requires that the identifiable assets and liabilities acquired (including intangible assets) are measured at their respective fair values at acquisition date. The Company has performed a preliminary assessment of the fair values of the identifiable assets and liabilities acquired. For the purposes of the Pro forma Historical Balance Sheet, the assets and liabilities have been recorded at their provisional fair values based on the 30 June 2017 Balance Sheet. Under the Australian Accounting Standards, the period to finalise the fair values shall not exceed 12 months from the date of acquisition.

The increase in intangible asset values has been allocated between identifiable intangible assets ($6.8 million), consisting of non-contractual customer relationships, distribution channels, brand names, and the remainder to goodwill. This allocation is based on provisional advice from a qualified external valuer, and adopted by the Directors. A deferred tax liability is also recognised on the balance sheet in respect of the identifiable intangibles. These adjustments are reflected in the Pro forma Historical Balance Sheet set out in Section 4.4.

The Pro forma Forecast Financial Information for the 12 months to 31 December 2017 set out in Section 4.5 assumes that the businesses and entities that form part of the Elixinol Group at Completion had always operated as a consolidated group. Accordingly, the amortisation of the identifiable intangibles (Acquisition amortisation defined below) has been reflected in the Pro forma Forecast Financial Information for the full 12 month period to 31 December 2017.

4.2.6 Other group entities

Elixinol Investments Pty Ltd (a wholly owned subsidiary of the Company) was incorporated on 13 September 2017 and has entered into an agreement to purchase land in the Northern Rivers region of NSW where Elixinol AUS intends to build its cultivation and manufacturing facility. The acquisition (purchase price of $2.6 million) is conditional upon Completion of the Offer, Elixinol AUS obtaining a cultivation licence and a manufacture licence and obtaining necessary development approvals from the local council. The entity has not entered into any transactions, other than payment of a $10,000 deposit in relation to this agreement.

4.2.7 Explanation of certain non-IFRS measures

The Elixinol Group uses certain information and financial measures to manage and report on its business that are not recognised under the Australian Accounting Standards, nor under IFRS. These are collectively referred to as non-IFRS financial information. Certain financial data included in this Section 4 is 'non-IFRS financial information' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. The Company believes that this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of the Elixinol Group. As non-IFRS measures are not defined by recognised standard setting bodies, they do not have a prescribed meaning. Therefore, the way in which the Elixinol Group calculates these measures may be different to the way other companies calculate similarly titled measures. Investors are cautioned not to place undue reliance on any non-IFRS financial information and ratios.

In particular the following non-IFRS financial data is included:

- Acquisition amortisation – non-cash amortisation relating to identifiable intangible assets (including non-contractual customer relationships and distribution channels) recognised as part of the acquisition of the existing operating entities, namely Elixinol US, Elixinol AUS and HFA at Completion of the Offer, but excluding any software assets recognised as part of the Acquisition Accounting exercise and excluding brand names that are tested annually for impairment (see Section 4.2.5 above);
- Capital expenditure – includes investment in property and equipment including leasehold improvements;
- EBITDA – which is earnings before interest, taxation, depreciation and amortisation;
- EBIT – which is earnings before interest and taxation;
- Gross profit – which is the difference between revenue and cost of goods sold which are recognised in accordance with the accounting policies set out in Appendix A;
- Gross margin – the ratio of gross profit to revenue;
- NPAT – which is the net profit after tax attributable to the shareholders;
- NPATA – net profit after tax excluding amortisation pertaining to acquired intangibles; and
- Working capital - Third party receivables, payables and accrued income and expenses.

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4.2.8 New and revised accounting standards

The AASB has recently issued revised accounting standards in relation to revenue recognition, leases and financial instruments. The revised standards in relation to revenue recognition and financial instruments will become effective for reporting periods commencing on or after 1 January 2018 and therefore are applicable for the Company for the reporting period ending 31 December 2018. The revised leases standard will become effective for reporting periods commencing on or after 1 January 2019 and therefore will be applicable for the Company for the reporting period ending 31 December 2019. The Forecast Financial Information does not consider the effect of the new standards as they are not yet effective. Furthermore, the potential effects of the revised standards have not been disclosed in the Prospectus as the Board has not yet completed its assessment of the impact on the Company. However, the Directors note that the impact of changes to the revenue recognition and financial instruments standards on the Company's financial statements is not expected to be material.

4.3 Historical Financial Information

4.3.1 Elixinol US – Historical income statements, historical cash flows and key operating metrics

Table 4.1 sets out the Historical Income Statements for the financial years ended 31 December 2015 (FY2015) and 31 December 2016 (FY2016) and for the half year ended 30 June 2017 (1H2017) for Elixinol US. Table 4.2 below sets out a summary of the historical cash flows for Elixinol US for the same periods.

Table 4.1: Elixinol US: Historical income statements

		Historical income statements		
AUD '000s	**Notes**	**FY2015**	**FY2016**	**1H2017**
Revenue	**1**	**2,784**	**7,147**	**5,806**
Cost of sales	2	(1,257)	(2,749)	(1,479)
Gross profit		**1,527**	**4,398**	**4,327**
Other income		–	19	–
Employee benefits expense	3	(119)	(813)	(610)
Consulting expenses		(36)	(95)	(35)
Sales and marketing expenses	4	(196)	(995)	(923)
Research expenses	5	(414)	(1,157)	(770)
Administrative expenses		(125)	(283)	(156)
Other operating expenses	6	(71)	(537)	(393)
Share of (profit)/loss of associates	7	–	(17)	(7)
EBITDA		**566**	**521**	**1,433**
Depreciation		(26)	(66)	(42)
Profit before tax		**540**	**456**	**1,392**
Income tax expense	8	–	–	–
NPAT		**540**	**456**	**1,392**

Notes:
1. The results of Elixinol US have been converted from USD to AUD at the average exchange rate for each period (FY2015 AUD $1 = USD 0.753, FY2016 USD 0.744 and 1H2017 USD 0.754). Revenue is generated from the manufacture and distribution of hemp derived sale of cannabinoid (CBD) products.
2. Cost of sales represents the cost of raw materials, manufacturing and processing expenses including an allocation of labour costs.
3. Employee benefits expense includes wages and salaries of all staff excluding the allocation of production related labour to cost of sales above. Other employee benefits including any movements in the annual leave provision are also included within employee expenses.
4. Sales and marketing includes sales commissions, advertising and marketing expenses directly related to the sale of Elixinol products.
5. Research expenses relate to fees paid to consultants to develop more effective extraction methods and development of new products.
6. Other operating expenses are primarily made up of bad debt expenses and travel and entertainment costs.
7. As at 30 June 2017, Elixinol US owned 18.5% of H&W Holdings LLC. The operating results and the assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting.
8. Elixinol US is structured as a flow through limited liability company, and has therefore not directly paid tax historically. The earnings were historically taxable to each member of Elixinol US.

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Table 4.2: Elixinol US: Historical cash flows before financing activities

		Historical cash flows		
AUD '000s	**Notes**	**FY2015**	**FY2016**	**1H2017**
Profit before tax	1	**540**	**456**	**1,392**
Depreciation		26	66	42
Share of (profit)/loss of associates	2	–	17	7
Changes in working capital	3	(382)	58	(428)
Income tax paid	4	–	–	–
Operating cash flows		**184**	**596**	**1,012**
Capital expenditure	5	(167)	(76)	(59)
Payment for investments	6	–	(344)	(191)
Net cash flow before financing activities		**17**	**177**	**762**

Notes:
1. Profit before tax reflects the earnings of the business for the period presented before any income tax expense or credits received.
2. Share of profit or loss of associates is added back as a non-cash item, as no cash distribution has been received from H&W Holdings LLC.
3. Changes in working capital comprises changes in inventories, receivables and payables during the period.
4. As discussed above, due to the flow-through nature of the entity, no tax was required to be paid on earnings directly by the company. Therefore on a historical statutory basis, tax payments have been nil in each period.
5. Capital expenditure primarily relates to payments made for the purchase of property, plant and equipment for the storage, processing and manufacture of CBD product.
6. Payment for investments relates to an investment in Elixinol Japan of USD 100,000 ($134,000) in FY2016 and investments made in H&W Holdings LLC, an associate of Elixinol US in FY2016 of USD 156,000 ($209,000) and in 1H2017 of USD 150,000 ($191,000). As at 30 June 2017, Elixinol US' total shareholding in H&W Holdings LLC was 18.5%.

Key operating metrics

Table 4.3 below provides a summary of Elixinol US' historical key operating and financial metrics for FY2015, FY2016 and 1H2017 based on the above historical income statements and historical cash flows.

Table 4.3: Elixinol US: Historical key operating and financial metrics

	Historical metrics		
(%)	**FY2015**	**FY2016**	**1H2017**
Revenue growth	n/a	156.8%	n/a
Gross profit margin	54.8%	61.5%	74.5%
Operating expense ratio	34.5%	54.3%	49.7%
EBITDA margin	20.3%	7.3%	24.7%
Period end net working capital to revenue ratio [1]	24.1%	8.9%	9.0%

Notes
1. Calculated as closing net working capital divided by revenue for the period (half year results have been adjusted on a pro rata basis). Net working capital includes trade and other receivables and inventory less trade and other payables.

4.3.2 Elixinol AUS – Historical income statements and historical cash flows

Table 4.4 sets out the Historical Income Statements for the financial year ended 31 December (FY2016) and for the half year ended 30 June 2017 (1H2017) for Elixinol AUS. Table 4.5 below sets out a summary of the historical cash flows for Elixinol AUS for the same periods.

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Table 4.4: Elixinol AUS: Historical income statements

		Historical income statements	
AUD '000s	**Notes**	**FY2016**	**1H2017**
Revenue	1	–	–
Cost of sales		–	–
Gross profit		**–**	**–**
Other income		1	2
Administrative expenses	2	(76)	(129)
Other operating expenses		–	–
EBITDA		**(75)**	**(127)**
Extinguishment of borrowings	3	75	127
Profit / (loss) before tax		–	–
Income tax expense		–	–
NPAT		**–**	**–**

Notes:
1. Elixinol AUS was incorporated in October 2014 but did not commence operations until October 2016. The business is still in the start-up phase of the lifecycle and is working to become the leading participant in the emerging Australian medical cannabis market. No revenue has been generated to date.
2. Administrative expenses comprise expenses incurred primarily in relation to the application of licences to import and cultivate medical cannabis in Australia.
3. On 24 October 2016 1,800 shares were issued to three seed investors to provide working capital to the Company to enable the directors to obtain certain licences to operate a medical cannabis business in Australia. If the Company failed to acquire the relevant licences within 12 months of the share issue, the seed investors were entitled to (at the Company's choice) either a refund of unexpended amounts of their capital contribution for the acquisition of shares or receive an equity position in Elixinol US, in an amount equivalent to the value of the refund subject to certain procedures and rights of the shareholders of Elixinol US. The shareholders agreed to waive this refund condition in November 2017.

Table 4.5: Elixinol AUS: Historical cash flows before financing activities

		Historical cash flows	
AUD '000s	**Notes**	**FY2016**	**1H2017**
Profit / (loss) before tax		–	–
Extinguishment of borrowings		(75)	(127)
Depreciation		–	–
Changes in working capital		38	(50)
Income tax paid		–	–
Operating cash flows	1	**(37)**	**(177)**
Capital expenditure	2	–	–
Net cash flow before financing activities		**(37)**	**(177)**

Notes:
1. Operating cash flows currently relate to the operating expenses incurred for the period and changes in working capital.
2. Capital expenditure has not yet been incurred, the business still being in the start-up phase with importation and processing licences yet to be obtained in Australia.

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4.3.3 HFA – Historical income statements, historical cash flows and key operating metrics

Table 4.6 sets out the Historical Income Statements for the financial years ended 30 June 2015 (FY2015), 30 June 2016 (FY2016) and 30 June 2017 (FY2017) for HFA. Table 4.7 sets out a summary of the historical cash flows for HFA for the same periods.

Table 4.6: HFA: Historical income statements

		Historical income statements		
AUD '000s	**Notes**	**FY2015**	**FY2016**	**FY2017**
Revenue		**2,749**	**2,506**	**2,941**
Cost of sales	1	(1,679)	(1,405)	(1,972)
Gross profit		**1,070**	**1,101**	**969**
Other income	2	495	666	218
Employee benefits expense		(555)	(450)	(575)
Consulting expenses	3	(126)	(236)	(302)
Sales and marketing expenses		(141)	(205)	(363)
Research expenses	4	(194)	(240)	(207)
Administrative expenses		(205)	(273)	(334)
Other operating expenses	5	(33)	(11)	(218)
Share of (profit)/loss of associates	6	3	13	(18)
EBITDA		**314**	**365**	**(828)**
Depreciation		(59)	(100)	(162)
EBIT		**255**	**264**	**(990)**
Finance costs	7	(6)	(17)	(13)
Profit / (loss) before tax		**249**	**247**	**(1,002)**
Tax (expense)/benefit	8	131	–	20
NPAT		**381**	**247**	**(982)**

Notes:
1. Cost of sales relates to direct costs incurred in the purchase, processing and sale of hemp-based products, primarily hemp seed, hemp protein powder and hemp oil. The key elements of cost of sales are raw materials (namely hemp seeds used as the primary raw material for all products), factory processing costs including electricity, packaging, milling and treatment costs, and freight costs.
2. Other income includes revenue from the sale of Elixinol product ($344,000 in FY2015), government grants ($591,000 in FY2016), and the sale of inventory to Tiverton Foods, a related entity and shareholder in HFA, with an equivalent expense recorded in operating expenses ($202,000 in FY2017).
3. Consulting expenses include consultancy, legal and accounting fees incurred and the cost of contractors that have been used in the business.
4. Research expenses primarily relates to the cost of tests and analysis conducted on new products that are being developed for future sale.
5. Other operating expenses primarily include bad debts and the purchase of inventory on behalf of Tiverton Foods (FY2017 $202,000), with an equivalent amount recognised in other income in respect of this pass-through.
6. As at 30 June 2017, HFA owns 25.0% of Hemp Foods Japan. The financial results and the assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting.
7. Finance costs represent interest paid to third parties in relation to finance lease liabilities for machinery.
8. Tax expense includes the tax impact of the current year earnings, the deferred tax expense resulting from temporary differences and the impact of research and development tax offset allowances.

Table 4.7: HFA: Historical cash flows before financing activities

		Historical cash flows		
AUD '000s	**Notes**	**FY2015**	**FY2016**	**FY2017**
Profit / (loss) before tax	1	**249**	**247**	**(1,002)**
Depreciation		59	100	162
Changes in working capital	2	(267)	(188)	(660)
Share of (profit)/loss of associates	3	(3)	(13)	18
Income tax benefit / (paid)		131	0	20
Operating cash flows		**170**	**147**	**(1,463)**
Capital expenditure	4	(102)	(318)	(427)
Net cash flow before financing activities		**68**	**(171)**	**(1,890)**

Notes:
1. Profit before tax reflects the earnings of the business for the period presented before any income tax expense or credits received.
2. Changes in working capital comprises changes in inventories, receivables and payables during the period.
3. Share of profit or loss of associates is added back as a non-cash item on the basis that no cash distributions from Hemp Foods Japan were received.
4. Capital expenditure primarily comprises payments made for the purchase of property, plant and equipment for the storage, processing and manufacture of hemp-based products.

Key operating metrics

Table 4.8 below provides a summary of HFA's historical key operating and financial metrics for FY2015, FY2016 and FY2017 based on the above historical income statements and historical cash flows.

Table 4.8: HFA: Historical key operating and financial metrics

	Historical metrics		
(%)	**FY2015**	**FY2016**	**FY2017**
Revenue growth	n/a	(8.8%)	17.4%
Gross profit margin	38.9%	43.9%	33.0%
Operating expense ratio	45.6%	56.4%	67.9%
EBITDA margin	11.4%	14.6%	(28.1%)
Period end net working capital to revenue ratio [1]	8.6%	22.2%	50.4%

Notes:
1. Calculated as closing net working capital divided by revenue for the period. Net working capital includes trade and other receivables and inventory less trade and other payables.

4.4 Pro forma Historical Financial Information

Table 4.9 sets out the pro forma adjustments that have been made to the Statutory Historical Balance Sheet in order to prepare the Pro forma Historical Balance Sheet. These adjustments reflect the events and assumptions discussed below, including the issue of Convertible Notes prior to the Offer, receipt of the Offer Proceeds and the impact of the operating and capital structure that will be in place following Completion of the Offer, as though they had occurred or were in place as at 30 June 2017. The Elixinol Group will issue new equity of $20.0 million as part of the Offer. The Statutory Net Assets below have been determined as an aggregation of the net assets of Elixinol US, Elixinol AUS and HFA as set out in Table 4.10 on page 61.

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Table 4.9: Pro forma Historical Balance Sheet as at 30 June 2017

AUD '000s	Statutory Net Assets [1] at 30 June 2017	Issue of Convertible Notes [2]	Impacts of the Offer [3]	Purchase Price Allocation [4]	Pro forma as at 30 June 2017
Current assets					
Cash and cash equivalents [5]	1,581	2,000	16,040	–	19,621
Trade and other receivables	1,050	–	–	–	1,050
Inventory	2,085	–	–	–	2,085
Other current assets	132	–	–	–	132
Total current assets	**4,849**	**2,000**	**16,040**	**–**	**22,889**
Non-current assets					
Property, plant and equipment	1,060	–	–	–	1,060
Goodwill	–	–	–	72,435	72,435
Other intangible assets	18	–	–	6,821	6,839
Deferred tax assets	52	–	–	–	52
Investments	531	–	–	–	531
Total non-current assets	**1,660**	**–**	**–**	**79,256**	**80,916**
Total assets	**6,508**	**2,000**	**16,040**	**79,256**	**103,804**
Current liabilities					
Trade and other payables	(723)	–	–	–	(723)
Provisions	(70)	–	–	–	(70)
Current tax liabilities	(161)	–	–	–	(161)
Borrowings	(692)	–	–	–	(692)
Total current liabilities	**(1,647)**	**–**	**–**	**–**	**(1,647)**
Non-current liabilities					
Borrowings	(10)	–	–	–	(10)
Provisions	(90)	–	–	–	(90)
Deferred tax liability	–	–	–	(2,642)	(2,642)
Total non-current liabilities	**(100)**	**–**	**–**	**(2,642)**	**(2,741)**
Total liabilities	**(1,746)**	**–**	**–**	**(2,642)**	**(4,388)**
Net assets	**4,762**	**2,000**	**16,040**	**76,614**	**99,416**
Equity					
Issued capital	4,762	2,000	19,552	76,614	102,928
Retained profits			(3,512)	–	(3,512)
Total equity	**4,762**	**2,000**	**16,040**	**76,614**	**99,416**

Notes:

1. Statutory net assets represent the aggregated net assets of Elixinol US, Elixinol AUS and HFA at 30 June 2017 per the audited financial statements of each entity. See table 4.10 below for details.
2. On 23 August 2017, Elixinol AUS issued $2.0 million in Convertible Notes. Each Convertible Note is a direct, unsubordinated, unconditional and unsecured obligation of and will at all times rank ahead of Shares. In accordance with the terms of the deed, the notes will convert at a 15% discount to the issue price of Shares under the Offer.
3. Impact of the Offer, reflecting the proceeds of $20.0 million from the Offer through a new issue of shares in the Company. Offer costs in cash are estimated at approximately $4.0 million. These costs have been apportioned between the profit or loss and equity in accordance with Accounting Standards. To the extent the costs are necessarily incurred in raising new capital, these will be capitalised and offset against equity on the balance sheet. For the purpose of the Pro forma Consolidated Balance Sheet, it is assumed that direct costs associated with the issue of new share capital of $1.0 million are offset against equity, and the remainder $3.0 million has been expensed. No deferred tax asset has been recognised in respect of the Offer costs as Elixinol Group is unlikely to generate sufficient taxable income in Australia in the foreseeable future. In addition, the Company intends to issue equity to key management as an 'IPO Bonus' which has been expensed in the Pro forma Balance Sheet above ($0.5 million).
4. Purchase Price Allocation - Elixinol Global has been deemed to be the acquirer of Elixinol US, Elixinol AUS and HFA for accounting purposes in accordance with AASB 3 'Business Combinations'. Consequently, Elixinol Global will account for the acquisition of each entity at fair value at Completion. The identifiable assets and liabilities acquired (including intangible assets) are measured at their respective fair values. The Company has performed an assessment of the fair values of the identifiable assets and liabilities acquired. The increase in intangible values has been allocated between identifiable intangible assets (identifiable intangibles including customer contracts and relationships of $1.7 million and brand names tested annually for impairment of $5.1 million) and the remainder to goodwill. This allocation is based on advice from a qualified external valuer, and adopted by the Directors. A deferred tax liability ($2.6 million) is recognised in respect of the identifiable intangibles on the balance sheet. Under Australian Accounting Standards, the Company has up to 12 months from the Offer to complete its initial acquisition accounting.
5. Cash and cash equivalents per the pro forma balance sheet are not intended to be reflective of the cash in the business following Completion and will be impacted by cash flows generated from operations and various distributions or drawings between 30 June 2017 and the date of Completion. Table 4.11 below sets out the existing cash position at the date of this Prospectus, adjusted for the intended pre-IPO distribution expected to be paid to existing shareholders at Completion.

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Table 4.10: Statutory Historical Net Assets (Aggregated)

AUD '000s	Notes	Elixinol US [1]	Elixinol AUS [2]	HFA [3]	Statutory Net Assets at 30 June 2017
Current assets					
Cash and cash equivalents	4	784	285	512	1,581
Trade and other receivables	5	623	11	416	1,050
Inventory	6	680	–	1,406	2,085
Other current assets		–	2	131	132
Total current assets		**2,087**	**298**	**2,463**	**4,849**
Non-current assets					
Property, plant and equipment	7	174	–	886	1,060
Intangible assets		2	–	16	18
Deferred tax assets	8	–	–	52	52
Investments	9	506	–	25	531
Total non-current assets		**681**	**–**	**978**	**1,660**
Total assets		**2,769**	**298**	**3,442**	**6,508**
Current liabilities					
Trade and other payables	10	(254)	–	(469)	(723)
Provisions	11	(17)	–	(53)	(70)
Current tax liabilities	12	–	–	(161)	(161)
Borrowings	13	(96)	(298)	(299)	(692)
Total current liabilities		**(368)**	**(298)**	**(982)**	**(1,647)**
Non-current liabilities					
Borrowings	13	–	–	(10)	(10)
Provisions	11	–	–	(90)	(90)
Total non-current liabilities		**–**	**–**	**(100)**	**(100)**
Total liabilities		**(368)**	**(298)**	**(1,081)**	**(1,746)**
Net assets		**2,401**	**–**	**2,361**	**4,762**

Notes:

1. Elixinol US net assets are derived from the audited special purpose financial statements of Elixinol US for the half-year period ended 30 June 2017 converted at the period end rate of AUD 1 = USD 0.756. Going forward, the balance sheet of the combined group will also reflect a Foreign Currency Translation Reserve in respect of the translation of the Elixinol US balances from their functional currency (USD) to the reporting currency (AUD).
2. Elixinol AUS net assets are derived from the audited general purpose financial statements of Elixinol AUS for the half-year ended 30 June 2017.
3. HFA net assets are derived from the audited special purpose financial statements of HFA for the financial year ended 30 June 2017.
4. Cash and cash equivalents represents cash holdings in the Company's bank accounts in both USD and AUD. All amounts have been converted at the period end rate noted above. All cash balances are accessible by the Company at any time. As at 30 June 2017, no company in the Group was utilising a bank overdraft facility.
5. Trade and other receivables represents amounts owing to the two main operating entities, HFA and Elixinol US. Both entities typically offer maximum credit terms of 30 days.
6. Inventory represents a combination of raw materials, work-in-progress and finished goods. Management undertook a stock take in relation to the balance at 30 June 2017 which was attended by the auditors.
7. Property, Plant and Equipment comprises machinery used in the processing of finished products coupled with silos used to store raw materials.
8. Deferred tax assets have been recognised in HFA's accounts in relation to temporary differences between tax and accounting profits primarily relating to provisions. No deferred tax assets have been recognised in relation to historical tax losses within the Group.
9. Investments – Elixinol US holds 18.5% of the shares in H&W Holdings LLC, a US based associate. The principal operation of this business is provide logistics solutions to Elixinol US. Elixinol US also has a holding of 10.0% in Elixinol Japan which is recorded at cost in its books (USD 100,000). HFA holds at 25.0% stake in Hemp Foods Japan, a distributor of products for HFA in Japan.
10. Trade and other payables represent outstanding amounts for inventory purchases on standard payments terms. Payables in HFA also includes a $42,000 accrual in relation to an employee bonus agreement which will be settled in cash on Completion of the Offer.
11. Provisions primarily relate to HFA and includes provision for employee entitlements and the provision for restoration cost in relation to leasehold improvement.
12. Current tax liabilities in Hemp Foods Australia relate to income tax payable.
13. Borrowings relate to balances outstanding with the founder totalling $242,000 in HFA and USD 73,000 in Elixinol US at 30 June 2017. In October 2016 Elixinol AUS issued refundable shares of $500,000 to three seed investors which has be recognised as debt in the audited financial statements. The unextinguished debt at 30 June 2017 was $298,000. HFA has finance lease liabilities of $67,000 at 30 June 2017 which are included within borrowings.

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4.4.1 Funding working capital and capital expenditure requirements

The Elixinol Group's principal sources of cash are cash generated from operations and cash on hand following Completion of the Offer. The historical and forecast working capital and capital expenditure trends are set out in the cash flow statements in Section 4.3 (historical) and Section 4.5 (forecast). The Elixinol Group expects it will have sufficient cash flow from operations to fund working capital and capital expenditure requirements to carry out its stated business objectives.

The Elixinol Group expects that its operating cash flow and cash held on balance sheet will position it to pursue business growth opportunities including establishment of the manufacturing facilities in Australia and investment in the growth of the Elixinol US operations. The business does not forecast any alternate uses of the cash, therefore the Pro forma statement of cash flows does not assume any return on the cash from the Offer while it is unutilised.

4.4.2 Indebtedness

The Elixinol Group does not currently have any third party loans or borrowings on its balance sheet other than $67,000 in finance lease liabilities for manufacturing equipment. Unsecured non-interest bearing related party debt of $0.3 million payable to Raw With Life will remain on the balance sheet following Completion. The Elixinol Group is expected to have approximately $2.3 million in cash and cash equivalents immediately prior to Completion.

Table 4.11: Impact of the Offer on net cash

($m)	Notes	Cash inflow / (outflow)
Proceeds from the Offer	1	20.0
Costs of the Offer	1	(4.0)
Net Proceeds from the Offer		**16.0**
Existing cash and cash equivalents	2	2.3
Existing borrowings	3	(0.4)
Net cash on Completion of the Offer		**17.9**

Notes:
1. Reflects proceeds of $20.0 million from the Offer through a new issue of shares in the Company. Of these funds, Offer costs are in cash are estimated at approximately $4.0 million. These costs have been apportioned between the profit or loss and equity in accordance with Accounting Standards.
2. At the date of this Prospectus, the Elixinol Group has cash and cash equivalents of approximately $3.0 million in the US and Australia. It is expected that at Completion, a distribution will be made to the Existing Shareholders to cover their individual taxes payable in respect of Elixinol US profits for the period from 1 January 2017 to Completion. Cash and cash equivalents at Completion Date are estimated at $2.3 million.
3. Borrowings estimated at Completion include amounts owed to the Founder shareholder by HFA and Elixinol US ($242,000 and US$73,000 respectively), as well as finance lease liability of $67,000. In respect of the amounts owed by Elixinol AUS to the seed investors at 30 June 2017, the shareholders agreed in November 2017 to waive the refund condition.

4.5 Forecast Financial Information

4.5.1 Statutory and Pro forma Forecast Income Statements

Table 4.12 sets out a summary of the Elixinol Group's Statutory Forecast Income Statement for the period from Completion of the Offer to 31 December 2017, and the Pro forma Forecast Income Statement for the calendar year ending 31 December 2017 (CY2017) based on the pro forma assumptions explained in the reconciliation in Table 4.13 that follows.

The Pro forma Forecast Income Statement represents an aggregation of the forecast income statements for Elixinol US, Elixinol AUS and HFA, together with pro forma listed entity costs forecast to be incurred by Elixinol Global Limited going forward.

Note that the income statements and cash flows presented in this Section do not reflect the impact of any future incentive schemes to be put in place for employees. As discussed in Section 6.2.2.6, Employees will be entitled to participate in the employee incentive scheme following the release of the CY2017 financial accounts and meeting certain key performance indicators determined by the Company currently focused predominantly on earnings, margin and revenue. Following Listing, the Board, on the recommendation of the Nomination and Remuneration Committee (which will take into account professional advice on the matter), intends to implement a further long term employee incentive scheme to allow employees to be issued up to 5% in aggregate of the total share capital of the Company subject to exceeding performance benchmarks that will be determined by the Board.

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Table 4.12: Elixinol Group: Statutory and Pro forma Forecast Income Statements for CY2017

		Statutory [1]	Pro forma Forecast (CY2017) [2]				
AUD '000s	**Notes**	**Completion to Dec-17**	**Elixinol US**	**Elixinol AUS [4]**	**HFA**	**Elixinol Global [3]**	**Pro forma**
Revenue		**175**	12,285	-	3,173	-	**15,458**
Cost of sales		(74)	(4,072)	-	(1,840)	-	(5,912)
Gross profit		**101**	**8,212**	**-**	**1,333**	**-**	**9,545**
Other income		1	(4)	5	195	-	196
Employee benefits expense		(51)	(1,644)	-	(786)	(895)	(3,325)
Consulting expenses		(13)	(440)	-	(363)	(315)	(1,119)
Sales and marketing expenses		(23)	(1,734)	-	(382)	-	(2,116)
Research expenses		(5)	(1,204)	-	(151)	-	(1,355)
Administrative expenses		(15)	(305)	(354)	(361)	(253)	(1,273)
Other operating expenses	5	(3,517)	(652)	-	(75)	-	(727)
Share of (loss)/profit of associates	6	(0)	(13)	-	(18)	-	(31)
EBITDA		**(3,522)**	**2,216**	**(349)**	**(609)**	**(1,463)**	**(205)**
Depreciation		(3)	(93)	-	(175)	-	(268)
Acquisition amortisation	7	(4)	(336)	-	-	-	(336)
Finance costs		-	-	-	(12)	-	(12)
Profit / (loss) before tax		**(3,530)**	**1,787**	**(349)**	**(795)**	**(1,463)**	**(821)**
Income tax expense	8	(3)	(715)	-	-	-	(715)
NPAT		**(3,533)**	**1,072**	**(349)**	**(795)**	**(1,463)**	**(1,535)**
Profit adjusted for Acquisition amortisation		-	-	-	-	-	-
NPATA	9	**(3,531)**	**1,274**	**(349)**	**(795)**	**(1,463)**	**(1,334)**
PBTA		**(3,526)**	**2,123**	**(349)**	**(795)**	**(1,463)**	**(484)**

Notes:

1. Statutory forecast Income Statement represents the period from the Completion Date to 31 December 2017 reflecting four days of trading as a listed entity. Elixinol Global Limited will report in relation to this period in its first set of listed company accounts.
2. The Pro forma Forecast for CY2017 is prepared on the following basis:
   a. Financial results for the half year to 30 June 2017 have been extracted from the audited financial statements for Elixinol US and Elixinol AUS. In relation to HFA, half year results to 30 June 2017 reflect revenues derived from management accounts which are reconciled with the audited financial statements for the financial year ended 30 June 2017, with a margin based on the average margin for the financial year to 30 June 2017.
   b. The Pro forma results to 30 June 2017 for Elixinol AUS exclude the accounting adjustment in respect of the extinguishment of borrowings.
   c. Pro forma results for the six months from 1 July 2017 to 31 December 2017 include three months of unaudited (reviewed) actual results based on management accounts, and a three month forecast based on the Directors' best-estimate assumptions, set out in Section 4.7.
   d. Pro forma adjustments include a full year impact of incremental listed entity costs that Elixinol Global Limited is expected to incur going forward, as explained below.
3. Elixinol Global Limited was incorporated on 4 September 2017 and is the holding company for the Group. The Pro forma Forecast for this entity represents the increase in corporate costs expected to arise as a consequence of the Company becoming ASX listed. The costs principally relate to Board and governance (non-executive Directors, Audit and Remuneration Committee), additional legal and company secretarial costs as well as an increase in administrative resources and investor relations. The CY2017 adjustment reflects the incremental costs that have not been incurred prior to Completion but are included in the Pro forma Forecast.
4. Elixinol AUS was incorporated on 23 October 2014 however, it did not commence any operations until October 2016. These operation primarily relate to applications for licences to become a participant in the emerging Australian medical marijuana business.
5. Other operating expenses on a statutory basis include $3.5 million of Offer costs ($3.0 million of the total cash costs of $4.0 million, and $0.5 million in equity-based 'IPO Bonus' payments) that will be expensed in the CY2017 financial statements but have been excluded from the Pro forma forecast.
6. Share of (loss) / profit of associates in CY2017 represents a forecast for each associate based on the latest financial statements for Elixinol US and HFA.
7. Acquisition amortisation relates to the finite life intangible assets (customer relationships and contracts) recognised at fair value at the offer date and amortised over five years.
8. A Pro forma tax rate of 40% has been applied to the US derived profit before tax of the business, as these will be borne by the Elixinol Group going forward. The Australian operations continue to forecast a loss for the foreseeable future, therefore no tax expense or benefit has been assumed.
9. PBTA represented the PBT adjusted for gross Acquisition amortisation. NPATA represents the NPAT adjusted for the tax-effected Acquisition amortisation.

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Table 4.13: Elixinol Group: Reconciliation of the Statutory and Pro forma Forecast Income Statements for CY2017

AUD '000s	Notes	Revenue	NPATA
Statutory results for the period from Completion to 31-Dec-17		**175**	**(3,531)**
Add: Pre-Completion trading results (revenue and profit after tax adjusted for Acquisition amortisation)	1	15,282	844
Add: Incremental listed entity costs	2	–	(1,447)
Add: Offer costs expensed	3	–	3,512
Add: Pre-Completion tax expense pertaining to Elixinol US	4	–	(711)
Pro forma results for CY2017		**15,458**	**(1,334)**

Notes:

1. Pre-Completion trading results reflect the period from 1 January 2017 to the expected Completion Date (assumed to be 27 December 2017 at the date of lodgement of this Prospectus). The derivation of these results has been explained in footnote 2 to Table 4.12 above.
2. Elixinol Global Limited was incorporated on 4 September 2017 and is the holding company for the Group. The Pro forma Forecast for this entity represents the increase in corporate costs expected to arise as a consequence of the Company becoming ASX listed. The costs principally relate to Board and governance (non-executive Directors, Audit and Remuneration Committee), additional legal and company secretarial costs as well as an increase in administrative resources and investor relations. The CY2017 adjustment reflects the incremental costs that have not been incurred prior to Completion but are included in the Pro forma Forecast.
3. Offer costs forecast to be incurred in CY2017 in cash (fees payable to advisors, lead managers and tax, accounts and legal fees and the listing on the ASX) are estimated at $4.0 million. Of this amount, $1.0 million (relating to the primary issue) is offset against issued capital. Offer costs expensed also include $0.5 million in relation to an IPO Bonus (equity) to key management.
4. A pro forma tax rate of 40% has been applied to the US derived earnings of the business (pre-acquisition amortisation), as these will be borne by the Elixinol Group going forward. The Australian operations continue to forecast a loss for the foreseeable future, therefore no tax expense or benefit has been assumed other than the actual tax expense for the period to 30 June 2017.

