



ASX Announcement

29 June 2018

Historic United States hemp farming legislation passed: will open significant trade opportunities for Elixinol USA

Key highlights:

- **United States Senate passes the 2018 Farm Bill, which includes the Hemp Farming Act of 2018 (S.2667). Will open significant trade opportunities for Elixinol USA once it moves through House as one single piece of legislation for President to sign**
- **Industrial hemp cultivation and hemp products to be legalised**
- **Industrial hemp to be permanently removed from the purview of the Controlled Substances Act, allowing it to be regulated as an agricultural crop**
- **Permissible federal activities to include undertaking national advertising and marketing of hemp products, accessing finance, banking and insurance services, and access to federally controlled water rights**
- **Change in legislation will remove barriers to trade and underpins Elixinol USA's ability to freely market its products in the USA**

Elixinol Global Limited (ASX: EXL), a global company operating in the industrial hemp and emerging medicinal cannabis sectors is delighted to announce that the Hemp Farming Act of 2018 (S.2667), attached to the Farm Bill of 2018, has passed the Senate. The Act, which directly impacts the Company's subsidiary, Elixinol USA, legalises industrial hemp at a federal level and officially removes it from the purview of the Controlled Substances Act.

This change, once it clears the house and is signed by the US President, will remove significant existing barriers to trade, by more widely opening up the ability for hemp growers, processors and product manufacturers to access finance, banking and insurance services without restriction, and provide better access to water rights. It is also expected to enable organisations like Elixinol USA to openly advertise and market its products directly to American consumers. These changes are set to drive significant further growth of the Elixinol USA business.

Mr. Gabriel Ettenson, General Manager of Elixinol USA said, "We have spent many years lobbying for legislators to recognise the tremendous value of the hemp industry in transforming and strengthening our country. We have never waived over that time, so we are extremely excited about this legislation passing the Senate. Elixinol USA's position as a market leader in the hemp-CBD space gives us the ability to take full advantage of the opportunities it will offer."



Bill history

In March 2018, Senator Mitch McConnell announced his intention to introduce the Hemp Farming Act of 2018 (S.2667), whereby low-THC (<0.3%) strains of cannabis grown for industrial purposes would be excluded from the federal definition of marijuana (a controlled substance).

In 2014, the first step towards hemp legalisation was taken. Congress approved the Farm Bill (Sec. 7606, Agricultural Act, 2014) explicitly authorising states to sponsor hemp for research and marketing purposes.

The majority of US states have already enacted legislation redefining hemp as an agricultural commodity and to allow for its cultivation.

Existing operations

Elixinol USA, Elixinol Global's US-based subsidiary is a Colorado-based hemp-CBD (cannabidiol, a non-psychoactive extract from the hemp plant) dietary supplements manufacturer with a leading domestic brand and a top five hemp-CBD business in the US according to Forbes. Established in 2014, it generated AU\$13.3 million in sales from hemp-derived products in FY2017 (calendar financial reporting year-end). The operation sells domestically and exports to over 40 countries through its own distribution network.

Elixinol USA has a diversified portfolio of best in class products including hemp-derived, high-CBD based extracts, tinctures, capsules, liposomes, topicals and a variety of animal health products. This new legislation ensures immediate access to all the FMCG market including national retail outlets.

Market overview

The dietary supplements market has huge potential to grow in the US and globally. It is expected to reach US\$278 billion by 2024¹. Hemp-derived products are key drivers of future growth and Elixinol USA plans to work closely with national retail outlets to expedite the process of delivering widespread availability of the Company's portfolio of CBD products.

Elixinol development plans

As outlined in the Company's IPO strategy, Elixinol USA plans to significantly expand its hemp cultivation and manufacturing operation to meet ongoing revenue growth and significant future demand.

Elixinol USA has an important supply agreement in place with Colorado Cultivars, through which it has access to minimum guaranteed quantities of high quality CBD hemp through to 2019. In April 2018, to further secure its supply of hemp, Elixinol Global announced a farming JV, entitled the 'Northern



Colorado High Plains Producers' (NCHPP). NCHPP will utilize up to 700 acres of farmland. In anticipation of growth, land and water rights have been secured by a five-year lease term (extendable to over 30 years). In May 2018, this expanded operation received approval from the Colorado Department of Agriculture for commercial industrial hemp cultivation under a Hemp Pilot Program Application.

Further development activities include the expansion of production in a GMP – ISO certified purpose designed facility, which will allow Elixinol USA to double its current manufacturing capacity.

Elixinol Global Limited's CEO, Paul Benhaim commented, "This is a momentous day for Elixinol USA as premium producers of high quality hemp-derived products. We intend to launch additional mainstream-accessible products to the market as soon as practical to take full advantage of this historical and meaningful legislative change."



Pictured: Elixinol USA General Manager Gabriel Ettenson (second from right) with Senate Majority Leader Mitch McConnell (fourth from left) who has led these supportive changes for hemp in the Farm Bill.

¹ <https://www.grandviewresearch.com/press-release/global-dietary-supplements-market>
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About Elixinol Global

Elixinol Global Limited (ASX: EXL) through its businesses has a global presence in the cannabis industry including hemp-derived CBD dietary supplements, food and wellness products, as well as the cultivation and manufacture of medicinal cannabis products. Elixinol Global's businesses include:

- Elixinol LLC (Elixinol USA), which was founded in 2014, is a global manufacturer and distributor of industrial hemp based dietary supplement and skincare products, with operations based out of Colorado, USA;
- Hemp Foods Australia Pty Ltd (Hemp Foods Australia), which was founded in 1999, is the largest hemp food wholesaler, retailer, manufacturer and exporter in the southern hemisphere of bulk and branded raw materials and finished products; and,
- Elixinol Pty Ltd (Elixinol Australia), which was founded in 2014 to participate in the emerging Australian medicinal cannabis market.