



1. Company details

Name of entity:	Elixinol Wellness Limited
ABN:	34 621 479 794
Reporting period:	For the half-year ended 30 June 2022
Previous period:	For the half-year ended 30 June 2021

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 Wellness 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 2022.

			\$'000
Revenues from ordinary activities	down	32.9% to	3,216
Loss from ordinary activities after tax attributable to the owners of Elixinol Wellness Limited	down	34.2% to	(7,130)
Loss for the half-year attributable to the owners of Elixinol Wellness Limited	down	34.2% to	(7,130)
		30 Jun 2022	30 Jun 2021
		Cents	Cents
Basic loss per share		(2.26)	(3.45)
Diluted loss per share		(2.26)	(3.45)

Dividends

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

Comments

The loss for the Group after providing for income tax amounted to \$7,130,000 (30 June 2021: \$10,828,000).

3. Net tangible assets

	Reporting period	Previous period
	Cents	Cents
Net tangible assets per ordinary security	<u>4.13</u>	<u>8.08</u>
Calculated as follows:		
	30 Jun 2022	Group
	\$'000	30 Jun 2021
		\$'000
Net assets	12,463	25,210
Less: Right-of-use assets	(957)	(1,500)
Less: Intangibles	(147)	(714)
Add: Lease liabilities	1,695	2,446
Net tangible assets	<u>13,054</u>	<u>25,442</u>
Total shares issued (no.)	<u>316,132,461</u>	<u>314,930,044</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.

7. Dividend reinvestment plans

Not applicable.

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
<i>Associate:</i>				
- Altmed Pets LLC ('Pet Releaf')	25.43%	25.43%	32	-
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			32	-

9. Foreign entities

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

Not applicable.

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.



11. Attachments

Details of attachments (if any):

The Interim Report of Elixinol Wellness Limited for the half-year ended 30 June 2022 is attached.

12. Signed

Authorised for release by the Board of Directors

30 August 2022



Elixinol Wellness Limited

ABN 34 621 479 794

Interim Report - 30 June 2022



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The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'Elixinol') consisting of Elixinol Wellness Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2022.

Directors

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

Helen Wiseman	Independent Non-Executive Director and Chair
David Fenlon	Independent Non-Executive Director (effective 28 March 2022)
Paul Benhaim	Non-Executive Director
Oliver Horn	Non-Executive Director (effective 8 April 2022) Former Executive Director and Former Global Chief Executive Officer (ended effective 8 April 2022)

Principal activities

The principal activities of the Company during the half-year relate to its operation as a holding company for each of Elixinol LLC ('Elixinol Americas'), Elixinol Wellness (Byron Bay) Pty Ltd trading as Hemp Foods Australia ('Hemp Foods Australia') and Elixinol BV and Elixinol Limited (together 'Elixinol Europe')

The principal activities of the Group are:

Elixinol Americas (hemp derived cannabidiol ('CBD') dietary supplements and topicals)

Elixinol Americas is based in Colorado USA, and was established in 2014 to specialise in the manufacturing and distribution of products made from premium quality, predominantly 'whole plant' full spectrum CBD, which is extracted from organically grown industrial hemp.

Hemp Foods Australia (hemp derived foods and skincare products)

Hemp Foods Australia is based in Byron Bay Shire, New South Wales, Australia, and was founded in 1999 to manufacture, market and distribute hemp derived food, supplements and skincare products. Hemp Foods Australia distributes mainly within Australia but also supplies to export markets.

Elixinol Europe (hemp derived cannabidiol ('CBD') food and cosmetics)

Elixinol Europe is based in Utrecht, The Netherlands, and London, United Kingdom, and was established in 2018 to specialise in the development, sourcing, marketing and distribution of hemp derived CBD products including skincare.

Review of operations

Operating and financial review

The loss for the Group after providing for income tax and non-controlling interest amounted to \$7,130,000 (30 June 2021: \$10,828,000).

The Group's revenues from continuing operations for the period ended 30 June 2022 were \$3,216,000 (30 June 2021: \$4,790,000).



