

Elixinol Wellness Limited
Appendix 4D
Half-year report

1. Company details

| | |
|-------------------|--------------------------------------|
| Name of entity: | Elixinol Wellness Limited |
| ABN: | 34 621 479 794 |
| Reporting period: | For the half-year ended 30 June 2024 |
| Previous period: | For the half-year ended 30 June 2023 |

2. Results for announcement to the market

The directors present this Appendix 4D on the consolidated entity (referred to as the 'Group') consisting of Elixinol Wellness Limited (referred to as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2024.

| | | | \$'000 |
|---|------|------------------------------|------------------------------|
| Revenues from ordinary activities | up | 96.0% to | 6,772 |
| Loss from ordinary activities after tax attributable to the owners of Elixinol Wellness Limited | down | 18.8% to | (2,756) |
| Loss for the half-year attributable to the owners of Elixinol Wellness Limited | down | 18.8% to | (2,756) |
| | | 30 Jun 2024 Cents | 30 Jun 2023 Cents |
| Basic loss per share | | (0.28) | (0.94) |
| Diluted loss per share | | (0.28) | (0.94) |

Dividends

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

Comments

The loss for the Group after providing for income tax amounted to \$2,756,000 (30 June 2023: \$3,396,000).

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|---------------------------------------|--------------------------------------|
| Net tangible assets per ordinary security | <u>0.39</u> | <u>1.89</u> |

Calculated as follows:

| | 30 Jun 2024 \$'000 | Group 30 Jun 2023 \$'000 |
|---------------------------|-------------------------------|---|
| Net assets | 7,434 | 8,315 |
| Less: Right-of-use assets | (136) | (523) |
| Less: Intangibles | (2,470) | (153) |
| Add: Lease liabilities | 299 | 991 |
| Net tangible assets | <u>5,127</u> | <u>8,630</u> |
| Total shares issued (no.) | <u>1,321,242,325</u> | <u>456,858,258</u> |

4. Control gained over entities

| | | |
|--|---------------------|--------|
| Name of entities (or group of entities) | Ananda Food Pty Ltd | |
| Date control gained | 28 March 2024 | |
| | | \$'000 |
| Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material) | | (75) |
| Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material) | | - |

5. Loss of control over entities

| | |
|-----------------|--|
| Not applicable. | |
|-----------------|--|

6. Dividends

| | |
|---|--|
| <i>Current period</i> | |
| There were no dividends paid, recommended or declared during the current financial period. | |
| <i>Previous period</i> | |
| There were no dividends paid, recommended or declared during the previous financial period. | |

7. Dividend reinvestment plans

| | |
|-----------------|--|
| Not applicable. | |
|-----------------|--|

8. Details of associates and joint venture entities

| Name of associate / joint venture | Reporting entity's percentage holding | | Contribution to profit/(loss) (where material) | |
|---|---------------------------------------|-------------------|--|------------------------|
| | Reporting period % | Previous period % | Reporting period \$'000 | Previous period \$'000 |
| <i>Associate:</i> | | | | |
| - Altmed Pets LLC ('Pet Releaf') | - | 25.43% | - | 139 |
| <i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i> | | | | |
| Profit/(loss) from ordinary activities before income tax | | | - | 139 |

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report. The review report contains a paragraph that draws attention to the use of the going concern basis for the preparation of the financial statements.

11. Attachments

Details of attachments (if any):

The Interim Report of Elixinol Wellness Limited for the half-year ended 30 June 2024 is attached.

12. Signed

Authorised for release by the Board of Directors

29 August 2024

Elixinol Wellness Limited

ABN 34 621 479 794

Interim Report - 30 June 2024

Elixinol Wellness Limited**Contents****30 June 2024**

| | |
|---|----|
| Directors' report | 2 |
| Auditor's independence declaration | 6 |
| Consolidated statement of profit or loss and other comprehensive income | 7 |
| Consolidated statement of financial position | 8 |
| Consolidated statement of changes in equity | 9 |
| Consolidated statement of cash flows | 10 |
| Notes to the consolidated financial statements | 11 |
| Note 1. General information | 11 |
| Note 2. Material accounting policy information | 11 |
| Note 3. Critical accounting judgements, estimates and assumptions | 13 |
| Note 4. Operating segments | 13 |
| Note 5. Revenue | 16 |
| Note 6. Other income | 17 |
| Note 7. Cash and cash equivalents | 17 |
| Note 8. Property, plant and equipment | 17 |
| Note 9. Right-of-use assets | 18 |
| Note 10. Intangibles | 19 |
| Note 11. Issued capital | 19 |
| Note 12. Contingent liabilities | 20 |
| Note 13. Commitments | 20 |
| Note 14. Business combinations | 21 |
| Note 15. Earnings per share | 22 |
| Note 16. Share-based payments | 23 |
| Note 17. Events after the reporting period | 23 |
| Directors' declaration | 24 |
| Independent auditor's review report to the members of Elixinol Wellness Limited | 25 |
| Corporate directory | 29 |

Elixinol Wellness Limited
Directors' report
30 June 2024

The Directors of Elixinol Wellness Limited ('**Elixinol Wellness**' or the '**Company**') present this report, together with the financial statements of the Company and its controlled entities ('**Consolidated Entity**' or '**Group**') for the half-year ended 30 June 2024 ('**H1 FY24**').

Directors

The Directors of the Company in office during the financial half-year and up to the date of this report are as follows:

| | |
|----------------|--|
| David Fenlon | Independent Non-Executive Chair |
| Pauline Gately | Non-Executive Director |
| Natalie Butler | Executive Director and Head of Marketing (appointed 28 March 2024) |
| Ronald Dufficy | Managing Director and Group Chief Executive Officer (resigned 28 March 2024) |

The Directors were in office for the entire period unless otherwise stated.

Principal activities

The principal activities of the Company during the half-year relate to its operation as a holding company for each of Elixinol LLC ('Elixinol Americas'), Elixinol Wellness (Byron Bay) Pty Ltd, The Sustainable Nutrition Group Pty Ltd, The Sustainable Nutrition Group (Australia) Pty Ltd, and recently acquired Ananda Food Pty Ltd (together 'Australia') as well as Elixinol BV and Elixinol Limited (together 'Elixinol Europe').