4.5.2 Statutory and Pro forma Forecast Cash Flows

Table 4.14 sets out a summary of the Elixinol Group's Statutory Forecast Cash Flows for the period from Completion of the Offer to 31 December 2017, and the Pro forma Forecast Cash Flows for the calendar year ending 31 December 2017 (CY2017) based on the pro forma assumptions explained in the reconciliation in Table 4.15 that follows.

The Pro forma Forecast Cash Flows represents an aggregation of the forecast cash flows for Elixinol US, Elixinol AUS and HFA, together with pro forma listed entity costs forecast to be incurred by Elixinol Global Limited going forward.

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Table 4.14: Elixinol Group: Statutory and Pro forma Forecast Cash Flows for CY2017

		Statutory [1]	Pro forma Forecast (CY2017) [2]				
AUD '000s	**Notes**	**Completion to Dec-17**	**Elixinol US**	**Elixinol AUS**	**HFA**	**Elixinol Global [3]**	**Pro forma**
Profit / (loss) before tax		**(3,530)**	**1,787**	**(349)**	**(795)**	**(1,463)**	**(821)**
Depreciation		3	93	–	175	–	268
Acquisition amortisation		4	336	–	–	–	336
IPO Bonus (employee shares)	4	533	–	–	–	–	-
Share of (loss)/profit of associates		–	13	–	18	–	31
Changes in working capital	5	–	(669)	–	(250)	–	(919)
Income tax paid	6	(5)	(849)	–	–	–	(849)
Operating cash flows		**(2,994)**	**711**	**(349)**	**(853)**	**(1,463)**	**(1,954)**
Capital expenditure	7	-	(373)	(167)	(374)	–	(914)
Net cash flow before financing		**(2,994)**	**338**	**(516)**	**(1,227)**	**(1,463)**	**(2,868)**
Proceeds from the Offer		20,000					
Issue of Convertible Notes	8	–					
Offer costs	9	(981)					
Net cash flow after financing		**16,025**					

Notes:
1. Statutory forecast cash flows represents the period from the Completion Date to 31 December 2017 reflecting four days of trading as a listed entity. Elixinol Global Limited will report in relation to this period in its first set of listed company accounts.
2. The basis of preparation of the Pro forma Forecast cash flows for CY2017 is consistent with that set out above in footnote 2 to Table 4.12 in relation to the forecast income statement for the Elixinol Group.
3. The incremental listed entity costs reflect the costs that the group is expected to incur going forward as an ASX listed entity. It is assumed that the majority of these will be incurred in cash.
4. IPO Bonus employee shares for key management of $0.5 million are included within offer costs as an expense but are equity settled and therefore a non-cash item.
5. Changes in working capital comprises changes in inventories, receivables and payables during the period.
6. Cash flows presented above on a Pro forma basis assume the income tax expense incurred in relation to CY2017 would be paid in 2017. This tax expense has been calculated as 40% of Elixinol US' profit before tax and adjusted for Acquisition amortisation. This has been presented as a "Pro forma" cash flow item, however investors should note that any taxes relating to the period pre-Completion have been assessed to the shareholders and will not be paid by the company.
7. Capital expenditure forecast for CY2017 includes a cost of $0.2 million in relation to expenses incurred by Elixinol AUS in respect of licensing applications. The capitalisation of this item and any other costs of Elixinol AUS will be considered as part of the audit for the financial year ending 31 December 2017. Capital expenditure for Elixinol US includes payments made in respect of investment in H&W Holdings LLC.
8. The issue of Convertible Notes occurred prior to Completion and has been excluded from the presentation of Statutory and Pro forma forecast cash flows.
9. Additional offer costs of $981,000 reflect the portion of Offer costs that has been offset against share capital and not expensed in the statutory forecast income statement.

Table 4.15: Elixinol Group: Reconciliation of the Statutory and Pro forma Forecast Cash Flows for CY2017

		Reconciliation
AUD '000s	**Notes**	
Statutory net cash flows before financing for the period from Completion to 31-Dec-17		**(2,994)**
Add: Pre-Completion operating cash flows	1	353
Add: Pre-Completion capital expenditure	2	(914)
Add: Incremental listed entity costs		(1,447)
Add: Offer costs expensed (cash element)		2,979
Add: Tax expense pertaining to Elixinol US	3	(844)
Pro forma net cash flows before financing for CY2017		**(2,868)**

Notes:
1. Pre-Completion trading results reflect the period from 1 January 2017 to the expected Completion Date (assumed to be 27 December 2017 at the date of lodgement of this Prospectus). The derivation of these results has been explained in footnote 2 to Table 4.12 above.
2. Pre-Completion capital expenditure includes investment in machinery for the processing and manufacturing activities required for the ongoing business operations.
3. A pro forma tax rate of 40% has been applied to the US derived earnings of the business (pre-acquisition amortisation), as these will be borne by the Elixinol Group going forward. The Australian operations continue to forecast a loss for the foreseeable future, therefore no tax expense or benefit has been assumed other than the actual tax expense for the period to 30 June 2017.

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4.6 Management discussion and analysis of the Pro forma Historical Financial Information

4.6.1 General factors affecting the operating and financial performance, including key measures and their drivers

Set out below is a discussion of the general factors which affected the Elixinol Group's operations and relative financial performance over the historical period discussed in this Section and which the Directors expect may continue to affect it in the future. The discussion of those general factors is intended to provide a brief summary only and does not detail all the factors that affected the Elixinol Group's historical operating and financial performance, nor everything which may affect its operations and financial performance in the future.

Unless otherwise stated, all financial information and metrics presented in this Section 4.6, and the related commentary is on a pro forma basis only.

4.6.2 Elixinol US: Historical performance and cash flows

Table 4.16: Elixinol US: Summary of historical income statements and cash flows

	Historical income statements		
AUD '000s	**FY2015**	**FY2016**	**1H2017**
Revenue	**2,784**	**7,147**	**5,806**
Cost of sales	(1,257)	(2,749)	(1,479)
Gross profit	**1,527**	**4,398**	**4,327**
Other income	–	19	–
Operating expenses	(961)	(3,879)	(2,887)
Share of (profit)/loss of associate	–	(17)	(7)
EBITDA	**566**	**521**	**1,433**
Depreciation	(26)	(66)	(42)
Profit before tax	**540**	**456**	**1,392**

	Historical cash flows		
AUD '000s	**FY2015**	**FY2016**	**1H2017**
Profit before tax	**540**	**456**	**1,392**
Depreciation	26	66	42
Share of (profit)/loss of associate	–	17	7
Changes in working capital	(382)	58	(428)
Income tax paid	–	–	–
Operating cash flows	**184**	**596**	**1,012**
Capital expenditure	(167)	(76)	(59)
Payment for investments	–	(344)	(191)
Net cash flow before financing activities	**17**	**177**	**762**

	Historical metrics		
(%)	**FY2015**	**FY2016**	**1H2017**
Revenue growth	n/a	156.8%	n/a
Gross profit margin	54.8%	61.5%	74.5%
Operating expense ratio	34.5%	54.3%	49.7%
EBITDA margin	20.3%	7.3%	24.7%
Period end net working capital to revenue ratio	24.1%	8.9%	9.0%

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Revenue
Elixinol US derives revenue through the manufacture and distribution of hemp derived cannabinoid (CBD) products, through the following channels:

- Retail sales made online or via telephone
- Bulk sales of raw materials and high-potency post process products to third parties as manufacturing inputs
- Private contracting of white label CBD products
- Medical professional sales to practices for inclusion in patient offerings prescribed by doctors
- Drop shipment being online retailers who sell products for a commission
- Distribution and wholesale to wholefood companies, markets and other bulk buyers.

Revenue across all channels increased in FY2016 to $7.1 million from $2.8m in FY2015 representing growth of 156.8%. This increase was primarily due to investment in additional sales and marketing hires in early 2016, the launch of a new website, search engine optimisation, social media and advertising campaigns, as well as increased presence at industry tradeshows.

Revenue was $5.8 million in 1H2017, or 81.2% of FY2016 revenue. This was driven by Elixinol US's continued investment in sales and marketing, increased sales staff experience, as well as Elixinol US' increasing brand recognition in the market.

Cost of sales and gross profit
Elixinol US's cost of sales primarily relate to the cost of purchasing industrial hemp and other product ingredients from suppliers. These raw materials are further processed into formulated products, sold in bulk, or packaged into finished products for distribution through retail and other channels. Cost of sales also includes external processing fees and allocations of employee expenses relating to the manufacturing process.

Gross profit margin improved from 54.8% in FY2015 to 61.5% in FY2016 and improved further to 74.5% in 1H2017. This increase was predominantly driven by Elixinol US's improved purchasing power as the business gained scale resulting in lower cost of sales across its supply chain. In addition, there has been a shift in the sales mix to an increase in higher margin retail product sales in FY2016 compared with a higher share of bulk sales in FY2015, following the development of additional retail products in FY2016.

The trend towards retail products has continued in 1H2017 driving gross margin to 74.5% with further products being added to the portfolio and increased retail sales resulting from continued investment in social media and website optimisation specifically focussed on driving retail sales growth which yields a higher margin.

Operating Expenses and EBITDA
Elixinol US's operating expenses increased from $1.0 million in FY2015 to $3.9 million in FY2016 due to a drive to build the administrative infrastructure necessary to support the revenue growth, particularly through the retail channel. Operating expenses relative to revenue increased from 34.5% in FY2015 to 54.3% in FY2016 reflecting the aforementioned investment in the operating cost base ahead of forecast revenue growth.

The key operating expense items are:

- Employee benefit expenses across manufacturing, sales, operations and administrative functions which increased by $0.7million in FY2016 from $0.1 million in FY2015;
- Sales and Marketing expenses which includes advertising, website and social media spend which increased from $0.2 million in FY2015 to $1.0 million in FY2016;
- Research costs relating to acquiring improved manufacturing processes which increased from $0.4 million in FY2015 to $1.2 million in FY2016; and
- Other operating expenses primarily made up of travel and entertainment costs as well as provisions for bad debts, increased from $0.1 million in FY2015 to $0.5 million in FY2016.

The result of the above increase in the operating costs was a decline in EBITDA from $0.6 million in FY2015 at an EBITDA margin of 20.3% to $0.5 million in FY2016 at an EBITDA margin of 7.3%.

Operating expenses for 1H2017 of $2.9 million for the six months compared to $3.9 million for the full financial year FY2016 were primarily driven by the increased employee and sales and marketing expenses being incurred for the full period. EBITDA increased to $1.4 million for the six months as a result of further revenue growth and an increase in operational leverage. As a result, the EBITDA margin increased from 7.3% in FY2016 to 24.7% in 1H2017.

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Changes in working capital
The change in net working capital of $0.1 million in FY2016 was primarily the result of an increase in trade and other payables due the increase in the scale of business. This increase in amounts due to suppliers with payment terms coincided with an increase in sales to retail customers which do not have associated payment terms. The increase in payables more than offset the growth in receivables and inventory with the net result being a $0.1 million positive net working capital impact on cash flow in FY2016.

Capital expenditure
Capital expenditure in Elixinol US relates primarily to equipment used in the processing and storage of CBD products. Capital expenditure of $0.2 million in FY2015 was required to establish the necessary processing facilities for the growth in the retail product offering planned for FY2016. A lower level of capital expenditure was required in CY2016 ($0.1 million) and 1H2017 ($0.1 million) due to the investment made in FY2015 although Management are forecasting further capital expenditure in the second half of 2017.

Payments for investments relate to the purchase of share capital in Elixinol Japan and H&W Holdings LLC in FY2016, and a further investment in H&W Holdings LLC in 1H2017.

4.6.3 Elixinol AUS: Historical performance and cash flows

Table 4.17: Elixinol AUS: Summary of historical income statements and cash flows

	Historical income statements	
AUD '000s	**FY2016**	**1H2017**
Other income	1	2
Operating expenses	(76)	(129)
EBITDA	**(75)**	**(127)**
Extinguishment of borrowings	75	127
Profit before tax	**–**	**–**

	Historical cash flows	
AUD '000s	**FY2016**	**1H2017**
Profit before tax	**–**	**–**
Extinguishment of borrowings	(75)	(127)
Changes in working capital	38	(50)
Net cash flow before financing activities	**(37)**	**(177)**

Revenue
Elixinol AUS is an entity that has been established to become an importer and cultivator of medical marijuana in Australia. Elixinol AUS is seeking to obtain an import licence pending approval by the State of New South Wales (NSW) and is yet to generate revenue or incur cost of sales.

Operating expenses
Operating expenses for the business began to be incurred from October 2016, therefore FY2016 represented three months of expenses primarily in relation to consulting and legal fees as well as travel expenses. Operating expenses remained at $0.1 million in 1H2017 and were made up of continued consulting, contractor and travel expenses.

4.6.4 HFA: Historical performance and cash flows

Table 4.18: HFA: Summary of historical income statements and cash flows

	Historical income statements		
AUD '000s	**FY2015**	**FY2016**	**FY2017**
Revenue	**2,749**	**2,506**	**2,941**
Cost of sales	(1,679)	(1,405)	(1,972)
Gross profit	**1,070**	**1,101**	**969**
Other income	495	666	218
Operating expenses	(1,255)	(1,414)	(1,998)
Share of (profit)/loss of associates	3	13	(18)
EBITDA	**314**	**365**	**(828)**
Depreciation	(59)	(100)	(162)
EBIT	**255**	**264**	**(990)**
Finance costs	(6)	(17)	(13)
Profit / (loss) before tax	**249**	**247**	**(1,002)**
Tax (expense)/benefit	131	-	20
NPAT	**381**	**247**	**(982)**

	Historical cash flows		
AUD '000s	**FY2015**	**FY2016**	**FY2017**
Profit / (loss) before tax	**249**	**247**	**(1,002)**
Depreciation	59	100	162
Changes in working capital	(267)	(188)	(660)
Share of (profit)/loss of associates	(3)	(13)	18
Tax (expense)/benefit	131	0	20
Operating cash flows	**170**	**147**	**(1,463)**
Capital expenditure	(102)	(318)	(427)
Net cash flow before financing activities	**68**	**(171)**	**(1,890)**

	Historical metrics		
(%)	**FY2015**	**FY2016**	**FY2017**
Revenue growth	n/a	(8.8%)	17.4%
Gross profit margin	38.9%	43.9%	33.0%
Operating expense ratio	45.6%	56.4%	67.9%
EBITDA margin	11.4%	14.6%	(28.1%)
Period end net working capital to revenue ratio	8.6%	22.2%	50.4%

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Revenue
HFA generates revenue from the sale of low-THC hemp based products primarily hemp seeds, hemp protein and hemp oil to both retail and wholesale customers. The ANZFS Code was changed in November 2017 to include hemp as a food, which will allow hemp based products with THC levels below a set threshold to be marketed and sold as health food products and supplements.

Total revenue decreased by $0.2 million from $ 2.7 million to $2.5 million (8.8% decline) in FY2016. This was primarily due to a raw material quality issue impacting inventory resulting in lost sales whilst remedial action was taken and replacement raw material was sourced from suppliers.

Revenue increased 17.4% in FY2017 from $2.5 million in FY2016 to $2.9 million. This was primarily driven by an increase in sales to existing customers, resolution of previous supply issues and the commencement of supplying a certified organic range of products to a distribution company in South Korea.

Cost of sales and gross profit
Cost of sales is made up of the purchase of hemp seed from suppliers, packaging and bottling costs, freight costs and directly allocable factory expenses including storage costs. Gross profit margin increased from 38.9% in FY2015 to 43.9% in FY2016 due to a reduction in freight costs and reduced outsourced storage costs due to capacity increases. In addition, the aforementioned inventory supply issue which was identified in FY2016 resulted in a FY2015 inventory adjustment reducing gross profit margin for that period.

Gross profit margin has however, decreased from 43.9% in FY2016 to 32.9% in FY2017 driven by increases in factory related product development costs which are reported within cost of sales as well as production restructuring in preparation for expected growth from legislation changes causing operational disruption and inefficiencies.

Other income
HFA had material additional revenue streams outside of the sale of their own products in FY2015 and FY2016. Other income increased in FY2016 to $0.7 million from $0.5 million in FY2015 due to the receipt of $0.6m of Government grant income. Government grant income received in FY2017 was $6,000.

Operating Expenses and EBITDA
HFA operating expenses increased from $1.3 million in FY2015 to $1.4 million in FY2016 with the operating expense ratio relative to revenue increasing from 45.6% in FY2015 to 56.4% in FY2016 due to the aforementioned decrease in revenue.

In FY2017, operating expenses increased to $2.0 million or 67.9% of revenue. This growth is driven by the anticipated change in Food Standards regulations in Australia and New Zealand which was previously expected to come into effect in April 2017 but was delayed until November 2017. They key areas of additional operating expenditure were additional sales headcount and sales and marketing spend in anticipation of the change in regulation. Additional rental costs, reported within administration expenses were also incurred in FY2017 following a premises expansion.

EBITDA was largely consistent at between $0.3 million and $0.4 million in FY2015 and FY2016 primarily due to other income being received in both these periods as discussed above. In FY2017 EBITDA declined to a $0.8 million loss primarily due no Government grant income being received ($0.6 million in FY2016) coupled with an increase in operating expenses in anticipation of the aforementioned changes in Regulations.

Changes in working capital
The increase in working capital of $0.7 million in FY2017 was primarily the result of an increase in raw material inventory in anticipation of increased product demand, pending new legislation allowing hemp seed products to be sold as food in Australia.

Capital expenditure
Capital expenditure in HFA primarily relates to new storage and production equipment. Capital expenditure increased from $0.1 million in FY2015 to $0.4 million in FY2017 as a result of additional investment in additional equipment for the cleaning and storage of raw material.

4.7 Forecast Financial Information

The basis of preparation for the Forecast Financial Information is set out in Section 4.2.3. This Section 4.7 includes the Directors' best estimate assumptions specific to the Forecast Financial Information. In addition to these specific assumptions, the general assumptions adopted in preparing the Forecast Financial Information are detailed in Section 4.7.1.

4.7.1 General assumptions

The following general assumptions are relevant to the Forecast Financial Information:

- there are no material changes in the competitive and operating environment in which the Elixinol Group operates;
- there are no significant deviations from the current market expectations of economic and market conditions under which the Elixinol Group operates;
- there are no material changes in government legislation, tax legislation, regulatory requirements or government policy that will have a material impact on the financial performance, cash flows, financial position, accounting policies, financial reporting or disclosures of the Elixinol Group other than those contemplated below under the Specific assumptions;
- there are no material changes in AAS, IFRS, other mandatory professional reporting requirements or the Corporations Act, which could have a material impact on the Elixinol Group's reported financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures;
- there are no material employee relations disputes or other disturbances, contingent liabilities or legal claims that arise or that are settled to the detriment of the Elixinol Group;
- there are no material changes in key personnel, including key management personnel. It assumes the Elixinol Group will maintain its ability to recruit and retain the personnel required to support future growth;
- there are no material acquisitions or disposals, restructurings or investments other than as contemplated by this Prospectus;
- there are no material changes to the Elixinol Group's corporate and funding structure;
- there are no significant disruption to the continuity of operations of the Elixinol Group or other material changes in the business;
- there are no material amendments to any material contract, agreement or arrangement relating to Elixinol Group s business or intellectual property;
- none of the risks in Section 5 has a material adverse impact on the operations of the Elixinol Group; and
- the Offer proceeds are received in accordance with the timetable set out in the Key Dates section of this Prospectus.

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4.7.2 Specific assumptions

Each of the sub-sections below sets out the specific assumptions in relation to revenues, margins, operating expense base and cash flows that are relevant to the Pro forma Forecast Financial Information.

4.7.2.1. Elixinol US: forecast performance and cash flows

Table 4.19: Elixinol US: Summary of forecast income statements and cash flows

Income statements

AUD '000s	FY2016	CY2017
Revenue	**7,147**	**12,285**
Cost of sales	(2,749)	(4,072)
Gross profit	**4,398**	**8,212**
Other income	19	(4)
Total operating expenses	(3,879)	(5,979)
Share of profit / (loss) of associate	(17)	(13)
EBITDA	**521**	**2,216**

Cash flow statements

AUD '000s	FY2016	CY2017
Profit before tax and acquisition amortisation	**456**	**2,123**
Depreciation	66	93
Share of profit / (loss) of associate	17	13
Changes in working capital	58	(669)
Operating cash flows (pre-tax)	**596**	**1,560**
Capital expenditure	(76)	(185)
Payment for investments	(344)	(188)
Net cash flow before financing activities	**177**	**1,187**

Notes:
For comparative purposes, cash flows presented for CY2017 are presented before any Pro forma adjustment for taxation.

Operating metrics

(%)	FY2016	CY2017
Revenue growth	156.8%	71.9%
Gross profit margin	61.5%	66.8%
Operating expense ratio	54.3%	48.7%
EBITDA margin	7.3%	18.0%
Period end net working capital to revenue ratio	8.9%	10.0%

Elixinol US forecast assumptions

The Elixinol US CY2017 income statement represents six months of audited results, three months of unaudited (reviewed) actual results and three months (October to December 2017) of forecast trading.

Revenue assumptions

Forecast revenue for CY2017 of $12.3 million is made up of 1H2017 revenue of $5.6 million and forecast revenue of $6.5 million for the second half of 2017 which represents 71.9% growth on FY2016. This growth rate compares to a growth rate of 156.8% achieved in FY2016. Forecast revenue growth is driven by the continued investment in sales and marketing campaigns driving additional retail sales for new products launched in 2016. Revenue growth is also forecast in the bulk and private contract channels as result of a larger sales force and increased presence at industry tradeshows.

Gross profit assumptions
Gross profit margin is forecast to increase from 61.5% in FY2016 to 66.8% in CY2017 due to the continued shift towards higher margin retail sales within the sales mix as a result of ongoing marketing campaigns. Elixinol US has released a number of new products in 2016 which are primarily targeted at the retail market, sales from these products is expected to drive an increase in gross margin in CY2017. Elixinol US achieved gross profit margin of 74.5% in 1H2017.

Operating expenses
Operating expenses are forecast to increase from $3.9 million in FY2016 to $6.0 million in CY2017 primarily due to an increase in employee expenses driven by increased headcount in particular at management level, increased consulting fees in respect of business development activity and outsourced research costs in respect of developing improved extraction methods and new products to take to market.

The operating expense ratio is forecast to decline from 54.3% in FY2016 to 48.7% in CY2017 driven by revenue growth and improved operational leverage as revenue growth exceeds the growth in overheads due to the fixed nature of a number of elements of the cost base. Operating expense ratio in 1H2017 was 49.7%.

Working capital assumptions
The net change in working capital of $0.7 million in CY2017 is driven by a forecast increase in inventory at December 2017 to support forecast revenue growth in 2018. Net working capital to revenue ratio is forecast to be 10.0% at December 2017, broadly in line with that the reported level of 8.9% at December 2016.

Capital expenditure assumptions
Forecast capital expenditure of $0.2 million in CY2017 compares to $0.1m in FY2016 and primarily relates to investment in processing equipment required to increase capacity to support future growth of the business.

4.7.2.2. Elixinol AUS: forecast performance and cash flows

Table 4.20: Elixinol AUS: Summary of forecast income statements and cash flows

	Income statements	
AUD '000s	**FY2016**	**CY2017**
Other income	1	5
Operating expenses	(76)	(354)
EBITDA	**(75)**	**(349)**
Extinguishment of borrowings	75	-
Profit / (loss) before tax	**–**	**(349)**

Notes:
Pro forma earnings presented for CY2017 are presented before any fair value offset to losses resulting from the extinguishment of borrowings re-payable to shareholders.

	Cash flows	
AUD '000s	**FY2016**	**CY2017**
Profit / (loss) before tax	**–**	**(349)**
Extinguishment of borrowings	(75)	–
Changes in working capital	38	–
Capital expenditure	–	(10)
Payment of other assets	–	(157)
Net cash flow before financing activities	**(37)**	**(516)**

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Elixinol Australia forecast assumptions

Revenue assumptions
No revenue has been forecast for CY2017 as the required licences for importation or cultivation of medical marijuana have yet been obtained.

Operating expense assumptions
Forecast operating expense of $0.4 million in CY2017 compares to $0.1 million in FY2016, the increase is primarily driven by a full year of expenses being forecast for CY2017 compared with three months of operating expenses in FY2016.

Capital expenditure assumptions
Capital expenditure in CY2017 primarily relates to the payment for other assets, namely $0.2 million of capitalised licence submission costs. The capitalisation of these costs will be subject to assessment as part of the Company's year-end accounting processes, and the Company meeting the relevant criteria for capitalisation.

4.7.2.3. HFA: forecast performance and cash flows

Table 4.21: HFA: Summary of forecast income statements and cash flows

Income statements

AUD '000s	FY2017	CY2017
Revenue	**2,941**	**3,173**
Cost of sales	(1,972)	(1,840)
Gross profit	**969**	**1,333**
Other income	218	195
Total operating expenses	(1,998)	(2,119)
Share of (profit)/loss of associates	(18)	(18)
EBITDA	**(828)**	**(609)**

Cash flow statements

AUD '000s	FY2017	CY2017
Profit / (loss) before tax	**(1,002)**	**(795)**
Depreciation	162	175
Changes in working capital	(660)	(250)
Share of (profit)/loss of associates	18	18
Income tax benefit / (paid)	20	–
Operating cash flows	**(1,463)**	**(853)**
Capital expenditure	(427)	(374)
Net cash flow before financing activities	**(1,890)**	**(1,227)**

Operating metrics

(%)	FY2017	CY2017
Revenue growth [1]	17.4%	7.9%
Gross profit margin	33.0%	42.0%
Operating expense ratio	67.9%	66.8%
EBITDA margin	(28.1%)	(19.2%)
Period end net working capital to revenue ratio	50.4%	44.0%

Notes:
1. The revenue growth for CY2017 reflects growth between the 12 months ended 30 June 2017, and the 12 months ending 31 December 2017. This translates to a pro forma annualised growth rate of approximately 15.8%.

HFA forecast assumptions
The HFA CY2017 income statement represents six months of pro forma results derived from the audited income statement for its financial year ended 30 June 2017 (FY2017), three months of unaudited (reviewed) actual results (July-September 2017) and three months of forecast trading (October-December 2017). The half year results to 30 June 2017 reflect revenues derived from management accounts which are reconciled with the audited financial statements for the financial year ended 30 June 2017, with a margin based on the average margin for the financial year to 30 June 2017.

Revenue assumptions
Revenue is forecast to increase 7.9% in CY2017 to $3.2 million from $2.9 million in the financial year ended 30 June 2017 (FY2017). This forecast revenue growth translates to an annualised growth rate of c.15.8% which compares with 17.4% achieved in FY2017. Revenue growth is driven by additional sales in the second half of 2017 resulting from the inclusion of hemp as a food on the ANZFS Code. This change in regulation is forecast to drive additional revenues from existing wholesale customers.

Gross profit assumptions
Gross profit margin is forecast to increase from 33.0% in FY2017 to 42.0% in CY2017 as a result of a reduction in pallet storage rental cost following investment in capacity in FY2017 and a reduction in freight costs due to an increase in domestically sourced product.

Operating expenses
The operating expense ratio is forecast to decline from 67.9% in FY2017 to 66.8% in CY2017 due to improved operating leverage. This follows a period of significant ramp up in operating expenses in FY2017 in anticipation of the aforementioned regulatory changes now expected in November 2017.

Working capital assumptions
Net working capital to revenue ratio is forecast to decline from 50.4% in FY2017 to 44.0% CY2017 primarily due to a decline in inventory levels from those at 30 June 2017 at which point inventory levels were high due to the delay in regulatory changes which were initially expected to come into effect in April 2017 resulting in an abnormally high level of stock at 30 June 2017. The Company expects that all stock on hand at June 2017 and at the date of this Prospectus is saleable with no write-offs anticipated over the forecast period and beyond.

Capital expenditure assumptions
Forecast capital expenditure of $0.4 million in CY2017 primarily relates to investment in storage and manufacturing equipment to support forecast revenue growth and the required storage capacity necessary to support further growth in the business. Of the $0.4 million forecast $0.3 million had been spent by 30 June 2017.

4.8 Segment information

The Elixinol Group operates in two geographical segments being Australasia and North America. To date, there is a single business segment being the sale of nutraceutical and related hemp products. Elixinol US operates in North America and has historically had a 31 December year end, while HFA and Elixinol AUS represent the Australasia operations and have historically had a 30 June and 31 December year-end respectively. As set out in Section 4.2 of this Prospectus, due to the lack of alignment in the historical accounting periods, aggregated or consolidated historical financial information for the operating entities constituting the Elixinol Group has not been prepared, therefore reporting on a consistent basis across segments is not available historically. Going forward these two geographies will be the basis for segment reporting. The Pro forma income statements of each segment for CY2017 are set out below and will represent the segment reporting to be adopted going forward.

Australasia
This includes the results from the trading operations of HFA and Elixinol AUS. This relates to the sale of hemp-based products in the case of HFA and the application for licences in respect of the importation and cultivation of medicinal marijuana in Australia in the case of Elixinol AUS.

North America
This includes the trading results of Elixinol US in the US through the manufacture and distribution of hemp-derived CBD products.

Corporate
This includes the head office costs reported within the accounts of Elixinol Global Limited the parent entity within the Elixinol Group.

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Table 4.22: Pro forma Forecast Segment Revenue and EBITDA

AUD '000s	CY2017
Revenue	
Australasia	3,173
North America	12,285
Corporate	-
Total revenue	**15,458**
Gross profit	
Australasia	1,333
North America	8,212
Corporate	–
Total gross profit	**9,545**
EBITDA	
Australasia	(958)
North America	2,216
Corporate	(1,463)
Total EBITDA	**(205)**
Gross margin	
Australasia	42.0%
North America	66.8%
Corporate	n/a
Total gross margin	**61.8%**
EBITDA margin	
Australasia	(30.2%)
North America	18.0%
Corporate	n/a
Total EBITDA margin	**(1.3%)**

4.9 Sensitivity analysis

The Forecast Financial Information is based on a number of estimates and assumptions as described in Section 4.7. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Elixinol Group, the Directors and Management. These estimates are also based on assumptions with respect to future business decisions which are subject to change.

Set out below is a summary of the sensitivity of certain CY2017 Forecast Financial Information to changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actua l performance could exceed the ranges shown.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely impact on the Forecast Financial Information, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions and assumes a full year impact. In practice, changes in assumptions may offset each other or be additive, and it is likely that the Elixinol Group's Management would respond to any changes in one item to seek to minimise the net effect on the Elixinol Group's NPATA and cash flow.

Table 4.23: Sensitivity analysis on pro forma forecast Revenue and NPATA for CY2017

Elixinol US		CY2017 ($ millions)	
Sensitivity	**Increase / (decrease)**	**Revenue**	**NPATA**
Change in USD/AUD exchange rate [1]	1 cents / (1 cents)	+/- 0.2	+/- 0.0
Change in revenue [2]	+/- 5%	+/- 0.6	+/- 0.4
Change in gross margin [3]	+/- 5ppt	n/a	+/- 0.4
Change in operating expense ratio [4]	+/- 5ppt	n/a	+/- 0.4

Hemp Foods Australia		CY2017 ($ millions)	
Sensitivity	**Increase / (decrease)**	**Revenue**	**NPATA**
Change in revenue [2]	+/- 5%	+/- 0.2	+/- 0.1
Change in gross margin [3]	+/- 5ppt	n/a	+/- 0.2
Change in operating expense ratio [4]	+/- 5ppt	n/a	+/- 0.2

Total		CY2017 ($ millions)	
Sensitivity	**Increase / (decrease)**	**Revenue**	**NPATA**
Change in USD/AUD exchange rate [1]	1 cents / (1 cents)	+/- 0.2	+/- 0.0
Change in revenue [2]	+/- 5%	+/- 0.8	+/- 0.5
Change in gross margin [3]	+/- 5ppt	n/a	+/- 0.5
Change in operating expense ratio [4]	+/- 5ppt	n/a	+/- 0.5

Notes:
1. Calculated as a 1 cents movement in the exchange from the average for the year to date January to October 2017 rate of USD/AUD rate of 0.7677. This represents a translation risk sensitivity for Elixinol US only.
2. Calculated as a 5% variation from the Pro forma forecast revenue for CY2017. The impact on NPATA has been calculated assuming a NPATA margin consistent with CY2017.
3. The sensitivity to a change in gross margin is calculated using a 5 percentage point (ppt) variation from the CY2017 gross margin. For the purposes of NPATA we have assumed all changes in gross margin directly impact NPATA after taking account of taxation for Elixinol US. The may be some absorption of this within elements of operating expenses that are semi-variable in nature.
4. The change in operating expense ratio sensitivity is calculated as a 5ppt variation from the CY2017 operating expenses as a percentage of revenue. The NPATA sensitivity to operating expenses has been adjusted for the impact of taxation at an assumed rate of 40% for Elixinol US. Hemp Foods Australia sensitivities have not been tax adjusted.

4.10 Foreign currency

A substantial proportion of revenue is charged in currencies other than Australian dollars, predominantly in US dollars, and to a lesser extent other currencies. In addition, a large proportion of expenses in the business are incurred in currencies other than Australian dollars, including US dollars. The Elixinol Group typically does not hedge its foreign currency exposure when engaging in transactions.

For further information on foreign exchange rate sensitivity and risk, refer to Sections 4.9.

4.11 Dividend policy

No dividend has been forecast. Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors.

The Subsidiary entities are in varying stages of development and the Directors do not expect to pay a dividend for at least two years or more.

No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

05

Risks

05

Risks

5.1 Introduction

The Company is subject to various risk factors. Some of these are specific to the Elixinol Group's business activities, while others are of a general nature. Individually, or in combination, these risk factors may affect the future operating and financial performance of the Elixinol Group, its investment returns and the value of the Shares.

The principal risk factors are described below. While some of these risks can be mitigated using appropriate safeguards and systems, many are outside the control of the Company and cannot be mitigated.

The risks set out in this Section 5 are not an exhaustive list of the risks associated with the Elixinol Group or the industry in which it operates, or an investment in the Shares either now or in the future, and this information should be used as guidance only and read in conjunction with all other information presented in this Prospectus.

5.2 Specific risks

5.2.1 Obtaining and retaining licenses and permits

Elixinol AUS' business model is reliant on obtaining the necessary licences and permits issued by the ODC to import products, cultivate cannabis and manufacture medicinal cannabis products (see Section 3.5). Elixinol AUS will apply for the required licences and undertake the necessary requirements for approval. The length of time for approval is currently unknown. There is no assurance or guarantee that the necessary licences and permits will be granted to Elixinol AUS, or granted on the terms anticipated by Elixinol AUS. Investors should be aware that Elixinol AUS cannot guarantee that any approvals, licences or permits required for its proposed operations will be obtained. A failure to obtain any such approvals, licences or permits will result in Elixinol AUS being unable to continue to establish its business.

