



ASX: EXL, OTCQB: ELLXF

ANNUAL REPORT 2020





Elixinol Global (ASX: EXL; OTCQB: ELLXF) is a global leader in the hemp industry, innovating, marketing and selling hemp derived nutraceutical, cosmetic and food products. The Company's operations span the Americas, Europe and Australia.

www.elixinolglobal.com



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About Us

OUR VISION:

Building a global, hemp derived, health and wellness consumer products business.

OUR MISSION:

Making a positive contribution to people’s health, wellness and the planet through the power of hemp products.

OUR PHILISOPHY:

VALUES



Heritage

Champions in hemp for 25 years



Global knowledge

Our global footprint delivers highest quality products



Quality & transparency

Our products are science & evidence backed



Compliance focus

We maintain a strict compliance focus in a dynamic landscape

MUST WINS



Strong global brand presence

Building our brands in Americas, Europe, ASIA, ANZ



Winning in e-commerce and Pharmacy

Creating best in class e-commerce capability and global pharmacy distribution



A profitable CPG model

Mature systems and capabilities with a well-managed supply chain



Sustainable growth through innovation

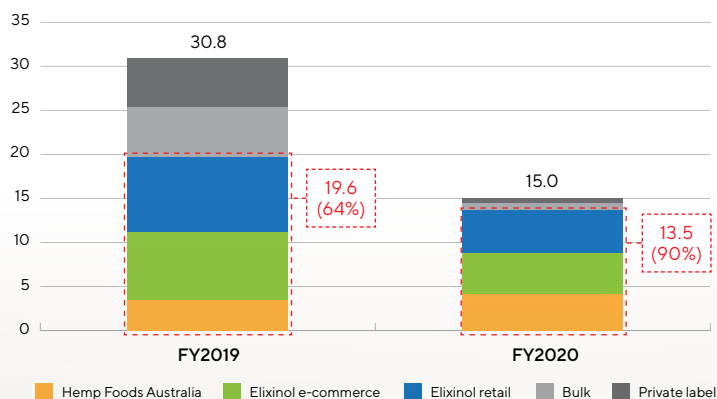
Continuous NPD & innovation drive



Operations & Financials Overview

Revenue by Channel

A\$ million, 31 December year end



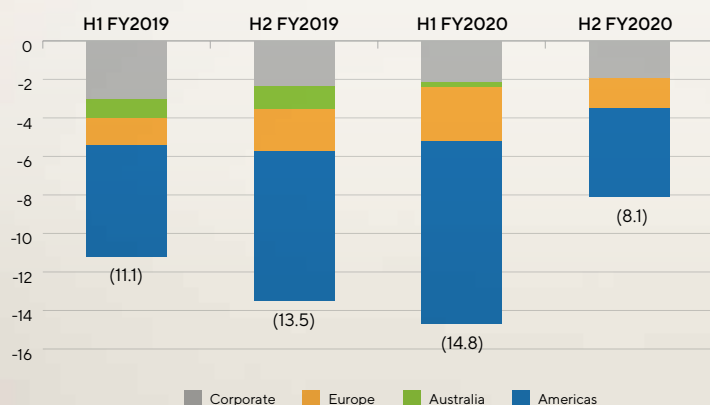
Revenue by channel

Divested low margin business to focus on higher margin Elixinol branded products.

Driving margin improvement as business mix shifts towards branded consumer goods channels.

Adjusted EBITDA by Half

A\$ million, 31 December year end



Adjusted EBITDA*

Improved significantly between H1 and H2, despite lower revenues with a reduced cost base supporting a simplified strategy.

Cost reduction program and higher margin business driving performance improvements.

Annualised cost base

↓ 45%

Substantial operational and corporate cost reduction program completed in June 2020.

Well funded**

Cash reserves boosted by heavily oversubscribed capital raise provides new funding of \$20.5m.

↑ 37%

\$27.7m
vs \$20.2m in FY2019

* Excluding non-cash impairments
** Cash and cash equivalents at the end of the financial year

Letter from Chair and Global CEO



It is our mission to make a positive contribution to people's health, wellness and the planet through the power of hemp products. This purpose is at the heart of our business as we pursue our vision of building a global, hemp derived, health and wellness consumer products business.



Dear Fellow Shareholders

2020 has been an unprecedented time for global markets. The COVID-19 pandemic has brought unforeseen challenges to many sectors, including our own. But it's times like this that drive Boards to really hone-in on how to achieve quality outcomes through every challenge and opportunity.

Following a reset of the Board and management team in FY2020, which saw our leadership capabilities strengthened and our strategic, commercial and governance skillsets augmented, your Board has held a stable focus on driving shareholder value. We are writing at a turning point in this process – EXL stands positioned to become a sustainable, wellness business with a broad portfolio and a diversified global footprint.

Image top:
Helen Wiseman – Chair

Image bottom:
Oliver Horn – Global CEO



BRANDED PRODUCTS

contributed
90%
 of Group revenue
 in FY2020
 (vs 64% in FY2019)



CASH USED IN OPERATIONS

reduced by
51%
 from \$15.2m in H1 FY2020
 to \$7.4m in H2 FY2020



ADJUSTED EBITDA LOSSES

improved to
\$8.2m
 in H2 FY2020 from
 \$14.8m in H1 FY2020

We must recognise and thank our predecessors, former Non-Executive Chairman Andrew Duff and former CEO Stratos Karousos, for the solid groundwork they laid in refocusing the business strategy two years ago towards a leaner, branded consumer goods company. Throughout 2020 we've accelerated this strategy and have made great strides forward in our pursuit of top-line growth and improved capital efficiency, which is starting to materialise in an improving bottom-line performance. Importantly, we've also made selective investment decisions in both team capability as well as new product initiatives thus creating new catalysts for growth.

Since joining the Company in April 2020, we have been working with the Board and global leadership team to cement Elixinol's position as one of the leading global hemp derived nutraceutical and food product companies whilst also creating a much leaner cost base. As we move further into FY2021, we look back upon the solid progress we have made towards achieving this goal.

While we can't discount the impact COVID-19 has had on the business, we are now in a secure financial position, buoyed by an increasingly positive regulatory environment in our operating markets, and we have an exciting pipeline of innovative consumer-led products, which is building traction with consumers and customers alike.

SMART CHOICES TO CREATE A STABLE YET AGILE BUSINESS

Behind every challenge lies opportunity and that is how we have viewed the impact of the global pandemic. We have used this time to evaluate the best path forward. We have been extremely deliberate with our choices which have led to a stable, yet agile business - a business focused on quality and longevity.

As briefly mentioned, we made significant efforts throughout FY2020 to streamline the business in all markets, focusing on those channels that would be most COVID-19 resilient, divesting low-margin business and driving higher margins through a number of efficiency improvements across our processes and channels. These efforts saw us right-size the business - resulting in an operating cost reduction of close to 50%. This brought our net quarterly cash outflow down to \$3.8m in the December quarter (Q4 FY2020) versus \$10.9m in the prior corresponding period of Q4 FY2019.

We also made smart choices, investing in repositioning the Elixinol brand, product innovation, portfolio expansion and in our new e-commerce platforms.

BRAND LAUNCH AND PRODUCT INNOVATION

The launch of the new Elixinol brand in FY2020 enabled us to leverage our CBD capabilities into the much bigger and more widely understood nutraceuticals and supplements categories. We achieved this by blending Elixinol CBD with other ingredients with proven health benefits - such as turmeric and melatonin, thus making it easier for consumers to adopt the still relatively new CBD category. We also introduced new customer and consumer-led ranges, including a new range of water-soluble products and our Good Mood CBD Gummies which have received strong early feedback. As a direct result of our brand relaunch and new product innovation, we've seen greater retail acceptance and growth in our distribution partners, including new listings with Well Pharmacy, leading TV home shopping channels and Superdrug in the UK.

Also, at the heart of our product innovation in FY2020 was the launch of our new comprehensive elixinolSkin CBD skincare range. This opened new growth channels, including Boots Ireland, with whom we launched the product as our first-to-market partner.

While at the time of writing, COVID-19 related lockdowns remained in place across many parts of the UK and US, hampering footfall into all bricks & mortar channels, we feel positive that we are well positioned to leverage our strong customer relationships and existing broad distribution as soon as conditions ease.

Letter from Chair and Global CEO

continued



CHANNEL GROWTH IN E-COMMERCE

2020 has also seen a shift in strategy towards 'digital first'. Having a direct consumer relationship has become an essential attribute to generating value and improving profitability. Our focus on building our e-commerce capabilities has been rewarded, with this channel contributing 30% of overall Group revenues in FY2020, up from 25% in FY2019.

During the year, Elixinol bedded down the Magento e-commerce platform and progressed its transition to an integrated in-house, web services and digital marketing team. This has enabled us to reduce external agency costs and provide the ongoing agility needed to successfully compete in a digital environment. Importantly, we have gained a wealth of new consumer insights, allowing us to become more relevant and targeted in our marketing whilst improving return on marketing investment. These changes couldn't have come at a better time given COVID-19's effects on consumer buying behaviour, and they were beginning to positively impact e-commerce customer acquisition and online purchases at the time of writing.

HEMP FOODS AUSTRALIA PERFORMS ABOVE EXPECTATIONS

Hemp Foods Australia has been a category leader and strong consumer wellness brand since it was founded over 20 years ago. Despite the earlier decision having been made to divest Hemp Foods Australia, after renewed business appraisal and a rapidly accelerating trend towards plant based super foods, the Board made a decision during the reporting period to retain this business within the Group. This strategy shift was carefully considered as your Board saw in HFA further potential to improve profitability via improving business fundamentals and to leverage its operations to support an Australasian strategy for Elixinol CBD products.

HFA achieved strong growth in FY2020 and now, with leaner operations and improved margins, accounts for one third of group revenue. It is the largest and one of the most recognisable hemp food brands in Australia and we look forward to seeing the business continue to improve into FY2021.

A SHIFTING REGULATORY ENVIRONMENT

The regulatory environment for cannabis and hemp shifted positively in FY2020, driven by the United Nations, the World Health Organisation and the US Federal Government election.

In December 2020, The United Nations Commission on Narcotic Drugs (CND) accepted a World Health Organisation (WHO) recommendation to remove cannabis and cannabis resin from Schedule IV of the 1961 Single Convention on Narcotic Drugs. This down-scheduling is expected to lead to a novel foods regime for CBD being implemented across Europe. A novel food application to support Elixinol's product range has already been submitted to the Food Standards Agency in the UK.

The CND vote recognises CBD's potential and this improving regulatory environment makes Europe a very attractive growth market. Due to Elixinol's strong balance sheet, we are now in prime position to evaluate new organic and inorganic opportunities to accelerate our global expansion.

In the US, we see the new democratic government driving a more favourable agenda when it comes to hemp derived CBD products. While nobody can predict timing, we feel confident that much needed regulatory certainty for the industry will be accelerated and this will have a positive impact on our Elixinol business.

In Australia, the Therapeutic Goods Administration confirmed the de-scheduling of CBD from Schedule 4 to Schedule 3, thus enabling CBD products that are registered with the TGA to be widely distributed across pharmacies. It is our current view that the pre-existing Special Access Scheme offers a more immediate opportunity for Elixinol products. We are leveraging the knowledge and skillset of our local HFA team to develop bespoke products to meet the needs of healthcare practitioners.

LOOKING AFTER OUR PEOPLE AND CULTURE

A sustainable business is built on engaged and high-performing teams. A high growth wellness industry is naturally attractive to employees but cost reduction measures coupled with severe impacts and limitations due to COVID-19 restrictions led to a challenging working environment for so many people around the world. Add to this a challenging economic environment and the pressure to not only perform, but also maintain a well-balanced life was unprecedented in FY2020.

We are grateful to, and proud of our teams across the Group who worked tirelessly throughout the year, finding opportunities to innovate around challenges, and adapting to changes at the macro level whilst navigating very demanding situations in their personal lives.

In recognition of the importance to invest in people's wellbeing at work, and the fact that there has been a lot of discretionary effort to drive the business forward, we put new initiatives in place to not only retain our people but support them in becoming the best version of themselves. We introduced non-financial incentive structures that align with our company ethos of helping to improve people's wellbeing, designed to ultimately improve employee engagement. We are pleased to have had strong feedback on these improvements to date, indicating that we are retaining and attracting talent.

LOOKING AHEAD

Elixinol's FY2021 priorities will continue to reflect our transformation into a leading global hemp derived nutraceutical and food products company, with a strong reputation for quality and innovation.

The year ahead will be one of further portfolio development and product innovation, as we increase our emphasis on developing differentiated consumer products that support the overall health and wellbeing of our customers.

We are now in an incredible advantageous position to complete our transformation; we have the team, product portfolio, financial stability, systems & processes and a favourable regulatory outlook to create a sustainable and profitable wellness business.

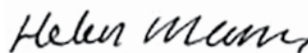
Our long-term funding position has been substantially strengthened through an oversubscribed capital raise, providing the funding headroom to withstand further short-term impacts from the COVID-19 trading environment. We sincerely thank all those investors who supported the recent raise and are supporting the Company more generally.

DELIVERING VALUE FOR OUR STAKEHOLDERS

Our well-considered and concerted efforts throughout 2020 have placed Elixinol Global on solid footing. We will continue to work hard to convert these strong foundations into the delivery of sustainable returns for all our shareholders. We are committed to having a long-term positive impact on all stakeholders connected to our business, including our valued employees, our customers and our business partners.

In closing, we would like to thank our incredible teams around the world for all their efforts, resilience, energy and enthusiasm. We would also like to offer gratitude to our shareholders who backed our business transformation through FY2020 with continued support and confidence.

Yours sincerely



Helen Wiseman
Chair



Oliver Horn
Global CEO

FY2020 Milestones

Q1 FY2020

- ✓ Elixinol Global announces a simplified business strategy to focus on hemp derived CBD products
- ✓ Successfully global relaunch of new Elixinol brand along with innovative new, consumer-led product range

Q2 FY2020

- ✓ Oliver Horn is appointed Non-Executive Board Director of Elixinol Global
- ✓ Chairman and Non-Executive Director Andrew Duff and Non-Executive Director Greg Ellery resign from the Board
- ✓ Stratos Karousos ceased as CEO and Oliver Horn is appointed Global CEO of Elixinol Global
- ✓ Helen Wiseman joins the Board as a Non-Executive Director
- ✓ Sales channels adapted in response to COVID-19 environment to service e-commerce and in-home shopping more extensively
- ✓ Elixinol-branded CBD nutraceuticals consumer strategy becomes key revenue channel focus, with a more focused branded business model geared towards margin accretion
- ✓ Focus on improving e-commerce platform with the introduction of Magento in order to become a digitally led consumer business in the US, Europe and UK
- ✓ Elixinol Global announces capital raise to support operating cash flow, consumer brand building and expand distribution
- ✓ Sale of the land owned by Nunyara Pharma Pty Ltd in order to redeploy the cash proceeds to support Elixinol's branded CBD nutraceuticals strategy
- ✓ Completes capital raise, raising ~\$11m with support from institutional and retail investors



Q3 FY2020

- ✓ Elixinol announces an agreement with PharmaCann to sell cannabidiol (CBD) products in the Australian market through the Therapeutic Goods Administration's (TGA's) Special Access Scheme (SAS)
- ✓ Distribution with Well Pharmacy commenced, with 8 Elixinol branded products selling in more than 500 stores across the UK
- ✓ Elixinol's skincare range, "elixinolSkin" launches in Boots Pharmacy's throughout Ireland
- ✓ Hemp Foods Australia performance and growth improvement continues, contributing 25% of total revenue in Q3 FY2020
- ✓ Signs an exclusive Trademark and Know-How License Agreement with Elixinol Japan, ensuring Elixinol can continue to build on its market leadership position in Japan
- ✓ Helen Wiseman appointed Chair of Elixinol Global, bringing strong governance and leadership skillset; Paul Benhaim moves to Non-Executive Director role

