

## 1. Company details

|                   |                                       |
|-------------------|---------------------------------------|
| Name of entity:   | Elixinol Global Limited               |
| ABN:              | 34 621 479 794                        |
| Reporting period: | For the half-year ended 30 June 2018  |
| Previous period:  | For the period ended 31 December 2017 |

## 2. Results for announcement to the market

The directors present this Appendix 4D on the consolidated entity (referred to as the 'Group') consisting of Elixinol Global Limited (referred to as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2018.

|   |    |   |    | <b>\$'000</b>                |
|---|----|---|----|------------------------------|
| Revenues from ordinary activities   | up | - | to | 14,886                       |
| Profit from ordinary activities after tax attributable to the owners of Elixinol Global Limited | up | - | to | 120                          |
| Profit for the half-year attributable to the owners of Elixinol Global Limited                  | up | - | to | 120                          |
|   |    |   |    | <b>30 Jun 2018<br/>Cents</b> |
| Basic earnings per share  |    |   |    | 0.12                         |
| Diluted earnings per share  |    |   |    | 0.12                         |

### *Dividends*

There were no dividends paid, recommended or declared during the current financial period.

### *Comments*

The reported profit for the Group after providing for income tax amounted to \$120,000. As Elixinol Global Limited was incorporated on 4 September 2017, there is no comparative statement of profit or loss and other comprehensive income information to disclose.

## 3. Net tangible assets

|   | <b>Reporting<br/>period<br/>Cents</b> | <b>Previous<br/>period<br/>Cents</b> |
|---|---------------------------------------|--------------------------------------|
| Net tangible assets per ordinary security | <u>18.46</u>                          | <u>19.79</u>                         |

## 4. Control gained over entities

Not applicable.

## 5. Loss of control over entities

Not applicable.

## 6. Dividends

### *Current period*

There were no dividends paid, recommended or declared during the current financial period.

### *Previous period*

There were no dividends paid, recommended or declared during the previous financial period.

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## 7. Dividend reinvestment plans

Not applicable.

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## 8. Details of associates and joint venture entities

| Name of associate / joint venture         | Reporting entity's percentage holding |                   | Contribution to profit/(loss) (where material) |                        |
|---|---------------------------------------|-------------------|--|------------------------|
|   | Reporting period %                    | Previous period % | Reporting period \$'000                        | Previous period \$'000 |
| Associates:                               |                                       |                   |  |                        |
| - Elixinol Co. Ltd                        | 10.00%                                | 10.00%            | -  | -                      |
| - H&W Holdings LLC                        | 18.50%                                | 18.50%            | -  | -                      |
| - Hemp Foods Japan                        | 25.00%                                | 25.00%            | -  | -                      |
| Joint venture:                            |                                       |                   |  |                        |
| - Northern Colorado High Plains Producers | 50.00%                                | -                 | (313)  | -                      |

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## 9. Foreign entities

*Details of origin of accounting standards used in compiling the report:*

Not applicable.

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## 10. Audit qualification or review

*Details of audit/review dispute or qualification (if any):*

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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## 11. Attachments

*Details of attachments (if any):*

The Interim Report of Elixinol Global Limited for the half-year ended 30 June 2018 is attached.

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## 12. Signed

A handwritten signature in black ink, appearing to read 'Ron Dufficy', written over a horizontal line.

Signed \_\_\_\_\_

Date: 29 August 2018

Ron Dufficy  
Chief Financial Officer and Company Secretary  
Sydney



# **Elixinol Global Limited**

**ABN 34 621 479 794**

**Interim Report - 30 June 2018**

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The directors present their report, together with the financial statements, on the consolidated entity (referred to as the 'Group') consisting of Elixinol Global Limited (referred to as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2018.

### **Directors**

The following persons were directors of Elixinol Global Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Andrew Duff - Non-Executive Chairman  
Paul Benhaim - Chief Executive Officer and Executive Director  
Linda McLeod - Managing Director  
Stratos Karousos - Non-Executive Director

### **Principal activities**

The principal activities of the Company relate to its operation as a holding company for each of Elixinol LLC ('Elixinol USA'), Hemp Foods Australia Pty Ltd ('Hemp Foods Australia') and Elixinol Pty Ltd ('Elixinol Australia')

The principal activities of the Group are:

#### *Elixinol USA (hemp-derived CBD dietary supplements)*

Elixinol USA is based in Broomfield, Colorado (USA) 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 organically grown industrial hemp.

#### *Hemp Foods Australia (hemp-derived foods and skincare products)*

Hemp Foods Australia was founded in 1999 and manufactures industrial hemp-derived food and skincare products in Australia. Hemp Foods Australia distributes mainly within Australia and will look to expand further into export markets.

#### *Elixinol Australia (medicinal cannabis)*

Elixinol Australia was 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.

### **Review of operations**

#### ***Operating and Financial Review***

For the period to 30 June 2018, the Group reported a consolidated net profit after income tax of \$120,000.

The Group's revenues from operations for the period to 30 June 2018 were \$14,886,000.

The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) for the period to 30 June 2018 was \$578,000 profit. The Group's EBITDA includes share of associates' net loss.

As Elixinol Global Limited was incorporated on 4 September 2017, there is no comparative statement of profit or loss and other comprehensive income to disclose.

#### ***Joint Venture***

During the period, the Group established a joint venture with Kersey Ag Company LLC to cultivate high-CBD premium hemp. Formed on 24 April 2018, the joint venture was named the Northern Colorado High Plains Producers LLC (NCHPP). Kersey Ag is a Colorado-based agricultural company utilising the newest in efficient drip-irrigation techniques and technologies without the need for foreign chemicals.

