Trading Update and Capital Raising

Elixinol Global Limited

May 2020

ASX: EXL, OTC: ELLXF
www.elixinolglobal.com

Not for release to US wire services or distribution in the United States

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Investors acknowledge and agree that:

- Determination of eligibility of investors for the purposes of the institutional and retail components of the Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of Elixinol and the Manager Group; and
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Acceptance

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Executive summary

Refined strategy	• Elixinol branded CBD nutraceuticals consumer strategy, becomes key revenue channel focus • More focused branded business model geared towards margin accretion • Continuation of brand relaunch in March 2020 driving distribution and consumer awareness • Digitally led consumer communication centred on new e-commerce platform in the US and UK / Europe • Europe expansion targeting largest CBD markets Germany and UK • Appointment of Oliver Horn (former CEO of Swisse Wellness ANZ & North America) as Group CEO, bringing substantial experience in building premium global consumer products • Continued cost control and capital management
Trading update[1]	• Q1 FY2020 revenue of $3.3 million – 25% decline on prior sequential period, being Q4 FY2019 – Increased contribution of total revenue from e-commerce, retail, UK & Europe, representing ~82% for Q1 FY2020 (Q4 FY2019 ~77%) – Retail channel revenue increased to $1.3 million in Q1 FY2020 ($0.8 million in Q4 FY2019) • e-commerce disruptions due to transition to Magento – e-commerce represented ~30% of total revenue in Q1 FY2020, down from ~45% in Q4 FY2019 • Global rebrand and product refresh launched end of Q1 FY2020 • Headcount FTE reduced to 78 as at 30 April 2020 from 119 as at 31 December 2019
Capital raising	• Undertaking a 1 for 2.51 pro-rata accelerated non-renounceable entitlement offer to raise gross proceeds of up to $11.0 million, at an offer price of $0.20 per share • Funds to be used to support operating cash flow, consumer brand building and distribution build • Elixinol to have pro forma cash of approximately $21 million on completion of the capital raising[2]

Note: (1) Based on Q1 FY2020 unaudited accounts; (2) Cash and cash equivalents as per Q1 FY2020 Appendix 4C, plus the gross proceeds of the offer less offer related costs. The Offer is not underwritten and so this assumes that the Offer is taken up in full.

Agenda

HIGHLIGHTS & BUSINESS UPDATE

1

Calm Before, During & After the Storm. Kind of Amazing

Business update and continued strategy implementation

1

Building a global Elixinol branded CBD nutraceuticals business to enhance margins
- Continued global Elixinol brand re-launch with benefit led product range
- Pharmacy and e-commerce channels prioritised globally to drive consumer education
- Cemented European foothold in strategic markets of Germany and UK through large scale partnerships
- Elixinol is the first global nutraceutical full-spectrum CBD brand to be listed by one of the largest distributors in Europe
- New consumer campaigns and media investments, including social media influencers and brand ambassadors

2

Investment in operations, e-commerce and key people
- Global investment in Magento based e-commerce platform and enhanced SEO capability
- Implemented ERP system
- New experienced senior hires, CEO – Americas, Tom Siciliano and VP Operations & Manufacturing, Chad Wittman

3

Innovation and new product development focus
- Increased focus on expanding Elixinol-branded range
- Addition of chewable and skincare products in H2 FY2020
- 2nd gen skincare products in early stages of development

4

Appointment of Oliver Horn as Group CEO
- Former CEO of Swisse Wellness ANZ and North America
- Established track record in the nutraceuticals sector and premium global consumer brands
- Commercial & Marketing Leadership experience across ANZ, Americas and Europe

5

Cost control and compliance
- Continued focus on reducing cash-burn and working capital initiatives
- Reduction in headcount of FTE
- Increased emphasis on compliance

Elixinol – Americas region

Continued focus on selling hemp derived Elixinol branded CBD products

Cost base optimisation

- Focus on cost-out and efficiency initiatives to expand margins and reach break-even
  - Pathway towards positive cash flow and increased gross margins
- Continued investment in sales and marketing to drive brand recognition and conversion

Investment in operations, e-commerce and key people

- 12,000ft^2 facility now complete
- Changed e-commerce platform to Magento
  - Faced transition issues in Q1 FY2020 including lost search engine optimisation (SEO) and website traffic
  - Issues have been resolved, platform is functioning to expectations
- Key hires including CEO – Americas, Tom Siciliano and VP Operations & Manufacturing, Chad Wittman

Inventory turnover

- Focus on converting inventory into cash
  - A$25m of US inventory sufficient to fuel 18 months+ of revenue growth
  - US inventory has a 2 year shelf life

Business challenges

- Oversupplied, highly competitive market
- Slower than expected regulatory progress in the US leading to an under-regulated market
- COVID-19 bricks and mortar footfall restrictions have slowed rate of sale
  - Delays in securing new distribution points within Elixinol's bricks and mortar sales channel

Outlook

- Post-COVID-19, increased in-store sales and marketing
- Drive growth of e-commerce and retail sales of high margin Elixinol branded CBD products
- New product development to support national retail (including pharmacy) and e-commerce growth

Elixinol – UK / Europe

Building momentum in the UK and Europe

UK / Europe business

- Continued development of global distribution strategy, prioritising pharmacy, home TV shopping and e-commerce channels
- Pharmacy channel driven by existing partnerships / distribution agreements
  - UK / Europe distribution arrangements with one of the largest distributors in Europe, who supply pharmacies, doctors and health centres across Europe
  - German exclusive distribution agreement signed with MedVec International GmbH, which has access to 22,000 pharmacies
- Home TV shopping via Channel 21 in Germany and Ideal World in the UK
- e-commerce via own site and third-party sites
  - Elixinol has updated its e-commerce website, which will launch Q2 FY2020
  - Significant investment in social media and influencer strategy
- Use of contract manufacturing during early stage market entry
  - Operating efficiencies identified to further improve margins