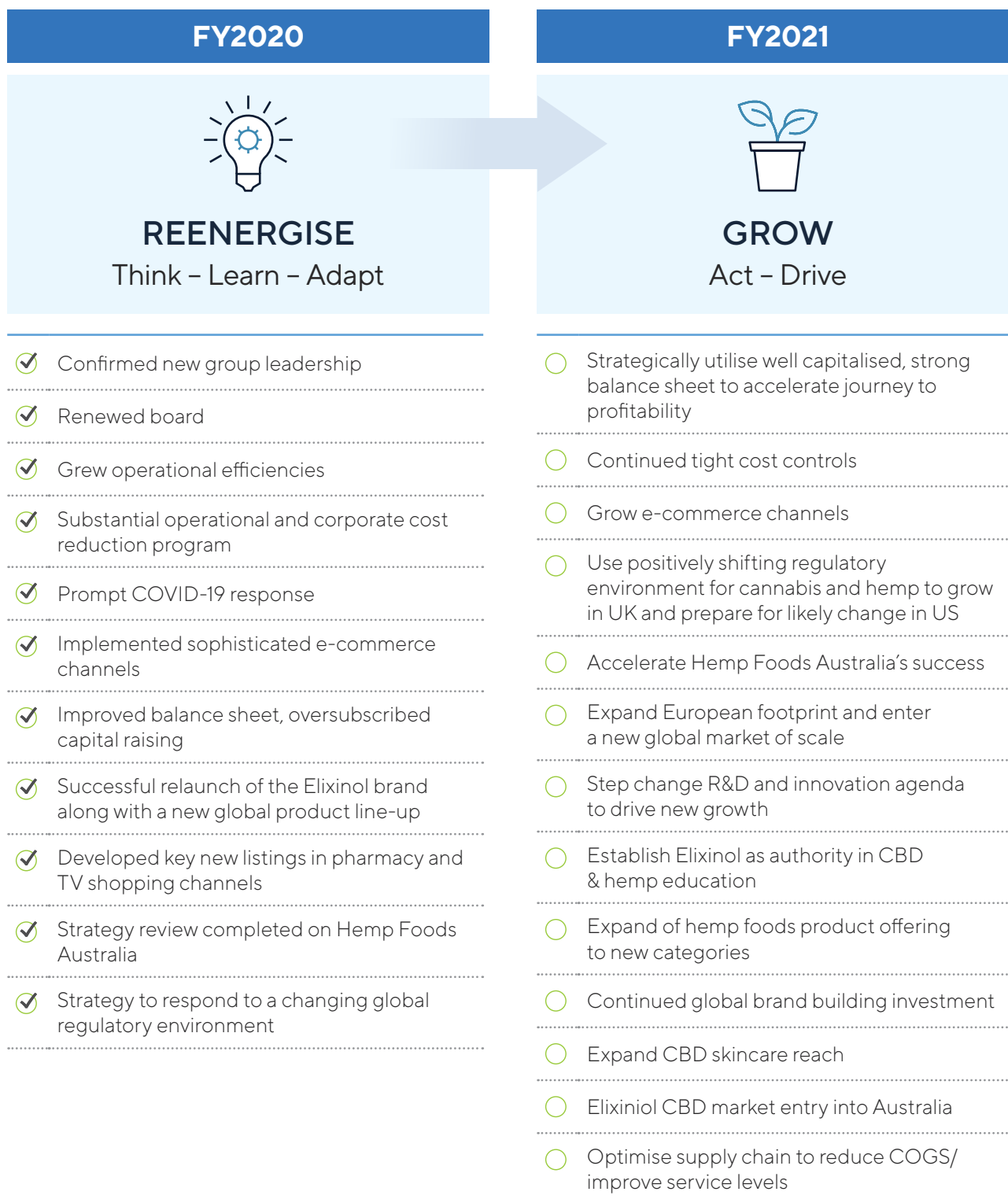
Q4 FY2020

- ✓ Elixinol launches its new Good Mood CBD Gummies range
- ✓ Successful Placement raising \$8.2 million, with strong support from new and existing institutional and sophisticated investors
- ✓ Heavily oversubscribed capital raise provides new funding of \$20.5m
- ✓ COVID-19 impacting retail channels in key markets
- ✓ Hemp Foods Australia delivers above expectations, contributing revenue of \$1.1m in Q4 FY2020
- ✓ Advancements in marketing and web services improved e-commerce customer acquisition with a 10% increase in new site users and 20% higher conversion rate
- ✓ First Elixinol product shipped under new product listing with SuperDrug, UK's second largest health and beauty retailer
- ✓ Pet Releaf supply agreement terminated but Elixinol continues to be major shareholder
- ✓ First Hemp Foods Australia product shipped under new product listing with global retailer and warehouse hub Costco
- ✓ United Nations' Commission on Narcotic Drugs (CND) votes to accept the World Health Organisation's recommendation to down-schedule cannabis - this is expected to have a substantial, positive impact on Elixinol's ability to drive product sales in Europe and other countries influenced by UN decision-making

Delivering on Strategic Priorities

“We are excited about what lies ahead in 2021, Elixinol Global is reenergised, the regulatory environment is better than ever and, with a strong balance sheet, we are ready to capture the incredible opportunities in front of us.”

Oliver Horn, Global CEO



Elixinol CBD



elixinolSkin CBD

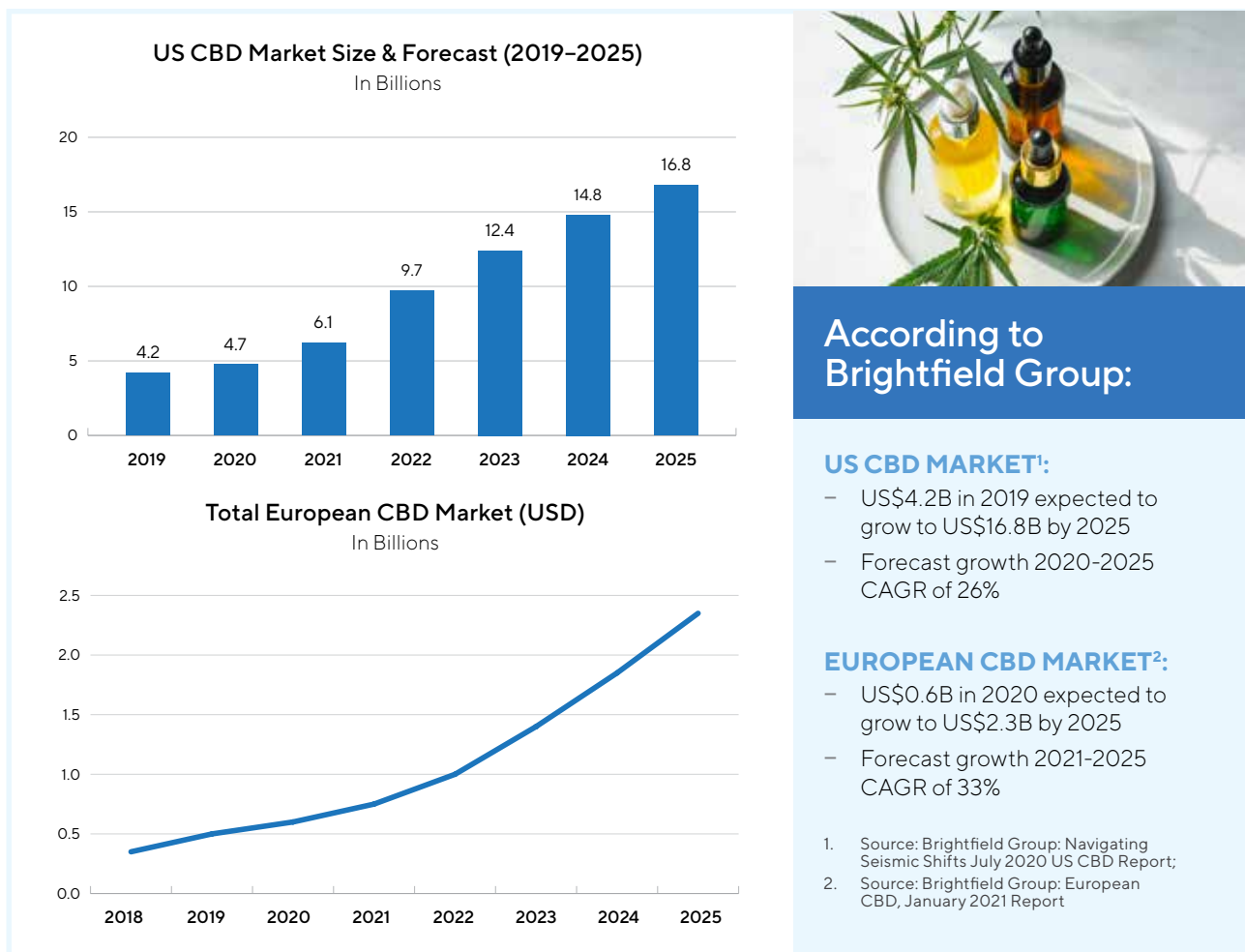


Hemp Foods Australia



Market Outlook & Regulatory Environment

Strong market opportunity across US and Europe



Regulation differs across key markets

The United Nations Commission on Narcotic Drugs (UN) accepted the WHO’s recommendation to reschedule cannabis to schedule 1, recognising its medicinal value and opening the pathway towards global relaxation of CBD legislation.

US REGULATORY FRAMEWORK UNCERTAIN:

- Highly competitive market with varied state regulations. Following election of democratic government, movement expected towards further legalisation, increased industry support and the classification of CBD as a dietary supplement.

EUROPEAN NOVEL FOODS APPLICATION:

- European regulators are expected to resume their review of the novel food authorisation application process for CBD products after the European Commission reversed its previous preliminary ruling that classified CBD as a narcotic, thus confirming the pathway to classify CBD as a food.

- UK Food Standards Agency (FSA) requires that those looking to market ingestible CBD products will have to submit an application for novel foods to keep products on shelves beyond 31 March 2021.

EXPLORING FAST DEVELOPING AUSTRALIAN MARKET:

- On 15 Dec 2020, the TGA announced a final decision to down-schedule CBD to schedule 3 in early 2021 allowing for certain registered TGA-approved low dose CBD products to be supplied over-the-counter by a pharmacist, without a prescription.
- Elixinol can separately enter the market under the TGA’s Special Access Scheme.

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Directors' Report

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 Global Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2020.

DIRECTORS

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

Helen Wiseman	Non-Executive Chair (appointed Chair 10 September 2020) Non-Executive Director (appointed 21 April 2020)
Paul Benhaim	Non-Executive Director Former Non-Executive Chair (appointed Chair 6 April 2020, ceased 10 September 2020)
Oliver Horn	Global Chief Executive Officer and Executive Director (appointed 21 April 2020) Executive Director (appointed 21 April 2020) Former Non-Executive Director (appointed 6 April 2020)
Stratos Karousos	Former Group Chief Executive Officer (ceased 21 April 2020) Former Executive Director (ceased 21 April 2020)
Andrew Duff	Former Non-Executive Chair (ceased 6 April 2020)
Greg Ellery	Former Non-Executive Director (ceased 6 April 2020)

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 BV and Elixinol Ltd (together 'Elixinol Europe') and Hemp Foods Australia Pty Ltd ('Hemp Foods Australia').

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 hemp supplements which is extracted from organically grown industrial hemp.

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 cannabidiol 'CBD' products including skincare.

Hemp Foods Australia (hemp derived foods and skincare products)

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

DIVIDENDS

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

REVIEW OF OPERATIONS

Operating and Financial Review

For the year ended 31 December 2020, the Group reported a net loss from continuing operations after income tax of \$104,478,000 (2019: \$80,512,000 net loss).

For the year ended 31 December 2020, the Group reported a net loss from discontinuing operations after income tax of nil (2019: \$2,559,000 net loss).

For the year ended 31 December 2020, the Group reported total comprehensive loss after income tax of \$104,506,000 (2019: \$82,928,000 total comprehensive loss).

The Group's revenues from continuing operations for the year ended 31 December 2020 were \$15,010,000 (2019: \$30,714,000).

The Group's earnings before interest, tax, depreciation and amortisation ('EBITDA') including share of associates' net loss and excluding impairment from continuing operations for the year ended 31 December 2020 was an Adjusted EBITDA loss of \$22,930,000 (2019: Adjusted EBITDA loss of \$24,632,000). A reconciliation of Adjusted EBITDA from continuing operations to statutory loss is detailed below:

	Group	
	2020 \$'000	2019 \$'000
EBITDA from continuing operations		
(Loss)/profit from continuing operations	(104,478)	(80,512)
Add back: Finance costs	49	133
Deduct: Interest income	(100)	(564)
Deduct/(add back): Income tax	4,200	(7,537)
Add back: Depreciation and amortisation	3,213	2,795
EBITDA from continuing operations	(97,116)	(85,685)
Add back: Impairment of intangibles	39,178	49,059
Add back: Impairment of assets	35,008	11,994
Adjusted EBITDA from continuing operations	(22,930)	(24,632)

The Group's cash flow used in operations for the year ended 31 December 2020 was \$22,621,000 (2019: \$51,066,000).

The Group recognised non-cash impairments of intangibles (including goodwill) of \$39,178,000 for the year ended 31 December 2020 relating to the Elixinol Americas CGU. The Group performed its annual impairment test at 31 December 2019, however as a result of trading performance from the reduction in revenues from the COVID-19 pandemic, indicators of impairment existed for Elixinol Americas as at 30 June 2020. Key assumptions in preparing the cash flow projections are subject to significant judgement about future economic conditions and the rapidly changing regulatory in which the CGU's operate in and uncertainty of the future impact of COVID-19. As a result, impairment testing was performed at 30 June 2020 and this resulted in a full impairment of intangible assets, including goodwill and customer relationships from private and bulk customers of the Elixinol America CGU. The assumptions were reviewed at the year end and remain consistent with the impairment review performed at the half year.

The Group recognised non-cash impairments of assets of \$35,008,000 for the year ended 31 December 2020 relating to inventory, fixed assets and equity investments (31 December 2019: \$11,994,000, 30 June 2020: \$29,787,000).

Segment results

Americas

The Americas segment comprises the trading results of Elixinol LLC ('Elixinol Americas') and its investments including Pet Releaf, NCHPP and H&W Holdings.

Americas reported revenue of \$8,510,000 for the year ended 31 December 2020 (2019: \$24,915,000) and EBITDA of \$14,170,000 loss for the year (2019: \$13,593,000 EBITDA loss).

In the US, the regulatory environment remains dynamic and varies from state to state but with a heightened expectation that the Food and Drug Administration ('FDA') will progress its rulemaking process regarding marketing of CBD products as dietary supplements. The current CBD market continues to be oversupplied posing a challenging environment for the industry. Additionally, COVID-19 factors continued to negatively impact sales, in particular in traditional retail / bricks and mortar channels.

To lead the US business transformation, a new leadership team was put in place in March 2020 led by a new Americas CEO. Throughout the year, the full-time equivalent ('FTE') head count was reduced from 98 to 39 and thus contributing materially to the Company's overall reduction in quarterly cash outflows of \$10.9 million comparing Q4 FY2020 to Q4 FY2019.

As a result of the increased need for online shopping in the COVID-19 environment, online sales now represent approximately 50% of US revenues. During Q4 FY2020, Elixinol Americas progressed its transition towards an integrated in-house, web services and digital marketing team. This enables the Company to reduce external agency costs and provides the agility needed to successfully compete in a digital environment with rapid content creation.

Directors' Report

continued

These advancements in marketing and web services improved e-commerce customer acquisition, highlighted by a 10% increase in new website users and a 12% increase to the customer database from the prior quarter. Continued improvements to the Magento website platform have produced 25% longer user sessions, 42% higher page views and a 20% higher conversion to purchase rate driving continued growth in reported online sales.

A total of 500 affiliates, third party websites who promote Elixinol products under a referral agreement and receive a commission on sales, have now been onboarded to support Elixinol product sales through the e-commerce channel. Approximately 20% of the affiliate portfolio contributes recurring monthly sales, while the Company continues increased engagement and conversion with the newer affiliate members. This strategy provides much broader e-commerce distribution and consumer reach.

To further optimise the business and adjust to a COVID-19 environment, Elixinol also expanded its out-bound calling and tele-marketing capability providing a cost effective way to service retailers.

Elixinol branded capsules and tinctures continue to be Elixinol Americas top selling products with Daily Balance being the best-selling capsule product. Bricks and mortar retail channel revenue for Elixinol Americas declined during the quarter, impacted by COVID-19, due to significantly reduced footfall.

Operations have continued to move towards a capital light model using readily available third-party manufacturing capacity thus further reducing operating cost.

On 11 May 2020, it was announced that a class action against Elixinol, LLC, had been dismissed. The withdrawal of the class-action suit was vindication of the Company's position that its products are accurately labelled and that the plaintiffs' misleading conduct claims were without merit.

Europe

The European segment includes Elixinol BV and Elixinol Limited ('Elixinol Europe'), reported revenue of \$2,344,000 for the year ended 31 December 2020 (2019: \$2,268,000) and EBITDA loss of \$4,470,000 (2019: \$3,551,000).

According to Brightfields January 2021 CBD report, Europe's CBD market reached US\$554 million in 2020 and is expected to grow to nearly US\$2.6 billion by 2025, with a five-year compound annual growth rate ('CAGR') of 33.2%.

The largest CBD markets in Europe today are those of the United Kingdom and Germany, each of which was estimated to be a \$100 million market in 2019.

During the fourth quarter, the United Nations ('UN') Commission on Narcotic Drugs ('CND') accepted a World Health Organization (WHO) recommendation to remove cannabis and cannabis resin from Schedule IV of the 1961 Single Convention on Narcotic Drugs. Late in 2020 the European Commission backed away from its preliminary stance that CBD should be treated as a narcotic and can now be regulated as food. These positive changes from the UN, WHO and the European Commission will positively impact the Company's ability to conduct business in its key regions. Over the last two years Elixinol has built a substantial base in Europe which has contributed significantly to our recent performance improvement, and from which new value will be unlocked over the coming year. Given the significant influence of the UN, we also expect positive follow-on effects into other countries where we operate.

Both the European and UK Food Standards Agency announced on 13 February 2020 that those looking to market ingestible CBD products will be required to submit an application for novel foods to keep products on shelves beyond 31 March 2021. Elixinol is confident its product range will be supported by a novel food application across all of Europe. Under its membership with the European Industrial Hemp Association ('EIHA') its application to the Food Standards Agency has now been submitted in the UK.

The improving regulatory environment makes Europe a very attractive growth market and due to Elixinol's strong balance sheet, the Company is now in a position to evaluate new organic and inorganic opportunities to accelerate its global expansion.

Hard lockdowns in Ireland and the UK severely impacted footfall into pharmacy stores, providing challenging trading conditions for Elixinol's new product launches in these regions, thus further reinforcing the continued investment in direct sales channels such as e-commerce and TV shopping.

Australia

The Australian segment comprises the continuing trading results from Elixinol Australia Pty Ltd (formerly Nunyara Pharma Pty Ltd) ('Elixinol Australia') and Hemp Foods Australia Pty Ltd ('HFA'). Australia reported revenue of \$4,156,000 for the year ended 31 December 2020 (2019: \$3,531,000) and EBITDA loss of \$283,000 (2019: \$1,553,000 EBITDA loss).

On 25 May 2020, the Company announced that the share purchase agreement (SPA) for the sale of HFA was terminated by the buyer due to non-satisfaction of a condition precedent in the SPA, citing COVID-19 impacts. At the time the SPA termination was announced, the Company said it would continue to operate HFA pending an evaluation of all opportunities to capitalise on HFA's established position as one of Australia's leading hemp foods brands.

Given the improving financial performance of HFA and market dynamics, on 20 July 2020 the Group announced that it had decided to continue the HFA operations, whilst exploring potential to leverage the cost base and skillset in HFA to support opportunities emerging from the changing Australian CBD regulations.