Following the 24 April announcement, the first hemp planting occurred on the land secured by NCHPP. Harvest is expected during the Colorado autumn, based upon the Colorado Department of Agriculture's testing schedule. NCHPP endeavours to provide a reliable supply of raw material which will support the Group's plans for sales and revenue growth of its core products and expanding the Groups product range.

## ***Segmental Results***

### *North America*

The North America segment comprises the trading results of Elixinol USA.

For 1H FY2018, Elixinol USA reported revenue of \$12,544,000 and EBITDA of \$2,154,000 profit during the period.

The reported segment results are in line with management expectations and reflect an increasing focus on promoting higher margin Elixinol branded products in addition to increasing sales of lower margin private label products. Operating costs reflect an expansion of sales and marketing activities to promote branded products. During the period the number of full time equivalent employees increased from 24 to 36.

During the period Elixinol USA announced that it would expand its hemp processing and operations facilities to increase production capacity. Elixinol USA will relocate to a newly leased facility in the Colorado Tech Centre (CTC), located in the neighbouring town of Louisville. This relocation will provide Elixinol USA with double the usable space available for its processing, manufacturing and fulfillment operations, preparing it for future growth. Relocation and commissioning of the leased facility is expected to be complete by the end of FY2018. In addition to the relocation, Elixinol USA has entered into an agreement to purchase an adjoining parcel of land within the CTC. This land provides Elixinol USA with the option to build a new facility to further expand operations as required to support growth.

At the end of June, Elixinol USA received approval from the Western Institutional Review Board for a retrospective review study on the effects of its capsule and liposome products on PTSD or trauma-related anxiety. The study began in July of 2017 where any patient with significant trauma or PTSD was offered the opportunity to participate at clinician discretion and was conducted over a one-year period at the Wholeness Center in Ft. Collins, Colorado under the oversight of Dr. Scott Shannon. Dr. Shannon is a Colorado-based Integrative Psychiatrist and the founder of the Wholeness Center, which is the United States' largest and most comprehensive integrative mental health clinic. It is expected the study outcomes will be published soon after completion.

### *Australasia*

The Australasia segment comprises the trading results of Hemp Foods Australia and Elixinol Australia.

Hemp Foods Australia reported revenue of \$2,342,000 during the period. No revenues were reported by Elixinol Australia. EBITDA for the period for these two businesses combined was \$562,000 loss.

The reported segment results reflect an increasing demand for hemp-based foods following the legalisation of hemp food in November 2017. Hemp Foods Australia is increasing its development and distribution of branded products in addition to supplying bulk seed to food manufacturers. During the period, gross profit margins were negatively impacted by the introduction of revised importation conditions by the Department of Agriculture and Water Resources. Hemp Foods Australia has applied to the Department of Agriculture and Water Resources for a variation to the legislation which, if approved, is expected to create cost efficiencies. Operating costs reflect an expansion of sales and marketing activities to promote Hemp Foods Australia branded products and assist with the development of new Hemp Foods Australia branded products. During the period the number of full time equivalent employees increased from 18 to 20.

During the period, Hemp Foods Australia, with its agricultural partner Tiverton, completed the first harvest of hemp in Victoria for 2018. Given hemp food was only legalised in Australia in November 2017, growing hemp crops for food in Australian conditions is a relatively new practice and farmers continue to learn how to integrate this specialist crop into local conditions. This first harvest resulted in a lower yield than expected, however the lessons learned from this crop will be incorporated into a further project to sow more hemp in the second half of FY2018.

The crop growth activities being undertaken by the Group and Tiverton are in line with the Group's strategy to become the largest hemp grower in Australia. Hemp Foods Australia endeavours to source locally grown raw certified organic and conventional hemp seed before leveraging its network of quality suppliers from around the world.

In tandem with farming activities, in the short term, Hemp Foods Australia will continue its strategy to import non-irradiated, non-sterilised certified organic hemp seed from its preferred partners which will in turn, be manufactured in Hemp Foods Australia's plant in Bangalow, New South Wales.

Hemp Foods Australia continues to invest in new product development and its new SATIVA™ skincare range was formally launched in April 2018. The range, which incorporates a cleanser, serum, moisturiser, deodorant, hand and body wash, shampoo, conditioner, lip balm and hand cream, has been gaining early traction with support from some of Hemp Foods Australia's key distribution and wholesale partners.

Elixinol Australia welcomed the Australian Governments' announcement in February 2018 that it would legalise the export of medicinal cannabis products, with the announcement underpinned by the Narcotic Drugs Amendment (Cannabis) Regulations 2018. Following this announcement, during the period, licence applications for Elixinol Australia to participate in the Australian medicinal cannabis industry were submitted to the Australian Government's Office of Drug Control. Once approved, Elixinol Australia will be able to cultivate and manufacture medicinal cannabis products for use in the Australian market and for export to other countries.

The reported segment result includes \$222,000 of expenses incurred by Elixinol Australia during the period.

#### **Significant changes in the state of affairs**

On 5 January 2018 the Company was admitted to the official list of ASX Limited ('ASX') under the code EXL and official quotation of securities commenced at 11.00am on 8 January 2018.

25,005,409 securities commenced trading immediately on 8 January 2018 with 77,923,131 securities restricted for periods with restrictions expiring on 27 December 2018 and 8 January 2020.

On 31 March 2018, the Company issued 522,000 performance rights under the Employee Incentive Plan.