The Group's earnings before interest, tax, depreciation and amortisation ('EBITDA') including share of associates' net loss and excluding impairments and share-based payments for the period ended 30 June 2022 was an Adjusted EBITDA loss of \$5,406,000 (30 June 2021: Adjusted EBITDA loss of \$7,069,000). A reconciliation of Adjusted EBITDA to statutory loss is detailed below:

	30 Jun 2022	Group
	\$'000	30 Jun 2021
		\$'000
Loss after income tax	(7,130)	(10,828)
<i>Add back/(deduct):</i>		
Income tax expense/(benefit)	2	(55)
Finance costs	37	43
Interest income	(11)	(25)
Depreciation and amortisation	442	813
EBITDA	(6,660)	(10,052)
<i>Add back/(deduct):</i>		
Impairment of intangibles	234	-
Impairment of other assets	892	2,639
Share-based payments	128	344
Adjusted EBITDA	(5,406)	(7,069)

The Group's cash flow used in operations for the period ended 30 June 2022 was \$5,336,000 (30 June 2021: \$7,965,000 used in operations), which included \$1,031,000 non-recurring transaction and severance costs.

The Group recognised non-cash impairments of assets of \$1,126,000 (30 June 2021: \$2,639,000) for the period ended 30 June 2022 relating to inventory, fixed assets and intangibles.

Strategic review completed

The Company announced its strategic review to the market on 25 February 2022, with an update provided on 28 March 2022, at which time executive leadership changes were also announced. The strategic review was commenced with the aim to assess all organic and in-organic options for improving shareholder value and was completed on 29 July 2022 when the Company published its quarterly activities report. The strategic review process resulted in a significantly reduced cost base, a streamlined organisational structure that now combines corporate with business unit functions and importantly, confirmed the Company's strategic direction to diversify its operations further towards natural and plant-based wellness products, thus reducing the reliance on its CBD portfolio.

In addition to continuing to consider and evaluate options for shareholder value creation when opportunities arise, the Company remains focussed on driving the already identified cost efficiencies and simplifying the business to strengthen its balance sheet and further enhance strategic value.

Australia

The Australia segment comprises the trading results from Elixinol Wellness (Byron Bay) Pty Ltd (formerly Hemp Foods Australia Pty Ltd, known as 'Hemp Foods Australia'). Australia reported revenue of \$1,690,000 for the period ended 30 June 2022 (30 June 2021: \$1,910,000) and EBITDA loss of \$502,000 (30 June 2021: \$155,000 EBITDA loss).

Hemp Foods Australia's reported growth in Q2 FY2022 revenue up 8% (Q2 FY2022: \$877k vs Q1 FY2022: \$813k). This was driven by increased sales to Costco and strong consumer uptake of Hemp Foods Australia's new flavoured protein powder range.

During the period, Hemp Foods Australia launched a new Mixed Berry flavoured Hemp Protein. Being the fourth flavour in our successful range of protein powders, the Mixed Berry flavoured Hemp Protein is a smooth blend of antioxidant rich acai and premium-grade Hemp Gold® Protein. The relaunch and expansion of our protein range has delivered a 63% growth in category revenue contribution for the quarter compared to prior corresponding period ('PCP').



On 7 December 2021, Hemp Foods Australia submitted a New Ingredient Application for its Hemp Seed Oil with the Australian regulator, the Therapeutic Goods Administration ('TGA'). On 31 January 2022, Hemp Foods Australia was notified that the first phase of the application was successful. This confirms that Hemp Foods Australia was the first application and therefore the only application that will be assessed by the TGA. If the application is successful, Hemp Foods Australia's Hemp Seed Oil will be accepted as a permissible ingredient for Listed Medicines and will be granted exclusivity of use for a two-year period. A final decision is anticipated to be received during or after September 2022.

During the period, Hemp Foods Australia also confirmed that Coles will be stocking its new Seed Mix in 830 stores nationwide by end of September 2022. The seed mix contains hemp, mixed with other seeds, nuts and dried fruits. It is omega and antioxidant rich, is a great source of protein and targets functional health benefits such as gut health.

In addition, Hemp Foods Australia received confirmation this quarter that its full range of products will be featured in a vibrant point of sale display in the independent pharmacy channel. The initial 50 store pilot program will be launched during Q3 FY22 and if successful, has the potential to be expanded in up to 1,100 stores across Australia.