On 7 May 2020, the Group announced that it had sold the land owned by Nunyara for \$2.6 million. The cash proceeds from the sale are being redeployed to support Elixinol's branded CBD nutraceuticals strategy.

HFA grew revenue by 10% during Q4 FY2020, leading it to be break-even on an operating cash basis for the second consecutive quarter. Continued margin improvement was also achieved as a result of improved operational efficiencies and portfolio optimisation. Initial pipe-fill and replenishment orders of HFA's Essential Hemp branded seeds were shipped throughout the period under a recent Australian national listing with global retailer and warehouse club, Costco. Further promotions are scheduled for the current quarter.

The Therapeutic Goods Administration ('TGA') confirmed the descheduling of CBD from Schedule 4 to Schedule 3, thus enabling CBD products that are registered with the TGA to be widely distributed across pharmacies. However, Elixinol considers the existing special access scheme Schedule 4 and 8 environment a more immediate opportunity and is developing bespoke products for healthcare practitioners.

Share of associates' loss

Share of associates loss during the year ended 31 December 2020 was \$1,076,000 (2019: \$1,624,000 loss).

Review of financial position

At 31 December 2020 the net assets of the Group were \$35,651,000 which included \$27,743,000 of cash and cash equivalents. The key impact during the period was loss of \$104,478,000 offset by the additional net capital raised of \$28,959,000, net of issue costs (refer Note 22).

Underlying drivers of performance

The Group operates across three geographical segments and different industries, each of which has their own underlying drivers of performance. These are summarised below:

- Creating **strong consumer brands** and improving marketing capability to drive brand equity;
- **Innovating and developing new functional products** to increase consumer adoption and drive category growth;
- A varied global **regulatory framework which is improving in our favour** of CBD and hemp products;
- Securing **high quality supply of raw materials** and manufacturing relationships at competitive prices for hemp and CBD products;
- **Consumer and customer education** on the power of hemp and CBD to increase penetration & understanding;
- Delivering **high quality, ethical and sustainable products** to consumers;
- Continued investment in **digital and e-commerce capability** to own the consumer relationship; and
- Optimising and reducing cost base to **create a fit for purpose** and agile business.

Business strategies and future prospects

Refined strategic focus

Under new group leadership and with a renewed board, in H1 FY2020, Elixinol's business was aggressively repositioned towards as branded consumer goods business leading to improved fundamentals with substantial cost reductions and improved cash-flows. Key initiatives included:

- Extensive leadership changes at Board and operational level, bringing new strategic, commercial, digital marketing, supply and governance disciplines;
- Substantial operational and corporate cost reduction program completed in June 2020, leading to an annualised cost base which is approximately 45% lower than 2019;
- Implementation of a sophisticated e-commerce platform to drive higher margin sales and improve scalability;
- Pursuing an omni-channel sales strategy to reduce dependency on bricks & mortar channels and improve in-home shopping product availability via e-commerce and TV shopping;
- European efforts focused on UK as priority market prioritising pharmacy, home shopping TV and e-commerce;
- Embedding and optimisation of new ERP system to improve business reporting, controls and commercial decision making;
- Successful relaunch and repositioning the Elixinol brand with a new product portfolio towards a comprehensive nutraceuticals consumer products offering; and
- Cessation of low value business activities such as bulk and private label services to improve profitability.

Directors' Report

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Vision and mission

During the year, the Company vision and mission were defined by the leadership.

Company Vision: Building a global, hemp derived, health and wellness consumer products business.

Company Mission: Making a positive contribution to people's health, wellness and the planet through the power of hemp products.

Key strategic objectives identified

The Group remains very positive on the market opportunity for hemp derived food and CBD and its ability to leverage its strong consumer brands and reputation for high quality products. The Group has repositioned its strategy towards a branded consumer goods nutraceutical and food business aimed at delivering sustainable growth. The Group's strategic focus is now predicated on the following key pillars to support revenue growth and margin improvement:

- **Global diversification:** Expanding global footprint into scaleable CBD and hemp markets within Europe and other markets of scale;
- Continued investment in **building global brands** - the new and rebranded Elixinol range is ideally positioned to participate in the global growth of nutraceutical wellness products;
- Relentless focus on **improving capital efficiency** - long term focus on improving cash flow, driving margin accretion and tightly controlling expenditures;
- Establishment of a **category leading R&D and innovation capability** to drive category growth;
- Seeking new opportunities to **increase scale of US business** to leverage existing cost base;
- Agile COVID-19 response: **Win in home shopping channels** and leverage increased consumer need for natural wellness products;
- **Expansion of hemp foods product offering** to participate in more healthy plant based food consumer occasions;
- **Expanding into high growth CBD skincare** - our new elixinolSkin CBD skincare range opens new growth channels with fewer regulatory constraints;
- Invest in the **attracting and retaining talent** through improved employee value proposition; and
- Development of an **Environmental Social Governance** agenda to support our purpose of 'doing good to people and the planet through the power of hemp'.

Principal risks and uncertainties

The management of the business and the execution of the Group's growth strategies are subject to a number of risks which could adversely affect the Group's future development. The following is not an exhaustive list or explanation of all risks and uncertainties associated with the Group, but those considered by management to be the principal risks, which may impact the operations or results of the Group:

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 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, Europe 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 reduced consumer confidence and discretionary spending 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 and Europe 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.

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 contracts with these suppliers may impact the Group's ability to maintain consistent production levels and meet the customer demand having a financial impact.

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

As with all medical or nutraceutical products, there is a risk that the products sold by the 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 are not scalable 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.

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 FDA 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.

Directors' Report

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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 application for the novel food authorisation has now been submitted in the UK. 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.

To the extent possible, these risks are managed on an ongoing basis. Mitigation measures and strategies to address the risks are maintained and regularly reviewed, including via regular reporting to the Board.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Hemp Foods Australia Pty Ltd

On 31 January 2020, the Group entered into a sale agreement to dispose of Hemp Foods Australia Pty Ltd, subject to, amongst other standard conditions, obtaining third party consents and entry into a licence agreement between the Group and the acquirer. On 25 May 2020, the Company announced that the share purchase agreement ("SPA") for the sale was terminated by the buyer due to non-satisfaction of a condition precedent in the SPA, citing COVID-19 impacts. Subsequently, the Company evaluated the opportunities of Hemp Foods Australia and decided to continue the operations as part of the Group. As a result, the subsidiary has been reclassified from a discontinued operation and held-for-sale at 31 December 2019, and included in the continuing operations in the 31 December 2020 results.

Elixinol Australia Pty Ltd (formerly Nunyara Pharma Pty Ltd)

On 3 February 2020, the Group announced its intention not to pursue its application for a medical cannabis cultivation licence in Australia and dispose of the land held by Elixinol Australia Pty Ltd (formerly Nunyara Pharma Pty Ltd). The land held by the subsidiary was sold for \$2.6 million and settled in June 2020.

Corporate structure changes

On 6 April 2020, Founder and Non-Executive Director Mr Paul Benhaim became Chair of the Board and Mr Oliver Horn, former MD/CEO of Swisse Wellness ANZ and North America, was appointed Non-Executive Director. Chair and Non-Executive Director Mr Andrew Duff and Non-Executive Director Mr Greg Ellery resigned from the Board.

On 21 April 2020, Elixinol appointed Mr Oliver Horn as Global CEO. Mr Horn has extensive global industry experience, leadership credentials and passion for wellbeing. Mr Horn replaced former Group CEO Mr Stratos Karousos. In addition, the Group announced on 21 April 2020 the appointment of Ms Helen Wiseman to the Elixinol Global Board as Non-Executive Director. Ms Wiseman has extensive international experience in food, pharmaceutical, natural healthcare, professional services, energy, natural resources and manufacturing industries. Ms Wiseman is an audit committee specialist for listed companies. As former partner of KPMG, and previously named as one of the 2014 Australian Financial Review and Westpac 100 'Women of Influence', she brings diversity and seasoned governance skills to the board.

On 10 September 2020, the Company appointed Ms Helen Wiseman as Chair of the Board, and Mr Paul Benhaim continued as a Non-Executive Director.

Class action dismissed

On 11 May 2020, the Company announced that the plaintiffs in the class-action suit filed against Elixinol LLC in the United States District Court for the Northern District of California, filed a Notice of Voluntary Dismissal (Notice). The withdrawal of the class-action suit was vindication of the Company's position that its products are accurately labelled and that the plaintiffs' misleading conduct claims were without merit.

Capital raise

During May 2020, the Company completed an accelerated non-renounceable pro-rata entitlement offer raising \$11 million before transactions costs. The entitlement offer was completed in two stages with the Institutional entitlement offer completing on 5 May 2020 raising \$5.3 million before transaction costs issuing 26,712,850 ordinary shares at \$0.20 per share. On 26 May 2020, the Retail Entitlement Offer completed, and the Company issued 28,230,102 ordinary shares at \$0.20 per share, raising \$5.6 million before transaction costs. The placements together represented 40% of the Company's shares on issue prior to the placements.

Performance share rights

On 30 July 2020, the Group issued 2,465,043 Performance Share Rights under an employee incentive scheme. On 16 October 2020, the Group issued a further 1,234,177 Performance Share Rights under an employee incentive scheme.

Capital raise

On 16 November 2020, the Company completed a placement raising \$8.2 million before transactions costs. The placement was supported by both existing and new sophisticated and institutional shareholders issuing 48,209,265 ordinary shares at \$0.17 per share. At the same time, the Company announced it would undertake a share purchase plan (SPP) to eligible existing shareholders. On 16 December 2020, the Company announced the SPP was significantly oversubscribed and increased the size of the expected SPP to \$12.3 million before transaction costs for the issue of 72,313,898 ordinary shares at \$0.17 per share. A total of \$20.5 million before transaction costs was raised over these two placements. The placements together represented 63% of the Company's shares on issue prior to the placements.

Coronavirus (COVID-19)

The coronavirus ('COVID-19') was declared a pandemic in March 2020 by the World Health Organisation ('WHO'). During H1 FY2020 there have been considerable economic impacts in Australia and globally arising from the outbreak of COVID-19 and Government action to reduce the spread of the virus. The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries in 2020 have caused disruption to businesses and economic activity.

While COVID-19 related lockdowns have clearly impacted the ability to get the Group's CBD products to customers in some physical retail environments, positive trends are emerging in the pharmacy channel as consumers seek ways of better protecting their health. In parallel, healthy on-going baseline performance continues via TV shopping channels in Germany and the UK.

The Group's nutraceutical CBD product portfolio is well positioned to aid and support wellbeing during COVID-19 times. Products such as Good Night, Stress Less and Immune Booster are becoming increasingly relevant in this time and the Group's primary sales channels remain open.

The operations of substantially all of the Group's customers, suppliers and associates are located primarily in the USA, Europe, UK and Australia. The outbreak of COVID-19 is expected to continue to have an impact on these entities. This in turn has negatively affected the recoverability of the Group's investments, as well as financial assets and other assets due from third parties such as debtors, prepayments and advances to suppliers which have been subject to impairment or expected credit loss assessments as appropriate.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 31 December 2020 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Elixinol remains very positive on the market opportunity for hemp derived CBD and food products and its ability to leverage its strong reputation for high quality products. Despite a prolonged uncertain regulatory environment, Elixinol has refined its strategy to ensure it delivers both short and long term success. Elixinol's strategic focus is now predicated on the following key pillars to support revenue growth and margin improvement:

- Global diversification - expanding global footprint into scaleable CBD and hemp markets within Europe;
- Seeking new opportunities to increase scale of US business to leverage existing cost base;
- Expansion of hemp foods product offering to participate in more healthy plant based food occasions;
- Relentless focus on improving capital efficiency - long term focus on improving cash flow, driving margin accretion and tightly controlling expenditures;
- Building critical new competencies in digital marketing, R&D, omni-channel sales;
- Agile COVID-19 response - embrace in-home shopping channels and leverage increased consumer desire for natural wellness products;
- Continued investment in building global brand - the new and rebranded Elixinol range is ideally positioned to participate in the global growth of nutraceutical wellness products. UK distribution gains in pharmacy lay the foundation for growth;
- Expanding into high growth CBD skincare - our new elixinolSkin CBD skincare range opens new growth channels with fewer regulatory constraints;
- Becoming a digitally led global business with revenues from e-commerce accounting becoming key revenue and profit driver; and
- Supply chain optimisation - seeking new opportunities to shorten supply chain and reduce cost of goods.

Also refer to 'Business strategies and future prospects' included under 'Review of operations' section above.

Directors' Report

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ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State/Territory laws.

INFORMATION ON DIRECTORS



Helen Wiseman

Non-Executive Chair and Non-Executive Director

Qualifications:	Chartered Accountants Australia and New Zealand – Fellow, Graduate of the Australian Institute of Company Directors, Certified Director, INSEAD International Directors Programme
Experience and expertise:	Helen Wiseman is a Non-Executive Director and audit committee specialist with extensive international experience in food, pharmaceutical, natural healthcare, professional services, energy and natural resources and manufacturing industries. Helen is a former KPMG partner and brings extensive financial and commercial acumen, strategic risk oversight and seasoned global governance skills to the board. Helen was previously named as one of the 2014 Australian Financial Review and Westpac 100 Women of Influence.
Other current directorships:	Bid Corporation (JSE: BID)
Former directorships (last 3 years):	WPG Resources Limited
Special responsibilities:	Chair of Audit and Risk Committee and Member of Remuneration and Nomination Committee
Interests in shares:	168,132 ordinary shares
Interests in rights:	62,271 performance rights



Paul Benhaim

Non-Executive Director

Experience and expertise:	Paul has over 26 years' experience in the hemp industry and is the co-founder of Elixinol, Elixinol Australia and Hemp Foods Australia. Paul is considered an expert in the industrial hemp industry and frequently presents at industry conferences globally. He has also played a role in shaping regulation around cannabis laws.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Audit and Risk Committee
Interests in shares:	29,523,008 ordinary shares
Interests in rights:	None



Oliver Horn

Global Chief Executive Officer and Executive Director

Qualifications:	BSc degree, GAICD
Experience and expertise:	Oliver Horn was most recently MD/CEO of Swisse Wellness for Australia and New Zealand (ANZ) and North America. Oliver has previously held senior operational leadership positions at Treasury Wine Estates across ANZ, Europe, Middle East and Africa. With an established track record for exponential growth in established and emerging markets, Oliver has extensive experience in building premium global consumer brands, a deep knowledge of the vitamins, minerals and supplements (VMS) category, a track record of premium brand building and a passion for creating businesses with a positive and thriving workplace culture.
Other current directorships:	None
Former directorships (last 3 years):	Non-Executive Director of Aumake Ltd (ASX: AUK) (Nov 2019 - Oct 2020)
Special responsibilities:	Member of Audit and Risk Committee and Member of Remuneration and Nomination Committee
Interests in shares:	735,221 ordinary shares
Interests in rights:	830,472 performance rights

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

CHIEF FINANCIAL OFFICER



Ron Dufficy

Global Chief Financial Officer

Qualifications:	BEC, MCom, FCPA
Experience and expertise:	Ron is a senior finance executive having held various financial leadership roles with ASX-listed companies such as CSR Ltd (ASX: CSR) and Aristocrat Leisure Ltd (ASX: ALL). Ron has significant experience in regulated markets including being based in the USA for 9 years, most recently as Chief Financial Officer for Aristocrat's largest and most profitable division, responsible for developing and implementing strategies to improve profit margins, grow market share and creating a global shared services organisation. Ron joined the Company in 2017 with a focus on the administrative, financial, and risk management operations of the Group.

Directors' Report

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COMPANY SECRETARY



Teresa Cleary

General Counsel and Company Secretary

Qualifications:

LLB BA GAICD FGIA

Experience and expertise:

Teresa joined the Company on 4 November 2019 and is an experienced corporate lawyer and governance professional with significant private practice and in-house experience which has included the role of Supervising Counsel at Telstra Corporation Limited and General Counsel & Company Secretary at the Australian Institute of Company Directors ('AICD'). Teresa's expertise includes managing legal and regulatory risk, corporate advisory, commercial negotiations, dispute resolution and commercial strategy. Teresa is a Fellow of the Governance Institute of Australia, a graduate of the AICD and she is an active member of the International Bar Association. Teresa is also a non-executive director of the Association of Corporate Counsel, Australia.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2020, and the number of meetings attended by each director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
H Wiseman	13	13	3	3	2	2
P Benhaim	17	17	3	3	3	3
O Horn	14	14	3	3	2	2
S Karousos	5	5	1	1	1	1
A Duff	4	4	1	1	1	1
G Ellery	4	4	1	1	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and its regulations.

The remuneration report is set out under the following main headings:

- Key management personnel;
- Principles used to determine the nature and amount of remuneration;
- Linking remuneration and company performance;
- Details of remuneration;
- Service agreements;
- Share-based compensation; and
- Additional disclosures relating to key management personnel.

Key management personnel

Key management personnel ('KMP') are those persons having authority and responsibility for planning, directing and controlling the major activities of the entity, directly or indirectly, including all directors.

The key management personnel of the Group consisted of the following directors of Elixinol Global Limited:

- Helen Wiseman - Non-Executive Chair (appointed 10 September 2020) and Non-Executive Director (appointed 21 April 2020);
- Paul Benhaim - Non-Executive Director and Former Non-Executive Chair (appointed Chair 6 April 2020, ceased 10 September 2020);
- Oliver Horn - Global Chief Executive Officer and Executive Director (appointed 21 April 2020) and Former Non-Executive Director (appointed 6 April 2020);
- Stratos Karousos - Former Group Chief Executive Officer and Former Executive Director (ceased 21 April 2020);
- Andrew Duff - Former Non-Executive Chair (ceased 6 April 2020); and
- Greg Ellery - Former Non-Executive Director (ceased 6 April 2020)

And the following executive of Elixinol Global Limited:

- Ron Dufficy - Global Chief Financial Officer.