Additionally, in the event that the necessary licences and permits are granted, there is no guarantee that they will not be revoked during the term, or that they will be renewed for a further period of time, or renewed on terms anticipated by Elixinol AUS. Should any of these circumstances eventuate, it is likely to have a material adverse effect on Elixinol AUS' proposed activities and operations, financial performance and prospects, and consequently, the Company's financial performance and prospects.

5.2.2 Start-up

Potential investors should be aware that investing in a start-up enterprise and industry, such as the Company, and in particular, with respect to Elixinol AUS, should be considered highly speculative and involves several significant risks including under capitalisation and obstacles or delays in the implementation of the business model or revenue generation.

The Company can make no representation that any of its internal milestones will be achieved, or that products will be developed that are commercially exploitable.

5.2.3 Uncertainty of future profitability

On Completion of the Offer, the Elixinol Group will contain three independent businesses – two of which are established, with Elixinol AUS yet to commence operations. The future profitability of Elixinol AUS (and consequently, the Elixinol Group) will be impacted by Elixinol AUS' ability to:

- obtain and comply with the licences to import, and cultivate and manufacture medicinal cannabis in Australia;
- execute its business plan and strategy; and
- educate and access general practitioners and specialists as Authorised Prescribers.

Additionally, the future profitability of Elixinol AUS is contingent on patient uptake, the results of further medical research and clinical trials, general economic conditions, the level of competition in the industry and regulatory factors.

As a result, anticipated or expected sales may not be achieved, and even if achieved, may not result in Elixinol AUS being profitable.

More generally, the Elixinol Group will need to build internal capacity to service growth in each of its businesses. Elixinol US is currently unable to service 100% of customer calls and development opportunities at current volumes, and support functions must grow to retain new business going forward.

These risks may impact the profitability of the Company, its financial prospects and its ability to pay dividends going forward.

5.2.4 Establishment and implementation of new legislative regime

Each of the members of the Elixinol Group operate (or intend to operate) in industries which have recently experienced key regulatory and legislative changes. In particular:

Elixinol US

The US Federal legislation authorising the cultivation of industrial hemp products was introduced in 2014 under President Obama. Given this Federal legislation (and associated State-based legislation) is still in its relative infancy, there is a risk that the interpretation and implementation of the law changes. Additionally, given the varied and evolving regulation of industrial hemp at a state level, there is a degree of uncertainty that could make compliance challenging. For more information on the US regulatory regime, see Appendix B.

HFA

The changes to the ANZFS Code that permits consumption of hemp products as food only came into effect in November 2017. Whilst this is seen as an opportunity for growth for the business, as with any legislative and regulatory change, there is a natural period of uncertainty whilst regulators, market participants and consumers interpret and respond to the change. For more information on the recent changes to the ANZFS Code, see Appendix C.

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Elixinol AUS

The amendments to the ND Act in relation to medicinal cannabis only came into full effect in Australia in October 2016. The ODC has published regulations and a series of guidelines which explain how the reforms will operate and the application processes for licences and permits. Although this guidance is quite prescriptive, as with any new legislative regime, there remains some uncertainty as to the interpretation of the new laws and regulations and the review methodology that the ODC will adopt. In particular, specific considerations that the ODC will consider when reviewing licence and permit applications and the precise weight given to each consideration are not yet widely understood. For more information on the Australian medicinal cannabis regulatory regime, see Appendix C.

Management considers that the businesses of Elixinol US, Elixinol AUS and HFA have complied historically with all applicable industry laws and regulations. Notwithstanding this, given the continuing developments in the relevant laws and regulations, there is a risk that a regulatory body could, in the future, change the retrospective application of these laws which may adversely impact the Elixinol Group.

5.2.5 Clinical trials

Separately, both Elixinol AUS and Elixinol US intend to undertake a series of clinical trials.

Clinical trials are expensive, time consuming, difficult to design and implement and by definition and purpose, uncertain as to outcome. Prior to conducting clinical trials involving cannabis extracts/derivatives, a number of approvals, licences and /or permits are required. Delays in obtaining all necessary authorisations can impact downstream activities, including the potential introduction of scheduling schemes. Moreover, after commencement, clinical trials are also subject to suspension, delay or termination by regulatory bodies and/or ethical review boards.

Any adverse findings from the Elixinol Group's proposed clinical trials or other recognised clinical trials (including any findings which establish a health risk, do not support the case for the benefits of industrial hemp or the therapeutic effects of medicinal cannabis or related products, or support the treatment for only very limited diseases or symptoms) are likely to have an adverse effect on the Company's financial performance and prospects and/or the industry generally.

5.2.6 Change to laws or regulations

The operations and proposed operations of the Elixinol Group are subject to a variety of laws, regulations and guidelines. The industrial hemp and medicinal cannabis industries are evolving globally, including in Australia and the USA. It is likely that governments worldwide, including Australia and the USA, will continue to explore the benefits, risks and operations of companies involved in the hemp and medicinal cannabis sectors. In particular, the regulation of hemp and medicinal cannabis is a partisan and divisive issue and, as a result, a change in government or increase in political lobbying may result in a change in government policy and an amendment of legislation and/or regulation. For example, there is a risk that the allowable levels of THC in hemp products sold in Australia or the US changes, this could potentially result in additional processing costs for the Elixinol Group and impact the Company's financial performance.

In the US, given that many of the applicable laws and regulations are determined at the State-level, there is a risk that the regulatory regime governing Elixinol US' operations and distribution network becomes fragmented and difficult to comply with.

The introduction of new legislation or amendments to existing legislation by governments, or the respective interpretation of the legal requirements in any of the legal jurisdictions which governs the operations or contractual obligations of the Elixinol Group, could impact adversely on the assets, operations, and the financial performance of the Elixinol Group and the industry in general.

5.2.7 Fit and proper persons

Under the medicinal cannabis regulatory regime, in order to obtain the necessary licences, the ODC must first establish the integrity of the person applying for a licence, or who has the ability to substantially influence the conduct of activities under a licence. This is known as the 'fit and proper person' test. In respect of an applicant who is a company, this test is applied to the directors of the company and any shareholder (or ultimate holder) who has the ability to influence the conduct of the company.

As Elixinol AUS intends to apply for licences to import, cultivate and manufacture medical cannabis products for the Australian market, there is a risk that the ODC does not establish that the directors of Elixinol AUS, the directors of the Company or a substantial shareholder of the Company is a fit and proper person. Further, if there is a change in the Board or shareholding of the Company and that change results in a person having the ability to substantially influence the conduct of Elixinol AUS and that person does not pass the fit and proper person test, then any licences granted to Elixinol AUS will be revoked.

As the Company is a public company and is seeking to be admitted to the official list of ASX, the Board cannot control or prevent the transfer of shares in the Company or the election of a person or persons as new directors of the Company. In particular, a person may make a takeover bid, resulting in the acquirer being in a position to influence the management or operations of the Company, or a "board spill" resolution may be passed, requiring the Company to have elections of its directors. In these circumstances, should the ODC determine that the new person with substantial influence over the conduct of Elixinol AUS (i.e., the acquirer under a takeover bid, or new director) is not a fit and proper person, the licences held by Elixinol AUS are likely to be revoked.

Separately, to the extent that HFA operates under a cultivation or supply of low-THC hemp licence (granted the HI Act), there is a requirement that the applicant for that licence and each close associate is a suitable person to be concerned in or associated with the cultivation or supply of low-THC under the licence. A licence may be revoked if at any time this requirement is not complied with. The Company, the Board and a substantial shareholder of the Company are each likely to fall within the definition of "close associate". As a result, a change in the Board or a substantial change in the shareholding of the Company involves the risk that the Department of Primary Industries may revoke a licence on the basis that a close associate of the licensee is not a suitable person to be concerned in or associated with the cultivation or supply of low-THC.

Should any of these circumstances cause Elixinol AUS or HFA to not be granted the required licences or have those licences revoked, there will likely be a materially adverse impact on the relevant companies' proposed activities and operations, and consequently, the Company's financial performance and prospects.

For further information in relation to the requirements under the relevant regulatory regime, see Appendix C.

5.2.8 Product approval risk

There is a risk that the products produced and supplied by the Elixinol Group are not approved for supply. This risk is particularly relevant for Elixinol AUS, as it intends to operate in the highly regulated medicinal cannabis industry.

Medicinal cannabis products are regulated as medicines in Australia. Generally, medicines imported, supplied in, and exported from Australia must be entered in the ARTG. However, there are mechanisms such as the Special Access Scheme and Authorised Prescriber Schemes which provide alternative pathways while evidence to support registration through clinical trials is obtained.

The Company intends to provide access to its products under the Authorised Prescriber Schemes. The Company cannot guarantee that any or all its medicinal cannabis products will be approved for supply to patients through Authorised Prescriber Schemes (or an alternative pathway). Additionally, there is no guarantee that medical practitioners will be authorised under the Authorised Prescriber Scheme, or that they will elect to prescribe the Company's products.

5.2.9 Risk of adverse events, product liability or other safety issues

As with all medical or nutraceutical products, there is a risk that the products sold by the Elixinol Group cause serious or unexpected side effects, including risk or injury to consumers. Should any of the Elixinol Group's products be associated with safety risks such as misuse or abuse, inadvertent mislabeling, tampering by unauthorised third parties or product contamination or spoilage, a number of materially adverse outcomes could occur, including:

- regulatory authorities may revoke any approvals that have been granted, impose more onerous facility standards or product labelling requirements or force the Company to conduct a product recall;
- the Company could be subject to regulatory action or be sued and held liable for any harm caused to customers; or
- the Elixinol Group's brand and reputation could be damaged.

Additionally, material risks to the health and safety of customers may force the Company to voluntarily suspend or terminate sales and/or operations.

The Company will endeavour to secure appropriate insurance coverage to mitigate these risks to the greatest extent possible. Additionally, the Elixinol Group will maintain rigorous standards in respect of product safety. However, there is still the potential for the products to contain defects, which may result in systems failures. These defects or problems could result in the loss or delay in generating revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, and damage to the companies reputation or increased insurance costs.

The Company cannot guarantee that all such risks will be adequately managed through imposing standard or its insurance policies, and may have an adverse impact on the Company's financial performance and prospects.

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Risks

5.2.10 Loss of key relationships

The medicinal cannabis, CBD nutraceutical and hemp food industry are undergoing rapid growth and change, which has resulted in increasing consolidation and formation of strategic relationships. It is expected that this consolidation and strategic partnering will continue. Acquisitions or other consolidating transactions could harm the Elixinol Group in a number of ways. The Elixinol Group may lose strategic relationships if third parties with whom the Elixinol Group has arrangements with are acquired by or enter into relationships with a competitor (which could cause the company to lose access to necessary resources). The Elixinol Group's current competitors could become stronger, or new competitors could form from consolidations. This could cause the Elixinol Group too lose access to markets or expend greater resources in order to stay competitive.

Separately, the relationship between the Elixinol Group and third parties may deteriorate organically, which may have an adverse impact on the Company's business.

5.2.11 Agricultural risk

The businesses of Elixinol AUS, Elixinol US and HFA are reliant on agricultural products. As such, the businesses are subject to the risks inherent in the agriculture industry. These risks include insects, plant diseases, storm, fire, frost, flood, water availability, water salinity, pests, bird damage and force majeure events. Additionally, set out below are specific agricultural risks associated with each of the Elixinol Group entities:

Elixinol US – although it (or its suppliers) may at times implement climate controlled indoor growing areas and employ trained personnel to carefully monitor growing conditions, there can be no assurance that natural elements will not have a material adverse effect on Elixinol US' growing operations. Elixinol US' operations centre on "broadacre hemp cultivation" which is subject to the risks inherent in open field cultivation and production.

Elixinol AUS – there are numerous risks associated with the construction and use of indoor rooms, greenhouses or alternative cultivation systems to grow medicinal cannabis, including the sourcing of suitable cannabis varieties either domestically or overseas, plant diseases, underestimating the costs and time for cultivation, underestimating the lighting/heating requirements and costs of installation, human error in the execution of engineering and construction, equipment failure, supplier delays and underestimating breakages and consumables. Each of these risks may be mitigated to some degree by proper management and external professional advice, however, they still may impact grow time, the number of harvests or the oil yield generated from each harvest.

HFA – given the growing of broadacre industrial hemp in Australia is an evolving industry, there are a range of risks that may have a material adverse effect on its business. The risks inherent in growing broadacre organic industrial hemp for seed production include, identifying geographic locations that provide the best agronomic conditions for growing organic industrial hemp on a large scale, selecting the most suitable varieties for the growing conditions, pests and birds, storm, fire, frost, flood, water availability, water salinity, and force majeure events.

Any adverse outcomes in respect of these matters will or may adversely affect the Elixinol Group's activities and operations, financial performance and prospects.

5.2.12 Production risk

The ability for the Elixinol Group entities to cultivate and produce products is dependent on a number of key inputs and their related costs. These key inputs include raw materials, electricity, water, other utilities and skilled labour. Any significant interruption or negative change in the availability or cost of these inputs could materially impact the production of the business and subsequently, the operating results of the Elixinol Group.

In particular, given the nature of the raw materials used by each of the Elixinol Group entities, supply may be limited to a single or limited number of suppliers, with access to these raw materials more competitive than conventional ingredients. As a result, there is an enhanced risk of difficulties in securing the required supplies, or to do so on appropriate terms.

5.2.13 Supplier arrangements

The Company has arrangements with a number of key suppliers. In particular, currently, the key grower for Elixinol US is Colorado Cultivars and HFA has a key supply relationship with Tiverton Agriculture.

To the extent that Elixinol US, HFA and Elixinol AUS (once it commences operations) cannot secure and retain key suppliers, their respective abilities to maintain consistent production levels may be compromised, which in turn may have a material adverse impact on the financial performance and position of the Elixinol Group.

5.2.14 Organic certification

HFA relies on independent certification, such as certifications of some of its products as 'organic'. This certification differentiates the HFA's products from some of its competitors. The loss of any independent certifications could adversely affect HFA's market position as a certified organic and natural products business and result in a loss of consumer confidence in the brands of HFA.

In addition, a failure to provide customers with the quality of product they expect from HFA, or a recall issue could adversely affect consumer confidence in the HFA brand.

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5.2.15 Reputational risk

There is a risk that incidents beyond the control of Elixinol US, Elixinol AUS and HFA could occur which would have the effect of reducing patient, medical/scientific or regulatory confidence, or preferences for cannabis or medicinal cannabis products generally. This reputational risk could result from incidents involving members of the Elixinol Group or other non-related industry participants.

This risk is particularly relevant as HFA operates in the regulated food industry where incidents could have impact consumer sales, while Elixinol US operates, and Elixinol AUS intends to operate in, the medicinal industry where incidents could impact prescriptions by authorised medical professionals.

5.2.16 Protection of intellectual property

The Elixinol Group's success will depend on, in part, its ability to protect its intellectual property, including its trade marks, copyright, trade secrets and know-how. To the extent the Company fails to protect its intellectual property or infringes a third party's intellectual property, the Company may face increased competition from similar products, have to cease using certain intellectual property or be liable for damages. In the event that this occurs, there is a risk that it has a materially adverse impact on the Elixinol Group's operations, financial performance and future prospects.

5.2.17 Key personnel and management risk

Skilled employees and consultants are essential to the delivery of each of the Elixinol Group's businesses. There is a risk that the Company cannot attract, retain or develop the relevantly skilled individuals to successfully execute its business plan. Should this occur, it is likely to have a materially adverse impact on the Elixinol Group's operations, financial performance and future prospects.

5.2.18 Competition risk

The industry in which the business entities are involved is subject to domestic and international competition. While the companies will undertake all reasonable due diligence in its business decisions and operations, the companies will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company.

Some of the Company's competitors and potential competitors may have significantly more financial resources and marketing experience than the Company which may lead to reduced margins and loss of revenue or loss of market share. Further, revenues in the future may be reduced as the industry consolidates and seeks revenue accretion at the expense of profit margin.

In particular, in respect of HFA, given the recent amendment to the Food Standards in November 2017, it is expected that both local and foreign competitors will enter the Australian hemp market, supplying hemp derived bulk and finished food products.

5.2.19 Technology and innovation risks

The industries that the Elixinol Group operates, and intends to operate, in, require a deep understanding of cultivation and processing techniques and technologies. Should the Company fail to adequately invest and stay abreast of innovative technologies and processes, the Company's competitiveness and financial performance may be adversely impacted.

5.2.20 Uncontracted sales

A material proportion of the Elixinol Group's revenue (in particular, HFA's revenue) is derived from uncontracted customer relationships, with sales made under standard terms and conditions. There is a risk that these customer relationships may not be able to be maintained, or new relationships may not be formed, on terms acceptable to the Company. Additionally, given the uncontracted nature of these relationships, it is not possible to guarantee consistency of sales volumes, price or terms going forward. The Company's financial performance could be materially and adversely impacted by wholesale customers:

- materially changing its trading terms;
- promoting the products of one or more of the Company's competitors; or
- refusing to promote or stock the Company's products or significantly reducing orders for its products.

5.2.21 Requirements for additional funding

The funds to be raised under the Offer are considered sufficient to meet the current objectives of the Company. However, additional funding may be required in the event that costs exceed the expectations of the Company or further opportunities arise for capital expenditure, acquisitions or joint ventures. Should such events occur, the Company will look to raise additional funds via equity financing, debt financing or licensing arrangements. Failure to obtain sufficient funding may result in delay and indefinite postponement of the Companies activities. There can be no assurance that additional financing will be available when needed, on terms appropriate to the Company or that do not involve substantial dilution to Shareholders.

5.2.22 Integration risk

Given that on Completion of the Offer, three independent businesses will be brought together to be members of the Elixinol Group, a process will be implemented to align, expand and improve the financial reporting system for the Elixinol Group. While this process takes place, historical deficiencies may be discovered which may have a material impact on the financial position of the Company.

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Risks

5.2.23 Contracts and agreements

There are a number of risks associated with the Elixinol Group's existing contracts and agreements, including those related to previous supply arrangements and property leases. There is a risk that the Elixinol Group's existing contracts may be terminated, lost or impaired, or renewed on less favourable terms. Some of the Elixinol Group's contracts can be terminated without cause or on short notice periods (depending on events and circumstances), and although the relevant parties may continue to operate on existing commercial terms, a number of its existing contracts have expired or will shortly expire. A number of the Elixinol Group's contracts contain change of control provisions which will be triggered by the Offer. In the event that consent to the change of control is not obtained from the relevant counterparty, there is a risk that the contract could be terminated and this could materially adversely affect the financial position of the Company. A loss of any of the Elixinol Group's contracts could have a materially adverse effect on its business, operating and financial performance.

Similarly, there is a risk that the Elixinol Group may not meet its existing obligations under current contracts and agreements. Should this be the case, the Elixinol Group may be liable (to varying extents) under indemnity provisions in a number of contract and agreements. Any failure to meet these obligations could materially adversely impact the financial position of the Company.

5.2.24 Counterparty risks

Elixinol US, Elixinol AUS and HFA has entered, and may enter, into several commercial agreements and arrangements (including licences) with third parties that are, or could be, material to the financial performance and prospects of the business. There is a risk that counterparties may not either execute these agreements or, in respect of agreements that have been executed or are executed in the future, the counterparty may fail to meet their obligations under those agreements and arrangements.

Negative commercial consequences will, or are likely to result from, the non-execution of such an agreement or any non-observance of obligations under such agreements. These consequences may include the prevention of the relevant member of the Elixinol Group to execute a part, or parts, of its business plan. This in turn result in an adverse effect on the Elixinol Group's proposed activities and operations, financial performance and prospects.

5.2.25 Inversion

For US federal income tax purposes, a corporation is generally considered a tax resident in the jurisdiction of its organisation or incorporation. Because the Company is an Australian entity, it would generally be classified as a foreign corporation (and, therefore, not a US tax resident) under these rules. Nevertheless, the Company may be treated as a US corporation and, therefore, a US tax resident for US federal income tax purposes (the so-called "anti-inversion" rules).

The US anti-inversion rules are intended to dissuade US corporations and partnerships from redomiciling offshore. It applies when a non-US corporation acquires, directly or indirectly, substantially all of the assets of a US corporation or partnership.

The anti-inversion rules do not apply to a non-US acquiring corporation to the extent such corporation (including its "expanded affiliated group") has "substantial business activities" in its country of organisation. As relevant in this situation, the Company (as the non-US acquiring corporation) is likely to fail the substantial business activities test.

The former owners of Elixinol US are likely to own 80% or more of the vote or value of the Company (excluding the value of stock issued in a public offering or a private placement) by reason of the transfer of Elixinol US. Accordingly, the Company is likely to be treated as a US resident corporation for US federal income tax purposes. To the extent the Company is treated as a US resident corporation as a result of the operation of the anti-inversion rules, the following high-level US federal income tax considerations would apply:

- The Company would be treated as a US corporation subject to U.S. federal income tax on its worldwide earnings.
- The Company would be required file an annual US federal income tax return and comply with all US federal income tax laws.
- Non-US subsidiaries under control of the Company would be treated as controlled foreign corporations for US federal income tax purposes.
- Distributions paid by the Company to non-US shareholders, and other payments of passive-type income (e.g., interest, royalties, rents, etc.) could be subject to US withholding tax.

Please note that the above is not intended to be an exhaustive or complete analysis of the US federal income tax consequences to the Company or its other subsidiaries. Management and the Company's tax adviser will further analyse the anti-inversion rules, as well as potential new tax legislation in the US.

5.3 Investment and general risks

5.3.1 Economic conditions

General economic conditions, changes in government policy, amendments to legislation, movements in interest rates, inflation and currency exchange rates may have an adverse impact on the Company's operations as well as its ability to finance its business model.

5.3.2 Share prices may fall

The price of the Shares quoted on ASX may rise or fall and the Shares may trade below or above the Offer Price due to a number of factors. There is no assurance that the price of Shares will increase following quotation on the ASX, even if the Company's earnings meet or exceed forecasts. The factors which may affect the price of Shares include but are not limited to:

- general economic conditions including interest rates, exchange rates, inflation rates and commodity prices;
- fluctuations in the local and global market for listed stocks;
- changes to government policy, legislation or regulation;
- inclusion in or removal from market indices (including the various S&P/ASX indices);
- the nature of markets in which the Company operates; and
- general and operational business risks.

Other factors that may negatively affect the investor sentiment and influence the Company specifically or the stock market more generally include acts of terrorism, an outbreak of international hostilities, fires, flood, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man made or natural events.

Given the market for the Company's Shares will be new, the price of its Shares is subject to uncertainty and there can be no assurance that an active market for the Company's Shares will develop or continue after the Offer.

5.3.3 Trading in Shares may not be liquid

Once the Shares are quoted on the ASX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

Additionally, it is expected that a material number of Shares held by Existing Shareholders will be classified by ASX as restricted securities and be subject to escrow restrictions for up to 24 months from the date of quotation. During this period, these Shares will be prohibited from being transferred, this will impact the liquidity of the market for the Company's Shares. Prior to the Shares commencing trading on ASX, the Company will announce to ASX full details of the Shares that have been classified as restricted securities, including the number of escrowed Shares and the relevant periods of the escrow restrictions.

5.3.4 Taxation changes may negatively affect the Company

There is the potential for changes to tax laws and changes in the way tax laws are interpreted. Any change to the current tax rates imposed on the Company (including in foreign jurisdictions that the Elixinol Group may operate) is likely to affect returns to Shareholders.

An investment in the Shares involves tax considerations which differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in the Company.

5.3.5 Shareholders may be diluted

In the future, the Company may elect to issue shares or engage in capital raisings to fund investments or acquisitions that the Company may decide to undertake. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of shares and capital raisings.

5.3.6 Accounting standards may change

Australian Accounting Standards are set by the Australian Accounting Standards Board ("AASB") and are outside the control of either the Company or its Directors and senior management. The AASB is due to introduce new or refined Australian Accounting Standards in the coming years, which may affect future measurement and recognition of key income statement and balance sheet items, including revenue and receivables. There is also a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key income statement and balance sheet items, including revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB, or changes to the commonly held views on the application of those standards, could materially adversely affect the financial performance and position reported in the Company's consolidated financial statements.

5.3.7 Speculative investment

The above list of risk factors is not to be taken as an exhaustive list of risks that the Company or its Shareholders are exposed to. The above risks, and other not specifically referred to, may in the future materially impact the financial performance of the Company and the value of the Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares under this Prospectus.

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Key people, interests and benefits

06 Key people, interests and benefits

6.1 Board of Directors and key management

The Directors bring to the Board relevant experience and skills, including sector and business knowledge, financial management and corporate governance experience. Profiles of each member of the Board and key management are set out below.

Table 6.1: Board of Directors and key management

Director	Experience
Andrew Duff *Independent, Non-Executive Chairman*	• Andrew joined the Company in 2017. He has significant ASX-listed company experience, including as a director. He is also the Chairman of Cornerstone Health Pty Ltd. • Recently, Andrew held the position of Chief Financial Officer and Finance Director of Primary Health Care (ASX:PRY), an ASX 100 listed company. • Prior to joining Primary Health Care, Andrew was Chief Accountant of Medical Defence of Australia from 1995 to 1998, an insolvency manager from 1993 to 1995, and a Senior Audit Manager at Deloitte Touche Tohmatsu in both London and Sydney from 1985 to 1993. • Andrew is a member of the Institute of Chartered Accountants in Australia. • Andrew will be a member (and Chair) of the Company's Audit and Risk Committee and Remuneration and Nomination Committee.
Paul Benhaim *Chief Executive Officer and Executive Director*	• Paul has over 25 years' experience in the hemp industry and is the co-founder of Elixinol US, Elixinol AUS and HFA. • Paul has been responsible for creating and developing each of the business plans for Elixinol US, Elixinol AUS and HFA and negotiating production, cultivation and distribution. Paul will be responsible for business strategy including organic and acquisition led growth opportunities for Elixinol Global. • In 1996, Paul created 9bar, one of Europe's first hemp food products. Paul then moved to Australia in 1999 to assist the establishment of a hemp industry. He co-founded HFA shortly after arriving in Australia. • Paul is considered an expert in the Australian industrial hemp industry. • Paul will be a member of the Company's Audit and Risk Committee.
Linda McLeod *Managing Director*	• Linda has over 30 years in business advisory, corporate finance, private equity and venture capital. • Linda has worked across a broad range of industries including healthcare, biotechnology, agriculture and resources sectors. Areas of practice have included business strategy, M&A, due diligence and corporate governance. • Linda joined the Company in 2017 with a focus on driving the business strategy and implementing the business plan. • Linda holds a Bachelor of Social Work (BSW) Bachelor of Arts (BA) from the University of Queensland and a Masters of Business Administration (MBA) from the AGSM, University of New South Wales. • Linda will be a member of the Company's Audit and Risk Committee and Remuneration and Nomination Committee.
Stratos Karousos *Independent, Non-Executive Director*	• Stratos has extensive experience as a lawyer working in mergers and acquisitions, equity capital markets, corporate restructuring, private equity transactions, joint ventures, and corporate governance in various sectors, including health and agriculture. • Stratos joined the Company in 2017 with a focus on assisting with the execution of its acquisition strategy. • Stratos holds a Bachelor of Laws (LLB) from the University of Technology and Master of Commerce (MCom) from the University of New South Wales. • Stratos will be a member of the Company's Remuneration and Nomination Committee.

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Key people, interests and benefits

Key Management	Experience
Ron Dufficy *Chief Financial Officer and Company Secretary*	• Ron is a senior finance executive having held various financial leadership roles with ASX-listed companies such as CSR Ltd (ASX:CSR) and Aristocrat Leisure Ltd (ASX:ALL). • Ron has significant experience in regulated markets including being based in the USA for 9 years, most recently as Chief Financial Officer for Aristocrat's largest and most profitable division, responsible for developing and implementing strategies to improve profit margins, grow market share and creating a global shared services organisation. • Ron joined the Company in 2017 with a focus on the administrative, financial, and risk management operations of the Elixinol Group. • Ron holds a Bachelor of Economics (BEc) and Masters of Commerce (MCom) from Macquarie University and is a Fellow of CPA Australia.
Gabriel Ettenson *General Manager of Elixinol US*	• As founder of Elixinol US, Gabriel has had a pivotal role in the development of Elixinol US. • Gabriel graduated with honours from Columbia University with a Masters degree in Physical Therapy and Rehabilitation. He practiced Physical Therapy in New York City for 16 years. • Gabriel has lectured on Physical Therapy techniques in both the US & Canada. • Gabriel is an active member in the Hemp Roundtable Group, a leading industry group pushing the most progressive hemp legislation forward in the United States. Gabriel also represents Elixinol US in the Hemp Industry Association and the European Industrial Hemp Association.

6.2 Interests and benefits

This Section 6.2 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of Elixinol; or
- underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

held at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.2.1 Interests of advisers

The Company has engaged the following professional advisers in relation to the Offer:

- Bell Potter Securities Limited has acted as Lead Manager to the Offer. The Company has agreed to pay Bell Potter Securities Limited the fees described in Section 9.7 for these services;
- Gilbert + Tobin has acted as Australian legal advisor to the Company in relation to the Offer (except in relation to taxation and stamp duty). The Company has paid, or agreed to pay, approximately $520,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Gilbert + Tobin for other work in accordance with its normal time-based charges;
- Frost Brown Todd LLC has acted as United States legal advisor to the Company in relation to the Offer (except in relation to taxation and stamp duty). The Company has paid, or agreed to pay, approximately $38,000 for these services up until the Prospectus Date. Further amounts may be paid to Frost Brown Todd LLC for other work in accordance with its normal time-based charges;
- Deloitte Corporate Finance Pty Limited has acted as the investigating accountant to the Offer, and performed work in relation to the Financial Information included in Section 4 and the Investigating Accountant's Report included in Section 8. The Company has paid, or agreed to pay, approximately $650,000 (excluding disbursements and GST) for financial due diligence, investigating accountant and audit services up until the Prospectus Date. Further amounts may be paid to Deloitte Corporate Finance Pty Limited for other work in accordance with its normal time-based charges; and

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- Deloitte Tax Services Pty Ltd has acted as tax adviser in relation to the Offer. The Company has paid, or agreed to pay, approximately $506,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Deloitte Tax Services Pty Ltd for other work in accordance with its normal time-based charges.

6.2.2 Directors' and senior management interests and remuneration

Paul Benhaim is employed by the Company in the position of Chief Executive Officer and Co-Founder. Refer to Section 6.2.2.5 for further details.

Linda McLeod is employed by the Company in the position of Managing Director. Refer to Section 6.2.2.5 for further details.

Ron Dufficy is employed by the Company in the position of Chief Financial Officer and Company Secretary of the Company. Refer to Section 6.2.2.5 for further details.

Gabriel Ettenson is employed by Elixinol US in the position of General Manager. Refer to Section 6.2.2.5 for further details.

6.2.2.1. Non-Executive Director Remuneration

The Constitution provides that the Non-Executive Directors are entitled to remuneration not exceeding an aggregate maximum sum determined by the Company in general meeting. The current amount has been fixed at $240,000. Remuneration of directors may be provided as a contribution to a superannuation fund, but must not include a commission on, or a percentage of, profits or operating revenue.

Annual Non-Executive fees currently agreed to be paid by Elixinol Global Limited are $90,000 (inclusive of superannuation) to the Chairman, Andrew Duff, and $60,000 (inclusive of superannuation) to the other Non-Executive Director.

6.2.2.2. Deeds of access, indemnity and insurance of Directors

Each Director is indemnified under a deed of access, indemnity and insurance on standard terms. To the maximum extent permitted by law, each Director is indemnified against any liability incurred in connection with their role as a Director and legal costs incurred as a Director to the extent that the Director is not indemnified by a third party. The indemnity provided by the Company may only be enforced against it if the liability for which a Director seeks to be indemnified was incurred in connection with the Company or a related body corporate.

Under the deeds of access, indemnity and insurance, the Company must maintain a 'Directors and Officers' insurance policy in favour of the Directors, insuring a Director (among others) against liability as a director and officer of the Company and its related bodies corporate until seven years after a Director ceases to hold office as a Director or a related body corporate (or the date any relevant proceedings commenced during the seven-year period have been finally resolved).

6.2.2.3. Other information about Directors' remuneration

Directors may also be reimbursed for travel and other expenses incurred in attending to the Company's affairs, including attending and returning from Board meetings or any meetings of committees of Directors and in attending and returning from any general meetings of the Company.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

6.2.2.4. Directors interests in Shares and other securities

The Directors are not required under the Constitution to hold any Shares.

Directors, or entities they are associated with, will hold Shares following Completion of the Offer in accordance with the information presented in Table 6.2.

Table 6.2: Directors' proposed shareholding on Completion of the Offer

Name	Shares held immediately prior to the Offer [5]	Shares acquired/ (sold) in the Offer	Shares held on Completion of the Offer
Andrew Duff [1]	n/a	25,000 [7]	25,000
Paul Benhaim [2]	54,623,008	—	54,623,008
Linda McLeod [3]	n/a	200,000 [7]	200,000
Stratos Karousos [4]	n/a	100,000 [7]	100,000
Ron Dufficy [6]	n/a	30,000	30,000

1 In connection with the Offer, Andrew Duff (or a related body corporate) will receive Shares.
2 Paul Benhaim (or a related body corporate) holds Shares.
3 In connection with the Offer, Linda McLeod (or a related body corporate) will receive Shares.
4 In connection with the Offer, Stratos Karousos (or a related body corporate) will receive Shares.
5 Consolidated shareholding of each Shareholder based on the pre-IPO valuation of Elixinol US, HFA and Elixinol AUS.
6 In connection with the Offer, Ron Dufficy (or a related body corporate) will receive Shares.
7 These shares were issued as part of the Offer for nil cash consideration.

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6.2.2.5. Executive remuneration

Paul Benhaim – CEO and Co-Founder

Details regarding the terms of employment of the Chief Executive Officer and Co-Founder (Paul Benhaim) are set out below.

Term	Description
Employer	Paul is employed by the Company.
Total fixed remuneration (TFR)	Under the terms of his employment agreement, Paul is entitled to receive annual TFR comprised of: • base salary of $272,000 (less tax and deductions and inclusive of superannuation); and • superannuation equal to the minimum amount required to be paid to comply with the superannuation guarantee legislation. The TFR is subject to annual review (starting in December 2018).
Short-term incentive (STI)	In addition to the annual TFR, Paul Benhaim is eligible to participate in the Company's employee incentive plan in accordance with the Plan Rules and as determined by the Board. The Company and the Chief Executive Office may agree in writing to vary the terms of the bonus entitlement from time to time.
Other benefits	In addition to Paul Benhaim's base salary, the Company may, in its absolute discretion, provide Paul Benhaim with other benefits, such as other incentive payments.
Termination	Paul Benhaim will be employed indefinitely, subject to the rights of the Company, below: • The Company may terminate the 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 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. • The Chief Executive Officer's employment may be terminated by either party giving 6 months' written notice. • The Company may also terminate the Chief Executive Officer's employment by either making a payment equal to 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). Any payments on termination will be subject to the termination benefits cap under the Corporations Act.
Restraint	The Chief Executive Officer's employment agreement also includes: • a post-employment non-competition restraint of trade, which operates in a maximum area covering New South Wales, Victoria, Queensland, Western Australia, South Australia, Northern Territory, Tasmania, the Australian Capital Territory and the United States of America for a maximum period of 12 months from the date on which the Chief Executive Officer's employment ceases; and • a post-employment non-solicitation restraint of trade for the same geographical area and period of time.