Hemp Foods Australia has also secured federal government funding (reimbursements of up to \$20k) to support its Environmental Social and Governance (ESG) initiatives which include transitioning all its product lines to fully compostable or recyclable packaging, and to achieving carbon neutral certification. Federal government funding (\$73,800 cash over 3 years) was also secured, via a different program, that will be used by the Company to continue to develop its export strategy to deliver growth in key markets in Asia, Europe and North America.

Americas

The Americas segment comprises the trading results of Elixinol LLC and its investments in Pet Releaf ('Elixinol Americas').

Americas reported revenue of \$1,512,000 for the period ended 30 June 2022 (30 June 2021: \$2,550,000) and EBITDA loss of \$2,547,000 (30 June 2021: \$3,889,000 EBITDA loss).

During the period, Elixinol Americas continued the implementation of an aggressive transformation agenda focused on improved profitability and the transition to an outsourced logistics model that was completed in Q1 FY2022. Further efficiencies were implemented during the period with the transformation towards a leaner, capital light e-commerce driven business with annualised cost base reductions of approx. \$3.2m from FY2021.

The outsourced logistics partnership saw in May and June 2022, 99.8% of consumer and retailer orders delivered on-time and in-full, further improving operational efficiency and reducing expense.

The new e-commerce site continues to perform strongly. During the period, the Company implemented a new digital retargeting strategy which drove a 56% increase in user sessions during the month of June 2022. Additionally, the subscription program whereby customers can subscribe up front for regular orders, continues to grow and represented 39% of June e-commerce revenue.

After completing a thorough assessment of the competitive landscape, in mid-June the Company implemented a price increase, averaging 15%, in counter to rising supply costs. No noticeable decrease in sales volumes has been observed as a result and there has not been any significant negative feedback from customers or consumers.

During the period, the Company launched two new sleep products: the Sleep Rapid Reset Liposome and Sleep THC Free⁽¹⁾ Gummies. The Sleep Rapid Rest Liposome and Sleep Gummies are unique, melatonin-free options for consumers to support optimal sleep. Both products contain CBD and CBN, marking a first for the brand to include a minor cannabinoid into product formulations.

Post period end Elixinol Americas placed production purchase orders for five new products to be launched in Q3 FY2022, being Everyday Adaptogen Complex Capsules, Calm Destress CBD Gummies, Beauty Collagen CBD Gummies, Everyday Vitality CBD Gummies and Everyday Extra Strength Gummies.

(1) THC Free means testing conducted to 0.01%. Testing method and detection limits vary depending on the test conducted. This is not a guarantee that no THC is present at concentrations less than 0.01%. This product meets federal requirements for hemp products, however consumption may be flagged by some drug tests.

Rest of World

The Rest of World segment, which comprises Elixinol BV and Elixinol Limited ('Elixinol Europe'), and licencing agreements around the world, reported revenue of \$14,000 for the period ended 30 June 2022 (30 June 2021: \$330,000) and EBITDA loss of \$151,000 (30 June 2021: \$1,294,000 EBITDA loss).



This EBITDA improvement was driven by a strategic decision to change its route to market in the United Kingdom and shift from a direct sale model to a licensing model. This change was in line with the Company's focus on divesting low margin business, in order to attain a position of profitability.

The revenue recognised during the period was from the licencing agreement in Japan.

Share of associates' profit

Share of associates profit during the period ended 30 June 2022 was \$32,000 (30 June 2021: \$nil).

Review of financial position

At 30 June 2022 the net assets of the Group were \$12,463,000 which included \$6,933,000 of cash and cash equivalents. The key impact during the period was total comprehensive loss of \$6,742,000.

Significant changes in the state of affairs

Following the resignation of Oliver Horn as Global Chief Executive Officer which became effective on 8 April 2022, Ron Dufficy, the Company's Global Chief Financial Officer, was appointed as Interim Global Chief Executive Officer effective the same date. In addition, Josephine Lorenz was appointed as Global Chief Financial Officer effective the same date.

On 29 July 2022, Ron Dufficy was appointed Global Chief Executive Officer following the completion of the strategic review.

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

Helen Wiseman
Independent Non-Executive Director and Chair

30 August 2022

DECLARATION OF INDEPENDENCE BY LEAH RUSSELL TO THE DIRECTORS OF ELIXINOL WELLNESS LIMITED

As lead auditor for the review of Elixinol Wellness Limited for the half-year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Elixinol Wellness Limited and the entities it controlled during the period.