Except if noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

Principles used to determine the nature and amount of remuneration

An executive reward framework has been developed to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders and conforms to the market best practice and advice from independent external advisors for the delivery of reward. The Board of Directors ('the Board') has ensured that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The Remuneration and Nomination Committee ensures the structure of the executive remuneration framework is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it enhances shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Directors' Report

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Additionally, the reward framework enhances executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

Non-Executive Directors' remuneration

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are to be reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The chair's fees will be determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The chair will not be present at any discussions relating to the determination of their own remuneration.

The Constitution provides that the Non-Executive Directors are entitled to total fixed remuneration not exceeding an aggregate maximum sum determined by the Company in general meeting. The current amount has been fixed at \$350,000 and was approved by shareholders at the Annual General Meeting ('AGM') held on 23 May 2019. Remuneration of directors may be provided as a contribution to a superannuation fund. Additionally, it is anticipated that Non-Executive Directors will participate in the Company's long-term incentive plan.

Executive remuneration

The Group rewards Executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The Executive remuneration and reward framework has three components:

- fixed remuneration - to provide a fair and equitable fixed salary, which accurately reflects the skills and responsibilities of the role and the experience of the individual fulfilling the position;
- short-term performance incentives - to encourage and reward for individual outperformance against annual key performance indicators during the financial year; and
- long-term incentive share-based payments - to drive long-term sustainable growth and facilitate alignment between the senior executive team and the long-term interests of shareholders.

The combination of these comprises the Executive's total remuneration.

Fixed remuneration

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Remuneration and Nomination Committee for market competitiveness to attract and retain talent, to consider individual and business unit performance as well as the overall performance of the Group.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the Executive.

Short-Term Incentive Plan ('STIP')

The Company has adopted a STIP which will enable it to assist in the attraction, motivation and retention of the Directors, executive team and other selected employees of the Group and provide a direct link between remuneration and performance.

Its aim is to reward the Executive and management of the Group for achieving a combination of clearly defined Group, regional and individual targets.

The STIP is subject to annual review by the Remuneration and Nomination Committee. The structure, performance measures and weightings may therefore vary from year to year.

The STIP is weighted 50% (60% in 2020) to Group financial measures and 50% (40% in 2020) to individual measures for Executive KMPs.

STIP Opportunity (at target) is 25-40% (25% for 2020) of Total Fixed remuneration for Executive KMPs.

Group financial measures are set out below:

- Group net profit after tax ('NPAT') (50% of the STIP);
- Group NPAT was chosen to align executive performance with the key drivers of shareholder value and reflect the short-term performance of the business. Group financial performance measures for future years will be determined annually; and
- minimum threshold performance will be 80% of the on-target performance level of Group NPAT metrics.

Individual measures are set out below:

- Executive KMPs are set individual objectives based on their specific area of responsibility. These objectives are directly aligned to the Board approved financial, operational and strategic objectives and include quantitative measures where appropriate; and
- payouts are based on a minimum of 50% achievement.

Actual performance against Group financial and individual measures is assessed at the end of the financial year.

The Board determines the amount, if any, of the STIP to be paid to each Executive KMP, seeking recommendations from the Remuneration and Nomination Committee.

Where performance is below threshold, payment of any STIP amount will be at the sole discretion of the Board. Where performance is above the threshold, the Board may use its discretion to pay up to 150% of the target STIP amounts.

The STIP amount on-target will be paid in cash or equity and will be subject to relevant local statutory and tax obligations. The Board at its discretion, may elect to grant equity in lieu of payments in cash.

STIP payments granted as equity include the following conditions:

- Any STIP outcome deferred into equity cannot be traded until after they have vested;
- Any unvested share rights may be forfeited if the Executive ceases to be an employee before the vesting date; and
- Share rights which have vested can only be traded in accordance with the Company's Securities Trading Policy.

Long-Term Incentive Plan ('LTIP')

The LTIP is an equity incentive plan used to align the Directors and Executive KMP's remuneration to the returns generated for the Group's shareholders. The key features of the LTIP are outlined below.

Performance rights over ordinary shares in the Company were issued to KMPs for nil consideration. The nature, timing and structure of the grant is detailed below.

Performance rights

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. Where the Board makes such an election, the amount payable will be as determined below:

Cash payable = (No. of Share Rights x VWAP) - Applicable Withholding Tax (if any) - Amounts paid as superannuation

Where VWAP means the volume weighted average share price of the shares traded on the ASX in the 5 trading days immediately prior to the relevant vesting date.

LTIP opportunity (at target)

LTIP opportunity has been determined by informed benchmarking.

Performance period

For the grant made during 2018, the performance period of the grant is five financial years in four equal tranches from the financial year of granting. The performance period is from 20 March 2018 to 31 December 2022.

For the 2019 Share Rights grant made during 2019, the performance period of the grant is four financial years in three equal tranches from the financial year of granting. The performance period is from 1 January 2019 to 31 December 2022.

For the 2020 Share Rights grant made during 2020, the performance period of the grant is three financial years in one tranche following the performance period. The performance period is from 1 January 2020 to 31 December 2023.

Vesting dates

Tranche	Vesting date	Vesting date	Vesting date
	Share Rights granted in 2018	Share Rights granted in 2019	Share Rights granted in 2020
Tranche 1	28 February 2020 (lapsed)	28 February 2021 (lapsed)	28 February 2023
Tranche 2	28 February 2021 (lapsed)	28 February 2022	
Tranche 3	28 February 2022	28 February 2023	
Tranche 4	28 February 2023		

Directors' Report

continued

Vesting conditions

Share rights which have not lapsed will vest and become exercisable on the date on which any vesting conditions (and any employment conditions) applicable to the share rights have been satisfied (or waived by the Board) or the date on which the share rights otherwise vest in accordance with the Plan rules.

The share rights are subject to the following vesting conditions:

- satisfaction of absolute Total Shareholder Return ('TSR') performance hurdles for the relevant vesting period; and
- participant must be employed (or continue to be a Director) of the Company or one of its wholly owned subsidiaries at the time that audited financial statements are released to the ASX following the performance period.

The proportion of TSR share rights that will vest will be determined by reference to the absolute TSR of the Company during the relevant performance period, in accordance with the following vesting schedule:

Company's TSR over the relevant performance period	Percentage of TSR share rights vesting
Below 10%	0% of the TSR share rights will vest
Greater than 10% but less than 20%	40% of the TSR share rights will vest
Equal to or greater than 20%	100% of the TSR share rights will vest

Cessation of employment (Employment Conditions)

Subject to the Board determining otherwise (in its absolute discretion), should a participant cease to be an employee or Director of the Elixinol Group because of:

- resignation or dismissal: all unvested rights or options lapse;
- death, disability, bona fide redundancy, genuine retirement or another reason (with the exception of resignation or dismissal) a pro rata number of unvested rights or options will not lapse, and any vested right or option will not lapse. All other rights or options will lapse.

Disposal restrictions

When vesting occurs, restriction on disposal of shares will be subject to the Company's Securities Trading Policy.

A participant may not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure to their performance rights.

Change of control

The Board in its absolute discretion may determine that all or some of a participants unvested options or rights vest where a Takeover Event or Control Event occurs.

Use of remuneration consultants

During the financial period ended 31 December 2020, the Board has consulted remuneration advisors for benchmarking of executive remuneration. In the prior year, the Board engaged Hewitt Associates Pty Ltd (AON) to conduct a remuneration benchmarking exercise for several Executive KMPs. AON was also engaged to provide advice on the design for the future reward framework which applies to future periods including 2020.

Voting and comments made at the Company's 30 July 2020 AGM

At the 30 July 2020 AGM, 97.71% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Linking remuneration to Company performance

Impact of the Group's 2020 performance on remuneration

A challenging COVID-19 environment during 2020 contributed significantly towards revenue growth and EBITDA targets not being achieved. However, the Group delivered numerous strategic objectives designed to position the Company for future growth across the business. The business has been successfully repositioned with a significantly reduced cost base and moves forward with a strong balance sheet. The Board, at its discretion, elected to grant deferred equity in lieu of cash as a partial payment of the individual component of the STI program.

The link between Executive KMP remuneration and Group financial performance is detailed below:

	2020 \$'000	2019 \$'000 Restated	2018 \$'000
Revenue	15,010	30,714	37,131
Adjusted EBITDA from continuing operations	(22,930)	(24,632)	(114)
Net loss after tax	(104,478)	(83,071)	(860)
Basic loss per share (cents per share)	(58.25)	(62.71)	0.79
Diluted loss per share (cents per share)	(58.25)	(62.71)	0.79
Opening share price	\$0.570	\$2.500	\$1.000
Closing share price on 31 December	\$0.175	\$0.570	\$2.500

There were no dividends declared or paid during the financial year.

DETAILS OF REMUNERATION

Amounts of remuneration

Details of the remuneration of Directors and other KMP of the Group are set out in the following tables.

2020	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total \$	
	Cash salary and fees \$	Cash bonus \$	Other fees \$	Super-annuation \$	Termination payments \$	Deferred STI (c) \$		Equity-settled Performance Rights \$
<i>Non-Executive Directors:</i>								
H Wiseman ^(b)	65,684	-	-	6,240	-	-	936	72,860
P Benhaim	106,963	-	-	10,162	-	-	-	117,125
A Duff ^(a)	31,123	-	-	2,957	127,000	-	(231,168)	(70,088)
G Ellery ^(a)	20,700	-	-	1,967	85,000	-	-	107,667
<i>Executive Directors:</i>								
O Horn ^(b)	263,899	-	-	15,386	-	15,931	123,187	418,403
S Karousos ^(a)	112,581	-	-	10,501	251,562	-	(345,360)	29,284
<i>Other Key Management Personnel:</i>								
R Dufficy	260,000	-	-	25,000	-	13,221	132,339	430,560
	860,950	-	-	72,213	463,562	29,152	(320,066)	1,105,811

(a) Remuneration is from 1 January 2020 to date of ceasement of directorship

(b) Remuneration is from date of appointment as a Director to 31 December 2020

(c) Deferred STI relates to STI awarded in relation to the financial year but deferred subject to continuity of employment until 28 August 2021. 60.5% of the deferred bonus was recognised in the financial year based on the vesting period.

Directors' Report

continued

2019	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total \$	
	Cash salary and fees \$	Cash bonus \$	Other fees \$	Super-annuation \$	Termination payments \$	Long service leave \$		Equity-settled Performance Rights (g) \$
<i>Non-Executive Directors:</i>								
A Duff	90,822	-	-	8,628	-	-	141,809	241,259
G Ellery ^(f)	44,936	-	-	4,269	-	-	-	49,205
<i>Executive Directors:</i>								
S Karousos ^(a)	210,073	-	-	15,530	-	-	305,644	531,247
P Benhaim ^(c)	314,861	-	-	25,358	168,750	-	(169,674)	339,295
L McLeod ^(h)	157,625	-	-	13,642	-	-	(169,674)	1,593
<i>Other Key Management Personnel:</i>								
R Dufficy ^{(d) (e)}	299,959	-	190,177	25,000	-	-	97,316	612,452
G Ettenson ^{(e) (b)}	239,804	-	8,468	-	-	-	(75,410)	172,862
	1,358,080	-	198,645	92,427	168,750	-	130,011	1,947,913

(a) Non-Executive until 23 May 2019 and appointed CEO on 23 July 2019. Full year remuneration included in disclosure.

(b) Ceased being a KMP on 23 July 2019, therefore remuneration only included until this date.

(c) Resigned as Executive Director on 18 December 2019, continues on as Non-Executive Director.

(d) Other fees include relocation costs, motor vehicle, housing, medical expenses and other.

(e) Remuneration reported in AUD and was converted from USD at average rate of 0.695358.

(f) Commenced as Non-Executive Director effective 12 April 2019.

(g) LTIP value of equity includes negative amounts for options forfeited during the year (not included in % remuneration in the table above).

(h) Ceased being a KMP on 18 July 2019, therefore remuneration only included until this date.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2020	2019	2020	2019	2020	2019
<i>Non-Executive Directors:</i>						
H Wiseman	99%	-	-	-	1%	-
P Benhaim	100%	-	-	-	-	-
A Duff	100%	41%	-	-	-	59%
G Ellery	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
O Horn	67%	-	4%	-	29%	-
S Karousos	100%	42%	-	-	-	58%
P Benhaim	-	100%	-	-	-	-
L McLeod	-	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
R Dufficy	67%	84%	3%	-	30%	16%
G Ettenson	-	100%	-	-	-	-

There were no cash bonuses payable or forfeited during the period.

Service agreements

Remuneration and other terms of employment for KMP are formalised in service agreements.

The total fixed remuneration ('TFR') is subject to annual review.

Details of these agreements effective from 1 January 2021 are as follows:

	Fixed Remuneration \$ (a)	Target STI \$	Notice Period by Executive months	Notice Period by Company months	Restraint Period months
Oliver Horn ^(b)	395,000	158,000	6	6	12
Ron Dufficy ^(b)	285,000	99,750	6	6	12

(a) Fixed remuneration comprises base cash remuneration, superannuation (superannuation equal to the minimum amount required to be paid to comply with the superannuation guarantee legislation) and other benefits which can be sacrificed for cash at the employee's elections.

(b) KMPs are entitled to participate in a long-term incentive plan, as discussed in this report.

KMP have no entitlement to termination payments in the event of removal for misconduct.

Any payments on termination will be subject to the termination benefits cap under the Corporations Act.

Share-based compensation

Issue of shares

There were no shares issued to Directors and other KMP as part of compensation during the year ended 31 December 2020.

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of Directors and other KMP in this financial year or future reporting years are as follows:

Name	Number of rights granted	Grant date	Vesting date and exercisable date	Expiry date	Fair value per right at grant date
R Dufficy	900,000	15 May 2018	Various	15 August 2023	\$0.890
O Horn	468,750	30 July 2020	30 January 2021	30 October 2025	\$0.185
O Horn	468,750	30 July 2020	21 October 2021	30 October 2025	\$0.185
O Horn	361,722	30 July 2020	28 February 2023	30 October 2025	\$0.092
R Dufficy	208,791	30 July 2020	28 February 2023	30 October 2025	\$0.092
H Wiseman	62,271	30 July 2020	28 February 2024	30 October 2025	\$0.092
R Dufficy	854,430	16 October 2020	28 February 2021	16 January 2026	\$0.158

Performance rights granted carry no dividend or voting rights.

Other than outlined above, there were no other performance rights or options over ordinary shares granted to or vested in Directors and other KMP as part of compensation during the year ended 31 December 2020.

Shares issued in the past financial year were approved under section 10.14 of the ASX Listing Rules.

Directors' Report

continued

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other**	Balance at the end of the year
<i>Ordinary shares</i>					
H Wiseman	-	-	168,132	-	168,132
P Benhaim*	54,623,008	-	-	(25,100,000)	29,523,008
A Duff	25,000	-	-	(25,000)	-
G Ellery	-	-	-	-	-
O Horn	-	-	266,471	-	266,471
S Karousos	100,000	-	-	(100,000)	-
R Dufficy	30,000	-	239,471	-	269,471
	54,778,008	-	674,074	(25,225,000)	30,227,082

* Held indirectly due to Paul Benhaim's interest with the holder of the shares, Raw With Life Pty Ltd. Included as disposals are 13,000,000 shares which were transferred to Equities First Holdings LLC (Equities First) under a margin loan facility (Loan Facility) are included as disposals. The term of the Loan Facility is three years. Under the terms of the Loan Facility, Mr Benhaim transferred the Secured Shares to Equities First and procures registration of the Secured Shares in the name of Equities First by way of transfer to an account nominated by Equities First. Equities First may, during the term of the loan, deal with the Secured Shares. Shares provided as security must be returned to Mr Benhaim on repayment of the loan, in accordance with the terms of the Loan Facility.

** Disposals/other includes holdings of personnel who are no longer a KMP, not necessarily a disposal of holding.

Performance rights holding

The number of performance rights over ordinary shares in the Company held during the financial year by each Director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
H Wiseman	-	62,271	-	-	62,271
P Benhaim	-	-	-	-	-
A Duff	675,000	-	-	(675,000)	-
G Ellery	-	-	-	-	-
O Horn	-	1,299,222	-	-	1,299,222
S Karousos	750,000	-	-	(750,000)	-
R Dufficy	675,000	1,063,221	-	(225,000)	1,513,221
	2,100,000	2,424,714	-	(1,650,000)	2,874,714

Loans to key management personnel and their related parties

Prior to its acquisition by Elixinol Global Limited, Hemp Foods Australia entered into a Shareholder Loan Deed with Raw With Life, an entity controlled by Mr Paul Benhaim, whereby Raw With Life agreed to lend \$250,000 to Hemp Foods Australia. The loan is made on an unsecured basis, with no interest payable. Hemp Foods Australia undertakes to repay the loan subject to achievement of predefined performance milestones. This is a related party agreement, as Raw With Life holds (as at the date of this report) approximately 9.4% of the shares in Elixinol Global Limited. The Group assessed the fair value of the loan at the reporting date and the amount is not materially different from its carrying value.

This concludes the remuneration report, which has been audited.

Shares under option or performance rights

Unissued ordinary shares of Elixinol Global Limited under option or performance rights which have not yet vested at the date of this report are as follows:

Grant date	Expiry date	Number under rights
3 April 2018	3 July 2023	60,224
15 May 2018	15 August 2023	450,000
21 September 2019	21 December 2024	35,166
30 July 2020	30 October 2025	1,825,673
16 October 2020	16 January 2026	1,234,177
		3,605,240

No person entitled to exercise the option or performance rights had or has any right by virtue of the option or performance right to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options or performance rights

There were no ordinary shares of Elixinol Global Limited issued on the exercise of options or performance rights during the year ended 31 December 2020. On 30 January 2021, 468,750 performance rights vested and converted to ordinary shares of Elixinol Global.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Directors' Report

continued

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 28 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in Note 28 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of BDO Audit Pty Ltd

There are no officers of the Company who are former partners of BDO Audit Pty Ltd.

