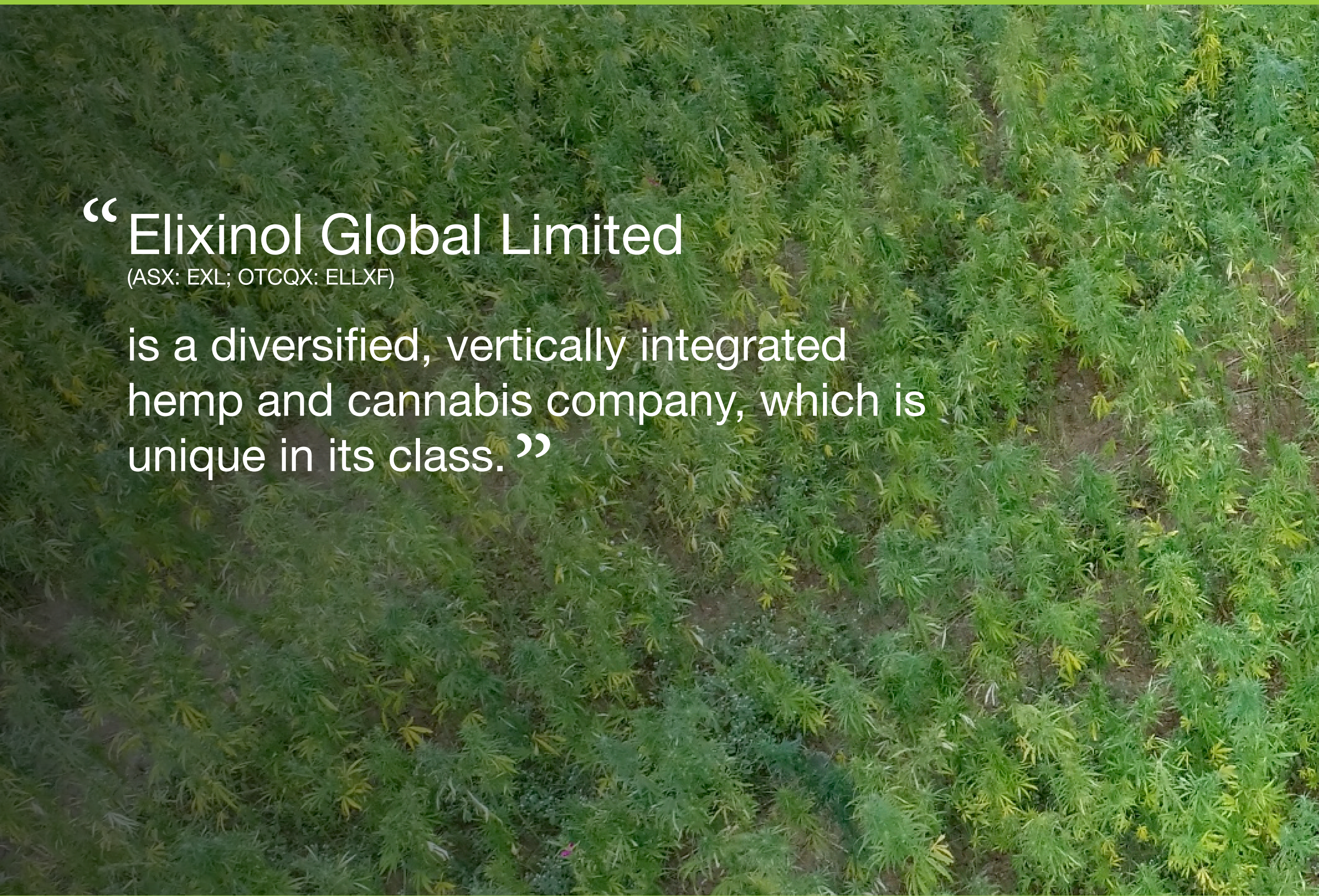
ELIXINOL GLOBAL LIMITED

Annual Report

2018

ASX: EXL, OTCQX: ELLXF | www.elixinolglobal.com



“Elixinol Global Limited
(ASX: EXL; OTCQX: ELLXF)

is a diversified, vertically integrated hemp and cannabis company, which is unique in its class.”

Annual General Meeting

Elixinol Global Limited (ASX: EXL, OTCQX: ELLXF) is pleased to invite shareholders to attend the Company's Annual General Meeting for the financial year ended 31 December 2018.

AGM details:

23 May 2019 from 10 am

At the offices of Gilbert and Tobin

Level 35, Tower Two, International Towers Sydney,
200 Barangaroo Avenue, Barangaroo
Australia

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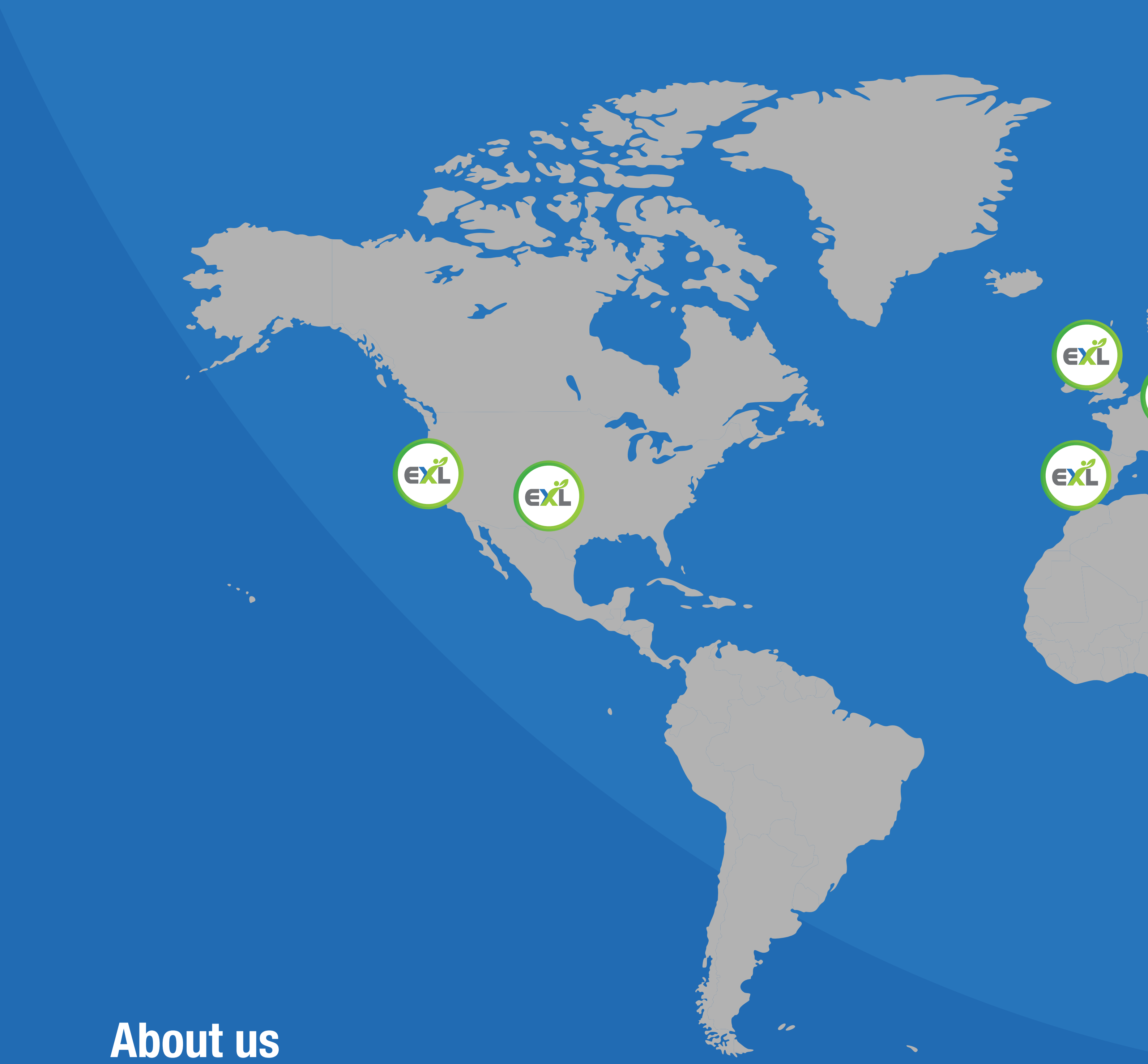


About us

Elixinol Global Limited listed on the Australian Securities Exchange (ASX: EXL) in January 2018 in order to bring together three businesses into one diversified hemp and cannabis company, unique in its class.

We are one of the few truly diversified cannabis and hemp businesses, comprised of:

- Elixinol™ – a vertically integrated leader in the hemp-derived cannabidiol (CBD) market with products based on science, proprietary high quality delivery devices and bioavailability technology - these things set us apart from our peers. Elixinol products are sold into North America, Latin America, Europe and Asia Pacific.
- Hemp Foods Australia – a leading hemp food wholesaler, retailer, manufacturer and exporter of bulk and branded raw materials, and finished products. Hemp Foods Australia owns the worlds first certified organic hemp skincare range called SATIVA™ Skincare, as well as the Grounded™ frozen burger brand, Essential Hemp™ snack bars and the Hemp Man™ brand.
- Nunyara™ – an Australian pharmaceutical grade medicinal cannabis start-up.

In August 2018, in order to better facilitate interest in our company from US investors, we commenced trading on the US OTCQX under the code ELLXF.

Global footprint

Avenues to market have been established across the Americas, Asia Pacific and Europe, via B2C and B2B channels.

We have operations in:

- Sydney and Bangalow, Australia
- Colorado and California, USA
- Tokyo, Japan
- Netherlands and Spain
- United Kingdom

Our businesses

EXL
ELIXINOL GLOBAL LIMITED

Elixinol

Hemp Foods
AUSTRALIA

NUNYARA
PREMIUM MEDICAL CANNABIS

Letter from the Chairman

FY2018 – first year of operations as a unique, diversified hemp and cannabis company

It is my pleasure to open the FY2018 annual report for the year ended 31 December, following a year in which Elixinol Global Limited (EXL) took a major step toward its ambition of being a market-leading player in the hemp and the emerging cannabis sectors.

EXL's ASX listing in January 2018 was important to providing the Company with access to public capital markets within an industry which exhibits enormous potential. We were pleased with the strong support of IPO shareholders in early 2018 and with our subsequent capital raise in September, which was designed to support the acceleration of EXL's international growth plans.

The Company's stated strategy at the time of Initial Public Offering (IPO) was to bring together and leverage the synergies between its three discrete businesses operating in distinct geographies and selling differentiated products. It was also to capitalise on the opportunities provided by being invested in a range of emerging cannabis related sectors. These included hemp, CBD dietary supplements and wellness products and hemp food products. We also stated our intention to enter the medical cannabis sector.

In our listing prospectus, the Directors shared their belief that the Company was well positioned to take advantage of current and future growth prospects, globally. Looking back across the year, I believe we can point to many examples of where EXL has successfully executed upon this sentiment. One highly visible measure is our top line revenue growth, which saw EXL finish the year with $37.1m in revenues, 121% up on the (pro forma) FY2017 result.

Elixinol, based in Colorado sells hemp derived CBD consumer products such as CBD oils to countries in North America, Europe and Asia Pacific, and accounts for approximately 87% of EXL's sales. Elixinol has been our top performing business, showing sustained quarter on quarter growth since the time of listing. This strong financial performance is underpinned by an aggressive strategy to increase the Company's share of the CBD dietary supplements and wellness products segments. Scale is required to deliver upon this plan, and this saw EXL invest in teams, additional production capability, infrastructure, product development, regulatory, sales and marketing. Post period, the Company also expanded operations in Europe, with the establishment of new sales hubs in several countries.

Elixinol's exceptional performance in FY2018 occurred all within the bounds of the various US state regulations and the regulatory frameworks of other jurisdictions. In December 2018, the US President passed the US Farm Bill into law. As our CEO, Paul Benhaim will cover in his report, this carries with it remarkable growth opportunities for the industry at large and for our Company. Indeed, in the lead up to the Bill's passage, opportunities for broadening distribution channels are now available to Elixinol.

In April 2018, we invested in a farming venture with Kersey Ag, called the Northern Colorado High Plains Producers Joint Venture (or NCHPP) to secure supply. While we did not anticipate this investment at the time of the IPO, the Board felt it strategically important in ensuring future supply of raw materials for our fast growing hemp CBD products. Our first harvest occurred during the December quarter and though we have not yet achieved the yields we hoped to under this farming operation, valuable experience has already been garnered which will be deployed in future crops. In combination with contracted supply, we are well positioned to meet our production requirements for 2019.

In September we took a 50.5% ownership interest in our distribution partner, Elixinol Japan. This decision followed many years working together with Elixinol Japan, and a robust due diligence process. Interest for CBD in Japan is reminiscent of what we saw in the US market a few years back. The appetite for premium CBD, favourable regulatory frameworks and growing brand recognition

“Listing has brought together many different teams,

who have stepped up to the challenge of working with purpose towards a common goal – to grow the family of EXL businesses ethically, by bringing excellent products to consumers, supported by strong corporate governance. ”

121% **Group revenues increased 121% over pro-forma FY2017 full year numbers**

for Elixinol Japan all combined to make this an attractive investment for EXL. Equally importantly, Elixinol Japan has acquired the opportunity to directly leverage the significant expertise across the group in selling and marketing CBD based products.

Favourable legislative changes meant that Hemp Foods Australia was permitted to sell hemp food products in Australia from November 2017. While we remain focused on our core products, the significant longer term opportunity remains in branded products. New branded products including snack bars were introduced during the period, which have provided the Company with the opportunity to go back to existing customers and expand our offering to them.

Just prior to our ASX listing, legislation had been passed in Australia to enable the cultivation of cannabis for medicinal and related research purposes. While we can count many wins from FY2018, our greatest disappointment is that our start-up medicinal cannabis company, Nunyara has not yet received the requisite licensing from the Office of Drug Control to enable the Company to proceed with its plans. We are however ready to commence executing upon our business plan pending license approvals and have recently purchased the site on which we plan to build our state of the art integrated cultivation and manufacturing facility.

It is not an easy job bringing together many businesses. Through the IPO process, we streamlined a number of pre-existing businesses into a structure which now makes strong commercial sense. Just as important as organisational structuring, listing has brought together many different teams, who have stepped up to the challenge of working with purpose towards a common goal – to grow the family of EXL businesses ethically, by bringing excellent products to consumers, supported by strong corporate governance.

As a group of companies in the cannabis sector, we operate in a complex legal environment. This has necessitated EXL at the corporate level to put significant resources into our Risk Committee and governance initiatives. Our work here is designed to ensure we have a platform where we can assess risk across our group – an operation which grows, produces, sells and operates in a consistently evolving legal landscape. This task is an ongoing one, but I am pleased with our progress.

Our employees of now a listed company not only must do their day job, but work within a new framework of added complexity by considering our license to operate under ASX reporting and disclosure obligations to our shareholders and stakeholders more broadly. The whole team across the EXL group has done very well to understand their obligations. I especially commend the team for their efforts in this regard - from our directors and management through to everyone working in the operational divisions in the USA, Australia, Europe and Japan.

Your Board is focused on ensuring EXL remains a leading sustainable, long term business. Over time, there will be many occasions for consolidation in the sector and we feel it imperative to be an operator that has all the systems, processes and scale in place now to act appropriately where we see attractive M&A opportunity. We closed the year with a strong balance sheet with $42.7 million net cash on hand and are well positioned to capitalise on global growth initiatives.

We have a unique opportunity to leverage our strong brand and reputation for quality in a fast-growing industry. We will continue to reinvest profits to build scale and focus our attention on growing market share and top line revenue growth. Our scale up now is designed to support a much bigger and truly global business.

We are investing now into becoming a business of the future and thank you for your support along the way.

Yours sincerely,

Andrew Duff

Non-Executive Chairman

CEO's Report

FY2018 – laying the foundations for a strong, diversified business

I am delighted to address you following the close of the first year for Elixinol Global Limited (EXL) as a publicly traded company. It has been a period of intense focus for the Company and one which has seen us build the foundation for a strong business, focused on sustainable, long term growth.

The process of listing saw us bring together three businesses into one diversified hemp and cannabis company, unique in its class. Our three current business units comprise: Elixinol based in Colorado, our largest business, which sells hemp derived cannabidiol (CBD) dietary supplements across the world; Hemp Foods Australia, which as the name suggests, sells bulk and finished products derived from the superfood hemp seed; and Nunyara Pharma, formerly known as Elixinol Australia, which is focused on the emerging medicinal cannabis market and is awaiting licensing.

A world of change

As our Chairman Andrew Duff noted in his welcome address, the year has been one of rapid growth for EXL. This growth has been driven by US consumer adoption of CBD and its health benefits, and by major transformations in the way the governments of the world view hemp and cannabis.

Possibly the most significant event of the financial year occurred in December 2018, when the US President signed the US Farm Bill, enacting the Bill into law. Following the clarity received from the Bill's passing, hemp was de-scheduled from the Controlled Substances Act. This action removed substantial barriers to trade for hemp. Water rights, access to finance, banking and insurance services, ability to advertise in mainstream media, partnerships with major multinational FMCG players – these are all now actionable possibilities that support my vision for EXL to be realised. The Farm Bill had been in the making for some time, however timing was unknown. Following a successful ASX debut in early 2018, and understanding the potential industry growth resulting from the passing of the Bill, we went back to the market in September 2018 to close a $40m capital raise with support from top quality institutional investors. Those investors shared our vision around the need to scale up our Elixinol operations to take advantage of the opportunities the Farm Bill might afford.