Paul Benhaim will continue to be a substantial Shareholder in the Elixinol Group following listing (personally and via his entity Raw With Life Pty Ltd as trustee for the Benhaim Trading Trust). A material portion of his shareholding will be subject to escrow restrictions. Refer to Section 7.6 for more information.

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Linda McLeod – Managing Director

Details regarding the terms of employment of the Managing Director (Linda McLeod) are set out below.

Term	Description
Employer	Linda is employed by the Company.
Total fixed remuneration (TFR)	Under the terms of her employment agreement, Linda is entitled to receive annual TFR comprised of: • base salary of $288,850 (less tax and deductions and inclusive of superannuation); and • superannuation equal to the minimum amount required to be paid to comply with the superannuation guarantee legislation The TFR is subject to annual review in December.
Short-term incentive (STI)	As per the Chief Executive Officer's contract.
Other benefits	In addition to Linda McLeod's base salary, the Company may, in its absolute discretion, provide Linda McLeod with other benefits, such as bonus and other incentive payments.
Termination	As per the Chief Executive Officer's contract.
Restraint	The Managing Director's employment agreement also includes: • a post-employment non-competition restraint of trade, which operates in a maximum area covering New South Wales, Victoria, Queensland, Western Australia, South Australia, Northern Territory, Tasmania, the Australian Capital Territory and the State of Colorado in the United States of America for a maximum period of 12 months from the date on which the Managing Director's employment ceases; and • a post-employment non-solicitation restraint of trade for the same geographical area and period of time.

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Ron Dufficy – CFO and Company Secretary

Details regarding the terms of employment of the Chief Financial Officer and Company Secretary (Ron Dufficy) are set out below.

Term	Description
Employer	Ron is employed by the Company
Total fixed remuneration (TFR)	Under the terms of his employment agreement, Ron is entitled to receive annual TFR comprised of: • base salary of $197,000 (less tax and deductions and inclusive of superannuation); and • superannuation equal to the minimum amount required to be paid to comply with the superannuation guarantee legislation The TFR is subject to annual review in December.
Short-term incentive (STI)	As per the Chief Executive Officer's contract.
Other benefits	In addition to Ron's base salary, the Company may, in its absolute discretion, provide Ron with other benefits, such as bonus and other incentive payments.
Termination	Ron Dufficy will be employed indefinitely, subject to the rights of the Company, below: • The Company may terminate the Chief Financial 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 Chief Financial Officer's ability to perform the duties of his position, or is likely to significantly damage the reputation or business of the Company. • The Chief Financial Officer's employment may be terminated by either party giving 3 months' written notice. • The Company may also terminate the Chief Executive Officer's employment by either making a payment equal to 3 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). Any payments on termination will be subject to the termination benefits cap under the Corporations Act.
Restraint	The Chief Financial Officer's employment agreement also includes: • a post-employment non-competition restraint of trade, which operates in a maximum area covering New South Wales, Victoria, Queensland, Western Australia, South Australia, Northern Territory, Tasmania, the Australian Capital Territory and the United States of America for a maximum period of 12 months from the date on which the Chief Executive Officer's employment ceases; and • a post-employment non-solicitation restraint of trade for the same geographical area and period of time.

Gabriel Ettenson – General Manager Elixinol US

Details regarding the terms of employment of Gabriel Ettenson are set out below.

Term	Description
Employer	Elixinol US
Total fixed remuneration (TFR)	Under the terms of his employment agreement, Gabriel is entitled to receive annual TFR comprised of: • an annual salary of US$175,000 (less applicable taxes and deductions); and • participation in any and all health, disability, and group term life insurance plans, any pension, retirement, or profit sharing plans, or any standard fringe benefits, including any medical leave and vacation benefits that may be extended to executive employees of Elixinol US.
Short-term incentive (STI)	Gabriel is eligible to receive an annual performance bonus if he and Elixinol US achieve predetermined bonus goals and objectives.
Other benefits	If determined by the Board, Gabriel may be eligible to participate in the employee incentive arrangements described in Section 6.2.2.6.
Termination	Gabriel's employment will terminate immediately and without notice upon the first of the following events to occur: • Gabriel's death; • Gabriel's inability to perform his duties for 40 or more days in a 12-month period or 30 consecutive days; • the dissolution or cessation of Elixinol US' business; or • termination for cause by Elixinol US. Gabriel's employment may be terminated either by Elixinol US without cause or by Gabriel with good reason, in which event Employee shall be entitled to receive a payment equal to three month's salary.
Restraint	Gabriel's employment agreement contains the following restraints: • a post-employment non-competition restraint for a period of 1 year in respect to any state in the United States or any other jurisdiction that Elixinol US is or has made plans to do business. • a post-employment non-solicitation restraint in respect of customers and employees for the same geographical area and period of time.

Gabriel Ettenson will continue to be a substantial Shareholder in the Elixinol Group following listing (via a related entity D&G Health LLC). A material portion of his shareholding will be subject to escrow restrictions. Refer to Section 7.6 for more information.

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6.2.2.6. Employee and executive incentive arrangements

The Company has adopted an employee incentive plan prior to the date of this Prospectus, which will enable it to assist in the attraction, motivation and retention of the Directors, executive team and other selected employees of the Company ("**Plan**").

The rules of the Plan ("**Plan Rules**") provide the framework under which the Plan and any future individual grants will operate. No Plan shares have been issued or granted at the date of this Prospectus. The key features of the Plan are outlined in the table below.

Term	Description
Eligibility	An employee of the Elixinol Group or another person determined by the Board as eligible to participate in the Plan.
Types of securities	Shares.
Offers under the Plan	Under the Plan, eligible employees may be offered: • an option to acquire a Share, subject to the terms relating to vesting, exercise and lapsing; and/or • a right to acquire a Share, subject to terms relating to, amongst other things, performance and/or service.
Issue price	To be determined by the Board.
Vesting	On satisfaction of all of the conditions relating to the offer under the Plan, as determined by the Board.
Cessation of employment	Subject to the Board determining otherwise (in its absolute discretion), should a participant cease to be an employee of the Elixinol Group because of: • resignation or dismissal: all unvested rights or options lapse; • death, disability, bona fide redundancy, genuine retirement or another reason (with the exception of resignation or dismissal): a pro rata number of unvested rights or options will not lapse and any vested right or option will not lapse. All other rights or options will lapse.
Change of control	The Board in its absolute discretion may determine that all or some of a participants unvested options or rights vest where a Takeover Event or Control Event occurs.

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6.3 Corporate governance

This Section summarises the key corporate governance policies and practices adopted by the Company and outlines how the Board will oversee the management of the Elixinol Group's business. Details of the Company's key policies and practices and the charters for the Board and each of its committees are available at www.elixinolglobal.com.

6.3.1 ASX Corporate Governance Principles

The ASX Corporate Governance Council has developed the ASX Corporate Governance Principles and Recommendations (**ASX Recommendations**) for ASX listed entities to promote investor confidence and assist companies in meeting stakeholder expectations. The recommendations are guidelines and are not prescriptive, however, under the ASX Listing Rules, the Company will be required to disclose the extent of their compliance with the ASX Recommendations for each reporting period. Where the Company has not followed an ASX Recommendation, it will be required to identify the recommendation that has not been followed and give reasons for not following it.

Except as set out below, the Company intends to comply with all of the ASX Recommendations from the time of its listing. The Company will also disclose in its annual report the extent of its compliance with the ASX Recommendations.

6.3.2 Board

6.3.2.1. Board composition

The Board comprises two independent non-executive directors, including the Chairman, and two executive directors. Detailed biographies of the Directors are provided in Section 6.1 of this Prospectus.

Broadly, the Board considers an independent director to be a non-executive director who holds less than 5% of the issued voting Shares of the Company (or is associated directly with a substantial Shareholder), has not been a principal, director or senior employee of a material professional adviser or consultant to the Company and does not have a material contractual relationship (other than as a Director) with the Company. The Board will consider the materiality of any given relationship on a case-by-case basis. The Board regularly reviews the independence of each Director in light of information disclosed by each Director to the Board.

The Board considers that Andrew Duff and Stratos Karousos are independent and free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement.

Given that the Board is currently comprised of two independent executive directors and two executive directors, the Company does not comply with Recommendation 2.4 of the ASX Recommendations, which provides that a majority of the Board of a listed entity should be independent directors. The Board considers that the current composition is appropriate. In particular, the Board considers that the knowledge of the existing businesses and general industry experience of the executive directors (Paul Benhaim and Linda McLeod), paired with the broad skillset and extensive external experience of the independent non-executive directors (Andrew Duff and Stratos Karousos), provides an appropriate composition of the Board. The Board will consider appointing an additional independent non-executive director in the future, if a suitable candidate is identified.

6.3.2.2. Board Charter

The Board has adopted a charter that sets out the principles for the operation of the Board. The Board is accountable to Shareholders for the performance of the Elixinol Group. The Board must at all times act honestly, fairly and diligently in all respects, must act in the best interests of the Shareholders and other stakeholders and in all respects must act in accordance with the applicable laws to the Group. The Board Charter sets out:

- the Board's composition and process;
- the relationship and interaction between the Board and management;
- the authority delegated by the Board to management and Board Committees; and
- the roles and responsibilities of the Board.

Broadly, the Board's role includes:

- developing and approving strategy and monitoring the implementation of strategy;
- evaluating, approving and monitoring the financial plan, annual budgets, business plans and major capital expenditure;
- overseeing effective management and control;
- reviewing, ratifying and monitoring risk and audit framework; and
- reviewing corporate governance policies.

The Board has delegated the authority to manage day to day affairs of the Elixinol Group to the CEO, as well as all authority to control the affairs of the Elixinol Group in relation to all matters other than those responsibilities expressly reserved for the Board in the charter.

The Company has adopted an annual performance review process for the Board, Board committees, individual directors and senior executives.

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6.3.3 Board committees

The Board may from time to time, establish appropriate committees to assist in the discharge of its responsibilities. The Committees will examine proposals and provide advice to the Board with regard to the effectiveness of their respective programs. The Committees and their key roles and responsibilities are outlined below.

6.3.3.1. Audit and Risk Committee

The Audit and Risk Committee consists of Andrew Duff, Linda McLeod and Paul Benhaim. The Chairman of the Audit and Risk Committee will be Andrew Duff. The role of the Audit and Risk Committee is to assist the Board in carrying out its accounting, auditing, financial reporting, risk management and compliance responsibilities, including:

- assessing the adequacy of management reporting on risks, operations and finances;
- monitoring compliance with laws, regulations and applicable standards;
- scrutinizing accounting policies and reviewing financial statements;
- recommending, reviewing the performance of and consulting with external auditors;
- ensuring the maintenance of an effective and efficient audit; and
- reviewing risk management and internal control systems.

Given that this committee is made up of two executive directors and an independent non-executive director, the Company does not currently comply with ASX Recommendation 4.1, which requires the audit committee comprise of three non-executive directors, a majority of whom are independent directors, and that the committee be chaired by an independent director who is not the chair of the Board. Additionally, the current composition does not comply with ASX Recommendation 7.1 which requires the risk committee to have a majority of members whom are independent directors.

Considering the industries that the Elixinol Group operates in, the Board considers it appropriate that the Audit and Risk Committee is comprised of members who have experience in, and sufficient understanding of, the industries. Given this, the Board considers it appropriate to include the executive directors (Linda McLeod and Paul Benhaim) on the Audit and Risk Committee, noting that between them and Andrew Duff, the committee also has the required accounting and financial expertise to discharge its mandate effectively.

6.3.3.2. Remuneration and Nomination Committee

The Remuneration and Nomination Committee consists of Andrew Duff, Linda McLeod and Stratos Karousos. The Chairman of the Remuneration and Nomination Committee will be Andrew Duff. The role of the Remuneration and Nomination Committee includes:

- having oversight of remuneration practices;
- reviewing the composition and competencies of the Board and its Committees;
- evaluating the performance of the Board, its Committees and individual Directors;
- ensure proper succession plans are in place for consideration by the Board;
- advise the Board on appropriate corporate governance policies for the Company; and
- monitoring and assessing overall performance in relation to safety and sustainability.

6.3.4 Corporate governance code and policies

The Board has adopted the following corporate governance policies, each having been prepared with regard to the ASX Recommendations. These are available on the Elixinol Group's website: www.elixinolglobal.com.

6.3.4.1. Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct, and has adopted a formal Code of Conduct that applies to all persons that act on behalf of the Elixinol Group. The Code sets the Company's key values on various matters including ethical conduct, business conduct, compliance, privacy, security of information, financial integrity, and conflicts of interest, and how they should be applied.

6.3.4.2. Securities trading policy

The Company has adopted a Securities Trading Policy which is intended to explain the prohibited type of conduct in relation to dealings in securities under the Corporations Act and to establish a best practice procedure in relation to certain restricted persons dealing in Shares, and in some instances, other securities and financial products. The restrictions have been imposed to prevent breaches of the law and to maintain investor confidence. The policy establishes "closed periods", during which restricted persons are prohibited from dealing in Shares (except in exceptional circumstances, with the prior written approval of the Company Secretary).

6.3.4.3. Continuous Disclosure Policy

Once listed, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. The Company has adopted a policy to take effect from listing on ASX which establishes procedures which are aimed at ensuring that Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information.

6.3.4.4. Securityholder communications policy

The Company has adopted a Securityholder Communication Policy to ensure effective communication with Shareholders. Information affecting the Company will be communicated to Shareholders through the lodgement of all relevant financial and other information with ASX and publishing information on the Company's website. The policy also sets out how Shareholders should make queries and how queries will be handled.

6.3.4.5. Diversity Policy

The Company has adopted a Diversity Policy to promote a diverse environment. The Company recognises the short and long term benefits that can come from embracing diversity in the workplace.

6.4 Related party interests

In addition to the executive service agreements described in Section 6.2.2.5, the Elixinol Group's related party arrangements are referred to below.

- Tiverton Agriculture Supply Agreement – see Section 9.6.3.1;
- Trade Mark Licence Agreement – See Section 9.6.3.2;
- Loan Agreement between Elixinol AUS and Elixinol US – See Section 9.6.4.1;
- Loan Agreement between HFA and Raw with Life – See Section 9.6.3.3;
- IP Cross Licence Agreement between Elixinol AUS and Elixinol US – see Section 9.6.4.2; and
- Distributor Agreement with Elixinol Japan – see Section 9.6.2.2.

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Details of the Offer

07 Details of the Offer

7.1 Description of the Offer

This Prospectus relates to an initial public offering of 20.0 million Shares in Elixinol Global at an Offer Price of $1.00 per Share, raising $20.0 million. The Shares being offered under the Offer will represent approximately 19.4% of the Shares on issue on Completion of the Offer. On Completion of the Offer, 82.9 million Shares will be held by the Existing Shareholders, representing approximately 80.6% of the issued Shares. A material portion of these Shares held by Existing Shareholders will be subject to certain escrow arrangements described in Section 7.6.

The total number of Shares on issue at Completion of the Offer will be 102.9 million and all Shares on issue will rank equally with each other. A summary of the rights attaching to the Shares is set out in Section 7.18.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.2 Structure of the Offer

The Offer comprises:

- the Retail Offer, consisting of the:
  - Broker Firm Offer – which is open to Australian resident retail clients of participating Brokers, who have a registered address in Australia and who receive an invitation from a Broker to acquire Shares under this Prospectus and are not in the United States;
  - Priority Offer – which is open to selected investors nominated by Elixinol Global in eligible jurisdictions, who have received a Priority Offer invitation to acquire Shares under this Prospectus; and
- the Institutional Offer – which consists of an offer to Institutional Investors in Australia, New Zealand and certain other jurisdictions around the world, made under this Prospectus.

No general public offer of Shares will be made under the Offer.

The allocation of Shares between the Institutional Offer, Broker Firm Offer and Priority Offer was determined by agreement between the Lead Manager and the Company. For further information regarding the allocation of Shares within each of the Broker Firm Offer, Priority Offer and the Institutional Offer, see Sections 7.8, 7.9 and 7.12.

The Offer is underwritten by the Lead Manager. A summary of the Underwriting Agreement, including the events which would entitle the Lead Manager to terminate the Underwriting Agreement, are set out in Section 9.7.

No general public offer of Shares will be made under the Offer.

7.3 Purpose of the Offer

The Offer is being conducted to:

- provide the Company access to capital markets which it expects will provide additional financial flexibility to pursue further growth opportunities, including, but not limited to, marketing, distribution, product development, operations and other growth opportunities;
- achieve a listing on ASX to broaden the Company's shareholder base and provide a liquid market for its Shares:
- allow founding investors to realise part or all of their investment in the Elixinol Group; and
- assist the Company in attracting and retaining staff.

7.4 Source and uses of funds

The Offer is expected to raise $20.0 million.

Table 7.1 sets out in detail the sources and uses of funds.

Table 7.1: Sources and uses of funds

Sources of funds	$m	%	Uses of funds	$m	%
Offer Proceeds	20.0	100.0%	Purchase of land for Elixinol AUS facility	2.6	13.0%
			Cultivation/greenhouse facility	5.3	26.5%
			GMP/TGA extraction and manufacturing facility	5.5	27.5%
			Working capital	2.6	13.0%
			Costs of the Offer	4.0	20.0%
Total sources of funds	**20.0**	**100.0%**	**Total uses of funds**	**20.0**	**100.0%**

07 Details of the Offer

7.4.1 Potential effect of the fundraising on the future of Elixinol Group

The Board believe that on Completion of the Offer, the Company will have sufficient funds available from the proceeds of the Offer and its operations to fulfil the purposes of the Offer and carry out its stated business objectives.

7.5 Shareholder structure

The details of the ownership of Shares immediately prior to and following the Completion of the Offer is shown in table 7.2 below.

Table 7.2: Ownership of Shares

Key Shareholders	Shares held prior to the Offer Shares (m)	Shares held prior to the Offer Shares (%)	Shares held following Completion of the Offer Shares (m)	Shares held following Completion of the Offer Shares (%)
Raw With Life Pty Ltd as trustee for The Benhaim Trading Trust [1]	54.6m	65.9%	54.6m	53.1%
D&G Health LLC	12.7m	15.3%	12.7m	12.4%
Other Existing Shareholders [2]	15.6m	18.8%	15.6m	15.1%
New Shareholders	0.0m	0.0%	20.0m	19.4%
Total [3]	**82.9m**	**100.0%**	**102.9m**	**100.0%**

1 An entity controlled by Mr Paul Benhaim.
2 Excludes any Shares held by Raw With Life and D&G Health LLC.
3 Total may differ due to rounding.

7.6 Escrow arrangements

Certain Shares held by Existing Shareholders will be classified by ASX as restricted securities and be subject to escrow restrictions for up to 24 months from the Company's date of quotation. For all Shares classified by ASX as restricted securities, the Company will enter into escrow agreements with the holders of the restricted securities, in accordance with Chapter 9 of the ASX Listing Rules.

Prior to the Shares commencing trading on ASX, the Company will announce to ASX full details of the Shares that have been classified as restricted securities, including the number of escrowed Shares and the relevant periods of the escrow restrictions.

7.7 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the Company).
What are the rights and liabilities attached to the Shares being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.18.
What is the consideration payable for each Share being offered?	The Offer Price is $1.00 per Share.

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Topic	Summary
What is the Offer period?	The key dates, including details of the Offer Period, are set out in the key dates on page 5 of this Prospectus. The key dates are indicative only and may change. Unless otherwise indicated, all times are stated in Sydney time. The Company and the Lead Manager reserve the right to amend any or all of the times and dates of the Offer without notice subject to the ASX Listing Rules, the Corporations Act and other applicable laws, including closing the Offer early, extending the Offer, deferring the date of Completion of the Offer, accepting late Applications either generally or in particular cases, allotting Shares at different times to investors, or to cancel or withdraw the Offer without prior notice. If the Offer is cancelled or withdrawn before the allocation and issue of Shares to successful Applicants, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. No Shares will be issued on the basis of this Prospectus later than the Expiry Date. The quotation and commencement of trading of the Shares is subject to confirmation from ASX.
How much is to be raised under the Offer?	$20.0 million is expected to be raised under the Offer.
Is the Offer underwritten?	Yes. The Offer is underwritten by the Lead Manager. More detail on the underwriting arrangements is set out in Sections 7.14 and 9.7.
Who is lead managing the Offer?	The Lead Manager is Bell Potter Securities Limited.
What is the minimum and maximum Application size under the Broker Firm Offer?	The minimum Application under the: – Broker Firm Offer is $2,000 of Shares in aggregate. There is no maximum Application size under the Broker Firm Offer, however the Company and the Lead Manager reserve the right to reject any Application or to allocate to an Applicant a lesser number of Shares than that applied for; and – Priority Offer is $2,000 of Shares in aggregate. Priority Offer Applicants may apply for up to the value of Shares indicated in their Priority Offer invitation. For more information, see Sections 7.8.3 and 7.9.3.
What is the allocation policy?	The allocation of Shares between the Institutional Offer, Broker Firm Offer and Priority Offer will be determined by the Lead Manager and the Company, having regard to the allocation policies outlined in Sections 7.9.5, 7.10.5 and 7.12.2. In respect of the Broker Firm Offer, it is a matter for each Broker to determine how they will allocate Shares among their eligible retail clients. The final allocation of Shares under the Priority Offer will be determined by the Company, in consultation with the Lead Manager, subject to the minimum allocation for Applicants under the Priority Offer.
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about 28 December 2017.

07 Details of the Offer

Topic	Summary
Will the Shares be quoted?	The Company will apply to ASX within seven days of the Prospectus Date for its admission to the Official List, and quotation of Shares by, ASX under the code 'EXL'. Completion of the Offer is conditional on the ASX approving this application. If permission is not granted for the official quotation of the Shares on ASX within three months after the Prospectus Date (or any later date permitted by law), the Offer may be withdrawn and all Application Monies received by the Company will be refunded (without interest), as soon as practicable in accordance with the requirements of the Corporations Act. For more information, see Section 7.17.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on ASX will commence on or about Monday, 8 January 2018. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Company and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Elixinol Global Offer Information Line, by a Broker or otherwise.
Are there any escrow arrangements?	Yes. Details are provided in Section 7.6.
Has an ASIC relief or ASX waiver been obtained or been relied on?	Yes. Details are provided in Section 9.10.
Are there any tax considerations?	Refer to Section 9.9.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Section 6.2.1 for details of various fees payable by the Company to the Lead Manager.
What should you do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Elixinol Global IPO Information Line on 1300 140 587 within Australia and +61 3 9415 4108 (outside Australia) from 8.30am to 5.00pm (Sydney time) Monday to Friday (excluding public holidays). All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should consult with your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

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Details of the Offer

7.8 Broker Firm Offer

7.8.1 Who may apply

The Broker Firm Offer is open to clients of participating Brokers who have a registered address in Australia and who received an invitation from a Broker to acquire Shares under this Prospectus and are not in the United States. You should contact your Broker to determine whether you can receive an allocation of Shares under the Broker Firm Offer.

7.8.2 How to apply

If you have received an invitation to apply for Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Application Form and for apayment instructions. Applicants under the Broker Firm Offer must not send their Broker Firm Application Forms or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker to request a copy of this Prospectus and Broker Firm Offer Application Form, or download a copy at www.elixinolglobal.com. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Broker Firm Application Form and Application Monies are received before 5.00pm (Sydney time) on the Closing Date or any earlier closing date as determined by your Broker.

Broker clients should complete and lodge their Broker Firm Offer Application Form with the Broker from whom they received their invitation to participate in the Broker Firm Offer. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Broker Firm Offer Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with a Broker Firm Offer Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The Company, the Lead Manager and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9.00am (Sydney time) on Wednesday, 7 December 2017 and is expected to close at 5.00pm (Sydney time) on Friday, 15 December 2017. The Company and the Lead Manager may elect to close the Broker Firm Offer or any part of it early, extend the Broker Firm Offer or any part of it, or accept late Applications either generally or in particular cases. The Broker Firm Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible after the Offer opens. Please contact your Broker for instructions.

7.8.3 Is there a minimum or maximum Application size?

The minimum Application size under the Broker Firm Offer is $2,000 of Shares in aggregate. There is no maximum Application size under the Broker Firm Offer, however the Company and the Lead Manager reserve the right not to accept Applications in the Broker Firm Offer that are from persons they believe may be Institutional Investors or reject or scale back any Applications (or aggregation of Applications) in the Broker Firm Offer which are for more than $250,000 of Shares. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

7.8.4 How to pay

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by your Broker.

7.8.5 Broker Firm Offer allocation policy

The allocation of Shares to Brokers will be determined by the Lead Manager, in agreement with the Company. Shares which are allocated to Brokers for allocation to their Australian retail resident clients will be issued to the Applicants nominated by those Brokers (subject to the right of the Company and the Lead Manager to reject, aggregate or scale back Applications). It will be a matter for each Broker as to how they allocate Shares among their clients, and they (and not the Company or the Lead Manager) will be responsible for ensuring that retail clients who have received an allocation from them receive the relevant Shares.

7.8.6 Application acceptance and Application Monies

Applicants in the Broker Firm Offer will be able to call the Elixinol Global IPO Offer Information Line on 1300 140 587 (within Australia) or +61 3 9415 4108 (outside Australia) from 8.30am to 5.00pm (Sydney time), Monday to Friday (excluding public holidays) to confirm their allocation. Applicants under the Broker Firm Offer will also be able to confirm their allocation through the Broker from whom they received their allocation.

However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Elixinol Global IPO Offer Information Line or confirmed your allocation through the Broker from whom you received your allocation.

07 Details of the Offer

7.9 Priority Offer

7.9.1 Who can apply

The Priority Offer is open to selected investors nominated by the Company in eligible jurisdictions who have received a Priority Offer invitation to acquire Shares under the Prospectus. If you are a Priority Offer Applicant, you will receive a personalised invitation to apply for Shares in the Priority Offer. The Priority Offer is not open to persons who are in the United States.

Your personalised invitation will indicate an amount of Shares that you may apply for.

7.9.2 How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for all or some of those Shares, you must apply in accordance with the instructions provided in your personalised invitation to apply.

Recipients of the Priority Offer invitation should read the separate offer letter and this Prospectus carefully and in their entirety before deciding whether to apply under the Priority Offer. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

To apply under the Priority Offer, you must complete the online Priority Offer Application Form in accordance with the instructions provided in your Priority Offer invitation and on the website containing the Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applications must be received by no later than 5.00pm (Sydney time) on Friday, 15 December 2017 and it is your responsibility to ensure that this occurs.

7.9.3 Is there a minimum or maximum Application size?

Applications under the Priority Offer must be for a minimum of $2,000 worth of Shares in aggregate. Your personalised invitation will indicate the maximum amount of Shares that you may apply for.

7.9.4 How to pay

Applicants under the Priority Offer must pay their Application Monies by BPAY® in accordance with the instructions on the personalised Priority Offer Application Form.

When completing your BPAY® payment, please make sure to use the specific biller code and unique CRN provided to you or generated by the online Application Form. Application Monies paid via BPAY® must be received by the Share Registry by no later than 5.00pm (Sydney time) on Friday, 15 December 2017 and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. Neither the Company nor the Lead Manager take any responsibility for any failure to receive Application Monies or payment by BPAY® before the Priority Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

7.9.5 What is the Priority Offer allocation policy?

The allocation of Shares among Applicants in the Priority Offer will be determined by the Company, in consultation with the Lead Manager. There is no assurance that any Applicant will be allocated any Shares, or the number of Shares for which the Applicant applied.

7.9.6 How do I confirm my allocation?

Applicants in the Priority Offer will be able to call the Elixinol Global IPO Offer Information Line on 1300 140 587 (within Australia) or +61 3 9415 4108 (outside Australia) from 8.30am to 5.00pm (Sydney time), Monday to Friday (excluding public holidays) to confirm their allocation.

However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Elixinol Global IPO Offer Information Line.

7.10 Acceptance of Applications under the Retail Offer

An Application in the Broker Firm Offer or Priority Offer is an offer by you to the Company to apply for Shares in the dollar amount specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form. To the extent permitted by law, an Application by an Applicant may not be varied and is irrevocable.

An Application may be accepted by the Company in respect of the full number of Shares specified in the Application Form (or the dollar value equivalent) without further notice to the Applicant. The Company reserves the right to decline any Application if it believes any provisions or procedures in this Prospectus, the Application Form or other laws or regulations may not be complied with in relation to the Application.

The Company and the Lead Manager reserve the right to reject any Application which is not correctly completed or which is submitted by a person whom they believe is ineligible to participate in the Retail Offer, or to waive or correct any errors made by the Applicant in completing their Application.

Successful Applicants in the Retail Offer will be issued Shares at the Offer Price. Acceptance of an Application will give rise to a binding contract, conditional on settlement and quotation of Shares on ASX on an unconditional basis.

7.11 Application Monies

The Company reserves the right to decline any Application in whole or in part, without giving any reason. Application Monies received under the Broker Firm Offer or the Priority Offer will be held in a special purpose account until Shares are issued to Successful Applicants. Applicants under the Broker Firm Offer and Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. No refunds pursuant solely to rounding will be provided.

Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of your cheque(s), bank draft(s) or BPAY® payment. If the amount of your cheque(s), bank draft(s) or BPAY® payment for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares or your Application may be rejected.

7.12 Institutional Offer

7.12.1 Invitations to Bid

Under the Institutional Offer, Institutional Investors in Australia, New Zealand and certain other eligible jurisdictions outside the United States were invited to bid for an allocation of Shares under this Prospectus. The Lead Manager separately advised Institutional Investors of the Application procedures for the Institutional Offer. Offers and acceptances in the Institutional Offer are made under this Prospectus and are at the Offer Price per Share.

7.12.2 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer was determined by the Lead Manager by agreement with the Company.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Lead Manager. The allocation policy was influenced, but not constrained, by the following factors:

- number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Completion of the Offer;
- the Company's desire to establish a wide spread of institutional Shareholders;
- overall anticipated level of demand under the Broker Firm Offer and Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders; and
- other factors that the Company and the Lead Manager considered appropriate.

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7.13 Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company or a Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the AUD amount shown on the front of the Application Form;
- agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised the Company and the Lead Manager and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and taxation issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer and Priority Offer), or otherwise satisfies the requirements in Section 9.11;
- acknowledged and agreed that the Offer may be withdrawn by the Company and or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant in the Broker Firm Offer, the Priority Offer, and each person to whom the Institutional Offer has been made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws in accordance with the US Securities Act registration requirements or of any state of the United States and may not be offered, sold or resold, pledged or transferred in the United States, except in accordance with the US Securities Act regulation requirements or in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable state securities laws;
- it is not in the United States;
- it has not sent and will not send this Prospectus or any other material relating to the Offer to any person in the United States;
- it is purchasing the Shares in an offshore transaction meeting the requirements of Regulation S; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

7.14 Underwriting arrangements

The Offer is fully underwritten. The Lead Manager and the Company have entered into an Underwriting Agreement under which the Lead Manager has been appointed as lead manager, bookrunner and underwriter of the Offer. The Lead Manager agrees, subject to certain conditions and termination events, to underwrite the Offer. The Underwriting Agreement sets out a number of circumstances under which the Lead Manager may terminate the Underwriting Agreement and its underwriting obligations.

A summary of the Underwriting Agreement, including the termination provisions, is provided in Section 9.7.

7.15 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside of Australia.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

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Details of the Offer

This Prospectus may not be released or distributed in the United States, and may only be distributed to persons outside the United States to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act or the securities law of any state of the United States and may not be offered, sold, re-sold, pledged or transferred in the United States except in accordance with US Securities Act registration requirements or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable state securities law.

Each Applicant under the Offer will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and applicable US state securities laws;
- it is not in the United States;
- it has not sent and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

See Section 9.11 for further details regarding foreign selling restrictions.

7.16 Discretion regarding the Offer

The Company may withdraw the Offer at any time before the issue of Shares to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest). The Company and the Lead Manager also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

7.17 ASX listing, registers and holding statements

7.17.1 Application to the ASX for listing of the Company and quotation of Shares

The Company will apply within seven days of the Prospectus Date for admission to the Official List and quotation of the Shares on the ASX. The Company's expected ASX code will be 'EXL'.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on ASX within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by the Company will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by the Company from time to time), the Company will be required to comply with the ASX Listing Rules.

7.17.2 CHESS and issuer sponsored holdings

The Company has applied, or will apply prior to Listing, to participate in the ASX's Clearing House Electronic Sub-register System (CHESS) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are affected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Security holder Reference Number (**SRN**) of issuer sponsored holders.

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Shareholders will subsequently receive statements showing any changes to their shareholding. Share certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.18 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

7.18.1 Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules, the ASX Settlement Operating Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List.

7.18.2 Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each Share held.

If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote except where the chairperson is also a member of the Company in which case they do not have a casting vote in addition to their deliberative vote.

7.18.3 Meetings of Shareholders

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules. The Company must give Shareholders at least 28 days' written notice of a general meeting.

7.18.4 Dividends

The Board may pay interim and final dividends that, in its judgment, the financial position of the Company justifies. The Board may also pay any dividend required to be paid under the terms of issue of a share, and fix a record date for a dividend and the timing and method of payment.

For further information in respect of the Company's proposed dividend policy, see Section 4.11.

7.18.5 Transfer of shares

Subject to the ASX Listing Rules, the Corporations Act and any escrow restrictions (see Section 7.6), the Shares are freely transferable.

The Board may decline to register, or prevent registration of, a transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Constitution, the Corporations Act or the ASX Listing Rules.

7.18.6 Issue of further shares

Subject to the Corporations Act and the ASX Listing Rules, the Board has full discretion to issue new Shares and grant options over unissued Shares.

7.18.7 Winding up

If the Company is wound up, then subject to the Constitution, the Corporations Act and the rights or restrictions attached to any shares or classes of shares, Shareholders will be entitled to any surplus property of the Company in proportion to the number of Shares held by them.

If the Company is wound up, the liquidator may, with the sanction of a special resolution of Shareholders, divide the property of the Company amongst the Shareholders and decide how the property will be divided between the Shareholders.

7.18.8 Unmarketable parcels

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Board may sell the Shares of a Shareholder who holds less than a marketable parcel by following the procedures set out in the Constitution.

7.18.9 Share buy-backs

Subject to the Corporations Act and the ASX Listing Rules, the Company may buy back Shares on terms and at times determined by the Board.

7.18.10 Variation of class rights

At present, the Company's only class of shares on issue is Shares. The rights attached to any class of Shares may be varied in accordance with the Constitution and the Corporations Act.