Market opportunity

- Elixinol is a leader in the UK and Europe, with a strong foothold in hemp derived CBD nutraceutical products in a significant growth market
  - Early stage development – Elixinol is the first global nutraceutical full-spectrum CBD brand to be listed by its UK / Europe distribution partner
  - Increasing barriers to entry – Novel Food Authorisation required to sell in Germany and the UK – Elixinol is in preparation to pursue its Novel Food application under this new regulation
  - Favourable market dynamics – move towards nutraceuticals and preventative health favouring plant-based food supplements

Regulatory frameworks

US

- On 5 March 2020, the US Food and Drug Administration (FDA) issued an update to Congress on the status of rulemaking for CBD. While hemp and cannabinoids derived from hemp such as CBD were legalised under the 2018 Farm Bill, FDA retained their authority to develop a regulatory framework for CBD products, just like any other food, beverage or supplement
- FDA is actively evaluating a potential rulemaking to allow CBD to be marketed as dietary supplements. In the meantime, the agency is considering the issuance of a risk-based enforcement discretion policy to provide more transparency regarding its enforcement priorities
- The agency continues to block pathways for adding CBD to food and beverages. FDA maintains that the data currently available raises safety concerns and encourages parties to share relevant information with the FDA

Highly competitive and under-regulated market. In mid-term, move to increased regulation expected to favour compliant companies such as Elixinol

UK / Europe

- Novel Food defined by any product not "significantly" consumed prior to May 1997
- Term used by European countries as a reference to enforce health and safety laws
- CBD is a Novel Food according to European Food Safety Authority (EFSA)
- European member countries are being increasingly pressured to make it unlawful for companies to bring ingestible CBD products to market without first applying for a Novel Food authorization from European Commission
- In 13 November 2019, Germany determined that it would align with the European Commissions directive on CBD – requiring prior safety evaluation and authorization from EFSA before marketing and selling
- In early 2020, UK Food Standards Agency (FSA) announced that those looking to market ingestible CBD products will have to submit an application for Novel Foods to keep products on shelves beyond March 2021
- Complex, technical and expensive Novel Food Authorisation process

Novel Food Authorisation process highly technical and costly. Only mature players like Elixinol expected to navigate successfully

Australia

- As of 24 April 2020, the Therapeutic Goods Administration (TGA) released the Department of Health-initiated proposal to make low-dose CBD available for sale in pharmacies as a Schedule 3 drug
- The proposed changes would allow the sale of pure CBD (with 2% or less other cannabinoids) to adults in packets containing up to 1,800mg of CBD. This is 30 days supply of the recommended maximum daily dose of 60mg
- The TGA is now accepting submissions from the public about these proposed changes. The Advisory Committee on Medicines Scheduling (ACMS) will receive submission up to 22 May, in preparation for their late-June meeting
- Should the ACMS decide to reschedule CBD as per the proposed amendments, the Standard for the Uniform Scheduling of Medicines and Poisons (SUSMP) could be amended as early as 1 February 2021 to allow for distribution

Possible 'home market' play positioning Elixinol as the Australian CBD specialist brand

Refined Elixinol branded product mix

Optimised, customer-led range, with products launched March 2020

Consumer Products

elixinol

Dietary Supplements

- Tinctures
- Capsules
- Liposomes

Topicals

- Elixinol Skin
- Balms & Sports Gels
- SATIVA Skincare

Elixinol branded products – the new breed

New Elixinol branded CBD product range

Launched March 2020: carefully researched, highly targeted

- Elixinol's focus is on hemp derived CBD formats that are purposely positioned to what consumers in our key markets recognise as supplements
- New Elixinol branded products are driven by customer demand at both enterprise and consumer level:
  - Tinctures;
  - Topicals;
  - Capsules;
  - Powders;
  - Gummies; and
  - CBD infused skincare / cosmetics
- Elixinol's formulations are crafted by experts and designed for optimal effect
- Rationales for, and desired effect of, each of Elixinol's branded products are thoughtful and well-researched
- Each of Elixinol's new branded products combine high quality hemp derived CBD with specific vitamins and minerals to target different areas of health and wellbeing
- Elixinol's branded products are made with full or broad-spectrum oil at the core of the formulation with increasing demand for broad spectrum