The principal activities of the Group are:

Australia

Elixinol's Australian operations encompass a vertically integrated business that produces, manufactures, and distributes a range of highly complementary products across four verticals – human nutrition, human wellness, pet wellness and superfood ingredients. These products are sold under brands including Hemp Foods Australia, Mt Elephant, Ananda Food, Soul Foods and Field Day and are distributed through grocery, wholesale, and e-commerce channels. The Australian Superfood Co also supplies Australian native ingredients to white label customers as well as food, beverage, and beauty manufacturers.

Elixinol Americas

Established in 2014, Elixinol Americas is based in the United States and specialises in marketing and distributing products made from premium quality, predominantly 'whole plant' full spectrum CBD. During FY24, the Company transitioned exclusively to an e-commerce business model.

Rest of World

Established in 2018, Rest of World comprises Elixinol Europe specialising in the development, sourcing, marketing and distribution of hemp-derived CBD products, including skincare. Having moved to a licensing business model several years ago, this segment now makes a limited contribution to Elixinol's revenue.

Operating and financial review

The Group made significant strides in improving its financial performance, reflecting management's commitment to strategic growth and operational efficiency.

Strong revenue growth

Group revenue from continuing operations surged to **\$6.8 million during H1 FY24**, nearly double **H1 FY23 revenue of \$3.5 million**. Robust revenue growth during the period was underpinned by contributions from the Company's acquisitions (The Sustainable Nutrition Group Ltd and 3 months of Ananda Food Pty Ltd) as well as organic growth in Hemp Foods Australia. **The Company's expanded market reach and enhanced product offerings in key growth segments are expected to bolster further revenue gains in H2 FY24.**

Narrowing losses

While the Group continued to report losses in H1 FY24, **net loss after tax fell by \$0.6 million** compared with the same period last year (**H1 FY24 \$2.8 million, H1 FY23 \$3.4 million**). **This improvement highlights the early benefits of the Group's cost optimisation and efficiency enhancements on financial performance.**

Substantial Improvement in EBITDA

Earnings before interest, tax, depreciation and amortisation ('EBITDA') from continuing operations including share of associates' net loss and excluding impairment and share-based payments for the period ended 30 June 2024. EBITDA and Adjusted EBITDA are not prescribed by Australian Accounting Standards ('AAS') and represent the Group's statutory result under AAS, adjusted for certain items, Elixinol directors view these metrics as a reliable indicator of the Group's core earnings.

Notably, **adjusted EBITDA loss** from continuing operations, excluding non-recurring items and other adjustments, **improved significantly to \$1.5 million, compared with a loss of \$2.6 million in H1 FY23**. This substantial narrowing of the Group's EBITDA loss reflects management's focus on core business operations and its disciplined approach to managing costs.

Cash Flow and Financial Position

While the Group utilised **\$2.1 million of operating cash** during the period **up from \$0.6 million in H1 FY23**, this included **\$450,000 of non-recurring costs**. Notwithstanding this significantly larger cash burn operational improvements and strategic investments during the latter part of H1 FY24 are expected to yield significant long-term benefits, **positioning the Group for profitability during H2 FY24**.

Impairment and Strategic Adjustments

Recognition of a non-cash impairment of amounting to \$77,000 also represents a significant reduction from \$280,000 in H1 FY23. This reduced impairment, primarily related to inventory, is a testament to improved inventory management and the Company's strategic focus on high-demand products.

Looking Ahead

As we move forward, the Group remains focused on building upon these positive trends. Our strong revenue growth and significant improvements in EBITDA signal a turning point in our financial performance. We are committed to further enhancing shareholder value through continued operational improvements and strategic expansion in high-growth markets.

Reconciliation of Adjusted EBITDA from continuing operations to statutory loss

| | Group 30 Jun 2024 \$'000 | 30 Jun 2023 \$'000 |
|-------------------------------|--------------------------------|-----------------------|
| Loss after income tax | (2,756) | (3,396) |
| <i>Add back/(deduct):</i> | | |
| Income tax expense | 1 | 2 |
| Finance costs | 66 | 28 |
| Interest income | (23) | (140) |
| Depreciation and amortisation | 537 | 264 |
| EBITDA | (2,175) | (3,242) |
| <i>Add back/(deduct):</i> | | |
| Impairment of other assets | 77 | 280 |
| Share-based payments | 239 | 366 |
| One-off transactions | 343 | - |
| Adjusted EBITDA | (1,516) | (2,596) |

Segment results

Australia

Elixinol's Australian business comprises Elixinol Wellness (Byron Bay) Pty Ltd, The Sustainable Nutrition Group Pty Ltd, The Sustainable Nutrition Group (Australia) Pty Ltd and Ananda Food Pty Ltd (from 28 March 2024).

Record Australian revenue of \$5.8 million during H1 FY24 represents a 276% increase on H1 FY23 sales of \$2.1 million. Elixinol's acquisitions over the last 12 months -The Sustainable Nutrition Group Ltd (TSN) and Ananda Food Pty Ltd (AF)- made significant contributions to sales performance during H1.

Correspondingly, the Company's expanded house of brands encompassing Hemp Foods Australia, Mt Elephant, Field Day, Soul Seeds, Ananda Food and The Australian Superfood Co reported a solid performance during the period. Promotional activity in Costco and the continued success of Hemp Foods Australia (HFA)'s functional seed mix range in Coles were the main drivers of HFA's strong performance during the period. The launch of new functional hot chocolate and chai mixes and functional broths in June should bolster sales performance in H2.

The Group also secured ranging of several Mt Elephant products in Coles Supermarket during the period with 4 Mt Elephant SKUs ranged from April 2024. Early signs are encouraging with brand loyalty tracking above the category average in grocery to 41.8% by the end of June 2024. Overall, the Mt Elephant brand reported sales of \$0.8 million.

Towards the end of H1, the Company proactively recalled 3 Mt. Elephant SKUs based on a predicted cross contamination of an allergen. The financial impact of this is estimated around \$170,000 and is included in the half year results.

Americas

The Americas segment comprised the trading results of Elixinol LLC and the Group's investment in Pet Releaf ('Elixinol Americas'). A binding agreement to dispose of its investment in Pet Releaf was executed in late February 2024 and the sale was finalised in early May with proceeds of US\$1.5 million received on 13 May 2024.

Elixinol Americas reported revenue of \$1million during the period, representing a 25% decline from w H1 FY23 of \$13 million). However, Elixinol USA's transition to an e-commerce business model significantly reduced costs resulting in a positive contribution (\$86,000) to EBITDA in H1.