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7.18.11 Dividend reinvestment plan

Subject to the ASX Listing Rules, the Constitution authorises the Directors, on any terms and at their discretion, establish a dividend reinvestment plan (under which any Shareholder may elect that the dividends payable by the Company be reinvested by a subscription for new Shares).

7.18.12 Directors – appointment and removal

Under the Constitution, the minimum number of Directors that may comprise the Board is three and the maximum is fixed by the Directors but may not be more than eight unless the Company resolves otherwise at general meeting. Directors are elected at annual general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding the Managing Director) holds office without re-election beyond the third annual general meeting or three years following the meeting at which the Director was last elected (whichever is longer). The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

7.18.13 Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote in addition to a deliberative vote unless there are only two Directors present or entitled to vote, in which case the chairperson of the meeting does not have a second or casting vote and the proposed resolution is taken as lost.

A written resolution of the Board may be passed without holding a meeting of the Board, if all of the Directors sign or consent to the resolution.

7.18.14 Directors – remuneration

The Directors are entitled to be renumerated for an amount determined by the Directors, other than Non-Executive Directors, who will be paid by way of fees for services up to the maximum aggregate sum per annum as may be approved from time to time by the Company in general meeting.

Under the Constitution, Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the Company's business.

Directors' remuneration is discussed further at Section 6.2.2.

7.18.15 Powers and duties of Directors

The business and affairs of the Company to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the power of the Company and are not required by law or the Constitution to be done by the Company in general meeting.

7.18.16 Indemnities

The Company may indemnify each officer of the Company to the full extent permitted by law against all losses or liabilities incurred by that person as an officer of the Company or its related bodies corporate, including, but not limited to, a liability for negligence or for reasonable legal costs on a full indemnity basis. The Company, to the extent permitted by law, may make a payment (whether by way of an advance or interest-free loan) to a Director in respect of legal costs incurred by that person in defending an action for a liability of that person.

The Company, may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for insurance for each officer of the Company against any liability incurred by that person as an officer of the Company or its related bodies corporate, including, but not limited to, a liability for negligence or for legal costs.

7.18.17 Amendment

The Constitution can only be amended by special resolution passed by at least 75% of the votes cast by Shareholders entitled to vote on the resolution at a general meeting of the Company.

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Investigating Accountant's Report

Deloitte.

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The Directors
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27 November 2017

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT ON THE HISTORICAL, PRO FORMA HISTORICAL, STATUTORY FORECAST AND PRO FORMA FORECAST FINANCIAL INFORMATION OF ELIXINOL GLOBAL LIMITED AND THE FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the directors of Elixinol Global Limited (ACN 621 479 794) (the Company) (the Directors) for inclusion in a prospectus to be issued by the Company (the Prospectus) in respect of the initial public offering of fully paid ordinary shares in the Company (the Offer) and listing of the Company on the Australian Securities Exchange.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the Corporations Act 2001 for the issue of this report.

References to the Company mean prior to the allotment of the Offer, the primary operating entities within the group, namely Elixinol LLC, Elixinol Pty. Ltd. (ACN 602 495 394) and Hemp Foods Australia Pty Ltd (ACN 090 668 367), whose shares will be acquired by Elixinol Global Limited, and after allotment of the Offer, Elixinol Global Limited and its subsidiaries, or where the context requires, the business described in the Prospectus.

Capitalised terms used in this report have the same meaning as defined in the glossary of the Prospectus.

Scope

Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the historical financial information, being:

- In relation to Elixinol LLC, the:
  - Historical statements of profit or loss and other comprehensive income for the financial years ended 31 December 2015 and 31 December 2016, and for the half-year ended 30 June 2017;
  - Historical statement of financial position as at 30 June 2017; and
  - Historical statements of cash flows before financing activities for the financial years ended 31 December 2015 and 31 December 2016, and for the half-year ended 30 June 2017;

  as set out in Tables 4.1, 4.10 and 4.2 of the Prospectus respectively
- In relation to Elixinol Pty. Ltd., the:
  - Historical statements of profit or loss and other comprehensive income for the financial year ended 31 December 2016, and the half-year ended 30 June 2017;
  - Historical statement of financial position as at 30 June 2017; and
  - Historical statements of cash flows before financing activities for the financial year ended 31 December 2016, and the half-year ended 30 June 2017;

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as set out in Tables 4.4, 4.10 and 4.5 of the Prospectus respectively, and

- In relation to Hemp Foods Australia Pty Ltd, the:
  - Historical statements of profit or loss and other comprehensive income for the financial years ended 30 June 2015, 30 June 2016, and 30 June 2017;
  - Historical statement of financial position as at 30 June 2017; and
  - Historical statements of cash flows before financing activities for the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017,

  as set out in Tables 4.6, 4.10 and 4.7 of the Prospectus

(together, the Historical Financial Information).

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

The Historical Financial Information has been extracted from the special purpose financial reports of:

- Elixinol LLC covering the financial years ended 31 December 2015 and 31 December 2016 and the half-year ended 30 June 2017;
- Elixinol Pty. Ltd. for the financial year ended 31 December 2016 and the half-year ended 30 June 2017; and
- Hemp Foods Australia Pty Ltd for the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017.

Deloitte Touche Tohmatsu was appointed auditor of Elixinol LLC, Elixinol Pty. Ltd. and Hemp Foods Australia Pty Ltd during 2017. These financial reports were audited in accordance with Australian Auditing Standards. Deloitte Touche Tohmatsu issued unmodified audit opinions on the accounts of Elixinol Pty. Ltd. However, in respect of Hemp Foods Australia Pty Ltd and Elixinol LLC, audit opinions were qualified in relation to the opening balances for the year ended 31 December 2014 for Elixinol LLC and for the year ended 30 June 2014 for Hemp Foods Australia Pty Ltd. Additionally, audit opinions were also qualified in relation to the existence of inventory as well as the subsequent period impact on opening inventory due to non-attendance by the auditor at the physical inventory counts at 31 December 2016 and 31 December 2015 (for Elixinol LLC) and at 30 June 2016 and 30 June 2015 (for Hemp Foods Australia Pty Ltd).

The Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro forma Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the:

- Pro forma historical statement of financial position as at 30 June 2017 incorporating the statements of financial position for each of Elixinol LLC, Elixinol Pty. Ltd. and Hemp Foods Australia Pty Ltd, adjusting for the impact of the Offer and other significant transactions and events,

as set out in Tables 4.9 and 4.10 of the Prospectus (the Pro forma Historical Financial Information).

The Pro forma Historical Financial Information has been derived from the Historical Financial Information, after adjusting for the effects of pro forma adjustments described in Table 4.9 of the Prospectus.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro forma Historical Financial Information does not represent the Company's actual or prospective financial position.

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Forecast Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the:

- Statutory forecast consolidated statement of profit or loss and other comprehensive income and the Statutory forecast consolidated net cash flow of the Company for the financial period from the date of Completion of the Offer (as defined in the Prospectus) and ending 31 December 2017 as set out in Table 4.12 and Table 4.14 of the Prospectus (the Statutory Forecast Financial Information). The Directors' best estimate assumptions underlying the Statutory Forecast Financial Information are described in Section 4.7 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies; and
- Pro forma forecast consolidated statement of profit or loss and other comprehensive income and the Pro forma forecast net cash flow of the Company for the financial year ending 31 December 2017 as set out in Table 4.12 and Table 4.14 of the Prospectus (the Pro forma Forecast Financial Information). The Pro forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in Tables 4.13 and 4.15 of the Prospectus.

  An audit/review has not been conducted on the source from which the unadjusted financial information was prepared. The stated basis of preparation used in the preparation of the Pro forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast Financial Information and the events or transactions to which the pro forma adjustments relate, as if those events or transactions had occurred prior to 1 January 2017. Due to its nature the Pro forma Forecast Financial Information does not represent the Company's actual prospective financial performance and/ or cash flows for the financial year ending 31 December 2017,

(together, the Forecast Financial Information).

The Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance and cash flows of the Company for the financial year ending 31 December 2017. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variations may be material.

The Directors' best estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take, and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. We do not express any opinion on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly prospective investors should have regard to the investment risks and sensitivities set out in Section 5 and Section 4.9 of the Prospectus.

The sensitivity analysis set out in Section 4.9 of the Prospectus demonstrates the impacts on the Forecast Financial Information of changes in key assumptions. The Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

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Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Historical Financial Information and the Pro forma Historical Financial Information, including the selection and determination of the pro forma adjustments made to the Historical Financial Information and included in the Pro forma Historical Financial Information;
- the preparation of the Forecast Financial Information, including the best estimate assumptions underlying the Forecast Financial Information and the selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro forma Forecast Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Historical Financial Information, the Pro forma Historical Financial Information and the Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information, the Pro forma Historical Information, the Statutory Forecast Financial Information and the Pro forma Forecast Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Australian Standard on Assurance Engagements (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.*

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

Historical Financial Information

- consideration of work papers, accounting records and other documents, including those dealing with the extraction and compilation of Historical Financial Information from the audited financial statements and management accounts of the primary operating entities that form part of the Company for the following periods:
  - Elixinol LLC covering the financial years ended 31 December 2015 and 31 December 2016 and the half-year ended 30 June 2017;
  - Elixinol Pty. Ltd. for the financial year ended 31 December 2016 and the half-year ended 30 June 2017; and
  - Hemp Foods Australia Pty Ltd for the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017.
- analytical procedures on the Historical Financial Information;
- a consistency check of the application of the stated basis of preparation, as described in the Prospectus, to the Historical Financial Information;
- a review of the work papers, accounting records and other documents of the Company and its auditors; and
- enquiry of the Directors, management and others in relation to the Historical Financial Information.

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Pro forma Historical Financial Information

- consideration of work papers, accounting records and other documents, including those dealing with the extraction and compilation of Historical Financial Information from the audited financial statements and management accounts of the primary operating entities that form part of the Company for the following periods:
  - Elixinol LLC covering the financial years ended 31 December 2015 and 31 December 2016 and the half-year ended 30 June 2017;
  - Elixinol Pty. Ltd. for the financial year ended 31 December 2016 and the half-year ended 30 June 2017; and
  - Hemp Foods Australia Pty Ltd for the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017.
- consideration of the appropriateness of the pro forma adjustments described in Table 4.9 of the Prospectus;
- enquiry of the Directors, management, personnel and advisors of the Company;
- the performance of analytical procedures applied to the Pro forma Historical Financial Information; and
- a review of the accounting policies for consistency of application.

Forecast Financial Information

- enquiries, including discussions with management and Directors of the factors considered in determining the assumptions;
- analytical and other review procedures we considered necessary including examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecast Financial Information;
- review of the accounting policies adopted and used in the preparation of the Forecast Financial Information; and
- consideration of the pro forma adjustments applied to the Statutory Forecast Financial Information in preparing the Pro forma Forecast Financial Information.

Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2 of the Prospectus.

Pro forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 4.2 of the Prospectus.

Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(i) the Directors' best estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information;

(ii) in all material respects, the Statutory Forecast Financial Information:

  a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.7 of the Prospectus;

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b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards; and

(iii) the Statutory Forecast Financial Information itself is unreasonable.

Pro forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(i) the Directors' best estimate assumptions used in the preparation of the Pro forma Forecast Financial Information do not provide reasonable grounds for the Pro forma Forecast Financial Information;

(ii) in all material respects, the Pro forma Forecast Financial Information:

a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.7 of the Prospectus;

b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards, applied to the Statutory Forecast Financial Information and the pro forma adjustments as if those adjustments had occurred prior to 1 January 2017; and

(iii) the Pro forma Forecast Financial Information itself is unreasonable.

Restrictions on Use

Without modifying our conclusions, we draw attention to Section 4.2 and the 'Important Notices' pages of the Prospectus, which describe the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

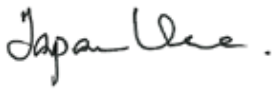
Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of the Company.

Yours sincerely

DELOITTE CORPORATE FINANCE PTY LIMITED



Tapan Verma
Authorised Representative of
Deloitte Corporate Finance Pty Limited
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AR number 1009181

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Authorised Representative of
Deloitte Corporate Finance Pty Limited
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August 2017

Financial Services Guide (FSG)

What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Deloitte Corporate Finance Pty Limited (DCF) (AFSL 241457) provides this FSG to you, so you know how we are remunerated and who to contact if you have a complaint.

Who supplies the financial services?

We provide this FSG to you where you engage us to act on your behalf when providing financial services.

Alternatively, we may provide this FSG to you because our client has provided financial services to you that we delivered to them.

The person who provides the financial service to you is our Authorised Representative (AR) and DCF authorises the AR to distribute this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

General financial product advice

We provide general advice when we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. In this situation, you should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If we provide advice to you in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

Personal financial product advice

When we give you advice that takes into account your objectives, financial situation and needs, we will give you a Statement of Advice to help you understand our advice, so you can decide whether to rely on it.

How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us.

Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

Please contact us about a concern:

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Financial Ombudsman Service (FOS). FOS provides fair and independent financial services dispute resolution free to consumers.

www.fos.org.au
1800 367 287 (free call)
Financial Ombudsman Service
GPO Box 3 Melbourne VIC 3001

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

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Additional Information

09 Additional Information

9.1 Registration

The Company was registered in New South Wales on 4 September 2017 as a public company limited by shares. As at the date of this Prospectus it has 1 ordinary share on issue to Paul Benhaim.

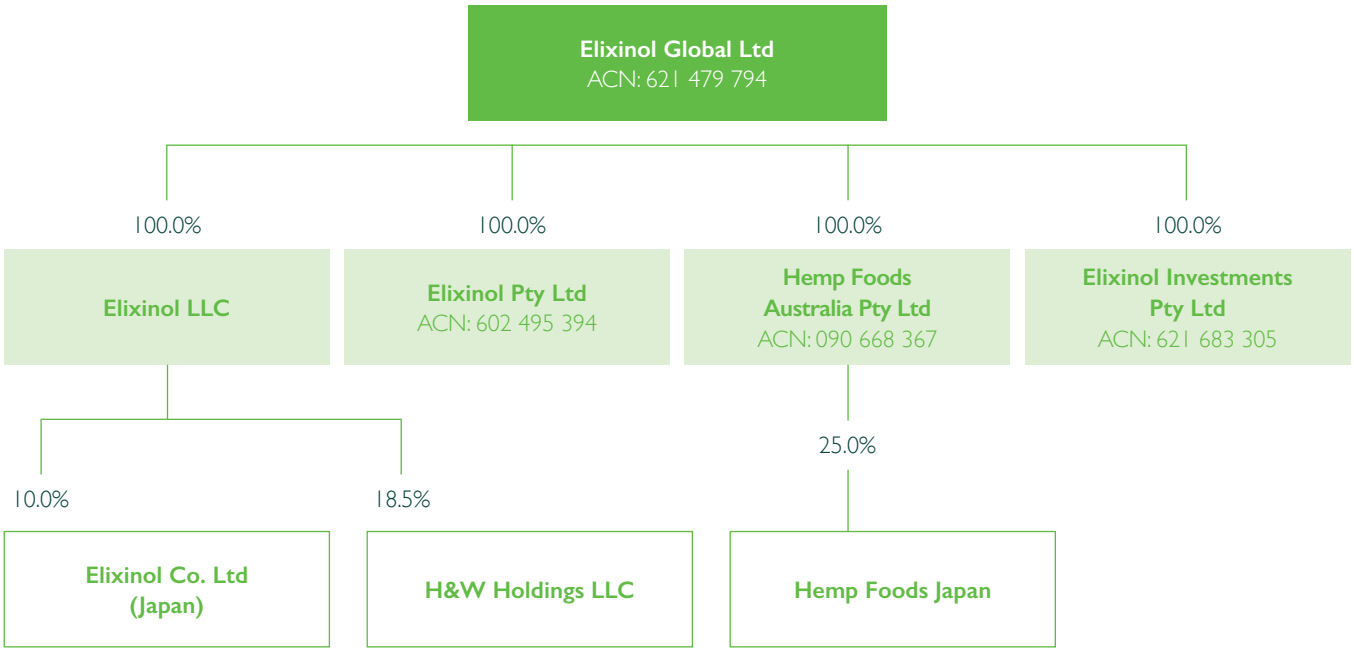
9.2 Company tax status and financial year

The Company expects to be taxed in Australia as a public company. The financial year of the Company will end on 31 December annually. To the extent the Company is treated as a US resident corporation as a result of the operation of the anti-inversion rules, the Company should be subject to U.S. federal income tax on its worldwide earnings (see Section 5.2.25).

9.3 Corporate structure

The following diagram shows a high level corporate structure of the Elixinol Group on Completion of the Offer.

Chart 9.1: Corporate structure



Each of the wholly-owned entities above undertakes the business of the Elixinol Group as set out in this Prospectus.

9.4 Participation in issues of securities

Except as described in this Prospectus, the Company has not granted, or proposed to grant any rights to any person, or to any class of person, to participate in an issue of the Company's securities.

09 Additional Information

9.5 Restructure

On 27 November 2017 the Company entered into a number of implementation deed polls (**Implementation Deeds**) under which the Company irrevocably offered to acquire all of the existing shares in each of Elixinol AUS, Elixinol US and HFA from their respective shareholders. The offer under the Implementation Deed is conditional on Settlement occurring under the Underwriting Agreement. The Existing Shareholders have signed deed polls to irrevocably accept the offers under the Implementation Deed (**Shareholder Deeds Poll**). The offers under the Implementation Deeds are conditional on Settlement occurring under the Underwriting Agreement. Therefore, assuming that the Implementation Deed becomes unconditional, the interests of the Existing Shareholders before and after Completion of the Offer will be as set out in Section 7.5.

As consideration for the acquisition of the shares in Elixinol AUS, the Company will deliver approximately 22.24 Shares for each Elixinol AUS share held by the Existing Shareholder. As consideration for the acquisition of the interest in Elixinol US, the Company will deliver approximately 6,468.18 Shares for every 0.01% of the total membership interest in Elixinol US held by the Existing Shareholder. As consideration for the acquisition of the shares in HFA, the Company will deliver approximately 86.83 Shares for each HFA share held by the Existing Shareholder.

Unless otherwise specified, this Prospectus has been prepared as if the Restructure has already occurred. For example, the Investment Overview in Section 1, the Industry Overview in Section 2, the Company Overview in Section 3 and the Financial Information in Section 4 each describe the Elixinol Group after the Restructure. The Restructure will become effective on Completion of the Offer.

9.6 Material contracts

A material proportion of the Elixinol Group's revenue is derived from uncontracted customer relationships, with sales made under standard terms and conditions. The Elixinol Group has a limited number of material contracts, and a number of these are related party agreements. Investors should consider the risks set out in Section 5 of this Prospectus, in particular, the risk in Section 5.2.20.

Given the uncontracted nature of many of Elixinol Group's relationships, it is not possible to guarantee consistency of sales volumes, price or terms going forward, and this could materially adversely affect the Elixinol Group's financial performance.

In addition to the Restructure Agreements referred to immediately above, the material contracts of the Elixinol Group are described below. Some of these are related party agreements.

9.6.1 The Company

The Company's material contracts are:

- the executive service agreements with each of Paul Benhaim, Linda McLeod and Ron Dufficy, as described in Section 6.2.2.5 of the Prospectus;
- the letters of appointment for the Non-Executive Directors, whose remuneration is set out in Section 6.2.2.1; and
- the Restructure Agreements described in Section 9.5.

9.6.2 Elixinol US

9.6.2.1. Supply contract with Colorado Cultivars

Elixinol US's key supply contract is a Manufacturing Supply Agreement with Colorado Cultivars USA LLC (**Colorado Cultivars**). The agreement requires Colorado Cultivars to supply Elixinol US with a minimum amount of organic hemp flower in monthly installments and is due to expire on 15 July 2018 (or earlier if the agreement is performed in full before such date). The agreement may be renewed by agreement of the parties.

The hemp flower is supplied at a set price per pound. Elixinol US has a right of first refusal to purchase additional organic hemp flower from Colorado Cultivars. In this case, certain volume based discounts apply.

Investors should consider the risks set out in Section 5 of this Prospectus, in particular, the risks related to suppliers and counterparties as detailed in Sections 5.2.13 and 5.2.23, respectively.

9.6.2.2. Distributor Agreement with Elixinol Japan

Elixinol US has an exclusive distributor agreement in Japan. The agreement requires Elixinol Japan Co., Ltd (**Elixinol Japan**) to purchase a minimum amount of product from Elixinol US in order to maintain its appointment as exclusive distributor. If Elixinol Japan is unable to meet the minimum order quantity for a particular year, the agreement is terminated with immediate effect. The agreement may be terminated for cause on 30 days' written notice, in which case, Elixinol Japan retains the right to purchase products from Elixinol US, but will no longer have exclusivity. This is a related party agreement, as Elixinol US holds a 10% interest in Elixinol Japan.

9.6.2.3. Others

Elixinol US' other material contracts are described in Section 9.6.4. These are related party agreements with Elixinol AUS.

09 Additional Information

9.6.3 HFA

9.6.3.1. Supply Agreement with Tiverton Agriculture

HFA has a binding letter of intent with Tiverton Agriculture to enter into a supply agreement. Under the terms of the letter of intent, Tiverton Agriculture agrees to supply Australian-grown hemp grain for human food to HFA. The key terms of the final supply agreement may differ to some extent from the terms in the letter of intent. The term of the agreement is for 1 year from the date of first delivery of goods under the agreement (which has not yet occurred), which will be automatically extended for further 6 month periods until either party terminates the agreement. HFA has the exclusive right to purchase all the hemp grain available at Tiverton Agriculture's plant facility. HFA will make a final determination on the volume of hemp grain required in August and February each year. This is a related party agreement, as Tiverton Agriculture holds (as at the date of this Prospectus) approximately 30% of the issued shares in HFA. Following Completion of the Offer, Tiverton Agriculture will be a Shareholder of the Company. This arrangement is on arm's length terms.

9.6.3.2. Trade Mark Licence Agreement for 'SATIVA SMOOCH'

HFA has entered into a Trade Mark Licence Agreement with Trichrome Institute LLC (**TCI**) in respect of the 'SATIVA SMOOCH' trade mark for lip balm. TCI owns the 'SATIVA SMOOCH' trade mark.

TCI grants HFA a non-exclusive, worldwide licence to use the 'SATIVA SMOOCH' trade mark, along with the right to manufacture, market and distribute the lip balm in the United States and other countries. Raw With Life is also a party to this agreement and has the benefit of this licence.

Any party may terminate (i) in the event of material breach; (ii) if the parties mutually agree to terminate in writing; or (iii) if either party becomes insolvent. TCI can terminate if the lip balm products do not meet the quality control provisions.

HFA (and Raw With Life) must pay TCI royalties on the worldwide gross sales of the 'SATIVA SMOOCH' lip balm and indemnify TCI for third party claims based on the manufacture or sale of defective products. Raw With Life's inclusion in this agreement does not restrict HFA's ability to exploit the 'SATIVA SMOOCH' trade mark.

9.6.3.3. Shareholder Loan Deed between HFA and Raw with Life

Raw With Life has entered into a Shareholder Loan Deed, whereby Raw With Life agreed to lend A$250,000 to HFA. The loan is made on an unsecured basis, with no interest payable. HFA undertakes to repay A$125,000 of the loan in any financial year where its net profit after tax is greater than A$2,000,000. This is a related party agreement, as Raw With Life holds (as at the date of this Prospectus) approximately 70% of the shares in HFA.

9.6.4 Elixinol AUS

Elixinol AUS' material contracts (which are also related party agreements) are described below.

9.6.4.1. Loan Agreement between Elixinol AUS and Elixinol US

Elixinol AU has loaned A$1,000,000 to Elixinol US under a loan agreement dated 1 September 2017. This intercompany loan is made on an unsecured basis, at an interest rate of 3% per annum and is repayable in full on 1 September 2020.

9.6.4.2. IP Cross License Agreement between Elixinol AUS and Elixinol US

Elixinol AUS and Elixinol US entered into an IP Cross-License Agreement on 10 August 2017, under which each party can use the other party's intellectual property in the conduct of their respective businesses.

Elixinol AUS is granted an exclusive, royalty free, perpetual licence in respect of the licensed IP owned or developed by Elixinol US to make, import, sell and distribute the cannabis-derived products in Australia and New Zealand and Elixinol US is granted a cross license on the same terms for products in the United States in respect of the licensed IP owned or developed by Elixinol AUS.

In addition, Elixinol AUS is granted a non-exclusive, royalty free, perpetual licence in respect of the licensed IP owned or developed by Elixinol US to make, import, sell, and distribute the cannabis-derived products outside of Australia and New Zealand and Elixinol US is granted a cross license on the same terms for products outside of the United States in respect of the licensed IP owned or developed by Elixinol AUS.

Elixinol AUS and Elixinol US can assign their rights under the licence to their related bodies corporate with the written consent of the other party.

9.6.5 Elixinol Investments

Elixinol Investments Pty Ltd (a wholly owned subsidiary of the Company) was incorporated on 13 September 2017 and has entered into an agreement to purchase land in the Northern Rivers region of NSW where Elixinol AUS intends to build its cultivation and manufacturing facility. The acquisition (purchase price of $2.6 million) is conditional upon Completion of the Offer, Elixinol AUS obtaining a cultivation licence and a manufacture licence and obtaining necessary development approvals from the local council.

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Additional Information

9.7 Underwriting agreement

The Offer is being underwritten by the Lead Manager pursuant to an underwriting agreement dated 28 November 2017, between the Lead Manager, the Company, HFA and Elixinol US (who for the purposes of the underwriting agreement are the **Guarantors**) (**Underwriting Agreement**). Under the Underwriting Agreement, subject to the satisfaction of certain customary conditions, the Lead Manager has agreed to manage and underwrite the Offer.

9.7.1 Commissions, fees and expenses

On Settlement, the Company must pay the Lead Manager a management fee of 1.00% and a selling and underwriting fee of 4.00% of the Offer proceeds. The Lead Manager's fees will be payable as a deduction from the total Offer proceeds.

The Company has agreed to reimburse the Lead Manager for reasonable costs and expenses incurred by the Lead Manager in relation to the Offer. The Lead Manager has agreed to pay out of fees payable to them any fees of any co-lead managers, co-managers or brokers.

9.7.2 Termination events not subject to materiality

The Lead Manager may terminate the Underwriting Agreement, at any time after the date of the Underwriting Agreement and on or before 4.00pm on the date for Settlement by notice to the other parties if any of the following events occur:

- (disclosures) a statement in the Prospectus or related offering documents is misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from the relevant document;
- (supplementary prospectus) the Company, in the reasonable opinion of the Lead Manager, is required under section 719 of the Corporations Act to lodge a supplementary prospectus or the Company lodges a supplementary prospectus in a form and substance that has not been approved by the Lead Manager (provided that the Lead Manager has complied with its obligations not to unreasonably withhold or delay their approval);
- (Restructure Agreements) any Restructure Agreement is not capable of completing in the reasonable opinion of the Lead Manager, becomes void or voidable, or has been materially amended (without the prior written consent of the Lead Manager) or is breached, or is otherwise terminated or rescinded by any of the parties to that agreement;
- (market fall) at any time before Settlement, the S&P/ASX 200 Index falls to a level that is 90% or less of the level as at the close of trading on the business day immediately prior to the date of the Underwriting Agreement and closes at or below that 90% level on 2 consecutive business days;
- (listing and quotation) approval is refused or not granted prior to Settlement, or approval is granted subject to conditions other than customary conditions or conditions satisfactory to the Lead Manager, to:
  - the Company's admission to the official list of ASX on or before the shortfall notification date; or
  - the quotation of the Company's Shares on ASX or for the Company's Shares to be traded through CHESS on or before Listing;
  - or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions or conditions satisfactory to the Lead Manager) or withheld;
- (notifications) any of the following notifications are made in respect of the Offer:
  - ASIC issues an order (including an interim order) under section 1324B or under section 739 of the Corporations Act and any such inquiry or hearing is not withdrawn within 3 Business Days or if it is made within 3 Business Days of the date for Settlement, it has not been withdrawn by the day before the date for Settlement;
  - ASIC holds a hearing under section 739(2) of the Corporations Act;
  - an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer, the Prospectus or a related offering document or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer, the Prospectus or a related offering document and any such application inquiry or hearing is not withdrawn within 3 Business Days or if it is made within 3 Business Days of the date for Settlement, it has not been withdrawn by the day before the date for Settlement;
  - any person who has previously consented to the inclusion of its name in the Prospectus (other than the Lead Manager) withdraws that consent; or
  - any person gives a notice under section 730 of the Corporations Act in relation to the Prospectus (other than the Lead Manager);
- (withdrawal) the Company withdraws the Prospectus or the Offer or any circumstance arises after lodgement of the Prospectus with ASIC that results in the Company either repaying any money received from applicants under the Offer or offering applicants under the Offer an opportunity to withdraw their application for New Shares and be repaid their application monies;
- (unable to issue New Shares) except in the case of the result of a delay which does not lead to a termination event under the Underwriting Agreement, the Company is prevented from allotting and issuing the New Shares by applicable laws, an order of a court of competent jurisdiction or a governmental authority, within the time required by the ASX Listing Rules or timetable;

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- (regulatory approvals) if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company or any of the Guarantors to perform their obligations under the Underwriting Agreement, such that the Company or any of the Guarantors are rendered unable to perform their obligations under the Underwriting Agreement;
- (inquiry) a person other than ASIC commences an inquiry or takes any regulatory action or seeks any remedy in connection with the Company, the Guarantors, the Offer, the Prospectus or a related offering document and such action is not disposed of or withdrawn to the satisfaction of the Lead Manager (acting reasonably) on or before:
  - the fifth Business Day following the commencement of the action; or
  - if the Lead Manager receives a shortfall notice, before 10.00am on the shortfall notification date;
- (change in the Board) other than as disclosed in the Prospectus, there is a change to the Board of Directors of the Company or the Guarantors;
- (action against directors or senior executive or change of senior executive) any of the following occur:
  - a member of the Elixinol Group or any of their respective directors or senior executives engages in any fraudulent conduct or activity; or
  - a change in a senior executive of the Company, the Guarantors, Elixinol US or Elixinol AUS, or such a senior executive dies or becomes permanently incapacitated;
- (certificate) the Company does not provide a closing certificate as and when required by the Underwriting Agreement;
- (timetable) an event specified in the timetable is delayed by more than 2 business days (other than any delay caused solely by the Lead Manager or in accordance with the Underwriting Agreement; and
- (insolvency events) any member of the Elixinol Group becomes insolvent, or there is an act or omission which is likely to result in a member of the Elixinol Group becoming insolvent.

9.7.3 Termination subject to materiality

The Lead Manager may terminate the Underwriting Agreement without cost or liability to the Lead Manager, at any time on or before 4.00pm on the date for Settlement or at any other time specified below, by notice to the Company if any of the following events occur and the Lead Manager has reasonable grounds to believe the event: (i) has, or is likely to have, a materially adverse effect on the success or outcome of the Offer, the ability of the Lead Manager to settle the Offer, the subsequent market for the New Shares or the condition, trading or financial position, performance, profits and losses, results, business or operations of the Company; or (ii) will, or is likely to, give rise to a contravention by the Lead Manager of, or the Lead Manager being involved in a contravention of, any applicable law or regulation, including the Corporations Act, or a liability of the Lead Manager under any applicable law or regulation:

- (compliance with law) any of the Prospectus or related offering documents or any aspect of the Offer does not comply with the Corporations Act, the ASX Listing Rules, or any other applicable law or regulation or a statement in any public statement or other media statement made by or on behalf of the Company in relation to the business or affairs of the Elixinol Group is or becomes misleading or deceptive or is likely to mislead or deceive;
- (new circumstances) there occurs a new circumstance that arises after the Prospectus is lodged that would have been required to be included in the Prospectus if it had arisen before lodgement (as applicable);
- (licences) any licence, permit, authorisation or consent material to, or necessary for, the conduct of the Elixinol Group's business as currently conducted and described in the Prospectus or a related offering document (as applicable), is suspended, modified or amended in a manner not acceptable to the Lead Manager;
- (information supplied) any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of a member of the Elixinol Group to the Lead Manager in respect of the Offer or the Elixinol Group is, or is found to be misleading or deceptive, or likely to mislead or deceive (including, by omission);
- (lodgement of Prospectus) the Company fails to lodge the Prospectus, in a form approved by the Lead Manager (such approval not to be unreasonably withheld or delayed), with ASIC in accordance with the timetable;
- (disclosures) a statement in any public statement or other media statement made by or on behalf of the Company in relation to the business or affairs of the Elixinol Group is or becomes misleading or deceptive or likely to mislead or deceive;

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- (disclosures in the due diligence materials) certain due diligence materials or any other information supplied by or on behalf of the Company or the Guarantors to the Lead Manager in relation to the New Shares, the Company or the Offer is, or becomes, untrue, incorrect, misleading or deceptive, including by way of omission;
- (adverse change) an event occurs which is, or is likely to give rise to:
  - an adverse change in the assets, liabilities, financial position or performance, profits, losses, earnings, prospects or condition or otherwise of the Elixinol Group from those disclosed in the Prospectus; or
  - an adverse change in the nature of the business conducted by the Elixinol Group as disclosed in the Prospectus;
- (forecasts) there are not, or there ceases to be, reasonable grounds in the reasonable opinion of the Lead Manager for any statement or estimate in the Prospectus or related offering documents, which relate to a future matter or any statement or estimate in the Prospectus or related offering documents that relate to a future matter is, in the reasonable opinion of the Lead Manager, unlikely to be met in the projected timeframe (including in each case financial forecasts);
- (certificate) a statement in any closing certificate provided under the Underwriting Agreement is false, misleading, inaccurate, untrue or incorrect;
- (hostilities) hostilities not presently existing commence (whether or not war or a national emergency has been declared), an escalation in existing hostilities occurs (whether or not war or a national emergency has been declared) or a major terrorist act is perpetrated involving any one or more of Australia, New Zealand, the United States, the United Kingdom, the People's Republic of China, Hong Kong, Singapore, Russia or any member States of the European Union or any diplomatic, military, commercial or political establishment of any of those countries;
- (material contracts) if any of the obligations of the relevant parties under any of the contracts that are material to the business of the Elixinol Group are not capable of being performed in accordance with their terms (in the reasonable opinion of the Lead Manager) or if all or any part of any such contract:
  - is terminated, withdrawn, rescinded, avoided or repudiated;
  - is altered, amended or varied without the consent of the Lead Manager (acting reasonably);
  - is breached, or there is a failure by a party to comply;
  - ceases to have effect, otherwise than in accordance with its terms; or
  - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, withdrawn, rescinded, avoided or withdrawn or of limited force and affect, or its performance is or becomes illegal;
- (change of law) there is introduced, or there is a public announcement of a proposal to introduce, a new law or regulation or policy in Australia or any State or Territory of Australia (including a policy of the Reserve Bank of Australia), the United States or any state of the United States, other than a law or policy which has been announced before the date of the Underwriting Agreement and has been fully and fairly disclosed in the Prospectus and any related offering document;
- (breach of laws) there is a contravention by the Company or any entity in the Elixinol Group of its constitution or other constituent document, an encumbrance or document that is binding on it or any applicable law, regulation, authorisation, ruling, consent, judgment, order or decree of any government authority (including the Corporations Act, the Competition and Consumer Act 2010 (Cth), the ASIC Act and the ASX Listing Rules);
- (representations and warranties) a representation, warranty, undertaking or obligation contained in the Underwriting Agreement on the part of the Company or any of the Guarantors (whether severally or jointly) is breached, becomes not true or correct or is not performed;
- (breach) the Company or any of the Guarantors default on 1 or more of their obligations under the Underwriting Agreement;
- (unauthorised change) without the prior written consent of the Lead Manager:
  - a member of the Elixinol Group disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property other than as contemplated in the Prospectus;
  - a member of the Elixinol Group ceases or threatens to cease to carry on business;
  - the Company or any of the Guarantors alters its capital structure, other than as contemplated in the Prospectus; or
  - the Company or any of the Guarantors amends its constitution or any other constituent document of the Company or the terms of issue of the New Shares;
- (disruption in financial markets) any of the following occurs:
  - a general moratorium on commercial banking activities in Australia, the United Kingdom, the United States, Hong Kong or any member state of the European Union is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
  - trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended for at least 1 day on which that exchange is open for trading;

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- any adverse change or disruption to the existing financial markets, political or economic conditions of, or currency exchange rates or controls in Australia, the United States or the United Kingdom, or the international financial markets or any adverse change in national or international political, financial or economic conditions; or
- a change or development (which was not publicly known prior to the date of this agreement) involving a prospective adverse change in taxation laws affecting the Elixinol Group or the Offer occurs;

- (other actions against directors or senior executives) any of the following occur:
  - a director or senior executive of the Company, Elixinol US, Elixinol AUS, the Guarantors or HFA is charged with an indictable offence relating to a financial or corporate matter;
  - any government agency commences any public action against a director or senior executive of the Company, Elixinol US or Elixinol AUS, the Guarantors or HFA;
  - any director or senior executive of the Company, Elixinol US or Elixinol AUS, the Guarantors or HFA is disqualified from managing a corporation under Part 2D.6 of the Corporations Act; or
- (encumbrance) other than as disclosed in the Prospectus, the Company creates or agrees to create an encumbrance over the whole or a substantial part of its business or property.