On 24 April 2018, the Group subsidiary, Elixinol LLC, established a joint venture with Kersey Ag Company LLC to cultivate high-cannabidol ('CBD') premium hemp. The new joint venture is called the Northern Colorado High Plains Producers ('NCHPP') and endeavours to provide a reliable source of high-quality hemp to support the Group's growth.

On 15 May 2018, the Company issued 4,075,000 performance rights under the Employee Incentive Plan.

On 29 June 2018, the Hemp Farming Act of 2018 (S.2667), attached to the Farm Bill of 2018, has passed the US Senate. The Act, which directly impacts the Group's subsidiary, Elixinol USA, legalises industrial hemp at a federal level and officially removes it from the purview of the Controlled Substances Act.

There were no other significant changes in the state of affairs of the Group during the financial half-year.

#### **Rounding of amounts**

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

#### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



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Paul Benhaim  
Chief Executive Officer and Executive Director

29 August 2018  
Sydney

29 August 2018

The Board of Directors  
Elixinol Global Limited  
6/50 Pitt Street  
Sydney NSW 2000

Dear Committee Members

### **Auditor's Independence Declaration to Elixinol Global Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Elixinol Global Limited.

As lead audit partner for the review of the financial report of Elixinol Global Limited for the half-year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

*Deloitte Touche Tohmatsu*  
DELOITTE TOUCHE TOHMATSU



Tara Hill  
Partner  
Chartered Accountants

**Elixinol Global Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the half-year ended 30 June 2018**



|  | <b>Consolidated</b> |                    |
|--|---------------------|--------------------|
|  | <b>Note</b>         | <b>30 Jun 2018</b> |
|  |                     | <b>\$'000</b>      |
| <b>Revenue</b>   | 5                   | 14,886             |
| Share of losses of joint ventures accounted for using the equity method  | 6                   | (313)              |
| Other income   |                     | 190                |
| Interest income  |                     | 194                |
| <b>Expenses</b>  |                     |                    |
| Raw materials and consumables used   |                     | (6,555)            |
| Employee benefits expenses and Directors' fees   |                     | (2,611)            |
| Depreciation and amortisation expense  |                     | (391)              |
| Professional services expenses   |                     | (596)              |
| Sales and marketing expenses   |                     | (2,980)            |
| Administrative expenses  |                     | (1,443)            |
| Finance costs  |                     | (24)               |
| <b>Profit before income tax expense</b>  |                     | <b>357</b>         |
| Income tax expense   |                     | (237)              |
| <b>Profit after income tax expense for the half-year attributable to the owners of Elixinol Global Limited</b> |                     | <b>120</b>         |
| <b>Other comprehensive income</b>  |                     |                    |
| <i>Items that may be reclassified subsequently to profit or loss</i>   |                     |                    |
| Foreign currency translation   |                     | 179                |
| Other comprehensive income for the half-year, net of tax   |                     | 179                |
| <b>Total comprehensive income for the half-year attributable to the owners of Elixinol Global Limited</b>      |                     | <b>299</b>         |
|  |                     | <b>Cents</b>       |
| Basic earnings per share   | 14                  | 0.12               |
| Diluted earnings per share   | 14                  | 0.12               |

As Elixinol Global Limited was incorporated on 4 September 2017, there is no comparative to disclose.

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

|   | Note | 30 Jun 2018<br>\$'000 | Consolidated<br>31 Dec 2017<br>\$'000 |
|---|------|-----------------------|---------------------------------------|
| <b>Assets</b>                                     |      |                       |                                       |
| <b>Current assets</b>                             |      |                       |                                       |
| Cash and cash equivalents                         |      | 14,171                | 18,834                                |
| Trade and other receivables                       |      | 1,754                 | 1,211                                 |
| Inventories                                       |      | 4,030                 | 2,470                                 |
| Contract assets                                   |      | 195                   | -                                     |
| Other   |      | 1,389                 | 816                                   |
| <b>Total current assets</b>                       |      | <u>21,539</u>         | <u>23,331</u>                         |
| <b>Non-current assets</b>                         |      |                       |                                       |
| Investments accounted for using the equity method | 6    | 2,114                 | -                                     |
| Property, plant and equipment                     | 7    | 2,772                 | 1,064                                 |
| Intangibles                                       | 8    | 80,569                | 80,608                                |
| Deferred tax                                      |      | 402                   | 83                                    |
| <b>Total non-current assets</b>                   |      | <u>85,857</u>         | <u>81,755</u>                         |
| <b>Total assets</b>                               |      | <u>107,396</u>        | <u>105,086</u>                        |
| <b>Liabilities</b>                                |      |                       |                                       |
| <b>Current liabilities</b>                        |      |                       |                                       |
| Trade and other payables                          | 9    | 2,960                 | 1,058                                 |
| Borrowings  |      | 10                    | 38                                    |
| Income tax  |      | 159                   | 206                                   |
| Provisions  |      | 116                   | 60                                    |
| Contract liabilities                              |      | 708                   | 201                                   |
| Other   |      | 396                   | 894                                   |
| <b>Total current liabilities</b>                  |      | <u>4,349</u>          | <u>2,457</u>                          |
| <b>Non-current liabilities</b>                    |      |                       |                                       |
| Borrowings  | 10   | 250                   | 250                                   |
| Deferred tax                                      |      | 3,139                 | 3,200                                 |
| Provisions  |      | 90                    | 90                                    |
| <b>Total non-current liabilities</b>              |      | <u>3,479</u>          | <u>3,540</u>                          |
| <b>Total liabilities</b>                          |      | <u>7,828</u>          | <u>5,997</u>                          |
| <b>Net assets</b>                                 |      | <u>99,568</u>         | <u>99,089</u>                         |
| <b>Equity</b>                                     |      |                       |                                       |
| Issued capital                                    | 11   | 101,800               | 101,800                               |
| Reserves  | 12   | 359                   | -                                     |
| Accumulated losses                                |      | (2,591)               | (2,711)                               |
| <b>Total equity</b>                               |      | <u>99,568</u>         | <u>99,089</u>                         |