Increasing our capacity and capability

Since that time, we have focused on assuring access to supply and improving our US production facilities; in a move that will increase our operational footprint to 20,700 sq ft, more than double our existing 8,700 sq ft facility. We now expect this facility to be commissioned in H1 FY2019.

We are investing heavily in sales, marketing and advertising and on New Year's Eve, advertised CBD products for the first time in Times Square, New York. As the bell was tolling to signal the new year, our ads were on display, symbolising our plans to see Elixinol CBD products go mainstream in 2019.

Research and Development has been a key factor in Elixinol's success to date. We believe our products are the highest quality CBD-derived products available, and we continue to push the envelope with new technologies, formulations and delivery systems. We have developed in-house a number of new products for launch during in 2019. Elixinol is also very proud to have invested in the creation and/or use of new bio available water soluble technologies. These newer products and technologies allow us to extend outside of the dietary supplements channel into hemp and cannabinoid drinks and functional foods.

Standing out amongst noise in a crowded market

As the amount of groups fight for this lucrative, yet crowded CBD marketplace, I believe that the quality of our product is what will see us continue to stand out. We will leverage our unique selling points to capture

"The year has been one of rapid growth for EXL

This growth has been driven by US consumer adoption of CBD and its health benefits, and by major transformations in the way the governments of the world view hemp and cannabis."

US$22bn **Research by Brightfield Group forecasts the US market size to grow from US$174m in 2016 to US$22bn by 2022.**

customer interest and loyalty. In my view, while we have competitors, there is no single clear leader in the industry at the moment as there is a lot of land to be grabbed over the next 1-2 years. We believe our success will come from continued investment in people and the quality and integrity of our products, foundation principles since the commencement of our business.

We are now managing our business to generate top line revenue growth rather than operating profit in the near to medium term. With $42.7m, we have a strong balance sheet to invest into growing our businesses with a market back drop which is expected to grow substantially over the coming years.

Seeking sustainable growth that delivers shareholder value

"EXL is a diversified, vertically integrated hemp and cannabis stock, which is unique in its class."

During the year, we reviewed a number of M&A opportunities. Outside of our further investment into the Japanese distribution company we have being doing business with for years (Elixinol Japan) and our US farming investment - the Northern Colorado High Plains Producers joint venture, nothing else passed our due diligence process. We will continue to review opportunities that are aligned with our culture and where they make strong strategic sense for EXL. Any future acquisitions would be in the hemp and cannabis industries where we can operate legally, ideally being horizontally or vertically connected businesses.

At the time of listing in January 2018, we had intended to grow the Elixinol and Hemp Foods Australia businesses and to establish our medicinal cannabis business through Elixinol Australia, now Nunyara Pharma. The groundswell of energy around the cannabis sector and growing acceptance of all our products allowed this to happen and is what drove us to complete the secondary capital raise referenced earlier. We will put that funding to work and have already begun to do so – including bedding down our distribution efforts in the USA and Japan, while ramping up in Europe. This time next year, Elixinol will be a substantially larger and stronger business.

Hemp Foods Australia – focused on the future

Our Hemp Foods Australia business reached some critical milestones this year. We launched a unique skincare line, called SATIVA™, which has been well received despite being on market only a short time. The first of a future range of finished products was also released into the Australian market. Our hemp food bars, sold under the Essential Hemp™ brand, were launched in late 2018 into health stores across Australia.

Post the period, in February 2019 we launched Hemp Foods Australia's first frozen product – the hemp burger. These ready-made burgers are being stocked in the freezer section of health food stores around Australia and were created in response to strong demand for plant based products from retailers. The ethos of delivering what the customer wants is what will direct the many other finished products we expect to have on market in 2019 – we are working with retailers to determine where we can create products that meet unmet customer demands.

FY2017

- Continued growth in top line revenues in CBD consumer products in USA and Australia ✓
- Continued focus on building a vertically integrated CBD operation / CBD capacity expansion ✓
- Legalisation of hemp-derived foods enables launch of Hemp Foods Australia ✓

Medicinal cannabis progress disappointing

While our Elixinol and Hemp Foods Australia businesses have been thriving, our Nunyara business has not yet been given the chance to push ahead with the plan presented to investors during our ASX IPO in January 2018. Our licence applications were submitted to the Australian Office of Drug Control in Q1 FY2018, and remain under review. This has been my greatest disappointment of the year, however it is one which sits outside of our direct control.

Meanwhile, New Zealand has progressed it's legislation and has beaten Australia in allowing Elixinol to export from the US to our side of the world.

FY2019 financial result

We were very pleased to recently report solid full year financial results for the year ending 31 December 2018.

Group revenue for FY2018 was reported at $37.1 million vs FY2017 of $16.8 million, representing 121% growth over the pro-forma full year FY2017 results. Group underlying EBITDA for FY2018 was reported at $0.7 million vs a breakeven position for FY2017.

Revenues from our largest segment, Elixinol in the USA were $32.5 million in FY2018 vs $13.5 million in FY2017, representing 141% growth.

Gross profit margin for FY2018 for the USA was reported at 57% vs 67% in FY2017. This reduction was driven by a change in sales channel mix. Specifically, our lower margin private label business grew by a staggering 359% year on year.

As mentioned earlier, we continue to reinvest and build scale across all areas of our business, preparing for expected future growth. To support this, we have a strong balance sheet with $42.7 million net cash on hand and are well positioned to capitalise on global growth initiatives.

Outlook

Our first year on the ASX, with subsequent trading on the OTCQX, has been an excellent one for EXL and our investors. After our successful ASX debut, we made the decision to list on the US OTCQX in August. This secondary listing provides US investors with an easier instrument through which to invest in our company and was put in place to support trade in a market where investors have a strong understanding of our core CBD products, which also account for the majority of our revenues.

We have grown profitably despite headwinds with our medicinal cannabis business. The diversity of our operations has served us well. We have our eye firmly on solidifying our position as a recognised leader in the cannabis sector worldwide.

FY2018

- Publicly list and consolidate CBD trading business (USA and Australia) and medicinal business (1/2018) ✓
- Substantially grow group top line revenues in CBD consumer products (FY2018 results) ✓
- Grow US market position for CBD derived products ✓
- Product launches – SATIVA™ (4/2018 + one other) ✓
- Build European CBD sales & marketing capability ✓
- Expand vertically integrated CBD operational footprint in the US ✓ [1]
- Establish roots for medicinal cannabis business in Australia (apply for licences) ✓ [2]

FY2019

- Substantially grow group top line revenues in consumer CBD products
- Become a top five CBD business in Europe
- Grow CBD export markets in Asia
- 5+ new product launches through the Group
- New biotechnology for CBD water soluble and bioavailable raw materials launched in bulk and finished products
- Build medicinal cannabis business cultivation and manufacturing capability in Australia (subject to licence approvals)
- Sales mix optimisation
- Win at least one national account for sale of Elixinol CBD products

FY2020

- Globally diversified, vertically integrated CBD consumer products position
- Grow group top line revenues in CBD consumer products
- Further expand vertically integrated CBD operational footprint in the US and other countries
- First sales in medicinal cannabis business in Australia / develop export capability and established clinical trials
- Sales mix optimisation and scale
- Extend biotechnological solutions for CBD water soluble and bioavailable raw materials

FY2021

- Global top 3 leadership position in CBD consumer products
- Global leader in Hemp Foods Branded FMCG products
- Direct sales oriented businesses for CBD consumer products
- Strong household retail brands across all business units
- Expand medicinal cannabis business product offering, including delivery methods through evidence based R&D programs

We know where we are headed. In the US, we will soon commission our new production facility, solidify our national distribution platforms and grow sales through these channels with our unique product offerings. We plan to ramp up the same in both Japan and Europe. Looking further out, we can clearly articulate our vision for the next few years.

By 2021, we plan to:

- Take a global top 3 leadership position in high quality CBD consumer products;
- Be the global leader in Hemp Foods branded FMCG products;
- Have direct sales oriented businesses for CBD consumer products
- Own strong household retail brands across all business units, and
- Expand medicinal cannabis business product offering, including the use of delivery methods built upon our evidence based R&D programs.

In closing

I'd like to close by saying that the reason I became involved with the cannabis industry was to offer as many people as possible healthy cannabis and hemp products. What we are seeing is a lot more people turning towards CBD as an alternative to pharmaceuticals. We are trying to help people, and we hear that we are doing that. That feedback drives our team and me each day in an industry where there is often a lot of noise and the regulatory challenges are significant.

There is an engine that sits behind EXL. We started the year with 43 employees and we have recently hired our 100th employee. We are moving quickly and I thank our Board, executive team, managers, team and of course you, our supportive investors who are key to realising this vision.

A resolute focus on our strategy will enable us to deliver on our vision of being a leader in the cannabis sector, both at the business level and for our customers.

It is an exciting time to be an EXL shareholder and I thank you for joining us on this world-changing journey.

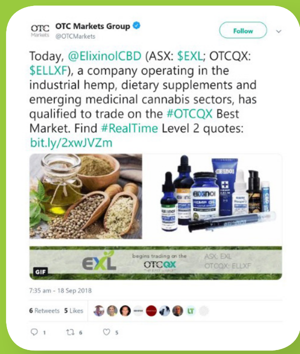
Yours sincerely,

Paul Benhaim, CEO

✓ [1] on track for commissioning in H1 2019

✓ [2] licence application submitted in H1 2018, awaiting approval by the Australian Office of Drug Control

FY2018 Highlights



Elixinol Global commences trading on the OTCQX on 18 September 2018.

Q1 FY2018

- Elixinol Global Limited (EXL) lists on the ASX, bringing three businesses together into one diversified hemp and cannabis stock, unique in its class.
- Nunyara (formely Elixinol Pty Ltd) submits its licence application to the Office of Drug Control (ODC) for the cultivation and manufacture of medicinal cannabis products for Australian and export markets.

From left to right: Darren Bray (shareholder and consultant to Elixinol Australia); Linda McLeod, Managing Director; Paul Benhaim, Chief Executive Officer & Co-Founder, Ron Dufficy, Chief Financial Officer; Arthur Jaffee, Co-Founder and Andrew Duff, Chairman at the Australian Securities Exchange during the company's listing day ceremony in January 2018.

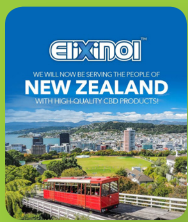
Q2 FY2018

- EXL establishes the Northern Colorado High Plains Producers (NCHPP) joint venture with Kersey Ag to cultivate high CBD organic hemp, securing supply and preparing for rapid global scale up.
- SATIVA™ skincare range is launched by Hemp Foods Australia.
- Hemp Foods Australia products introduced in restaurants and chains, such as Emma and Toms and Grill'd Healthy Burgers.
- EXL's first Annual General Meeting is convened in Sydney, Australia. All resolutions passed.
- Elixinol Japan records a world first, advertising CBD hemp products in a Tokyo train station.
- EXL announces that it is expanding the scale within Elixinol's production facility –moving capacity from 8,700 square foot to 20,700 square foot.

Hemp Foods Australia products are being introduced across major grocery outlets and leading restaurant chains including: Grill'd Healthy Burger chains, Emma & Toms snackbars and Mayvers Protein Peanut Butter.

Q3 FY2018

- United States Senate passes the 2018 Farm Bill, which includes the Hemp Farming Act of 2018 (S.2667). The Bill would open significant trade opportunities for Elixinol USA once signed off by the US President.
- Elixinol Global commences trading on the "OTCQX Best Market" in the United States, under the code ELLXF in an effort to make the company more available to US investors.
- EXL raises A$40m to accelerate the Company's international growth plans, including driving Elixinol's growth in USA and Europe, and providing working capital for funding strategic investments.



Q1 FY2019

- CFO & Company Secretary, Mr. Ron Dufficy, relocates to the United States to assist with driving the Company's substantial international growth opportunities.
- Elixinol branded products launched in New Zealand.
- Hemp Foods Australia launches new "Grounded" range of frozen, plant-based burgers.
- Elixinol establishes new sales hubs in the Netherlands, Spain and United Kingdom, with appointment of 12 new people.
- Medicinal cannabis business renamed from Elixinol Pty Ltd to Nunyara Pharma Pty Ltd.
- Nunyara purchases intended medicinal cannabis site in New South Wales.

NUNYARA
PREMIUM MEDICAL CANNABIS

EXL's medicinal cannabis business, Elixinol Pty Ltd rebrands to Nunyara, which is an Australian indigenous word which means, "to make well again".

Q4 FY2018

- EXL completed a further investment into Japan, by acquiring 50.5% interest in Japanese distribution company, Elixinol Japan. The strategic A$2.2m investment was funded through existing cash and will provide working capital to scale the Japanese business for anticipated growth in hemp derived cannabidiol (CBD), hemp foods and skincare markets.
- Hemp Foods Australia launches its first finished products under the Essential Hemp banner.
- December 8, Elixinol announced the release of SATIVA™, a hemp-based skin care and hair care line.
- Hemp is officially removed from the Controlled Substances Act (hemp removed from the definition of marijuana) and instead regulated as an agricultural crop, following the US President's sign off on the 2018 US Farm Bill. This move significantly removes barriers to trade for Elixinol and opens up opportunities to market product across the US.

In December 2018, the US President signed off on the US Farm Bill. This move removed hemp from the purview of the Controlled Substances Act and lifted substantial federal barriers to trade in the US.

FY2018 Key Highlights

Group revenue increased
121%
to $37.1m driven by continued strong sales by Elixinol

Strong balance sheet with net cash of
$42.7m
to drive international growth

Hemp Foods Australia has invested for top line growth during FY2018 with revenue growing to $4.9m,
up 51%
on FY2017

Underlying EBITDA of
$0.7m in FY2018
compared to
$0.02m loss in pro forma FY2017

Elixinol investing to build a
global presence
with significant capital deployed into scale-up, following positive regulatory developments

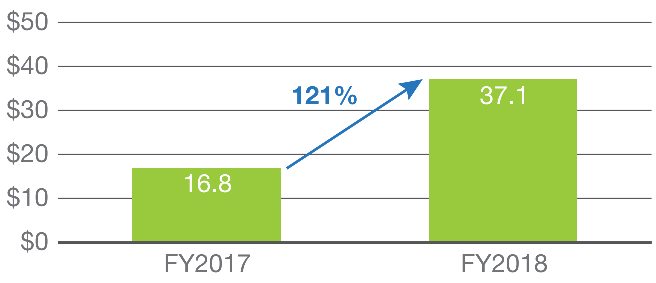
Nunyara
awaits licencing from the Australian Office of Drug Control; unique land holding purchased in early FY2019

Strong growth trajectory across key metrics

EXL maintained a strong growth trajectory during FY2018

Revenue

A$ million, 31 December year end



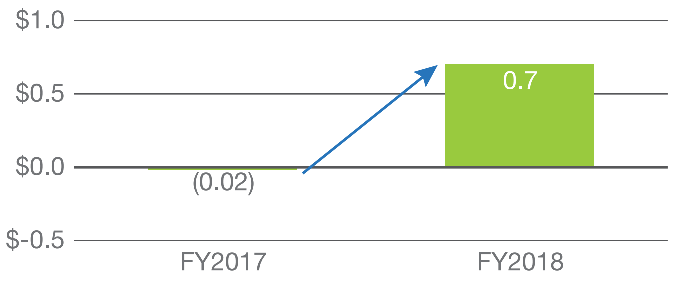
Key highlights:

Revenues grew solidly during the period with 121% growth in FY2018, underpinned by strong growth in sales of hemp derived CBD products from Colorado-based Elixinol.

- Revenue growth of 121%
- Favourable legislative changes (US Farm Bill and New Zealand) have provided enhanced business and product profile for future growth
- Elixinol's hemp derived CBD products account for 87% of Group sales

Underlying EBITDA

A$ million, 31 December year end



Key highlights:

During the period, EXL managed and invested in its businesses for top line revenue growth over the near-to-medium term, rather than for EBITDA and margin improvement, however we were pleased to achieve a positive Group underlying EBITDA result for FY2018.

- Investing for top line "revenue" growth across all businesses and production efficiencies across key geographies (US, Japan, Europe, Australia and New Zealand)
- Investing for:
  - Security of supply
  - Manufacturing capacity
  - Distribution
  - Marketing activities and capability with key employee hires to drive sales of branded products globally
  - Process and controls
  - E-commerce

A$m (December year-end)	FY2017	FY2018
Revenue	16.8	37.1
Underlying EBITDA	(0.0)	0.7
Underlying NPAT	(0.6)	0.7
Statutory NPAT	(1.3)	(0.9)

FY2017 is shown on a pro-forma basis.

For the first full trading year since its ASX listing in January 2018, EXL is pleased to report group revenue of $37.1m for FY2018 representing substantial 121% growth over FY2017.

Underlying EBITDA of $0.7m was achieved in FY2018 compared to $(0.0)m loss in FY2017 pro forma. Underling NPAT was $0.7m in FY2018 compared to $(0.6)m loss in FY2017 pro forma.

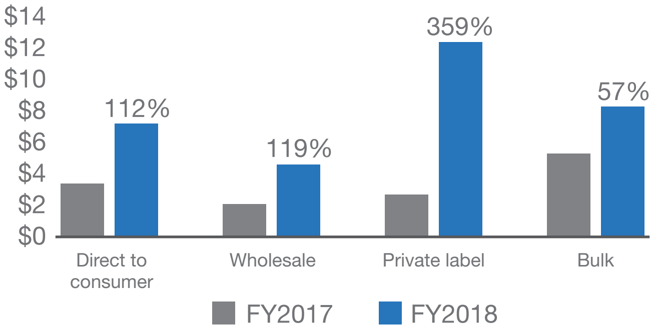
As at 31 December, EXL has a strong net cash position of $42.7m ($42.9m cash and $0.25m in debt).