9.7.4 Indemnity

The Company agrees to keep the Lead Manager and Lead Manager's affiliated parties indemnified from losses suffered in connection with the Offer, subject to customary exclusions (including fraud, wilful misconduct, recklessness or gross negligence).

9.7.5 Representations, warranties and undertakings

The Undertaking Agreement contains representations, warranties and undertakings provided by the Company to the Lead Manager.

The representations and warranties relate to matters such as the Company's powers and capacities, authorisations, information provided, licences, insurance, litigation, the Prospectus and other offering documents, due diligence, disclosures, internal controls and conduct (including relating to compliance with laws, the operation of the Company's business and the undertaking of the Offer).

The Company's undertakings include that they will, from the date of the Underwriting Agreement (or the date of initial distribution of the pathfinder prospectus (as may be the case)) up until Completion or 90 days after Completion of the Offer (as may be the case):

- not, without the prior written consent of the Lead Manager (which must not be unreasonably withheld or delayed) or as disclosed in the Prospectus or other offering documents allot, or agree to allot, or indicate in any way that it may or will allot any shares or other securities that are convertible or exchangeable into equity, or that represent the right to receive equity, of the Company or any member of the Elixinol Group other than the issue of securities under the Offer, an employee share plan, a non-underwritten dividend reinvestment, or a bonus share plan or as expressly provided for in the Restructure Agreements (and also a proposed transaction expressly disclosed in the Prospectus or related offering documents);
- along with the Guarantors must carry on the business of the Group in the ordinary course, and procure that each member of the Elixinol Group carries on its business in the ordinary course and not dispose (or permit any other member of the Elixinol Group to dispose) of any material part of its (or their) business or property, and not acquire (or permit any other member of the Elixinol Group to acquire) any business or property (in each case, without the prior written consent of the Lead Manager);
- not alter the capital structure of the Company, amend the Company's constitution or dispose of the Company's business or property in whole or substantial part, except with the prior written consent of the Lead Manager (not to be unreasonably withheld or delayed); and
- along with the Guarantors must not vary in any material respect any term of the contracts described in Section 9.6 of this Prospectus without the prior consent of the Lead Manager (not to be unreasonably withheld or delayed).

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9.8 Consents to be named and disclaimers of responsibility

Each of the parties referred to below (each a **Consenting Party**), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has given, and has not, before the lodgement of this Prospectus with ASIC, withdrawn their written consent to being named in the Prospectus in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below:

- Bell Potter as Lead Manager in relation to the Offer;
- Gilbert + Tobin as Australian legal adviser (except in relation to taxation and stamp duty) to the Company in relation to the Offer;
- Frost Brown Todd LLC as United States legal adviser (except in relation to taxation and stamp duty) to the Company in relation to the Offer and to the inclusion in this Prospectus of its legal opinion in the form and context in which it is included;
- Deloitte Corporate Finance Pty Limited as Investigating Accountant to the Company and to the inclusion in this Prospectus of its Investigating Accountant's Report in the form and context in which it is included;
- Deloitte Tax Services Pty Ltd as tax adviser in relation to the Offer;
- Deloitte Touche Tohmatsu as the auditor of the Company; and
- Computershare Investor Services Pty Ltd as the Company's share registry.

No entity or person referred to above has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to in this Section 9.8 has not authorised or caused the issue of this Prospectus and does not make any offer of Shares.

9.9 Australia taxation considerations

The following comments provide a general summary of the Australian income tax, capital gains tax (**CGT**), goods and services tax (**GST**) and stamp duty issues for Shareholders who acquire Shares under this Prospectus.

The categories of Shareholders considered in this summary are limited to individuals, complying superannuation entities and certain companies, trusts or partnerships, each of whom holds their shares on capital account.

This summary does not consider the consequences for Shareholders who are insurance companies, banks, Shareholders that hold their shares on revenue account for or carry on a business of trading in shares or Shareholders who are exempt from Australian tax. This summary does not cover the consequences for Shareholders who are subject to Division 230 of the Income Tax Assessment Act 1997 (the Taxation of Financial Arrangements or TOFA regime).

This summary is based on the tax laws in Australia in force as at the Prospectus Date (together with established interpretations of those laws), which may change. This summary does not take into account the tax law of countries other than Australia. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law.

Given that the precise implications of ownership or disposal of Shares will depend upon each Shareholders' specific circumstances, Shareholders should obtain independent advice on the taxation implications of holding or disposing of Shares, taking into account their specific circumstances (including whether they are an Australian tax resident).

9.9.1 Dividends paid on Shares – Australian tax residents

9.9.1.1. Australian resident individuals and complying superannuation entities

Where dividends on a Share are distributed, those dividends should constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year they derive the dividend. If the Shareholder satisfies the "qualified person" rules (refer to further comments below), the Shareholder should also include any franking credit attached to the dividend in their assessable income. However such a Shareholder should be entitled to a tax offset equal to the franking credit. The tax offset can be applied to reduce the income tax payable on the Shareholder's taxable income. Where the tax offset exceeds the income tax payable on the Shareholder's taxable income in an income year, the Shareholder should be entitled to a tax refund equal to the amount of the excess.

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Where a dividend is unfranked, the Shareholder should generally be taxed at their prevailing tax rate on the dividend received with no tax offset.

9.9.1.2. Corporate Shareholders

Corporate Shareholders are also required to include both the dividend and associated franking credit in their assessable income, subject to satisfaction of the qualified person rules. A tax offset should then be allowed up to the amount of the franking credit on the dividend.

An Australian tax resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit attached to the distribution received. This allows the corporate shareholder to pass on the benefit of the franking credits to its own Shareholder(s) on the payment of dividends.

Where franking credits received by a corporate Shareholder exceeds the income tax payable by that Shareholder, the excess cannot give rise to a refund, but may be able to be converted into carry forward tax losses.

9.9.1.3. Trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include dividend in their assessable income in determining the net income of the trust or partnership. Subject to satisfaction of the qualified person rules, such Shareholders should also include any franking credit attached to the dividend in their net income. As a result, a relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the Shareholder.

Notably, as the qualified person rules can be complex in the context of distributions received indirectly via a trust or partnership, it is recommended that Shareholders seek independent advice on the tax consequences arising in these circumstances.

9.9.1.4. Qualified person rules

The benefit of franking credits can be denied where a Shareholder does not satisfy the qualified person rules, in which case the Shareholder should not be required to include an amount for the franking credits in their assessable income and should also not be entitled to a tax offset.

Broadly, to satisfy the qualified person rules, a Shareholder must satisfy the holding period rule or, if necessary, the related payment rule.

The holding period rule requires an Shareholder to hold the Shares continuously 'at risk' for not less than 45 days in the period beginning the day after the day on which the Shareholder acquires the Shares, and ending on the 45th day after the Shares become ex-dividend. In the ordinary case, this means that the holding period rule should be satisfied provided that the Share have been held "at risk" for a continuous period of 45 days (not including the date of acquisition or disposal) at some time during the period of ownership of the Shares. Very broadly, Shares should be held "at risk" to the extent that no material "positions" are adopted in relation to the Shares which may have the effect of diminishing the economic exposure associated with holding the Shares (for example, certain option and derivative arrangements, or agreements to sell the Shares). Under the related payment rule, a different testing period applies where the Shareholder or an associate of the Shareholder has made, or is under an obligation to make, a related payment in relation to the dividend. A related payment is one where a Shareholder or their associate effectively passes on the benefit of the dividend to another person.

The related payment rule requires the Shareholder to have held the Shares at risk for the continuous period of 45 days not including the date of acquisition or disposal during a window which commences on the 45th day before, and ends on the 45th day after the day the Shares become ex-dividend. Practically, the related payment rule should not impact Shareholders who do not pass the benefit of the dividend to another person. Shareholders should obtain their own tax advice to determine if the related payment rule applies in the context of their particular circumstances.

In the event that no related payments are made with respect to a particular dividend, an individual Shareholder may satisfy the qualified person rules on an alternative basis, provided that the Shareholder satisfies the small holding exemption. This exemption should generally be satisfied where the Shareholder is entitled to total franking credits (from all sources) of no more than $5,000 in the relevant year of income.

As indicated above, the qualified person rules can be particularly complex for distributions received by a Shareholder directly or indirectly (for example, via an interposed trust). It is recommended that Shareholders in such situations seek independent taxation advice.

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9.9.1.5. Dividend washing rules

Dividend washing rules can apply in certain cases, such that no tax offset is available (nor is an amount required to be included in assessable income in relation to an attached franking credit) for a dividend received on Shares. Broadly, the rules can apply where Shareholders seek to obtain additional franking benefits by disposing of Shares ex-dividend and re-purchasing a substantially equivalent parcel of Shares cum-dividend on a special market.

Shareholders should seek independent tax advice regarding the dividend washing rules, and consider the impact of these rules, having regard to their own personal circumstances.

9.9.2 Dividends paid on Shares – non-Australian tax residents

Shareholders who are not tax resident in Australia should generally be subject to Australian dividend withholding tax with respect to any unfranked dividends received. Australian dividend withholding tax should be imposed at a flat rate of 30% on the amount of the dividend that is unfranked unless the Shareholder is tax resident in a country that has concluded a double tax treaty with Australia. If that is the case, and the Shareholder is otherwise able to rely on the double tax treaty, the rate of Australian dividend withholding tax may be reduced (typically to 15%), depending on the terms of the double tax treaty.

Dividends received which are fully franked should not be subject to Australian dividend withholding tax.

9.9.3 Disposal of Shares – Australian tax residents

The disposal of a Share by a Shareholder should constitute a CGT event. A capital gain should arise to the extent that the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus certain non-deductible transaction costs). In the case of an arm's length on-market sale, the capital proceeds should generally equal the cash proceeds from the sale. Where the Shareholder is a partnership, the partners of that partnership (and not the partnership itself) should ordinarily be treated as realising any capital gain arising from the disposal (in their proportionate shares).

A CGT discount may be applied against any capital gain (after reduction of the capital gain by applicable capital losses) where the entity which realises the capital gain is an individual, complying superannuation entity or trustee. The CGT discount may be applied in these circumstances, provided that the Shares have been held for at least 12 months (not including the date of acquisition or disposal for CGT purposes) and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than trustees of a complying superannuation entity) may be reduced by 50%, after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

If the Shareholder who realises the capital gain and is entitled to the CGT discount is the trustee of a trust (other than the trustee of a complying superannuation entity), the CGT discount may flow through to the beneficiaries of the trust, provided those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss should be realised to the extent that the reduced cost base of a Share (which should generally be calculated in a similar manner to the cost base) exceeds the capital proceeds from its disposal. Capital losses may only be offset against capital gains realised in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income. As with capital gains, where the Shareholder realising the capital loss is a partnership, the partners of that partnership (and not the partnership itself) should ordinarily be treated as realising the capital loss (in their proportionate shares).

9.9.4 Disposal of Shares – Non-Australian tax residents

The disposal of a Share by a Shareholder who is not tax resident in Australia should constitute a CGT event. A capital gain may initially arise to the extent that the capital proceeds on disposal exceed the cost base of the Share.

However, any capital gain initially arising as a result of the CGT event should be disregarded unless the Share constitutes "taxable Australian property". Broadly, a Share should constitute taxable Australian property if both of the following requirements are satisfied:

- the Shareholder (together with any associates of the Shareholder) holds an interest of at least 10% in the Company at the time of the disposal, or has held such an interest throughout a 12 month period in the 24 months preceding the disposal; and
- the Company is land rich for Australian income tax purposes (broadly, because more than 50% of the value of the Company's assets, including those of certain downstream subsidiaries, is comprised by Australian real property interests and/or certain interests in respect of Australian minerals).

A Share should also constitute taxable Australian property if it is used by a Shareholder in carrying on a business in Australia through a permanent establishment (for example, a fixed place of business, such as an office, which is located in Australia).

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In the event that a Shareholder who is not tax resident in Australia realises a capital gain in connection with the disposal of a Share that constitutes taxable Australian property, the Shareholder should ordinarily be required to lodge an Australian income tax return including the capital gain. In such circumstances, the Shareholder should generally not be entitled to claim the benefit of the CGT discount to reduce the amount of the capital gain included, but may be able to offset the capital gain with any available capital losses, subject to certain loss recoupment tests being satisfied. The amount of the capital gain, after application of any available capital losses, should be subject to Australian income tax at the Shareholder's marginal tax rate.

A capital loss should initially be realised by a Shareholder who is not tax resident in Australia to the extent that the reduced cost base of a Share exceeds the capital proceeds from its disposal. However, as with capital gains, a capital loss should be disregarded by the Shareholder unless the Share being disposed of constitutes taxable Australian property. Capital losses which are not disregarded may only be offset against capital gains from the disposal of taxable Australian property in the same income year or future income years, subject to certain loss recoupment tests being satisfied.

9.9.4.1. Non-resident CGT withholding

New rules have recently been introduced which can apply to the purchaser of certain taxable Australian property, indirect real property interests or options or rights to acquire such property or interest where such property or interest is acquired from a non-Australian resident vendor under contracts entered into on or after 1 July 2017. Pursuant to the new rules, a non-final withholding tax of 12.5% of the purchase price may be applied to such transactions at settlement.

However, the new rules should not apply to the disposal of a Share on ASX (in accordance with a specific exemption).

9.9.5 GST

Shareholders should not be liable for GST from acquiring or disposing of any Shares. Shareholders may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition or disposal of Shares. Separate GST advice should be sought by Shareholders in this respect.

9.9.6 US Tax Considerations to Shareholders

Non-US Shareholders (including Australian shareholders)

In the likely event that the Company is treated as a US resident corporation for US federal income tax purposes as a result of the operation of the anti-inversion rules, distributions made by the Company on its shares to non-US resident shareholders, as well as disposition of shares by non-US resident shareholders of the Company, may be subject to the following US federal income tax consequences:

- Distributions which are treated as dividends for US federal income tax purposes made to non-US resident shareholders are generally subject to a 30 percent withholding tax, which may be reduced under an applicable tax treaty subject to certain qualification and documentation requirements. The analysis determining whether the US withholding tax is levied on a dividend and the appropriate rate of such withholding tax if it is levied is generally performed on a shareholder-by-shareholder basis.
- Distributions made by the Company to non-US resident shareholders which are in excess of the Company's earnings and profits ("E&P") are generally not subject to any US withholding tax, unless the Company is treated as a United States Real Property Holding Company ("USRPHC") under the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"), provided certain contemporaneous US filing requirements are met at the time of such distributions. The Company does not expect to be treated as a USRPHC. Therefore, withholding tax should not apply to distributions to non-US resident shareholders in excess of the Company's E&P, provided the certain contemporaneous US filing requirements are met at the time of such distributions.
- Dispositions of Company shares by non-US resident shareholders are generally not subject to US federal income tax, provided the Company is not treated as a USRPHC and certain contemporaneous filing requirements are met at the time of such dispositions. The Company does not expect to be treated as a USRPHC.

US Shareholders

Whether or not the Company is treated as a US resident corporation, distributions made by the Company on its shares to US resident shareholders, as well as dispositions of shares by US resident shareholders of the Company, may be subject to the following US federal income tax consequences:

- Distributions which are treated as dividends for US federal income tax purposes made to US resident shareholders are not subject to US withholding tax, but are generally subject to US federal income tax at the respective shareholder's applicable tax rate.
- Distributions made by the Company to US resident shareholders which are in excess of the Company's earnings and profits ("E&P") are generally treated as a return of capital to the extent of the respective shareholder's tax basis in the Company shares and then as gain subject to the US federal income tax at the respective shareholder's applicable tax rate.

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- Dispositions of Company shares by US resident shareholders are generally subject to US federal income tax at the respective shareholder's applicable tax rate on the difference between the selling price and the tax basis of the shares sold.

9.9.7 Stamp duty

No stamp duty should be payable by Shareholders on the acquisition of Shares. Under current stamp duty legislation, no stamp duty should ordinarily be payable by Shareholders on any subsequent transfer of Shares whilst the Company remains listed.

Shareholders should seek their own advice as to the impact of stamp duty in their own particular circumstances.

9.9.8 Tax file number (TFN)

Australian tax resident Shareholders may, if they choose, notify the Company of their tax file number (**TFN**), Australian Business Number (**ABN**) or a relevant exemption from withholding tax with respect to dividends. In the event that the Company is not so notified, pursuant to the TFN withholding rules, tax should be automatically be deducted at the highest marginal rate, including where relevant, the Medicare levy, from unfranked dividends and/or other applicable distributions. However, Australian tax resident Shareholders may be able to claim a tax credit/rebate (as applicable) in respect of the tax deducted in their income tax returns.

Shareholders who are not tax resident in Australia should generally be entitled to an exemption from the TFN withholding rules. This means that mandatory withholding may not be required by the Company with respect to unfranked dividends or other relevant distributions paid to such Shareholders, irrespective of whether those Shareholders have notified the Company of their TFN or ABN.

9.10 ASX waivers and confirmations

ASX has made an in principle decision that certain Shares held (or to be held) by Existing Shareholders will be subject to mandatory escrow arrangements under the ASX Listing Rules for a period of 12 or 24 months.

The Company has applied to ASX for a waiver in respect of the mandatory escrow provisions set out in Chapter 9 and Appendix 9B. The waiver would provide "look through" relief in respect of the application of the mandatory escrow provisions.

If the relief is granted by ASX, the mandatory escrow provisions will be applied to Existing Shareholders (where relevant) with regard to their holdings in Elixinol AUS, Elixinol US and HFA, rather than the Shares obtained in the Company under the Restructure.

9.11 Foreign selling jurisdictions

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

9.11.1 Germany

This document has been prepared on the basis that all offers of Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("**Prospectus Directive**"), as amended and implemented in Germany, from the requirement to publish a prospectus for offers of securities.

An offer to the public of New Shares has not been made, and may not be made, in Germany except pursuant to one of the following exemptions under the Prospectus Directive as implemented in Germany:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "**MiFID**"); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

9.11.2 Hong Kong

WARNING

This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

09
Additional Information

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

9.11.3 Japan

The Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "**FIEL**") pursuant to an exemption from the registration requirements applicable to a private placement of securities to small number investors. This document is confidential to the person to whom it is addressed and must not be distributed, published, reproduced or disclosed (in whole or in part) to any other person in Japan or resident of Japan.

9.11.4 New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the **FMC Act**). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

9.12 Contract summaries

The summaries of contracts set out in the body of this Prospectus, including the summary of the Underwriting Agreement in Section 9.7, the Implementation Deed in Section 9.5 and the material contracts in Section 9.6, are included for the information of potential investors under the Offer but do not purport to be complete and are qualified by the text of the contracts themselves.

9.13 Costs of the Offer

$4.0 million (including advisory, legal, accounting, tax and duty, listing and administrative fees, the Lead Managers' management and underwriting fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses). These costs have been, or will be, borne by the Company from the proceeds of the Offer.

9.14 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the law applicable in New South Wales, Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

9.15 Legal proceedings

The Elixinol Group may, from time to time, be party to various disputes and legal proceedings incidental to the conduct of its business. So far as the Directors are aware, as at the Prospectus Date, there is no current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecutions of a material nature in which the Elixinol Group is directly or indirectly concerned which is likely to have a material adverse impact on the business or the financial position of the Elixinol Group.

9.16 Statement of Directors

The issue of this Prospectus has been authorised by each Director who has consented to its lodgement with ASIC and its issue has not withdrawn that consent.

Appendix

A

Significant accounting policies

Basis of preparation

The financial information presented in this Prospectus in Section 4 has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively; and
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Foreign currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries as well as annual leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Appendix A: Significant Accounting Policies

Impairment of assets

At each reporting date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

Leased assets

Leased assets are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives

In the event that lease incentives are received to enter into operating leases such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

There was no lease incentive received as per the current lease agreements.

Property, Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present vale as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated using a combination of straight line and diminishing value bases, so as to write off the net cost over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives residual values and depreciation method is reviewed at the end of each annual reporting period. The following basis are used in the calculation of depreciation for the current and comparative year:

- Computer equipment — diminishing at 30% – 50%
- Furniture, fittings and equipment — diminishing at 12% – 30%
- Machinery — diminishing at 20%
- Motor vehicle — diminishing at 20%

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Government grant

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the in period which the expenses are recognised.

GST

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. To date the Managers have assessed costs incurred are for research only.

Share based payments

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories are measured at the lower of absorption costing and net realisable value on a first in first out basis. Absorption costing includes anything that is a direct cost in producing a good as the cost base. The direct costs associated with manufacturing a product include wages or workers physically manufacturing a product, the raw materials used in producing a product, and all the overhead costs used in producing a good.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset

Appendix A: Significant Accounting Policies

if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate or exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Determination of fair value

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions
- the fair value of derivative instruments, is calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve
- for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each financial year. Fair value is determined in the manner described in note 10. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Appendix

B

US legal opinion

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OPINION ON THE LEGAL STATUS OF INDUSTRIAL HEMP PRODUCTS UNDER FEDERAL AND STATE LAWS
Prepared for Elixinol LLC

August 10, 2017

INTRODUCTION

You have asked us to opine on the legal status of the business operations and industrial hemp products of Elixinol LLC ("you" or "Elixinol"). As outlined below, it is our informed opinion that Elixinol operates within the bounds of Colorado state laws where the products are manufactured and distributed, and United States federal laws regulating the growth, manufacturing, distribution and sales of industrial hemp and its products through interstate commerce.

Description of Elixinol's operations and products

Organized in 2014, Elixinol is a limited liability company duly organized and existing under the laws of the state of Colorado. Elixinol is in good standing, a certificate of fact attached hereto as Exhibit A, and has a principal place of business at 555 Burbank Street, Unit J, Broomfield, Colorado 80020. Its affiliated businesses include Elixinol Pty Ltd and Hemp Foods Australia PTY LTD. Together, Elixinol and its affiliates have operated as global leaders in the hemp industry since 1991.

Elixinol manufactures and distributes industrial hemp products, including oil extracted from hemp. One such line of products is oils extracted from the stalks and stems of the industrial hemp crop ("Imported Products"). You have indicated that the oil contained in the Imported Products is extracted using C02-supercritical extraction methods at and imported from an HACCP-ISO-certified facility in Germany (the crop grown in local, farming collectives and also sourced from Austria, Germany, and the Netherlands). You have also indicated that the Imported Products contain not more than three-tenths percent (0.3%) tetrahydrocannabinol (THC) content on a dry weight basis.

Elixinol also intends to introduce a line of domestic oils extracted from the flowering tops of the industrial hemp crop ("Domestic Products"). You have indicated that the Domestic Products would derive from industrial hemp grown and supplied by Chimney Rock Brookside LLC; Colorado Cultivars, LLC; and Dexter Rice, an individual doing business as Rudra Farms

("Growers") under planting output agreements with Elixinol ("Agreements"). Copies of the Agreements are collectively attached hereto as Exhibit B.[1] The Growers are licensees of the Colorado industrial hemp pilot program established pursuant to the Agricultural Act of 2014 ("Farm Bill"), their registrations attached hereto as Exhibit C. Manufacture of the Domestic Products would occur entirely and exclusively in Colorado, under the Colorado industrial hemp pilot program.

You have also indicated, and the Agreements stipulate, that the Domestic Products derive from industrial hemp containing not more than three-tenths percent (0.3%) THC content on a dry weight basis. You have further indicated that the Domestic Products would contain between six percent (6%) and eleven percent (11%) cannabidiol (CBD) concentration.

As part of its business, Elixinol now supplies or would supply the following in bulk: Imported Products, Domestic Products, and a line of oils extracted using C02-supercritical and ethanol extraction methods from domestically-grown flowering tops ("Bulk Products").[2]

Either directly through retail sales or indirectly through distributors, Elixinol now distributes or would distribute the Products throughout the United States – with the exception of a few states – and also in Brazil.

Finally, you indicated that Elixinol is duly licensed by the Colorado Department of Public Health and Environment to distribute the Products as wholesale food products in Colorado. Elixinol is also approved by the Denver Environmental Health Department, Public Health Inspections Division, to distribute the Products as food products in the City and County of Denver, Colorado, a letter of approval attached hereto as Exhibit D.

SHORT ANSWER

As outlined below, it is our informed opinion that Elixinol operates within the bounds of United States federal laws regulating industrial hemp and that the Products, as you have described them to us, are legal as a matter of federal law. It is also our informed opinion that Elixinol operates within the bounds of the state law of Colorado where the Products are grown, manufactured, and distributed.

Specifically, the Imported Products are legally imported because they derive from non-psychoactive parts of the cannabis plant, which are exempt under federal law. The Domestic Products derive from industrial hemp grown and cultivated pursuant to an agricultural pilot program authorized under the Farm Bill. Finally, the Bulk Products would attain legal status under federal law, so long as they derive from non-psychoactive, Farm Bill-compliant industrial hemp.

[1] Prior to distributing this Opinion, Elixinol may consider redacting sensitive information contained in the Agreements and/or protecting this Opinion under the cover of a confidentiality or non-disclosure agreement.
[2] The Imported Products, Domestic Products, and Bulk Products collectively referred to as the "Products."

Colorado neither limits nor precludes distribution of the Imported Products or Bulk Products. Furthermore, the Domestic Products would derive from industrial hemp grown or cultivated in compliance with Colorado state law and may be legally processed, sold, transported, possessed, or otherwise distributed.

Unlike in Australia and many European countries, most U.S. states have not enacted specific laws that regulate CBD products such as those sold by Elixinol. There are a handful of states that explicitly prohibit CBD products, and/or where law enforcement authorities have issued warnings against their retail sales. It is our understanding that Elixinol does not sell the Products in such states. In those states where legal regimes have not been defined, CBD products manufactured by Elixinol and other prominent manufacturers, such as Charlotte's Web and CV Sciences (OTC Ticker: **CVSI**), continue to be sold quite widely. Further, some manufacturers, despite the risks of local law enforcement actions, continue to make their industrial hemp products available in all fifty states.

LEGAL ANALYSIS AND OPINION

I. FEDERAL LAW

A. BACKGROUND

Importation of industrial hemp

For decades, the United States has permitted importation of non-psychoactive hemp and hemp products exempted under the Controlled Substances Act ("CSA"). The CSA expressly exempts "the mature stalks of such [cannabis] plant, any other compound, manufacture, salt, derivative, mixture or preparation of such of hemp stalk, fiber, oil and sterilized mature stalks (except the resin extracted therefrom), fiber, oil or cake, or the sterilized seed of such plant."[3] Importation of hemp and derivative products is consistent with decades-old business practices. Further, market analysts estimate that the United States saw "nearly $593 million in sales of hemp products in 2015, and [they] predict a $1.8 billion market by 2020."[4]

Hemp Industries Ass'n v. Drug Enforcement Administration

Federal jurisprudence legalizes hemp products as exempt from the CSA. In *Hemp Industries Ass'n v. Drug Enforcement Administration,* 357 F.3d 1012 (9th Cir. 2004), the United States Court of Appeals for the Ninth Circuit invalidated regulations promulgated by the Drug Enforcement Agency (DEA) that would have banned the manufacture and sale of edible products made from hemp seed and oil as substances controlled under the CSA. The Court affirmed that non-psychoactive hemp products do not contain any controlled substance as defined by the CSA.

[3] 21 U.S.C. §802(16).
[4] Brad A. Bartlett and Garrett L. Davey, "Tribes and Cannabis: Seeking Parity with States and Consultation and Agreement from the U.S. Government," THE FEDERAL LAWYER, vol. 64, issue 3 (Apr. 2017), 57.

The Ninth Circuit's order enjoined DEA from engaging in enforcement actions against these products. Never overturned, the ruling remains good federal law and legal authority for distributing hemp-derived products. For this reason, distributors have continued to import non-psychoactive hemp from overseas, to trade in it, and to use it in the manufacture of products.

Farm Bill

Despite legal permission for importation, until recently, Congress prohibited domestic growth and cultivation of industrial hemp. At the turn of the new millennium, however, domestic permissions emerged. Once thought of as an importer-only, the United States has embraced local growth and cultivation of industrial hemp in its federal jurisprudence and statutory law.

On February 7, 2014, President Barack Obama signed the Farm Bill. Section 7606, now common parlance in the hemp industry, provides for the "Legitimacy of Industrial Hemp Research." The Farm Bill, current federal law, is both limited in its reach and sweeping in its impact:

It is limited to the extent that the use and production of industrial hemp is restricted to agricultural pilot programs conducted by state departments of agriculture, institutions of higher education, and/or their contractual designees. Therefore, the Farm Bill's provisions do not permit the growth or cultivation of industrial hemp in the United States outside the context of an agricultural pilot program.

It is sweeping to the extent that industrial hemp grown or cultivated within the context of an agricultural pilot program is exempt from other federal laws. In other words, federal laws that might otherwise restrict, regulate, or prohibit the use or production of industrial hemp, including the CSA, do not apply.

The Farm Bill also enumerates an important precedent: defining industrial hemp as "any part" of the cannabis plant. This standard legitimizes and legalizes all parts of the cannabis plant, including flowers – from which most CBD products are composed – so long as the product does not exceed three-tenths percent (0.3%) THC content.

Omnibus Law

The Farm Bill was not enacted without controversy. In the months following its enactment, federal agencies – most prominently DEA – misinterpreted its meaning and application. Most prominently, DEA initially raised objections to the importation of hemp seed for pilot programs and took the position that such importation, as well as the cultivation of industrial hemp, would remain subject to the CSA and would require licenses (permits) from DEA.

The Kentucky Department of Agriculture brought suit in federal district court to compel DEA to

release a shipment of hemp seed without a license[5]. The litigation was settled informally in a manner that permitted seed importation and cultivation. In 2015, 125 pilot programs were authorized in Kentucky. Similar settlements have been reached between DEA and departments of agriculture in other states that have legalized the growth and cultivation of industrial hemp.

Other federal agencies, including U.S. Customs and Border Protection (CBP) and the Food and Drug Administration (FDA), raised separate concerns that restricted states' development of agricultural pilot programs. Specifically, FDA placed on its website a "Questions and Answers" posting about marijuana with language of concern about CBD. In it, FDA raised questions about the legality of selling "drugs" that are the subject of an Investigational New Drug application such as CBD. However, FDA has expressed openness to public feedback on this issue and has not promulgated any rule to effectuate this statement. More significantly, FDA has neither taken enforcement action nor announced it was considering enforcement actions against CBD products that are not falsely labeled and/or not promoted as a drug with medicinal effect.

To eliminate confusion and provide clarity regarding the reach of the Farm Bill, Congress passed critical language in the Consolidated Appropriations Act for Fiscal Year 2016 ("Omnibus Law"). The Omnibus Law prohibits agencies, including DEA, from expending federally-appropriated monies to interfere with or otherwise frustrate agricultural pilot programs established under the Farm Bill. The prohibition against interference extends to intrastate and interstate transportation, processing, sales, and use of industrial hemp grown or cultivated pursuant to the Farm Bill.

Taken together, the Ninth Circuit's order in *Hemp Industries Ass'n v. Drug Enforcement Administration* and the Farm Bill and Omnibus Law constitute an expansive, permissive federal legalization regime for industrial hemp. These authorities legitimize industrial hemp and derivative products and immobilize federal agencies that might otherwise pursue enforcement.

B. FEDERAL POLICY DEVELOPMENTS

A quickly developing industry, critical policy developments have occurred in the hemp industry. Some of these developments have further entrenched the federal regime for industrial hemp and derivative products, such as CBD. Other developments, however, have elicited concern. Ultimately, as discussed below, the federal scheme for industrial hemp and derivative products remains intact and, indeed, is poised for legislative improvement.

On December 14, 2016, DEA published a final rule for the establishment of a new drug code for "marihuana extracts" ("Rule"). The Rule raised deep concerns in the hemp industry, particularly concerning the potential impact on CBD. Industry activists and congressional leaders quickly sought clarification. DEA confirmed that the Rule preserved, and did not alter, the legal landscape for hemp. Furthermore, congressional representatives and their staffs were privately

[5] *See Kentucky Dept. of Agriculture v. Drug Enforcement Administration*, Civil Action No. 3:14cv-372-H (W.D.Ky. 2014).

assured by DEA officials that introducing a scheduling code for marijuana extracts was merely intended to better catalogue and track substances in accordance with United Nations standards.

The confusing nature and verbiage in the Rule, however, continued to place a chill on the emerging hemp industry, exacerbating concern among farmers, processors, producers, and the businesses through which sellers move hemp products to market. Accordingly, and unsurprisingly, the Rule has become the subject of federal litigation. Earlier this year, Hemp Industries Association (HIA), the plaintiff in the aforementioned Ninth Circuit decision, again petitioned the appeals court – this time for review of the Rule. At the heart of the case is a fundamental principle of American jurisprudence: a federal agency, such as DEA, cannot, without Congress, rewrite or override federal law.

On June 2, 2017, DEA filed a responsive brief ("Response"). The Response raises several procedural and substantive arguments, which can be summarized as permitting and supporting the publication and scope of the Rule. However, having thoughtfully reviewed the Response, we find that it also favorably acknowledges certain, significant legal tenets, including that (1) the Rule does not place any new substance in Schedule I; (2) cannabinoids are not controlled substances per se.; and (3) the Rule is limited in scope. Counsel for HIA believes that, despite the merits of its procedural and/or substantive arguments on other issues regarding the Rule, the Response represents a significant – even if partial – victory.