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 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



Oliver Horn

Global Chief Executive Officer and Executive Director

25 February 2021

Sydney

Auditor's Independence Declaration



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Australia

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

As lead auditor of Elixinol Global Limited for the year ended 31 December 2020, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink that reads 'Leah Russell'.

Leah Russell
Director

BDO Audit Pty Ltd

Sydney, 25 February 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020

		Group	
	Note	2020 \$'000	2019 \$'000 Restated
Revenue from continuing operations	5	15,010	30,714
Share of profits/(losses) of associates and joint ventures accounted for using the equity method	14	(1,076)	(1,624)
Other income	6	260	25
Interest income calculated using the effective interest method		100	564
Expenses			
Raw materials and consumables used and processing expenses		(8,344)	(14,370)
Employee benefits expenses and Directors' fees		(13,036)	(14,292)
Depreciation and amortisation expense	7	(3,213)	(2,795)
Impairment of intangibles	7	(39,178)	(49,059)
Impairment of assets	7	(35,008)	(11,994)
Professional services expenses		(4,068)	(5,279)
Sales and marketing expenses		(6,602)	(11,513)
Administrative expenses		(4,504)	(6,986)
Distribution costs		(570)	(1,307)
Finance costs	7	(49)	(133)
Loss before income tax benefit/(expense) from continuing operations		(100,278)	(88,049)
Income tax benefit/(expense)	8	(4,200)	7,537
Loss after income tax benefit/(expense) from continuing operations		(104,478)	(80,512)
Loss after income tax expense from discontinued operations	9	-	(2,559)
Loss after income tax benefit/(expense) for the year		(104,478)	(83,071)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		80	1,908
Share of associate other comprehensive income		-	(137)
Other comprehensive income for the year, net of tax		80	1,771
Total comprehensive loss for the year		(104,398)	(81,300)
Loss for the year is attributable to:			
Non-controlling interest		28	(143)
Owners of Elixinol Global Limited		(104,506)	(82,928)
		(104,478)	(83,071)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

continued

		Group	
	Note	2020 \$'000	2019 \$'000 Restated
Total comprehensive loss for the year is attributable to:			
Continuing operations		31	(31)
Discontinued operations		-	156
Non-controlling interest		31	125
Continuing operations		(104,429)	(78,866)
Discontinued operations		-	(2,559)
Owners of Elixinol Global Limited		(104,429)	(81,425)
		(104,398)	(81,300)

	Note	Cents	Cents Restated
Earnings per share for loss from continuing operations attributable to the owners of Elixinol Global Limited			
Basic loss per share	37	(58.23)	(60.88)
Diluted loss per share	37	(58.23)	(60.88)
Earnings per share for loss from discontinued operations attributable to the owners of Elixinol Global Limited			
Basic loss per share	37	-	(1.94)
Diluted loss per share	37	-	(1.94)
Earnings per share for loss attributable to the owners of Elixinol Global Limited			
Basic loss per share	37	(58.25)	(62.71)
Diluted loss per share	37	(58.25)	(62.71)

Comparative figures have been restated due to a prior year discontinued operation being reclassified as a continuing operation. Refer Note 9.

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

Consolidated Statement of Financial Position

as at 31 December 2020

		Group	
	Note	2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	10	27,743	20,244
Trade and other receivables	11	1,191	1,536
Inventories	12	4,735	21,314
Income tax refund due	8	509	88
Prepayments, deposits and other	13	1,176	6,731
		35,354	49,913
Assets of disposal groups classified as held for sale		-	1,444
Total current assets		35,354	51,357
Non-current assets			
Investments accounted for using the equity method	14	2,316	8,403
Property, plant and equipment	15	2,471	12,685
Right-of-use assets	16	1,412	4,323
Intangibles	17	917	39,994
Deferred tax	8	-	4,307
Total non-current assets		7,116	69,712
Total assets		42,470	121,069
Liabilities			
Current liabilities			
Trade and other payables	18	2,795	2,992
Contract liabilities	19	89	157
Lease liabilities	21	920	989
Income tax	8	29	-
Employee benefits		344	86
Accrued expenses		818	843
		4,995	5,067
Liabilities directly associated with assets classified as held for sale		-	944
Total current liabilities		4,995	6,011

Consolidated Statement of Financial Position

continued

	Note	Group	
		2020 \$'000	2019 \$'000
Non-current liabilities			
Borrowings	20	250	-
Lease liabilities	21	1,574	3,676
Total non-current liabilities		1,824	3,676
Total liabilities		6,819	9,687
Net assets		35,651	111,382
Equity			
Issued capital	22	217,730	188,771
Reserves	23	8,971	9,186
Accumulated losses		(191,050)	(86,544)
Equity attributable to the owners of Elixinol Global Limited		35,651	111,413
Non-controlling interest	24	-	(31)
Total equity		35,651	111,382

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

Group	Issued capital \$'000	Foreign currency translation reserve \$'000	Share- based payments reserve \$'000	Other reserve \$'000	Accumu- lated losses \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 January 2019	139,612	6,323	1,234	137	(3,616)	-	143,690
Loss after income tax benefit for the year	-	-	-	-	(82,928)	(143)	(83,071)
Other comprehensive (loss)/income for the year, net of tax	-	1,908	-	(137)	-	-	1,771
Total comprehensive (loss)/income for the year	-	1,908	-	(137)	(82,928)	(143)	(81,300)
Acquisition of non-controlling interest	-	-	-	-	-	2,149	2,149
Elimination of Treasury shares	(678)	-	-	-	-	-	(678)
Disposal of non-controlling interest	-	-	-	-	-	(2,037)	(2,037)
Share-based payments (Note 38)	-	-	(279)	-	-	-	(279)
<i>Transactions with owners in their capacity as owners:</i>							
Contributions of equity, net of transaction costs (Note 22)	49,837	-	-	-	-	-	49,837
Balance at 31 December 2019	188,771	8,231	955	-	(86,544)	(31)	111,382

Group	Issued capital \$'000	Foreign currency translation reserve \$'000	Share- based payments reserve \$'000	Other reserve \$'000	Accumu- lated losses \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 January 2020	188,771	8,231	955	-	(86,544)	(31)	111,382
(Loss)/profit after income tax expense for the year	-	-	-	-	(104,506)	28	(104,478)
Other comprehensive income for the year, net of tax	-	77	-	-	-	3	80
Total comprehensive (loss)/income for the year	-	77	-	-	(104,506)	31	(104,398)
Share-based payments (Note 38)	-	-	(292)	-	-	-	(292)
<i>Transactions with owners in their capacity as owners:</i>							
Contributions of equity, net of transaction costs (Note 22)	28,959	-	-	-	-	-	28,959
Balance at 31 December 2020	217,730	8,308	663	-	(191,050)	-	35,651

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2020

	Note	Group	
		2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		14,095	33,179
Payments to suppliers and employees (inclusive of GST)		(37,120)	(84,579)
Government grants	6	365	-
Interest received		100	679
Interest and other finance costs paid		(15)	(138)
Income taxes paid		(46)	(207)
Net cash used in operating activities	36	(22,621)	(51,066)
Cash flows from investing activities			
Net cash acquired on purchase of subsidiaries		-	209
Payments for equity accounted investments		-	(7,157)
Payments for property, plant and equipment		(295)	(9,943)
Payments for intangibles		(33)	(1,203)
Proceeds from disposal of business		230	13
Proceeds from disposal of property, plant and equipment		2,652	149
Net cash from/(used in) investing activities		2,554	(17,932)
Cash flows from financing activities			
Proceeds from issue of shares	22	31,478	50,000
Share issue transaction costs	22	(2,519)	(2,827)
Repayment of lease liabilities		(1,414)	(729)
Net cash from financing activities		27,545	46,444
Net (decrease)/increase in cash and cash equivalents		7,478	(22,554)
Cash and cash equivalents at the beginning of the financial year		20,373	42,922
Effects of exchange rate changes on cash and cash equivalents		(108)	5
Cash and cash equivalents at the end of the financial year	10	27,743	20,373

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

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NOTE 1: GENERAL INFORMATION

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

Elixinol Global Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office 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 25 February 2021. The directors have the power to amend and reissue the financial statements.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

The following Accounting Standards and Interpretations are most relevant to the Group:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. The application of the Conceptual Framework did not have a material impact on the Group's financial statements.

Going concern

The annual 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 year ended 31 December 2020, the Group incurred a net loss before tax of \$100.3 million with \$85.6 million of this loss recognised in the first half of the year. During the year net cash outflows from operating activities were \$22.6 million with \$15.2 million occurring in the first half of the year.

The coronavirus ('COVID-19') was declared a pandemic on 11 March 2020 by the World Health Organisation ('WHO'). During the year ended 31 December 2020 there have been considerable economic impacts in Australia and globally arising from the outbreak of COVID-19 and Government action to reduce the spread of the virus. The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed in 2020 have caused disruption to businesses and economic activity.

COVID-19 has had an impact on the operations of the Group as core operations are located in USA, Australia, Europe and the United Kingdom. All businesses within the Group have continued to operate, however, due to the reduced retail demand in the markets and the Group's current inventory holdings, particularly in USA, the Group has decided to cease production activities and transition to an outsourced capital light operations model. At present the Group's ability to ship and receive goods has not been impacted.

As at 31 December 2020, the Group has net assets of \$35.7 million including cash of \$27.7 million. The Directors regularly monitor the Company's cash position on an ongoing basis and the Group has demonstrated a successful track record of raising capital and funding when required, included completing two capital raises totalling \$28.9 million during the pandemic. In addition, the net loss before tax has been reduced in H2 FY2020 from that recorded in H1 FY2020 and the net cash outflow from operating activities reduced to \$7.4 million for H2 FY2020 as expenditure was reduced and the scale of the business operations was reset. The current cash flow forecasts support the business as a going concern and the Group has the capacity, if necessary, to defer discretionary expenditure in the current cash flow forecast period to take steps to moderate the cash outflows of the business as needed.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 39.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Elixinol Global Limited as at 31 December 2020 and the results of all subsidiaries for the period then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. Refer to Note 4.

Foreign currency translation

Foreign currency transactions

Foreign currency transactions are translated into the individual entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods - hemp products

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

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the consolidated entity will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss as other income over the periods necessary to match them with the costs that they are intended to compensate.

Interest

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Research activities

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

An income tax benefit will arise for the financial year where an income tax loss is incurred and, where permitted to do so, is carried-back against a qualifying prior period's tax payable to generate a refundable tax offset.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customers with similar loss patterns (i.e. by product type, country). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than 90 days and are not subject to enforcement activity.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Joint ventures

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

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using diminishing value bases, so as to write off the net cost over its expected useful life. The following bases are used in the calculation of depreciation:

Leasehold improvements	over the unexpired period of the lease
Furniture, fittings and equipment	12 to 30%
Computer equipment	30 to 50%
Machinery	20%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Website and software

Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of 3 years.

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 years.

Patents and trademarks

Significant costs associated with patents and trademarks are capitalised as an asset. These costs are not subsequently amortised as they are considered to be indefinite life assets because there is no foreseeable limit to the cash flows generated by them and they have no legal, contractual, regulatory, economic, or competitive limiting factors. Patents and trademarks are tested annually for impairment.

Customer relationships

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of 5 years.

Brand names

Brand names acquired in a business combination are not amortised as they are considered to be indefinite life assets because there is no foreseeable limit to the cash flows generated by them and they have no legal, contractual, regulatory, economic, or competitive limiting factors. Brand names are tested annually for impairment.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Monte Carlo option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Elixinol Global Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2020. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

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 resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to Note 17.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. Refer to Note 17.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made. Refer to Note 8.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Refer to Note 8.

NOTE 4: OPERATING SEGMENTS

Identification of reportable operating segments

The Group is organised into three operating segments: Americas, Europe and Australia. 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.

NOTE 4: OPERATING SEGMENTS (CONTINUED)

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') and its investments and joint ventures in the US ('Elixinol Americas') through the manufacture and distribution of hemp derived cannabidiol ('CBD') products.
Europe	This includes the results from trading operations of Elixinol BV and Elixinol Ltd (together 'Elixinol Europe') and through the manufacture and distribution of hemp derived cannabidiol ('CBD') products.
Australia	This includes the results from the operations of Hemp Foods Australia Pty Ltd ('HFA') and Elixinol Australia Pty Ltd (formerly Nunyara Pharma Pty Ltd) ('Elixinol Australia').

'Unallocated' represents corporate, being Elixinol Global Limited (head office).

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 year ended 31 December 2020, 9% of sales were derived from three major customers (2019: 27% of sales were derived from three major customers).

Operating segment information - Continuing operations

Group - 2020	Americas \$'000	Europe \$'000	Australia \$'000	Unallocated \$'000	Total \$'000
Revenue					
Sales to external customers	8,510	2,344	4,156	-	15,010
Total revenue	8,510	2,344	4,156	-	15,010
Adjusted EBITDA	(14,170)	(4,470)	(283)	(4,007)	(22,930)
Depreciation and amortisation					(3,213)
Impairment of intangibles					(39,178)
Impairment of assets					(35,008)
Interest income					100
Finance costs					(49)
Loss before income tax expense					(100,278)
Income tax expense					(4,200)
Loss after income tax expense					(104,478)
Assets					
Segment assets	11,565	2,469	1,533	26,903	42,470
Total assets					42,470
Liabilities					
Segment liabilities	3,243	946	1,107	1,523	6,819
Total liabilities					6,819

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 4: OPERATING SEGMENTS (CONTINUED)

Group – 2019 Restated	Americas \$'000	Europe \$'000	Australia \$'000	Unallocated \$'000	Total \$'000
Revenue					
Sales to external customers	24,915	2,268	3,531	-	30,714
Total revenue	24,915	2,268	3,531	-	30,714
Adjusted EBITDA					
Depreciation and amortisation	(13,593)	(3,551)	(1,553)	(5,935)	(24,632)
Impairment of intangibles					(2,795)
Impairment of assets					(49,059)
Interest income					(11,994)
Finance costs					564
Loss before income tax benefit					(133)
Income tax benefit					(88,049)
Loss after income tax benefit					7,537
					(80,512)
Assets					
Segment assets	93,188	3,657	2,639	20,141	119,625
<i>Unallocated assets:</i>					
Held-for-sale					1,444
Total assets					121,069
Liabilities					
Segment liabilities	6,072	777	33	1,861	8,743
<i>Unallocated liabilities:</i>					
Held-for-sale					944
Total liabilities					9,687

Geographical information

	Sales to external customers		Geographical non-current assets*	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
		Restated		
Americas	8,510	24,915	6,476	60,914
Europe	2,344	2,268	416	712
Australia	4,156	3,531	76	2,618
Unallocated	-	-	148	1,161
	15,010	30,714	7,116	65,405

* Geographical non-current assets exclude those relating to discontinued operations.

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

NOTE 5: REVENUE

	Group	
	2020 \$'000	2019 \$'000 Restated
From continuing operations		
Sale of goods	15,010	30,714

Comparative figures have been restated due to a prior year discontinued operation being reclassified as a continuing operation (refer Note 9).

Disaggregation of revenue

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

	e-Commerce \$'000	Retail \$'000	Bulk \$'000	Private label \$'000	Total \$'000
Group – 2020					
<i>Geographical regions</i>					
Americas	4,236	2,944	802	528	8,510
Europe	320	1,882	142	-	2,344
Australia	345	2,876	935	-	4,156
	4,901	7,702	1,879	528	15,010
Group – 2019 Restated					
<i>Geographical regions</i>					
Americas	7,537	6,474	5,446	5,458	24,915
Europe	79	1,977	212	-	2,268
Australia	250	2,496	785	-	3,531
	7,866	10,947	6,443	5,458	30,714

Timing of revenue recognition

All revenue is recognised when goods are transferred at a point in time.

NOTE 6: OTHER INCOME

	Group	
	2020 \$'000	2019 \$'000 Restated
Net foreign exchange (loss)/gain	(67)	(33)
Net (loss)/gain on disposal of property, plant and equipment	(262)	(90)
Government grants (COVID-19)	365	-
Other	224	148
Other income	260	25

Comparative figures have been restated due to a prior year discontinued operation being reclassified as a continuing operation. Refer Note 9.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 6: OTHER INCOME (CONTINUED)

Government grants (COVID-19)

During the year the Group received payments from the Australian Government amounting to \$200,000 as part of its 'Boosting Cash Flow for Employers' scheme in response to the coronavirus ('COVID-19') pandemic. Eligible employers with aggregated annual turnover of less than \$50,000,000 are eligible to receive payments of between \$20,000 and \$100,000 which are credited against amounts owed on an activity statement and based on Pay As You Go ('PAYG') withheld on employee's salary and wages for the period March to September 2020. Such amounts have been treated as government grants in the financial statements, are non-taxable, and are recognised as income once there is reasonable assurance that the Group will comply with any required conditions which is practically at the time that a liability for PAYG withholding tax is incurred and salaries are paid.

During the period, the Group has received JobKeeper support payments from the Australian Government which are passed on to eligible employees. These have been recognised as government grants in the financial statements and recorded as other income over the periods in which the related employee benefits are recognised as an expense. These grants are taxable.