Leah Russell
Director

BDO Audit Pty Ltd

Sydney, 30 August 2022

Elixinol Wellness Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2022



	Note	30 Jun 2022 \$'000	Group 30 Jun 2021 \$'000
Revenue	5	3,216	4,790
Other income	6	109	407
Interest income calculated using the effective interest method		11	25
Expenses			
Raw materials and consumables used and processing expenses		(1,731)	(2,280)
Employee benefits expenses and Directors' fees		(3,617)	(5,050)
Share-based payments		(128)	(344)
Depreciation and amortisation expense		(442)	(813)
Impairment of intangibles	11	(234)	-
Impairment of other assets		(892)	(2,639)
Professional services expenses		(849)	(1,465)
Sales and marketing expenses		(822)	(1,744)
Administrative expenses		(1,273)	(1,591)
Distribution costs		(439)	(119)
Other expenses		-	(17)
Finance costs		(37)	(43)
Loss before income tax (expense)/benefit		(7,128)	(10,883)
Income tax (expense)/benefit		(2)	55
Loss after income tax (expense)/benefit for the half-year attributable to the owners of Elixinol Wellness Limited		(7,130)	(10,828)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		388	153
Other comprehensive income for the half-year, net of tax		388	153
Total comprehensive loss for the half-year attributable to the owners of Elixinol Wellness Limited		(6,742)	(10,675)
		Cents	Cents
Basic loss per share	15	(2.26)	(3.45)
Diluted loss per share	15	(2.26)	(3.45)

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

Elixinol Wellness Limited
Consolidated statement of financial position
As at 30 June 2022



	Note	30 Jun 2022 \$'000	Group 31 Dec 2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	7	6,933	12,649
Trade and other receivables		2,495	2,970
Inventories	8	2,224	2,201
Income tax refund due		569	541
Prepayments, deposits and other		583	1,227
Total current assets		<u>12,804</u>	<u>19,588</u>
Non-current assets			
Trade and other receivables		132	183
Investments accounted for using the equity method		2,787	2,617
Property, plant and equipment	9	447	1,308
Right-of-use assets	10	957	1,173
Intangibles	11	147	463
Total non-current assets		<u>4,470</u>	<u>5,744</u>
Total assets		<u>17,274</u>	<u>25,332</u>
Liabilities			
Current liabilities			
Trade and other payables		1,696	2,208
Contract liabilities		65	94
Borrowings		143	428
Lease liabilities		709	747
Employee benefits		259	229
Accrued expenses		703	1,009
Total current liabilities		<u>3,575</u>	<u>4,715</u>
Non-current liabilities			
Borrowings		250	250
Lease liabilities		986	1,290
Total non-current liabilities		<u>1,236</u>	<u>1,540</u>
Total liabilities		<u>4,811</u>	<u>6,255</u>
Net assets		<u>12,463</u>	<u>19,077</u>
Equity			
Issued capital	12	218,122	218,058
Reserves		9,546	9,094
Accumulated losses		(215,205)	(208,075)
Total equity		<u>12,463</u>	<u>19,077</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Elixinol Wellness Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2022



Group	Issued capital \$'000	Foreign currency translation reserve \$'000	Share-based payments reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2021	217,730	8,308	663	(191,050)	35,651
Loss after income tax benefit for the half-year	-	-	-	(10,828)	(10,828)
Other comprehensive income for the half-year, net of tax	-	153	-	-	153
Total comprehensive income/(loss) for the half- year	-	153	-	(10,828)	(10,675)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	(110)	-	-	-	(110)
Share-based payments (note 16)	-	-	344	-	344
Balance at 30 June 2021	<u>217,620</u>	<u>8,461</u>	<u>1,007</u>	<u>(201,878)</u>	<u>25,210</u>
Group	Issued capital \$'000	Foreign currency translation reserve \$'000	Share-based payments reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2022	218,058	8,675	419	(208,075)	19,077
Loss after income tax expense for the half-year	-	-	-	(7,130)	(7,130)
Other comprehensive income for the half-year, net of tax	-	388	-	-	388
Total comprehensive income/(loss) for the half- year	-	388	-	(7,130)	(6,742)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 12)	64	-	(64)	-	-
Share-based payments (note 16)	-	-	128	-	128
Balance at 30 June 2022	<u>218,122</u>	<u>9,063</u>	<u>483</u>	<u>(215,205)</u>	<u>12,463</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Elixinol Wellness Limited
Consolidated statement of cash flows
For the half-year ended 30 June 2022