Elixinol Global Limited  
 Consolidated statement of changes in equity  
 For the half-year ended 30 June 2018



| <b>Consolidated</b>  | <b>Issued<br/>capital<br/>\$'000</b> | <b>Foreign<br/>currency<br/>translation<br/>reserve<br/>\$'000</b> | <b>Share-based<br/>payments<br/>reserve<br/>\$'000</b> | <b>Accumulated<br/>losses<br/>\$'000</b> | <b>Total equity<br/>\$'000</b> |
|--|--------------------------------------|--|--|--|--------------------------------|
| Balance at 1 January 2018                                    | 101,800                              | -  | -  | (2,711)                                  | 99,089                         |
| Profit after income tax expense for the half-year            | -                                    | -  | -  | 120                                      | 120                            |
| Other comprehensive income for the half-year, net of tax     | -                                    | 179  | -  | -  | 179                            |
| Total comprehensive income for the half-year                 | -                                    | 179  | -  | 120                                      | 299                            |
| <i>Transactions with owners in their capacity as owners:</i> |                                      |  |  |  |                                |
| Share-based payments (note 15)                               | -                                    | -  | 180  | -  | 180                            |
| Balance at 30 June 2018                                      | <u>101,800</u>                       | <u>179</u>   | <u>180</u>   | <u>(2,591)</u>                           | <u>99,568</u>                  |

As Elixinol Global Limited was incorporated on 4 September 2017, there is no comparative to disclose.

**Elixinol Global Limited**  
**Consolidated statement of cash flows**  
**For the half-year ended 30 June 2018**



**Consolidated**  
**Note 30 Jun 2018**  
**\$'000**

**Cash flows from operating activities**

|  |  |          |
|--|--|----------|
| Receipts from customers (inclusive of GST)             |  | 14,843   |
| Payments to suppliers and employees (inclusive of GST) |  | (15,621) |
| Interest received                                      |  | 196      |
| Interest and other finance costs paid                  |  | (24)     |
| Income taxes paid                                      |  | (664)    |
|  |  | <hr/>    |
| Net cash used in operating activities                  |  | (1,270)  |

**Cash flows from investing activities**

|   |   |         |
|---|---|---------|
| Payments for new joint venture capital invested |   | (1,482) |
| Payments for property, plant and equipment      | 7 | (1,906) |
| Payments for intangibles                        | 8 | (174)   |
| Payments for security deposits                  |   | (2)     |
|   |   | <hr/>   |
| Net cash used in investing activities           |   | (3,564) |

**Cash flows from financing activities**

|                                       |  |       |
|---------------------------------------|--|-------|
| Repayment of borrowings               |  | (28)  |
|                                       |  | <hr/> |
| Net cash used in financing activities |  | (28)  |

|   |  |               |
|---|--|---------------|
| Net decrease in cash and cash equivalents                             |  | (4,862)       |
| Cash and cash equivalents at the beginning of the financial half-year |  | 18,834        |
| Effects of exchange rate changes on cash and cash equivalents         |  | 199           |
|   |  | <hr/>         |
| Cash and cash equivalents at the end of the financial half-year       |  | <u>14,171</u> |

As Elixinol Global Limited was incorporated on 4 September 2017, there is no comparative to disclose.

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*

|  |    |
|--|----|
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## **Note 1. General information**

The financial statements cover Elixinol Global Limited as a Group consisting of Elixinol Global Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the period ('Group'). The financial statements are presented in Australian dollars, which is Elixinol Global Limited's functional and presentation currency.

Elixinol Global Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

### **Registered office**

Level 12  
680 George Street  
Sydney NSW 2000

### **Principal place of business**

Level 6  
50 Pitt Street  
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2018.

## **Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 30 June 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

### **Income tax**

Elixinol Global Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. In addition, Elixinol Global Limited (the 'head entity') and its wholly-owned US subsidiaries have also formed an income tax consolidation group within the US jurisdiction. Therefore, the head entity and each subsidiary (in both Australian and the US) in each tax consolidated group continue to account for their own current and deferred tax amounts.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated groups.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated groups. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

### **Joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

## Note 2. Significant accounting policies (continued)

### Intangible assets

#### *Website*

Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

### **New or amended Accounting Standards and Interpretations adopted**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The Group has made retrospective adjustments to comparatives as a result of adopting these accounting standards. The new accounting standards adopted are discussed below.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

#### ***Initial adoption of AASB 15 'Revenue from contracts with customers'***

The Group has adopted AASB 15 from 1 January 2018. The standard moves away from the previous focus on identifying whether the seller has transferred to the buyer the significant risks and rewards of ownership. The core principle of the new standard is to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price; allocates the transaction price to the performance obligations in the contract; and recognises revenue when each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

The standard defines a customer as 'a party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration'. Management has undertaken an exercise to assess the Group's contractual arrangements with its customers as part of its implementation of AASB 15.

Performance obligations are identified at contract inception and represent each promise to transfer distinct goods or services, bundles of goods or services, or series of distinct goods or services whereby the customer can benefit from the distinct good or service either on its own or with other readily available resources where such promises are separately identifiable from other distinct promises.

