ELIXINOL GLOBAL LIMITED

ANNUAL REPORT 2019

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

Contents

About Us

Elixinol Global develops, manufactures and sells Elixinol branded hemp derived CBD products via a streamlined business model that focuses on key activities in the following markets:

- The Americas: innovating, manufacturing and selling Elixinol branded hemp derived CBD products based in Colorado, USA
- Europe & UK: educating and selling Elixinol branded and co-branded hemp derived CBD products based in Amsterdam, The Netherlands
- Australia: providing stronger unified planning and support across the group to enable the various regional offices to focus on operational strategy and execution through its Global Executive Office based in Sydney, Australia
- Rest of World: expanding distribution of Elixinol branded hemp derived CBD products through reputable distributors as key markets open

Elixinol Global Limited (ASX:EXL; OTC:ELLXF) is a global leader in the hemp derived CBD industry.

See more at www.elixinolglobal.com

Our Philosophy: Seed to Self

Elixinol's mission is very simple – improve the quality of people's life through the power of cannabinoids. What differentiates us from the market is that we have the foundation to deliver.

- We have a long heritage in hemp: For more than 25 years, Elixinol has been a champion of hemp. And for the past five years Elixinol has been focused on the science, research and development of world-class cannabinoid products to create real wellness solutions for people in need.
- We have global reach: Our global footprint with operational hubs in key markets allows us to bring the highest quality Elixinol branded products to people across the world, while giving us a global view of the dynamic and rapidly evolving market.
- We are ahead of the curve: Elixinol's team is not only the leading experts in extraction, processing and formulation, but our ancillary resources are leading the way in the global understanding of cannabinoid wellness.
- Integrity and transparency are in our DNA: Our customers rely on Elixinol branded products to improve their wellness and we take that job seriously. We answer every question, we research and publish every detail. We have always been clear about where are ingredients are sourced and have done our due diligence to ensure the partners we have share our values.
- Quality first – always!: At Elixinol, we believe that by diligently working to create high quality Elixinol branded products that deliver real benefits to people, we can prove the worth of the hemp plant one convert at a time!

Letter from the Chairman

FY2019 was about refocusing the business to take full advantage of the global market opportunity for hemp derived CBD products."

Refocused resources on our largest business unit, Elixinol

Reshaped the executive team to strengthen our operating performance

Expanded distribution of Elixinol branded and co-branded hemp derived CBD products in key markets globally

Reduced cash burn and cemented the foundations for positive cashflow and future growth

Dear Shareholders

On behalf of the Elixinol Global Board, I am pleased to present our Annual Report for Financial Year 2019 (FY2019).

Following strong revenue growth in FY2018, both Elixinol Global and the CBD industry as a whole, faced significant challenges continuing this growth during FY2019. Specifically, in the USA, where our largest business operates, a lack of clarity from the Food and Drug Administration (FDA) combined with the introduction of competitors in a crowded and unregulated market made for difficult trading conditions as FY2019 progressed.

This resulted in a reset of our strategy late in FY2019, from one of preparing for high revenue growth immediately to a simplified business model focused on the market opportunity for hemp derived CBD products. Coupled with a sharp focus on reducing cash-burn and various working capital reduction initiatives, we have put in place the foundations for a clear path towards positive cashflow and future growth.

Refined strategic focus

As the emerging cannabis industry continued its evolution, it became clear that Elixinol Global's original strategy of focusing on three distinct business units required review. We re-assessed our strategy and made the decision in late 2019 to focus our resources on our largest business unit, Elixinol, and divest both the Hemp Foods Australia (HFA) business and Nunyara assets. Elixinol Global was pleased to announce the sale of HFA in February 2020 as a result. Cash will now only be deployed into supporting the Elixinol business and driving forward growth priorities in the key markets of the US, Europe and the UK.

Compliance & risk

In October 2019, following an operations review, the Company established that non-compliant hemp derived CBD products were being sold by Elixinol Japan. Elixinol Global takes its compliance with legal and regulatory obligations very seriously and conducted an immediate investigation. As part of the investigation, Elixinol Global assessed if there were any viable commercial alternatives for its Japanese business and ultimately decided there was not and to sell the Company's 50.5% interest in Elixinol Japan.

This decision, whilst a setback, demonstrates the Board's zero tolerance approach to non-compliance and its commitment to meet the highest standards in governance and compliance.

Reshaping the executive team

To strengthen our operating performance and to ensure we have the right global and regional leadership structures in place to focus on operational strategy and execution, we reshaped the executive team. The management restructure included the appointment of Stratos Karousos as Group CEO in July 2019.

Stratos' appointment underpins Elixinol Global's evolution from a founder-led company to a business focussed on building Elixinol into a dynamic and trusted global brand with the operational processes and people to underpin this. You can read more about the changes Stratos has made at the operational level and his plans for the future in the CEO's Report on the following pages.

Growth in branded products despite challenging regulatory environment

Despite a prolonged uncertain regulatory environment, the Elixinol business has seen positive trends in growth in FY2019 in its branded products. Globally, the Company continues to focus on expanding distribution of Elixinol branded and co-branded hemp derived CBD products through reputable distributors as key markets open.

This expansion will be underpinned by the launch of a refreshed and dynamic Elixinol brand across the major markets in the first half of 2020. The new brand will broaden the appeal of Elixinol products, along with the optimisation of our growing product range to ensure the best mix of offerings for our consumer and wholesale customers.

Elixinol is fully compliant with the 2018 United States Farm Bill as it does not make any therapeutic claims on its products and it does not add CBD to food. Elixinol welcomes the FDA's current focus on the hemp derived CBD market, which will benefit from considered regulation in this new and rapidly evolving industry. With such a long history and strong focus on quality control, Elixinol is very well positioned to benefit from a robust regulatory framework.

Outlook

As I write we are dealing with the fast evolving Novel Coronavirus (COVID-19) pandemic and we have commenced implementing a range of precautionary measures in response to the potential impacts. Our focus is on maintaining the health and wellbeing of Elixinol personnel, our customers, clients, contractors and partners.

Your Board and Management is confident we will create meaningful value for all shareholders by maintaining this medium to long-term view, and ensuring the Company is best positioned to take advantage of the expected future global growth in the hemp derived CBD market.

I believe that Elixinol Global, led by Stratos and the leadership team, has the right assets and capability to deliver strong shareholder value.

In a difficult environment, thank you for your continued support of Elixinol Global.

Yours sincerely,

Andrew Duff
Non-Executive Chairman

CEO's Report

Dear Fellow Shareholder,

Elixinol Global's commitment to simplification, strong governance and capital discipline has resulted in a number of significant changes to the business since I took on the role of CEO in H2 FY2019, with the overarching goal of laying the foundations for a sustainable, long-term future for the Company.

My decision to move from a Board position to CEO in July 2019 was driven by a firm belief in the Company and the Board's commitment to ensuring we were on the right path for continued growth and success. I undertook a critical review of the business and in close consultation with the Board, made the strategic decision to divest non-core assets and re-focus our efforts in order to prioritise areas with the greatest potential.

Focusing on our core expertise

Our core capabilities have always been in the hemp derived CBD market and we have been leading the industry in this area for many years. Our unique experience, combined with strong growth of this sector globally, drove the decision to simplify our business model and focus closely on the Elixinol business.

Elixinol's refined strategy, focused on hemp derived CBD in the US, Europe & UK ensures we are well positioned to grow our high-margin, branded products. Despite prolonged regulatory developments, we have a pathway to positive cashflows and will be able to capitalise on the expected global growth in the hemp derived CBD market in 2020 and beyond.

Once this decision was made in H2 2019, we moved rapidly to divest Hemp Foods Australia and began the process of selling Nunyara's assets.