Revenue growth by Consumer Products segment

Growth across all revenue segments with a clear strategy to drive higher margin products in the direct to consumer segment.

Elixinol USA

A$ million, 31 December year end



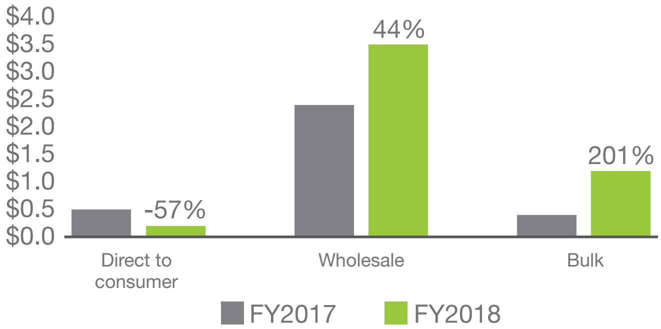
Elixinol reported revenues of $32.5m up 141% on FY2017, continuing its strong revenue growth across all sales channels which include direct to consumer, wholesale, private label and bulk sales. This growth has been led by broader consumer awareness and demand for hemp-derived CBD products.

- Continued focus on direct to consumer sales of branded products which are higher margin
- Increased volumes of lower margin private label sales
- Production efficiencies expected as the business continues to scale

In the FY2019, the broadened availability and awareness of hemp CBD in the US, following the passing of the US Farm Bill and growth activities in Europe and Japan are expected to further underpin our future growth.

Hemp Foods Australia

A$ million, 31 December year end



Hemp Foods Australia reported revenues of $4.9m up 51% on FY2017. Further growth has been supported in regular channels (B2C, B2B, distributor and export) with the addition of new consumer products category, Essential Hemp snack bar range, and a range of frozen plant based burgers.

- Strong growth in bulk sales driven by favourable regulatory change to legalise hemp in Australia for human consumption in late calendar 2017
- Investment in sales and marketing teams with focus on direct to consumer sales and wholesale
- Focus on building local hemp supply

Year in Review: Elixinol Global

Elixinol Global Limited listed on the Australian Securities Exchange (ASX: EXL) on 8 January 2018, consolidating three key business units: Elixinol, Hemp Foods Australia and what is now called Nunyara.

Elixinol - based out of Colorado, has proven itself to be a quality, vertically integrated global bulk and retail provider of hemp-based cannabidiol (CBD) dietary supplements with best in class formulations and delivery systems. Australian-based Hemp Foods Australia continues to be a global manufacturer and distributor of quality hemp food products and skin care. Newly formed Nunyara's objective was to enter the Australian medical cannabis market.

A solid debut – tied to company growth and macro improvements

EXL made a robust ASX debut – with the Company raising A$20m and listing at A$1 per share last January.

Post the reporting period, operational performance has continued to improve, tied to EXL's sustained top line revenue growth and a positive shift in macroeconomic events. The historic passing in December 2018 of the US Farm Bill saw hemp descheduled from the Controlled Substances Act. The Farm Bill removes substantial barriers to trade and will enable hemp to be promoted in mainstream channels. This key legislative change is expected to create significant growth opportunities for the sector moving forward. EXL management was actively involved in lobbying alongside the US Hemp Roundtable for this historic legislative change.

The macro environment continues to shift favourably. In January 2019, EXL announced that Elixinol had entered the New Zealand market, following the passage of New Zealand's Misuse of Drugs (Medicinal Cannabis) Amendment Act in December 2018, which classified CBD with low levels of THC as prescription medicine and removed CBD as a Class B1 controlled drug.

The World Health Organisation (WHO) has recommended to the United Nations Committee on Narcotic Drugs that cannabis be rescheduled, this includes providing clarity on the safety of CBD. We are expecting to hear the result of the United Nations debate during either March 2019 or 2020. Should the WHO formally issue these guidelines to its 193 member countries, the commercial opportunities for companies like EXL who are diverse across the hemp and cannabis sectors, and in multiple geographical jurisdictions, will look significantly more positive than today.

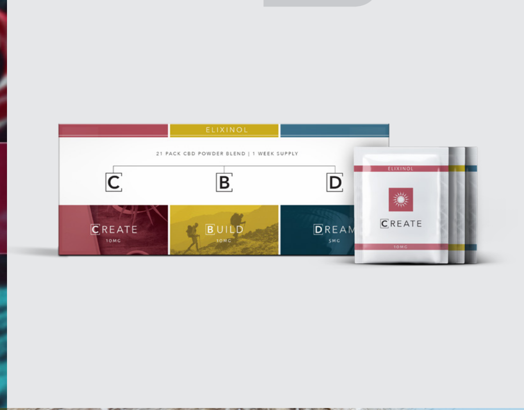
North America

Elixinol – prepares for a step change in operations

Across the reporting period ending December 2018, Elixinol continued its strong revenue growth led by broader consumer awareness and demand for hemp-derived CBD products, with sales being generated across multiple channels; direct to consumer (eCommerce website), wholesale, private label and bulk.

To support the case, research by Brightfield Group revised in December 2018 following the legislative change of the 2018 Farm Bill forecasts the US market size to grow from US$174m in 2016 to US$22bn by 2022 (a significant increase over its 2017 report projection of growth in sales to US$2bn by 2022).

Due to rapidly increasing demand, EXL has invested heavily to scale up Elixinol production, and has increased sales and marketing across the United States, Europe and Japan during the period.



Key initiatives during (and post) the period included:

Further securing supply and investment in production capabilities to facilitate future growth

In April 2018, in preparation for potential success with the US Farm Bill, EXL announced that in addition to its existing contractual hemp supply agreement with Colorado Cultivars, the Company had entered into a joint venture with Kersey Ag to cultivate high-CBD premium organic hemp.

This new joint venture, called the Northern Colorado High Plains Producers (NCHPP), would secure Colorado-based Elixinol's supply of high quality organic hemp. It would also enable Elixinol to grow with much larger scale than before, supporting plans to quickly ramp up sales of Elixinol products across the USA and globally.

In anticipation of growth, land and water rights were secured by a five-year lease term (extendable to over 30 years). In May 2018, this expanded operation received approval from the Colorado Department of Agriculture for commercial industrial hemp cultivation under a Hemp Pilot Program Application.

During Q4 FY2019, NCHPP, completed its first harvest of high CBD hemp. Whilst the yields were below expectations, the knowledge gained positions the venture well for success in future seasons. During the fourth quarter, Elixinol secured enough supply of raw material to deliver FY2019 revenues in excess of its current growth trajectory.

Production capabilities to be more than doubled

Elixinol's vertically integrated operation in Colorado, USA, expects to commission a new GMP certified production facility in Q1 CY2019 which will more than double the usable capacity for processing, manufacturing and fulfilment operations, expanding the footprint of the facilities from 8,700 square foot to 20,700 square foot, an increase of 12,000 square feet.

Through this new production capability, Elixinol will be able to produce 5,000 kg of alcohol extracted hemp CBD and 3,125 kg of CO^2 extracted CBD (24,000 bottles per day), and further expansion plans are underway in the medium term for an additional 20,000 square foot facility, which would raise total footprint to 40,700 square foot.

Leveraging the scale that is being built into the Elixinol business across a range of geographies will be key to taking market share.

Sales hires focused on higher margin retail distribution

Elixinol's sales force has grown 300%, with the hire of experienced national retail sales staff to support 2019's intended growth in this area. The sales team is focused on selling into individualised markets, together with education and growth of local communities.

In tandem with growth of its team, Elixinol has contracted with major national public relations, marketing and advertising agencies to support its newly expanded distribution chain.

> "As the bell was tolling to signal the new year, our ads were on display, symbolising our plans to see Elixinol CBD products go mainstream in 2019."

Continued focus on core products and expanding the product range

As hemp products have become more accepted by US consumers, Elixinol launched SATIVA™ skin care to US consumers on 8 December 2018. The hemp-based, all-natural skin care and hair care line are plant-based, cruelty-free, and carbon neutral. SATIVA™ adds to Elixinol's line of quality, finished and branded products a total of 10 SKUs and opens up the spa and salon markets for us.

During the period, Elixinol's new product development team advanced its R&D efforts in bio-technologies and formulations that led to the launch of a new range of CBD powders. This is the first of many lifestyle CBD products we plan to launch this year. The team also prepared for new product launches in 2019.

Elixinol's global distribution platform

Sales continue to be predominantly in the USA, with Japan and Europe following behind. Elixinol's products have been across countries in North America, Europe and Asia Pacific, showing the potential for Company's global growth. A number of opportunities began to be explored in 2018 and we look forward to sharing the results of these discussion in the time to come.

Clinical research

At the end of June, Elixinol received approval from the Western Institutional Review Board for a retrospective review study on the effects of its capsule and liposome products on PTSD or trauma-related anxiety. The study began in July of 2017 where any patient with significant trauma or PTSD was offered the opportunity to participate at clinician discretion and was conducted over a one-year period at the Wholeness Center in Ft. Collins, Colorado under the oversight of Dr. Scott Shannon. Dr. Shannon is a Colorado-based Integrative Psychiatrist and the founder of the Wholeness Center, which is the United States' largest and most comprehensive integrative mental health clinic. It is expected the study outcomes will be published soon after completion.

Improving the www.elixinol.com Ecommerce platform and driving substantial investment into marketing

Elixinol secured advertising space in New York City's iconic Times Square for the New Year's Eve 2019 celebrations. The advertising campaign in Times Square is indicative of expected additional advertising opportunities that may arise for Elixinol now that hemp is no longer listed as a controlled substance due to passing of the 2018 US Farm Bill.

To help build US national brand awareness, work to appoint recognised advertising, public relations and marketing agencies commenced during the period, with their appointment expected in Q2 FY2019. Sales activities have been focused on penetration of mainstream national distribution channels to enable Elixinol to commence national distribution of its unique high-quality hemp CBD products and to increase digital marketing presence to further grow direct to consumer e-commerce sales.

Over the past several months, Elixinol has initiated technology upgrades to its direct to consumer logistics channel, which enabled Elixinol to achieve a record month of e-commerce sales in November which included Black Friday and Cyber Monday promotions. Further front end (design improvements) to Elixinol's website www.elixinol.com will complete the improvements and are expected end Q1 FY2019.

Australia

Hemp Foods Australia

Hemp Foods Australia, our hemp-derived foods business launched of a number of new products during the reporting period, including a range of snack bars under the Essential Hemp™ brand. Development of products for the first time into the frozen and ready meal category led to the launch of a range of burgers in February 2019.

Hemp Foods Australia is positioning itself to bring plant based, nutritional products to consumers.

SATIVA™ Skincare range launched by Hemp Foods Australia

In April, the SATIVA™ skincare range was launched in Australia. The ethically created, carbon neutral range incorporates a cleanser, serum, moisturiser, deodorant, hand and body wash, shampoo, conditioner, lip balm and hand cream.

SATIVA™ has been gaining early traction with support from some of Hemp Foods Australia's key distribution and wholesale partners. In December 2018, SATIVA™ went on to be launched in the US by Elixinol.

Nunyara Pharma – awaiting medicinal cannabis licensing from the Office of Drug Control

As noted in the Company's Quarterly Business Review for the period ending 31 December, EXL renamed its Australian subsidiary from Elixinol Pty Ltd to Nunyara Pharma Pty Ltd, "Nunyara". "Nunyara" is an Australian indigenous word meaning 'to be made well again'.

The name change is designed to clearly differentiate the pharmaceutical grade medical cannabis activities of Nunyara from those of EXL's Colorado-based business, Elixinol, which is focused on hemp-derived CBD dietary supplements and fast moving consumer goods.

Post the reporting period, in February 2019, EXL announced it had purchased a property in New South Wales, Australia. The property purchased is a unique 60-acre lot. Pending licensing from the Office of Drug Control, the Company intends to build the first stage of its planned medicinal cannabis facility, which will start with a 5,000m2 footprint on a secured 4.9-acre block within the property. Significant capacity to expand the greenhouses is available as required and in-built expansion capacity within the GMP certified, pharmaceutical grade manufacturing facility.

Led by Managing Director, Linda McLeod and her team, Nunyara submitted its licence applications in H1 FY2018 to the Office of Drug Control (ODC) for the cultivation and manufacturing of medicinal cannabis. At the time of writing this report, licensing has not yet been received, however based on the Company's discussions with the ODC, the Board has no reason to believe that licence approval will not be granted.

Rest of world

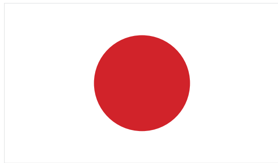
New sales hubs were established by Elixinol in the Netherlands, Spain and United Kingdom in early February 2019. Underlying these hubs are product fulfilment arrangements with local European-based contract manufacturers.

Products will be marketed by a newly formed 12 person direct sales force located across Europe, using an expanded and upgraded e-commerce site and infrastructure. These initiatives will support Elixinol to build a strong market position across Europe which is expected to grow substantially. The go-to-market strategy will see Elixinol sell its products with the same successful multi channel sales system used in the US selling to direct to consumer via e-commerce Distributors, Wholesalers, Pharmacies and National Accounts.

Elixinol Japan has been active in the Japanese market since 2016, building a market for hemp based products by developing a premium brand presence in Japan. EXL divisions, Hemp Foods Australia and Elixinol operating out of Colorado, sell products in to the Japanese market. In September 2018, in recognition of the potential in the Japanese market, EXL invested A$2.2 million into Elixinol Japan to provide working capital to scale the business for anticipated growth in the hemp-derived CBD, foods and skincare channels.

In a landmark move, in May 2018, Elixinol was successful in launching Japan's first ever out of home advertising (see page 10) for CBD hemp oil. The billboard, which took many months working with local authorities to gain authorisation for, ran at Tokyo's Omotesando train station and was widely reported upon by international marketing and sector press. This was followed by a further first post the period, with sales of Elixinol products in Tokyo airport from February 2019, showing the continued growth of this market.

$2.2 million



EXL invested A$2.2 million into Elixinol Japan to provide working capital to scale the business for anticipated growth in the hemp-derived CBD, foods and skincare channels.

Elixinol continues to explore opportunities in sales and marketing hubs, joint ventures or new projects throughout Asia and Central and Southern America. Everything from full vertical integration to strategic joint ventures with corporate or governments may be explored.

Financial report

Directors' Report

31 December 2018

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') 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 2018.

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:

Andrew Duff - Non-Executive Chairman
Paul Benhaim - Chief Executive Officer and Executive Director
Linda McLeod - Managing Director
Stratos Karousos - Non-Executive Director

Principal activities

The principal activities of the company relate to its operation as a holding company for each of Elixinol LLC ('Elixinol'), Hemp Foods Australia Pty Ltd ('Hemp Foods Australia') and Nunyara Pharma Pty Ltd (formerly known as Elixinol Pty Ltd) ('Nunyara').

The principal activities of the Group are:

Elixinol (hemp-derived Cannabidiol ('CBD') dietary supplements)

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

Hemp Foods Australia (hemp-derived foods and skincare products)

Hemp Foods Australia was founded in 1999 and manufactures industrial hemp-derived food and skincare products in Australia. Hemp Foods Australia distributes mainly within Australia and will look to expand further into export markets.

Nunyara (medicinal cannabis)

Nunyara was established to participate in the emerging Australian medicinal cannabis market. It has applied for licences for the importation, cultivation and manufacture of medicinal cannabis in Australia.

Dividends

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

Review of operations

The results are for the year ended 31 December 2018. The comparative results are for the period from incorporation, 4 September 2017 to 31 December 2017. Therefore, the results are not directly comparable.

For the year ended to 31 December 2018, the Group reported a net loss after income tax of $860,000 (2017: $2,711,000 net loss) and total comprehensive gain after income tax of $5,600 (2017: $2,711,000 total comprehensive loss).

The Group's revenues from operations for the year ended 31 December 2018 were $37,131,000 (2017: $nil).

The Group's earnings before interest, tax, depreciation and amortisation ('EBITDA') including share of associates' net loss for the year ended 31 December 2018 was $114,000 loss (2017: $2,718,000 EBITDA loss). A reconciliation of EBITDA to statutory loss is detailed in note 5 to the financial statements.

Acquisitions

Joint venture – Northern Colorado High Plains Producers LLC ('NCHPP')

On 24 April 2018, the Group established a joint venture NCHPP, with Kersey Ag Company LLC ('Kersey') to cultivate high CBD premium hemp. Kersey is a Colorado-based agricultural company utilising the newest in efficient drip-irrigation techniques and technologies without the need for foreign chemicals.

Following the 24 April 2018 announcement, the first hemp planting occurred on the land secured by NCHPP. During the December 2018 quarter, NCHPP completed its first harvest of high CBD hemp. Whilst the yields were below expectations the knowledge gained from this first crop positions the joint venture well for success in future seasons. Once fully operational, NCHPP is expected to secure the ongoing supply of raw material for the Group's products and will support the Group's plans for sales and revenue growth.

Increasing investment - Elixinol Co. Ltd ('Elixinol Japan')

On 2 November 2018, further investment of $2,156,000 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, in which the Group holds significant influence, has been accounted for as an associate due to the Group holding only two of the five board seats of Elixinol Japan and therefore does not have the power to directly affect the returns and activities of Elixinol Japan. During the recognition of the additional investment, a resulting gain on the revaluation of the previous shareholding was recognised of $374,000.