NOTE 7: EXPENSES

	Group	
	2020 \$'000	2019 \$'000
		Restated
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	308	446
Furniture, fittings and equipment	52	32
Motor vehicles	14	14
Computer equipment	322	237
Machinery	799	573
Buildings - right-of-use	1,181	974
Total depreciation	2,676	2,276
<i>Amortisation</i>		
Website and software	286	84
Customer relationships	251	435
Total amortisation	537	519
Total depreciation and amortisation	3,213	2,795

NOTE 7: EXPENSES (CONTINUED)

	Group	
	2020 \$'000	2019 \$'000 Restated
<i>Impairment of intangibles</i>		
Goodwill	28,712	47,479
Patents and trademarks	-	2
Customer relationships	1,187	32
Brand names	9,279	1,546
Total impairment of intangibles	39,178	49,059
<i>Impairment of assets</i>		
Inventory	18,853	9,660
Land	-	114
Leasehold improvements	2,937	-
Furniture, fittings and equipment	-	518
Machinery	3,079	372
Land and buildings - right-of-use	704	-
Impairment of assets previously part of a disposal group classified as held for sale	-	1,330
Prepayments, deposits and other	4,701	-
Investments accounted for using the equity method	4,734	-
Total impairment of assets	35,008	11,994
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	-	6
Interest and finance charges paid/payable on lease liabilities	49	127
Finance costs expensed	49	133
<i>Superannuation expense</i>		
Defined contribution superannuation expense	101	62
<i>Share-based payments expense</i>		
Share-based payments expense	(292)	124

Comparative figures have been restated due to a prior year discontinued operation being reclassified as a continuing operation. Refer Note 9.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 8: INCOME TAX

	Group	
	2020 \$'000	2019 \$'000
<i>Income tax expense/(benefit)</i>		
Current tax	(435)	28
Deferred tax - origination and reversal of temporary differences	4,626	(7,577)
Adjustment recognised for prior periods	9	20
Aggregate income tax expense/(benefit)	4,200	(7,529)
Income tax expense/(benefit) is attributable to:		
Loss from continuing operations	4,200	(7,537)
Loss from discontinued operations	-	8
Aggregate income tax expense/(benefit)	4,200	(7,529)
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets	4,626	(3,577)
Decrease in deferred tax liabilities	-	(4,000)
Deferred tax - origination and reversal of temporary differences	4,626	(7,577)
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Loss before income tax benefit/(expense) from continuing operations	(100,278)	(88,049)
Loss before income tax expense from discontinued operations	-	(2,551)
	(100,278)	(90,600)
Tax at the statutory tax rate of 26% (2019: 27.5%)	(26,072)	(24,915)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of goodwill	10,186	13,057
Impairment of assets	(312)	365
Other non-deductible permanent differences	35	171
Transfer pricing adjustment	54	(25)
	(16,109)	(11,347)
Adjustment recognised for prior periods	9	20
Current year tax losses not recognised	8,489	1,920
Current year temporary differences not recognised	5,250	34
Prior year tax losses recognised now written off	4,402	-
Prior year temporary differences recognised now written off	(95)	-
Difference in overseas tax rates	2,254	1,317
Current year capital loss not recognised	-	527
Income tax expense/(benefit)	4,200	(7,529)
<i>Amounts charged directly to equity</i>		
Deferred tax assets	-	116

As a consequence of the application of anti-inversion rules in the USA applying to the Group, the Group is treated as a resident of the USA for US tax purposes and a resident of Australia for Australian income tax purposes.

NOTE 8: INCOME TAX (CONTINUED)**Tax losses not recognised**

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

The Group has \$14,664,000 (2019: \$3,545,000) of tax effected revenue losses which have not been brought to account at 31 December 2020.

Group		
	2020 \$'000	2019 \$'000
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	-	4,402
Allowance for expected credit losses	-	240
Leases	-	82
Other provisions and accruals	-	84
Share-based payments	-	120
Unrealised foreign exchange	-	30
Property, plant and equipment	-	(14)
Inventories	-	2,235
Customer relationships	-	(422)
Brand names	-	(2,450)
Deferred tax asset	-	4,307
Movements:		
Opening balance	4,307	724
Credited/(charged) to profit or loss	(4,626)	3,577
Charged to equity	-	(116)
Foreign exchange	319	100
Tax rate change	-	22
Closing balance	-	4,307

Group		
	2020 \$'000	2019 \$'000
<i>Deferred tax liability</i>		
Movements:		
Opening balance	-	3,145
Credited to profit or loss	-	(4,000)
Additions through business combinations (Note 33)	-	867
Foreign exchange	-	(12)
Closing balance	-	-

Prior year deferred tax assets ('DTA') and deferred tax liabilities ('DTL') are disclosed as net DTA as they arise within the same tax jurisdiction and follow the rules for netting off.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 8: INCOME TAX (CONTINUED)

	Group	
	2020 \$'000	2019 \$'000
Income tax refund due		
Income tax refund due	509	88

	Group	
	2020 \$'000	2019 \$'000
Provision for income tax		
Provision for income tax	29	-

NOTE 9: DISCONTINUED OPERATIONS

There are two discontinued operations in the comparative period.

Elixinol Japan was incorporated into the Group from 29 May 2019. On 2 December 2019, the Company sold its 50.50% interest in Elixinol Japan to one of Elixinol Japan's other shareholders, Mr Takeshi Sakurada for \$13,500 (¥1,000,000) with a deferred cash payment of \$362,715 multiplied by the ratio of the closing price of Elixinol shares on 8 January 2020 divided by \$1.09 (less Japanese taxes), which is payable by no later than 31 March 2020.

Hemp Foods Australia was disclosed as held-for-sale and presented separately in the statement of financial position. At 31 December 2019, the Board had resolved to dispose of the Group's investment in Hemp Foods Australia Pty Ltd and negotiations with several interested parties had taken place. On 31 January 2020, the Group entered into a sale agreement to dispose of Hemp Foods Australia and as a result at 31 December 2019 disclosed Hemp Foods Australia as held-for-sale and presented separately in the statement of financial position. On 25 May 2020, the Company announced that the share purchase agreement ('SPA') for the sale was terminated by the buyer due to non-satisfaction of a condition precedent in the SPA, citing COVID-19 impacts.

Subsequently, the Company evaluated the opportunities of Hemp Foods Australia and decided to continue the operations as part of the Group. As a result, the subsidiary is not longer classified as held for sale and is included in the continuing operations in the 31 December 2020 results.

Financial performance information

	Group	
	2020 \$'000	2019 \$'000
Sale of goods	-	1,586
Total revenue	-	1,586
Other income	-	18
Interest income	-	4
Total other income	-	22
Raw materials and consumables used and processing expenses	-	(711)
Employee benefits expenses and Directors' fees	-	(399)
Depreciation and amortisation expense	-	(50)
Professional services expenses	-	(78)
Sales and marketing expenses	-	(226)
Administrative expenses	-	(377)
Other expenses	-	(9)

NOTE 9: DISCONTINUED OPERATIONS (CONTINUED)

	Group	
	2020 \$'000	2019 \$'000
Finance costs	-	(5)
Total expenses	-	(1,855)
Loss before income tax expense	-	(247)
Income tax expense	-	(8)
Loss after income tax expense	-	(255)
Loss on disposal before income tax	-	(2,304)
Income tax expense	-	-
Loss on disposal after income tax expense	-	(2,304)
Loss after income tax expense from discontinued operations	-	(2,559)

Cash flow information

	Group	
	2020 \$'000	2019 \$'000
Net cash used in operating activities	-	(1,294)
Net cash from investing activities	-	31
Net cash from financing activities	-	1,238
Net decrease in cash and cash equivalents from discontinued operations	-	(25)

Elixinol Japan**Carrying amounts of assets and liabilities disposed**

	Group	
	2020 \$'000	2019 \$'000
Cash and cash equivalents	-	1,005
Trade and other receivables	-	318
Inventories	-	730
Other current assets	-	44
Investments	-	698
Intangibles	-	447
Total assets	-	3,242
Trade and other payables	-	173
Borrowings	-	22
Deferred tax	-	100
Other liabilities	-	46
Total liabilities	-	341
Net assets	-	2,901

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 9: DISCONTINUED OPERATIONS (CONTINUED)

Details of the disposal

	Group	
	2020 \$'000	2019 \$'000
Total sale consideration	-	220
Carrying amount of net assets disposed	-	(2,901)
Derecognition of non-controlling interest	-	1,215
Loss on disposal before income tax	-	(1,466)
Share of loss on Treasury shares	-	(838)
Loss on disposal after income tax	-	(2,304)

Hemp Foods Australia

Held for sale assets and liabilities

	Group	
	2020 \$'000	2019 \$'000
Assets of disposal groups classified as held for sale		
Cash and cash equivalents	-	129
Trade and other receivables	-	364
Inventories	-	427
Other current assets	-	210
Property, plant and equipment	-	127
Right-of-use asset	-	187
	-	1,444

	Group	
	2020 \$'000	2019 \$'000
Liabilities directly associated with assets classified as held for sale		
Trade payables	-	270
Other payables	-	62
Accrued expenses	-	150
Lease liability	-	296
Provisions	-	166
	-	944

NOTE 10: CASH AND CASH EQUIVALENTS

	Group	
	2020 \$'000	2019 \$'000
<i>Current assets</i>		
Cash on hand	41	19
Cash at bank	27,702	8,225
Cash on deposit	-	12,000
	27,743	20,244
<i>Reconciliation to cash and cash equivalents at the end of the financial year</i>		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	27,743	20,244
Cash and cash equivalents - classified as held for sale	-	129
Balance as per statement of cash flows	27,743	20,373

NOTE 11: TRADE AND OTHER RECEIVABLES

	Group	
	2020 \$'000	2019 \$'000
<i>Current assets</i>		
Trade receivables	2,245	2,213
Less: Allowance for expected credit losses	(1,249)	(1,103)
	996	1,110
Other receivables	65	365
GST recoverable	126	56
Interest receivable	4	5
	1,191	1,536

Allowance for expected credit losses

The Group has recognised a loss of \$855,000 (2019: \$240,000) in profit or loss in respect of the expected credit losses for the year ended 31 December 2020.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Group	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2020 %	2019 %	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Not overdue	1%	1%	378	527	4	3
1 to 30 days overdue	1%	1%	339	205	5	2
31 to 60 days overdue	6%	2%	185	27	11	1
61 to 90 days overdue	8%	5%	50	146	4	7
Over 90 days overdue	95%	83%	1,293	1,308	1,225	1,090
			2,245	2,213	1,249	1,103

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 11: TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in the allowance for expected credit losses are as follows:

	Group	
	2020 \$'000	2019 \$'000
Opening balance	1,103	878
Additional provisions recognised	855	240
Receivables written off during the year as uncollectable	(709)	(15)
Closing balance	1,249	1,103

NOTE 12: INVENTORIES

	Group	
	2020 \$'000	2019 \$'000
<i>Current assets</i>		
Raw materials - at cost	18,216	23,094
Less: Provision for impairment	(16,269)	(8,190)
	1,947	14,904
Work in progress - at cost	1,977	4,216
Less: Provision for impairment	(1,338)	(534)
	639	3,682
Finished goods - at cost	5,025	3,182
Less: Provision for impairment	(3,226)	(642)
	1,799	2,540
Stock in transit - at cost	350	188
	4,735	21,314

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.

Since COVID-19 was declared a pandemic by the World Health Organisation in March 2020, the Company has observed a significant reduction in consumer demand particularly in bricks and mortar retail distribution channels. This reduction in demand has resulted in the Company reassessing how much on hand inventory is estimated to be consumed in the production and sale of Elixinol branded products prior to inventory approaching its shelf life. To the extent that inventory is considered excess to its core strategy, the Company has then considered the net realisable value of excess inventory with reference to the current commodities market for hemp biomass, extracts and distillates. Lower overall consumer demand for hemp commodities in conjunction with oversupply in the market has led to a significant decrease in net realisable values and an impairment and write-off of inventories of \$18,853,000 which has been recognised in the financial statements. In addition, there has been an impairment of Other Current Assets relating to prepayment of inventory of \$4,701,000.

NOTE 13: PREPAYMENTS, DEPOSITS AND OTHER

	Group	
	2020 \$'000	2019 \$'000
<i>Current assets</i>		
Prepayments	893	6,314
Deferred consideration	–	207
Security deposits	198	105
Other deposits	85	105
	1,176	6,731

NOTE 14: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Group	
	2020 \$'000	2019 \$'000
<i>Non-current assets</i>		
Investment in associate - H&W Holdings LLC	–	95
Investment in associate - Altmed Pets LLC	2,316	8,096
Investment in joint venture - Northern Colorado High Plains Producers LLC*	–	212
	2,316	8,403

* On 31 December 2020, the Company dissolved its interest in NCHPP.

The investments in H&W Holdings LLC and Altmed Pets LLC were impaired during the year totalling \$4,734,000.

Interests in associates

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
H&W Holdings LLC*	United States of America	19.88%	19.88%
Altmed Pets LLC*	United States of America	25.43%	25.43%

* Holding through Elixinol LLC

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 14: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Summarised financial information

	Elixinol Co. Ltd		H&W Holdings LLC		Altmed Pets LLC	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<i>Summarised statement of financial position</i>						
Current assets	-	-	-	46	3,890	6,153
Non-current assets	-	-	-	500	130	1,714
Total assets	-	-	-	546	4,020	7,867
Current liabilities	-	-	-	2	1,788	722
Non-current liabilities	-	-	-	-	704	-
Total liabilities	-	-	-	2	2,492	722
Net assets	-	-	-	544	1,528	7,145
<i>Summarised statement of profit or loss and other comprehensive income</i>						
Revenue	-	-	-	2,593	12,180	9,569
Expenses	-	-	-	(2,124)	(15,495)	(9,616)
(Loss)/profit before income tax	-	-	-	469	(3,315)	(47)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss)/income	-	-	-	469	(3,315)	(47)
<i>Reconciliation of the Group's carrying amount</i>						
Opening carrying amount	-	2,650	95	-	8,095	-
Share of (loss)/profit after income tax	-	(9)	(132)	93	(795)	(11)
Treasury shares	-	-	-	-	-	(679)
Investment made	-	-	-	-	-	8,852
Impairment of investment	-	-	-	-	(4,734)	-
Related party eliminations	-	-	-	-	-	(105)
Foreign exchange	-	-	37	2	(250)	38
De-consolidated on 29 May 2019	-	(2,641)	-	-	-	-
Closing carrying amount	-	-	-	95	2,316	8,095

Interests in joint ventures

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
Northern Colorado High Plains Producers LLC*	United States of America	-	50.00%

* On 31 December 2020, the Company dissolved its interest in NCHPP.

NOTE 14: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)**Summarised financial information**

	Northern Colorado High Plains Producers	
	2020 \$'000	2019 \$'000
<i>Summarised statement of financial position</i>		
Cash and cash equivalents	-	59
Current assets	-	856
Non-current assets	-	71
Total assets	-	986
Other current liabilities	-	563
Total liabilities	-	563
Net assets	-	423
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	-	627
Impairment of assets	-	(1,810)
Expenses	-	(2,142)
Loss before income tax	-	(3,325)
Other comprehensive income	-	-
Total comprehensive loss	-	(3,325)
<i>Reconciliation of the Group's carrying amount</i>		
Opening carrying amount	212	1,874
Share of loss after income tax	(149)	(1,690)
Foreign exchange	(63)	28
Closing carrying amount	-	212

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

	Group	
	2020 \$'000	2019 \$'000
<i>Non-current assets</i>		
Land - at cost	376	3,139
Less: Impairment	-	(114)
	376	3,025
Leasehold improvements - at cost	360	3,524
Less: Accumulated depreciation	(116)	(262)
Less: Impairment	(165)	-
	79	3,262
Furniture, fittings and equipment - at cost	174	654
Less: Accumulated depreciation	(102)	(26)
Less: Impairment	-	(518)
	72	110
Motor vehicles - at cost	63	69
Less: Accumulated depreciation	(34)	(23)
	29	46
Computer equipment - at cost	737	741
Less: Accumulated depreciation	(523)	(257)
	214	484
Machinery - at cost	5,711	6,690
Less: Accumulated depreciation	(1,039)	(566)
Less: Impairment	(2,971)	(366)
	1,701	5,758
	2,471	12,685

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**Reconciliations**

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

Group	Land \$'000	Leasehold improve- ments \$'000	Furniture, fittings and equipment \$'000	Motor vehicles \$'000	Computer equipment \$'000	Machinery \$'000	Total \$'000
Balance at 1 January 2019	411	181	56	52	213	5,053	5,966
Additions	2,725	3,610	630	7	503	2,400	9,875
Classified as held for sale	-	(55)	(25)	-	-	(376)	(456)
Disposals	-	(37)	-	-	-	(423)	(460)
Exchange differences	3	9	2	1	2	49	66
Impairment of assets	(114)	-	(518)	-	-	(372)	(1,004)
Transfers in/(out)	-	-	(3)	-	3	-	-
Depreciation expense	-	(446)	(32)	(14)	(237)	(573)	(1,302)
Balance at 31 December 2019	3,025	3,262	110	46	484	5,758	12,685
Additions	-	-	1	-	56	204	261
Disposals	(2,611)	-	(8)	-	-	(284)	(2,903)
De-classified as held-for-sale	-	13	25	-	-	88	126
Exchange differences	(38)	49	(4)	(3)	(4)	(187)	(187)
Impairment of assets	-	(2,937)	-	-	-	(3,079)	(6,016)
Depreciation expense	-	(308)	(52)	(14)	(322)	(799)	(1,495)
Balance at 31 December 2020	376	79	72	29	214	1,701	2,471

During the year, the Company disposed of the land held by Nunyara for \$2,560,000. Property, plant and equipment includes impairment for assets based on the net realisable value and future expected use.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 16: RIGHT-OF-USE ASSETS

	Group	
	2020 \$'000	2019 \$'000
<i>Non-current assets</i>		
Land and buildings - right-of-use	4,540	5,069
Less: Accumulated depreciation	(2,424)	(746)
Less: Impairment	(704)	-
	1,412	4,323

The Group leases land and buildings for its offices, warehouses and retail outlets under agreements of between 2 to 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Reconciliations

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

Group	Land and buildings - right-of-use \$'000
Balance at 1 January 2019	-
Addition on adoption of AASB 16 on 1 January 2019	2,054
Additions	3,728
Classified as held for sale	(308)
Disposals	(155)
Exchange differences	(22)
Depreciation expense	(974)
Balance at 31 December 2019	4,323
Disposals	(1,007)
De-classified as held for sale	187
Exchange differences	(206)
Impairment of assets	(704)
Depreciation expense	(1,181)
Balance at 31 December 2020	1,412

For other AASB 16 and lease related disclosures refer to the following:

- Refer to Note 7 for interest on lease liabilities and other lease payments;
- Refer to Note 21 for lease liabilities at 31 December 2020;
- Refer to Note 26 for maturity analysis of lease liabilities; and
- Refer to the consolidated statement of cash flows for repayment of lease liabilities.