Despite challenges relating to Shopify platform updates and some temporary out-of-stocks during H1, US sales are also improving with online store sessions up 17% in Q2 FY24 compared with the first quarter. Both order value and returning customer rates exhibited significant improvement towards the end of H1. Wholesale orders surged by an impressive 189%. These favourable indicators provide a strong foundation for better sales performance in H2 FY24, and a corresponding increased contribution to Group EBITDA.

Share of associates' loss

Share of associates loss during in the period ended 30 June 2024 was \$nil (30 June 2023: \$nil). The investment sale was finalised on 13 May 2024.

Review of financial position

As at 30 June 2024, Group net assets of \$7.4 million including \$1.6 million of cash and cash equivalents culminating in a total comprehensive loss of \$2.7 million.

As a result of the loss incurred for the half-year ended 30 June 2024 and the liquidity at the reporting date, there is a material uncertainty on whether the Group can continue as a going concern. The Directors consider that the Group will continue as a going concern, as explained in note 2 to the financial statements.

Significant changes in the state of affairs

During H1 FY24, the Company was proactive in driving growth through its strategic acquisition of Ananda Food and capital initiatives to divest its non-core investment in Pet Releaf. To this end, on 12 February 2024, Elixinol Wellness entered into a Share Purchase Agreement with Ecofibre Limited (ASX: EOF) to acquire wholly owned subsidiary Ananda Food Pty Ltd. The acquisition cements Elixinol's position as a leader in Australia's hemp industry.

To fund this strategic acquisition, Elixinol launched a fully underwritten non-renounceable rights issue to raise \$3.16 million to complete the Ananda Food acquisition, enhance the Company's marketing efforts, and support expanded operations.

On 20 February 2024, Elixinol also entered into a binding purchase agreement to divest its minority interest in Altmed Pets, LLC. This transaction generated approximately \$2.3 million in cash, which has been reinvested to accelerate growth opportunities in H2 FY24.

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

Matters subsequent to the end of the financial half-year

On 1 July 2024, the Company announced the appointment of Ms Melanie Leydin and Mr Tai Phan of Vistra (Australia) Pty Ltd as Joint Company Secretaries.

Ms Sarah Prince and Ms Josephine Lorenz resigned as Joint Company Secretaries, effective 1 July 2024.

No other matter or circumstance has arisen since 30 June 2024 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.

Rounding of amounts

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

Auditor's independence declaration

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

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

On behalf of the Directors



David Fenlon
Independent Non-Executive Director and Chair

29 August 2024

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

As lead auditor for the review of Elixinol Wellness Limited for the half-year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

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

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



Leah Russell
Director

BDO Audit Pty Ltd

Sydney, 29 August 2024

Elixinol Wellness Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2024

| | | Group | |
|--|-------------|--------------------|--------------------|
| | Note | 30 Jun 2024 | 30 Jun 2023 |
| | | \$'000 | \$'000 |
| Revenue | 5 | 6,772 | 3,455 |
| Other income | 6 | 210 | 311 |
| Interest income calculated using the effective interest method | | 23 | 140 |
| Expenses | | | |
| Raw materials and consumables used and processing expenses | | (4,356) | (1,903) |
| Employee benefits expenses and Directors' fees | | (1,751) | (2,055) |
| Share-based payments | | (239) | (366) |
| Depreciation and amortisation expense | | (537) | (264) |
| Impairment of other assets | | (77) | (280) |
| Professional services expenses | | (558) | (727) |
| Sales and marketing expenses | | (478) | (522) |
| Administrative expenses | | (884) | (805) |
| Distribution costs | | (471) | (350) |
| Other expenses | | (343) | - |
| Finance costs | | (66) | (28) |
| Loss before income tax expense | | (2,755) | (3,394) |
| Income tax expense | | (1) | (2) |
| Loss after income tax expense for the half-year attributable to the owners of Elixinol Wellness Limited | | (2,756) | (3,396) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | 40 | 136 |
| Other comprehensive income for the half-year, net of tax | | 40 | 136 |
| Total comprehensive loss for the half-year attributable to the owners of Elixinol Wellness Limited | | (2,716) | (3,260) |
| | | Cents | Cents |
| Basic loss per share | 15 | (0.28) | (0.94) |
| Diluted loss per share | 15 | (0.28) | (0.94) |

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

Elixinol Wellness Limited
Consolidated statement of financial position
As at 30 June 2024

| | | Group | |
|--|------|-----------------------|-----------------------|
| | Note | 30 Jun 2024 \$'000 | 31 Dec 2023 \$'000 |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 7 | 1,577 | 708 |
| Trade and other receivables | | 2,002 | 1,706 |
| Inventories | | 4,065 | 3,664 |
| Income tax refund due | | 14 | 13 |
| Prepayments, deposits and other | | 576 | 558 |
| | | <u>8,234</u> | <u>6,649</u> |
| Non-current assets classified as held for sale | | - | 1,526 |
| Total current assets | | <u>8,234</u> | <u>8,175</u> |
| Non-current assets | | | |
| Trade and other receivables | | 33 | - |
| Property, plant and equipment | 8 | 1,351 | 903 |
| Right-of-use assets | 9 | 136 | 282 |
| Intangibles | 10 | 2,470 | 2,297 |
| Prepayments, deposits and other | | 11 | 54 |
| Total non-current assets | | <u>4,001</u> | <u>3,536</u> |
| Total assets | | <u>12,235</u> | <u>11,711</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 2,079 | 2,128 |
| Contract liabilities | | 95 | 522 |
| Borrowings | | 737 | 525 |
| Lease liabilities | | 284 | 545 |
| Employee benefits | | 371 | 289 |
| Accrued expenses | | 973 | 979 |
| Total current liabilities | | <u>4,539</u> | <u>4,988</u> |
| Non-current liabilities | | | |
| Borrowings | | 146 | 178 |
| Lease liabilities | | 15 | 14 |
| Employee benefits | | 101 | 69 |
| Total non-current liabilities | | <u>262</u> | <u>261</u> |
| Total liabilities | | <u>4,801</u> | <u>5,249</u> |
| Net assets | | <u>7,434</u> | <u>6,462</u> |
| Equity | | | |
| Issued capital | 11 | 226,496 | 222,573 |
| Reserves | | 9,847 | 10,042 |
| Accumulated losses | | <u>(228,909)</u> | <u>(226,153)</u> |
| Total equity | | <u>7,434</u> | <u>6,462</u> |