Segment results

The Group has three geographical operating segments as follows:

1. North America

The North America segment comprises the trading results of Elixinol LLC ('Elixinol').

Elixinol reported revenue of $32,400,000 for the year ended 31 December 2018 (2017: $nil) and EBITDA of $4,494,000 profit for the year (2017: $17,000 EBITDA loss).

Elixinol has continued strong revenue growth across all sales channels, led by broader consumer awareness and demand for hemp-derived CBD products, with sales being generated across multiple channels; which include direct to consumer (eCommerce website), wholesale, private label and bulk. The reported segment results are in line with management expectations and reflect an increasing focus on promoting higher margin Elixinol branded products in addition to increasing sales of lower margin private label products. Operating costs reflect an expansion of sales and marketing activities to promote branded products. During the year the number of full-time equivalent employees increased from 24 to 56.

In December 2018, the historic passing of the US Farm Bill saw hemp descheduled from the Controlled Substances Act. The Farm Bill removes substantial barriers to trade and will enable hemp to be promoted in mainstream channels. This key legislative change is expected to create significant growth opportunities for the sector moving forward. The Group's management was actively involved in lobbying alongside the US Hemp Roundtable for this historic legislative change.

To support the continued growth, during the year Elixinol announced that it would expand its hemp processing and operations facilities to increase production capacity. Elixinol will relocate to a newly leased facility in the Colorado Tech Centre ('CTC'), located in the neighbouring town of Louisville. This relocation will provide Elixinol with double the usable space available for its processing, manufacturing and fulfillment operations. Relocation and commissioning of the leased facility is expected to be complete by the half-year ending 30 June 2019. Under the new accounting standards AASB 16 'Leases', the facility will be recognised as a 'right of use' asset in the statement of financial position with a corresponding lease liability.

In addition to the relocation, Elixinol has entered into an agreement to purchase an adjoining parcel of land within the CTC. This land provides Elixinol with the option to build a new facility to further expand operations as required to support growth.

Directors' Report (cont)

31 December 2018

As hemp products have become more accepted by US consumers, Elixinol launched SATIVA™ Skin Care to US consumers on 8 December 2018. The hemp-based, all-natural skin care and hair care line are plant-based, cruelty-free, and carbon neutral. SATIVA™ adds to Elixinol's line of quality, finished and branded products a total of 10 stock keeping units ('SKUs') and opens up the spa and salon markets to the Group.

During the year, Elixinol's new product development team advanced its research and development efforts in bio-technologies and formulations that led to the launch of a new range of CBD powders, post year-end. The team also prepared for new product launches in 2019.

2. Australia

Hemp Foods Australia

Hemp Foods Australia and Nunyara generated combined reported revenue of $4,677,000 for the year ended 31 December 2018 (2017: $nil) and EBITDA $1,518,000 loss for the year (2017: $18,000 EBITDA loss).

The reported segment results reflect an increasing demand for hemp-based foods following the legalisation of hemp food in November 2017. Hemp Foods Australia is increasing its development and distribution of branded products in addition to supplying bulk seed to food manufacturers. During the year, gross profit margins were negatively impacted by the introduction of revised importation conditions by the Department of Agriculture and Water Resources. Hemp Foods Australia received approval from the Department of Agriculture and Water Resources for a variation to the legislation which is expected to create cost efficiencies. Operating costs reflect an expansion of sales and marketing activities to promote Hemp Foods Australia branded products and assist with the development of new Hemp Foods Australia branded products. During the year the number of full-time equivalent employees increased from 18 to 20.

During the year, Hemp Foods Australia invested in the development of new products and new food categories. A number of new product launches took place which included the launch of SATIVA™ Skin Care to Australian consumers and a range of snack bars under the Essential Hemp™ brand. With the frozen and ready meal category forecast to see solid growth, Hemp Foods Australia has positioned itself to bring plant based nutritional products to consumers.

Nunyara Pharma

On 26 November 2018, Elixinol Pty Ltd was renamed to Nunyara Pharma Pty Ltd ('Nunyara'). Nunyara is an Australian indigenous word meaning 'to be made well again'.

The name change is designed to clearly differentiate the pharmaceutical grade medical cannabis activities of Nunyara from those of the Group's Colorado-based business, Elixinol, which is focused on hemp-derived CBD dietary supplements and fast-moving consumer goods.

Nunyara's licence submissions for the cultivation and manufacturing of medicinal cannabis continue to be under review by the Office of Drug Control ('ODC') and Nunyara's management remain optimistic despite the ODC being unable to provide any timing on the granting of both licences.

The Development Application ('DA') for the Nunyara's integrated cultivation and manufacture facility is under review. The comprehensive operational plan for the facility is completed and a project manager has been appointed to oversee the construction of the facility. A future focus will be on the construction of this state of the art facility.

The unique 60-acre lot is located in New South Wales, Australia and was purchased on 7 February 2019 for $2,585,000. The first stage of the integrated state of the art medical cannabis cultivation and manufacturing facility will be a 5,000 square metre footprint on a secured 4.9-acre lot within the 60 acre property, with significant capacity to expand the proposed greenhouses as required and in-built expansion capacity within the proposed Good Manufacturing Practice ('GMP') certified, pharmaceutical grade manufacturing facility. Nunyara intends to leverage the significant know-how and experience of Elixinol's Colorado operations.

3. Rest of the World

Rest of the World includes Elixinol Europe and the investment in Elixinol Japan, that reported revenue of $54,000 (2018: $nil) and EBITDA loss of $304,000 (2017: $nil) for the year ended 31 December 2018.

A number of key initiatives were deployed during the year to drive top line revenue growth across the Group's businesses internationally for the year ending 31 December 2019 and beyond. A core focus is to grow the Group's international sales including Europe and Japan.

A team of highly experienced sales and marketing employees commenced with Elixinol to drive the Group's launch into Europe. Sales hubs have been established in the Netherlands, Spain and United Kingdom and a new e-commerce website was launched in the first quarter of 2019 to facilitate European sales. Product fulfillment will be supported by local European based contract manufacturers. The European strategy incorporates both a direct sales force and sales via existing distributors.

Products will be marketed by a newly formed 12-person direct sales force located across Europe, using an expanded and upgraded e-commerce site and infrastructure. These initiatives will support the Group to build a strong market position across Europe which is expected to grow substantially. The go-to-market strategy will see the Group sell its products with the same successful multi-channel sales system used in the US selling to direct to consumer via e-commerce Distributors, Wholesalers, Pharmacies and National Accounts.

In November 2018, the Group's ownership interest in Elixinol Japan was increased to 50.5% via a $2,157,000 investment to fund working capital. Elixinol's focus in Japan has been on strengthening the management and sales function to support anticipated sales growth of Elixinol's CBD products. Additionally, research and development activities for novel hemp/CBD products specifically catering to the Japanese market are currently being undertaken.

Share of associates loss

Share of associates loss during the year ended 31 December 2018 was $698,000, (2017: $nil). These results are shown in the segments above where the operations of the associate occurs.

Review of financial position

At 31 December 2018, the net assets of the Group were $143,735,000 which is $44,646,000 higher than as at 31 December 2017. The key impact during the year was additional capital raised of $37,737,000, net of issue costs and the foreign exchange revaluation of Elixinol goodwill of $5,893,000.

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:

- overarching regulatory frameworks across various jurisdictions;
- securing supply of raw materials for hemp and CBD products;
- increasing production capacity to keep up with consumer-led demand;
- developing high performance sales teams to sell into the Group's core markets: North America, Asia Pacific and Europe;
- research and development into new products which deliver premium quality benefits to consumers;
- education of consumers to fuel growth and demand for products to gain further market share;
- securing licences to cultivate and manufacture medicinal cannabis products for use in the Australian market; and
- delivering high quality and ethical products to customers.

Directors' Report (cont)

31 December 2018

Business strategies and future prospects

The Group is focusing on the following business growth strategies:

(i) Capitalising on the opportunities provided by being invested in a range of emerging cannabis related sectors

The Group's strategy is to leverage the synergies between its three discrete businesses and to capitalise on the opportunities provided by being invested in a range of emerging cannabis related sectors including hemp, CBD dietary supplements and wellness products, hemp food products, skin care and the cultivation and manufacture of medicinal cannabis products. With this diversified business structure and the positive regulatory change occurring in North America, Asia Pacific and Europe, the Directors believe the Group is well-positioned to capitalise on current and future growth opportunities.

(ii) Increasing capacity and capability

The Group is focused on securing access to supply and improving production, including increasing production facilities to 20,700 sq. ft, which is more than double the existing 8,700 sq. ft facility in Colorado. This facility is expected to be commissioned in the first-half of the year ending 31 December 2019.

The Group has invested heavily in sales, marketing and advertising and continues to leverage the synergies between its three discrete businesses operating in distinct geographies and selling differentiated products.

The Group is investing in implementing Enterprise Resource Planning systems across all businesses to continue to leverage efficiencies and synergies.

(iii) Entering the medical cannabis sector in Australia

In the medicinal cannabis sector, recent legislation has been passed in Australia, to enable the cultivation of cannabis for medicinal and related research purposes. Subject to obtaining the requisite licences, Nunyara will leverage Elixinol's expertise in extraction and processing of CBD derived products.

The Group is confident that the successful execution of these business strategies will enable it to grow in the future.

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:

Agricultural risk and climate change risk:

The Group is exposed to agricultural risk as the businesses are reliant on agricultural products with Elixinol and Hemp Foods Australia 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. 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.

Obtaining licences for importing, cultivating, manufacture and distribution (including export) of medicinal cannabis products:

Nunyara's business model is reliant upon the necessary licences and permits issued by the Office of Drug Control in Australia, to import products, cultivate cannabis and manufacture medicinal cannabis products. The failure that the necessary licences and permits will be granted to Nunyara may have an impact on the financial performance.

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.

These risks are managed on an ongoing basis. Mitigations and strategies to address them are maintained and regularly reviewed, including via regular reporting to the Board.

Significant changes in the state of affairs

Listing on the Australian Securities Exchange ('ASX')

On 5 January 2018, the Company was admitted to the official list of ASX Limited under the code EXL and commenced trading on 8 January 2018.

$40,000,000 capital raise

On 4 October 2018, the Company issued 21,621,622 ordinary shares at $1.85 per share, raising $40,000,000 before transaction costs, representing a 3.3% discount to the 15-day volume weighted average price ('VWAP') of $1.91. Strong support was received from domestic and international institutional and sophisticated investors. The majority of the funds raised were to accelerate the Group's USA and European growth initiatives.

Directors' Report (cont)

31 December 2018

Issue of performance rights

On 31 March 2018, the Company issued 522,000 performance rights under the Employee Incentive Plan ('EIP'). On 15 May 2018 and 31 October 2018 a further 4,075,000 and 361,232 performance rights were issued respectively under the EIP.

Hemp Farming Act of 2018

On 29 June 2018, the Hemp Farming Act of 2018 (S.2667), attached to the Farm Bill of 2018, passed the US Senate. The Act, which directly impacts the Group's subsidiary, Elixinol, legalises industrial hemp at a federal level and officially removes it from the purview of the Controlled Substances Act. This bill was signed by the President on 20 December 2018.

As mentioned in the 'Review of operations' section above, during the year the Group established the NCHPP joint venture and increased its investment in Elixinol Japan.

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

Matters subsequent to the end of the financial year

Nunyara has purchased a parcel of land in New South Wales on 7 February 2019 for the sum of $2,585,000. The land has been acquired for the purpose of building a cultivation and manufacturing facility subject to receiving the relevant manufacturing licence from the Office of Drug Control, and the necessary development approvals from local council. Although neither of these approvals have been obtained at the date of this report, the Group's Board determined that it was commercially prudent to progress with the purchase of this unique parcel of land. Having access to the unique parcel of land enables the Company to proceed with preparations for the construction of the facility, thereby reducing further delays in getting the build underway.

No other matter or circumstance has arisen since 31 December 2018 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 will continue to expand its distribution with a focus on national retail accounts and has recently hired key sales and management personnel throughout the eastern, central and western regions of the USA to service bulk sales, medical professionals and distributor sales. The Elixinol global distribution network is also expected to grow through strategic partners in Latin America and Europe.

Hemp Foods Australia will continue to invest in developing its hemp food production capabilities and offerings.

Nunyara will continue to pursue its licences and is well positioned to become a leader in the emerging Australian medicinal cannabis market. Commencement of building a cultivation and manufacturing facility will occur during the year ending 31 December 2019, subject to development approvals and relevant licences.

Also refer to 'Business strategies and future prospects' section above.

Environmental regulation

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

Information on directors

Andrew Duff

Non-Executive Chairman (independent)

Qualifications:

Chartered Accountant ('CA')

Experience and expertise:

Andrew joined the Company in 2017. He has significant ASX-listed company experience, including as a director. He is also the Chairman of Cornerstone Health Pty Ltd and director of Dexus Wholesale Funds Limited. Andrew held the position of Chief Financial Officer and Finance Director of Primary Health Care which is now known as Healius Limited (ASX: HLS), an ASX 100 listed company. Prior to joining Primary Health Care, Andrew was Chief Accountant of Medical Defence of Australia from 1995 to 1998, an insolvency manager from 1993 to 1995, and a Senior Audit Manager at Deloitte Touche Tohmatsu in both London and Sydney from 1985 to 1993.

Other current directorships:

None

Former directorships (last 3 years):

None

Special responsibilities:

Chair of Audit and Risk Committee and Chair of Remuneration and Nomination Committee

Interests in shares:	Interests in rights:
25,000 ordinary shares	675,000 performance rights

Paul Benhaim

Chief Executive Officer and Executive Director

Experience and expertise:

Paul has over 25 years' experience in the hemp industry and is the co-founder of Elixinol, Elixinol Australia and Hemp Foods Australia. Paul has been responsible for creating and developing each of the business plans for Elixinol, Elixinol Australia and Hemp Foods Australia and negotiating production, cultivation and distribution. Paul will be responsible for business strategy including organic and acquisition led growth opportunities for the Group. In 1996, Paul created 9bar, one of Europe's first hemp food products. Paul then moved to Australia in 1999 to assist the establishment of a hemp industry. He co-founded Hemp Foods Australia. Paul is considered an expert in the Australian industrial hemp industry and has authored nine books on industrial hemp and is a regular speaker at conferences around the world.

Other current directorships:

None

Former directorships (last 3 years):

None

Special responsibilities:

Member of Audit and Risk Committee

Interests in shares:	Interests in rights:
54,623,008 ordinary shares	900,000 performance rights

Directors' Report (cont)

31 December 2018

Linda McLeod

Managing Director

Qualifications:

BSW, BA, MBA

Experience and expertise:

Linda has over 30 years in business advisory, corporate finance, private equity and venture capital. Linda has worked across a broad range of industries including healthcare, biotechnology, agriculture and resources sectors. Areas of practice have included business strategy, M&A, due diligence and corporate governance. Linda joined the Company in 2017 with a focus on driving the business strategy and implementing the business plan.

Other current directorships:

None

Former directorships (last 3 years):

None

Special responsibilities:

Member of Audit and Risk Committee and Member of Remuneration and Nomination Committee

Interests in shares:

200,000 ordinary shares

Interests in rights:

900,000 performance rights

Stratos Karousos

Non-Executive Director (independent)

Qualifications:

LLB, MCom

Experience and expertise:

Stratos has extensive experience as a lawyer working in mergers and acquisitions, equity capital markets, corporate advisor, private equity transactions, joint ventures, and corporate governance in various sectors, including health and agriculture. Stratos joined the Company in 2017.

Other current directorships:

None

Former directorships (last 3 years):

None

Special responsibilities:

Member of Remuneration and Nomination Committee

Interests in shares:

100,000 ordinary shares

Interests in rights:

300,000 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.

Company secretaries

Ron Dufficy

Chief Financial Officer and Joint Company Secretary

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.

Kim Bradley-Ware

Joint Company Secretary (appointed 8 January 2019)

Qualifications:

BCom, CPA, LLB

Experience and expertise:

Kim has over 20 years' finance and governance experience in various listed and private companies, as well as in private practice. Prior to joining Company Matters, Kim worked with Pan Pacific Petroleum (an ASX and NZX listed entity) since 2001, most recently as CFO and Company Secretary. Prior to that Kim held various roles in accounting across a variety of different industries including credit reporting, telecommunications and media.

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 2018, 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
A Duff	12	12	3	3	4	4
P Benhaim	11	12	-	-	4	4
L McLeod	12	12	3	3	-	-
S Karousos	12	12	3	3	4	4

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

Directors' Report (cont)

31 December 2018

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
- 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 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:

- Andrew Duff - Non-Executive Chairman
- Paul Benhaim - Chief Executive Officer and Executive Director*
- Linda McLeod - Managing Director*
- Stratos Karousos - Non-Executive Director

And the following persons:

- Ron Dufficy - Chief Financial Officer and Joint Company Secretary*
- Gabriel Ettenson - President Elixinol LLC*

* Executive KMP

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.

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 chairman's fees will be determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman will not be present at any discussions relating to the determination of his 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 $240,000. 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;
- short-term performance incentives; and
- long-term incentive share-based payments.

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 ('STI') plan

The Company has adopted an STI plan 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 senior management of the Group for achieving a combination of clearly defined Group, business unit and individual targets.

Directors' Report (cont)

31 December 2018

The STI plan 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 STI is weighted 60% to Group financial measures and 40% to individual measures for Executive KMPs.

STI Opportunity (at target) is 20% (increased to 25% effective 1 January 2019) of Total Fixed remuneration for Executive KMPs. The Board has the discretion to increase the STI payable to 150% based on over-performance of targets.