	Note	30 Jun 2022 \$'000	Group 30 Jun 2021 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,338	5,057
Payments to suppliers and employees (inclusive of GST)		(8,970)	(12,097)
Government grants	6	324	52
Other *		-	(1,031)
Interest received		11	29
Interest and other finance costs paid		(37)	(30)
Income taxes refunded		-	55
Income taxes paid		(2)	-
Net cash used in operating activities		<u>(5,336)</u>	<u>(7,965)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		-	(142)
Payments for intangibles		(2)	(65)
Proceeds from disposal of property, plant and equipment		52	25
Net cash from/(used in) investing activities		<u>50</u>	<u>(182)</u>
Cash flows from financing activities			
Share issue transaction costs	12	-	(110)
Repayment of lease liabilities		(390)	(500)
Net cash used in financing activities		<u>(390)</u>	<u>(610)</u>
Net decrease in cash and cash equivalents		(5,676)	(8,757)
Cash and cash equivalents at the beginning of the financial half-year		12,649	27,743
Effects of exchange rate changes on cash and cash equivalents		(40)	(24)
Cash and cash equivalents at the end of the financial half-year		<u><u>6,933</u></u>	<u><u>18,962</u></u>

* Other includes non-recurring transaction and severance costs.

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



Note 1. General information

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

Elixinol Wellness Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office is:

Level 12
680 George 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 30 August 2022.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2022 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 2021 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, unless otherwise stated.

Going concern

The half year financial statements have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business.

During the half-year ended 30 June 2022, the Group incurred a net loss before tax of \$7,130,000 (30 June 2021: \$10,828,000). During the half-year net cash outflows from operating activities were \$5,336,000 (30 June 2021: \$7,965,000).

Notwithstanding these conditions, having prepared projected cash flow information from the date of approval of these financial statements taking into consideration plausible downside forecast scenarios, the Directors believe that it is reasonably foreseeable that the entity will continue as a going concern and it is appropriate to adopt the going concern basis in the preparation of the financial report.

Key judgements and assumptions underpinning these forecasts include:

- The continued success of the out-sourced supply chain and fulfilment model in the Americas completed in Q1 FY22, resulting in ongoing cash outflow savings of \$1.0m per year;
- The reduced cost and streamlined organisation structure that now combines corporate with business unit functions, resulting in additional ongoing cash outflow savings of \$3.2m per year; and
- The receipt of \$1.6m refundable tax credits made available under the Coronavirus Aid, relief and Economic Security Act (CARES Act) in the US by Q2 FY 23.

Moreover, having sensitised the forecasts prepared, the Group has identified a capacity to defer discretionary expenditure in the forecast period to manage cashflows as needed.



Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are consistent with those of the latest Annual Report.

Note 4. Operating segments

Identification of reportable operating segments

The Group is organised into three operating segments: Americas, Australia and Rest of World. There is one single business segment, being the sale of nutraceutical 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 Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation), adjusted for impairment. 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.

Types of products and services

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

Americas	This includes the trading results of Elixinol LLC ('Elixinol Americas') and its investments and joint ventures in the US through the manufacture and distribution of hemp-derived cannabidiol ('CBD') products.
Australia	This includes the results from operations of Elixinol Wellness (Byron Bay) Pty Ltd ('Hemp Foods Australia').
Rest of World	This includes the results from the trading operations of Elixinol BV and Elixinol Ltd (together 'Elixinol Europe') and through the manufacture and distribution of hemp-derived CBD products, and licencing agreements in place across the rest of the world.

'Unallocated' represents corporate, being Elixinol Wellness Limited (corporate).

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 2022, 22% of sales were derived from three major customers (30 June 2021: 13% of sales were derived from three major customers).