As outlined in the Letter from the Chairman, Elixinol Global also sold its 50.5% interest in Elixinol Japan after an internal investigation established that non-compliant hemp derived CBD products were being sold by the Japanese business.

Expanding global distribution

Elixinol has focused on establishing distribution arrangements in targeted locations across various channels to drive growth over the last six months and this has resulted in a number of agreements being secured.

In October 2019, Elixinol Europe signed a non-exclusive distribution agreement with Endo-Cbox Limited and Gigaicon International Ltd for various retail channels (excluding pharmacies and para-pharmacies) in Germany for a period of two years. In November, Elixinol Europe signed a non-exclusive distribution agreement with Christoforatos I.K.E. for sales of Elixinol branded products across various retail channels in Greece for a period of two years. In December, Elixinol Europe signed a non-exclusive distribution agreement with CBDLOUNGE, SRL for sales of Elixinol branded products across various retail channels in Romania for a period of one year.

Elixinol Europe also extended its distribution strategy into Asia. In October 2019, we signed a non-exclusive distribution agreement with Endo-Cbox Limited and Gigaicon International Ltd. for sales of Elixinol branded products in Laos, Vietnam, Thailand, Cambodia and Malaysia for a period of two years. In January 2020, we signed an exclusive distribution agreement with Wellness Korea Limited for sales of Elixinol branded products across various retail channels in South Korea for a period of one year. In addition, Elixinol is currently in the process of securing Greater China distribution by appointing an exclusive licensee of Elixinol branded hemp derived CBD products in China, Hong Kong, Taiwan and Macau.

Key pillars for growth

The Company's strategic focus is now predicated on the following key pillars to support revenue growth and drive margin improvement:

- A total refresh of the Elixinol brand and products to ensure we are evolving with consumer trends and demands;
- Innovative new product development, including expansion of the Elixinol skincare range in the USA and launch of the range into Europe and the UK in Q2 FY2020;
- Scaling Elixinol's direct-to-consumer e-commerce platform to provide leading digital capabilities and strength in a rapidly expanding retail channel;
- Maintaining the highest quality supply partners, particularly in the growing organic space;
- Leveraging the investment we made in production capacity (we doubled production capacity in the USA in 2019) and strategic partnerships to drive operating efficiencies and margin improvement;
- Expanding our global distribution footprint by focusing on market opportunities, driving brand recognition and leveraging existing partnerships such as those with Pet Releaf, PharmaCare and MedVec
- Tightening cost control and capital management in order to reduce cash burn, and;
- Diligently investing capital to appropriately position the Company for future growth.

Product innovation and data-driven marketing

We commenced the process of launching Elixinol's new breed of branded products in March 2020 following extensive customer-led research. Our new range focuses both on hemp derived CBD formats that consumers in our key markets recognise as supplements and on an innovative approach to skincare.

Crafted by experts and designed for optimal effect, each of Elixinol's new branded products combine high-quality hemp derived CBD with specific vitamins and minerals to target different areas of health and wellbeing.

The formulations have been driven by customer demand at both enterprise and consumer level, and include tinctures, topicals, capsules, powders, gummies and CBD infused skincare / cosmetics.

Underpinning the launch of Elixinol's new branded products is a comprehensive sales and marketing strategy, including an updated eCommerce platform that provides leading digital capabilities in a rapidly expanding retail channel. The online platform also delivers educational support on the individual benefits of each of the products, while also providing the ability to monitor consumer trends and behaviour in real-time.

Innovation and technology remain at the forefront of Elixinol's product development and I'm pleased to say that following this initial March launch, there is a pipeline of new and unique products to be unveiled throughout 2020.

We will continue to lead the industry in the area of high-quality and effective hemp derived CBD products thanks to our world-class processing and extraction methods.

FY2019 financial results

Group revenue for FY2019 was reported at $27.2 million vs $32.5 million in FY2018, representing a 16% decline. This reduction in revenue was largely driven by the termination of low margin private label contracts and the fact that the bulk market has been flooded with cheap, poor quality product. Revenue from Elixinol branded products increased by 35% to $16.1m and now represents 59% of total revenue (up from 37% pcp).

Several significant, capital-intensive projects were completed during the reporting period, including expansion of production capacity, provisioning of a data-enabling enterprise resource planning system and deployment of an eCommerce system to support operations and marketing.

Moving forward with a continued focus on cost control and the execution of various working capital reduction initiatives, our future quarterly cash burn rate is planned to be lower than historical run rates. In-house production commenced in Q4 FY2019 and this will produce ongoing cash savings and a significant reduction in product costs.

Our operating plan, which is not predicated upon regulatory development in the US and Europe and UK, provides a pathway towards positive cashflow and increased gross margins. We have adequate inventory on hand to support demand for CY2020 at a minimum, minimising raw material cash support needs and the ability to convert this material into cash if we need to.

While revenues for FY2019 have been disappointing, as mentioned earlier, the Board has taken swift action to divest non-core assets and reset the business strategy. We have a strong balance sheet with net cash of $20.2m to drive global growth moving forward.

Outlook

Elixinol Global will continue to monitor the rapidly evolving impact of the Novel Coronavirus (COVID-19) on its people, its business operations and its customers. Regardless of the uncertainty surrounding both the duration and scale of the COVID-19 outbreak, Elixinol Global remains extremely positive about the market opportunity for hemp derived CBD and the Company's ability to leverage its brand reputation to drive revenue growth and CBD market share.

The refresh of Elixinol's brand and product range that has been designed to appeal to broader consumer segments is well supported by our recent investments in people, infrastructure and production capacity. We move forward with a plan to leverage our scale and carve out a strong position in our key markets.

We have taken a very diligent approach to ensure the business is well positioned to take advantage of the growth potential in the CBD market, and the strategies we have set in place in FY2019 have laid strong foundations for an exciting future in 2020 and beyond.

These are unprecedented times that we now operate in and I would like to thank our shareholders, employees, partners and customers for your continued support in what has been a challenging but productive year.

Yours sincerely,

Stratos Karousos
CEO

FY2019 Milestones

Revenue from Elixinol branded products increased by 35% to $16.1m and now represents 59% of total revenue (up from 37% PCP)

$16.1m

▲ up 35%

Innovation & technology focussed company producing high quality, consistent CBD extraction and bioavailable ingredients such as micro-encapsulation

Strong balance sheet with $20.2m cash and $20.3m inventory to drive domestic and international growth

$20.2m

Regulatory environment impacted sales across all channels resulting in asset impairments, outlook remains positive

outlook

Strategic partnerships provide significant global expansion opportunities via existing distribution channels as well as supply chain integration

Expanding **global presence** of Elixinol branded products via our sales teams in the Americas, Europe & UK

SALES

Revenue growth in high margin Elixinol branded products

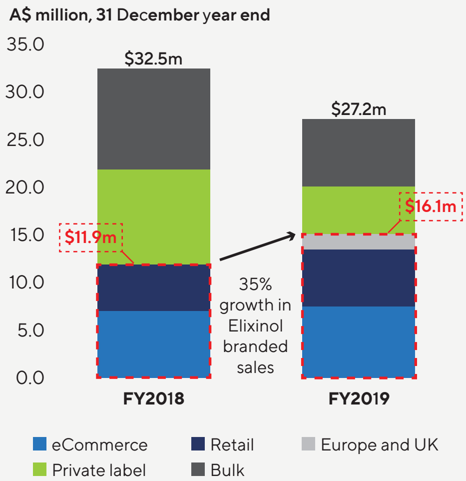
Branded / co-branded products (eCommerce, Retail, Europe & UK)

- 35% growth in high margin branded and co-branded sales driven by retail penetration in the US and entry into Europe & UK:
  - FY2019 $16.1m vs FY2018 $11.9m
  - Elixinol branded and co-branded products represent 59% of total sales (37% in FY2018) Bulk and Private label