The transaction price allocated to the performance obligation is determined at the amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Consideration promised in a contract may therefore be variable where allowances must be made for instances of anticipated product returns, discounts and concessions, rebates, refunds, credits, bonuses, penalties and contingent future events. Such variables may be either explicitly or implicitly stated in the contract. The transaction price is also adjusted where the contract contains, either explicitly or implicitly, a significant financing component of greater than 12 months. In such instances, the consideration will be adjusted to reflect a cash equivalent price for the good or service.

Revenue is only recognised to the extent to which it is considered highly probable that there will be no significant reversal of that revenue. This determination is made having regard to contract terms, the nature of the product delivered, and past experience with the customer.

#### *Sale of goods - hemp products*

Sale of goods revenue is recognised when its performance obligation to transfer control of the goods to the customer is satisfied which occurs either at the point of sale or when delivery is completed by way of shipping the product to the location specified by the customer and the ownership risks have therefore passed to the customer pursuant to the contract.

The Group sells a variety of hemp based products in the wholesale market. These sales relate to both the manufacture and distribution of hemp-derived finished products and hemp food based products manufactured by the Group. The Group does not act in the capacity as agent in any customer contracts. General invoices are issued to customers on delivery with 30 day payment terms.

## Note 2. Significant accounting policies (continued)

### Contract assets

A contract asset arises where the Group has performed by transferring goods or services to a customer prior to the receipt of consideration from the customer or prior to payment becoming due and represents the Group's right to consideration for the transferred good or service. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

### Contract liabilities

A contract liability is recognised when a customer pays consideration in circumstances where the Group is yet to transfer a good or service to the customer.

### Initial adoption of AASB 9 'Financial Instruments'

The Group has adopted AASB 9 from 1 January 2018. The adoption of AASB 9 has resulted in changes to the Group's accounting policies as follows:

#### Financial assets

The Group classifies its financial assets as subsequently measured at amortised costs based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortised cost only if both of the following conditions are met:

- (a) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- (b) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

#### Financial liabilities

The Group's classification of financial liabilities is mostly unchanged with the amortised cost basis of measurement being unaffected.

#### Impairment requirements

The AASB 9 impairment model is based on an expected credit loss ('ECL') methodology instead of the incurred loss methodology of AASB 139.

#### *Impairment of receivables*

The Group has applied the simplified approach to measuring expected credit losses to trade receivables using a life-time expected loss allowance. The Group has also used the practical expedient of a provisions matrix using fixed rates to approximate the expected credit losses. These provisions are considered representative across all business and geographic segments of the Group based on historical credit loss experience and considered future information.

## Note 3. Change in accounting policy

As a result of the change in accounting policy from AASB 15, the comparison balance sheet has been restated to reclassify \$201,000 from Trade and other payables to Contract liabilities.

There is no material impact to the financial statement upon adopting AASB 9.

## Note 4. Operating segments

### *Identification of reportable operating segments*

The Group is organised into two operating segments: Australasia and North America. There is one single business segment, being the sale of dietary supplements and related hemp products. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

#### Note 4. Operating segments (continued)

##### Types of products and services

The principal products and services of each of these operating segments are as follows:

|               |  |
|---------------|--|
| Australasia   | This includes the results from the trading operations of Hemp Foods Australia and Elixinol Australia. This relates to the sale of hemp-based products in the case of Hemp Foods Australia and the application for licences in respect of the importation and cultivation of medicinal cannabis in Australia in the case of Elixinol Australia. |
| North America | This includes the trading results of Elixinol US in the US through the manufacture and distribution of hemp-derived CBD products.  |

##### Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

##### Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

##### Major customers

During the half-year ended 30 June 2018, 37% of sales were derived from three major customers.

##### Operating segment information

| <b>Consolidated - 30 Jun 2018</b>       | Australasia<br>\$'000 | North<br>America<br>\$'000 | Unallocated<br>\$'000 | Total<br>\$'000 |
|---|-----------------------|----------------------------|-----------------------|-----------------|
| <b>Revenue</b>                          |                       |                            |                       |                 |
| Sales to external customers             | 2,342                 | 12,544                     | -                     | 14,886          |
| Interest received                       | 3                     | -                          | 191                   | 194             |
| <b>Total revenue</b>                    | <u>2,345</u>          | <u>12,544</u>              | <u>191</u>            | <u>15,080</u>   |
| <b>EBITDA</b>                           | <u>(562)</u>          | <u>2,154</u>               | <u>(1,014)</u>        | <u>578</u>      |
| Depreciation and amortisation           |                       |                            |                       | (391)           |
| Interest revenue                        |                       |                            |                       | 194             |
| Finance costs                           |                       |                            |                       | (24)            |
| <b>Profit before income tax expense</b> |                       |                            |                       | <u>357</u>      |
| Income tax expense                      |                       |                            |                       | (237)           |
| <b>Profit after income tax expense</b>  |                       |                            |                       | <u>120</u>      |
| <b>Assets</b>                           |                       |                            |                       |                 |
| Segment assets                          | 17,958                | 75,972                     | 13,466                | 107,396         |
| <b>Total assets</b>                     |                       |                            |                       | <u>107,396</u>  |
| <b>Liabilities</b>                      |                       |                            |                       |                 |
| Segment liabilities                     | 1,420                 | 6,088                      | 320                   | 7,828           |
| <b>Total liabilities</b>                |                       |                            |                       | <u>7,828</u>    |

As Elixinol Global Limited was incorporated on 4 September 2017, there is no Revenue and EBITDA comparative analysis to disclose.