New product development

New immune booster range – capsules

Elixinol Skin – launching H2 FY2020

Full range of CBD-infused skincare

Revenue breakdown by channel

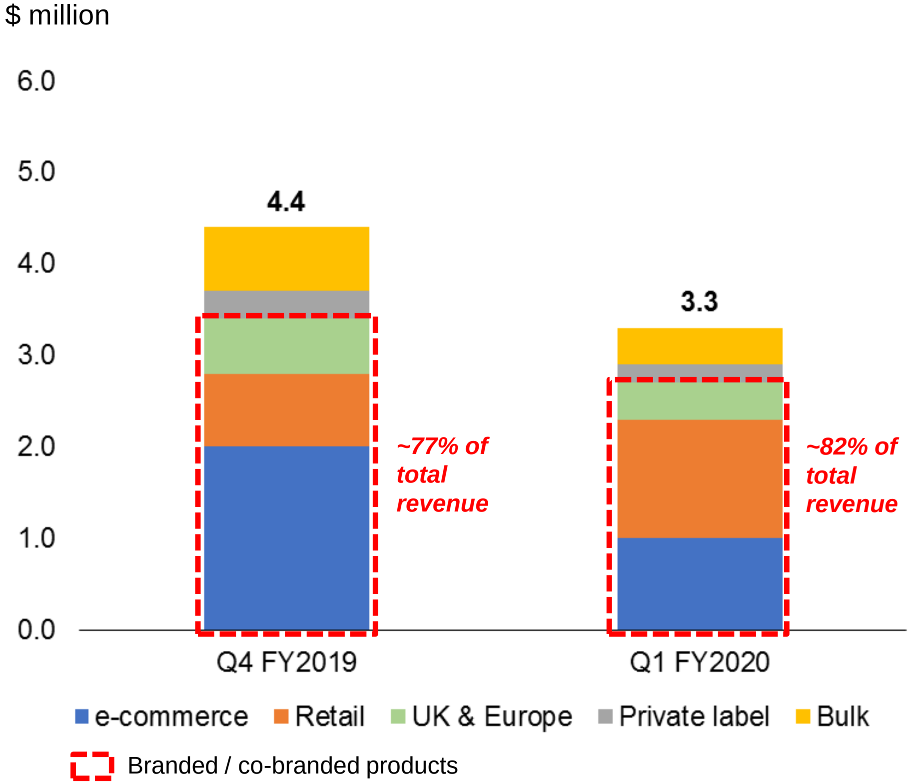
Branded / co-branded products (e-commerce, Retail, UK & Europe)(1)

- Increased contribution of total revenue from higher margin branded and co-branded products, representing ~82% for Q1 FY2020 (Q4 FY2019 ~77%)
- Retail channel revenue increased to $1.3 million in Q1 FY2020 ($0.8 million in Q4 FY2019)
- e-commerce disruptions due to transition to Magento
  - e-commerce represented ~30% of total revenue in Q1 FY2020, down from ~45% in Q4 FY2019
- Global rebrand and product refresh launched end of Q1 FY2020

Bulk and Private label

- Strategic decision to reduce focus on lower margin bulk and private label business in the US

Revenue by channel (Q4 FY2019 to Q1 FY2020)(1)



Note: (1) Based on Q1 FY2020 unaudited accounts

CAPITAL RAISING

2

A Better Way to Feel Better. Kind of Amazing

Offer details

Structure and size	• 1 for 2.51 pro-rata accelerated non-renounceable entitlement offer to raise gross proceeds of up to $11.0 million (**Offer**) • The Offer is not underwritten
Offer price	• Offer price of $0.20 per share, representing a discount of: – 48.1% to the closing price of Elixinol's shares of $0.385 per share on 29 April 2020; and – 39.8% to TERP (1) of $0.332
Institutional Entitlement Offer	• Institutional Entitlement Offer opens Tuesday, 5 May 2020 – Institutional Entitlements not taken up and entitlements of ineligible institutional shareholders will be placed into the Institutional Shortfall Bookbuild to be conducted on Tuesday, 5 May 2020
Retail Entitlement Offer	• Retail Entitlement Offer to existing eligible retail shareholders • The Retail Entitlement Offer will open on Tuesday, 12 May 2020 and close on Thursday, 21 May 2020 • Under the Retail Entitlement Offer, Eligible Retail Shareholders that take up their full Entitlement may also apply for additional New Shares in excess of their Entitlement (**Additional New Shares**)
Substantial Shareholder Intentions	• Raw with Life (~39.6% pre-Offer) and D&G Health (~9.0% pre-Offer) will not take up any of their entitlements under the Offer – Raw with Life and D&G Health are expected to hold ~28.3% and ~6.4%, respectively, post completion of the Offer • Mr Benhaim (on behalf of Raw with Life) has reconfirmed the statement made to ASX on 18 December 2019 that Raw with Life will not sell more than 10% of its holding in the first six months after 8 January 2020, and no more than 10% of its holding in the following six months after that • Mr Benhaim has further confirmed Raw with Life will not sell any shares during the Offer period
Ranking	• New Shares and Additional New Shares issued under the Offer will rank equally with existing shares
Record Date	• 7:00pm (AEST) on Thursday, 7 May 2020

Note (1) TERP is a theoretical price at which Elixinol shares trade immediately after the ex-date for the Offer assuming 100% take-up of the Offer. The TERP is a theoretical calculation only and the actual price at which Elixinol shares trade immediately after the ex-date for the Offer will depend on many factors and may not be equal to TERP. TERP is calculated by reference to Elixinol's closing price of $0.385 on 29 April 2020

Sources and uses of funds

Sources	$m	Comments
Offer proceeds	11.0	Entitlement offer, excluding costs
Total sources	11.0	

Uses	$m	Comments
Working capital	10.0	Support operating cash flow, consumer brand building and distribution build
Offer costs	1.0	
Total uses	11.0	

Note: The Offer is not underwritten and so this assumes that the Offer is taken up in full.

Capital raising timetable

Event	Date (2020)
Announcement of Offer (in trading halt)	Tuesday, 5 May
Institutional Entitlement Offer opens	Tuesday, 5 May
Institutional Entitlement Offer closes	Tuesday, 5 May
Institutional Entitlement Offer shortfall bookbuild	Tuesday, 5 May
Trading halt lifted and announcement of results of Institutional Entitlement Offer	Wednesday, 6 May
Record date for Retail Entitlement Offer (7:00pm AEST)	Thursday, 7 May
Retail Entitlement Offer opens (9:00am AEST)	Tuesday, 12 May
Retail Offer booklet dispatched	Tuesday, 12 May
Settlement of Institutional Entitlement Offer and Institutional Entitlement Offer shortfall	Wednesday, 13 May
Allotment date and normal trading of New Shares issued under the Institutional Entitlement Offer and Institutional Entitlement Offer shortfall	Thursday, 14 May
Retail Entitlement Offer closes (5:00pm AEST)	Thursday, 21 May
Announcement of results of the Retail Entitlement Offer	Tuesday, 26 May
Retail Entitlement Offer shortfall bookbuild	Wednesday, 27 May
Settlement of Retail Entitlement Offer and Retail Entitlement Offer shortfall	Monday, 1 June
Allotment of New Shares and Additional New Shares issued under the Retail Entitlement Offer and Retail Entitlement Offer shortfall	Tuesday, 2 June
New Shares issued under the Retail Entitlement Offer and Retail Entitlement Offer shortfall commence trading on ASX	Wednesday, 3 June
Dispatch of holding statements in respect of New shares issued under the Retail Entitlement Offer and Retail Entitlement Offer shortfall	Wednesday, 3 June