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

Elixinol Wellness Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2024

| Group | Issued capital \$'000 | Foreign currency translation reserve \$'000 | Share-based payments reserve \$'000 | Accumulated losses \$'000 | Total equity \$'000 |
|--|----------------------------------|--|--|--------------------------------------|--------------------------------|
| Balance at 1 January 2023 | 218,122 | 9,086 | 596 | (218,646) | 9,158 |
| Loss after income tax expense for the half-year | - | - | - | (3,396) | (3,396) |
| Other comprehensive income for the half-year, net of tax | - | 136 | - | - | 136 |
| Total comprehensive income/(loss) for the half-year | - | 136 | - | (3,396) | (3,260) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs | 2,288 | - | - | - | 2,288 |
| Share-based payments (note 16) | - | - | 129 | - | 129 |
| Balance at 30 June 2023 | <u>220,410</u> | <u>9,222</u> | <u>725</u> | <u>(222,042)</u> | <u>8,315</u> |

| Group | Issued capital \$'000 | Foreign currency translation reserve \$'000 | Share-based payments reserve \$'000 | Accumulated losses \$'000 | Total equity \$'000 |
|--|----------------------------------|--|--|--------------------------------------|--------------------------------|
| Balance at 1 January 2024 | 222,573 | 9,156 | 886 | (226,153) | 6,462 |
| Loss after income tax expense for the half-year | - | - | - | (2,756) | (2,756) |
| Other comprehensive income for the half-year, net of tax | - | 40 | - | - | 40 |
| Total comprehensive income/(loss) for the half-year | - | 40 | - | (2,756) | (2,716) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs (note 11) | 3,449 | - | - | - | 3,449 |
| Share-based payments (note 16) | - | - | 239 | - | 239 |
| Vesting of share-based payments | 474 | - | (474) | - | - |
| Balance at 30 June 2024 | <u>226,496</u> | <u>9,196</u> | <u>651</u> | <u>(228,909)</u> | <u>7,434</u> |

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

Elixinol Wellness Limited
Consolidated statement of cash flows
For the half-year ended 30 June 2024

| | | Group | |
|---|-------------|--------------------|--------------------|
| | Note | 30 Jun 2024 | 30 Jun 2023 |
| | | \$'000 | \$'000 |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 6,646 | 3,595 |
| Payments to suppliers and employees (inclusive of GST) | | (8,745) | (5,672) |
| Government grants | 6 | - | 1,404 |
| Interest received | | 23 | 39 |
| Interest and other finance costs paid | | (66) | (28) |
| Income taxes refunded | | - | 48 |
| Income taxes paid | | (3) | - |
| | | <u>(2,145)</u> | <u>(614)</u> |
| Net cash used in operating activities | | | |
| Cash flows from investing activities | | | |
| Payment for purchase of business, net of cash acquired | 14 | (1,800) | - |
| Payments for property, plant and equipment | | (45) | (1) |
| Payments for loans in other entities | | - | (952) |
| Proceeds from disposal of investments | | 2,265 | - |
| | | <u>420</u> | <u>(953)</u> |
| Net cash from/(used in) investing activities | | | |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 11 | 3,164 | 2,250 |
| Share issue transaction costs | 11 | (395) | (199) |
| Repayment of lease liabilities | | (172) | (343) |
| | | <u>2,597</u> | <u>1,708</u> |
| Net cash from financing activities | | | |
| Net increase in cash and cash equivalents | | 872 | 141 |
| Cash and cash equivalents at the beginning of the financial half-year | | 708 | 2,864 |
| Effects of exchange rate changes on cash and cash equivalents | | (3) | 38 |
| | | <u>1,577</u> | <u>3,043</u> |
| Cash and cash equivalents at the end of the financial half-year | | | |

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

Note 1. General information

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

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

Level 4
100 Albert Road
South Melbourne VIC 3205

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 29 August 2024. The Directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 30 June 2024 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 30 June 2024 and are not expected to have a significant impact for the full financial year ending 31 December 2024.

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

The following Accounting Standards and Interpretations adopted during the half-year are most relevant to the Group:

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants

AASB 2020-1 was issued in March 2020 and is applicable to annual periods beginning on or after 1 January 2024, as extended by AASB 2020-6. Early adoption is permitted. AASB 2022-6 was issued in December 2022 and is applicable to annual periods beginning on or after 1 January 2024. Early adoption is permitted where AASB 2020-1 is also early adopted.

Note 2. Material accounting policy information (continued)

These standards amend AASB 101 'Presentation of Financial Statements' to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. If the deferral right is subject to the entity complying with covenants in the loan arrangement based on information up to and including reporting date, the deferral right will exist where the entity is able to comply with the covenant on or before the end of the reporting date even if compliance is assessed after the reporting date. The deferral right will be deemed to exist at reporting date if the entity is required to comply with the covenant only after the reporting date based on post-reporting date information. Additional disclosure is required about loan arrangements classified as non-current liabilities in such circumstances which enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period. Classification of a liability as non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting date or even if the entity settles the liability prior to issue of the financial statements. The meaning of settlement of a liability is also clarified.

AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback

AASB 2023-1 was issued in June 2023 and is applicable for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted.

This standard makes amendments to AASB 7 'Financial Instruments: Disclosures' and AASB 107 'Statement of Cash Flows' to require an entity to provide additional disclosures about its supplier finance arrangements. The additional information will enable users of financial statements to assess how supplier finance arrangements affect an entity's liabilities, cash flows and exposure to liquidity risk. The amendments require an entity to disclose the terms and conditions of the arrangements, the carrying amount of the liabilities that are part of the arrangements, the carrying amounts of those liabilities for which the suppliers have already received payment from the finance providers, the range of payment due dates and the effect of non-cash changes.

Going concern

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

During the half-year ended 30 June 2024, the Group incurred a net loss before tax of \$2,756,000 (30 June 2023: \$3,396,000). During the half-year, net cash outflows from operating activities were \$2,145,000 (30 June 2023: \$614,000).