Note 4. Operating segments (continued)

Operating segment information

Group - 30 Jun 2022	Americas \$'000	Australia \$'000	Rest of World \$'000	Unallocated \$'000	Total \$'000
Revenue					
Sales to external customers	1,512	1,690	-	-	3,202
Licence revenue	-	-	14	-	14
Total revenue	<u>1,512</u>	<u>1,690</u>	<u>14</u>	<u>-</u>	<u>3,216</u>
Adjusted EBITDA	<u>(2,547)</u>	<u>(502)</u>	<u>(151)</u>	<u>(2,206)</u>	<u>(5,406)</u>
Depreciation and amortisation					(442)
Impairment of intangibles					(234)
Impairment of other assets					(892)
Interest revenue					11
Finance costs					(37)
Share-based payments					(128)
Loss before income tax expense					<u>(7,128)</u>
Income tax expense					(2)
Loss after income tax expense					<u>(7,130)</u>
Assets					
Segment assets	7,233	2,577	636	6,828	17,274
Total assets					<u>17,274</u>
Liabilities					
Segment liabilities	1,781	1,530	71	1,429	4,811
Total liabilities					<u>4,811</u>
Group - 30 Jun 2021	Americas \$'000	Australia \$'000	Rest of World \$'000	Unallocated \$'000	Total \$'000
Revenue					
Sales to external customers	2,550	1,910	330	-	4,790
Total revenue	<u>2,550</u>	<u>1,910</u>	<u>330</u>	<u>-</u>	<u>4,790</u>
Adjusted EBITDA	<u>(3,889)</u>	<u>(155)</u>	<u>(1,294)</u>	<u>(1,731)</u>	<u>(7,069)</u>
Depreciation and amortisation					(813)
Impairment of other assets					(2,639)
Interest revenue					25
Finance costs					(43)
Share-based payments					(344)
Loss before income tax benefit					<u>(10,883)</u>
Income tax benefit					55
Loss after income tax benefit					<u>(10,828)</u>
Group - 31 Dec 2021					
Assets					
Segment assets	8,981	2,960	793	12,598	25,332
Total assets					<u>25,332</u>
Liabilities					
Segment liabilities	2,599	1,502	335	1,819	6,255
Total liabilities					<u>6,255</u>



Note 4. Operating segments (continued)

Geographical information

	Sales to external customers		Geographical non-current assets	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	31 Dec 2021 \$'000
Americas	1,512	2,550	3,546	4,663
Australia	1,690	1,910	653	758
Rest of World	14	330	-	-
Unallocated	-	-	273	323
	<u>3,216</u>	<u>4,790</u>	<u>4,472</u>	<u>5,744</u>

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

Note 5. Revenue

	30 Jun 2022 \$'000	Group 30 Jun 2021 \$'000
Sale of goods	3,202	4,790
Licence revenue	14	-
Revenue	<u>3,216</u>	<u>4,790</u>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

Group - 30 Jun 2022	eCommerce \$'000	Retail \$'000	Other * \$'000	Total \$'000
<i>Geographical regions</i>				
Americas	1,023	423	66	1,512
Australia	218	1,192	280	1,690
Rest of World	-	-	14	14
	<u>1,241</u>	<u>1,615</u>	<u>360</u>	<u>3,216</u>

* Other includes bulk and private label and licence revenue.

Group - 30 Jun 2021	eCommerce \$'000	Retail \$'000	Other * \$'000	Total \$'000
<i>Geographical regions</i>				
Americas	1,574	810	166	2,550
Australia	215	1,333	362	1,910
Rest of World	63	267	-	330
	<u>1,852</u>	<u>2,410</u>	<u>528</u>	<u>4,790</u>

* Other includes bulk and private label.

Timing of revenue recognition

Sale of goods are recognised when goods are transferred at a point in time. Licence revenue is recognised over time.



Note 6. Other income

	30 Jun 2022 \$'000	Group 30 Jun 2021 \$'000
Net foreign exchange (loss)/gain	(127)	47
Net (loss)/gain on disposal of property, plant and equipment	(31)	1
Government grants	15	52
Sub-lease income and other	252	307
	<u>109</u>	<u>407</u>

Government grants

During the half-year, the Group has received a Business Growth Grant from the Australian Government amounting to \$15,000 (30 June 2021: \$10,000) which was in relation to marketing and export of goods. This grant has been recognised as government grants in the financial statements and recorded as other income. The grant is taxable.

During the previous half-year, the Group received JobKeeper support payments from the Australian Government amounting to \$42,000 which were passed on to eligible employees. These were recognised as government grants in the financial statements and recorded as other income over the period in which the related employee benefits were recognised as an expense. These grants were taxable.