Bulk sales have declined

- 34% due to influx of cheap, poor quality product (lack of product regulation):
  - FY2019 $5.7m vs FY2018 $8.2m
- 56% decline in private label sales due to termination of low margin contracts to allow Elixinol to focus on its branded products:
- FY2019 $5.5m vs FY2018 $12.4m

Revenue by Channel



Q1 FY2019

- Elixinol enters New Zealand market, with products being available on a prescription basis via the www.elixinol.com e-commerce website
- Elixinol Global expands into Europe driving international growth, with sales hubs in the Netherlands, Spain and United Kingdom
- Elixinol Global announces the purchase of property of an intended medical cannabis site for an integrated cultivation and manufacturing facility

Q2 FY2019

- Appointment of Greg Ellery to the Board of Elixinol Global - Greg brings extensive international Consumer Packaged Goods (CPG)/ Fast Moving Consumer Goods (FMCG) experience within multinational, publicly listed companies
- Elixinol Global acquires 25.43% of Pet Releaf - the market leading US-based CBD pet products company
- Elixinol is officially granted a coveted CBD Processor Authorisation by the New York State Department of Agriculture Markets, providing Elixinol with the ability to scale operations and improve efficiency

Q3 FY2019

- Elixinol Global raises A$50m to accelerate expansion in the US
- Elixinol Global announces Infusion Strategies, a strategic partnership increasing Elixinol's exposure to the CBD-infused dietary supplement, nutraceutical, food and beverage industries
- Elixinol signs an exclusive distribution agreement with MedVec International GmbH (Distributor) for pharmacy and para pharmacy channels in Germany
- Stratos Karousos appointed as Chief Executive Officer of Elixinol Global
- The Company expanded its Global Executive Office in Sydney, Australia, to provide stronger unified planning and support across the Elixinol Global Group and to enable the various regional offices to focus on operational strategy and execution
- Elixinol Global acquires the intellectual property rights over microencapsulated technology developed by Bionova, allowing the Company to exploit the microencapsulated technology globally
- Elixinol partners with PharmaCare's Naturopathica brand to create a co-branded CBD capsule range to be sold via Holland & Barrett, UK's leading health and wellness retailer
- Elixinol enters into an exclusive CBD manufacturing and supply agreement with Pet Releaf
- Elixinol signs an exclusive distribution agreement with Harmonia Life Oy for multiple channels in Finland

Q4 FY2019

- Elixinol Global sells its 50.5% interest in Elixinol Japan to Mr Takeshi Sakurada, who is one of the other shareholders of Elixinol Japan
- Elixinol Global announces a simplification of its business model, with plans to review options for Hemp Foods Australia and Nunyara
- Elixinol announces plans to refresh its brand and hemp derived CBD products following extensive customer and market research
- Chief Innovation Officer and Company Founder Paul Benhaim resigns, continuing as a director of the Company in a non-executive capacity

Q1 2020

- Elixinol Global announces the sale of Hemp Foods Australia to Yunnan Lvxin Biological Pharmaceutical Company, a subsidiary of Shanghai Shunho New Materials Technology Co., Ltd. (Shunho)
- Shunho is appointed as its exclusive licensee to use various Elixinol trade marks and know how in connection with the manufacture and distribution of Elixinol branded hemp derived CBD products in China, Taiwan, Hong Kong and Macau
- Elixinol Global begins the process to sell the assets owned by Nunyara (including the land) and redeploy the cash proceeds to support its Elixinol CBD operations.
- Launch commences of carefully researched and highly targeted new Elixinol brand and product range

Elixinol unveils a global rebrand and innovative new product line

As a global leader in the hemp derived CBD industry, Elixinol is taking a leadership approach and redefining how consumers can confidently look for high quality hemp derived CBD products to help address their health and wellness needs

Elixinol will continue to strengthen its reputation as a true pioneer in the CBD space in 2020 with a worldwide rebrand and the launch of a new innovative line of wellness products designed to build consumer trust and knowledge about hemp-derived CBD products. The rebrand and product refresh is also part of the Company's refined strategy of focusing on high quality Elixinol branded products.

Officially launched in March 2020, Elixinol's rebrand and new product line follows in-depth research to ensure a consumer-orientated approach by making it easier for people to find products that suit their specific needs.

The refreshed product line includes 8 new SKUs to support different areas of health and wellness. Elixinol will also launch a new CBD skincare line later this year. The new products will be sold via Elixinol's eCommerce platform and at over 2,600 natural, specialty and conventional supermarkets and pharmacies across the US.

Made with full or broad-spectrum hemp extract at the core, Elixinol formulations are traceable and transparent so consumers know exactly what they receive with each product. The rebrand includes the new slogan "Kind of Amazing" to reflect Elixinol's belief that simple ingredients with thoughtful formulation, crafted by experts and designed for optimal effect are capable of creating something special.

The brand's focus on transparency comes at a time when there is a lot of confusion in the marketplace following the 2018 Farm Bill, which opened doors to a wave of quickly formed CBD brands. As a company whose creation predates the implementation of the 2014 Farm Bill that set up the nation's first experimental hemp program, Elixinol is on a mission to bring the CBD industry to the next level by creating trusted partnerships with large retailers that go beyond the minimum compliance requirements.

Elixinol's new suite of products include:

- **Organic Balance Natural Tincture**
  These USDA Certified Organic tinctures are crafted with CBD in organic hemp extract and carefully blended with organic MCT coconut oil. By using full-spectrum hemp oil, these tinctures feature CBD and provide a range of complementary cannabinoids, flavonoids and terpenes.
- **Daily Balance Broad-Spectrum Tincture**
  Available in four sizes, these tinctures are crafted with CBD in broad-spectrum hemp extract and carefully blended with organic MCT coconut oil. Broad spectrum means that the THC has been reduced to a level not detectable by standard lab equipment.
- **Broad Spectrum Sports Gel**
  This hydrating, non-greasy gel for all skin types is a special blend of essential oils, including eucalyptus, peppermint, rosemary, grapefruit, chamomile and cassia bark extract, along with 1,000mg broad-spectrum hemp extract and a full profile of other cannabinoids, terpenes, and flavonoids.
- **Omega Turmeric Capsules**
  Supporting healthy antioxidant activity, these capsules feature algae-derived DHA and Omega-3, which has a direct impact on the endocannabinoid system and can help support brain function and joint health. They're made with full-spectrum hemp oil CBD and complementary components of the hemp plant.
- **Body Comfort Capsules**
  Made with full-spectrum hemp oil, this product supports joint health and normal range of motion. It is made with Boswellia, which has been shown to ease inflammation throughout the body following exercise.
- **Stress Less Capsules**
  Designed to help the mind and body cope with occasional stress, these capsules promote vitality and balanced mood. Made with ashwagandha and full-spectrum hemp oil with CBD as well as a wide range of complementary components.
- **Happy Belly Capsules**
  Supporting optimal digestive health, these CBD capsules are made with BB536 B. longum – one of the preeminent probitic strains with more than 100 scientific studies (available Q2 2020).
- **Good Night Capsules**
  Promoting tranquil sleep and healthy sleep cycles, these capsules combine CBD with melatonin (available Q2 2020).

With many new brands and products flooding the market, Elixinol will continue to differentiate itself with a stringent focus on quality and efficacy. All Elixinol products undergo rigorous third-party independent laboratory testing to ensure the absence of microbiological contamination, heavy metals and pesticides as well as the presence of Elixinol's unique terpene profile. Every Elixinol product is crafted with whole plant extract at the base, ensuring each delivers an effective amount of CBD and a wide range of complementary cannabinoids.