The above timetable is indicative only and subject to change. Elixinol reserves the right to vary these dates or to withdraw the Offer at any time. Subject to the requirements of the Corporations Act, the ASX Listing Rules and any other applicable laws, Elixinol, in consultation with the Lead Manager, reserves the right to amend the timetable at any time.

KEY RISKS

3

Action for Your Bodies Reaction. Kind of Amazing

Key risks

Introduction

- There are risks involved with participating in the Offer and holding Shares in Elixinol Global Limited (the “Company”, “Elixinol”, "we" or "us"). Certain of these risks are specific to an investment in the Company and others are specific to investing in and holding shares. The occurrence of these risks may have an adverse impact on the Group's business, results of operations, financial condition and the price of Shares.
- The risks detailed below may change after the date of this document and other risks relevant to the Company and its subsidiaries (the “Group”) and the Shares may emerge which may have an adverse impact on the Group and the price of the Shares. In particular, investors should note that the unprecedented uncertainties and risks created by the COVID-19 pandemic could materially change the Group's risk profile at any point after the date of this document and adversely impact the financial position and prospects of the Group in the future.
- The risks set out in this section are not exhaustive. Other risks may materially affect the future performance of the Group and the price of the Shares. Additional risks and uncertainties not presently known to management or that management currently believe not to be material may also affect Elixinol’s business. Accordingly, no assurances or guarantees of future performance, profitability, distributions, or returns of capital are given by Elixinol or any other person.

Risks specific to Elixinol's business

Agricultural risk and climate change risk
The Group is exposed to agricultural risk as the businesses are reliant on agricultural products with Elixinol reliant on 'broadacre hemp cultivation'. As such, the businesses are subject to the risks inherent in the agriculture industry. These risks include insects, plant diseases, storm, fire, frost, flood, water availability, water salinity, pests, bird damage and force majeure events. Such risks are also the cause of climate change. These risks may impact the financial performance through increased costs (from low yields or increase prices from low supply) or lack of supply to address customer demands. Supplier arrangements: The Group relies on several key supplier arrangements to supply raw materials. The failure to maintain long term contacts with these suppliers may impact the Group's ability to maintain consistent production levels and met the customer demand having a financial impact.

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

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

These may all impact the financial performance and position of the Group.

Systems, security and data privacy
While the Group has policies and procedures in place to address system security and data risks, there is a risk that these may not be adequate which could adversely affect the Group's reputation and financial position. There is also a risk as the Group rapidly expands, its systems will not scalable to the extent needed or have the ability to leverage the synergies of the differences business across the Group. This may lead to a financial impact and loss in revenue and profitability.

Key management personnel and employees
The Group relies upon its ability to attract and retain experienced and high performing executives and other employees. The failure to achieve this may impact upon the Group's ability to develop and meet its strategies and may lead to a loss in revenue and profitability. These risks are managed on an ongoing basis. Mitigations and strategies to address them are maintained and regularly reviewed, including via regular reporting to the Board.

Uncertainty of future profitability
The future profitability of the Group is contingent on consumer uptake, the results of further research and clinical trials, general economic conditions, the level of competition in the industry and regulatory factors. As a result, anticipated or expected sales may not be achieved, and even if achieved, may not result in Elixinol being profitable.

Risks specific to Elixinol's business (cont'd)

Change to laws or regulations

Elixinol's operations are highly regulated and Elixinol could be adversely affected by changes in laws, regulations or regulatory policy. The operations and proposed operations of Elixinol are subject to a variety of laws, regulations and guidelines. The hemp derived CBD industry is evolving globally, including in the USA and in Europe & the UK. It is likely that governments worldwide will continue to explore the benefits, risks and operations of companies involved in the hemp sector.

Elixinol's business, prospects, reputation, performance and financial condition could all be affected by changes to law and regulation, changes to policies and changes in the supervisory activities and expectations of its regulators across all of the jurisdictions in which it operates. In particular, the regulation of hemp is developing and, as a result, a change in government or increase in political lobbying may result in a change in government policy and an amendment of legislation and/or regulation. For example, there is a risk that the allowable levels of THC in hemp products sold in the US changes, this could potentially result in additional processing costs for the Group and impact the Company's financial performance. There is a further risk that the Food and Drug Administration may seek to change the laws and regulations governing the marketing of CBD products in the US (following a public statement on 5 March 2020 that it intends to engage with stakeholders in relation to this issue). In the US, given that many of the applicable laws and regulations are determined at the State-level, there is a risk that the regulatory regime governing the Group's US operations and distribution network becomes fragmented and difficult to comply with. The introduction of new legislation or amendments to existing legislation by governments, or the respective interpretation of the legal requirements in any of the legal jurisdictions which governs the operations or contractual obligations of Elixinol, could impact adversely on the assets, operations, and the financial performance of the Group and the industry in general.