NOTE 17: INTANGIBLES

	Group	
	2020 \$'000	2019 \$'000
<i>Non-current assets</i>		
Goodwill - at cost	76,191	75,705
Less: Impairment	(76,191)	(47,479)
	-	28,226
Website and software - at cost	1,068	1,118
Less: Accumulated amortisation	(370)	(84)
Less: Impairment	(41)	(41)
	657	993
Patents and trademarks - at cost	125	92
Less: Impairment	(2)	(2)
	123	90
Customer relationships - at cost	2,470	2,458
Less: Accumulated amortisation	(1,114)	(863)
Less: Impairment	(1,219)	(32)
	137	1,563
Brand names - at cost	10,668	10,668
Less: Impairment	(10,668)	(1,546)
	-	9,122
	917	39,994

Reconciliations

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

Group	Goodwill \$'000	Website and software \$'000	Patents and trademarks \$'000	Customer relation- ships \$'000	Brand names \$'000	Total \$'000
Balance at 1 January 2019	74,623	174	21	1,698	9,733	86,249
Additions	-	933	90	190	-	1,213
Classified as held for sale	-	-	(18)	-	-	(18)
Disposals	-	(41)	(1)	-	-	(42)
Exchange differences	1,082	11	-	142	935	2,170
Impairment of assets	(47,479)	-	(2)	(32)	(1,546)	(49,059)
Amortisation expense	-	(84)	-	(435)	-	(519)
Balance at 31 December 2019	28,226	993	90	1,563	9,122	39,994
Additions	-	-	33	-	-	33
Exchange differences	486	(50)	-	12	157	605
Impairment of assets*	(28,712)	-	-	(1,187)	(9,279)	(39,178)
Amortisation expense	-	(286)	-	(251)	-	(537)
Balance at 31 December 2020	-	657	123	137	-	917

* All impairment in 2020 relates to the Americas CGU segment.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 17: INTANGIBLES (CONTINUED)

Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to the following cash-generating units ('CGUs'):

	Group	
	2020 \$'000	2019 \$'000
Elixinol LLC	-	28,226

Determination of recoverable amount

The recoverable amount of the CGUs are determined based on value in use model using discounted cash flow projections based on financial forecasts covering a five-year period with a terminal growth rate applied thereafter. The Group performed its annual impairment test in December 2019, however as a result of trading performance during H1 FY2020 from the COVID-19 pandemic, indicators of impairment existed for Elixinol LLC as at half-year balance sheet date. Therefore, impairment testing was performed in June 2020.

The cash flow projections which are used in determining any impairment require management to make significant estimates and judgements. Key assumptions in preparing the cash flow projections are set out below. Each of the assumptions is subject to significant judgement about future economic conditions and the development of the rapid regulatory changes to the industries in which the CGU's operate in and uncertainty of the future impact of COVID-19. Management has applied their best estimates to each of these variables but cannot warrant their outcome. Management has determined that there had been an impairment for Elixinol LLC as at 30 June 2020. In determining the impairment required at 30 June 2020, Management also took into consideration that the market capitalisation of the Group was below the book value of its equity, however this was not the determining factor and at any particular point in time, the market capitalisation does not necessary determine the value of the CGU's.

Key assumptions

Elixinol LLC

The key assumptions on which management has based its cash flow projections when determining the value in calculations for Elixinol LLC are set out below. These assumptions are considered to be consistent with industry market participant expectations.

- the revenue growth reflects management's expectation of growth in the short to medium term based on market growth expectations;
- expenditure is assumed to decrease in sales and marketing and employee benefits expense, decrease in working capital as inventory levels are reduced and by operational efficiencies reducing cash burn;
- limited planned and committed capital expenditure to support production capabilities;
- the pre-tax discount rate applied to cash flow projections was 19.6% which represents management's best estimate of the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt; and equity capital provided; and
- terminal growth rate of 2.0% after 5 years.

The estimated recoverable amounts of Elixinol LLC were below the carrying amounts of intangible and tangible assets of the CGU, therefore an impairment charge of \$39,178,000 was recognised.

NOTE 18: TRADE AND OTHER PAYABLES

	Group	
	2020 \$'000	2019 \$'000
<i>Current liabilities</i>		
Trade payables	1,818	1,787
GST and sales tax payable	128	504
Credit cards	144	51
Other payables	705	650
	2,795	2,992

Refer to Note 26 for further information on financial instruments.

NOTE 19: CONTRACT LIABILITIES

	Group	
	2020 \$'000	2019 \$'000
<i>Current liabilities</i>		
Contract liabilities	89	157
<i>Reconciliation</i>		
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	157	720
Payments received in advance	89	157
Transfer to revenue - performance obligations satisfied in previous periods	(157)	(720)
Closing balance	89	157

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$89,000 as at 31 December 2020 (\$157,000 as at 31 December 2019) and is expected to be recognised as revenue in future periods as follows:

	Group	
	2020 \$'000	2019 \$'000
Within 6 months	89	157

NOTE 20: BORROWINGS

	Group	
	2020 \$'000	2019 \$'000
<i>Non-current liabilities</i>		
Related party loan from Raw With Life	250	-

Refer to Note 26 for further information on financial instruments.

Prior to its acquisition by Elixinol Global Limited, Hemp Foods Australia entered into a Shareholder Loan Deed with Raw With Life, an entity controlled by Mr Paul Benhaim, whereby Raw With Life agreed to lend \$250,000 to Hemp Foods Australia. The loan is made on an unsecured basis, with no interest currently payable. Hemp Foods Australia undertakes to repay the loan subject to achievement of predefined performance milestones. This is a related party agreement, as Raw With Life holds (as at the date of this report) approximately 9.4% of the shares in Elixinol Global Limited. The Group assessed the fair value of the loan at the reporting date and the amount is not materially different from its carrying value.

At 31 December 2019, the related party loan was impaired to nil as part of a condition connected to the potential Hemp Foods Australia sale. Following the termination of the sale, as at 31 December 2020 the loan has been re-instated.

Notes to the Consolidated Financial Statements

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NOTE 21: LEASE LIABILITIES

	Group	
	2020 \$'000	2019 \$'000
<i>Current liabilities</i>		
Lease liability	920	989
<i>Non-current liabilities</i>		
Lease liability	1,482	3,641
Lease make good provision	92	35
	1,574	3,676

Refer to Note 26 for further information on financial instruments.

NOTE 22: ISSUED CAPITAL

	Group			
	2020 Shares	2019 Shares	2020 \$'000	2019 \$'000
Ordinary shares - fully paid	313,227,117	137,761,002	217,730	188,771

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 January 2019	124,550,162		139,612
Issue of shares as part consideration for acquisition of Altmed Pets LLC	24 April 2019	523,437	\$5.090	2,666
Treasury shares on acquisition of Altmed Pets LLC	24 April 2019	(133,110)	\$5.090	(678)
Issue of shares	23 May 2019	12,820,513	\$3.900	50,000
Share issue transaction costs				(2,829)
Balance	31 December 2019	137,761,002		188,771
Institutional Entitlement Offer	14 May 2020	26,712,850	\$0.200	5,343
Retail Entitlement Offer	2 June 2020	28,230,102	\$0.200	5,646
Issue of Shares	20 November 2020	48,209,265	\$0.170	8,196
Share Purchase Plan Offer	18 December 2020	72,313,898	\$0.170	12,293
Share issue transaction costs				(2,519)
Balance	31 December 2020	313,227,117		217,730

Ordinary shares

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

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

Share buy-back

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

Treasury shares

Treasury shares are ordinary shares of the parent entity held by subsidiaries and/or associates.

NOTE 22: ISSUED CAPITAL (CONTINUED)**Capital risk management**

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment.

NOTE 23: RESERVES

	Group	
	2020 \$'000	2019 \$'000
Foreign currency translation reserve	8,308	8,231
Share-based payments reserve	663	955
	8,971	9,186

Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Share-based payments reserve

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

NOTE 24: NON-CONTROLLING INTEREST

	Group	
	2020 \$'000	2019 \$'000
Accumulated losses	-	(31)

NOTE 25: DIVIDENDS

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

NOTE 26: FINANCIAL INSTRUMENTS**Financial risk management objectives**

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by senior finance executives ('Finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 26: FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In addition, the Group is exposed to non-financial instrument risk on the translation of foreign subsidiaries from their functional currency to the presentation currency. This presentation risk is separate to the foreign currency risk dealt with in this note.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

Group	Assets		Liabilities	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
US dollars	43	-	405	-
Euros	30	-	43	-
Pound Sterling	53	103	20	83
	126	103	468	83

The Group had net liabilities denominated in foreign currencies of \$342,000 (assets of \$126,000 less liabilities of \$468,000) as at 31 December 2020 (2019: net assets of \$20,000 (assets of \$103,000 less liabilities of \$83,000)). Based on this exposure, had the Australian dollar weakened or strengthened against these foreign currencies with all other variables held constant, the Group's profit before tax for the period would have been as follows.

The sensitivity analysis carried out by the Group considers the effects on its trade receivables and payables of 5% increase and decrease between the relevant foreign currency and the Australian dollar (reporting currency).

Group - 2020	% change	AUD strengthened		AUD weakened		
		Effect on profit before tax \$'000	Effect on equity \$'000	% change	Effect on profit before tax \$'000	Effect on equity \$'000
US dollars	5%	17	17	5%	(17)	(17)
Euros	5%	1	1	5%	(1)	(1)
Pounds Sterling	5%	(2)	(2)	5%	2	2
		16	16		(16)	(16)

Group - 2019	% change	AUD strengthened		AUD weakened		
		Effect on profit before tax \$'000	Effect on equity \$'000	% change	Effect on profit before tax \$'000	Effect on equity \$'000
US dollars	5%	-	-	5%	-	-
Euros	5%	-	-	5%	-	-
Pounds Sterling	5%	(1)	(1)	5%	1	1
		(1)	(1)		1	1

NOTE 26: FINANCIAL INSTRUMENTS (CONTINUED)

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last year and the spot rate at the reporting date. A positive number indicates an increase in profit, a negative number indicates a decrease in profit. The actual foreign exchange loss for the year ended 31 December 2020 was \$32,000 (2019: loss of \$51,000).

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group is not exposed to any significant interest rate risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Consistent with our credit procedures we categorise our receivables based on days past due and we adjust our expected credit losses in relation to those receivables as and when there is a change in days past due in expected receivables.

Expected credit loss is initially recognised in respect to a receivable when it is 30 days past due.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Group - 2020	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	1,818	-	-	-	1,818
Other payables	-	849	-	-	-	849
<i>Interest-bearing - variable</i>						
Lease liability	3.18%	920	615	867	-	2,402
Total non-derivatives		3,587	615	867	-	5,069

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 26: FINANCIAL INSTRUMENTS (CONTINUED)

Group - 2019	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	1,787	-	-	-	1,787
Other payables	-	701	-	-	-	701
<i>Interest-bearing - variable</i>						
Lease liability	3.45%	989	1,049	2,231	361	4,630
Total non-derivatives		3,477	1,049	2,231	361	7,118

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

NOTE 27: FAIR VALUE MEASUREMENT

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

NOTE 28: REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of the Company, and its network firms:

	Group	
	2020 \$	2019 \$
<i>Audit services - BDO Audit Pty Ltd (2019: Deloitte Touche Tohmatsu)</i>		
Audit or review of the financial statements	252,119	350,100
<i>Other services - BDO Audit Pty Ltd (2019: Deloitte Touche Tohmatsu)</i>		
Taxation compliance services	18,733	43,000
	270,852	393,100
<i>Other services - network firms</i>		
Other advisory services	19,813	15,000

NOTE 29: CONTINGENT LIABILITIES

On 4 December 2019, the Group became aware of a class-action suit having been filed against the Group's subsidiary Elixinol LLC in the United States District Court for the Northern District of California. The suit alleged, amongst other allegations, that the Group's products are mislabelled as dietary supplements or illegally contain CBD and that this may constitute misleading conduct. On 11 May 2020, the Company announced that the plaintiffs in the class-action suit filed against Elixinol LLC in the United States District Court for the Northern District of California, filed a Notice of Voluntary Dismissal (Notice). The withdrawal of the class-action suit is vindication of the Company's position that its products are accurately labelled and that the plaintiffs' misleading conduct claims were without merit.

The Group had no contingent liabilities at 31 December 2020.

NOTE 30: COMMITMENTS

	Group	
	2020 \$'000	2019 \$'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Inventory purchases under contract	243	3,679

NOTE 31: KEY MANAGEMENT PERSONNEL DISCLOSURES**Compensation**

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Group	
	2020 \$	2019 \$
Short-term employee benefits	860,950	1,556,725
Post-employment benefits	72,213	92,427
Long-term benefits	29,152	-
Termination benefits	463,562	168,750
Share-based payments	(320,066)	130,011
	1,105,811	1,947,913

NOTE 32: RELATED PARTY TRANSACTIONS**Parent entity**

Elixinol Global Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 34.

Associates and other investee

Interests in associates are set out in Note 14.

Joint ventures

Interests in joint ventures are set out in Note 14.

Key management personnel

Disclosures relating to key management personnel are set out in Note 31 and the remuneration report included in the directors' report.

Transactions between the parent company, its subsidiaries and joint operations are eliminated on consolidation and are not disclosed in this note.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 32: RELATED PARTY TRANSACTIONS (CONTINUED)

Cash flow transactions with related parties

The following transactions occurred with related parties:

	Group	
	2020 \$	2019 \$
Sale of goods and services:		
Sale of goods to associates	20,128	5,244,889
Sale of goods to joint venture	-	16,166
Payment for goods and services:		
Purchase of goods from associates	4,316	1,942,954

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Group	
	2020 \$	2019 \$
Current receivables:		
Receivables from associates (net of provision)	-	331,885
Current payables:		
Payables to associates	-	96,577

All transactions were made on normal commercial terms and conditions and at market rates.

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Group	
	2020 \$	2019 \$
Non-current borrowings:		
Loan from Raw With Life, an entity controlled by Paul Benhaim, to Hemp Foods Australia Pty Ltd	250,000	-

Prior to its acquisition by Elixinol Global Limited, Hemp Foods Australia entered into a Shareholder Loan Deed with Raw With Life, an entity controlled by Mr Paul Benhaim, whereby Raw With Life agreed to lend \$250,000 to Hemp Foods Australia. The loan is made on an unsecured basis, with no interest currently payable. Hemp Foods Australia undertakes to repay the loan subject to achievement of predefined performance milestones. This is a related party agreement, as Raw With Life holds (as at the date of this report) approximately 9.4% of the shares in Elixinol Global Limited. The Group assessed the fair value of the loan at the reporting date and the amount is not materially different from its carrying value. At 31 December 2019, the related party loan was impaired to nil as part of a condition connected to the potential Hemp Foods Australia sale. Following the termination of the sale, as at 31 December 2020 the loan has been re-instated.

Loan transactions were made on negotiated terms and conditions.

NOTE 33: BUSINESS COMBINATIONS**2020**

There were no business combinations that occurred during the year ended 31 December 2020.

2019**Elixinol Co. Ltd ('Elixinol Japan')**

On 2 November 2018, further investment was made into Elixinol Japan through additional issued shares to provide working capital to scale the business for anticipated growth in the hemp derived CBD, foods and skincare channels. As a result, this increased the Group's investment in Elixinol Japan to a 50.5% shareholding. This investment until 28 May 2019, in which the Group held significant influence, had been accounted for as an associate due to the Group holding only two of the five board seats of Elixinol Japan and therefore not having the power to directly affect the returns and activities of Elixinol Japan.

On 28 May 2019, the Group obtained an additional two board seats of Elixinol Japan therefore gaining the power to directly affect the returns and activities of Elixinol Japan. As a result, the investment is treated as a subsidiary and the trading results of Elixinol Japan are consolidated from 29 May 2019.

The goodwill balance of \$447,000 represents the synergies expected to be obtained from the integration of the business into the Group. Goodwill is not deductible for tax purposes.

On 2 December 2019, the Company sold its 50.5% interest in Elixinol Japan to one of Elixinol Japan's other shareholders, Mr Takeshi Sakurada, for \$13,500 (¥1,000,000) with a deferred cash payment of \$362,715 multiplied by the ratio of the closing price of Elixinol shares on 8 January 2020 divided by \$1.09 (less Japanese taxes), which is payable by no later than 30 June 2020.

As a result of the sale, the Company was no longer a subsidiary of Elixinol from 2 December 2019.