Underpinning the refreshed brand and product range will be a targeted and tactical marketing and sales approach in 2020 and beyond. There will be a strong focus on educating and building relationships with the people who are influencing consumers at the decision point, including medical professionals, wellness influencers and the media. There will also be a much-improved eCommerce platform, targeted digital campaigns and more effective tools for our sales teams, with the overarching aim of helping people understand the benefits of Elixinol CBD products in their various formats and formulations.

You can find out more about the Elixinol brand and products at elixinol.com.

Financial Report Contents

Directors' Report

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 2019.

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
Stratos Karousos	Executive Director (appointed 16 July 2019) Chief Executive Officer (appointed 16 July 2019) Former Non-Executive Director (resigned 23 May 2019)
Paul Benhaim	Non-Executive Director (effective 18 December 2019) Former Executive Director (prior to 18 December 2019)
Greg Ellery	Non-Executive Director (appointed 12 April 2019)
Linda McLeod	Managing Director (resigned 18 July 2019)

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year 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 ('Nunyara').

The principal activities of the Group are:

Elixinol (hemp derived cannabidiol ('CBD') dietary supplements)
Elixinol is based in Westminster, Colorado (USA) and was established in 2014 to specialise in the manufacturing and distribution of products made from premium quality, predominantly '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. Nunyara holds a manufacturing licence and its application for cultivation to the Office of Drug Control is currently pending approval.

DIVIDENDS

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

REVIEW OF OPERATIONS

Operating and Financial Review

For the year ended to 31 December 2019, the Group reported a net loss from continuing operations after income tax of $65,997,000 (2018: $344,000 net profit).

For the year ended to 31 December 2019, the Group reported a net loss from discontinuing operations after income tax of $17,074,000 (2018: $1,204,000 net loss).

For the year ended to 31 December 2019, the Group reported total comprehensive loss after income tax of $82,928,000 (2018: $860,000 total comprehensive loss).

The Group's revenues from continuing operations for the year ended 31 December 2019 were $27,183,000 (2018: $32,454,000).

The Group's earnings before interest, tax, depreciation and amortisation ('EBITDA') including share of associates' net loss and excluding impairment from continuing operations for the year ended 31 December 2019 was an Adjusted EBITDA loss of $22,851,000 (2018: Adjusted EBITDA profit of $1,007,000). A reconciliation of Adjusted EBITDA from continuing operations to statutory loss (2018: profit) is detailed below:

	2019 $'000	Group 2018 $'000
EBITDA from continuing operations		
(Loss)/profit from continuing operations	(65,997)	344
Add back: Income tax benefit	(7,620)	492
Add back: Finance costs	121	-
Deduct: Interest revenue	(559)	(441)
Add back: Depreciation and amortisation	2,451	612
EBITDA from continuing operations	(71,604)	1,007
Add back: Impairment of goodwill	38,270	-
Add back: Impairment of assets	10,483	-
Adjusted EBITDA from continuing operations	(22,851)	1,007

The Group's cash flow used in operations for the year ended 31 December 2019 was $51,066,000 (2018: $5,252,000 used in operations). Cash flows have been invested in building working capital, particularly to ensure constant and consistent supply to customers and investing heavily in sales, marketing and advertising expenses predominantly during the first half of the year.

Acquisitions

Incorporation of 60% shareholding in Infusion Strategies LLC

On 11 June 2019, Elixinol entered into a strategic partnership with RFITD Holdings, LLC, an affiliate of RFI, LLC ('RFI') via a newly incorporated Colorado based entity Infusion Strategies, LLC ('Infusion Strategies'). The Group shareholding in Infusion Strategies is 60% and the investment will be consolidated into the Group results. Infusion Strategies will increase Elixinol's exposure to the CBD-infused dietary supplement, food and beverage industries via distribution to RFI's customers. Infusion Strategies will be managed by RFI with a focus on strengthening the organic supply chain for hemp derived CBD, obtaining quality genetics, implementing leading processing and extraction methods and advancing innovation and product development.

Equity Investment – Altmed Pets LLC ('Pet Releaf')

On 24 April 2019, Elixinol acquired 25.43% of Altmed Pets LLC ('Pet Releaf'). Pet Releaf are a leading brand in the high growth cannabidiol (CBD) pet products market. The investment is an extension of a long-standing relationship with Pet Releaf to which Elixinol has been the exclusive supplier of CBD extracts from Pet Releaf's exclusive strains of hemp since inception and has shared its best in class manufacturing expertise to select Pet Releaf-branded products.

Elixinol Co. Ltd ('Elixinol Japan')

On 28 May 2019, the Group obtained two additional board seats in Elixinol Japan gaining control in accordance with the Accounting Standards. As a result, the trading results of Elixinol Japan are consolidated from 29 May 2019.

Disposals

Elixinol Co. Ltd ('Elixinol Japan')

On 2 December 2019, the Company sold its 50.5% interest in Elixinol Japan to one of Elixinol Japan's other shareholders, Mr Takeshi Sakurada, for $13,500 (¥1,000,000) with a deferred cash payment of $362,715 multiplied by the ratio of the closing price of Elixinol shares on 8 January 2020 divided by $1.09 (less Japanese taxes), which is payable by no later than 30 June 2020. Loss on disposal of the business was $2,304,000 reported within discontinued operations.

Segment results

Americas

The Americas segment comprises the trading results of Elixinol LLC, ('Elixinol') and its investments including Infusion Strategies, Pet Releaf, Northern Colorado High Plains Producers and H&W Holdings.

Americas reported revenue of $24,915,000 for the year ended 31 December 2019 (2018: $32,400,000) and EBITDA loss of $13,593,000 for the year (2018: $4,494,000 EBITDA profit).

Elixinol continues to focus on increasing sales of high-quality Elixinol branded products by developing its eCommerce capabilities and gaining distribution through nationally recognised retail outlets. As growth in the CBD market in the USA continues, a lack of product regulation and quality standards creates a difficult environment for consumers to make informed choices and certain competitors are price discounting with low quality products. Elixinol continues to promote consumer education and the highest quality practices in anticipation of an impending Food and Drug Administration (FDA) regulatory framework creating appropriate barriers to entry and set standards which are likely to correct the market. To mitigate any future risk in the regulatory environment, Elixinol has entered strategic partnerships with RFI to better serve the global market for hemp derived CBD dietary supplements by strengthening the organic supply chain, obtaining quality genetics, implementing leading processing and extraction methods and advancing innovation and product development.

In anticipation of increasing consumer demand and regulatory driven catalysts, the Company significantly increased its inventories and placed sizeable deposits for raw material supply contracts in the USA which incurred operating cash outflows of $17,300,000 during 2019. Despite an anticipated significant increase in hemp farming acres across the USA, the Company has taken a strategic decision to mitigate the risk of typical first and second-year crop failures resulting in potential scarcity of premium quality high-yielding CBD hemp biomass. The Company has long standing relationships with reliable and well-established hemp farmers who use proper handling and agricultural practices. Risk of stock obsolescence is mitigated by extracting biomass into CBD oil which then has up to a 3-year shelf life.

The Company has made significant investments in preparation for a significant increase in global demand in the hemp derived CBD market. Increased levels of expenditure were incurred across the business with key focus on building sales distribution, growing brand awareness through marketing activities, as well as building an appropriate supporting infrastructure.

During 2019, the number of full-time equivalent employees increased from 56 to 98. Following the end of 2019 and early in 2020, the Company decided to complete a reduction in workforce and reduced the number of full-time equivalent employees to 72. In June 2019, Elixinol received a certificate of occupancy from the City of Louisville for its new production facility in Colorado. This new facility houses the latest technology in high yielding and highly efficient CO^2 as well as a fully functional technology laboratory. The facility more than doubles the Company's production capacity and is expected to yield substantial cost efficiencies leading to improved product margins and accelerated operating leverage.