In the UK, the Food Standards Agency (FSA) announced on 21 February 2020 that it has set a deadline of 31 March 2021 for CBD businesses such as Elixinol to submit valid "novel food authorisation" applications to permit Elixinol to continue to sell its CBD food supplements in the UK. The process of applying for the novel food authorisation, as expressed by the FSA, is regarded by Elixinol as procedural, and the Company considers there to be a very low likelihood of being unable to meet the requirements to obtain novel food authorisations for its CBD food supplement products. The failure to secure novel food authorisations for its CBD food supplement products would have a materially adverse impact on the Company's UK operations – ingestible products make up a large proportion of its business in the UK (with the balance being topically applied products such as cosmetics).

Regulatory compliance and the management of regulatory change are an important part of Elixinol's planning processes. Elixinol expects that it will continue to invest in compliance and the management and implementation of regulatory change and, at the same time, significant management attention and resources will be required to update existing or implement new processes to comply with new regulations (such as obligations to provide certain data and information to regulators) or new interpretations of existing laws or regulations. The failure of Elixinol to appropriately manage and implement regulatory change, including by failing to implement effective processes to comply with new regulations has in the past, and could in the future result in Elixinol failing to meet a compliance obligation.

Compliance systems

Elixinol employs a compliance management system which is designed to identify, assess and manage compliance risk. While this system is currently in place, it may not always have been or continue to be effective. Breakdowns may occur in this system due, for example, to flaws in the design of controls or processes. This has resulted in, and may in the future result in, potential breaches of Elixinol's compliance obligations.

Elixinol also depends on its officers, employees, contractors, agents, authorised representatives and external service providers to "do the right thing" for it to meet its compliance obligations. Inappropriate conduct by these individuals, such as neglecting to follow a policy or engaging in misconduct, could result in a failure by Elixinol to comply with compliance obligations.

Risks specific to Elixinol's business (cont'd)

Compliance with laws and regulation; risk of litigation and regulatory investigations

Elixinol operates in a highly regulated and rapidly growing and changing industry and is subject to extensive laws and regulatory requirements in multiple jurisdictions. Elixinol is reliant on the expertise and judgement of its directors, management and advisors in ensuring ongoing compliance with its regulatory obligations, as well as the establishment and maintenance of appropriate systems and procedures, and the Group's ability to attract and retain qualified personnel. In the case of actual or alleged non-compliance with regulatory requirements, the Group could also be subject to investigations and administrative or judicial proceedings or third party claims that may result in substantial penalties, including the revocation of licences and permits or costs (in the form of legal costs, damages claims and settlements). Any such investigation or proceeding, whether successful or unsuccessful, could result in substantial costs and diversion of resources and could adversely affect our business, financial condition and results of operations as well as our reputation (which may in turn affect our relationships with regulators and our ability to obtain or maintain regulatory approvals such as licences). Furthermore, action by any of Elixinol's regulators requiring us to limit or otherwise change operations or prohibiting Elixinol from engaging in certain activities, could materially adversely affect Elixinol's business, financial condition and results of operations. Elixinol announced on 23 October 2019 that it had discovered that non-compliant hemp derived CBD products were being sold by Elixinol Co, Ltd, a Japan-incorporated entity of which Elixinol owned 50.5% at the time (Elixinol Japan). Elixinol announced on 2 December 2019 that it had sold its interest in Elixinol Japan to another shareholder of Elixinol Japan and has since received correspondence from Elixinol Japan stating that all regulatory investigations had concluded and that no further action was required. Notwithstanding this correspondence, the Company cannot independently verify this information and were it to be incorrect there is a risk that the Company or its officers or employees who at the time held positions with Elixinol Japan could in future be subject to regulatory investigation or action.

Elixinol is a defendant in a class action suit filed in the United States District Court for the Northern District of California that alleges, amongst other things, that products sold by Elixinol, LLC, a Colorado Limited Liability Company and wholly owned subsidiary of Elixinol, are mislabelled as dietary supplements and that this may constitute misleading conduct. Elixinol believes that its products are accurately labelled and that the claims are without merit. The United States is an active jurisdiction for class action suits. The fact that Elixinol operates in the United States creates an increased risk of litigation including class action suits. There is a risk that the products produced and supplied by Elixinol are not approved for supply. In addition, Australia is becoming more active as a jurisdiction in relation to class actions, particularly as it relates to matters such as compliance with continuous disclosure obligations. As a listed company in Australia, there is a risk that Elixinol may in the future be subject to one or more class actions in relation to its operations and associated matters (such as continuous disclosure) in Australia.

Loss of key relationships

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

Production risk

The ability for the Group entities to cultivate and produce products is dependent on a number of key inputs and their related costs. These key inputs include raw materials, electricity, water, other utilities and skilled labour. Any significant interruption or negative change in the availability or cost of these inputs could materially impact the production of the business and subsequently, the operating results of the Group. In particular, given the nature of the raw materials used by each of the Group entities, supply may be limited to a single or limited number of suppliers, with access to these raw materials more competitive than conventional ingredients. As a result, there is an enhanced risk of difficulties in securing the required supplies, or to do so on appropriate terms.

Supplier arrangements

The Company has arrangements with a number of key suppliers. To the extent that the Group companies cannot secure and retain key suppliers, their respective abilities to maintain consistent production levels may be compromised, which in turn may have a material adverse impact on the financial performance and position of the Group.

Risks specific to Elixinol's business (cont'd)

Reputational risk

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

Protection of intellectual property

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

Competition risk

The industries in which the current Group entities are involved is subject to domestic and international competition. While the companies will undertake all reasonable due diligence in its business decisions and operations, the companies will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company. Some of the Company's competitors and potential competitors may have significantly more financial resources and marketing experience than the Company which may lead to reduced margins and loss of revenue or loss of market share. Further, revenues in the future may be reduced as the industry consolidates and seeks revenue accretion at the expense of profit margin.