The Directors believe that there are reasonable grounds to believe that the entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the cashflow forecast following:

- As a result of the acquisitions of The Sustainable Nutrition Group ('TSN') and Ananda Food, the size and scale of the Australian operations has increased and economies of scale are to be realised through the combined group.
- Directors continue to monitor costs, and minimise where possible. Net loss before tax declined in FY24 compared with FY23. Excluding one-off costs, net cash used in operating activities was \$637,000 in Q2 FY24. Group business activities were reset in the latter part of H1 FY24. Elixinol America has transitioned to a less capital-intensive e-commerce business model, and synergies from the TSN and Ananda Food acquisitions will be realised during the remainder of FY24, further reducing the Group's cost base and cash burn.
- At half-year end the Group had net current assets of \$3,695,000 including cash of \$1,577,000, along with access to unused debt facilities.
- Ability to raise funds as evidenced by the successful capital raising including a fully underwritten non-renounceable rights issue raising \$3.16 million in March 2024.

On 20 December 2023, a Trade Debtor Finance facility of up to \$1,500,000 was established with Scottish Pacific Business Finance Pty Ltd ('ScotPac'), the largest non-bank business lender in Australia. As at 30 June 2024, \$622,000 was drawn down against this facility and the total amount available to drawdown was \$638,000 providing an additional \$16,000 of unused finance facilities.

The Directors regularly monitor the Group's cash position on an ongoing basis and continues to explore debt funding and capital markets to support the going concern and working capital requirements associated with its revenue base. There is a history of successful capital raising including a fully underwritten non-renounceable rights issue raising \$3.16 million in March 2024.

Note 2. Material accounting policy information (continued)

However, there is a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Based on the Group's forecasts and its ability to effectively manage expectations and cash flows from operations, the Directors believe that the Group's existing cash reserves are adequate to pay its liabilities in the ordinary course of business for at least twelve months from the date of this report and that there is a reasonable basis to prepare the financial statements on a going concern basis.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amount and classification of liabilities that may be necessary should the Group not continue as a going concern.

Note 3. Critical accounting judgements, estimates and assumptions

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

Note 4. Operating segments

Identification of reportable operating segments

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

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

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

Types of products and services

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

| | |
|---------------|---|
| Australia | This includes the results from operations of Elixinol Wellness (Byron Bay) Pty Ltd, The Sustainable Nutrition Group Pty Ltd and its subsidiaries ('TSN') and Ananda Food Pty Ltd. |
| Americas | This includes the trading results of Elixinol LLC ('Elixinol Americas') in the US through the manufacture and distribution of hemp-derived cannabidiol ('CBD') products. |
| Rest of World | This includes the results from the trading operations of Elixinol BV and Elixinol Ltd (together 'Elixinol Europe') and through the manufacture and distribution of hemp-derived CBD products, and licencing agreements in place across the rest of the world. |

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

Intersegment transactions

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

Intersegment receivables, payables and loans

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

Elixinol Wellness Limited
Notes to the consolidated financial statements
30 June 2024

Note 4. Operating segments (continued)

Operating segment information

| Group - 30 Jun 2024 | Australia \$'000 | Americas \$'000 | Rest of World \$'000 | Unallocated \$'000 | Total \$'000 |
|---------------------------------------|---------------------|--------------------|-------------------------|-----------------------|-----------------|
| Revenue | | | | | |
| Sales to external customers | 5,753 | 1,000 | - | - | 6,753 |
| Licence revenue | - | - | 19 | - | 19 |
| Total revenue | <u>5,753</u> | <u>1,000</u> | <u>19</u> | <u>-</u> | <u>6,772</u> |
| Adjusted EBITDA | <u>(686)</u> | <u>86</u> | <u>13</u> | <u>(929)</u> | <u>(1,516)</u> |
| Depreciation and amortisation | | | | | (537) |
| Impairment of assets | | | | | (77) |
| Interest revenue | | | | | 23 |
| Finance costs | | | | | (66) |
| Share-based payments | | | | | (239) |
| Product recall costs | | | | | (175) |
| Termination and other payments | | | | | (168) |
| Loss before income tax expense | | | | | <u>(2,755)</u> |
| Income tax expense | | | | | (1) |
| Loss after income tax expense | | | | | <u>(2,756)</u> |
| Assets | | | | | |
| Segment assets | <u>10,383</u> | <u>1,033</u> | <u>78</u> | <u>741</u> | <u>12,235</u> |
| Total assets | | | | | <u>12,235</u> |
| Liabilities | | | | | |
| Segment liabilities | <u>3,509</u> | <u>558</u> | <u>95</u> | <u>639</u> | <u>4,801</u> |
| Total liabilities | | | | | <u>4,801</u> |

Elixinol Wellness Limited
Notes to the consolidated financial statements
30 June 2024

Note 4. Operating segments (continued)

| | Australia \$'000 | Americas \$'000 | Rest of World \$'000 | Unallocated \$'000 | Total \$'000 |
|---------------------------------------|---------------------|--------------------|-------------------------|-----------------------|-----------------|
| Group - 30 Jun 2023 | | | | | |
| Revenue | | | | | |
| Sales to external customers | 2,100 | 1,332 | - | - | 3,432 |
| Licence revenue | - | - | 23 | - | 23 |
| Total revenue | <u>2,100</u> | <u>1,332</u> | <u>23</u> | <u>-</u> | <u>3,455</u> |
| Adjusted EBITDA | <u>(380)</u> | <u>(1,019)</u> | <u>166</u> | <u>(1,363)</u> | <u>(2,596)</u> |
| Depreciation and amortisation | | | | | (264) |
| Impairment of other assets | | | | | (280) |
| Interest revenue | | | | | 140 |
| Finance costs | | | | | (28) |
| Share-based payments | | | | | (366) |
| Loss before income tax expense | | | | | <u>(3,394)</u> |
| Income tax expense | | | | | (2) |
| Loss after income tax expense | | | | | <u>(3,396)</u> |
| Group - 31 Dec 2023 | | | | | |
| Assets | | | | | |
| Segment assets | <u>8,376</u> | <u>2,561</u> | <u>16</u> | <u>758</u> | <u>11,711</u> |
| Total assets | | | | | <u>11,711</u> |
| Liabilities | | | | | |
| Segment liabilities | <u>3,203</u> | <u>867</u> | <u>67</u> | <u>1,112</u> | <u>5,249</u> |
| Total liabilities | | | | | <u>5,249</u> |