Europe & UK

Europe & UK ("Elixinol Europe") including Elixinol BV and Elixinol Limited, reported revenue of $2,268,000 for the year ended 31 December 2019 (2018: $54,000) and EBITDA loss of $3,551,000 (2018: $487,000 EBTIDA loss).

New sales hubs were established by the Group in the Netherlands, Spain and the United Kingdom in late 2018. During 2019, the number of full-time equivalent employees increased from 12 to 15. Underlying these hubs are product fulfilment arrangements with local European-based contract manufacturers.

Products have been marketed by a direct sales force located across Europe, using an expanded and upgraded eCommerce site and infrastructure. These initiatives supported the Group to build a strong market position across Europe. The go-to-market strategy has seen the Group sell its products with the same successful multi-channel sales system used in the US selling direct to consumer via eCommerce as well as via distributors, wholesalers, pharmacies and national accounts.

Australia

The Australia segment comprises the continuing trading results from Nunyara Pharma Pty Ltd ('Nunyara'). Hemp Foods Australia Pty Ltd ("Hemp Foods Australia") has been reallocated to discontinuing operations following the announcement the business has been sold and therefore is presented as an Asset Held for Sale in the consolidated financial statements.

Australia reported revenue of $nil for the year ended 31 December 2019 (2018: $nil) and EBITDA loss of $404,000 (2018: $397,000 EBITDA loss).

During 2018, licence applications for Nunyara to participate in the Australian medicinal cannabis industry were submitted to the Australian Government's Office of Drug Control.

In February 2019, the Group announced a property purchase of a unique 60-acre lot with the intention to build the first stage of its planned medicinal cannabis facility.

In July 2019, Nunyara was granted a licence to manufacture medicinal cannabis for extracts and tinctures of cannabis and cannabis resin, by the Australian Office of Drug Control. As at 31 December 2019, Nunyara was still awaiting approval to receive its Medicinal Cannabis Licence which will allow the Company to cultivate and produce cannabis for medicinal purposes.

Subsequent to year end, after reviewing various options for the Nunyara business, the Group has decided to not pursue its application for a medical cannabis cultivation licence in Australia. The process to sell the assets owned by Nunyara (including the land) commenced and the cash proceeds will be redeployed to support the Group's operations.
As a result of this decision an impairment charge of the goodwill and other assets of $4,813,000 has been recognised in the financial statements.

Discontinued Operations and Held-for-Sale
Discontinued Operations, which includes Hemp Foods Australia and Elixinol Co. ("Elixinol Japan"), reported revenue of $5,116,000 for the year ended 31 December 2019 (2018: $4,676,000) and EBITDA loss of $1,974,000 (2018: $1,162,000 EBITDA loss).

Hemp Foods Australia
The Board resolved to dispose of the Group's investment in Hemp Foods Australia Pty Ltd and negotiations with several interested parties have taken place. The disposal is consistent with the Group's long-term policy to focus its activities on the Group's other businesses. Subsequently, on 31 January 2020, the Group entered into a sale agreement to dispose of Hemp Foods Australia Pty Ltd, subject to regulatory conditions and entering into a distribution agreement with Elixinol LLC. All of these conditions are expected to be settled within 12 months and therefore the subsidiary has been classified as a disposal group held for sale and presented separately in the statement of financial position. The proceeds of disposal are expected to be below the carrying amount of the related net assets and accordingly an impairment loss has been recognised on the classification of these operations as held for sale.

Elixinol Japan
On 2 December 2019, the Company sold its 50.5% interest in Elixinol Japan to one of Elixinol Japan's other shareholders, Mr Takeshi Sakurada.

Share of associates' loss
Share of associates' loss during the year ended 31 December 2019 was $1,624,000 (2018: $698,000 loss).

Review of financial position
At 31 December 2019 the net assets of the Group were $111,382,000 which is $32,353,000 lower than as at 31 December 2018. The key impact during the year was the operating losses of $83,071,000 offset by the additional capital raised of $47,171,000, net of issue costs.

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 and Europe & UK;
- research and development into new products which delivery premium quality benefits to consumers;
- education of consumers to fuel grow and demand for products to gain further market share; and
- delivering high quality and ethical products to customers.

Business strategies and future prospects

Refined Strategic Focus

The Group remains very positive on the market opportunity for hemp derived CBD and its ability to leverage its strong reputation for high quality hemp derived CBD products. Elixinol is ideally positioned in the US and Europe & UK markets given its recent investment in people, infrastructure and production capacity.

Despite a prolonged uncertain regulatory environment, the Group has refined its strategy to ensure it delivers both short-term and long-term success. The Group's strategic focus is now predicated on the following key pillars to support revenue growth and margin improvement:

- Simplifying its business model to focus on high-quality Elixinol branded hemp derived CBD products;
- Building a dynamic Consumer Packaged Goods ('CPG') group as a trusted global brand;
- Maintaining current high-quality supply partners particularly in the organic space;
- Leveraging its investment in production capacity and strategic partnerships;
- Tightening cost control and capital management; and
- Diligently investing capital to appropriately position itself for future growth.

Simplified Business Model

Considering the significant opportunity presented globally in the hemp derived CBD market, the Company has decided to focus its resources on the Elixinol CBD business unit moving forward with a view to optimising shareholder value.

Brand and Product Refresh

Whilst Elixinol continues to be a leading brand in hemp derived CBD products, Elixinol recognises the requirement to continually assess its consumer proposition and branding in an extremely dynamic and developing market. Accordingly, Elixinol has completed a total brand and product refresh which will be released to the market in the back half of Q1 2020. This refresh is driven by the ongoing changes in the hemp derived CBD market as the market becomes more consumer focused. The brand and product refresh has been centred on the following core pillars:

- Dynamic consumer driven offering;
- Truly global;
- Industry leading science and innovation; and
- Heritage in hemp.

Moving forward, the Group will apply a data driven approach to its sales and marketing efforts with a rationalised range of core products including tinctures, capsules, powders and topicals. Driven by consumer feedback, Elixinol also plans to roll out new innovative products throughout 2020.

Investment in Operations and eCommerce

The Group has continued to invest in its operational processes and systems throughout 2019 to achieve an improved level of operating efficiency. The majority of this work has been completed in 2019 and there are further improvements targeted for 2020 and beyond. Some of these key developments in 2019 included:

- Implementing new ERP systems which will enable capturing more accurate data in relation to sourcing, manufacturing and distribution; and
- Developing a new eCommerce platform to become a leading player in this segment of the industry. This work will also allow the Group to leverage a data driven approach to sales and marketing by utilising its newly implemented ERP systems.

Elixinol utilises a mix of cultivating its own raw materials and sourcing externally grown products. All raw materials used in Elixinol products have been cultivated using organic methods, including securing long term certified organic produce from experienced growers.

Elixinol is fully compliant with the 2018 United States Farm Bill, does not make therapeutic claims on any of its products and does not add CBD to food. Elixinol also welcomes the US Food and Drug Administration's focus on the hemp derived CBD market which will benefit from considered regulation in this new and forming industry.

Globally, the Company is focused on expanding distribution of Elixinol branded and co-branded hemp derived CBD products through reputable distributors as key markets open.

Cost Control and Capital Management

With a continued focus on cost control and the execution of various working capital reduction initiatives, the future quarterly cash burn rate is planned to be lower than historical run rates. Additionally, the Company's operating budget, which is not predicated upon regulatory development in the US and Europe & UK, provides a pathway towards positive cashflow and increased gross margins.

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 reliant on 'broadacre hemp cultivation'. As such, the businesses are subject to the risks inherent in the agriculture industry. These risks include insects, plant diseases, storm, fire, frost, flood, water availability, water salinity, pests, bird damage and force majeure events. Such risks are also the cause of climate change. These risks may impact the financial performance through increased costs (from low yields or increase prices from low supply) or lack of supply to address customer demands.