**Note 4. Operating segments (continued)**

| <b>Consolidated - 31 Dec 2017</b> | Australasia<br>\$'000 | North<br>America<br>\$'000 | Unallocated<br>\$'000 | Total<br>\$'000 |
|-----------------------------------|-----------------------|----------------------------|-----------------------|-----------------|
| <b>Assets</b>                     |                       |                            |                       |                 |
| Segment assets                    | 18,229                | 69,862                     | 16,995                | 105,086         |
| <b>Total assets</b>               |                       |                            |                       | <u>105,086</u>  |
| <b>Liabilities</b>                |                       |                            |                       |                 |
| Segment liabilities               | 1,034                 | 4,701                      | 262                   | 5,997           |
| <b>Total liabilities</b>          |                       |                            |                       | <u>5,997</u>    |

*Geographical information*

|               | <b>Sales to<br/>external<br/>customers<br/>30 Jun 2018<br/>\$'000</b> | <b>Geographical non-current<br/>assets</b> |                               |
|---------------|---|--|-------------------------------|
|               |   | <b>30 Jun 2018<br/>\$'000</b>              | <b>31 Dec 2017<br/>\$'000</b> |
| Australasia   | 2,342   | 14,604                                     | 22,249                        |
| North America | 12,544  | 70,851                                     | 59,423                        |
|               | <u>14,886</u>   | <u>85,455</u>                              | <u>81,672</u>                 |

As Elixinol Global Limited was incorporated on 4 September 2017, there is no sales to external customers comparative to disclose.

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

**Note 5. Revenue**

|               | <b>Consolidated<br/>30 Jun 2018<br/>\$'000</b> |
|---------------|--|
| Sale of goods | <u>14,886</u>                                  |

*Disaggregation of revenue*

Revenue recognised from contracts with customers is disaggregated into the following categories that depict how aspects of revenue are affected by economic factors:

| <b>Consolidated - 30 Jun 2018</b>    | Direct to<br>consumer<br>\$'000 | Wholesale<br>\$'000 | Bulk<br>\$'000 | Private<br>label<br>\$'000 | Total<br>\$'000 |
|--------------------------------------|---------------------------------|---------------------|----------------|----------------------------|-----------------|
| <i>Geographical regions</i>          |                                 |                     |                |                            |                 |
| Australia                            | 164                             | 1,565               | 613            | -                          | 2,342           |
| North America                        | 2,875                           | 1,697               | 3,314          | 4,658                      | 12,544          |
|                                      | <u>3,039</u>                    | <u>3,262</u>        | <u>3,927</u>   | <u>4,658</u>               | <u>14,886</u>   |
| <i>Timing of revenue recognition</i> |                                 |                     |                |                            |                 |
| Goods transferred at a point in time | <u>3,039</u>                    | <u>3,262</u>        | <u>3,927</u>   | <u>4,658</u>               | <u>14,886</u>   |

**Note 6. Non-current assets - investments accounted for using the equity method**

**Consolidated  
30 Jun 2018  
\$'000**

|   |       |
|---|-------|
| Investment in joint venture - Northern Colorado High Plains Producers | 2,114 |
|---|-------|

*Reconciliation*

Reconciliation of the carrying amount at the beginning and end of the financial period are set out below:

|                                |       |
|--------------------------------|-------|
| Additions                      | 2,427 |
| Share of loss in joint venture | (313) |
|                                | 2,114 |
| Closing carrying amount        | 2,114 |

On 24 April 2018, the Group subsidiary, Elixinol LLC, established a joint venture with Kersey Ag Company LLC to cultivate high-cannabidiol ('CBD') premium organic hemp. The new joint venture is called the Northern Colorado High Plains Producers ('NCHPP') and endeavours to provide a reliable supply of raw material for the Group's products and will support the Group's plans for sales and revenue growth.

***Interests in joint ventures***

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures that are material to the Group are set out below:

| <b>Name</b>                             | <b>Principal place of business /<br/>Country of incorporation</b> | <b>Ownership<br/>interest<br/>30 Jun 2018<br/>%</b> |
|---|---|---|
| Northern Colorado High Plains Producers | United States of America  | 50.00%  |

**Note 6. Non-current assets - investments accounted for using the equity method (continued)**

*Summarised financial information*

**Northern  
Colorado  
High Plains  
Producers  
30 Jun 2018  
\$'000**

*Summarised statement of financial position*

|                           |                     |
|---------------------------|---------------------|
| Current assets            | 2,757               |
| Non-current assets        | <u>1,596</u>        |
| Total assets              | <u>4,353</u>        |
| Other current liabilities | <u>125</u>          |
| Total liabilities         | <u>125</u>          |
| Net assets                | <u><u>4,228</u></u> |

*Summarised statement of profit or loss and other comprehensive income*

|                            |                     |
|----------------------------|---------------------|
| Expenses                   | <u>(626)</u>        |
| Loss before income tax     | (626)               |
| Other comprehensive income | <u>-</u>            |
| Total comprehensive loss   | <u><u>(626)</u></u> |

*Reconciliation of the Group's carrying amount*

|                                |                     |
|--------------------------------|---------------------|
| Opening carrying amount        | -                   |
| Share of loss after income tax | <u>(313)</u>        |
| Closing carrying amount        | <u><u>(313)</u></u> |