Uncontracted sales

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

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

Contracts and agreements

There are a number of risks associated with the Group's existing contracts and agreements, including those related to previous supply arrangements and property leases. There is a risk that the Group's existing contracts may be terminated, lost or impaired, or renewed on less favourable terms. Some of the Group's contracts can be terminated without cause or on short notice periods (depending on events and circumstances), and although the relevant parties may continue to operate on existing commercial terms, a number of its existing contracts have expired or will shortly expire. A loss of any of the Group's contracts could have a materially adverse effect on its business, operating and financial performance. Similarly, there is a risk that the Group may not meet its existing obligations under current contracts and agreements. Should this be the case, the Group may be liable (to varying extents) under indemnity provisions in a number of contract and agreements. Any failure to meet these obligations could materially adversely impact the financial position of the Company.

Risks specific to Elixinol's business (cont'd)

Counterparty risks

Elixinol has entered, and may enter, into several commercial agreements and arrangements (including licences) with third parties that are, or could be, material to the financial performance and prospects of the business. There is a risk that counterparties may not either execute these agreements or, in respect of agreements that have been executed or are executed in the future, the counterparty may fail to meet their obligations under those agreements and arrangements. Negative commercial consequences will, or are likely to result from, the non-execution of such an agreement or any non-observance of obligations under such agreements. These consequences may include the prevention of the relevant member of the Group to execute a part, or parts, of its business plan. This in turn result in an adverse effect on the Group's proposed activities and operations, financial performance and prospects.

Impairments

Many of the risks set out in this presentation may be cause for Elixinol to reassess the carrying value of its assets. Indicators of impairment can exist for a number of reasons including where asset valuations are lower than their written down book values, certain activities, contracts or joint ventures are discontinued, a determination is made that equipment can no longer be utilised by the group in producing its products or sold to a third party or inventory passes its shelf life, can no longer be used in the production of Elixinol's products and/or cannot be sold to a third party, amongst other things. The recognition of an impairment will result in a write-down of asset value and an equivalent non-cash charge to the income statement, thereby reducing Elixinol's net assets and reported profits respectively. Elixinol assesses for indicators of impairment at each reporting period.

Acquisitions and disposals

Historically, acquisitions have played a significant role in the growth of our business, and we may continue to pursue growth through acquisitions in the future. We may not, however, be able to identify suitable acquisition candidates or to finance or complete such transactions on acceptable terms. Additionally, the integration of acquired businesses may result in significant challenges, and we may be unable to accomplish such integration smoothly or successfully. We may also seek to dispose of certain businesses or entities.
Specifically, we have recently announced the sale of our subsidiary Hemp Foods Australia Pty Ltd (**HFA**) to Yunnan Lvxin Biological Pharmaceutical Co., Ltd., pursuant to a share purchase agreement (**SPA**). The sale of HFA is in line with Elixinol's refined strategy to focus on the hemp derived CBD market. Completion under the SPA is expected to occur on 1 June 2020 and is conditional on, amongst other standard conditions, obtaining third party consents and entry into a licence agreement between as the exclusive licensee to manufacture and distribute Elixinol branded hemp derived CBD products in parts of Asia. There is a risk that these conditions may not be fulfilled, or the transaction will not otherwise complete, and therefore the Company will not receive the expected proceeds of the sale. If the transaction does not complete, then HFA will continue to operate until Elixinol determines an alternative strategy in relation to that business.

Inversion

For US federal income tax purposes, a corporation is generally considered a tax resident in the jurisdiction of its organisation or incorporation. Because the Company is an Australian entity, it would generally be classified as a foreign corporation (and, therefore, not a US tax resident) under these rules. Nevertheless, the Company may be treated as a US corporation and, therefore, a US tax resident for US federal income tax purposes (the so-called "anti-inversion" rules). The US anti-inversion rules are intended to dissuade US corporations and partnerships from redomiciling offshore. It applies when a non-US corporation acquires, directly or indirectly, substantially all of the assets of a US corporation or partnership. The anti-inversion rules do not apply to a non-US acquiring corporation to the extent such corporation (including its "expanded affiliated group") has "substantial business activities" in its country of organisation. As relevant in this situation, the Company (as the non-US acquiring corporation) is likely to fail the substantial business activities test. The former owners of Elixinol US are likely to own 80% or more of the vote or value of the Company (excluding the value of stock issued in a public offering or a private placement) by reason of the transfer of Elixinol US. Accordingly, the Company is likely to be treated as a US resident corporation for US federal income tax purposes. To the extent the Company is treated as a US resident corporation as a result of the operation of the anti-inversion rules, the following high-level US federal income tax considerations would apply:

- The Company would be treated as a US corporation subject to U.S. federal income tax on its worldwide earnings.
- The Company would be required file an annual US federal income tax return and comply with all US federal income tax laws.
- Non-US subsidiaries under control of the Company would be treated as controlled foreign corporations for US federal income tax purposes.
- Distributions paid by the Company to non-US shareholders, and other payments of passive-type income (e.g., interest, royalties, rents, etc.) could be subject to US withholding tax. Please note that the above is not intended to be an exhaustive or complete analysis of the US federal income tax consequences to the Company or its other subsidiaries. Management and the Company's tax adviser will further analyse the anti-inversion rules, as well as potential new tax legislation in the US.

General investment risks

Coronavirus (COVID-19)

The ongoing COVID-19 pandemic has had a significant impact on the global economy and the ability of individuals, businesses, and governments to operate. Across the globe, travel, trade, business, working arrangements and consumption have been materially impacted by the pandemic. There continues to be considerable uncertainty as to the duration of and further impact of COVID-19 including in relation to government, regulatory or health authority actions, work stoppages, lockdowns, quarantines and supply restrictions.