Supplier arrangements:

The Group relies on several key supplier arrangements to supply raw materials. The failure to maintain long term contacts with these suppliers may impact the Group's ability to maintain consistent production levels and met the customer demand having a financial impact.

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

As with all 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

On 7 February 2019, the Group subsidiary, Nunyara Pharma Pty Ltd purchased a parcel of land in the Northern Rivers District of New South Wales of the sum of $2,585,000. The land was 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. The manufacturing licence was received from the Office of Drug Control in July 2019 and the DA approval from Byron Council in June 2019.

On 23 May 2019, the Company issued 921,444 performance rights under the Long-Term Incentive Plan.

On 28 May 2019, the Group obtained two additional board seats in Elixinol Japan gaining control in accordance with the Accounting Standards. As a result, the trading results of Elixinol Japan are consolidated from 29 May 2019.

On 5 June 2019, the Company issued 12,820,513 ordinary shares at $3.90 per share, raising $50,000,000 before transaction costs, representing an 8.7% discount to the last closing price on 3 June 2019. The placement represents 10.3% of the Company's shares on issue prior to the placement.

On 16 July 2019, the Group appointed Stratos Karousos as Chief Executive Officer, replacing Paul Benhaim who was appointed Chief Innovation Officer at this date.

On 11 June 2019 the Group established Infusion Strategies LLC and on 24 April 2019 acquired a minority share in Altmed Pets LLC.

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

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

The Novel Coronavirus (COVID-19) has been declared a pandemic in March 2020 by the World Health Organisation (WHO). Subsequent to the end of the FY2019 financial year there have been considerable economic impacts in Australia and globally arising from the outbreak of COVID-19 and Government action to reduce the spread of the virus. The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries in early 2020 have caused disruption to businesses and economic activity. The Group considers this to be a non-adjusting post balance sheet event.

COVID-19 has had an impact on the operations of the Group as core operations are located in USA, Australia and Europe. At present the Group continues to operate effectively but the level of on site personnel has been restricted to just those core to the production and shipping processes since mid March 2020 in an effort to contain the spread of the epidemic.

Even though the Group are still operating, this is not at our planned or expected capacity levels due to the reduced number of personnel on site. At present the Group's ability to ship and receive goods has not been impacted, but this could change as government requirements evolve.

In addition, as the operations of substantially all of the Group's customers, suppliers and associates are located primarily in USA, Europe and Australia, the outbreak of COVID-19 is expected to have a negative impact on these entities. This may in turn negatively affect the recoverability of Group's investments, as well as financial assets and debtors which are subject to impairment or expected credit loss assessments as appropriate.

Whilst the Group's primary sales channels remain open (supermarkets, pharmacies and eCommerce) as at the date these financial statements were issued, the potential for increased levels of unemployment and a reduction in discretionary spending levels may effect the expected revenue of the Group. This could lead to the recoverability of the Group's inventories also being negatively affected.

The Group has no external debt and as at the balance sheet date had in excess of $20m of cash available to the Group. The Group's fixed cost base is relatively low, being primarily limited to rent, annual expenses (such as insurance, software licences) and utilities costs. Due to the nature of the operations and their location the Group has the ability to easily and without significant financial penalty, flex the workforce levels to reflect the required output and revenue of the Group, were COVID-19 and the related restrictions to remain for an extended period of time.

As the situation remains fluid (due to continuing changes in government policy and evolving business and customer reactions thereto) as at the date these financial statements are authorised for issue, the directors of the Company considered that the financial effects of COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated.

However, the directors do not consider the impact to likely compromise the ability of the entity to continue operating for the foreseeable future. No economic impacts resulting from COVID-19 have been included in the financial results for the year ended 31 December 2019.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Elixinol remains very positive on the market opportunity for hemp derived CBD and its ability to leverage its strong reputation for high quality hemp derived CBD products. Elixinol is ideally positioned in the US and Europe and UK markets given its recent investment in people, infrastructure and production capacity. Despite a prolonged uncertain regulatory environment, Elixinol has refined its strategy to ensure it delivers both short and long term success. Elixinol's strategic focus is now predicated on the following key pillars to support revenue growth and margin improvement:

- Simplifying its business model to focus on high-quality Elixinol branded hemp derived CBD products;
- Building Elixinol into a dynamic CPG group as a trusted global brand;
- Maintaining current high quality supply partners particularly in the organic space;
- Leveraging its investment in production capacity and strategic partnerships;
- Tightening cost control and capital management; and
- Diligently investing capital to appropriately position itself for future growth.

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

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 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.

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:
25,000 ordinary shares

Interests in rights:
675,000 performance rights

Stratos Karousos
Executive Director and Chief Executive Officer

Qualifications:

BA, LLB and MCom

Experience and expertise:

Stratos joined the Company as a director in 2017. He was appointed as the Chief Executive Officer in July 2019. Stratos has over 20 years of executive management and leadership experience as a corporate advisor and lawyer in Australia, Asia and the USA. He has held senior roles in global organisations, including WiseTech Global Limited and Baker McKenzie where he advised ASX-listed companies in mergers and acquisitions, equity capital markets, corporate restructuring, private equity transactions, joint ventures, and corporate governance and specialised in the health, technology and agriculture sectors.

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:
750,000 performance rights

Paul Benhaim
Non-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.

Other current directorships:

None

Former directorships (last 3 years):

None

Special responsibilities:

Member of Audit and Risk Committee

Interests in shares:
54,623,008 ordinary shares

Interests in rights:
None

Greg Ellery
Non-Executive Director

Qualifications:

FAICD

Experience and expertise:

Greg joined the company in April 2019. Greg has extensive international Consumer Packaged Goods (CPG) and Fast-Moving Consumer Goods (FMCG) experience within multinational, publicly listed companies across a number of sectors, including beverages, consumables, imaging products and apparel. Previously, Greg served as CEO of the Asia Pacific Division of beverages giant Asahi Premium Beverages for over five years and has held executive positions for several notable companies, including Spectrum Brands, Polaroid Corporation, Fosters Group and New Balance Athletics. Greg is a Fellow of the Australian Institute of Company Directors and also performs non-executive roles for private companies of which he is Chairman of Metro Food Co, Advisory Chairman of Rotkappchen-Mumm Asia Pacific and Chairman of Sou-West Brewing.

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:
None

Interests in rights:
None

'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 Secretary

Teresa Cleary
General Counsel and Company Secretary

Qualifications:

LLB BA GAICD FGIA

Experience and expertise:

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

Chief Financial Officer

Ron Dufficy
Chief Financial Officer

Qualifications:

BEc, MCom, FCPA

Experience and expertise:

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

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 2019, 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	16	16	3	3	4	4
S Karousos*	12	12	2	2	2	2
P Benhaim	15	16	1	1	1	2
G Ellery	9	9	1	1	3	3
L McLeod**	11	11	2	2	2	2

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

* not a director between 23 May 2019 and 16 July 2019
** resigned effective 18 July 2019

REMUNERATION REPORT (AUDITED)

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

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

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

Key management personnel

Key management personnel ('KMP') are those persons having authority and responsibility for planning, directing and controlling the 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
- Stratos Karousos - Chief Executive Officer and Executive Director (ceased as a Director at the close of the AGM on 23 May 2019 and commenced as Chief Commercial and Legal Officer on 24 May 2019 in a non KMP role and became a KMP at the commencement of his role as the Chief Executive Officer on 16 July 2019)
- Paul Benhaim – Non-Executive Director (ceased as an Executive Director on 18 December 2019 and commenced as a Non-Executive Director from this date)
- Greg Ellery - Non-Executive Director (appointed 12 April 2019)
- Linda McLeod - Former Managing Director (resigned 18 July 2019)

And the following other key management personnel:

- Ron Dufficy - Chief Financial Officer
- Gabriel Ettenson - President Elixinol LLC (ceased position as KMP effective 23 July 2019)

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 $350,000 and was approved by shareholders at the Annual General Meeting ('AGM') held on 23 May 2019. Remuneration of directors may be provided as a contribution to a superannuation fund. Additionally, it is anticipated that Non-Executive Directors will participate in the Company's long-term incentive plan.