Details of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	1,214
Trade and other receivables	368
Inventories	923
Other current assets	24
Investments	3,124
Trade and other payables	(328)
Other current liabilities	(82)
Deferred tax liability	(867)
Borrowings	(33)
Net assets acquired	4,343
Goodwill	447
Acquisition-date fair value of the total consideration transferred	4,790
Representing:	
Deemed consideration from previously held investment	2,641
Non-controlling interest	2,149
	4,790

The receivables acquired, which principally comprise trade receivables, and are shown at their fair value.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 34: INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
Elixinol LLC	United States of America	100.00%	100.00%
EXL International Holdings LLC	United States of America	100.00%	100.00%
Elixinol Australia Pty Ltd *	Australia	100.00%	100.00%
Hemp Foods Australia Pty Ltd	Australia	100.00%	100.00%
Elixinol Investments Pty Ltd ***	Australia	100.00%	100.00%
Elixinol BV	Netherlands	100.00%	100.00%
Elixinol Ltd	United Kingdom	100.00%	100.00%
Infusion Strategies LLC **	United States of America	–	60.00%

* previously known as Nunyara Pharma Pty Ltd (2020) and Elixinol Pty Ltd (2019)

** Infusion Strategies LLC was dissolved in April 2020

*** Elixinol Investment Pty Ltd was dissolved subsequent to year end on 11 February 2021

NOTE 35: DEED OF CROSS GUARANTEE

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

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

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

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

The Board has resolved to incorporate the following entities into the Deed of Cross Company Guarantee dated 24 July 2018 as amended by a Revocation Deed dated 25 October 2019: EXL International Holdings LLC, Elixinol BV and Elixinol Limited. The Company is in the process of implementing this including lodging appropriate registrations with ASIC.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

NOTE 35: DEED OF CROSS GUARANTEE (CONTINUED)**Statement of profit or loss and other comprehensive income**

	2020 \$'000	2019 \$'000
Revenue	12,666	28,066
Share of profits/(losses) of associates and joint ventures accounted for using the equity method	(1,076)	(1,616)
Other income	326	23
Interest income	100	564
Raw materials and consumables used and processing expenses	(6,754)	(12,709)
Employee benefits expenses and Directors' fees	(10,305)	(12,706)
Depreciation and amortisation expense	(2,962)	(2,750)
Impairment of intangibles	(39,178)	(46,470)
Impairment of assets	(33,572)	(13,576)
Professional services expenses	(3,494)	(4,384)
Sales and marketing expenses	(5,063)	(10,658)
Administrative expenses	(4,104)	(8,566)
Distribution costs	(570)	(1,307)
Other expenses	5	(90)
Finance costs	(47)	(133)
Loss before income tax benefit/(expense)	(94,028)	(86,312)
Income tax benefit/(expense)	(4,143)	7,474
Loss after income tax benefit/(expense)	(98,171)	(78,838)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive loss for the year	(98,171)	(78,838)
Equity - accumulated losses	2020 \$'000	2019 \$'000
Accumulated losses at the beginning of the financial year	(82,038)	(3,200)
Loss after income tax benefit/(expense)	(98,171)	(78,838)
Accumulated losses at the end of the financial year	(180,209)	(82,038)

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 35: DEED OF CROSS GUARANTEE (CONTINUED)

Statement of financial position

	2020 \$'000	2019 \$'000
Current assets		
Cash and cash equivalents	27,546	20,083
Trade and other receivables	678	929
Inventories	3,529	19,209
Income tax refund due	509	90
Prepayments, deposits and other	1,027	6,112
Assets of disposal groups classified as held for sale	-	1,444
	33,289	47,867
Non-current assets		
Trade and other receivables	12,103	6,871
Investments accounted for using the equity method	2,316	8,402
Property, plant and equipment	2,445	12,636
Right-of-use assets	1,286	4,019
Intangibles	388	39,902
Deferred tax	-	4,644
	18,538	76,474
Total assets	51,827	124,341
Current liabilities		
Trade and other payables	2,198	2,697
Contract liabilities	67	157
Lease liabilities	832	854
Employee benefits	315	86
Accrued expenses	673	619
Liabilities directly associated with assets classified as held for sale	-	944
	4,085	5,357
Non-current liabilities		
Borrowings	250	-
Lease liabilities	1,445	3,473
Provisions	92	35
	1,787	3,508
Total liabilities	5,872	8,865
Net assets	45,955	115,476
Equity		
Issued capital	217,729	188,771
Reserves	8,435	8,743
Accumulated losses	(180,209)	(82,038)
Total equity	45,955	115,476

NOTE 36: CASH FLOW INFORMATION**Reconciliation of loss after income tax to net cash used in operating activities**

	Group	
	2020 \$'000	2019 \$'000
Loss after income tax benefit/(expense) for the year	(104,478)	(83,071)
Adjustments for:		
Depreciation and amortisation	3,213	2,844
Impairment of assets	35,008	12,076
Impairment of intangibles	39,178	49,059
Net loss on disposal of property, plant and equipment	262	90
Share of loss/(profit) - associates	927	(81)
Share of loss - joint ventures	149	1,705
Share-based payments	(293)	124
Doubtful debt	146	141
Deferred tax through equity	-	(863)
Loss from discontinued operations	-	2,305
Others	115	111
Change in operating assets and liabilities:		
Decrease in trade and other receivables	709	1,532
Decrease in contract assets	-	77
Increase in inventories	(2,155)	(25,354)
Increase in income tax refund due	(509)	-
Decrease/(increase) in deferred tax assets	4,307	(3,666)
Decrease/(increase) in prepayments, deposits and other	1,119	(3,328)
Decrease in trade and other payables	(435)	(1,549)
Decrease in contract liabilities	(68)	(563)
Increase/(decrease) in provision for income tax	117	(186)
Decrease in deferred tax liabilities	-	(3,145)
Increase in other provisions	92	51
Increase/(decrease) in accrued expenses	(25)	625
Net cash used in operating activities	(22,621)	(51,066)

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 36: CASH FLOW INFORMATION (CONTINUED)

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

Group	Loan with Raw With Life \$'000	Lease liabilities \$'000	Total \$'000
Balance at 1 January 2019	250	-	250
Net cash used in financing activities	-	(729)	(729)
Recognised as lease liabilities on first-time adoption of AASB 16	-	2,099	2,099
Acquisition of leases	-	3,278	3,278
Changes through discontinued operations (Note 9)	(250)	-	(250)
Exchange differences	-	17	17
Balance at 31 December 2019	-	4,665	4,665
Net cash used in financing activities	-	(1,414)	(1,414)
Disposals	-	(704)	(704)
Changes through discontinued operations (Note 9)	250	-	250
Exchange differences	-	(53)	(53)
Balance at 31 December 2020	250	2,494	2,744

NOTE 37: EARNINGS PER SHARE

	Group	
	2020 \$'000	2019 \$'000
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Elixinol Global Limited	(104,478)	(80,512)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	179,421,047	132,239,632
Weighted average number of ordinary shares used in calculating diluted earnings per share	179,421,047	132,239,632

	Cents	Cents
Basic loss per share	(58.23)	(60.88)
Diluted loss per share	(58.23)	(60.88)

	Group	
	2020 \$'000	2019 \$'000
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of Elixinol Global Limited	-	(2,559)

NOTE 37: EARNINGS PER SHARE (CONTINUED)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	179,421,047	132,239,632
Weighted average number of ordinary shares used in calculating diluted earnings per share	179,421,047	132,239,632

	Cents	Cents
Basic loss per share	-	(1.94)
Diluted loss per share	-	(1.94)

	Group	
	2020 \$'000	2019 \$'000
<i>Earnings per share for loss</i>		
Loss after income tax	(104,478)	(83,071)
Non-controlling interest	(28)	143
Loss after income tax attributable to the owners of Elixinol Global Limited	(104,506)	(82,928)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	179,421,047	132,239,632
Weighted average number of ordinary shares used in calculating diluted earnings per share	179,421,047	132,239,632

	Cents	Cents
Basic loss per share	(58.25)	(62.71)
Diluted loss per share	(58.25)	(62.71)

The outstanding performance rights held by directors and employees have not been included to calculate diluted earnings per share as their inclusion would be anti-dilutive. In addition the hurdles have not been met as at the reporting date.

NOTE 38. SHARE-BASED PAYMENTS

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

During the current year 3,699,220 performance rights were issued for nil consideration and the share-based payment was credited in the profit or loss was \$292,000 and the equity movement was \$292,000 debit.

During the prior year 931,444 performance rights were issued for nil consideration and the share-based payment expensed in profit or loss was \$124,000, deferred tax from the previous year reversed of \$403,000 and the equity movement was \$279,000 debit.

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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 38: SHARE-BASED PAYMENTS (CONTINUED)

The performance period of share rights granted in 2020 is from 1 January 2020 to 31 December 2022. The performance period of the grant made in 2019 is three financial years in three equal tranches from the financial year of granting. For the grant made during 2018, the performance period is from 20 March 2018 to 31 December 2022.

The vesting dates are as follows:

Tranche	Vesting date Share Rights granted in 2018	Vesting date Share Rights granted in 2019	Vesting date Share Rights granted in 2020
Tranche 1	28 February 2020 (lapsed)	28 February 2021 (lapsed)	28 February 2023
Tranche 2	28 February 2021 (lapsed)	28 February 2022	
Tranche 3	28 February 2022	28 February 2023	
Tranche 4	28 February 2023		

Grant dates and details

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

2020

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
03/04/2018	03/07/2023	149,181	-	-	(88,957)	60,224
15/05/2018	15/08/2023	1,650,000	-	-	(1,200,000)	450,000
01/11/2018	01/02/2024	130,194	-	-	(130,194)	-
23/05/2019	23/08/2024	450,000	-	-	(450,000)	-
21/09/2019	21/12/2024	255,810	-	-	(220,644)	35,166
30/07/2020	30/10/2025	-	937,500	-	-	937,500
30/07/2020	30/10/2025	-	1,527,543	-	(170,620)	1,356,923
16/10/2020	02/01/2026	-	1,234,177	-	-	1,234,177
		2,635,185	3,699,220	-	(2,260,415)	4,073,990

2019

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
03/04/2018	03/07/2023	522,000	-	-	(372,819)	149,181
15/05/2018	15/08/2023	4,075,000	-	-	(2,425,000)	1,650,000
01/11/2018	01/02/2024	361,232	-	-	(231,038)	130,194
23/05/2019	23/08/2024	-	600,000	-	(150,000)	450,000
21/09/2019	21/12/2024	-	321,444	-	(65,634)	255,810
		4,958,232	921,444	-	(3,244,491)	2,635,185

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 3.97 years (2019: 4.1 years).

NOTE 38: SHARE-BASED PAYMENTS (CONTINUED)

For the performance rights granted during the current financial 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
30/07/2020	30/10/2025	\$0.185	-	-	-	\$0.185
30/07/2020	30/10/2025	\$0.185	96.10%	-	0.21%	\$0.092
16/10/2020	02/01/2026	\$0.158	-	-	-	\$0.158
17/12/2020	17/03/2026	\$0.182	-	-	-	\$0.182

* Where no % is stated there are no market vesting conditions attached to the performance rights and vesting condition includes continuity of service.

Volatilities, betas and correlations (all using the equally weighted model) are calculated using the Stambaugh method, which handles assets with short price histories (eg newly listed stocks) without truncating the histories of all the assets to match the number of prices for the assets with the shortest history.

NOTE 39: PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2020 \$'000	2019 \$'000
Loss after income tax	(90,270)	(87,465)
Total comprehensive loss	(90,270)	(87,465)

Statement of financial position

	Parent	
	2020 \$'000	2019 \$'000
Total current assets	26,744	19,358
Total assets	38,000	100,210
Total current liabilities	863	1,266
Total liabilities	1,520	2,126
Equity		
Issued capital	218,408	189,450
Share-based payments reserve	663	955
Accumulated losses	(182,591)	(92,321)
Total equity	36,480	98,084

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

NOTE 39: PARENT ENTITY INFORMATION (CONTINUED)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

Except for the deed of cross guarantee, as detailed in Note 35, the parent entity had no other guarantees in relation to the debts of its subsidiaries as at 31 December 2020 and 31 December 2019.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2020 and 31 December 2019.

Capital commitments - property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2020 and 31 December 2019.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment

NOTE 40: EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 31 December 2020 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.

Directors' Declaration

31 December 2020

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 comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 35 to the financial statements.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Oliver Horn

Global Chief Executive Officer and Executive Director

25 February 2021

Sydney

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

To the members of Elixinol Global Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Elixinol Global Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment and recoverability of intangible non-current assets

Key audit matter	How the matter was addressed in our audit
<p>There is a risk that the carrying value of the assets held by the Group might be impaired if they are unlikely to produce economic benefits in excess of their book value. For the Group's American cash generating unit ('CGU'), as a result of the COVID-19 outbreak and other factors, there has been a decline in demand and sales value. Based on these factors, it was identified that impairment indicators exist.</p> <p>The determination of the value in use model, which relies on forecasted cash flows, involves significant judgement. As disclosed in note 17, for the Group's American CGU, significant judgement was required in determining the assumptions used in the value in use model including forecasted cash flows, discount rate, inflation rate, growth rate and forecasted sales growth.</p> <p>The recoverable value as determined by the value in use model was less than the carrying value and an impairment of \$39m recognised for the American CGU for the year ended 31 December 2019.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Evaluating and analysing the Group's value-in-use cash flow models to support the carrying value and assessed the model. This included assessing the following key assumptions: <ul style="list-style-type: none"> • Discount rate through comparison to independently calculated discount rate and considering with the assumed growth in revenue; • Inflation rate through comparison to external data; and • Forecasted financial performance with reference to historical performance, stabilised costs ongoing costs and external data. • Performing procedures on the forecasts and discounted cash flow models, including validation of the inputs and forecasts, in order to test the impairment analysis; • Comparing the group's financial performance for the period subsequent to the financial year end; • Enquiring with management, corroborating assumptions with audit evidence and assessed the judgements made in respect of CGU impairment assessment prepared by the Group; • Considering the appropriateness and completeness of the allocation of corporate head office assets and liabilities to CGUs; • Performing sensitivity analysis on key assumptions including discount rates, projected expenses and expected sales growth; and • Assessing the appropriateness of disclosures in the Notes to the financial statements.

Independent Auditor's Report

continued



Inventory Valuation

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in note 12, the Group has recognised \$4.7m of inventory for the year ended 31 December 2020 and an impairment expense of \$18.9m. The determination of the appropriate carrying value of inventory requires the use of significant judgement.</p> <p>Given the complexity of the market and demand for the Group's product mix, there is an additional risk in the valuation of inventory, including that the inventory held may be obsolete or impaired.</p> <p>This is compounded by the impacts of COVID-19, and negative market conditions and decreased selling prices particularly in the United States.</p>	<p>Our procedures included, but were not limited to</p> <ul style="list-style-type: none"> • Considered the shelf life of items on hand at period end and the reasonable expected turnaround of those items on a sample basis; • Obtained the inventory listing and obtain support for expected sale value to ensure that inventory is carried at lower of cost and net realisable value and that provision for obsolescence are considered complete and reasonable. This was completed on a sample basis; • Reviewed the inventory provision provided by management to consider expected recoverable amounts for inventory and reasonableness of methodology; and

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Elixinol Global Limited, for the year ended 31 December 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

A handwritten signature in black ink that reads 'Leah Russell'. The signature is written in a cursive style and is positioned below the printed name.

Leah Russell
Director

Sydney, 25 February 2021

Shareholder Information

31 December 2020

The shareholder information set out below was applicable as at 15 February 2021.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	3,619	0.50
1,001 to 5,000	3,330	2.93
5,001 to 10,000	1,504	3.81
10,001 to 100,000	2,963	26.78
100,001 and over	394	65.98
	11,810	100.00
Holding less than a marketable parcel	4,818	1.11%

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
RAW WITH LIFE PTY LTD (BENHAIM TRADING A/C)	29,523,008	9.41
CS THIRD NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 13 A/C)	26,945,082	8.59
CITICORP NOMINEES PTY LIMITED	11,751,331	3.74
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	7,893,229	2.52
D & G HEALTH LLC	6,761,049	2.15
UBS NOMINEES PTY LTD	6,000,000	1.91
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,437,689	1.73
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,848,898	1.55
BNP PARIBAS NOMS PTY LTD (DRP)	3,638,794	1.16
CS FOURTH NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 11 A/C)	3,544,977	1.13
COMSEC NOMINEES PTY LIMITED	2,959,715	0.94
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD (DRP A/C)	2,598,161	0.83
JAMPLAT PTY LTD	1,900,000	0.61
BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAILCLIENT DRP)	1,800,235	0.57
PANTHER TRADING PTY LTD (PANTHER A/C)	1,576,471	0.50
JETONIAN PTY LTD (JENTA FAMILY A/C)	1,286,769	0.41
SLT CAPITAL MANAGEMENT PTY LTD	1,176,471	0.37
G CORP CAPITAL PTY LTD	1,144,292	0.36
MR ERIC CHI KEUNG WONG	1,142,507	0.36
ASJEP PTY LTD (ASJEP SUPER FUND A/C)	1,098,218	0.35
	123,026,896	39.19

Unquoted equity securities

	Number on issue	Number of holders
Performance rights issued	3,605,240	21

There were no person that holds 20% or more of unquoted performance rights.

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
RAW WITH LIFE PTY LTD (BENHAIM TRADING A/C)	29,523,008	9.41
CS THIRD NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 13 A/C)	26,945,082	8.59

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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

There are no other classes of equity securities.

Corporate Directory

Directors

Helen Wiseman - Non-Executive Chair and Non-Executive Director
 Paul Benhaim - Non-Executive Director
 Oliver Horn - Global Chief Executive Officer and Executive Director

Chief Financial Officer

Ron Dufficy - Global Chief Financial Officer

Company Secretary

Teresa Cleary - General Counsel and Company Secretary

Registered office

Level 12, 680 George Street
 Sydney NSW 2000

Tel: (02) 4044 4585 (within Australia)
 Tel: +61 (0) 2 4044 4585 (outside Australia)

Share register

Automic Pty Ltd

Level 5, 126 Phillip Street
 Sydney NSW 2000

Tel: 1300 288 664 (within Australia)
 Tel: +61 (0) 2 9698 5414 (outside Australia)

Auditor

BDO Audit Pty Ltd

Level 11
 1 Margaret Street
 Sydney NSW 2000

Stock exchange listing

Elixinol Global Limited shares are listed on the Australian Securities Exchange (ASX code: EXL) and trades on the American Over-The-Counter ('OTC') marketplace (OTC code: ELLXF).

Website

www.elixinolglobal.com

Business objectives

Elixinol Global Limited has used cash and cash equivalents held at the time of listing, in a way consistent with its stated business objectives.

Corporate Governance Statement

The Company's directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (3rd Edition) ('Recommendations') to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the financial year, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations.

The Company's Corporate Governance Statement and policies, which is approved at the same time as the Annual Report, can be found on its website: <https://elixinolglobal.com/investor/investor-1/>



www.elixinolglobal.com