Geographical information

| | Sales to external customers | | Geographical non-current assets | |
|---------------|-----------------------------|--------------|---------------------------------|--------------|
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Australia | 5,753 | 2,100 | 3,752 | 3,139 |
| Americas | 1,000 | 1,332 | 86 | 247 |
| Rest of World | 19 | 23 | - | - |
| Unallocated | <u>-</u> | <u>-</u> | <u>132</u> | <u>149</u> |
| | <u>6,772</u> | <u>3,455</u> | <u>3,970</u> | <u>3,535</u> |

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

Elixinol Wellness Limited
Notes to the consolidated financial statements
30 June 2024

Note 5. Revenue

| | Group | |
|-----------------|--------------------|--------------------|
| | 30 Jun 2024 | 30 Jun 2023 |
| | \$'000 | \$'000 |
| Sale of goods | 6,753 | 3,432 |
| Licence revenue | 19 | 23 |
| Revenue | <u>6,772</u> | <u>3,455</u> |

Disaggregation of revenue

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

| Group - 30 Jun 2024 | eCommerce \$'000 | Retail \$'000 | Other * \$'000 | Total \$'000 |
|-----------------------------|---------------------|------------------|-------------------|-----------------|
| <i>Geographical regions</i> | | | | |
| Australia | 445 | 3,912 | 1,396 | 5,753 |
| Americas | 867 | 110 | 23 | 1,000 |
| Rest of World | - | - | 19 | 19 |
| | <u>1,312</u> | <u>4,022</u> | <u>1,438</u> | <u>6,772</u> |

Timing of revenue recognition

| | | | | |
|--------------------------------------|--------------|--------------|--------------|--------------|
| Goods transferred at a point in time | 1,312 | 4,022 | 1,419 | 6,753 |
| Services transferred over time | - | - | 19 | 19 |
| | <u>1,312</u> | <u>4,022</u> | <u>1,438</u> | <u>6,772</u> |

* Other includes bulk and private label.

| Group - 30 Jun 2023 | eCommerce \$'000 | Retail \$'000 | Other * \$'000 | Total \$'000 |
|-----------------------------|---------------------|------------------|-------------------|-----------------|
| <i>Geographical regions</i> | | | | |
| Australia | 232 | 1,634 | 234 | 2,100 |
| Americas | 989 | 317 | 26 | 1,332 |
| Rest of World | - | - | 23 | 23 |
| | <u>1,221</u> | <u>1,951</u> | <u>283</u> | <u>3,455</u> |

Timing of revenue recognition

| | | | | |
|--------------------------------------|--------------|--------------|------------|--------------|
| Goods transferred at a point in time | 1,221 | 1,951 | 260 | 3,432 |
| Services transferred over time | - | - | 23 | 23 |
| | <u>1,221</u> | <u>1,951</u> | <u>283</u> | <u>3,455</u> |

* Other includes bulk and private label.

Elixinol Wellness Limited
Notes to the consolidated financial statements
30 June 2024

Note 6. Other income

| | Group 30 Jun 2024 \$'000 | 30 Jun 2023 \$'000 |
|---|--------------------------------|-----------------------|
| Net foreign exchange gain | 3 | 1 |
| Net loss on disposal of property, plant and equipment | - | (8) |
| Sub-lease income and other | 207 | 318 |
| | <hr/> | <hr/> |
| Other income | 210 | 311 |
| | <hr/> <hr/> | <hr/> <hr/> |

Note 7. Cash and cash equivalents

| | Group 30 Jun 2024 \$'000 | 31 Dec 2023 \$'000 |
|-----------------------|--------------------------------|-----------------------|
| <i>Current assets</i> | | |
| Cash at bank | 1,451 | 585 |
| Cash on deposit | 126 | 123 |
| | <hr/> | <hr/> |
| | 1,577 | 708 |
| | <hr/> <hr/> | <hr/> <hr/> |

Note 8. Property, plant and equipment

| | Group 30 Jun 2024 \$'000 | 31 Dec 2023 \$'000 |
|---|--------------------------------|-----------------------|
| <i>Non-current assets</i> | | |
| Leasehold improvements - at cost | 365 | 363 |
| Less: Accumulated depreciation | (226) | (195) |
| Less: Impairment | (124) | (124) |
| | <hr/> | <hr/> |
| | 15 | 44 |
| | <hr/> | <hr/> |
| Furniture, fittings and equipment - at cost | 198 | 185 |
| Less: Accumulated depreciation | (165) | (148) |
| | <hr/> | <hr/> |
| | 33 | 37 |
| | <hr/> | <hr/> |
| Motor vehicles - at cost | 38 | 38 |
| Less: Accumulated depreciation | (23) | (21) |
| | <hr/> | <hr/> |
| | 15 | 17 |
| | <hr/> | <hr/> |
| Computer equipment - at cost | 702 | 670 |
| Less: Accumulated depreciation | (673) | (655) |
| | <hr/> | <hr/> |
| | 29 | 15 |
| | <hr/> | <hr/> |
| Machinery - at cost | 5,013 | 2,447 |
| Less: Accumulated depreciation | (2,964) | (883) |
| Less: Impairment | (790) | (774) |
| | <hr/> | <hr/> |
| | 1,259 | 790 |
| | <hr/> | <hr/> |
| | 1,351 | 903 |
| | <hr/> <hr/> | <hr/> <hr/> |

Elixinol Wellness Limited
Notes to the consolidated financial statements
30 June 2024

Note 8. Property, plant and equipment (continued)

Reconciliations

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

| Group | Leasehold improvements \$'000 | Furniture, fittings and equipment \$'000 | Motor vehicles \$'000 | Computer equipment \$'000 | Machinery \$'000 | Total \$'000 |
|---|-------------------------------------|---|-----------------------------|---------------------------------|---------------------|-----------------|
| Balance at 1 January 2024 | 44 | 37 | 17 | 15 | 790 | 903 |
| Additions | - | - | - | 19 | 30 | 49 |
| Additions through business combinations (note 14) | - | 1 | - | - | 547 | 548 |
| Exchange differences | 1 | - | - | (2) | (6) | (7) |
| Depreciation expense | (30) | (5) | (2) | (3) | (102) | (142) |
| Balance at 30 June 2024 | <u>15</u> | <u>33</u> | <u>15</u> | <u>29</u> | <u>1,259</u> | <u>1,351</u> |