**Note 7. Non-current assets - property, plant and equipment**

|   | 30 Jun 2018<br>\$'000 | Consolidated<br>31 Dec 2017<br>\$'000 |
|---|-----------------------|---------------------------------------|
| Leasehold improvements - at cost            | 212                   | 188                                   |
| Less: Accumulated depreciation              | (35)                  | (1)                                   |
|   | <u>177</u>            | <u>187</u>                            |
| Furniture, fittings and equipment - at cost | 47                    | 5                                     |
| Less: Accumulated depreciation              | (6)                   | -                                     |
|   | <u>41</u>             | <u>5</u>                              |
| Motor vehicles - at cost                    | 58                    | -                                     |
| Less: Accumulated depreciation              | (3)                   | -                                     |
|   | <u>55</u>             | <u>-</u>                              |
| Computer equipment - at cost                | 43                    | 9                                     |
| Less: Accumulated depreciation              | (3)                   | (1)                                   |
|   | <u>40</u>             | <u>8</u>                              |
| Machinery - at cost                         | 2,602                 | 866                                   |
| Less: Accumulated depreciation              | (143)                 | (2)                                   |
|   | <u>2,459</u>          | <u>864</u>                            |
|   | <u><u>2,772</u></u>   | <u><u>1,064</u></u>                   |

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

| Consolidated (provisional) | Leasehold<br>improvements<br>\$'000 | Furniture,<br>fittings and<br>equipment<br>\$'000 | Motor<br>vehicles<br>\$'000 | Computer<br>equipment<br>\$'000 | Machinery<br>\$'000 | Total<br>\$'000 |
|----------------------------|-------------------------------------|---|-----------------------------|---------------------------------|---------------------|-----------------|
| Balance at 1 January 2018  | 187                                 | 5   | -                           | 8                               | 864                 | 1,064           |
| Additions                  | 24                                  | 42  | 58                          | 34                              | 1,748               | 1,906           |
| Exchange differences       | -                                   | -   | -                           | -                               | (20)                | (20)            |
| Depreciation expense       | (34)                                | (6)   | (3)                         | (2)                             | (133)               | (178)           |
| Balance at 30 June 2018    | <u>177</u>                          | <u>41</u>   | <u>55</u>                   | <u>40</u>                       | <u>2,459</u>        | <u>2,772</u>    |

**Note 8. Non-current assets - intangibles**

Comparative balances have been restated under AASB 3 in relation to ongoing revisions made to the provisional accounting of the business combinations which occurred on 27 December 2017. As of the reporting date, the intangible assets are provisionally accounted for.

**Note 8. Non-current assets - intangibles (continued)**

|                                  | 30 Jun 2018<br>\$'000 | Consolidated<br>31 Dec 2017<br>\$'000 |
|----------------------------------|-----------------------|---------------------------------------|
| Goodwill - at cost               | 68,730                | 68,730                                |
| Website - at cost                | 174                   | -                                     |
| Patents and trademarks - at cost | 20                    | 20                                    |
| Customer relationships - at cost | 2,138                 | 2,138                                 |
| Less: Accumulated amortisation   | (226)                 | (13)                                  |
|                                  | 1,912                 | 2,125                                 |
| Brand names - at cost            | 9,733                 | 9,733                                 |
|                                  | <u>80,569</u>         | <u>80,608</u>                         |

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

| <b>Consolidated</b>       | Goodwill<br>\$'000 | Website<br>\$'000 | Patents and<br>trademarks<br>\$'000 | Customer<br>relationships<br>\$'000 | Brand<br>names<br>\$'000 | Total<br>\$'000 |
|---------------------------|--------------------|-------------------|-------------------------------------|-------------------------------------|--------------------------|-----------------|
| Balance at 1 January 2018 | 68,730             | -                 | 20                                  | 2,125                               | 9,733                    | 80,608          |
| Additions                 | -                  | 174               | -                                   | -                                   | -                        | 174             |
| Amortisation expense      | -                  | -                 | -                                   | (213)                               | -                        | (213)           |
| Balance at 30 June 2018   | <u>68,730</u>      | <u>174</u>        | <u>20</u>                           | <u>1,912</u>                        | <u>9,733</u>             | <u>80,569</u>   |

*Impairment testing of goodwill*

At the reporting date, there are no indicators of impairment.

**Note 9. Current liabilities - trade and other payables**

|  | 30 Jun 2018<br>\$'000 | Consolidated<br>31 Dec 2017<br>\$'000 |
|--|-----------------------|---------------------------------------|
| Trade payables   | 1,235                 | 101                                   |
| Payable to joint venture - Northern Colorado High Plains Producers | 945                   | -                                     |
| GST payable  | -                     | 49                                    |
| Credit cards   | 319                   | 252                                   |
| Other payables   | 461                   | 656                                   |
|  | <u>2,960</u>          | <u>1,058</u>                          |

#### Note 10. Non-current liabilities - borrowings

|                         | 30 Jun 2018<br>\$'000 | Consolidated<br>31 Dec 2017<br>\$'000 |
|-------------------------|-----------------------|---------------------------------------|
| Loan from Raw With Life | 250                   | 250                                   |

Prior to its acquisition by Elixinol Global Limited, Hemp Foods Australia entered into a Shareholder Loan Deed with Raw With Life, an entity controlled by Paul Benhaim, whereby Raw With Life agreed to lend \$250,000 to Hemp Foods Australia. The loan is made on an unsecured basis, with no interest currently payable. Hemp Foods Australia undertakes to repay the loan subject to achievement of predefined performance milestones. This is a related party agreement, as Raw With Life holds (as at the date of this report) approximately 53% of the shares in Elixinol Global Limited. The Group assessed the fair value of the loan at the reporting date and the amount is not materially different from its fair value.

#### *Total secured liabilities*

The total secured liabilities (current and non-current) are as follows:

|                 | 30 Jun 2018<br>\$'000 | Consolidated<br>31 Dec 2017<br>\$'000 |
|-----------------|-----------------------|---------------------------------------|
| Lease liability | 10                    | 38                                    |

#### *Assets pledged as security*

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position under the category 'machinery' in property, plant and equipment, revert to the lessor in the event of default.