Note 7. Cash and cash equivalents

	30 Jun 2022 \$'000	Group 31 Dec 2021 \$'000
<i>Current assets</i>		
Cash at bank	6,933	12,649
	<u>6,933</u>	<u>12,649</u>

Note 8. Inventories

	30 Jun 2022 \$'000	Group 31 Dec 2021 \$'000
<i>Current assets</i>		
Raw materials - at cost	153	7,514
Less: Provision for impairment	-	(7,331)
	<u>153</u>	<u>183</u>
Work in progress - at cost	524	302
Less: Provision for impairment	(162)	(266)
	<u>362</u>	<u>36</u>
Finished goods - at cost	1,219	2,176
Less: Provision for impairment	(27)	(380)
	<u>1,192</u>	<u>1,796</u>
Stock in transit - at cost	517	186
	<u>2,224</u>	<u>2,201</u>

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Net realisable values have been reviewed taking into account estimated future demand of finished goods, expiration dates on inventory and current market prices. With the transition to fully outsourced, raw materials on hand at 31 December 2021 fully impaired were scrapped or disposed of.



Note 9. Property, plant and equipment

	30 Jun 2022	Group
	\$'000	31 Dec 2021
		\$'000
<i>Non-current assets</i>		
Leasehold improvements - at cost	278	364
Less: Accumulated depreciation	(118)	(183)
Less: Impairment	(124)	(124)
	<u>36</u>	<u>57</u>
Furniture, fittings and equipment - at cost	154	162
Less: Accumulated depreciation	(133)	(126)
	<u>21</u>	<u>36</u>
Motor vehicles - at cost	62	59
Less: Accumulated depreciation	(53)	(44)
	<u>9</u>	<u>15</u>
Computer equipment - at cost	700	693
Less: Accumulated depreciation	(674)	(639)
	<u>26</u>	<u>54</u>
Machinery - at cost	1,915	5,776
Less: Accumulated depreciation	(806)	(1,063)
Less: Impairment	(754)	(3,567)
	<u>355</u>	<u>1,146</u>
	<u>447</u>	<u>1,308</u>

Reconciliations

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

Group	Leasehold improve- ments \$'000	Furniture, fittings and equipment \$'000	Motor vehicles \$'000	Computer equipment \$'000	Machinery \$'000	Total \$'000
Balance at 1 January 2022	57	36	15	54	1,146	1,308
Additions	-	1	-	3	4	8
Disposals	(3)	(3)	-	-	(44)	(50)
Exchange differences	-	4	-	1	39	44
Impairment of assets	-	-	-	-	(754)	(754)
Depreciation expense	(18)	(17)	(6)	(32)	(36)	(109)
Balance at 30 June 2022	<u>36</u>	<u>21</u>	<u>9</u>	<u>26</u>	<u>355</u>	<u>447</u>



Note 10. Right-of-use assets

	30 Jun 2022	Group 31 Dec 2021
	\$'000	\$'000
<i>Non-current assets</i>		
Land and buildings - right-of-use	3,379	4,039
Less: Accumulated depreciation	(1,718)	(2,162)
Less: Impairment	(704)	(704)
	<u>957</u>	<u>1,173</u>

Reconciliations

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

Group	Land and buildings - right- of-use \$'000
Balance at 1 January 2022	1,173
Modification of lease assumptions	8
Exchange differences	18
Depreciation expense	<u>(242)</u>
Balance at 30 June 2022	<u>957</u>

Note 11. Intangibles

	30 Jun 2022	Group 31 Dec 2021
	\$'000	\$'000
<i>Non-current assets</i>		
Goodwill - at cost	76,191	76,191
Less: Impairment	(76,191)	(76,191)
	<u>-</u>	<u>-</u>
Website and software - at cost	1,038	1,029
Less: Accumulated amortisation	(763)	(672)
Less: Impairment	(275)	(41)
	<u>-</u>	<u>316</u>
Patents and trademarks - at cost	149	149
Less: Impairment	(2)	(2)
	<u>147</u>	<u>147</u>
Customer relationships - at cost	2,475	2,475
Less: Accumulated amortisation	(1,256)	(1,256)
Less: Impairment	(1,219)	(1,219)
	<u>-</u>	<u>-</u>
Brand names - at cost	10,668	10,668
Less: Impairment	(10,668)	(10,668)
	<u>-</u>	<u>-</u>
	<u>147</u>	<u>463</u>