Group financial measures are set out below:

- Group net profit after tax ('NPAT') (60% of the STI);
- 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 100% 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 short-term incentive to be paid to each Executive KMP, seeking recommendations from the Remuneration and Nomination Committee.

Where performance is below threshold, payment of any STI 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 STI amounts.

The STI amount on-target will be paid in cash and will be subject to relevant local statutory and tax obligations.

Long-term incentive share-based payments ('LTIP')

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

On 15 May 2018, performance rights over ordinary shares in the Company were issued to KMPs for $nil consideration. The nature 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 to your superannuation fund

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.

LTI opportunity (at target)

LTI opportunity has been determined by informed benchmarking.

Performance period

The performance period of the grant is five financial years in four 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.

Vesting dates

Tranche	Vesting date
Tranche 1	28 February 2020
Tranche 2	28 February 2021
Tranche 3	28 February 2022
Tranche 4	28 February 2023

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.

Executive Director share rights are subject to the following vesting conditions, which are independent and will be tested separately. Non Executive share rights are subject to a TSR vesting condition only:

- performance gateway condition being the first sale of Elixinol product in the Australian medicinal cannabis market;[1]
- performance gateway condition being the achievement of a minimum cumulative annualised revenue growth ('Revenue CAGR');[2] and
- satisfaction of absolute total shareholder return ('TSR') performance hurdles for the relevant vesting period ('performance share rights').

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 vesting 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% to 100% of the TSR share rights will vest on a pro rata straight-line basis
Equal to or greater than 20%	100% of the TSR share rights will vest

The share price baseline for the TSR calculation will be equivalent to the volume weighted average market price of the five (5) days before 20 March 2018 which was $1.56.

TSR share rights that do not vest on the relevant vesting date will lapse.

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.

1. Not a vesting condition for Non-executive directors.
2. Not a vesting condition for Non-executive directors.

Directors' Report (cont)

31 December 2018

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 2018, the Board engaged HRascent to provide advice on the design for the future reward framework which will apply for the current year and future periods. To date, HRascent have been paid $31,015 for their advice. In addition, the Board engaged AON to conduct a remuneration benchmarking exercise for the Executive KMPs. To date, AON have been paid $24,000 for their advice.

Voting and comments made at the Company's 15 May 2018 Annual General Meeting ('AGM')

At the 15 May 2018 AGM, 99.67% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2017. 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 2018 performance on remuneration

In 2018, the Group achieved significant revenue growth as well as delivered numerous strategic objectives designed to position the Company for continued future growth across the business.

Incentive payments for the financial year were granted as key performance indicators, were achieved. Against performance of the Group, the Board used its discretion to pay above target STI to the Executive KMPs.

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

	Year to 31 Dec 2018 $'000	Period from 4 Sep 2017 to 31 Dec 2017 $'000
Revenue	**37,131**	-
Group EBITDA	**(114)**	(2,718)
Net loss after tax	**(860)**	(2,711)
Basic loss per share (cents per share)	**(0.79)**	(62.16)
Diluted loss per share (cents per share)	**(0.79)**	(62.16)
Opening share price (on listing on ASX on 8 January 2018)		$1.00
Closing share price on 31 December 2018		$2.50

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 key management personnel of the Group are set out in the following tables.

Year to 31 Dec 2018	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled Shares	Equity-settled Performance Rights	Total
	$	$	$	$	$	$	$	$
Non-Executive Directors:								
A Duff	82,192	-	-	7,808	-	-	89,359	179,359
S Karousos	54,795	-	-	5,205	-	-	39,716	99,716
Executive Directors:								
P Benhaim	247,500	65,400(1)	-	25,000	-	-	169,674	507,574
L McLeod	263,850	69,324(1)	-	25,000	-	-	169,674	527,848
Other Key Management Personnel:								
R Dufficy	205,000	55,200(1)	-	25,000	-	-	169,674	454,874
G Ettenson	236,130	61,951(2)	11,274	-	-	-	75,410	384,765
	1,089,467	251,875	11,274	88,013	-	-	713,507	2,154,136

(1) Above target STI of 125%.
(2) Above target STI of 130%.

Period from 4 Sep 2017 to 31 Dec 2017	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled Shares	Equity-settled Performance Rights	Total
	$	$	$	$	$	$	$	$
Non-Executive Directors:								
A Duff	8,095	-	-	769	-	25,000	-	33,864
S Karousos	10,220	-	-	971	-	100,000	-	111,191
Executive Directors:								
P Benhaim	47,084	-	-	3,817	-	-	-	50,901
L McLeod	50,134	-	-	3,848	-	200,000	-	253,982
Other Key Management Personnel:								
R Dufficy	38,571	-	-	3,664	-	30,000	-	72,235
G Ettenson*	2,768	-	-	-	-	-	-	2,768
	156,872	-	-	13,069	-	355,000	-	524,941

* Remuneration is for the period from 27 December 2017 to 31 December 2017.

Directors' Report (cont)

31 December 2018

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	Year to 31 Dec 2018	Period from 4 Sep 2017 to 31 Dec 2017	Year to 31 Dec 2018	Period from 4 Sep 2017 to 31 Dec 2017	Year to 31 Dec 2018	Period from 4 Sep 2017 to 31 Dec 2017
Non-Executive Directors:						
A Duff	50%	26%	-	74%	50%	-
S Karousos	60%	10%	-	90%	40%	-
Executive Directors:						
P Benhaim	54%	100%	13%	-	33%	-
L McLeod	55%	21%	13%	79%	32%	-
Other Key Management Personnel:						
R Dufficy	51%	58%	12%	42%	37%	-
G Ettenson	64%	100%	16%	-	20%	-

There were no cash bonuses forfeited during the period.

For the period ended 31 December 2017 there was no LTI in place.

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements.

The total fixed remuneration ('TFR') is subject to annual review (starting in December 2018).

Details of these agreements effective from 1 January 2019 are as follows:

	Fixed Remuneration $[a]	Target STI $	Notice Period by Executive months	Notice Period by Company months	Restraint Period months
P Benhaim[c]	337,500	84,375	6	6	12
L McLeod[c]	288,850	72,213	6	6	12
R Dufficy[c][d][e]	325,684	81,421	6	6	12
G Ettenson[b][c][e]	325,684	81,421	3	3	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) Participation in any and all health, disability, and group term life insurance plans that may be extended to executive employees of Elixinol LLC.
(c) KMPs are entitled to participate in a long-term incentive plan, as discussed in this report.
(d) Effective from 15 January 2019, relocated to Colorado, USA.
(e) Fixed Remuneration and Target STI figures are quoted in AUD and were converted from USD at a year-end rate of 0.706205.

Key management personnel 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 key management personnel as part of compensation during the year ended 31 December 2018.

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 31 December 2018.

There were no options over ordinary shares granted to or vested in directors and other key management personnel as part of compensation during the year ended 31 December 2018.

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel 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	Share price hurdle for vesting	Fair value per right at grant date
A Duff	675,000	15 May 2018	Various	28 February 2023	$0.00	$0.89
P Benhaim	900,000	15 May 2018	Various	28 February 2023	$0.00	$0.89
L McLeod	900,000	15 May 2018	Various	28 February 2023	$0.00	$0.89
S Karousos	300,000	15 May 2018	Various	28 February 2023	$0.00	$0.89
R Dufficy	900,000	15 May 2018	Various	28 February 2023	$0.00	$0.89
G Ettenson	400,000	15 May 2018	Various	28 February 2023	$0.00	$0.89

Performance rights granted carry no dividend or voting rights.

Values of performance rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 31 December 2018 are set out below:

Name	Value of rights granted during the year $	Value of rights vested during the year $
A Duff	89,359	-
P Benhaim	169,674	-
L McLeod	169,674	-
S Karousos	39,716	-
R Dufficy	169,674	-
G Ettenson	75,410	-

Directors' Report (cont)

31 December 2018

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 key management personnel 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
Ordinary shares					
A Duff	25,000	-	-	-	25,000
P Benhaim*	54,623,008	-	-	-	54,623,008
L McLeod	200,000	-	-	-	200,000
S Karousos	100,000	-	-	-	100,000
R Dufficy	30,000	-	-	-	30,000
G Ettenson**	12,719,112	-	-	-	12,719,112
	67,697,120	**-**	**-**	**-**	**67,697,120**

* Held indirectly due to Paul Benhaim's interest with the holder of the shares, Raw With Life Pty Ltd.

** Held indirectly due to Gabriel Ettenson's interest with the holder of the shares, D & G Health LLC.

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 key management personnel 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
Performance rights over ordinary shares					
A Duff	-	675,000	-	-	675,000
P Benhaim	-	900,000	-	-	900,000
L McLeod	-	900,000	-	-	900,000
S Karousos	-	300,000	-	-	300,000
R Dufficy	-	900,000	-	-	900,000
G Ettenson	-	400,000	-	-	400,000
	-	**4,075,000**	**-**	**-**	**4,075,000**

This concludes the remuneration report, which has been audited.

Loans with directors and executives

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 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 43% of the shares in Elixinol Global Limited.

Shares under option

There were no unissued ordinary shares of Elixinol Global Limited under option outstanding at the date of this report.

Shares under performance rights

Unissued ordinary shares of Elixinol Global Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Number under rights
31 March 2018	28 February 2023	522,000
15 May 2018	28 February 2023	4,075,000
31 October 2018	28 February 2023	361,232
		4,958,232

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

Shares issued on the exercise of options

There were no ordinary shares of Elixinol Global Limited issued on the exercise of options during the year ended 31 December 2018 and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of Elixinol Global Limited issued on the exercise of performance rights during the year ended 31 December 2018 and up to the date of this report.

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 (cont)

31 December 2018

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 26 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 26 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 Deloitte Touche Tohmatsu

There are no officers of the Company who are former partners of Deloitte Touche Tohmatsu.

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.

Auditor

Deloitte Touche Tohmatsu have expressed an interest to continue in office, in accordance with section 327 of the Corporations Act 2001, and their continuing appointment will be put forward to shareholders at the Group's first Annual General Meeting.

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

Paul Benhaim
Chief Executive Officer and Executive Director

27 March 2019
Sydney

Auditor's independence declaration

Deloitte Touche Tohmatsu
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Australia

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27 March 2019

The Board of Directors
Elixinol Group Limited
Level 6, 50 Pitt St
SYDNEY NSW 2000

Dear Board Members

Elixinol Global Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Elixinol Global Limited.

As lead audit partner for the audit of the financial report of Elixinol Global Limited for the financial year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tara Hill

Partner

Chartered Accountant

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2018

	Note	Year to 31 Dec 2018 $'000	Period from 4 Sep 2017 to 31 Dec 2017 $'000 (Restated)
Revenue	6	37,131	-
Share of losses of associates and joint ventures accounted for using the equity method	15	(698)	-
Other income	7	713	-
Interest revenue calculated using the effective interest method		441	2
Recovery of impairment of receivables		21	-
Expenses			
Raw materials, consumables and processing expenses		(17,175)	-
Employee benefits expenses and Directors' fees		(7,120)	(588)
Depreciation and amortisation expense	8	(824)	(17)
Professional services expenses		(1,931)	(1,820)
Sales and marketing expenses		(6,388)	(12)
Administrative expenses		(3,642)	(298)
Distribution costs		(1,025)	-
Loss before income tax (expense)/benefit		(497)	(2,733)
Income tax (expense)/benefit	9	(363)	22
Loss after income tax (expense)/benefit for the year attributable to the owners of Elixinol Global Limited		(860)	(2,711)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		6,323	-
Share of associate other comprehensive income		137	-
Other comprehensive income for the year, net of tax		6,460	-
Total comprehensive income/(loss) for the year attributable to the owners of Elixinol Global Limited		5,600	(2,711)
		Cents	**Cents**
Basic loss per share	35	(0.79)	(62.16)
Diluted loss per share	35	(0.79)	(62.16)

Refer to note 4 for detailed information on Adoption of new standards and restatement of comparatives.

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 2018

	Note	31 Dec 2018 $'000	31 Dec 2017 $'000 (Restated)
Assets			
Current assets			
Cash and cash equivalents	10	**42,922**	18,834
Trade and other receivables	11	**3,366**	1,211
Contract assets	12	**77**	-
Inventories	13	**6,976**	2,470
Other	14	**3,614**	816
Total current assets		**56,955**	23,331
Non-current assets			
Investments accounted for using the equity method	15	**4,524**	-
Property, plant and equipment	16	**5,966**	1,064
Intangibles	17	**86,249**	80,608
Total non-current assets		**96,739**	81,672
Total assets		**153,694**	105,003
Liabilities			
Current liabilities			
Trade and other payables	18	**5,865**	1,058
Contract liabilities	19	**720**	201
Lease liability borrowings		**-**	38
Income tax	9	**98**	206
Employee benefits		**147**	60
Accrued expenses		**368**	894
Total current liabilities		**7,198**	2,457

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

	Note	31 Dec 2018 $'000	31 Dec 2017 $'000 (Restated)
Non-current liabilities			
Borrowings	20	**250**	250
Deferred tax	9	**2,421**	3,117
Lease make good provision		**90**	90
Total non-current liabilities		**2,761**	3,457
Total liabilities		**9,959**	5,914
Net assets		**143,735**	99,089
Equity			
Issued capital	21	**139,612**	101,800
Reserves	22	**7,694**	-
Accumulated losses		**(3,571)**	(2,711)
Total equity		**143,735**	99,089

Refer to note 4 for detailed information on Adoption of new standards and restatement of comparatives.

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 2018

	Issued capital $'000	Foreign currency translation reserve $'000	Share-based payments reserve $'000	Other reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 4 September 2017	-	-	-	-	-	-
Loss after income tax benefit for the year	-	-	-	-	(2,711)	(2,711)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(2,711)	(2,711)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 21)	101,800	-	-	-	-	101,800
Balance at 31 December 2017	**101,800**	**-**	**-**	**-**	**(2,711)**	**99,089**

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

	Issued capital $'000	Foreign currency translation reserve $'000	Share-based payments reserve $'000	Other reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 January 2018	101,800	-	-	-	(2,711)	99,089
Loss after income tax expense for the year	-	-	-	-	(860)	(860)
Other comprehensive income for the year, net of tax	-	6,323	-	137	-	6,460
Total comprehensive income/(loss) for the year	-	6,323	-	137	(860)	5,600
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 21)	37,812	-	-	-	-	37,812
Share-based payments (note 36)	-	-	1,234	-	-	1,234
Balance at 31 December 2018	139,612	6,323	1,234	137	(3,571)	143,735

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 2018

	Note	Year to 31 Dec 2018 $'000	Period from 4 Sep 2017 to 31 Dec 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		36,147	78
Payments to suppliers and employees (inclusive of GST)		(40,964)	(727)
Interest received		326	-
Income taxes paid		(761)	-
Net cash used in operating activities	34	(5,252)	(649)
Cash flows from investing activities			
Net cash acquired on purchase of subsidiaries		-	1,808
Payments for equity accounted investments		(3,593)	-
Payments for property, plant and equipment		(4,733)	(9)
Payments for intangibles	17	(174)	-
Payments for security deposits		(13)	-
Proceeds from disposal of property, plant and equipment		4	-
Proceeds from loans in other entities *		-	500
Net cash from/(used in) investing activities		(8,509)	2,299
Cash flows from financing activities			
Proceeds from issue of shares	21	40,000	20,000
Share issue transaction costs	21	(2,188)	(1,129)
Repayment of borrowings		(38)	-
Other transaction costs related to the offer		-	(1,687)
Net cash from financing activities		37,774	17,184
Net increase in cash and cash equivalents		24,013	18,834
Cash and cash equivalents at the beginning of the financial year		18,834	-
Effects of exchange rate changes on cash and cash equivalents		75	-
Cash and cash equivalents at the end of the financial year	10	42,922	18,834

* Loan proceeds from Elixinol Australia prior to its acquisition by Elixinol Global Limited.

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

Notes to the consolidated financial statements

31 December 2018

Notes to the consolidated financial statements (cont)

31 December 2018

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 and principal place of business are:

Registered office	Principal place of business
Level 12 680 George Street Sydney NSW 2000	Level 36 1 Macquarie Place 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 27 March 2019. 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. The Group has made retrospective adjustments to comparatives as a result of adopting these accounting standards. Refer to note 4 for further details.

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

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.

Note 2 Significant accounting policies (cont)

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 37.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Elixinol Global Limited as at 31 December 2018 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.

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.

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 5.

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.

Notes to the consolidated financial statements (cont)

31 December 2018

Note 2 Significant accounting policies (cont)

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 initially recognised as deferred revenue in the form of a separate 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.

Government grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the period which the expenses are recognised.

Interest

Interest revenue 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.

Note 2 Significant accounting policies (cont)

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.

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.

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.

Notes to the consolidated financial statements (cont)

31 December 2018

Note 2 Significant accounting policies (cont)

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.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

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.

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

Note 2 Significant accounting policies (cont)

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, it's carrying value is written off.

Financial assets at amortised cost - loans and receivables

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.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in 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.

Notes to the consolidated financial statements (cont)

31 December 2018

Note 2 Significant accounting policies (cont)

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. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

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

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.

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. Instead, 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.

Note 2 Significant accounting policies (cont)

Brand names

Brand names acquired in a business combination are not amortised as they are considered to be indefinite life assets. Instead, 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.

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.

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.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Notes to the consolidated financial statements (cont)

31 December 2018

Note 2 Significant accounting policies (cont)

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

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

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying the Monte Carlo simulation model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period; and
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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.

Note 2 Significant accounting policies (cont)

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.

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.