#### Note 11. Equity - issued capital

|                              | 30 Jun 2018<br>Shares | 31 Dec 2017<br>Shares | 30 Jun 2018<br>\$'000 | Consolidated<br>31 Dec 2017<br>\$'000 |
|------------------------------|-----------------------|-----------------------|-----------------------|---------------------------------------|
| Ordinary shares - fully paid | 102,928,540           | 102,928,540           | 101,800               | 101,800                               |

#### *Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

#### *Share buy-back*

There is no current on-market share buy-back.

## Note 12. Equity - reserves

|                                      | 30 Jun 2018<br>\$'000 | Consolidated<br>31 Dec 2017<br>\$'000 |
|--------------------------------------|-----------------------|---------------------------------------|
| Foreign currency translation reserve | 179                   | -                                     |
| Share-based payments reserve         | 180                   | -                                     |
|                                      | <u>359</u>            | <u>-</u>                              |

### Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. At 31 December 2017, the amount is less than one thousand dollars.

### Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

## Note 13. Commitments

|   | 30 Jun 2018<br>\$'000 | Consolidated<br>31 Dec 2017<br>\$'000 |
|---|-----------------------|---------------------------------------|
| Committed at the reporting date but not recognised as liabilities, payable: |                       |                                       |
| Property, plant and equipment   | <u>2,420</u>          | <u>2,463</u>                          |

Includes land purchase commitment for a sale contract entered into on 23 October 2017 subject to the following conditions:

- granting of a Cultivation License and a Manufacture License under the Office of Drug Control Medical Cannabis Legislation to Elixinol Australia;
- the successful IPO of the Group; and
- development approval from Byron Shire Council for the intended use of the land.

On 5 January 2018, the Group was admitted to the official list of the Australian Securities Exchange and all reasonable endeavours to obtain the licenses are underway.

## Note 14. Earnings per share

|   | Consolidated<br>30 Jun 2018<br>\$'000 |
|---|---------------------------------------|
| Profit after income tax attributable to the owners of Elixinol Global Limited             | <u>120</u>                            |
|   | <b>Number</b>                         |
| Weighted average number of ordinary shares used in calculating basic earnings per share   | <u>102,928,540</u>                    |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>102,928,540</u>                    |
|   | <b>Cents</b>                          |
| Basic earnings per share  | 0.12                                  |
| Diluted earnings per share  | 0.12                                  |

The outstanding performance rights (note 16) held by directors and employees have not been included to calculate diluted earnings per share as the vesting requirements were not met at the reporting date.

## Note 15. Share-based payments

### Employee incentive plan

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

The rules of the Plan ('Plan Rules') provide the framework under which the Plan and any future individual grants will operate. The key features of the Plan are outlined below:

#### Eligibility

An employee of the Elixinol Group or another person determined by the Board as eligible to participate in the Plan.

#### Types of securities

Ordinary shares in the Company listed on the ASX under code EXL.

#### Offers under the Plan

Under the Plan, eligible employees may be offered:

- an option to acquire an ordinary share, subject to the terms relating to vesting, exercise and lapsing; and/or
- a right to acquire an ordinary 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, including but not limited to specific KPI's around:

- achieving revenue growth;
- improvement in Total Shareholder return; and
- the employee being employed at the time of vesting.

#### 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.

Set out below are summaries of performance rights granted under the plan:

### 30 Jun 2018

| Grant date | Expiry date | Balance at the start of the half-year | Granted   | Exercised | Expired/forfeited/other | Balance at the end of the half-year |
|------------|-------------|---------------------------------------|-----------|-----------|-------------------------|-------------------------------------|
| 31/03/2018 | 28/02/2023  | -                                     | 522,000   | -         | -                       | 522,000                             |
| 15/05/2018 | 28/02/2023  | -                                     | 4,075,000 | -         | -                       | 4,075,000                           |
|            |             | -                                     | 4,597,000 | -         | -                       | 4,597,000                           |

The weighted average remaining contractual life of performance rights outstanding at the end of the financial half-year was 3.4 years.

#### Note 15. Share-based payments (continued)

For the performance rights granted during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|---------------------|----------------|-------------------------|--------------------------|
| 28/02/2018 | 28/02/2023  | \$1.49                    | 54.00%              | -              | 2.47%                   | \$0.891                  |
| 15/05/2018 | 28/02/2023  | \$1.65                    | 54.00%              | -              | 2.47%                   | \$0.891                  |

#### Note 16. Events after the reporting period

On 24 July 2018 the Board approved a resolution to enter into a deed of cross guarantee under which each company guarantees the debts of the others. The following entities are party to this deed of cross guarantee:

- Elixinol Global Limited
- Elixinol Pty Ltd
- Elixinol Investments Pty Ltd
- Hemp Foods Australia Pty Ltd
- Elixinol LLC

By entering into the deed, the wholly-owned entities in Australia have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Elixinol Global Limited, they also represent the 'Extended Closed Group'.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Paul Benhaim', written in a cursive style.

---

Paul Benhaim  
Chief Executive Officer and Executive Director

29 August 2018  
Sydney

## **Independent Auditor's Review Report to the Members of Elixinol Global Limited**

We have reviewed the accompanying half-year financial report of Elixinol Global Limited, which comprises the consolidated statement of financial position as at 30 June 2018 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 24.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Elixinol Global Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report 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 assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Elixinol Global Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Elixinol Global Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

*Deloitte Touche Tohmatsu*  
DELOITTE TOUCHE TOHMATSU



Tara Hill  
Partner  
Chartered Accountants  
Sydney, 29 August 2018