Note 11. Intangibles (continued)

Reconciliations

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

Group	Website and software \$'000	Patents and trademarks \$'000	Total \$'000
Balance at 1 January 2022	316	147	463
Additions	-	-	-
Exchange differences	9	-	9
Impairment of assets	(234)	-	(234)
Amortisation expense	(91)	-	(91)
Balance at 30 June 2022	-	147	147

Note 12. Issued capital

	30 Jun 2022 Shares	31 Dec 2021 Shares	30 Jun 2022 \$'000	Group 31 Dec 2021 \$'000
Ordinary shares - fully paid	316,132,461	315,778,066	218,122	218,058

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 January 2021	315,778,066		218,058
Issue of shares on exercise of performance rights	28 February 2022	354,395	\$0.000	64
Balance	30 June 2022	316,132,461		218,122

Note 13. Contingent liabilities

The Group had no contingent liabilities at 30 June 2022 or 31 December 2021.

Note 14. Commitments

	30 Jun 2022 \$'000	Group 31 Dec 2021 \$'000
<i>Inventory purchase commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Inventory purchases under contract	515	260

Note 15. Earnings per share

	30 Jun 2022 \$'000	Group 30 Jun 2021 \$'000
Loss after income tax attributable to the owners of Elixinol Wellness Limited	(7,130)	(10,828)



Note 15. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	316,017,575	313,570,167
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>316,017,575</u>	<u>313,570,167</u>
	Cents	Cents
Basic loss per share	(2.26)	(3.45)
Diluted loss per share	(2.26)	(3.45)

Performance rights (note 16) have not been included in the calculation of diluted earnings per share as their inclusion would be anti-dilutive to the Group at 30 June 2022 and 30 June 2021.

Note 16. Share-based payments

The Group has established a long-term incentive share-based payment ('LTIP'). Under the LTIP, the Board at its absolute discretion can include options and performance rights over ordinary shares in the Company to directors, key management personnel and employees.

During the half-year 13,767,195 performance rights were issued for \$nil consideration and the share-based payment debit in profit and loss was \$128,000 that included \$212,000 credit for forfeitures and \$340,000 debit current period expense. The equity movement was a credit of \$126,000 that included \$64,000 credit for performance rights exercised as issue capital, and \$331,000 movement in the share-based payment reserve.

Performance rights are awarded based on the fixed amount to which the individual is entitled. Upon satisfaction of vesting and employment conditions, each performance right will, at the Company's election, convert to a share on a one-for-one basis or entitle the participant to receive in cash to the value of a share at the Board's discretion in lieu of an allocation of shares.

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

30 Jun 2022

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
03/04/2018	03/07/2023	30,112	-	-	-	30,112
15/05/2018	15/08/2023	225,000	-	-	-	225,000
21/09/2019	21/12/2024	9,598	-	-	(2,877)	6,721
30/07/2020	30/10/2025	910,654	-	-	-	910,654
07/07/2021	07/10/2026	354,395	-	(354,395)	-	-
07/07/2021	07/10/2026	3,124,981	-	-	(789,375)	2,335,606
21/01/2022	21/04/2027	-	11,523,034	-	(2,657,344)	8,865,690
26/05/2022	26/08/2027	-	144,689	-	-	144,689
26/05/2022	26/08/2027	-	467,692	-	-	467,692
26/05/2022	26/08/2027	-	1,631,780	-	-	1,631,780
		4,654,740	13,767,195	(354,395)	(3,449,596)	14,617,944



Note 16. 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
21/01/2022	21/04/2027	\$0.073	91.10%	-	-	\$0.056
26/05/2022	26/08/2027	\$0.048	-	-	-	\$0.000
26/05/2022	26/08/2027	\$0.048	95.60%	-	-	\$0.083
26/05/2022	26/08/2027	\$0.048	91.10%	-	-	\$0.057

Note 17. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 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 2022 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 dark ink that reads "Helen Wiseman".

Helen Wiseman
Independent Non-Executive Director and Chair

30 August 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Elixinol Wellness Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Elixinol Wellness Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001 which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the 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 for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 30 June 2022 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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.

BDO Audit Pty Ltd

BDO

L. Russell

Leah Russell
Director

Sydney, 30 August 2022