Note 9. Right-of-use assets

| | Group | |
|-----------------------------------|-------------------------------|-------------------------------|
| | 30 Jun 2024 \$'000 | 31 Dec 2023 \$'000 |
| <i>Non-current assets</i> | | |
| Land and buildings - right-of-use | 3,326 | 3,049 |
| Less: Accumulated depreciation | (2,486) | (2,063) |
| Less: Impairment | (704) | (704) |
| | <u>136</u> | <u>282</u> |

Reconciliations

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

| Group | Land and buildings - right-of-use \$'000 |
|---|---|
| Balance at 1 January 2024 | 282 |
| Additions through business combinations (note 14) | 118 |
| Exchange differences | 7 |
| Depreciation expense | (271) |
| Balance at 30 June 2024 | <u>136</u> |

Elixinol Wellness Limited
Notes to the consolidated financial statements
30 June 2024

Note 10. Intangibles

| | Group | |
|-----------------------------------|--------------------|--------------------|
| | 30 Jun 2024 | 31 Dec 2023 |
| | \$'000 | \$'000 |
| <i>Non-current assets</i> | | |
| Goodwill - at cost | 818 | - |
| Brand names - at cost | 1,232 | - |
| Less: Accumulated amortisation | (107) | - |
| | 1,125 | - |
| Patents and trademarks - at cost | 242 | 155 |
| Less: Accumulated amortisation | (17) | - |
| | 225 | 155 |
| Other intangible assets - at cost | 302 | 2,142 |
| | 2,470 | 2,297 |

Reconciliations

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

| Group | Goodwill | Brand name | Patents and trademarks | Other intangible assets | Total |
|---|-----------------|-------------------|-------------------------------|--------------------------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 January 2024 | - | - | 155 | 2,142 | 2,297 |
| Additions through business combinations (note 14) | - | - | - | 297 | 297 |
| Transfers in/(out) | 818 | 1,232 | 87 | (2,137) | - |
| Amortisation expense | - | (107) | (17) | - | (124) |
| Balance at 30 June 2024 | 818 | 1,125 | 225 | 302 | 2,470 |

Note 11. Issued capital

| | Group | | Group | |
|------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | Shares | Shares | \$'000 | \$'000 |
| Ordinary shares - fully paid | 1,321,242,325 | 632,738,503 | 226,496 | 222,573 |

Elixinol Wellness Limited
Notes to the consolidated financial statements
30 June 2024

Note 11. Issued capital (continued)

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$'000 |
|---|----------------|----------------------|-------------|----------------|
| Balance | 1 January 2024 | 632,738,503 | | 222,573 |
| Issue of shares - Rights Issue Offer | 22 March 2024 | 279,399,062 | \$0.00500 | 1,397 |
| Issue of shares - Rights Issue Offer shortfall shares | 25 March 2024 | 353,532,551 | \$0.00500 | 1,768 |
| Issue of shares - Vested performance rights | 8 April 2024 | 35,330,829 | \$0.00900 | 318 |
| Reversal of treasury shares held by Altmed Pets, LLC | 13 May 2024 | 133,110 | | 678 |
| Issue of shares - Vested performance rights | 31 May 2024 | 13,541,667 | \$0.00900 | 122 |
| Issue of shares - Director fee rights | 31 May 2024 | 6,566,603 | \$0.00533 | 35 |
| Share issue transaction costs | | | | (395) |
| Balance | 30 June 2024 | <u>1,321,242,325</u> | | <u>226,496</u> |

Options issued under Rights issues and Underwriting agreements

Set out below are summaries of options granted under Rights issues and Underwriting agreements:

| 30 Jun 2024 | | Expiry price | Balance at the start of the half-year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the half-year |
|-------------|-------------|--------------|---------------------------------------|--------------------|-----------|---------------------------|-------------------------------------|
| Grant date | Expiry date | | | | | | |
| 07/06/2023 | 07/06/2025 | \$0.02000 | 131,000,001 | - | - | - | 131,000,001 |
| 31/08/2023 | 31/08/2025 | \$0.02000 | 2,291,667 | - | - | - | 2,291,667 |
| 23/11/2023 | 23/11/2025 | \$0.02000 | 1,527,778 | - | - | - | 1,527,778 |
| 21/03/2024 | 22/03/2027 | \$0.00750 | - | 139,669,581 | - | - | 139,669,581 |
| 25/03/2024 | 22/03/2027 | \$0.00750 | - | 176,766,291 | - | - | 176,766,291 |
| 18/04/2024 | 22/03/2027 | \$0.00750 | - | 316,435,807 | - | - | 316,435,807 |
| | | | <u>134,819,446</u> | <u>632,871,679</u> | <u>-</u> | <u>-</u> | <u>767,691,125</u> |

Note 12. Contingent liabilities

The Group had no contingent liabilities at 30 June 2024 or 31 December 2023.

Note 13. Commitments

| | Group | |
|---|--------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 |
| | \$'000 | \$'000 |
| <i>Inventory purchase commitments</i> | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Inventory purchases under contract | <u>1,520</u> | <u>277</u> |

Note 14. Business combinations

30 June 2024

Ananda Food Pty Ltd ('Ananda Food')

On 12 February 2024, Elixinol Wellness announced that it entered into a Share Purchase Agreement ('Share Purchase Agreement') with Ecofibre Limited ACN 140 245 263 (ASX: EOF) to purchase 100% of the ordinary shares of Ananda Food Pty Ltd ACN 107 362 863 (a wholly owned subsidiary of Ecofibre) for consideration of \$2,000,000 in cash and up to \$1,000,000 contingent consideration subject to the cat litter product sales between 1 April 2024 and 30 June 2025. The fair value estimated contingent consideration payable based on current forecast is \$108,000. The transaction completed on 28 March 2024.

Ananda Food Pty Ltd ('Ananda Food') is one of Australia's largest hemp producers. Ananda Food is focused on low-cost, high-quality production of hemp ingredients and products for bulk, branded and private label customers. Ananda Food produces a range of Australian grown hemp-derived products and food which is complementary and expands on Elixinol Wellness' own range of hemp products.

The acquired business contributed revenues of \$19,000 and loss after tax of \$2,000 to the Group for the period from 29 March 2024 to 30 June 2024. The values identified in relation to the acquisition of Ananda Foods Pty Ltd are provisional as at 30 June 2024 whilst the fair value purchase price accounting is validated.