Notes to the consolidated financial statements (cont)

31 December 2018

Note 2 Significant accounting policies (cont)

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 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset and lease liability are recognised at the commencement of the lease. The right-of-use asset is recognised at an amount that is equivalent to the initial measurement of the lease liability, adjusted for lease prepayments, lease incentives received, initial direct costs incurred, and an estimate of any future restoration, removal or dismantling costs. The lease liability is recognised at the present value of future lease payments comprising fixed lease payments less incentives, variable lease payments, residual guarantees payable, payment of purchase options where exercise is reasonably certain, and any anticipated termination penalties. The lease payments are discounted at the rate implicit in the lease, or where not readily determinable, the entity's incremental borrowing rate. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will improve as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Group will adopt this standard from 1 January 2019 and management is currently assessing the impact of this new standard, specifically the impact on the statement of financial position for its currently held leases (as lessee) plus the new leased facility in the Colorado Tech Centre which the Group will locate to during the 2019. The actual impact will depend on the operating leases held by the Group and the transitional elections made on adoption.

Note 2 Significant accounting policies (cont)

IASB revised Conceptual Framework for Financial Reporting

The revised Conceptual Framework has been issued by the IASB and is applicable for annual reporting periods on or after 1 January 2020. The Australian equivalent is yet to be published. The application of the new definition and recognition criteria may result in future amendments to several accounting standards. Furthermore, entities who rely on the conceptual framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards may need to revisit such policies. The Group will apply the revised conceptual framework from 1 January 2020 and is yet to assess its impact.

AASB Interpretation 23 Uncertainty over Income Tax Treatments

This interpretation is applicable to annual reporting periods beginning on or after 1 January 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 12 'Income Taxes' in circumstances where uncertain tax treatments exist which will address the accounting diversity which currently exists in practice. An uncertain tax treatment is one where there is uncertainty over whether the relevant taxation authority will accept the entity's tax treatment (i.e. as submitted in the entity's income tax return) under tax law thereby potentially affecting an entity's tax accounting which is based upon the derivation of taxable profits and losses, tax bases, unused tax losses, unused tax credits and tax rates ('tax accounting elements'). The 'unit of account' to be adopted is determined based on the approach which better predicts the anticipated resolution of the uncertainties with the tax authority. The entity shall consider all issues that the tax authority might consider in making such assessment and must make a presumption that the tax authority will examine amounts that it has a right to examine and has obtained full knowledge of all facts as a consequence. If the entity concludes that it is probable that the taxation authority will accept its adopted position representing an uncertain tax treatment, then the entity determines its respective tax accounting elements consistently with the tax treatment included in its tax filings. If, however, the entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related tax accounting elements. The Group will adopt this interpretation from 1 January 2019 and there is not expected to be any significant impact on adoption.

Other amending accounting standards and interpretations

Other amending accounting standards and interpretations issued but not mandatory are not considered to have a significant impact on the financial statements of the company as they provide either clarification of existing accounting treatment or editorial amendments.

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.

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.

Notes to the consolidated financial statements (cont)

31 December 2018

Note 3 Critical accounting judgements, estimates and assumptions (cont)

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 9.

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 9.

No control of entities where more than half of voting rights held

Management have determined that the Group does not control Elixinol Co. Ltd and its subsidiary Hemp Foods Japan, even though it holds 50.5% of the issued capital of Elixinol Co. Ltd. This investment, has been accounted for as an associate due to the Group holding only two of the five board seats of Elixinol Co. Ltd and therefore does not have the ability to affect the returns through its power to direct the activities of Elixinol Co. Ltd. Following a 12 month transitional period the composition of the board will be reviewed. Refer to note 15.

Note 4 Adoption of new standards and restatement of comparatives

Adoption of AASB 9 'Financial Instruments'

The Group has adopted AASB 9 from 1 January 2018, using the full retrospective method of adoption and comparatives have been restated.

The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance has been adopted. The Group has established an expected credit loss matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the

Note 4 Adoption of new standards and restatement of comparatives (cont)

debtors and the economic environment. AASB 9 did not have a significant impact on the Group's accounting policies.

'Interest revenue' is no longer included in the 'Revenue' note and is now shown separately on the face of the statement of profit or loss and other comprehensive income, resulting in a reclassification of $2,000 for the year ended 31 December 2017.

The Group has applied the simplified approach to measuring expected credit losses, resulting in no substantial changes to impairment expense or additional allowance for expected credit losses on transition date.

Adoption of AASB 15 'Revenue from Contracts with Customers'

The Group has adopted AASB 15 from 1 January 2018, using the retrospective method of adoption, resulting in the restatement of comparatives.

The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

As a result of the change in accounting policy of AASB 15, the comparative statement of financial position has been restated to reclassify $201,000 from trade and other payables to contract liabilities.

Finalisation of AASB 3 'Business Combination' accounting

Comparative balances for intangibles and deferred tax liabilities have been restated under AASB 3 in relation to revisions made to accounting of the business combinations which occurred on 27 December 2017. The accounting is now final for the business combinations, refer to note 31, and the revisions are as follows:

Extract	Provisional reported $'000	Adjustment $'000	Finally reported $'000
Customer relationships	1,942	196	2,138
Brand names	4,538	5,195	9,733
Deferred tax liabilities	(1,718)	(1,486)	(3,204)
Goodwill	72,635	(3,905)	68,730

In the statement of financial position below, the 'Reported' column has been adjusted for the finalisation of business combination accounting as the changes do not need to be separately disclosed in the 'Adjustment' column as per the provisions under AASB 3.

Notes to the consolidated financial statements (cont)

31 December 2018

Note 4 Adoption of new standards and restatement of comparatives (cont)

Other expenses comparative

As the Group has completed a full year of trading, other expenses of $32,000 have been reclassified to administrative expenses to align with current year disclosure.

The summary of the impact on the statement of profit or loss and other comprehensive income and statement of financial position of the above, excluding business combination accounting, is as follows:

Statement of profit or loss and other comprehensive income

Extract	Period from 4 Sep 2017 to 31 Dec 2017 $'000 Reported	$'000 Adjustment	Period from 4 Sep 2017 to 31 Dec 2017 $'000 Restated
Revenue	2	(2)	-
Interest revenue calculated using the effective interest method	-	2	2
Expenses			
Administrative expenses	(266)	(32)	(298)
Other expenses	(32)	32	-
Loss before income tax benefit	(2,733)	-	(2,733)
Income tax benefit	22	-	22
Loss after income tax (expense)/benefit for the year attributable to the owners of Elixinol Global Limited	(2,711)	-	(2,711)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive loss for the year attributable to the owners of Elixinol Global Limited	**(2,711)**	**-**	**(2,711)**

	Cents Reported	Cents Adjustment	Cents Restated
Basic loss per share	(62.16)	-	(62.16)
Diluted loss per share	(62.16)	-	(62.16)

Note 4 Adoption of new standards and restatement of comparatives (cont)

Statement of financial position at the beginning of the earliest comparative period

When there is a restatement of comparatives, it is mandatory to provide a third statement of financial position at the beginning of the earliest comparative period. However, as the Company was incorporated on 4 September 2017 the earliest statement of financial position presented has already been adjusted.

Statement of financial position at the end of the earliest comparative period

Extract	31 Dec 2017 $'000 Reported	$'000 Adjustment	31 Dec 2017 $'000 Restated
Liabilities			
Current liabilities			
Trade and other payables	1,259	(201)	1,058
Contract liabilities	-	201	201
Employee benefits	-	60	60
Provisions	60	(60)	-
Total current liabilities	2,457	-	2,457
Total liabilities	**5,914**	**-**	**5,914**
Net assets	**99,089**	**-**	**99,089**

Notes to the consolidated financial statements (cont)

31 December 2018

Note 5 Operating segments

Identification of reportable operating segments

The Group is organised into three operating segments: North America, Australia and Rest of the 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 EBITDA (earnings before interest, tax, depreciation and amortisation). 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:

North America	This includes the trading results of Elixinol LLC ('Elixinol') in the US through the manufacture and distribution of hemp-derived Cannabidiol ('CBD') products.
Australia	This includes the results from the trading operations of Hemp Foods Australia Pty Ltd ('Hemp Foods Australia') and Nunyara Pty Ltd ('Nunyara'). This relates to the sale of hemp-based products in the case of Hemp Foods Australia and the application for licences in respect of the importation and cultivation of medicinal cannabis in Australia in the case of Nunyara.
Rest of the World	This includes the results from trading operations of Elixinol ('Elixinol Europe') and the investment of Elixinol Co. Ltd ('Elixinol Japan') through the manufacture and distribution of hemp-derived CBD products as well as the sale of hemp-based products.

'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 2018, 33% of sales were derived from three major customers (2017: no sales were derived from major customers).

Note 5 Operating segments (cont)

Operating segment information

Year to 31 Dec 2018	North America $'000	Australia $'000	Rest of the World $'000	Unallocated $'000	Total $'000
Revenue					
Sales to external customers	32,400	4,677	54	-	37,131
Total revenue	32,400	4,677	54	-	37,131
EBITDA	4,494	(1,518)	(304)	(2,786)	(114)
Depreciation and amortisation					(824)
Interest revenue					441
Loss before income tax expense					(497)
Income tax expense					(363)
Loss after income tax expense					(860)
Assets					
Segment assets	90,838	19,026	3,665	40,165	153,694
Total assets					153,694
Liabilities					
Segment liabilities	8,116	1,218	395	230	9,959
Total liabilities					9,959

Period from 4 Sep 2017 to 31 Dec 2017	North America $'000	Australia $'000	Rest of World $'000	Unallocated $'000	Total $'000
EBITDA	(17)	(18)	-	(2,683)	(2,718)
Depreciation and amortisation					(17)
Interest revenue					2
Loss before income tax benefit					(2,733)
Income tax benefit					22
Loss after income tax benefit					(2,711)
Assets					
Segment assets	69,862	18,146	-	16,995	105,003
Total assets					105,003
Total assets includes:					
Acquisition of non-current assets	-	-	-	9	9
Liabilities					
Segment liabilities	4,701	951	-	262	5,914
Total liabilities					5,914

Notes to the consolidated financial statements (cont)

31 December 2018

Note 5 Operating segments (cont)

Geographical information

	Sales to external customers		Geographical non-current assets	
	Year to 31 Dec 2018 $'000	Period from 4 Sep 2017 to 31 Dec 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000
North America	32,400	-	78,106	59,423
Australia	4,677	-	15,947	22,249
Rest of the World	54	-	2,686	-
	37,131	**-**	**96,739**	**81,672**

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 6 Revenue

	Year to 31 Dec 2018 $'000	Period from 4 Sep 2017 to 31 Dec 2017 $'000
Sale of goods	37,131	-

Disaggregation of revenue

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

Year to 31 Dec 2018	Direct to consumer $'000	Wholesale $'000	Bulk $'000	Private label $'000	Total $'000
Geographical regions					
North America	7,140	4,710	8,162	12,388	32,400
Australia	291	3,195	1,191	-	4,677
Rest of the World	-	54	-	-	54
	7,431	**7,959**	**9,353**	**12,388**	**37,131**
Timing of revenue recognition					
Goods transferred at a point in time	**7,431**	**7,959**	**9,353**	**12,388**	**37,131**

Note 7 Other income

	Year to 31 Dec 2018 $'000	Period from 4 Sep 2017 to 31 Dec 2017 $'000
Net foreign exchange gain	335	-
Net gain on disposal of property, plant and equipment	4	-
Gain on step acquisition	374	-
Other income	713	-

Note 8 Expenses

	Year to 31 Dec 2018 $'000	Period from 4 Sep 2017 to 31 Dec 2017 $'000
Loss before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	**71**	1
Furniture, fittings and equipment	**16**	-
Motor vehicles	**9**	-
Computer equipment	**35**	1
Machinery	**265**	2
Total depreciation	**396**	**4**
Amortisation		
Customer relationships	**428**	13
Total depreciation and amortisation	**824**	**17**
Rental expense relating to operating leases		
Minimum lease payments	**561**	3
Superannuation expense		
Defined contribution superannuation expense	**156**	14
Share-based payments expense		
Share-based payments expense	**831**	355

Notes to the consolidated financial statements (cont)

31 December 2018

Note 9 Income tax

	Year to 31 Dec 2018 $'000	Period from 4 Sep 2017 to 31 Dec 2017 $'000
Income tax expense/(benefit)		
Current tax	**672**	(12)
Deferred tax - origination and reversal of temporary differences	**(280)**	(10)
Adjustment recognised for prior periods	**(29)**	-
Aggregate income tax expense/(benefit)	363	**(22)**
Deferred tax included in income tax expense/(benefit) comprises:		
Increase in deferred tax assets	**(225)**	(6)
Decrease in deferred tax liabilities	**(55)**	(4)
Deferred tax – origination and reversal of temporary differences	(280)	**(10)**
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Loss before income tax (expense)/benefit	**(497)**	(2,733)
Tax at the statutory tax rate of 30%	**(149)**	(820)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impact of tax consolidation	**283**	-
Other non-deductible permanent differences	**60**	-
Sundry items	8	103
	202	(717)
Adjustment recognised for prior periods	**(29)**	-
Current year tax losses not recognised	**340**	215
Current year temporary differences not recognised	**-**	480
Prior year temporary differences not recognised now recognised	**(95)**	-
Difference in overseas tax rates	**(55)**	-
Income tax expense/(benefit)	363	**(22)**

	Year to 31 Dec 2018 $'000	Period from 4 Sep 2017 to 31 Dec 2017 $'000
Amounts credited directly to equity		
Deferred tax assets	(403)	-

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.

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.

Note 9 Income tax (cont)

The Australian group has a $6,476,000 (2017: $2,553,000) of gross revenue losses and the remaining group $300,000 (2017: $95,000) of gross revenue losses, which have not been brought to account at 31 December 2018.

	31 Dec 2018 $'000	31 Dec 2017 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Allowance for expected credit losses	210	-
Employee benefits	24	24
Other provisions and accruals	105	59
Share-based payments	618	-
Unrealised foreign exchange	(92)	-
Property, plant and equipment	(141)	-
Deferred tax asset	724	83
Movements:		
Opening balance	83	-
Credited to profit or loss	225	6
Credited to equity	403	-
Additions through business combinations (note 31)	-	77
Foreign exchange	13	-
Closing balance	724	**83**

	31 Dec 2018 $'000	31 Dec 2017 $'000
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Customer relationships	518	573
Brand names	2,627	2,627
Deferred tax liability	3,145	3,200
Movements:		
Opening balance	3,200	-
Credited to profit or loss	(55)	(4)
Additions through business combinations (note 31)	-	3,204
Closing balance	3,145	**3,200**

Notes to the consolidated financial statements (cont)

31 December 2018

Note 9 Income tax (cont)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	31 Dec 2018 $'000	31 Dec 2017 $'000
Deferred tax assets	724	83
Deferred tax liabilities	3,145	3,200
Net Deferred tax liabilities	2,421	**3,117**

	31 Dec 2018 $'000	31 Dec 2017 $'000
Provision for income tax		
Provision for income tax	98	**206**

Note 10 Current assets – cash and cash equivalents

	31 Dec 2018 $'000	31 Dec 2017 $'000
Cash on hand	30	7
Cash at bank	12,892	3,827
Cash on deposit	30,000	15,000
	42,922	**18,834**

Note 11 Current assets – trade and other receivables

	31 Dec 2018 $'000	31 Dec 2017 $'000
Trade receivables	3,823	1,127
Less: Allowance for expected credit losses	(878)	(120)
	2,945	1,007
Other receivables	136	118
Receivable from director, Paul Benhaim	-	11
GST recoverable	168	73
Interest receivable	117	2
	3,366	**1,211**

Allowance for expected credit losses

The Group has recognised a gain of $21,000 (2017: $nil) in profit or loss in respect of the expected credit losses for the year ended 31 December 2018.

Note 11 Current assets – trade and other receivables (cont)

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

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	31 Dec 2018 %	31 Dec 2017 %	31 Dec 2018 $'000	31 Dec 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000
Not overdue	**1%**	1%	**1,886**	475	**19**	5
1 to 30 days overdue	**1%**	1%	**415**	344	**4**	3
31 to 60 days overdue	**1%**	1%	**132**	146	**1**	1
61 to 90 days overdue	**5%**	5%	**60**	1	**3**	-
Over 90 days overdue	**64%**	69%	**1,330**	161	**851**	111
			3,823	1,127	**878**	120

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

	31 Dec 2018 $'000	31 Dec 2017 $'000
Opening balance	**120**	-
Additional provisions recognised	**758**	120
Closing balance	878	**120**

Note 12 Current assets – contract assets

	31 Dec 2018 $'000	31 Dec 2017 $'000
Contract assets	**77**	-
Reconciliation		
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	**-**	-
Additions	**195**	-
Transfer to trade receivables	**(118)**	-
Closing balance	**77**	**-**

Note 13 Current assets – inventories

	31 Dec 2018 $'000	31 Dec 2017 $'000
Raw materials - at cost	**2,121**	1,556
Less: Provision for impairment	**(52)**	(74)
	2,069	1,482
Finished goods - at cost	**4,317**	997
Less: Provision for impairment	**(134)**	(84)
	4,183	913
Stock in transit - at cost	**724**	75
	6,976	2,470

Notes to the consolidated financial statements (cont)

31 December 2018

Note 14 Current assets – other

	31 Dec 2018 $'000	31 Dec 2017 $'000
Prepayments	3,578	783
Security deposits	36	23
Other deposits	-	10
	3,614	816

Note 15 Non-current assets – investments accounted for using the equity method

	31 Dec 2018 $'000	31 Dec 2017 $'000
Investment in associate - Elixinol Co. Ltd	2,650	-
Investment in joint venture - Northern Colorado High Plains Producers	1,874	-
	4,524	-

On 24 April 2018, the Group subsidiary, Elixinol LLC, established a joint venture with Kersey Ag Company LLC to cultivate high-CBD premium organic hemp. The new joint venture is called the Northern Colorado High Plains Producers ('NCHPP') and endeavours to provide a reliable supply of raw material for the Group's products and will support the Group's plans for sales and revenue growth.