More significantly, on July 28, 2017, Kentucky Congressman James Comer introduced the Industrial Hemp Farming Act of 2017 ("IHFA"), the bill attached hereto as Exhibit E. A long-awaited, legislative solution for further protecting industrial hemp, the IHFA embodies the most significant and encouraging developments for the hemp industry. As introduced, the IHFA

- finds that industrial hemp is a non-narcotic, agricultural commodity found in tens of thousands of legal and legitimate products;
- excludes industrial hemp from the definition of marijuana, as defined in the CSA;
- transitions the existing agricultural pilot program regime established under the Farm Bill to a more permanent status;
- protects the production, storage, distribution, and use of industrial hemp on Indian tribal lands; and
- makes clear that there are no reporting requirements for retailers of finished products or end-users.

While the IHFA is an exciting opportunity for the hemp industry, the bill should be viewed as a starting point and not the final product. The bill represents a bipartisan, multi-ideological compromise. As the bill moves through Congress, its language will be revised, and hopefully improved. As for final passage of the IHFA, resounding congressional support for industrial hemp should encourage the industry.

II. STATE LAW

In general, states' laws on industrial hemp vary. At least thirty states, including Colorado, have authorized the growth and cultivation of industrial hemp for commercial or research purposes. Many of these states, pursuant to section 7606 of the Farm Bill, have established agricultural pilot programs, to which the federal permissions described above attach. Some states liberally permit the growth and cultivation of industrial hemp – for any legally permissible purpose. Many of these states' statutes recognize industrial hemp as a marketable, agricultural commodity.

Most states distinguish industrial hemp (generally defined as any non-psychoactive part of the cannabis plant) from marijuana, oftentimes a controlled substance. Two states, Florida and Mississippi, schedule *all parts* of the cannabis plant as controlled substances, and neither state has legalized industrial hemp.

We have conducted comprehensive, product-specific research for other clients. We have identified a handful of states with explicit statutes controlling CBD, including:

- Alabama (controlling CBD as prepared free from plant material);
- Delaware (establishing 15% CBD threshold);
- Georgia (controlling oil than includes CBD);
- Iowa (controlling CBD as prepared free from plant material);
- Missouri (establishing 5% CBD threshold);
- Nebraska (establishing 10% CBD threshold);
- Oklahoma (controlling CBD delivered as a liquid);
- Oregon (controlling products containing more than sixteen ounces of CBD in solid form, seventy-two ounces in liquid form, or one ounce of CBD extract);
- Texas (establishing 10% CBD threshold);
- Utah (establishing 5% "hemp extract" threshold);
- Virginia (establishing 15% CBD threshold); and
- Wyoming (establishing 5% CBD threshold)

In a handful of states, local law enforcement authorities have taken action to sanction retailers for the sale of CBD products. In Kentucky, Tennessee, and Texas, threats and misguided product seizures were reversed after local officials were educated on the legality of the hemp products. In fact, Kentucky and Tennessee's laws were clarified and improved to ensure that such threats and seizures would not take place again. In other states – to our knowledge, this includes Indiana, Missouri, and North Dakota – product seizures by law enforcement are the subject of unresolved legal challenges.

III. APPLICATION

A. FEDERAL LAW

It is our opinion that Elixinol operates within the bounds of federal laws regulating industrial hemp. Pursuant to federal jurisprudence and statutory law, Elixinol may legally import and

distribute the Imported Products, and it may legally manufacture and distribute the Domestic Products. Finally, the Bulk Products would attain legal status under federal law, so long as they derive from non-psychoactive, Farm Bill-compliant industrial hemp

Imported Products

Elixinol may legally import and distribute the Imported Products. As outlined above, federal law permits the importation of CSA-exempt industrial hemp and derivative products. It is our understanding that the Imported Products contain oil extracted from the stalks and stems of the industrial hemp crop. Accordingly, the Imported Products derive solely from CSA-exempt parts of the cannabis plant. Furthermore, it is our understanding that the Imported Products contain no more than three-tenths percent (0.3%) THC content, or not more than the psychoactive amount of THC.

Our analysis finds support in *Hemp Industries Association v. Drug Enforcement Administration* and online guidance issued by CBP. The former enjoins DEA enforcement against hemp products that derive solely from CSA-exempt parts of the cannabis plant, as such products do not contain a federally-controlled substance. Moreover, according to the latter:

> *Hemp products such as paper, rope, and clothing (which contain fiber made from the cannabis plant) and animal feed mixtures, soaps, and shampoos (which contain sterilized cannabis seeds or oils extracted from the seeds), etc. may be imported into the United States* (emphasis underlined).[6]

We must mention that despite federal law permissions and established, decades-old practices, CBP or DEA may attempt to assert jurisdiction over hemp products. We understand that CBP has seized hemp oil imports on the suggestion of DEA. In fact, you indicated that Elixinol has had Imported Products seized, tested, and released. Nonetheless, we reiterate that federal law expressly permits importation of the Imported Products, and any insinuation that the Imported Products violate the CSA, or other federal laws regulating industrial hemp, is mistaken.

Domestic Products

It is our opinion that Elixinol may legally manufacture and distribute the Domestic Products. As outlined above, the Farm Bill authorizes growth and cultivation of industrial hemp pursuant to a duly-registered agricultural pilot program. The Farm Bill defines industrial hemp as any part of the cannabis plant with a THC concentration of not more than three-tenths percent (0.3%) on a dry weight basis. The Domestic Products would derive from industrial hemp sourced by participants of the Colorado agricultural pilot program established pursuant to the Farm Bill. Furthermore, the Domestic Products would derive from industrial hemp containing not more than three-tenths percent (0.3%) THC content on a dry weight basis. Manufacture of the

[6] U.S. Customs and Border Protection, "Importing hemp products into the U.S.," CBP.GOV, https://help.cbp.gov/app/answers/detail/a_id/1751/~/importing-hemp-products-into-the-u.s. (last updated Mar. 1, 2016, 7:45AM) (emphasis added).

Domestic Products would occur entirely and exclusively under the Colorado agricultural pilot program, in accordance with the Farm Bill.

Therefore, the Domestic Products would attain legal status as a matter of federal law, including exemption from the CSA. Under the Omnibus Law, no agency could expend federally-appropriated monies to interfere with or otherwise frustrate intrastate or interstate distribution of the Domestic Products.

Bulk Products

As outlined above, the Bulk Products would attain legal status under federal law, so long as they derive from non-psychoactive, Farm Bill-compliant industrial hemp. The Farm Bill's definition of industrial hemp extends to *any* non-psychoactive part of the plant. Therefore, if the Bulk Products contain a non-psychoactive amount of THC and derive from industrial hemp grown and cultivated pursuant to an agricultural pilot program authorized under the Farm Bill, then the Bulk Products would attain legal status as a matter of federal law. That the Bulk Products contain oil extracted using ethanol methods does not change our opinion (although some states prohibit butane extraction).

Labeling under the Food, Drug, and Cosmetic Act

Elixinol is licensed to distribute wholesale food products in Colorado and the City and County of Denver. We are aware of enforcement actions by FDA against products that are falsely mislabeled or that make inappropriate dietary, medical, or nutritional claims. FDA has not, to date, approved any product containing CBD for use as a drug in the United States. Marketing a product containing CBD for use in the care, mitigation, treatment, or prevention of disease may qualify the product as a drug controlled by the Food, Drug, and Cosmetic Act ("Food and Drug Act").[7] And, introducing a drug into interstate commerce without FDA approval would violate the Food and Drug Act. FDA has, as recently as February 2016, issued warning letters to distributors making medical claims about CBD products on the Internet.[8]

You have indicated that the Products' labels do not make dietary, medical, or nutritional claims. It is our understanding that Elixinol has not received any enforcement notice from FDA, or any other regulatory agency, on grounds of falsely mislabeling the Products. It is our opinion that Elixinol is not in violation of or subject to enforcement under the Food and Drug Act.

Exportation requirements

We are not aware of explicit export restrictions pertaining to industrial hemp and derivative products. However, as federal law requirements apply to importation, requirements may also apply to exportation of industrial hemp products.

[7] *See* 21 U.S.C. § 321(g).
[8] *See* "2016 Warning Letters and Test Results for Cannabidiol-Related Products," FDA.GOV, https://www.fda.gov/NewsEvents/PublicHealthFocus/ucm484109.htm (last updated Aug. 31, 2016).

Elixinol currently distributes or would distribute the Products outside the United States – to Brazil. Federal agencies, including DEA, FDA, USDA, or the United States Department of Commerce, may claim jurisdiction over exportation of the Products. Even under claims of jurisdiction, however, no federal agency, including DEA, FDA, and USDA, may legally expend federally-appropriated monies to interfere with exportation of the Products. As outlined herein, the Products constitute industrial hemp, as defined in the Farm Bill. Accordingly, the Omnibus Law protects the Products from interference by agencies receiving federal appropriations.

B. STATE LAW

Colorado

Elixinol operates in compliance with Colorado state law. Elixinol is a limited liability company duly organized and existing under the laws of the state of Colorado. As indicated by Exhibit A, Elixinol is in good standing to conduct business activities in Colorado, including the manufacture and distribution of the Products.

Distribution

First, distribution of the Products to and within Colorado complies with state law. The Imported Products, which derive from exempt parts of the cannabis plant, comply with the CSA and other federal laws and regulations interpreting the CSA. They are legal to distribute as a matter of Colorado state law.

The Domestic Products would derive from industrial hemp grown or cultivated under Colorado's agricultural state pilot program. Pursuant to the Farm Bill, Colorado has established an agricultural pilot program for the growth and cultivation of industrial hemp, and duly-registered persons may "[e]ngage in industrial hemp cultivation for commercial purposes."[9] A seller of products produced from industrial hemp grown or cultivated under Colorado's agricultural pilot program "is not subject to any civil or criminal actions under Colorado law for engaging in such activities."[10] Moreover, Colorado state law neither "limits [n]or precludes the exportation of industrial hemp in accordance with the [CSA] . . . federal regulations adopted under the act, and case law interpreting the [CSA]." Therefore, the Domestic Products, too, are legal to distribute as a matter of Colorado state law.

Finally, the Bulk Products would either comply with the CSA or derive from Farm Bill-compliant hemp grown or cultivated in Colorado. For the reasons stated above, they would attain legal status for distribution to or within Colorado.

Manufacture

[9] Colo. Rev. Stat. §§ 35-61-101-109.
[10] *Id.* § 35-61-108(2).

Second, manufacture of the Domestic Products would comply with Colorado state law. As outlined extensively above, Colorado has established an agricultural pilot program pursuant to the Farm Bill, which permits the growth or cultivation of industrial hemp by licensees. Manufacture of the Domestic Products would occur the agricultural pilot program – entirely and exclusively in Colorado – using industrial hemp sourced from licensed Growers. Manufacture of the Domestic Products is legal as a matter of Colorado state law.

Other States

As discussed above, while federal law permissions are clear, states may regulate and enforce against industrial hemp differently. We are aware of prohibitive CBD laws, or law enforcement actions against CBD products, in Alaska, Indiana, Florida, Kansas, Mississippi, Missouri, North Dakota, and Wisconsin. You have indicated that Elixinol does not distribute the Products to or within these states and, therefore, does not violate these states' laws regulating industrial hemp and derivative products.

Given that your Products now appear or would appear in the form of an oil and range between six percent (6%) and eleven percent (11%) CBD concentration, in an abundance of caution, we advise that Elixinol not distribute products that exceed the five percent (5%) CBD thresholds in Utah and Wyoming and the ten percent (10%) thresholds in Georgia, Nebraska, and Oklahoma.

Local approval for distributing CBD food products

Elixinol is duly licensed by the Colorado Department of Public Health and Environment to distribute the Products as wholesale food products in Colorado. Furthermore, as indicated in Exhibit D, Elixinol is approved by the Denver Environmental Health Department, Public Health Inspections Division, to distribute the Products as food products in the City and County of Denver, Colorado. It is our understanding that Denver is the only city in the United States to require approval for distribution of industrial hemp derivatives as food products. Accordingly, Elixinol need not pursue similar approvals or licenses in other cities to or within which it distributes the Products.

CONCLUSION

It is our informed opinion that Elixinol's activities as you describe them operate within the bounds of federal law and Colorado state law. The Imported Products derive solely from CSA-exempt parts of the cannabis plant and may be imported and distributed legally under federal law. The Domestic Products would derive from industrial hemp grown and cultivated in compliance with federal law. If an agency, including DEA, were to expend federally-appropriated monies to interfere with or otherwise frustrate intrastate or interstate distribution of the Domestic Products, it would violate federal law. Finally, the Bulk Products would attain legal status under federal law, so long as they derive from non-psychoactive, Farm Bill-compliant industrial hemp.

Colorado neither limits nor precludes distribution of the Imported Products or Bulk Products. Furthermore, the Domestic Products would derive from industrial hemp grown or cultivated in compliance with Colorado state law and may be legally processed, sold, transported, possessed, or otherwise distributed.

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The legal advice and opinions set forth herein are an expression of our professional judgment and not a guaranty of a result. It is important to understand that due to the confusing nature of current law enforcement agency policies and priorities – as discussed above – it is impossible to predict with absolute certainty how local, state, or federal law enforcement officials will treat industrial hemp and derivative products, particularly CBD. We are hopeful that Congress will address ambiguities soon by passing the IHFA. Given DEA's evolving pronouncements, however, the hemp industry must assume the risk of potential enforcement actions, no matter how unwarranted such actions may be under our understanding of existing laws.

If you have questions about our analysis or application of the laws cited herein, or if you need further assistance regarding your industrial hemp-related business endeavors, please do not hesitate to contact us.

Sincerely,

FROST BROWN TODD LLC

Jonathan S. Miller, Esquire
Nolan M. Jackson, Esquire

Appendix

C

Australian legal opinion

Appendix C:
Australian legal opinion

GILBERT +TOBIN

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28 November 2017

The Directors
Elixinol Global Limited
Level 6, 50 Pitt Street
Sydney NSW 2000

ASX Listing Application – Elixinol Global Limited (ACN 621 479 794)

We act as legal advisers to Elixinol Global Limited (the **Company**) in relation to the application for admission to quotation on the Australian Securities Exchange (**ASX**) and to quote its securities.

We are instructed that in relation to the Company's application for admission to quotation to the ASX, the Company is required to provide a legal opinion opining on:

- Elixinol Pty Ltd's (**AusCo**) legal right to operate its business in Australia and, accordingly, the ability to expend funds in accordance with its proposed use of funds as described in the Prospectus (defined below) and whether there are any legal impediments to it carrying out certain activities which Elixinol Pty Ltd intends to carry out in Australia as described in the Prospectus; and

- the legal status of industrial hemp products and hemp as a food under Australian Federal and State laws.

1 Executive Summary

Subject to AusCo obtaining the required licences and approvals set out in section 3 and subject to the qualifications and assumptions set out in section 5, AusCo has a legal right to operate its business in Australia, and there should be:

(a) no regulatory impediments to AusCo expending its funds in accordance with its proposed use of funds as described in the Prospectus; and

(b) no legal impediments to AusCo carrying out its proposed operations in Australia as described in the Prospectus.

Additionally, subject to obtaining the required licences and approvals and complying with the relevant licensing and regulatory regime set out in section 4 and subject to the qualifications and assumptions set out in section 5, the cultivation and/or supply of low-THC hemp in NSW is legal, whilst the sale of low-THC hemp as a food is legal under Australian Federal and NSW law.

2 Background

On 28 November 2017, the Company lodged a prospectus with the Australian Securities and Investments Commission (**ASIC**) (**Prospectus**). Under the Prospectus, the Company is offering to issue up to 20 million ordinary shares at an issue price of $1.00 to raise up to $20,000,000 (**Offer**). In

connection with the Offer, the Company intends to apply for admission to the official list of ASX Limited (**ASX**) and for quotation of its Shares.

The Prospectus discloses the following:

- The Company has entered into implementation deeds to purchase 100% of the issued capital of Elixinol Pty Ltd (**AusCo**), Hemp Foods Australia Pty Ltd (**HFA**) and Elixinol LLC (**USCo**) (together, the **Group**). These entities operate (or propose to operate) as follows:

  (a) USCo was founded in 2014 and manufactures and distributes industrial hemp-based nutraceutical, dietary supplement and skincare products, with operations based out of Colorado, United States;

  (b) HFA is an established manufacturer and distributer of industrial hemp-derived products in Australia; and

  (c) AusCo was incorporated in NSW, Australia in 2014 and has been established to participate in the emerging Australian medicinal cannabis market. It is currently non-operational as it applies for the required licences, approvals and permits.

- On completion of the Offer, the Company will be the holding company for AusCo, HFA, USCo and Elixinol Investments Pty Ltd (**Elixinol Investments**) (an existing subsidiary of the Company) (together the **Elixinol Group**).

- The Elixinol Group intends to use the proceeds raised from the Offer in the manner set out in section 7.4 of the Prospectus.

- We have been instructed by the Company that AusCo intends to apply for the following licences, approvals and permits to import, cultivate, produce and manufacture medicinal cannabis:

Proposed Activity	Licensing requirements
Importation of medicinal cannabis	• An importation licence (and relevant permission), under the *Customs (Prohibited Imports) Regulations 1956*.
Clinical trials	• Registration with the Therapeutic Goods Administration (**TGA**) under the Clinical Notification (CTN) or Clinical Trial Exemption (CTX) schemes.
Cultivation / production of medicinal cannabis	• A cultivation / production licence (for medical purposes), granted by the Office of Drug Control (**ODC**) (with relevant permits).
Manufacturing of medicinal cannabis	• A manufacture licence (and relevant permissions), granted by the ODC. • A NSW manufacture licence under the *Poisons and Therapeutic Goods Regulations 2008.*

Supply of medicinal cannabis	• A wholesale supply licence under the *Poisons and Therapeutic Goods Regulations 2008*.

- AusCo's objectives in the near-term are to obtain the licences set out above and build a cultivation/greenhouse facility and GMP/TGA extraction and manufacturing facility.
- Elixinol Investments has entered into a contract for the purchase of land, on which it is intended that AusCo will build its cultivation and manufacturing faculty. The purchase price is A$2,585,000 and the acquisition is conditional upon successful completion of the Offer, AusCo obtaining a cultivation licence and a manufacture licence from the ODC and Development Approval from the local council.
- The Company has received a legal opinion from Frost Brown Todd LLC in respect to the legality of USCo's operations.

3 AusCo – Medicinal Cannabis

Australia has a series of general prohibitions on the importation, cultivation and use of cannabis. However, in recent times Federal and State licensing regimes have been introduced that provide a regulatory framework for businesses to lawfully import, cultivate and manufacture cannabis and medicinal cannabis products.

In relation to the proposed operations of AusCo, the importation, cultivation and production of cannabis in Australia is governed by Commonwealth and NSW legislation. For this reason this opinion only considers the legality of the proposed operations under those regulatory regimes and does not consider other State and Territory laws or regulations.

Licensing / Approval requirements

Broadly, the legislative framework governing the cultivation, production, manufacture, distribution, importation and access of medicinal cannabis in NSW involves the interaction of the *Narcotic Drugs Act 1967* (Cth), the *Therapeutic Goods Act 1989* (Cth) and the *Poisons and Therapeutic Goods Act 1966* (NSW) (and their respective subordinate legislations). Set out below is a summary table of the key licences / authorisations that are required. This table has been taken (with slight amendments) from the TGA website, www.tga.gov.au/medicinal-cannabis-products-overview-regulation. This table should not be taken as a substitute for the information contained in this section.

Process	Narcotic Drugs Act 1967 (Cth) / Office of Drug Control	Therapeutic Goods Act 1989 (Cth) / Therapeutic Goods Administration	Poisons and Therapeutic Goods Act 1966 (NSW) / NSW Ministry of Health
Importation	✓ Both a licence and permit is required to import controlled substances (under the Customs Act).	✓ Responsibility of the sponsor.	✓ A NSW licence to supply is a prerequisite to any Federal importation licence.

Cultivation	✓ Licence and permits are required.	× No	× No
Production	✓ Licence and permits are required.	× No	× No
Manufacture	✓ Licence and permits are required.	✓ Licence required.	✓ Licence required.
Distribution / Supply	✓ Licence and permits are required.	× No (classified as a controlled drug, with restrictions imposed by States /Territories).	✓ Wholesale supply licence required.
Access / authorisation	× No	✓ Special Access Scheme or Authorised Prescriber	✓ Authorisation by NSW Health is required.

3.1 Commonwealth legislation

(a) *The Schedule of the Criminal Code Act 1995* (Cth) (**Criminal Code**)

As a starting point, under the Criminal Code it is an offence to (amongst other things) cultivate or sell a "controlled plant", manufacture, traffic (including sell) or possess a "controlled drug" or import a "border controlled drug/plant".[1]

Under the *Criminal Code Regulations 2002*, any plant of the genus *cannabis* is defined as both a "controlled plant" and "border controlled plant"[2], whilst any form of cannabis is defined as both a "controlled drug" and a "border controlled drug".[3]

However, the relevant provisions that make these activities an offence do not apply where a person engages in activities that are justified or excused under a law of the Commonwealth or the State or Territory where the activities take place.[4] Assuming the Company complies with the relevant licensing regimes set out below, its activities should not constitute an offence under the Criminal Code.

(b) *Narcotic Drugs Act 1967 (Cth)* (**ND Act**)

In November 2016, the ND Act was amended to establish a licensing scheme for the cultivation and production of cannabis and manufacture of medicinal cannabis products for medicinal and related scientific purposes.

[1] See Part 9.1 of the Criminal Code.
[2] See sections 5B(1) and 5E(1) of the *Criminal Code Regulations 2002.*
[3] See items 50 and 51 of Schedule 3 and items 34 – 36 of Schedule 4 of the *Criminal Code Regulations 2002* (this includes any form of cannabis, including flowering or fruiting tops, leaves, seeds or stalks, but not including Cannabis fibre).
[4] See Subdivision 313.1 and section 10.5 of the Criminal Code.

(i) Cultivation / Production licence

Chapter 2 of the ND Act sets out the two types of cannabis cultivation/production licences that can be issued, a medical cannabis licence and a cannabis research licence. These licences are granted and governed by the Office of Drug Control (**ODC**) a division of the Department of Health.

Broadly, a **medical cannabis licence** may authorise one or more of the following activities:[5]

1 the cultivation of cannabis plants (in accordance with one or more medicinal cannabis permits) for the purpose of producing cannabis or cannabis resin for medicinal purposes, and the obtaining of cannabis plants for that purpose;

2 the production of cannabis or cannabis resin (in accordance with a medicinal cannabis permit) for the medicinal purposes; or

3 related activities to the above, such as supplying, packaging, transporting, storing, possessing, controlling, disposing or destructing cannabis plants, cannabis or cannabis resin.

A **cannabis research licence** may authorise one or more of the following activities:[6]

1 the cultivation of cannabis plants (in accordance with one or more cannabis research permits) for the purpose of producing cannabis or cannabis resin for research relating to medicinal cannabis, and the obtaining of cannabis plants for that purpose;

2 the production of cannabis or cannabis resin (in accordance with a cannabis research permit) for research relating to medicinal cannabis; or

3 related activities to the above, such as supplying, packaging, transporting, storing, possessing, controlling, disposing or destructing cannabis plants, cannabis or cannabis resin.

In determining whether to grant a medical cannabis or cannabis research licence, the ODC must consider (amongst other things) whether it is satisfied on reasonable grounds that the applicant (and each of the applicant's relevant business associates – whether or not in connection with the medicinal cannabis business) is a fit and proper person to hold the licence.[7]

Before a licence holder can cultivate cannabis plants, or produce cannabis or cannabis resin, the licence holder must obtain a cannabis permit.[8] Broadly, permits set out matters such as the types of cannabis plants that can be cultivated, the period during which cultivation may take place and the quantities of cannabis and cannabis resin that can be produced.[9]

(ii) Manufacture licence

Separately, Chapter 3 of the ND Act provides for the issuing of a manufacturing licence that may authorise the manufacture of a drug (in accordance with a manufacture permit) and related activities to

[5] See section 8E(1) of the ND Act.
[6] See section 9D(1) of the ND Act.
[7] See subsection 8G(1) and subsection 9F(1) of the ND Act.
[8] Section 10G of the ND Act.
[9] Sections 9B and 10A of the ND Act.

such as supplying, packaging, transporting, storing, possessing, controlling, disposing or destructing the drug.[10]

In determining whether to grant a manufacture licence, the ODC must consider (amongst other things) whether it is satisfied on reasonable grounds that the applicant (and each of the applicant's relevant business associates – whether or not in connection with the medicinal cannabis business) is a fit and proper person to hold the licence.[11]

Similar to the above, before a licence holder can manufacture drugs, the licence holder must obtain a manufacture permit that, among other things, sets out the types and quantities of drugs that can be manufactured as well as the period for which manufacturing can take place.[12]

In order to receive either type of licence, an application must be submitted to the ODC complying with the requirements prescribed in the *Narcotic Drugs Regulation 2016* as to form, information, accompanying documents and fees.[13]

Certain conditions are imposed on all cultivation/production licences and manufacture licences,[14] whilst the ODC has the authority to impose additional conditions on individual licences. Additionally, in certain circumstances a licence or permit may be varied or revoked.[15]

In the Prospectus, it is disclosed that AusCo intends to submit applications for a medical cannabis licence (for cultivation/production) and a manufacture licence. Should these licences be issued to AusCo, they will authorise AusCo to:

- cultivate cannabis plants for producing cannabis or cannabis resin for medicinal purposes, and obtain cannabis plants for that purpose; and
- manufacture one or more drugs that are medicinal cannabis products.

If the licences are issued, AusCo would still need to apply for the requisite medicinal cannabis permits and a manufacture permits, setting out the precise details of the types and quantities of plants that can be cultivated and drugs that can be manufactured.

(c) *Customs Act 1901 (Cth)* (**Customs Act**)

(i) Importation Licence / Permission

The Customs Act confers the Governor-General the power to prohibit (absolutely or under certain circumstances / conditions) the importation of goods into Australia.[16]

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[10] Section 11G(1) of the ND Act.
[11] See subsection 11J(1) of the ND Act.
[12] Section 12C of the ND Act.
[13] See sections 8E(2)-(3), 9D(2)-(3) and 11G(2)-(3) of the ND Act and the *Narcotic Drugs Regulation 2016*.
[14] See Division 3 of Part 2 of Chapter 2 (cultivation / production licences) and Division 2 of Part 2 of Chapter 3 (manufacture licences) of the ND Act.
[15] See Division 4 of Part 2 of Chapter 2 (cultivation / production licenses) and Division 3 of Part 2 of Chapter 3 (manufacture licenses).
[16] Section 50 of the Customs Act.

Broadly, under regulation 5 of the *Customs (Prohibited Imports) Regulations 1956* (**CPI Regulations**), the importation of cannabinoids, cannabis and cannabis resin is prohibited unless the person importing the drug is the holder of: [17]

- a licence to import drugs granted by the Secretary (or an authorised person) (**Importation Licence**); and
- a permission to import the drug granted by the Secretary (or an authorised person) (**Importation Permission**).

An Importation Licence will not be granted unless the applicant:[18]

- furnishes all the information reasonably required in relation to the application;
- is a fit and proper person to be granted a licence (including any agents and employees); and
- the premises on which the drugs will be possessed is secure for that purpose.

If an Importation Licence is granted, the holder must:[19]

- keep the drugs in safe custody at all times (including during transport);
- only dispose of the drugs for solely medical or scientific purposes;
- keep records in compliance with the regulations;
- furnish information, records or drugs when requested for inspection; and
- ensure importation of any drugs is in accordance with the terms of a Importation Permission.

An Importation Permission will not be granted unless the applicant:[20]

- furnishes all the information reasonably required in relation to the application; and
- is the holder of a manufacturing licence under the ND Act (if the drugs are to be used for manufacturing (see section 3.1(b) above)), is the holder of all required State or Territory licences for supply (if the drugs are to be used for supply (see section 3.2(a) below)), or, if neither of the above are applicable, ensure the drugs are to be used for medical or scientific purposes only.

In respect of the above, importers may apply for an Importation Licence and Permission if it is established that the drug will be used for a Special Access Scheme, Authorised Prescriber Scheme or clinical trial under the *Therapeutic Goods Act 1989* (see section 3.1(d) below).

Separately, the person may also need an export licence and/or permit from the country of origin depending on the laws of that country.

[17] See regulation 5(1) and items 34, 35 and 36 of Schedule 4 of the CPI Regulations.
[18] Regulation 5(7) of the CPI Regulations.
[19] Regulation 5(9) of the CPI Regulations.
[20] Regulation 5(10) of the CPI Regulations.

In the Prospectus, it is disclosed that AusCo intends to submit an application for an Importation Licence. Should the licence be issued, AusCo will be able to apply for a Importation Permission for the importation of the precise raw materials or finished products.

(d) *Therapeutic Goods Act 1989* (Cth) (**TG Act**)

The TG Act provides for the establishment and maintenance of a national system of controls for the quality, safety, efficacy and timely availability of therapeutic goods that are used in, or exported from, Australia. Under the TG Act, the Australian Register of Therapeutic Goods (**ARTG**) is administered by the Therapeutic Goods Administrator (**TGA**) and compiles information in relation to, and for the evaluation of, therapeutic goods for use in humans.

(i) Access

Generally, medicines imported into, supplied in, and exported from Australia must be entered in the ARTG. However, for unapproved therapeutic goods, section 19 (and others) of the TG Act provides a series of mechanisms to enable access. For medicinal cannabis, these pathways include: the Authorised Prescriber Scheme (**APS**),[21] a Special Access Scheme (**SAS**),[22] or access as part of a clinical trial.[23]

(A) APS and SAS

Broadly, under the APS, a specific medical practitioner can be approved (**Authorised Prescriber**) to prescribe a product not included on the ARTG to a specified class or classes of patient.[24]

Amongst other requirements, under regulation 12B of the *Therapeutic Goods Regulations 1990* (Cth) (**TG Regs**), an Authorised Prescriber must be a medical practitioner and have approval from an ethics committee or received an endorsement from an appropriate specialist college to supply the relevant medicines. Additionally, prescription may only be to patients with life-threatening or serious illnesses and the Authorised Prescriber must meet any conditions applied to their approval.[25]

Once a medical practitioner becomes an Authorised Prescriber they do not need to notify the TGA when they are prescribing the unapproved product, however they must report to the TGA the number of patients treated on a six monthly basis.[26]

On the other hand, access under each SAS pathway is undertaken by application to the TGA for a single patient on a case-by-case basis.

Under the various SAS pathways, the importer or manufacturer of the medicinal cannabis products is considered the "sponsor". The sponsor has a legal obligation to ensure that all of the relevant approvals, licences, authorisations and exemptions have been obtained and that the products comply with all of the applicable standards (see below). Should these conditions be satisfied, the sponsor may be able to supply the relevant product under the precise SAS pathway to the approved single patient.

[21] See subsections 19(5) and 31B(3) of the TG Act.
[22] See section 19(1) and subsection 31B(1) of the TG Act.
[23] See section 19 and subsections 18(1) and 31A(1) of the TG Act.
[24] See subsection 19(5) of the TG Act.
[25] See subregulations12B(2) and 12B(3) of the TG Regs.
[26] See subsection 31B of the TG Act.

In the Prospectus, the Company notes that AusCo intends to distribute in accordance with the APS. Assuming all medical professionals are "Authorised Prescribers" and all required approvals, licences and permits are received, and required standards are complied with, AusCo should be eligible to distribute its products in accordance with the APS.

(B) Clinical trials

There are two schemes under which clinical trials involving unapproved therapeutic goods may be conducted, the Clinical Trial Notification (**CTN**) Scheme and the Clinical Trial Exemption (**CTX**) Scheme. The choice of which scheme to follow (CTN or CTX) lies firstly with the sponsor (ie, the importer / manufacturers) and then with the Human Research Ethics Committee (**HREC**) that reviews the protocol.[27]

Broadly, the CTN scheme is a notification scheme, where all material relating to the proposed trial (including the trial protocol) is submitted to the HREC at the institution or organisation where the trial will be conducted. the HREC assesses the scientific validity of the trial design, the safety and efficacy of the medicine and ethical acceptability of the trial process and advises the institution or organisation whether to grant approval for the trial. CTN trials cannot commence until the trial has been notified to the TGA. The HREC may determine that the CTN is not required or that the HREC does not have the expertise to assess the safety of the trial, and product.

The CTX scheme is an approval process by exception, where the sponsor of the trial submits an application to the TGA for evaluation and comment. Should the TGA object to the application, trials may not proceed until the objection has been remediated. A sponsor cannot commence a CTX trial until written advice has been received from the TGA regarding the application and approval for the conduct of the trial has been obtained from an ethics committee and the institution at which the trial will be conducted.

In the Prospectus, it is noted that AusCo intends to conduct clinical trials on its products (either imported or manufactured) via CTN / CTX. AusCo must get the relevant approvals set out above to conduct clinical trials under either scheme.

(ii) Quality standards

Broadly, under the TG Act, the Minister may make an order determining that matters specified in the order constitute a standard applicable to a class of therapeutic goods identified in the order.[28] The *Therapeutic Goods Order No. 93 (Standard for Medicinal Cannabis)* (the **Order**) sets out the standard for all medicinal cannabis products.

The Order applies to both domestic and international manufacturers to ensure that all medicinal cannabis products (ie, both imported and domestically manufactured products) meet the quality standard. The Order is intended to provide assurance to medical practitioners and patients that medicinal cannabis products manufactured in accordance with the Order meet minimum quality requirements.

On this basis, any medicinal cannabis products supplied by AusCo must comply with the standards set out in the Order.

[27] See http://www.tga.gov.au/clinical-trials-glance.

[28] Subsection 10(1) of the TG Act.

(iii) Manufacturing licence and standards

Under the TG Act, Australian manufacturers of medicines are required to obtain a licence to manufacture medicinal cannabis products that are either on the ARTG or available through one of the access pathways described above.[29] Once licenced, the manufacture of medicinal cannabis products must comply with the *Code of Good Manufacturing Practice for Medicinal Products* (**Code of GMP**), as determined by the Minister under section 36 of the TG Act.

As a result, AusCo will be required to obtain a manufacturing licence from the TGA and comply with the Code of GMP.

(iv) Distribution

Part 6-3 of the TG Act sets out the scheduling of substances that dictates what restrictions apply to their supply to the public. The purpose of this system is to minimise the risks of poisoning from, and the misuse and abuse of, scheduled substances.[30] Under the TG Act, the Secretary of the Department of Health is conferred the power to classify the substances into relevant schedules.[31] Once determined, the schedules are published in the *Standard for the Uniform Scheduling of Medicines and Poisons* (also known as, the **Poisons Standard**), with the most recent Poisons Standard being published in October 2017. The scheduling of substances in the Poisons Standard is then implemented through relevant State and Territory legislation.