Executive remuneration

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

The executive remuneration and reward framework has three components:

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

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

Fixed remuneration

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

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

Short-Term Incentive Plan ('STIP')

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

Its aim is to reward the executive and senior management of the Group for achieving a combination of clearly defined Group, business unit and individual targets.

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

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

STIP Opportunity (at target) is 25% (25% for 2020) of Total Fixed remuneration for Executive KMPs. The Board has the discretion to increase the STIP 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 STIP);
- Group NPAT was chosen to align executive performance with the key drivers of shareholder value and reflect the short-term performance of the business. Group financial performance measures for future years will be determined annually; and
- minimum threshold performance will be 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 STIP to be paid to each Executive KMP, seeking recommendations from the Remuneration and Nomination Committee.

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

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

Long-Term Incentive Plan ('LTIP')

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

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

Performance rights

Performance rights are awarded based on the fixed amount to which the individual is entitled. Upon satisfaction of vesting and employment conditions, each performance right will, at the Company's election, convert to a share on a one-for-one basis or entitle the participant to receive in cash to the value of a share at the Board's discretion in lieu of an allocation of shares. Where the Board makes such an election, the amount payable will be as determined below:

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

LTIP opportunity (at target)

LTIP opportunity has been determined by informed benchmarking.

Performance period

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

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

For the Replacement Share Rights grant made during 2019, the performance period of the grant is five financial years in two equal tranches from the financial year of granting. The performance period is from 20 March 2018 to 31 December 2022.

Vesting dates

Tranche	Vesting date	Vesting date	Vesting date
	New Share Rights made in 2018	New Share Rights made in 2019	Replacement Share Rights made in 2019
Tranche 1	28 February 2020	28 February 2020	28 February 2020
Tranche 2	28 February 2021	28 February 2021	28 February 2021
Tranche 3	28 February 2022	28 February 2022	28 February 2022
Tranche 4	28 February 2023	28 February 2023	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.

The share rights are subject to the following vesting conditions, which are independent and will be tested separately:

- performance gateway condition being the first sale of Elixinol product in the Australian medicinal cannabis market;
- performance gateway condition being the achievement of a minimum cumulative annualised revenue growth ('Revenue CAGR');
- satisfaction of absolute Total Shareholder Return ('TSR') performance hurdles for the relevant vesting period; and,
- participant must be employed (or continue to be a Director) of the Company or one of its wholly owned subsidiaries at the time that audited financial statements are released to the ASX following the performance period.

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

Company's TSR over the relevant 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

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

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

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

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

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

Use of remuneration consultants
During the financial period ended 31 December 2019, the Board engaged Hewitt Associates Pty Ltd (AON) to conduct a remuneration benchmarking exercise for several Executive KMPs. AON has also been engaged to provide advice on the design for the future reward framework which will apply for future periods. To date, AON have been paid $15,400 for their advice.

Voting and comments made at the Company's 23 May 2019 AGM
At the 23 May 2019 AGM, 99.97% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2018. 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 2019 performance on remuneration

In 2019, the Group delivered numerous strategic objectives designed to position the Company for continued future growth across the business. Revenue growth and EBITDA targets however were not achieved and therefore no incentive payments for the financial year were granted.

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

	2019 $'000	Group 2018 $'000
Revenue	32,299	37,131
Adjusted Group EBITDA	(24,825)	(113)
Net loss after tax	(83,071)	(860)
Basic loss per share (cents per share)	(62.71)	(0.79)
Diluted loss per share (cents per share)	(62.71)	(0.79)
Opening share price	$2.50	$1.00
Closing share price on 31 December	$0.57	$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.

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

(a) Non-Executive until 23 May 2019 and appointed CEO on 23 July 2019. Full year remuneration included in disclosure.
(b) Ceased being a KMP on 23 July 2019, therefore remuneration only included until this date.
(c) Resigned as Executive Director on 18 December 2019, continues on as Non-Executive Director.
(d) Other fees include relocation costs, motor vehicle, housing, medical expenses and other.
(e) Remuneration reported in AUD and was converted from USD at average rate of 0.695358.
(f) Commenced as Non-Executive Director effective 12 April 2019.
(g) LTIP value of equity includes negative amounts for options forfeited during the year (not included in % remuneration in the table above).
(h) Ceased being a KMP on 18 July 2019, therefore remuneration only included until this date.

2018	Short-term benefits Cash salary and fees $	Short-term benefits Cash bonus $	Short-term benefits Non-monetary $	Post-employment benefits Superannuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled Shares $	Share-based payments 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	-	25,000	-	-	169,674	507,574
L McLeod*	263,850	69,324	-	25,000	-	-	169,674	527,848
Other Key Management Personnel:								
R Dufficy*	205,000	55,200	-	25,000	-	-	169,674	454,874
G Ettenson**	236,130	61,951	11,274				75,410	384,765
	1,089,467	**251,875**	**11,274**	**88,013**	**-**	**-**	**713,507**	**2,154,136**

* Cash bonus represents above target STIP of 125%

** Cash bonus represents above target STIP of 130%

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Non-Executive Directors:						
A Duff	41%	50%	-	-	59%	50%
G Ellery	100%	-	-	-	-	-
S Karousos	-	60%	-	-	-	40%
Executive Directors:						
S Karousos	42%	-	-	-	58%	-
P Benhaim	100%	54%	-	13%	-	33%
L McLeod	100%	55%	-	13%	-	32%
Other Key Management Personnel:						
R Dufficy	84%	51%	-	12%	16%	37%
G Ettenson	100%	64%	-	16%	-	20%

There were no cash bonuses forfeited during the period.

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.

Details of these agreements effective from 1 January 2020 are as follows:

	Fixed Remuneration $[(a)]	Target STI $	Notice Period by Executive months	Notice Period by Company months	Restraint Period months
Stratos Karousos[(b)]	337,500	84,375	6	6	12
Ron Dufficy[(b)]	285,000	71,250	6	6	12

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

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

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 2019.

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 2019.

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 2019.

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	Fair value per right at grant date
A Duff	675,000	15 May 2018	Various	15 August 2023	$0.89
S Karousos	300,000	15 May 2018	Various	15 August 2023	$0.89
R Dufficy	900,000	15 May 2018	Various	15 August 2023	$0.89
S Karousos	600,000	23 May 2019	Various	23 August 2024	$2.21

Performance rights granted carry no dividend or voting rights.

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
S Karousos	100,000	-	-	-	100,000
P Benhaim*	54,623,008	-	-	-	54,623,008
L McLeod***	200,000	-	-	(200,000)	-
R Dufficy	30,000	-	-	-	30,000
G Ettenson***	12,719,112	-	-	(12,719,112)	-
	67,697,120	**-**	**-**	**(12,919,112)**	**54,778,008**

* 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.
*** Disposals/other represents no longer a key management personnel, not necessarily a disposal of holding.

Performance rights holding

The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of 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
S Karousos	300,000	600,000	-	(150,000)	750,000
P Benhaim	900,000	-	-	(900,000)	-
L McLeod	900,000	-	-	(900,000)	-
R Dufficy	900,000	-	-	(225,000)	675,000
G Ettenson	400,000	-	_	(400,000)	-
	4,075,000	**600,000**	**-**	**(2,575,000)**	**2,100,000**

This concludes the remuneration report, which has been audited.