On 2 November 2018, the Group made a further investment in Elixinol Co. Ltd increasing its share to 50.5% from 10% at the start of the year. This investment, in which the Group has significant influence, has been accounted for as an associate due to the Group holding only two of the five board seats of Elixinol Co. Ltd and therefore does not have the power to directly affect the returns and activities of Elixinol Co. Ltd. Following a 12 month transitional period the composition of the Elixinol Co. Ltd's Board will be reviewed.

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:

		Ownership interest	
Name	Principal place of business / Country of incorporation	31 Dec 2018 %	31 Dec 2017 %
Elixinol Co. Ltd*	Japan	50.50%	10.00%
H&W Holdings LLC** (fully impaired)	United States of America	19.88%	18.50%
Hemp Foods Japan***	Japan	50.50%	25.00%

* Holding through EXL International Holdings LLC
** Holding through Elixinol LLC
*** Holding through Elixinol Co. Ltd

Note 15 Non-current assets – investments accounted for using the equity method (cont)

Summarised financial information

	Elixinol Co. Ltd 31 Dec 2018 $'000
Summarised statement of financial position	
Current assets	2,217
Non-current assets	1,638
Total assets	3,855
Current liabilities	147
Non-current liabilities	433
Total liabilities	580
Net assets	3,275
Summarised statement of profit or loss and other comprehensive income	
Revenue	828
Expenses	(959)
Loss before income tax	(131)
Other comprehensive income	272
Total comprehensive income	141
Reconciliation of the Group's carrying amount	
Opening carrying amount	-
Share of loss after income tax	(47)
Share of other comprehensive income	137
Gain on step acquisition	374
Further investment made	2,157
Foreign exchange	29
Closing carrying amount	2,650

Notes to the consolidated financial statements (cont)

31 December 2018

Note 15 Non-current assets – investments accounted for using the equity method (cont)

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:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**31 Dec 2018 %**	**31 Dec 2017 %**
Northern Colorado High Plains Producers	United States of America	50.00%	-

	Northern Colorado High Plains Producers 31 Dec 2018 $'000
Summarised statement of financial position	
Current assets	2,088
Non-current assets	1,692
Total assets	3,780
Other current liabilities	32
Total liabilities	32
Net assets	3,748
Summarised statement of profit or loss and other comprehensive income	
Expenses	(1,302)
Loss before income tax	(1,302)
Other comprehensive income	-
Total comprehensive loss	(1,302)
Reconciliation of the Group's carrying amount	
Opening carrying amount	-
Investment made	2,427
Share of loss after income tax	(651)
Foreign exchange	98
Closing carrying amount	1,874

Note 16 Non-current assets – property, plant and equipment

	31 Dec 2018 $'000	31 Dec 2017 $'000
Land - at cost	411	-
Leasehold improvements - at cost	253	188
Less: Accumulated depreciation	(72)	(1)
	181	187
Furniture, fittings and equipment - at cost	72	5
Less: Accumulated depreciation	(16)	-
	56	5
Motor vehicles - at cost	61	-
Less: Accumulated depreciation	(9)	-
	52	-
Computer equipment - at cost	249	9
Less: Accumulated depreciation	(36)	(1)
	213	8
Machinery - at cost	5,346	866
Less: Accumulated depreciation	(293)	(2)
	5,053	864
	5,966	1,064

Notes to the consolidated financial statements (cont)

31 December 2018

Note 16 Non-current assets – property, plant and equipment (cont)

Reconciliations

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

	Land $'000	Leasehold improve-ments $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Computer equipment $'000	Machinery $'000	Total $'000
Balance at 4 September 2017	-	-	-	-	-	-	-
Additions	-	-	-	-	9	-	9
Additions through business combinations (note 31)	-	188	5	-	-	866	1,059
Depreciation expense	-	(1)	-	-	(1)	(2)	(4)
Balance at 31 December 2017	-	187	5	-	8	864	1,064
Additions	411	65	67	58	240	4,474	5,315
Exchange differences	-	-	-	3	-	(20)	(17)
Depreciation expense	-	(71)	(16)	(9)	(35)	(265)	(396)
Balance at 31 December 2018	**411**	**181**	**56**	**52**	**213**	**5,053**	**5,966**

Property, plant and equipment secured under finance leases

Refer to note 28 for further information on property, plant and equipment secured under finance leases.

Note 17 Non-current assets – intangibles

Comparative balances have been restated in accordance with AASB 3 'Business Combinations' with respect to ongoing revisions made to the provisional accounting of the business combinations which occurred on 27 December 2017. As of the reporting date, the comparative balances of intangible assets are final. Refer to note 4 for further details.

	31 Dec 2018 $'000	31 Dec 2017 $'000
Goodwill - at cost	**74,623**	68,730
Website - at cost	**174**	-
Patents and trademarks - at cost	**21**	20
Customer relationships - at cost	**2,138**	2,138
Less: Accumulated amortisation	**(440)**	(13)
	1,698	2,125
Brand names - at cost	**9,733**	9,733
	86,249	80,608

Reconciliations

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

	Goodwill $'000	Website $'000	Patents and trademarks $'000	Customer relationships $'000	Brand names $'000	Total $'000
Balance at 4 September 2017	-	-	-	-	-	-
Additions through business combinations (note 31)	68,730	-	20	2,138	9,733	80,621
Amortisation expense	-	-	-	(13)	-	(13)
Balance at 31 December 2017	68,730	-	20	2,125	9,733	80,608
Additions	-	174	-	-	-	174
Exchange differences	5,893	-	1	1	-	5,895
Amortisation expense	-	-	-	(428)	-	(428)
Balance at 31 December 2018	**74,623**	**174**	**21**	**1,698**	**9,733**	**86,249**

Notes to the consolidated financial statements (cont)

31 December 2018

Note 17 Non-current assets – intangibles (cont)

Impairment testing of goodwill

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

	31 Dec 2018 $'000	31 Dec 2017 $'000
Elixinol*	61,236	55,343
Hemp Foods Australia	9,209	9,209
Nunyara	4,178	4,178
	74,623	68,730

* Goodwill has increased due to the foreign exchange gain of $5,893,000, in other comprehensive income, that has been recognised in the foreign currency translation reserve in equity.

Determination of recoverable amount

For the purpose of impairment testing, intangible assets with indefinite lives, including goodwill, brand names and patents and trademarks, are allocated to the Group's operating divisions which represent the lowest level within the Group at which the assets are monitored for internal management purposes.

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 2018.

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. Management has applied their best estimates to each of these variables but cannot warrant their outcome. Management has determined that there is no impairment for Elixinol, Hemp Foods Australia and Nunyara as at 31 December 2018. In determining that no impairment was required at 31 December 2018, Management also took into consideration that the market capitalisation of the Group was above the book value of its equity.

As a result of the analysis performed, there is headroom in the Group's CGUs and management did not identify an impairment charge for any of the CGUs.

Key assumptions and sensitivities

Elixinol

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

- the revenue growth reflects management's expectation of high growth in the short to medium term following on from growth experienced in 2018 and the passing of the Hemp Bill in December 2018;
- expenditure is assumed to increase with continued investment in sales and marketing to support growth, increase in working capital required offset by operational efficiencies;
- planned and committed capital expenditure to support production capabilities has been assumed including the build of a new facility to increase capacity to support the expected growth;
- terminal growth rate of 2.0% after 5 years; and
- the pre-tax discount rate applied to cash flow projections was 19.1% 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.

Note 17 Non-current assets – intangibles (cont)

No change on reasonable possible assumptions have been identified that would cause an impairment of the Elixinol CGU.

Hemp Foods Australia

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

- the revenue growth reflects management's expectation of high growth in the short to medium term following on from growth experienced in 2018 and the strategic plans in place and currently being executed to launch a number of new products currently in development;
- expenditure is assumed to increase at a moderate rate and includes committed expenditure to support production capabilities;
- capital expenditure for future plans includes planned production efficiencies and replacement;
- terminal growth rate of 2.0% after 5 years;
- the pre-tax discount rate applied to cash flow projections was 17.8% 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.

The estimated recoverable amounts of the Hemp Foods Australia are in excess of the carrying amounts of intangible and tangible assets of the CGU. However, any reasonable adverse change in key assumptions may to lead to impairment. An indication of key sensitivities is as follows:

- an adverse movement in discount rate of 1.0% will, if occurring in isolation, result in a reduction in the excess of $1,714,000 leading to an impairment of $211,000;
- decrease in forecast EBITDA of 10% per annum will, if occurring in isolation, result in a reduction of the value in use model of $2,630,000 leading to an impairment of $1,128,000; and
- decline in terminal growth rate of 1.0% will, if occurring in isolation, result in a reduction in the excess of $1,067,000 in the headroom, leaving $436,000 headroom.

A combination of each of the sensitivities may therefore lead to an impairment of the Hemp Foods Australia CGU.

Nunyara

On acquisition goodwill was allocated to Nunyara based on the expected forecast of the CGU. Whilst still not operational yet the business remains on track with the original valuation on which the allocation was based.

Therefore the Nunyara CGU was not considered impaired.

Notes to the consolidated financial statements (cont)

31 December 2018

Note 18 Current liabilities – trade and other payables

	31 Dec 2018 $'000	31 Dec 2017 $'000
Trade payables	3,598	101
Payable to joint venture - Northern Colorado High Plains Producers	991	-
GST payable	13	49
Credit cards	288	252
Other payables	975	656
	5,865	1,058

Refer to note 24 for further information on financial instruments.

Note 19 Current liabilities - contract liabilities

	31 Dec 2018 $'000	31 Dec 2017 $'000
Contract liabilities	720	201
Reconciliation		
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	201	-
Payments received in advance	5,215	461
Transfer to revenue - included in the opening balance	(4,801)	(260)
Transfer to revenue - performance obligations satisfied in previous periods	(83)	-
Foreign exchange adjustments	188	-
Closing balance	720	201

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 $720,000 as at 31 December 2018 ($201,000 as at 31 December 2017) and is expected to be recognised as revenue in future periods as follows:

	31 Dec 2018 $'000	31 Dec 2017 $'000
Within 6 months	717	201
6 to 12 months	3	-
	720	201

Note 20 Non-current liabilities – borrowings

	31 Dec 2018 $'000	31 Dec 2017 $'000
Related party loan from Raw With Life	**250**	250

Refer to note 24 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 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 43% 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 book value.

Note 21 Equity – issued capital

	31 Dec 2018 Shares	31 Dec 2017 Shares	31 Dec 2018 $'000	31 Dec 2017 $'000
Ordinary shares - fully paid	**124,550,162**	102,928,540	**139,612**	101,800

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Issue of shares on incorporation	4 September 2017	1	$1.00	-
Issue of shares on Initial Public Offer	27 December 2017	20,000,000	$1.00	20,000
Issue of shares on acquisition of Elixinol LLC	27 December 2017	64,681,750	$1.00	64,682
Issue of shares on acquisition of Elixinol Pty Ltd	27 December 2017	5,294,863	$1.00	5,295
Issue of shares on acquisition of Hemp Foods Australia Pty Ltd	27 December 2017	12,416,926	$1.00	12,417
Issue of bonus shares	27 December 2017	535,000	$1.00	535
Share issue transaction costs		-		(1,129)
Balance	31 December 2017	102,928,540		101,800
Issue of shares	4 October 2018	21,621,622	$1.85	40,000
Share issue transaction costs		-		(2,188)
Balance	**31 December 2018**	**124,550,162**		**139,612**

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.

Notes to the consolidated financial statements (cont)

31 December 2018

Note 21 Equity – issued capital (cont)

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. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 31 December 2017 Annual Report.

Note 22 Equity – reserves

	31 Dec 2018 $'000	31 Dec 2017 $'000
Foreign currency translation reserve	6,323	-
Share-based payments reserve	1,234	-
Other reserves	137	-
	7,694	-

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. At 31 December 2017, the amount was less than $1,000.

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.

Other reserves

The reserve is used to recognise the Group's share of other comprehensive income of associates.

Note 23 Equity – dividends

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

Note 24 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.

Note 24 Financial instruments (cont)

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:

	Assets 31 Dec 2018 $'000	Assets 31 Dec 2017 $'000	Liabilities 31 Dec 2018 $'000	Liabilities 31 Dec 2017 $'000
US dollars	105	139	6	184
Euros	-	-	155	-
	105	139	161	184

The Group had net liabilities denominated in foreign currencies of $56,000 (assets of $105,000 less liabilities of $161,000) as at 31 December 2018 (2017: $45,000 (assets of $139,000 less liabilities of $184,000)). Based on this exposure, had the Australian dollars 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:

	AUD strengthened			AUD weakened		
31 Dec 2018	**% change**	**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)	(5)	(5%)	5	5
Euros	5%	8	8	(5%)	(8)	(8)
		3	3		(3)	(3)

	AUD strengthened			AUD weakened		
31 Dec 2017	**% change**	**Effect on profit before tax $'000**	**Effect on equity $'000**	**% change**	**Effect on profit before tax $'000**	**Effect on equity $'000**
US dollars	5%	2	2	(5%)	(2)	(2)

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. The actual foreign exchange gain for the period ended 31 December 2018 was $49,000 (2017: less than $1,000).

Notes to the consolidated financial statements (cont)

31 December 2018

Note 24 Financial instruments (cont)

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.

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.

31 Dec 2018	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						
Non-interest bearing						
Trade payables	-	3,598	-	-	-	3,598
Other payables	-	1,263	-	-	-	1,263
Payable to joint venture	-	991	-	-	-	991
Other loans	-	-	-	250	-	250
Total non-derivatives		5,852	-	250	-	6,102

Note 24 Financial instruments (cont)

31 Dec 2017	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						
Non-interest bearing						
Trade payables	-	101	-	-	-	101
Other payables	-	908	-	-	-	908
Other loans	-	-	-	250	-	250
Interest-bearing - fixed rate						
Lease liability	-	38	-	-	-	38
Total non-derivatives		**1,047**	**-**	**250**	**-**	**1,297**

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

Note 25 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 26 Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company:

	Year to 31 Dec 2018 $	Period from 4 Sep 2017 to 31 Dec 2017 $
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	236,000	140,000
Other services - Deloitte Touche Tohmatsu		
Taxation compliance services	42,926	52,750
Due diligence and tax advice for the IPO*	-	579,674
	42,926	632,424
	278,926	772,424

* Included in fees is $277,728 paid to Deloitte US for the provision of US income tax advice and diligence.

Note 27 Contingent liabilities

The Group had no contingent liabilities at 31 December 2018 or 31 December 2017.

Notes to the consolidated financial statements (cont)

31 December 2018

Note 28 Commitments

	31 Dec 2018 $'000	31 Dec 2017 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment - land purchase and build costs	**3,387**	2,463

The land purchase commitment for a sale contract entered into on 23 October 2017 is subject to the following conditions:

- granting of a Cultivation License and a Manufacture License under the Office of Drug Control Medical Cannabis Legislation to Elixinol Australia;
- the successful IPO of the Group; and
- development approval from Byron Shire Council for the intended use of the land.

On 5 January 2018, the Group was admitted to the official list of the Australian Securities Exchange and all reasonable endeavours to obtain the licenses are underway.

The Company's Board determined that although neither of these events has yet occurred, it was commercially prudent to waive the conditions and to purchase this unique parcel of land on 7 February 2019. Refer to note 38 for details.

	31 Dec 2018 $'000	31 Dec 2017 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	**451**	339
One to five years	**875**	75
	1,326	414

Operating lease commitments includes contracted amounts for various offices under non-cancellable operating leases expiring within 1 to 3 years. The leases have various escalation clauses and options to expend the lease period. On renewal, the terms of the leases are renegotiated.

	31 Dec 2018 $'000	31 Dec 2017 $'000
Lease commitments - finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	**-**	39
Total commitment	**-**	39
Less: Future finance charges	**-**	(1)
Net commitment recognised as liabilities	**-**	38
Representing:		
Lease liability - current	**-**	38

Finance lease commitments includes contracted amounts for various plant and equipment with a written down value of $nil (2017: $79,000) under finance leases expiring within 1 year. Under the terms of the leases, the Group has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

Note 29 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:

	Year to 31 Dec 2018 $	Period from 4 Sep 2017 to 31 Dec 2017 $
Short-term employee benefits	1,352,616	156,872
Post-employment benefits	88,013	13,069
Share-based payments	713,507	355,000
	2,154,136	524,941

Note 30 Related party transactions

Parent entity

Elixinol Global Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 32.

Associates and other investee

Interests in associates are set out in note 15.

Joint ventures

Interests in joint ventures are set out in note 15.

Key management personnel

Disclosures relating to key management personnel are set out in note 29 and the remuneration report included in the directors' report.