The impact of some or all of these factors could cause an adverse impact to the Group's financial performance even though we operate an essential business. Furthermore, as an international business supplying products to various markets globally, the pandemic and associated impacts could necessitate further capital requirements / support (either on a standalone basis or concurrently), which creates additional challenges and risks for the financial position of the Group.

Furthermore, the Group's financial position may be adversely impacted if certain of its suppliers (including its counterparties, suppliers of IT services, and other suppliers of products and services) are unable to successfully implement business continuity plans in the current environment or if any such suppliers are unable to continue as going concerns as a result of the economic impact of COVID-19.

The spread of COVID-19 has already resulted in governmental authorities in Australia, the United States and other countries around the world imposing a variety of measures restricting day-to-day life, including quarantines and travel restrictions of varying scope. This has resulted in significant disruptions in the global economy and the economies of particular countries, including health systems and manufacturing supply chains, consumption and overall economic output, which in turn has caused lower interest rates and significant volatility in global financial markets.

However, the extent of the impact on our business, results of operations, financial condition, liquidity and cash flows is largely dependent on future developments, which are highly uncertain and not predictable, including the scale of COVID-19 and actions taken to address its impact. Moreover, changes in interest rates, reduced liquidity or a continued slowdown in Australia, the United States or global economic conditions may also adversely affect our business, financial condition, results of operations, liquidity or prospects. Further, extreme market volatility may leave us unable to react to market events in a prudent manner.

General economic conditions

The operating and financial performance of the Group is influenced by a variety of global economic and business conditions. Prolonged deterioration in general economic conditions, for example a decrease in consumer and business demand which may impact the demand of the Group's customers for our products, could be expected to have a material adverse impact on the Group's business or financial condition. It is possible that a material deterioration of macroeconomic conditions could occur in the markets in which the Group operates as a result of the impact of COVID-19 and such a deterioration could materially adversely impact the Group's business, financial condition and results of operations.

The Company's performance is influenced by economic conditions globally. Most regions in which the Company operates in or supplies to have been significantly and adversely affected by the actions taken to mitigate the spread of COVID19, with many economies expected to experience severe economic recessions. The Group could be at risk of loss of earnings if it were unable to adapt in response to lower than expected revenues, or higher than expected costs, caused by these adverse changes in the economy and general business conditions or operating environment.

General investment risks (cont'd)

General risks associated with investments in equity capital

Investors should be aware that there are risks associated with any investments in equity capital. The value of the New Shares may rise above or fall below the Offer Price, depending on the financial position and operating performance of the Group. Further, the price at which the New Shares trade on the ASX may be affected by several factors unrelated to the financial and operating performance of the Group and over which Elixinol and the Directors have limited or have no control. These external factors may include:

(a) the impact of COVID-19;
(b) macroeconomic conditions and outlook in Australia and globally;
(c) changes in interest rates and the rate of inflation;
(d) investor sentiment in the local and international stock markets;
(e) changes in fiscal, monetary, regulatory and other government policies;
(f) changes in government legislation and policies, including tax laws;
(g) the development of new technologies and displacement of existing technologies; and
(h) geo-political conditions such as acts or threats of terrorism or military conflicts.

Investors should also note that the historic share price performance of the Group shares provides no guidance as to its future share price performance.

There have been significant fluctuations and volatility in the prices of equity securities in recent months, which may have been caused by general rather than company-specific factors, including the general state of the economy, the response to the COVID-19 pandemic, investor uncertainty, geopolitical instability, and global hostilities and tensions. In particular, the COVID-19 pandemic has resulted in significant market falls and volatility both in Australia and overseas, including in the prices of equity securities. As detailed above, there continues to exist considerable uncertainty as to the further impact of COVID-19 on the Australian and global economy and share markets including in relation to governmental action, work stoppages, university and school stoppages, lockdowns, quarantines, travel restrictions and the impact on the economy and share markets. Any of these events and resulting fluctuations may materially adversely impact the market price of the Shares.

The Company may not have settlement support from its Lead Manager

The Company has entered into an lead manager agreement with the Lead Manager in respect of the Offer (Lead Manager Agreement) and pursuant to which the Lead Manager is acting as sole lead manager and bookrunner to the Offer.

The Lead Manager Agreement contains representations and warranties and indemnities in favour of the Lead Manager. The Lead Manager may terminate its obligations under the Lead Manager Agreement on the occurrence of certain termination events including where:

(a) the conditions precedent in the Lead Manager Agreement (including delivery by The Company to the Lead Manager of a due diligence questionnaire) are not satisfied or waived by their respective deadlines;
(b) certain documents and publications in respect of the Offer include content that is misleading or deceptive in a material respect or likely to mislead or deceive in a material respect (including by omission);
(c) the Cleansing Statement lodged with ASX is or becomes "defective" within the meaning of the Corporations Act;
(d) the Company is prevented from issuing the New Shares within the time required by the Timetable, by the Listing Rules, applicable laws, an order of a court of competent jurisdiction or a Government Agency;
(e) any member of the Group suffers an insolvency event, or there is an act or omission which is likely to result in any member of the Group suffering an insolvency event;
(f) ASX refuses to grant official quotation of all the New Shares under the Offer or approval is subsequently withdrawn in accordance with particular dates in the Timetable;
(g) the Company ceases to be admitted to the official list of ASX or its shares are delisted or suspended from quotation by ASX for at least 1 Business Day;
(h) there is a change to the board of directors, the chief executive officer or chief financial officer of The Company;
(i) either:
    (i) as at the close of the trading date prior to settlement of the Institutional Settlement Date, the S&P/ASX 200 Index is 10% or more below its level as at the close of trading on the trading day before the Institutional Opening Date; or
    (ii) prior to the Retail Settlement Date, but after the Institutional Settlement Date, the S&P/ASX 200 Index falls by 10% or more below its level as at the close of trading on the trading day before the Institutional Opening Date, and remains at or below that level for at least two consecutive days or (if earlier) until the period ending at 5.00pm (Sydney time) on the trading day immediately prior to the Retail Settlement Date,