Subject to certain exceptions, cannabis (including seeds, extracts, resins and any part of the plant) that is:

- cultivated or produced, or in products manufactured, in accordance with the ND Act; and/or
- for use in products manufactured in accordance with the ND Act; and/or
- imported as therapeutic goods, or for use in therapeutic goods, for supply, in accordance with the TG Act; and/or
- in therapeutic goods supplied in accordance with the TG Act,

is a **controlled drug** under the Poisons Standard.[32]

A controlled drug is a substance under the Poisons Standard that should be available for use, however requires restriction of manufacture, supply, distribution, possession and use to reduce abuse, misuse and physical or psychological dependence. As a result, medicinal cannabis can be prescribed provided that the applicable State or Territory permits prescription (see section 3.2(a) below).

(e) *Crimes (Traffic in Narcotic Drugs and Psychotropic Substances) Act 1990 (Cth)* (**TINDAPS Act**)

The TINDAPS Act sets out a variety of offences in relation to dealing in narcotic drugs. Cannabis, cannabis oil and cannabis resin are each listed as a narcotic drug in Schedule 2 of the TINDAPS Act.

[29] See Part 3-3 of the TG Act.
[30] See section 52AA of the TG Act.
[31] See section 52D(2)(b) of the TG Act.
[32] Schedule 8 of the Poisons Standard October 2017.

With that being said, section 5 of the TINDAPS Act makes clear that it is not intended to exclude or limit the operation of any other law of the Commonwealth or any State or Territory. For this reason, any activities authorised under a licence or permit granted under the Commonwealth or State licensing regimes should not constitute an offence under the TINDAPS Act.

3.2 New South Wales legislation

(a) *Poisons and Therapeutic Goods Act 1966 (NSW)* (**PTG Act**)

Under the PTG Act, possession for wholesale supply of any cannabis product for therapeutic use (either imported under a licence and permit from the ODC or manufactured in Australia under TGA and ODC manufacturing licences) requires a licence,[33] as does any attempt to manufacture medicinal cannabis products.[34] The *Poisons and Therapeutic Goods Regulations 2008* (**PTG Regs**) sets out the licensing regimes for the supply by wholesale of cannibidiol[35] and for the manufacture or supply of cannabis.[36]

(i) Wholesale supply

In order to supply medicinal cannabis products in NSW, a wholesale supply licence under Part 8 of the PTG Regs is required.[37] The licence application process involves producing required documentation (including documents confirming the proposed licensee is a 'fit and proper person') and gives the NSW Director-General of Health broad powers to refuse applications or, if granted, impose conditions in respect of the licence.

Under the PTG Regs, the holder of the wholesale licence can only supply medicinal cannabis products to another person if the product has been lawfully imported or manufactured in Australia and:[38]

- the person to whom the product is supplied is a medical practitioner and the product is supplied for the treatment of patients of the medical practitioner (including patients in a clinical trial), or
- the person supplying the product is a medical practitioner and the product is supplied for the treatment of a patient of the practitioner (including a patient in a clinical trial), or
- the person to whom the product is supplied is a pharmacist and the product is supplied for the purposes of the pharmacist supplying the product on the prescription of a medical practitioner, or
- the person supplying the product is a pharmacist and the product is supplied on the prescription of a medical practitioner, or

[33] **Note:** Cannabis is listed in Schedule 8 of the Poisons List (as published under section 8 of the PTG Act - since 1 July 2016 the Poisons Standard has been adopted as the Poisons List), and as a result a "drug of addiction" for the purposes of the PTG Act and PTG Regs. Cannabidiol is in Schedule 4 of the Poisons List (as published under section 8 of the PTG Act), and as a result a "restricted substance" for the purposes of the PTG Act and PTG Regs.

[34] Section 128D of the *Poisons and Therapeutic Goods Regulations 2008*.

[35] See Division 2 of Part 8 of the PTG Regs.

[36] See Division 3 of Part 8 of the PTG Regs.

[37] See regulation 100 of the PTG Regs, Division 2 of Part 8 of the PTG Regs for the supply by wholesale of restricted substances (ie, Cannabidiol), see Division 2 of Part 8 of the PTG Regs for the supply of drugs of addiction (ie, cannabis).

[38] See regulation 128E of the PTG Regs

- the product is supplied for the purposes of a clinical trial and the person responsible for the conduct of the trial holds a licence or authority under Part 8, or under the *Drug Misuse and Trafficking Act 1985*, authorising the use of the product in the trial, or

- the product is supplied for the treatment of a particular patient and the supply is authorised by a licence or authority under Part 8.

The NSW wholesale supply licence is a prerequisite for an application for an Importation Licence / Permission under the Customs Act (see section 3.1(c)).

In the Prospectus, the Company notes that AusCo intends to apply for a NSW wholesale supply licence. Should this be obtained and AusCo complies with the relevant requirements, the proposed operations should not breach the PTG Act.

(ii) Manufacture

In addition to the licences required under the ND Act and the TGA Act, a person seeking to manufacture medicinal cannabis products is also required to obtain a licence to manufacture in NSW under Part 8 of the PTG Regs.[39]

The PTG Regs for both wholesale supply and manufacturing, also set out standard requirements for handling, including storage, maintenance of registers, packaging, labelling, and procedures for orders from authorised practitioners.[40]

In the Prospectus, the Company notes that AusCo intends on applying for a NSW manufacture licence. Should this be obtained and AusCo complies with the relevant requirements, the proposed operations should not breach the PTG Regs.

(iii) Access

In addition to the requirements under the APS, a medical practitioner approved as an "Authorised Prescriber" by the TGA must also apply for approval from the Secretary under the PTG Act.[41]

(b) *Drugs Misuse and Trafficking Act 1985* (NSW) (**DMT Act**)

Division 2 of Part 2 of the DMT sets out a variety of indictable offences relating to the possession, cultivation and supply of prohibited plants and drugs. The definition of "prohibited plant" includes any growing plant of the genus *cannabis*.[42] Additionally, "prohibited drug" includes any growing plant of the genus *cannabis*, cannabis oil and cannabis resin.[43]

Section 8 of the DMT Act notes that nothing within the DMT Act affects any provision made by or under the PTG Act or renders unlawful anything done in accordance with any such provision. As a result, any activities by a licence holder under the PTG Act (or PTG Regs) that are done in accordance with the relevant licence should not constitute an offence under the DMT Act.

[39] See regulations 100 and 128D of the PTG Regs for prohibition and regulation 165 of the PTG Regs for the application requirements.
[40] See Division 1 of Part 6 of the PTG Regs.
[41] Section 23 of the PTG Act.
[42] Section 3 of the DMT Act.
[43] See section 3 and schedule 1 of the DMT Act.

4 HFA – Industrial Hemp

As noted above, under the Criminal Code it is an offence to (amongst other things) cultivate or sell a "controlled plant", manufacture, traffic (including sell) or possess a "controlled drug" or import a "border controlled drug/plant".[44]

Under the *Criminal Code Regulations 2002*, any plant of the genus *cannabis* is defined as both a "controlled plant" and "border controlled plant",[45] whilst any form of cannabis is defined as both a "controlled drug" and a "border controlled drug".[46]

However, the relevant provisions that make these activities an offence do not apply where a person engages in activities that are justified or excused under a law of the Commonwealth or the State or Territory where the activities take place.[47] Assuming HFA complies with the relevant licensing regimes set out below, its activities should not constitute an offence under the Criminal Code.

4.1 NSW licensing regime

As noted above, Division 2 of Part 2 of the DMT Act sets out a variety of indictable offences relating to the possession, cultivation and supply of prohibited plants and drugs. Relevantly, any genus of cannabis is included in the definitions of "prohibited plant" and "prohibited drug". [48]

Section 8A of the DMT Act notes that nothing within the DMT Act affects any provision made by or under the *Hemp Industry Act 2008* (**HI Act**) or renders unlawful anything done in accordance with any such provision. As a result, any activities by a licence holder under the HI Act that are done in accordance with the relevant licence should not constitute an offence under the DMT Act. This is reinforced by the exceptions to the relevant line item in Schedule 1 of the DMT Act for low THC hemp food,[49] and the "note" in section 5 of the HI Act which confirms that the possession of low-THC hemp is not an offence under the DMT Act if it is cultivated or supplied under the authority of the HI Act.

(a) HI Act and Hemp Industry Regulations 2016 (**HI Regulations**)

The HI Act was established with the object of enabling low-THC hemp (being cannabis with a concentration of tetrahydrocannabinol of no more than 1%) to be cultivated and supplied for commercial production and other legitimate purposes in accordance with a licensing scheme to be administered by the Director-General of the Department of Primary Industries.[50]

Part 2 of the HI Act sets out the licensing scheme for the NSW hemp industry. In particular, section 5 of the HI Act gives the Secretary the power to grant a licence authorising a person to cultivate or supply low-THC hemp for:

- commercial production;

[44] See Part 9.1 of the Criminal Code.
[45] See sections 5B(1) and 5E(1) of the *Criminal Code Regulations 2002*.
[46] See items 50 and 51 of Schedule 3 and items 34 – 36 of Schedule 4 of the *Criminal Code Regulations 2002* (this includes any form of cannabis, including flowering or fruiting tops, leaves, seeds or stalks, but not including Cannabis fibre).
[47] See Subdivision 313.1 and section 10.5 of the Criminal Code.
[48] See section 3 and schedule 1 of the DMT Act.
[49] See Schedule 1 of the DMT Act, the exceptions to the line item "Tetrahydrocannabinol and its alkyl homologues".
[50] See Long Title of the HI Act.

- use in any manufacturing process;
- scientific research, instruction, analysis or study; or
- any other purpose prescribed by the regulations.

In order for an applicant to be granted a licence under section 5 of the HI Act, an application for a licence must be in the approved form, be accompanied by the approved fee and contain the information prescribed in the regulations or determined by the Secretary (see below for further details).[51]

Importantly, section 9 of the HI Act notes that the Secretary must not grant a licence to a person unless satisfied that the person, and each close associate of the person, is a suitable person to be concerned in or associated with the cultivation or supply of low-THC under the licence. In determining this, the Secretary is to have regard to whether the person, and each close associate, is of good repute, having regard to character, honesty and integrity.[52] The Secretary must refuse to grant a licence the person, or a close associate, has been found guilty of a drug-related offence, similarly, the Secretary may refuse to grant a licence if the person, or a close associate, has been found guilty of an offence that makes the person unsuitable.[53]

A "close associate" is defined to include a person who:

- holds (or will hold) any relevant financial interest (ie, a share in the capital of the business), or is or will be entitled to exercise any relevant power (ie, participate in directorial, managerial or executive decisions or elect a person to a relevant position), in the business of the licence applicant or holder, and by virtue of that interest or power is or will be able (in the opinion of the Secretary) to exercise a significant influence over or with respect to the conduct of that business; or
- holds (or will hold) any relevant position (ie, director, manager, secretary or executive position), whether in his or her own right or on behalf of any other person, in the business of the licence applicant or holder.[54]

The HI Regulations, sets out in detail the required information for an application of each of the different licences. Broadly, a licence to cultivate for commercial production, a manufacturing process or scientific purposes requires prescriptive information including:[55]

- a description of the location of the property where cultivation will take place;
- a plan of the property depicting where the low-THC hemp will be cultivated or stored;
- any property identification code for the property;
- if the applicant does not own the property – details of the owner of the property and evidence of the owner's consent to the use of the property to cultivate low-THC hemp;

[51] See section 7 of the HI Act.
[52] Sub-section 9(3) of the HI Act.
[53] Sub-sections 9(4) and (5) of the HI Act.
[54] See section 4 of the HI Act.
[55] Regulations 3, 5 and 7 of the HI Regulations.

- in the case of the manufacturing, a description of the process to which the low-THP hemp will be subject (if known); and
- in the case of cultivation for scientific purposes, details of:
  - educational qualifications and experience of the applicant and any close associate who will be associated with the cultivation of low-THC hemp; and
  - the proposed research, instruction, analysis or study.

In respect of an application for a licence to supply low-THC hemp for commercial production, a manufacturing process or scientific purposes, the following details are prescribed:[56]

- the estimated quantity of low-THC hemp to be supplied annually;
- in the case of supply for commercial production, a description of the location of the property that is to be used for commercial production (if known);
- in the case of supply for use in a manufacturing process, a description of the location of the property that is to be used for manufacturing (if known), and a description of the proposed manufacturing process (if known); and
- in the case of supply for scientific purposes, a description of the location of the property that is to be used for the proposed research (if known), and a description of the proposed research, instruction, analysis or study.

Section 12 of the HI Act notes that a licence is subject to conditions imposed by the HI Act, the HI Regulations and conditions imposed by the Secretary. Regulation 10 of the HI Regulations prescribes a series of conditions including (but not limited to) the following:

- the licensee must ensure that the activities authorised by the licence remain under the licensee's control at all times;
- it a licence specifies an area in which an activity authorised by the licence is to be carried out, the licensee must ensure that such activities are carried out only in the specified area;
- a licensee may only use seed that is supplied on the basis that it will not produce hemp that has a concentration of THC (in its leaves and flowering heads) of more than 0.5%;
- a licensee must take all necessary steps to ensure that any hemp cultivated by the licensee has a concentration of THC (in its leaves and flowering heads) that does not exceed 1%; and
- a licensee must take all necessary steps to ensure that any low-THC hemp that has been, or is intended to be, cultivated or supplied under the licence is not at risk of being used for an unlawful purpose.

Additionally, it is a condition of a licence that the licensee keep a register containing prescribed details about employees, dates consignments are supplied or obtained, weights and varieties of consignments, details of destruction or disposal of seeds or plants and other details for sowing,

[56] See regulation 4, 6 and 8 of the HI Regulations.

planting, harvesting and supply.[57] This register must be retained for a period of 5 years after the expiry or revocation of a licence.[58] Licensees must also provide an annual report to the Secretary in relation to the activities carried out under the licence.[59]

As a result, it is legal in NSW for low-THC hemp to be cultivated and supplied for commercial production and other legitimate purposes in accordance with the licensing scheme set out above.

4.2 Low THC hemp as a food product

(a) *Food Standards Australia New Zealand Act 1991* (**FSANZ Act**)

Under the FSANZ Act, Food Standards Australia New Zealand (**FSANZ**) is established as an independent statutory agency. FSANZ develops standards that regulate the use of ingredients, processing aids, colourings, additives, vitamins and minerals. It does this under a legislative instrument known as the Australia New Zealand Food Standards Code (the **ANZFS Code**). The ultimate decision-maker in the system is the Australia New Zealand Ministerial Forum on Food Regulation (**Forum**). The Forum signs off on the ANZFS Code and can also request that a draft standard be developed, reviewed, amended or rejected.

Standard 1.1.1 of the ANZFS Code states a food for sale must not be, and must not have as an ingredient or component, a prohibited plant.[60] Previously, "Cannabis (all cannabis species)" was listed as a prohibited plant in Schedule 23 – Prohibited plants and fungi. This prohibition included a part or derivative of the cannabis species or a substance derived from that plant, part or derivative.

In March 2017, the FSANZ amended the ANZFS Code to provide an exception relating to cannabis sativa seeds. Broadly this exception allows cannabis sativa seeds to be a food for sale (or used as an ingredient in a food for sale) if (amongst other things):[61]

- the seeds:
  - are low THC cannabis sativa (being cannabis sative where the leaves and flowering heads do not contain more than 1% delate 9-tetrahydrocannabinol);
  - contain no more than 5 mg/kg of total THC; and
  - if the food is for retail sale – are not able to germinate and are hulled; and
- the only cannabinoids in or on the seeds are naturally present.

This exception expressly includes the following products that may be sold as food or used as an ingredient in a food for sale:[62]

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[57] Regulation 11 of the HI Regulations.
[58] Regulation 11(4) of the HI Regulations.
[59] Regulation 12 of the HI Regulations.
[60] See paragraphs 1.1.1-10(5)(a) and 1.1.1-10(6)(e) of the ANZFS Code.
[61] See ANZFS Code, Standard 1.4.4-6(1).
[62] See ANZFS Code, Standard 1.4.4-6(2). **Note:** The only cannabinoids in the product must be those that were naturally present in or on the seeds from which the product was extracted or derived (see ANZFS Code, Standard 1.4.4-6(3)).

- oil extracted from seeds of low THC cannabis sativa if the oil contains not more than 10 mg/kg of total THC;
- a beverage derived from seeds of low THC cannabis sativa if the beverage contains not more than 0.2 mg/kg of total THC; and
- any other product that is extracted or derived from seeds of low THC cannabis sativa and contains not more than 5 mg/kg of total THC.

On 28 April 2017, the Forum did not "seek a review" of FSANZ's draft variation to the ANZFS Code, meaning the variation was approved. As a result, the variation to the ANZFS Code was gazetted on 11 May 2017.

Although gazetted in May 2017, the commencement date for this change to the ANZFS Code was delayed for six months (until 12 November 2017) to allow the States and Territories time to make the necessary amendments to the applicable legislation / regulations.

(b) *NSW - DMT Act (NSW)*

In NSW, Schedule 1 of the DMT Act lists each of the "prohibited plants or prohibited drugs", and the corresponding quantities for differing offences. "Tetrahydrocannabinol and its alkyl homologues" (ie, THC) is listed in Schedule 1, however the following are express exceptions (reflecting the exception to the ANZFS Code):[63]

- hemp seeds for human consumption containing 5mg/kg or less of tetrahydrocannabinols where the seeds have had their hulls removed and are non-viable, or
- hemp seed oil for human consumption containing 10mg/kg or less of tetrahydrocannabinols, or
- beverages made from hemp seeds if the beverage contains 0.2mg/kg or less of tetrahydrocannabinols.

4.3 Importation of industrial hemp

(a) Customs Act and CPI Regulations

As set out above in part 3.1(c), the Customs Act and CPI Regulations prohibits the import into Australia of a Schedule 4 (of the CPI Regulations) controlled substance unless the person importing the drug holds a licence or permission to import that substance (licenses and permissions are granted by the Secretary of the Department of Health). Cannabis, Cannabis resin, and tetrahydrocannabinols, including all alkyl homologues of tetrahydrocannabinols, are all listed in Schedule 4 as controlled substances. There is no distinction in the Regulations between Cannabis and low THC hemp. All Cannabis products intended for human consumption are prohibited to be imported into Australia under the Regulations.

As a result, there is a requirement to obtain the Import Licences and Import Permissions described in part 3.1(c) above for the importation of low THC hemp. Additionally, export permits may be required from the country of origin.

[63] See Schedule 1 of the DMT Act.

5 Assumptions and qualifications

This legal opinion is based on the following assumptions and qualifications:

- AusCo and HFA only operate (and intend to operate) in NSW, Australia. Any operations in other States or Territories, or in foreign jurisdictions may require further licences, permits or authorisations, and may be subject to further restrictions;
- HFA only purchases, possesses, processes, produces, supplies or deals with cannabis with a concentration of tetrahydrocannabinol of no more than 1% ("**low-THC hemp**");
- Employees, officers, directors and agents of the Company and each member of the Group have disclosed all material information about the operations of each of the entities of the Elixinol Group;
- All statements made regarding the operations of the Company and each member of the Group in the Prospectus are true and correct;
- All factual matters (as distinct from matters of Australian law) stated in any document or response provided to us, or reviewed by us, are true and correct;
- All information provided by employees, officers, directors and agents of the Company and each member of the Group have been true and accurate in all material respects and have contained no material omissions;
- In respect of all factual matters material to the opinions, statements and assumptions expressed in this opinion, we have relied on statements from the employees, officers, directors and agents of the Company and each member of the Group;
- There has been no historical non-compliance by any member of the Elixinol Group in respect of any required licence, authorisation, accreditation or permit, nor has there been any breach by any member of the Elixinol Group of any applicable law or regulation relating to its operations or proposed operations;
- This opinion and the information which informs this opinion are based on the information and confirmations provided by the Elixinol Group entities during due diligence and as disclosed in the Prospectus;
- The Elixinol Group's suppliers, distributors and all relevant third parties have obtained and hold the requisite licences, permits, authorisations and approvals;
- This opinion relates to the laws of the Commonwealth of Australia and the State of New South Wales in force at the date of this opinion. We do not express or imply any opinion as to the laws of any other jurisdiction, nor have we investigated the laws of any other jurisdiction;
- This opinion is given as of the date of the opinion, and we express no opinion as to the effect of any change in the facts or law or policy (or interpretations of such laws or policy) on which such opinions are based subsequent to the date of this opinion. We disclaim any obligation to update this opinion for any change in the facts or law occurring after the date of this opinion, which might affect this opinion;
- Management has reviewed this opinion and confirmed its factual accuracy;

- We have not conducted any searches in any official registry or with any public authorities in relation to any matter, including without limitation, any legal, governmental or regulatory proceedings pending in relation to any member of the Group and any licenses, consents, approvals and permits issued to any member of the Group;
- Any statement made in this opinion that is based on a statement made in the Prospectus is not a confirmation of the truth or accuracy of that statement;
- We have acted and been involved only in our capacity as Australian legal advisor to the Company in relation to the Offer;
- This opinion does not express an opinion on any matter requiring skill or expertise of a non-legal nature, including business, operational, commercial, financial, market-related, statistical or accounting matters;
- The statements made and opinions in our letter are based on the knowledge (as to matters of fact not law) of those partners and solicitors of Gilbert + Tobin only who have acted for the Company in connection with the Offer. We have not made any inquiries of other partners or solicitors of the firm who may have knowledge acquired in the course of acting on other matters for the Company or for other clients of the firm; and
- The statements made and opinions in this letter are given only to the extent that a law firm, having the role described above, could reasonably be expected to have become aware of relevant facts and to have identified the implications of those facts.

6 Conclusion

Subject to AusCo obtaining the required licences and approvals set out in section 3 and the qualifications and assumptions set out in section 5, AusCo has a legal right to operate its business in Australia, and there should be:

(a) no regulatory impediments to AusCo expending its funds in accordance with its proposed use of funds; and

(b) no legal impediments to AusCo carrying out its proposed operations in Australia.

Additionally, subject to obtaining the required licences and approvals and complying with the relevant licensing and regulatory regime set out in section 4, the cultivation and/or supply of low-THC hemp in NSW is legal, whilst the sale of low-THC hemp as a food is legal under Australian Federal and NSW law.

Yours faithfully

Gilbert + Tobin

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Appendix

D

Glossary

Term	Meaning
AAS	Australian Accounting Standards.
AASB	Australian Accounting Standards Board.
ACMPR	Access Cannabis for Medical Purposes Regulations.
ANZFS Code	Australia New Zealand Food Standards Code.
Applicant	A person who submits an Application.
Application	An application to subscribe for Shares offered under this Prospectus.
Application Form	The application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility).
Application Monies	The amount of monies accompanying an Application Form submitted by an Applicant.
ARTG	Australian Register of Therapeutic Goods.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited or the securities exchange that it operates, as the context requires.
ASX Recommendations	ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (third edition, March 2014).
ASX Listing Rules	The listing rules of ASX.
ASX Settlement Operating Rules	The settlement operating rules of ASX.
ATO	Australian Tax Office.
AUD	Australian Dollars.
Audit and Risk Committee	The Board's audit and risk sub-committee.
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board.
Authorised Prescriber	There are circumstances where patients may require access to medicines, biologicals or medical devices that have not been approved for supply by the TGA. In these circumstances a medical practitioner may be granted authority to become an 'Authorised Prescriber' of a specified unapproved therapeutic good (or class of unapproved therapeutic goods) to specific patients (or classes of recipients) with a particular medical condition.
Authorised Prescriber Scheme or APS	The scheme governed by the TGA under which Authorised Prescribers may prescribe a specified unapproved therapeutic good (or class of unapproved therapeutic goods) to specific patients (or classes of recipients) with a particular medical condition.
Bell Potter or Bell Potter Securities Limited	Bell Potter Securities Limited (ACN 006 390 772).
Board or Board of Directors	The board of directors of the Company.
BPAY®	The payment mechanism used to pay Application Monies online.
Broker	An ASX participating organisation selected by the Lead Manager and the Company to act as a broker to the Offer.
Broker Firm Applicant	An Australian resident client of a Broker who is offered a firm allocation of Shares under the Broker Firm Offer.
Broker Firm Offer	The offer of Shares under this Prospectus to Australian resident retail clients of participating Brokers who have received participate firm allocation from their Broker, as described in Section 7.8.

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Term	Meaning
Broker Firm Application Form	The Application Form made available with a copy of this Prospectus, identified as the Broker Firm Offer Application Form.
CAGR	Compound annual growth rate.
Cannabinoids	Has the meaning given in the table titled "Some useful terms" on page 25 of this Prospectus.
Cannabidiol (CBD)	Has the meaning given in the table titled "Some useful terms" on page 25 of this Prospectus.
Cannabis Sativa	Cannabis sativa is an annual herbaceous flowering plant. It is placed in the Cannabis genus which belongs to a small but diverse family the Cannabaceae.
CBD Hemp oil	Has the meaning given in the table titled "Some useful terms on page 25 of this Prospectus.
CGT	Capital Gains Tax.
CHESS	ASX's Clearing House Electronic Sub-register System. See Section 7.17.
Closing Date	The date on which the Offer is expected to close, being Wednesday, 15 December 2017 in respect of the Retail Offer.
Colorado Cultivars	Has the meaning given in Section 9.6.2.1.
Code	Code of Conduct that applied to all persons that act on behalf of the Elixinol Group.
Code of GMP	Code of Good Manufacturing Practice for Medicinal Products.
Colorado Cultivars Supply Agreement	The supply agreement between Colorado Cultivars LLC and Elixinol US.
Company	Elixinol Global Limited (ACN 621 479 794).
Completion of the Offer	Completion in respect of the allotment and issue of Shares by the Company in accordance with the Underwriting Agreement.
Consenting Party	Each of the parties listed in Section 9.8.
Constitution	The constitution of the Company.
Control Event	means: • a court orders a meeting to be convened in relation to a proposed compromise or arrangement for the purposes of, or in connection with: - a scheme which would, if it becomes effective, result in any person (either alone or together with its related bodies corporate) owning all of the shares in the Company; or - a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; • members of the Company approve any compromise or arrangement referred to in paragraph (a); or • any person becomes bound or entitled to acquire shares in the Company under any compromise or arrangement referred to in paragraph (a) which has been approved by the court.
Control Transaction	A transaction which results in a change of control (as defined in the Corporations Act) of the Company.
Controlled Substances Act	An Act to amend the Public Health Service Act and other laws to provide increased research into, and prevention of, drug abuse and drug dependence; to provide for treatment and rehabilitation of drug abusers and drug dependent persons; and to strengthen existing law enforcement authority in the field of drug abuse. Enacted by the 91st United States Congress, effective 1 May 1971.

Term	Meaning
Convention	Single Convention on Narcotic Drugs 1961.
Convertible Notes	The convertible notes issued by Elixinol AUS to various investors on 1 September 2017.
Corporations Act	Corporations Act 2001 (Cth).
CPI Regulations	Customs (Prohibited Imports) Regulation 1956.
CTN	Clinical Trial Notification.
CTX	Clinical Trial Exemption.
Customs Act	Customs Act 1901 (Cth).
Director	A member of the Board.
Diversity Policy	The Company's diversity policy adopted by the Board.
DMT Act	Drugs Misuse and Trafficking Act 1985 (NSW).
EBIT	Earnings before interest and taxation.
EBITDA	Earnings before interest, taxation, depreciation and amortisation.
EFA	Essential Fatty Acids.
Elixinol Global or the Company	Elixinol Global Limited (ACN 621 479 974).
Elixinol AUS	Elixinol Pty Ltd (ACN 602 495 394).
Elixinol Group	The Company and its controlled entities post-Completion of the Offer and, where the context requires, the businesses conducted by those companies.
Elixinol US	Elixinol LLC (Company Number 47-2510704).
Employees	Employees of the Elixinol Group.
Enterprise Value	The sum of the market capitalisation of the Company at the Offer Price less the expected net cash at Completion of the Offer.
EXL	The Company's expected ASX code.
EU	European Union.
Existing Shareholders	All persons holding shares in the Company and any of Elixinol US, Elixinol AUS or HFA immediately prior to Completion of the Offer.
Existing Shares	Fully paid ordinary shares in the capital of Elixinol Global.
Expiry Date	The date which is 13 months after the Prospectus Date.
Exposure Period	The seven day period after the Prospectus Date, which may be extended by ASIC by a further period of 7 days, during which no Applications may be processed by the Company.
FIEL	Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948).
Financial Information	The financial information described as Financial Information in Section 4.
FMC Act	Financial Markets Conduct Act 2013.
Forecast Financial Information	The financial information described as Forecast Financial Information in Section 4.
FSANZ	Food Standards Australia New Zealand.
FY	Abbreviation for the Financial Year.
GMP	Good Manufacturing Practice.
GST	Goods and services tax.
H&W	H&W Holdings LLC.
Hemp seed oil	Has the meaning given in the table titled "Some useful terms" on page 25 of this Prospectus.
HFA	Hemp Foods Australia Pty Ltd (ACN 090 668 367).

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Term	Meaning
HI Act	Hemp Industry Act 2008 (NSW).
HIN	Shareholder's Holder Identification Number.
Historical Financial Information	The financial information described as Historical Financial Information in Section 4.
HREC	Human Research Ethics Committee.
IFRS	International Financial Reporting Standards.
Implementation Deed	Has the meaning given in Section 9.5.
Importation Licence and Permission	Has the meaning given to it in Section 2.3.5.
Institutional Investor	• Investors who are: person who are wholesale clients under Section 761G of the Corporations Act and either "professional investors" or "sophisticated investors" under sections 708(11) and 708(8) of the Corporations Act; or • institutional investors in certain other jurisdictions, as agreed by the Company and the Lead Manager, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approved by, any government agency (expect one with which the Company is willing in its discretion to comply); and • provided that in each case such investors are not in the United States.
Institutional Offer	The offer of Shares under this Prospectus to Institutional Investors, as described in Section 7.12.
Investigating Accountant	Deloitte Corporate Finance Pty Limited (ACN 003 833 127).
Investigative Accountant's Report	The Investigating Accountant's report as set out in Section 8.
KPI	Key performance indicator.
Lead Manager	The lead manager to the Offer, being Bell Potter.
Listing	The expected admission of the Company to the Official List.
Management	The executive management team of the Company.
Market Data	Means certain statistical information, modelled data and analytics relating the markets that the Elixinol Group operates (or intends to operate) in, market sizes, market shares, market positions, other industry data and macroeconomic trends and positions, contained in this Prospectus.
Medicinal Cannabis	Has the meaning given in the table titled "Some useful terms" on page 25 of this Prospectus.
Medical Education Program	A program for educating specialists and medical practitioners in medical cannabis, efficacy and dosage/treatment protocols.
ND Act	Narcotic Drugs Act 1967 (Cth).
NDA Act	Narcotic Drugs Amendment Act 2016 (Cth).
Non-Executive Director	A member of the Board who does not form part of the Company's management.
Nutraceuticals	Has the meaning given in the table titled "Some useful terms" on page 25 of this Prospectus.
New Shares	The new Shares to be issued by the Company under the Offer.
New Shareholders	Shareholders who were not Existing Shareholders.
NPAT	Net profit after tax.
NPATA	Net profit after tax excluding amortisation pertaining to acquired intangibles.
ODC	Office of Drug Control.
Offer	The offering of Shares under this Prospectus.
Offer Price	$1.00 per Share.
Official List	The official list of entities that ASX has admitted to and not removed from listing.
Order	Therapeutic Goods Order No. 93 (Standard for Medicinal Cannabis).
Poisons Standard	Standard for the Uniform Scheduling of Medicines and Poisons.
Portal	Medical Professional Education portal.

Term	Meaning
Priority Offer	Means an offer which is open to selected investors nominated by the Company in eligible jurisdictions, who have received a Priority Offer invitation to acquire Shares under this Prospectus.
Pro forma Historical Financial Information	Defined in Section 4.
Pro forma Historical Balance Sheet.	Defined in Section 4.
Pro forma Forecast Income Statement	Defined in Section 4.
Pro forma Forecast Cash Flows	Defined in Section 4.
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document.
Prospectus Date	The date on which a copy of this Prospectus is lodged with ASIC, being 28 November 2017.
Remuneration and Nomination Committee	The Board's remuneration and nomination sub-committee.
Raw With Life	Raw With Life Pty Ltd (ACN 116 090 987) as trustee of the Benhaim Trading Trust, the corporate vehicle of Paul Benhaim, a shareholder and Director of the Company.
Restructure	The restructure described in Section 9.5.
Restructure Agreements	The Implementation Deed and Shareholder Deeds Poll described in Section 9.5.
Retail Offer	Comprises the Broker Firm Offer and the Priority Offer.
SAS	Special Access Scheme.
Secretary	As defined under regulation 5 of the Customs (Prohibited Imports) Regulation 1965.
Securities Trading Policy	Means the Company's securities trading policy, as adopted by the Board.
Securityholder Communication Policy	Means the Company's securityholder communication policy, as adopted by the Board.
Settlement	Means Tuesday, 19 December 2017.
SFO	Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong.
Share	A fully paid ordinary share in the capital of the Company.
Shareholder	A registered holder of Shares.
Shareholder Deeds Poll	Has the meaning given in Section 9.5.
Share Registry	Computershare Investor Services Pty Ltd (ACN 078 279 277).
SRN	Securityholder Reference Number issued by the Share Registry.
Statutory Historical Income Statements	Defined in Section 4.
Statutory Historical Cash Flows	Defined in Section 4.
Statutory Historical Balance Sheet	Defined in Section 4.
Statutory Forecast Income Statement	Defined in Section 4.
Statutory Forecast Cash Flows	Defined in Section 4.
STI	Short-term incentive.
Subsidiary or Subsidiaries	Means an entity wholly-owned by the Company.
Sydney time	Means the time in Sydney, Australia.

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Term	Meaning
Takeover Event	means: • a takeover bid (as defined in the Corporations Act) being made for Shares in the Company (and for these purposes, a takeover bid (as defined in the Corporations Act) will be made when a bidder serves its bidder's statement on the Company); • the Board recommending that shareholders of the Company accept any takeover bid (as defined in the Corporations Act) for Shares in the Company; or • a takeover bid (as defined in the Corporations Act) for Shares in the Company becoming unconditional.
Terpenes	Has the meaning given in the table titled "Some useful terms" on page 25 of this Prospectus.
Tetrahydrocannabinol (THC)	Has the meaning given in the table titled "Some useful terms" on page 25 of this Prospectus.
TFR	Total Fixed Remuneration.
TFN	Tax file number.
TGA	Therapeutics Goods Administration.
TG Act	Therapeutic Goods Act 1989 (Cth).
Tiverton Agriculture	Tiverton Agriculture Pty Ltd.
Tiverton Food	Tiverton Food Pty Ltd.
Underwriting Agreement	The underwriting agreement made between the Company and the Lead Manager dated on or about the date of this Prospectus.
US Securities Act	The Securities Act 1933.
VWAP	Volume Weighted Average Price.

Issuer's Registered Office
Elixinol Global
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Lead Manager
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Barangaroo NSW 2000

US Legal Adviser
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USA

Share registry
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Sydney NSW 2000

Taxation adviser
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Grosvenor Place
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Sydney NSW 2000


EXL
ELIXINOL GLOBAL LIMITED