Cash flow transactions with related parties

The following transactions occurred with related parties:

	Year to 31 Dec 2018 $	Period from 4 Sep 2017 to 31 Dec 2017 $
Sale of goods and services:		
Sale of goods to associate	189,449	-
Payment for goods and services:		
Purchase of goods from associate	942,498	-
Loan proceeds from Elixinol Australia prior to its acquisition by Elixinol Global	-	500,000

Notes to the consolidated financial statements (cont)

31 December 2018

Note 30 Related party transactions (cont)

Receivable from and payable to related parties

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

	31 Dec 2018 $	31 Dec 2017 $
Current receivables:		
Receivables from associates (net of provision)	**110,501**	105,115
Loan to director, Paul Benhaim	**-**	10,783
Current payables:		
Payables to associates	**991,214**	21,179
Payable to directors, Paul Benhaim (2017: Paul Benhaim and Linda McLeod)	**4,148**	2,294

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:

	31 Dec 2018 $	31 Dec 2017 $
Non-current borrowings:		
Loan from Raw With Life, an entity controlled by Paul Benhaim, to Hemp Foods Australia Pty Ltd*	**250,000**	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 Paul Benhaim, whereby Raw With Life agreed to lend $250,000 to Hemp Foods Australia. The loan is made on an unsecured, interest free basis.

Loan transactions were made on negotiated terms and conditions.

Note 31 Business combinations

2018

There were no business combinations that occurred during the year ended 31 December 2018.

2017

Elixinol LLC, Elixinol Pty Ltd and Hemp Foods Australia Pty Ltd

As part of the Company's initial public offering of its securities, Elixinol Global Limited entered into contracts to acquire all of the shares or relevant interests in Elixinol LLC ('Elixinol'), Elixinol Pty Ltd (now known as Nunyara Pty Ltd) ('Elixinol Australia' or 'Nunyara') and Hemp Foods Australia Pty Ltd ('Hemp Foods Australia'). The acquisition was facilitated through an offer of shares in the Company ('Offer').

On completion of the Offer, 27 December 2017, the transaction comprising the contemporaneous acquisition of the above three entities by Elixinol Global Limited occurred. The Directors consider this transaction to be a transaction of substance and, as such, was accounted for using the acquisition method under AASB 3 'Business Combinations'. The Directors have further assessed that Elixinol Global Limited was deemed to be acquirer due to the transaction having substance as a result of substantial new shareholders and change in ownership interest of existing shareholders across the acquired entities despite Raw for Life retaining a controlling interest. For the purposes of the application of AASB 3, notwithstanding the existing controlling entity, Raw With Life, holds more than 50% of the issued shares in Elixinol Global Limited upon Completion of the Offer, Elixinol Global Limited was considered the acquirer as the new listed shareholders held a significant share of the issued capital of Elixinol Global Limited.

The goodwill balance of $68,730,000 represents the synergies expected to be obtained from the integration of the businesses into the Group. Goodwill is not deductible for tax purposes.

Note 31 Business combinations (cont)

Details of the acquisitions are as follows:

	Elixinol LLC Fair value $'000	Elixinol Pty Ltd Fair value $'000	Hemp Foods Australia Pty Ltd Fair value $'000	Total Fair value $'000
Cash and cash equivalents	912	612	284	1,808
Trade receivables	600	64	635	1,299
Inventories	1,251	-	1,208	2,459
Prepayments	450	16	56	522
Current tax assets	-	2	-	2
Other current assets	-	500	-	-
Leasehold improvements	66	-	122	188
Furniture, fittings and equipment	-	-	5	5
Machinery	176	-	690	866
Patents and trademarks	2	-	18	20
Customer relationships	2,085	-	53	2,138
Brand names	8,187	-	1,546	9,733
Security deposits	16	-	7	23
Deferred tax asset	-	-	77	77
Other non-current assets	-	-	-	500
Trade and other payables	(1,317)	(17)	(259)	(1,593)
Current tax liabilities	(58)	-	(161)	(219)
Employee benefits	(92)	-	(30)	(122)
Lease make good provision	-	-	(90)	(90)
Loans	-	-	(250)	(250)
Lease liability	-	-	(38)	(38)
Deferred tax liability	(2,772)	-	(432)	(3,204)
Other liabilities	(167)	(60)	(233)	(460)
Net assets acquired	9,339	1,117	3,208	13,664
Goodwill	55,343	4,178	9,209	68,730
Acquisition-date fair value of the total consideration transferred	64,682	5,295	12,417	82,394
Representing:				
Elixinol Global Limited shares issued to vendor	64,682	5,295	12,417	82,394
Acquisition costs expensed to profit or loss	-	-	-	2,103
Cash used to acquire business, net of cash acquired:				
Acquisition-date fair value of the total consideration transferred	64,682	5,295	12,417	82,394
Less: cash and cash equivalents	(912)	(612)	(284)	(1,808)
Less: shares issued by Company as part of consideration	(64,682)	(5,295)	(12,417)	(82,394)
Net cash received	**(912)**	**(612)**	**(284)**	**(1,808)**

Notes to the consolidated financial statements (cont)

31 December 2018

Note 31 Business combinations (cont)

The receivables acquired, which principally comprised trade receivables, in these transactions with a fair value of $635,000 (Hemp Foods Australia) and $600,000 (Elixinol) has gross contracted amounts of $720,000 and $1,047,000 respectively. The best estimate at acquisition date of these contractual cash flows not expected to be collected are $85,000 and $447,000 respectively.

The business combinations were final as at 31 December 2018. Refer to note 4 for details of the adjustments to the fair values on finalisation of the business combination accounting.

Note 32 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:

		Ownership interest	
Name	Principal place of business / Country of incorporation	31 Dec 2018 %	31 Dec 2017 %
Elixinol LLC	United States of America	100.00%	100.00%
EXL International Holdings LLC	United States of America	100.00%	-
Nunyara 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%	-
Elixinol Ltd	United Kingdom	100.00%	-

* previously known as Elixinol Pty Ltd

Note 33 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
Nunyara 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 consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position are substantially the same as the Group and therefore have not been separately disclosed.

Note 34 Cash flow information

Reconciliation of loss after income tax to net cash used in operating activities

	Year to 31 Dec 2018 $'000	Period from 4 Sep 2017 to 31 Dec 2017 $'000
Loss after income tax (expense)/benefit for the year	(860)	(2,711)
Adjustments for:		
Depreciation and amortisation	824	17
Net gain on disposal of property, plant and equipment	(4)	-
Share of loss - associates	47	-
Share of loss - joint ventures	651	-
Share-based payments	831	355
Gain on step acquisition	(374)	-
Deferred tax through equity	(406)	88
Non-operating transaction costs related to equity settled business combination	-	1,687
Unpaid Joint Venture investment	(991)	88
Other non-cash items	-	180
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(2,155)	88
Increase in contract assets	(77)	-
Increase in inventories	(4,506)	(11)
Increase in deferred tax assets	(641)	(6)
Increase in prepayments	(2,795)	(261)
Increase in other operating assets	-	(10)
Increase/(decrease) in trade and other payables	5,287	(535)
Increase in contract liabilities	519	201
Decrease in provision for income tax	(108)	(11)
Decrease in deferred tax liabilities	(55)	(4)
Increase/(decrease) in other provisions	87	(62)
Increase/(decrease) in accrued expenses	(526)	434
Net cash used in operating activities	(5,252)	(649)

Notes to the consolidated financial statements (cont)

31 December 2018

Note 34 Cash flow information (cont)

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.

	Loan with Raw With Life $'000	Lease liabilities $'000	Total $'000
Balance at 4 September 2017	-	-	-
Changes through business combinations (note 31)	250	38	288
Balance at 31 December 2017	250	38	288
Net cash used in financing activities	-	(38)	(38)
Balance at 31 December 2018	**250**	**-**	**250**

Note 35 Earnings per share

	Year to 31 Dec 2018 $'000	Period from 4 Sep 2017 to 31 Dec 2017 $'000
Loss after income tax attributable to the owners of Elixinol Global Limited	(860)	(2,711)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	108,200,662	4,361,380
Weighted average number of ordinary shares used in calculating diluted earnings per share	**108,200,662**	**4,361,380**

	Cents	Cents
Basic loss per share	(0.79)	(62.16)
Diluted loss per share	(0.79)	(62.16)

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 36 Share-based payments

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

During the year, 4,958,232 performance rights were issued for $nil consideration and the share-based payment expensed in profit or loss was $831,000, deferred tax amounted to $403,000 and the equity movement was $1,234,000.

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.

The performance period of the grant is five financial years in four 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
Tranche 1	28 February 2020
Tranche 2	28 February 2021
Tranche 3	28 February 2022
Tranche 4	**28 February 2023**

Grant dates and details

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

31 Dec 2018

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
31/03/2018	28/02/2023	-	522,000	-	-	522,000
15/05/2018	28/02/2023	-	4,075,000	-	-	4,075,000
31/10/2018	28/02/2023	-	361,232	-	-	361,232
		-	4,958,232	-	-	4,958,232

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 4.2 years.

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
31/03/2018	28/02/2023	$1.49	53.50%	-	2.47%	$0.87
15/05/2018	28/02/2023	$1.65	53.50%	-	2.47%	$0.87
01/11/2018	01/02/2024	$1.95	58.90%	-	1.97%	$0.98

Notes to the consolidated financial statements (cont)

31 December 2018

Note 37 Parent entity information

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

Statement of profit or loss and other comprehensive income

	Year to 31 Dec 2018 $'000	Parent Period from 4 Sep 2017 to 31 Dec 2017 $'000
Loss after income tax	(2,185)	(2,671)
Total comprehensive loss	(2,185)	(2,671)

Statement of financial position

	31 Dec 2018 $'000	Parent 31 Dec 2017 $'000
Total current assets	40,196	17,769
Total assets	136,649	100,171
Total current liabilities	563	542
Total liabilities	1,063	1,042
Equity		
Issued capital	139,611	101,800
Share-based payments reserve	831	-
Accumulated losses	(4,856)	(2,671)
Total equity	135,586	99,129

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 33, the parent entity had no other guarantees in relation to the debts of its subsidiaries as at 31 December 2018 and 31 December 2017.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2018 and 31 December 2017.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2018 and 31 December 2017.

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 38 Events after the reporting period

Nunyara has purchased a parcel of land in New South Wales on 7 February 2019 for the sum of $2,585,000. The land has been acquired for the purpose of building a cultivation and manufacturing facility subject to receiving the relevant manufacturing licence from the Office of Drug Control, and the necessary development approvals from local council. Although neither of these approvals have been obtained at the date of this report, the Group's Board determined that it was commercially prudent to progress with the purchase of this unique parcel of land. Having access to the unique parcel of land enables the Company to proceed with preparations for the construction of the facility, thereby reducing further delays in getting the build underway.

No other matter or circumstance has arisen since 31 December 2018 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

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 2018 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 33 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

Paul Benhaim

Chief Executive Officer and Executive Director

27 March 2019

Sydney

Independent auditor's report to the members of Elixinol Global Limited

Deloitte.

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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 2018, 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 statements, including a summary of significant accounting policies and other explanatory information, 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 2018 and of its financial performance for the year then ended; 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 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* (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.

Independent auditor's report to the members of Elixinol Global Limited (cont)

Deloitte.

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 for 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.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying Value of Goodwill and other Intangible Assets At 31 December 2018 the Group has recognised goodwill amounting to A$75 million, contained within three cash generating units (CGUs). As disclosed in Note 17 'Non-Current Assets - Intangibles', in relation Hemp Foods Australia (HFA) CGU, management has specifically identified that a reasonable possible change in key assumptions used in the value in use impairment model could result in an impairment charge to goodwill. As at 31 December 2018, A$9.2million of goodwill and A$1.6 million of other intangible assets are attributable to the HFA CGU. The determination of the net present value of future cash flows involves significant judgement. For the HFA CGU, significant judgement was required in determining certain assumptions used in the value in use model including the discount rate applied, inflation rate, growth rate, forecast sales growth rate, timing of new product releases and related capital expenditure.	In conjunction with valuation specialists, our procedures included, amongst others: • Understanding and evaluating management's impairment process, including understanding the controls in respect of the preparation and review of forecasts; • Evaluating the discounted cash flow model developed by management to assess the recoverable value of the Hemp Foods Australia CGU. This included critically assessing the following key assumptions used within the model: o discount rate - through comparison with an independently calculated discount rate; o inflation rate - through comparison to external data; o forecast volumes and pricing of products, with reference to historical performance and external data; and o capital expenditure, with reference to historical spend and Board approved forecasts. • Testing, on a sample basis, the mathematical accuracy of the value in use model for the HFA CGU; • Comparison of the forecast EBTIDA to the Board approved forecasts and post year end performance; • Assessing the historical accuracy of management's cash flow forecasts; • Performing sensitivity analysis on a number of assumptions, in particular discount rates, expected sales growth, timing of new products; and • Assessing the appropriateness of disclosures in the notes to the financial statements.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Completeness of the revenue recognised by Elixinol LLC For the year ended 31 December 2018, A$32.4m of the Group's revenue was generated by Elixinol LLC the USA subsidiary. The completeness of amounts recorded as revenue in Elixinol LLC represents a heightened risk due to the complexity of the various channels of distribution. This risk primarily relates to website and bulk distribution channels which represents a significant portion of the Group's revenue.	Our procedures included, but were not limited to: • Obtaining an understanding of key revenue streams and assessing the Group accounting policies set out in Note 2 of the financial statements; • Assessing the appropriateness of disclosures for compliance with revenue recognition requirements of Australian Accounting Standards, including the transition to AASB 15; • Evaluating management's reconciliation of the detailed sales invoice listing and reports obtained from merchant processors, the sales order customer management software, investigating any material reconciling items; • Testing on a sample basis, confirming that cash received from merchant processors agreed to the website generated sales revenue recognised for that day; • Obtaining independent third party conformations of the revenue generated by Elixinol LLC from a sample of major customers; and • Performing sales cut-off tests to ascertain that revenue is recognised in the correct accounting period.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and our 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.

Independent auditor's report to the members of Elixinol Global Limited (cont)

Deloitte.

Responsibilities of the Directors for the Financial Report

The directors of the Company is 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 Group's ability 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 have 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 30 to 38 of the Directors' Report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Elixinol Global Limited, for the year ended 31 December 2018, 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tara Hill
Partner
Chartered Accountants
Sydney, 27 March 2019

Shareholder information

31 December 2018

The shareholder information set out below was applicable as at 15 March 2019.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Total units
1 to 1,000	1,539	796,049
1,001 to 5,000	1,109	2,808,293
5,001 to 10,000	282	2,217,898
10,001 to 100,000	227	6,155,793
100,001 and over	39	112,572,129
	3,196	124,550,162
Holding less than a marketable parcel	69	3,530

Equity security holders

Twenty largest quoted equity security holders

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

	Number held	Ordinary shares % of total shares issued
Raw with Life Pty Ltd (Benhaim Trading A/C)	54,623,008	43.86
D & G Health LLC	12,719,112	10.21
Citicorp Nominees Pty Limited	10,059,265	8.08
HSBC Custody Nominees (Australia) Limited	6,526,600	5.24
Merrill Lynch (Australia) Nominees Pty Limited	4,565,142	3.67
RobotExpert UG\C	3,301,342	2.65
J P Morgan Nominees Australia Pty Limited	2,891,778	2.32
BNP Paribas Nominees Pty Ltd (IB AU Noms Retail Client DRP)	1,695,814	1.36
BNP Paribas Noms Pty Ltd (DRP)	1,600,835	1.29
Tiverton Food Pty Ltd	1,533,761	1.23
Mr Danny Schulz	1,324,378	1.06
Seaview Group (Qld) Pty Ltd (Seaview A/C)	1,112,938	0.89
Brispot Nominees Pty Ltd (House Head Nominee A/C)	867,381	0.70
HSBC Custody Nominees (Australia) Limited - A/C 2	848,329	0.68
UBS Nominees Pty Ltd	797,950	0.64
Mr Arthur Pendragon Jaffe	731,808	0.59
National Nominees Limited	688,199	0.55
Elixinol Co Ltd	658,943	0.53
HSBC Custody Nominees (Australia) Limited - GSCO ECA	649,274	0.52
Morgan Stanley Australia Securities (Nominee) Pty Limited (No 1 Account)	550,760	0.44
	107,746,617	86.51

Unquoted equity securities

	Number on issue	Number of holders
Performance rights issued	4,958,232	21

Shareholder information (cont)

31 December 2018

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

Substantial holders

Substantial holders in the Company are set out below:

	Number held	Ordinary shares % of total shares issued
Raw with Life Pty Ltd (Benhaim Trading A/C)	54,623,008	43.86
D & G Health LLC	12,719,112	10.21
Citicorp Nominees Pty Limited	10,059,265	8.08
HSBC Custody Nominees (Australia) Limited	6,526,600	5.24

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.

Restricted securities

Class	Expiry date	Number of shares
Ordinary shares	8 January 2020	77,870,572

Corporate directory

Directors	Andrew Duff - Non-Executive Chairman Paul Benhaim - Chief Executive Officer and Executive Director Linda McLeod - Managing Director Stratos Karousos - Non-Executive Director
Chief Financial Officer	Ron Dufficy
Joint Company Secretaries	Ron Dufficy Kim Bradley-Ware (from 8 January 2019)
Registered office	Level 12 680 George Street Sydney NSW 2000 Tel: 02 4044 4585
Principal place of business	Level 36 1 Macquarie Place Sydney NSW 2000
Share register	Computershare Investor Services Pty Limited Level 4 60 Carrington Street Sydney NSW 2000 Tel: 1300 787 272
Auditor	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000
Solicitors	Gilbert + Tobin Level 35, Tower 2 200 Barangaroo Avenue Barangaroo NSW 2000
Stock exchange listing	Elixinol Global Limited shares are listed on the Australian Securities Exchange (ASX code: EXL) and the American over-the counter OTC Markets Group QX marketplace (QTCQX 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/

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