General investment risks (cont'd)

The Company may not have settlement support from its Lead Manager (cont'd)

(j) either:

(i) an application is made by ASIC for an order under Part 9.5 of the ASIC Act; or

(ii) ASIC commences any investigation or hearing under Part 3 of the ASIC Act,

in relation to the Offer or the Offer Materials and any such application, investigation or hearing becomes public or is not withdrawn within three Business Days after it is made;

(k) any event specified in the timetable for the Offer is delayed for more than 1 business day without the prior written consent of the Lead Manager;

(l) The Company withdraws the Offer;

(m) any certificate which is required to be provided by The Company under the Lead Manager Agreement is not provided when required; or

In addition, the following termination events will depend on: (1) whether the event has, or is likely to have, a material adverse effect on the marketing, success, outcome of the Offer; or (2) whether the event has given rise to, or is likely to give rise to a contravention of the Lead Manager or any of its Affiliates or liability for the Lead Manager or any of its Affiliates under the Corporations Act or any other applicable law, regulation or rule of any stock exchange:

(a) there is an adverse change, or an event occurs which is reasonably likely to give rise to an adverse change, in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company and the Group, or in the nature of the business conducted by the Group, other than as disclosed by The Company to the ASX before the date of the Lead Manager Agreement or in the materials released to ASX in connection with the Offer;

(b) the Company fails to perform or observe any of its obligations under the Lead Manager Agreement, an obligation of the Company becomes incapable of being performed or observed by the required time, or a representation or warranty made or given by the Company proves to be, or has been, or becomes, untrue, incorrect or misleading;

(c) there is an event or occurrence, including any statute, order, rule, regulation, directive or request of any Governmental Agency which makes it illegal for the Lead Manager to satisfy an obligation under this agreement;

(d) a statement in a Closing Certificate is false, misleading, inaccurate, untrue or incorrect (including by way of omission);

(e) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State or Territory authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced prior to the date of the Lead Manager Agreement);

(f) information in the due diligence materials provided by the Company to the Lead Manager becomes untrue, incorrect, misleading or deceptive (including by omission);

(g) the Company is required to give ASX a notice of correction in relation to the Cleansing Statement in accordance with section 708AA(12) of the Corporations Act (as amended by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84);

(h) there is: (i) a general moratorium on commercial banking activities in Australia, the United States, the United Kingdom, Hong Kong or Singapore declared by the relevant central banking authority in any of those countries, or a material disruption in commercial banking or security settlement or clearance services in any of those countries; (ii) a suspension or limitation in a material respect of trading in all securities quoted or listed on ASX, the LSE, the NYSE, the HKSE or the SGX for at least one day on which the exchange is open; or (iii) any adverse change or disruption to the existing financial markets, political or economic conditions or currency exchange rates or controls in Australia, the United States or the United Kingdom or the international financial markets; or

(i) there is an outbreak of hostilities (whether or not a war or a national emergency has been declared) not presenting existing, or a major escalation in existing hostilities occurs involving any one or more of Australia, Canada, a member of the European Union, Japan, Hong Kong, New Zealand, Singapore, the People's Republic of China, the United Kingdom or the United States of America or any diplomatic, military, commercial or political establishment of any of these countries elsewhere in the world.

If the Lead Manager terminates its obligations under the Lead Manager Agreement or the Offer is otherwise withdrawn, the Lead Manager will not be obliged to perform its obligations that remain to be performed. Termination of the Lead Manager Agreement could have an adverse impact on the amount of proceeds raised under the Offer. In these circumstances, The Company would need to utilise alternative funding options to achieve its objectives as described in this Presentation.

Failure to raise sufficient funds under the Offer (as a result of it not proceeding or otherwise) could also materially adversely affect the Company's business, cash flow, financial position and results of operations.

General investment risks (cont'd)

Non-underwritten offer risk
The Offer is not underwritten, and accordingly there is no certainty that Elixinol will raise sufficient funds under the Offer to meet its objectives from the capital raising.

Dilution risk
If you do not take up all of your entitlement under the offer, then your percentage security holding in the Company will be diluted by not participating to the full extent in the offer. Investors may also have their investment diluted by future capital raisings by the Company. The Company may issue new securities in the future which may, under certain circumstances, dilute the value of an investor's interest.

Future capital raising risk
The Company may be required to raise additional equity or debt capital to finance its commercial activities. There can be no assurance that the Company will be able to raise that finance on acceptable terms or in a timely manner.

INTERNATIONAL OFFER RESTRICTIONS

4

Works as Hard as You Do. Kind of Amazing

International offer restrictions

This document does not constitute an offer of entitlements ("Entitlements"), new ordinary shares ("New Shares") or additional ordinary shares (“Additional New Shares”) of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Entitlements, New Shares and Additional New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Germany

This document has not been, and will not be, registered with or approved by any securities regulator in Germany. Accordingly, this document may not be made available, nor may the Entitlements, the New Shares or Additional New Shares be offered for sale, in Germany except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "Prospectus Regulation").

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of Entitlements and New Shares in Germany is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Entitlements, the New Shares and Additional New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Entitlements, the New Shares and Additional New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Entitlements, the New Shares and the Additional New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Entitlements, New Shares or Additional New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

International offer restrictions (cont'd)

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The Entitlements, the New Shares and Additional New Shares in the entitlement offer are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the entitlement offer, the New Shares and Additional New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act (and, if an eligible investor, has provided the necessary certification).

United States

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Entitlements, the New Shares and Additional New Shares have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

For more information:

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