Details of the acquisition are as follows:

| | Fair value \$'000 |
|--|------------------------------|
| Cash and cash equivalents | 200 |
| Trade receivables | 390 |
| Other receivables | 161 |
| Inventories | 1,526 |
| Plant and equipment | 548 |
| Right-of-use assets | 118 |
| Intangibles - Other intangibles | 297 |
| Trade payables | (480) |
| Other payables | (500) |
| Lease liability | (152) |
| | <hr/> |
| Net assets acquired | 2,108 |
| Goodwill | - |
| | <hr/> |
| Acquisition-date fair value of the total consideration | <u><u>2,108</u></u> |
| Representing: | |
| Cash paid or payable to vendor | 2,000 |
| Contingent consideration | 108 |
| | <hr/> |
| | <u><u>2,108</u></u> |
| Cash used to acquire business, net of cash acquired: | |
| Acquisition-date fair value of the total consideration transferred | 2,108 |
| Less: cash and cash equivalents | (200) |
| Less: contingent consideration | (108) |
| | <hr/> |
| Net cash used | <u><u>1,800</u></u> |

Elixinol Wellness Limited
Notes to the consolidated financial statements
30 June 2024

Note 14. Business combinations (continued)

31 December 2023

The Sustainable Nutrition Group Ltd

During the half-year, the purchase price accounting for The Sustainable Nutrition Group Pty Ltd detailed in the Annual Report was finalised. The final fair values for the acquisition are detailed below:

| | Fair value \$'000 |
|--|----------------------|
| Cash and cash equivalents | 191 |
| Trade and other receivables | 201 |
| Inventories | 2,514 |
| Property, plant and equipment - Motor vehicles | 38 |
| Property, plant and equipment - Machinery | 690 |
| Right-of-use assets | 82 |
| Intangibles - Brand name | 1,232 |
| Intangibles - Patents and trademarks | 87 |
| Security deposits | 940 |
| Trade and other payables | (1,244) |
| Employee benefits | (117) |
| Loan to Elixinol Wellness Limited | (2,571) |
| Commercial loans | (880) |
| Lease liability | (83) |
| Net assets acquired | 1,080 |
| Goodwill | 818 |
| Acquisition-date fair value of the total consideration transferred | 1,898 |
| Representing: | |
| Elixinol Wellness Limited shares issued to vendor | 1,898 |

Note 15. Earnings per share

| | Group 30 Jun 2024 \$'000 | 30 Jun 2023 \$'000 |
|---|--------------------------------|-----------------------|
| Loss after income tax attributable to the owners of Elixinol Wellness Limited | (2,756) | (3,396) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 997,920,722 | 360,020,184 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 997,920,722 | 360,020,184 |
| | Cents | Cents |
| Basic loss per share | (0.28) | (0.94) |
| Diluted loss per share | (0.28) | (0.94) |

Options and performance rights (note 16) have not been included in the calculation of diluted earnings per share as their inclusion would be anti-dilutive to the Group at 30 June 2024 and 30 June 2023.

Note 16. Share-based payments

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

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.

Details of the plans can be found in the latest 31 December 2023 Annual Report.

Grant dates and details

Set out below are summaries of performance rights granted:

30 Jun 2024

| Grant date | Expiry date | Balance at the start of the half-year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the half-year |
|------------|-------------|---------------------------------------|------------|--------------|---------------------------|-------------------------------------|
| 30/07/2020 | 30/10/2025 | 62,271 | - | - | (62,271) | - |
| 07/07/2021 | 07/10/2026 | 1,547,376 | - | - | (1,547,376) | - |
| 27/05/2022 | 27/08/2027 | 4,842,305 | - | - | (3,450,232) | 1,392,073 |
| 21/01/2022 | 21/04/2027 | 280,879 | - | - | (280,879) | - |
| 27/05/2022 | 27/08/2027 | 1,166,027 | - | - | (700,274) | 465,753 |
| 31/05/2023 | 31/08/2028 | 9,166,668 | - | (3,819,445) | (5,347,223) | - |
| 03/10/2023 | 31/08/2028 | 67,128,638 | - | (35,330,829) | (7,368,663) | 24,429,146 |
| 31/05/2024 | 31/08/2029 | - | 13,541,667 | (13,541,667) | - | - |
| 31/05/2024 | 31/08/2029 | - | 19,699,811 | (6,566,603) | - | 13,133,208 |
| | | 84,194,164 | 33,241,478 | (59,258,544) | (18,756,918) | 39,420,180 |

Valuation model inputs

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

| Grant date | Expiry date | Share price at grant date | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|---------------------|----------------|-------------------------|--------------------------|
| 31/05/2024 | 31/08/2029 | \$0.00400 | - | - | - | \$0.0090 |
| 31/05/2024 | 31/08/2029 | \$0.00400 | - | - | - | \$0.0050 |

Note 17. Events after the reporting period

On 1 July 2024, the Company announced the appointment of Ms Melanie Leydin and Mr Tai Phan of Vistra (Australia) Pty Ltd as Joint Company Secretaries.

Ms Sarah Prince and Ms Josephine Lorenz resigned as Joint Company Secretaries, effective 1 July 2024.

No other matter or circumstance has arisen since 30 June 2024 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.

Elixinol Wellness Limited
Directors' declaration
30 June 2024

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

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

On behalf of the Directors



David Fenlon
Independent Non-Executive Director and Chair

29 August 2024

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Elixinol Wellness Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Elixinol Wellness Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, material accounting policy information and other explanatory information, and the directors' declaration.

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

- i. Giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the half-year ended on that date; and
- ii. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Material uncertainty relating to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's

ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2024 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'Leah Russell'.

Leah Russell
Director

Sydney, 29 August 2024

Elixinol Wellness Limited
Corporate directory
30 June 2024

| | |
|-------------------------------|---|
| Directors | David Fenlon - Independent Non-Executive Chair Pauline Gately - Non-Executive Director Natalie Butler - Executive Director and Head of Marketing |
| Group Chief Financial Officer | Josephine Lorenz |
| Company Secretaries | Melanie Leydin Tai Phan |
| Registered office | Level 4 100 Albert Road South Melbourne VIC 3205 Tel: (02) 4044 4585 (within Australia) Tel: +61 (0) 2 4044 4585 (outside Australia) |
| Mailing address: | Level 4 100 Albert Road South Melbourne VIC 3205 |
| 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 Wellness Limited shares are listed on the Australian Securities Exchange (ASX code: EXL) |
| Website | www.elixinolwellness.com |
| X (formerly known as Twitter) | EXLWellness |