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
3 April 2018	3 July 2023	149,181
15 May 2018	15 August 2023	1,650,000
1 November 2018	1 February 2024	130,194
23 May 2019	23 August 2024	450,000
21 September 2019	21 December 2024	255,810
		2,635,185

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 2019 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 2019 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.

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 30 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 30 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

Stratos Karousos
Chief Executive Officer and Executive Director

30 March 2020 Sydney

Elixinol Global Limited
Auditor's independence declaration

Deloitte.

Deloitte Touche Tohmatsu
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Australia

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www.deloitte.com.au

30 March 2020

The Board of Directors
Elixinol Global Limited
Level 5 – 360 Kent Street
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 statements of Elixinol Global Limited for the financial year ended 31 December 2019, 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 faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

	Note	2019 $'000	Group 2018 $'000
Revenue from continuing operations	5	27,183	32,454
Share of profits/(losses) of associates and joint ventures accounted for using the equity method	15	(1,624)	(698)
Other income	6	88	621
Interest income calculated using the effective interest method		559	441
Expenses			
Raw materials and consumables used and processing expenses		(11,564)	(14,054)
Employee benefits expenses and Directors' fees		(13,076)	(5,724)
Depreciation and amortisation expense	7	(2,451)	(612)
Impairment of goodwill		(38,270)	-
Impairment of assets	7	(10,483)	(20)
Professional services expenses		(4,952)	(1,483)
Sales and marketing expenses		(10,944)	(5,962)
Administrative expenses		(6,655)	(3,224)
Distribution costs		(1,307)	(903)
Finance costs	7	(121)	-
(Loss)/profit before income tax benefit/(expense) from continuing operations		(73,617)	836
Income tax benefit/(expense)	8	7,620	(492)
(Loss)/profit after income tax benefit/(expense) from continuing operations		(65,997)	344
Loss after income tax benefit/(expense) from discontinued operations	9	(17,074)	(1,204)
Loss after income tax benefit/(expense) for the year		(83,071)	(860)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		1,908	6,323
Share of associate other comprehensive income		(137)	137
Other comprehensive income for the year, net of tax		1,771	6,460
Total comprehensive (loss)/income for the year		(81,300)	5,600
Loss for the year is attributable to:			
Non-controlling interest		(143)	-
Owners of Elixinol Global Limited		(82,928)	(860)
		(83,071)	(860)

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

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

	Note	2019 $'000	Group 2018 $'000
Total comprehensive (loss)/income for the year is attributable to:			
Continuing operations		(31)	-
Discontinued operations		156	-
Non-controlling interest		125	-
Continuing operations		(64,351)	6,804
Discontinued operations		(17,074)	(1,204)
Owners of Elixinol Global Limited		(81,425)	5,600
		(81,300)	5,600

		Cents	Cents
Earnings per share for (loss)/profit from continuing operations attributable to the owners of Elixinol Global Limited			
Basic (loss)/earnings per share	39	(49.91)	0.32
Diluted (loss)/earnings per share	39	(49.91)	0.32
Earnings per share for loss from discontinued operations attributable to the owners of Elixinol Global Limited			
Basic loss per share	39	(12.91)	(1.11)
Diluted loss per share	39	(12.91)	(1.11)
Earnings per share for loss attributable to the owners of Elixinol Global Limited			
Basic loss per share	39	(62.71)	(0.79)
Diluted loss per share	39	(62.71)	(0.79)

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 2019

	Note	2019 $'000	Group 2018 $'000
Assets			
Current assets			
Cash and cash equivalents	10	20,244	42,922
Trade and other receivables	11	1,536	3,366
Contract assets	12	-	77
Inventories	13	21,314	6,976
Income tax refund due	8	88	-
Prepayments, deposits and other	14	6,731	3,614
Assets of disposal groups classified as held for sale	9	1,444	-
Total current assets		51,357	56,955
Non-current assets			
Investments accounted for using the equity method	15	8,403	4,524
Property, plant and equipment	16	12,685	5,966
Right-of-use assets	17	4,323	-
Intangibles	18	39,994	86,249
Deferred tax	8	4,307	724
Total non-current assets		69,712	97,463
Total assets		121,069	154,418
Liabilities			
Current liabilities			
Trade and other payables	19	2,992	5,865
Contract liabilities	20	157	720
Lease liabilities	21	989	-
Income tax	8	-	98
Employee benefits		86	147
Accrued expenses		843	368
Liabilities directly associated with assets classified as held for sale	9	944	-
Total current liabilities		6,011	7,198

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

Consolidated statement of financial position

For the year ended 31 December 2019

	Note	2019 $'000	Group 2018 $'000
Non-current liabilities			
Borrowings	22	-	250
Lease liabilities	23	3,676	90
Deferred tax	8	-	3,145
Total non-current liabilities		3,676	3,485
Total liabilities		9,687	10,683
Net assets		111,382	143,735
Equity			
Issued capital	24	188,771	139,612
Reserves	25	9,186	7,694
Accumulated losses		(86,544)	(3,571)
Equity attributable to the owners of Elixinol Global Limited		111,413	143,735
Non-controlling interest	26	(31)	-
Total equity		111,382	143,735

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 2019

Group	Issued capital $'000	Foreign currency translation reserve $'000	Share-based payments reserve $'000	Other reserve $'000	Accumu-lated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 January 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 (loss)/ income 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 24)	37,812	-	-	-	-	-	37,812
Share-based payments (note 40)	-	-	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 changes in equity

For the year ended 31 December 2019

Group	Issued capital $'000	Foreign currency translation reserve $'000	Share-based payments reserve $'000	Other reserve $'000	Accumu-lated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 January 2019	139,612	6,323	1,234	137	(3,571)	-	143,735
Adjustment for change in accounting policy (note 2)					(45)	-	(45)
Balance at 1 January 2019 - restated	139,612	6,323	1,234	137	(3,616)	-	143,690
Loss after income tax benefit for the year	-	-	-	-	(82,928)	(143)	(83,071)
Other comprehensive (loss)/income for the year, net of tax	-	1,908	-	(137)	-	-	1,771
Total comprehensive (loss)/ income for the year	-	1,908	-	(137)	(82,928)	(143)	(81,300)
Acquisition of non-controlling interest	-	-	-	-	-	2,149	2,149
Elimination of Treasury shares	(678)	-	-	-	-	-	(678)
Disposal of non-controlling interest	-	-	-	-	-	(2,037)	(2,037)
Transactions with owners in their capacity as owners: Contributions of equity, net of transaction costs (note 24)	49,837	-	-	-	-	-	49,837
Share-based payments (note 40)	-	-	(279)	-	-	-	(279)
Balance at 31 December 2019	188,771	8,231	955	-	(86,544)	(31)	111,382

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 2019

	Note	2019 $'000	Group 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		33,179	36,147
Payments to suppliers and employees (inclusive of GST)		(84,579)	(40,964)
Interest received		679	326
Interest and other finance costs paid		(138)	-
Income taxes paid		(207)	(761)
Net cash used in operating activities	38	(51,066)	(5,252)
Cash flows from investing activities			
Net cash acquired on purchase of subsidiaries		209	-
Payments for equity accounted investments		(7,157)	(3,593)
Payments for property, plant and equipment		(9,943)	(4,733)
Payments for intangibles	18	(1,203)	(174)
Payments for security deposits		-	(13)
Proceeds from disposal of business		13	-
Proceeds from disposal of property, plant and equipment		149	4
Net cash used in investing activities		(17,932)	(8,509)
Cash flows from financing activities			
Proceeds from issue of shares	24	50,000	40,000
Share issue transaction costs	24	(2,827)	(2,188)
Repayment of lease liabilities		(729)	(38)
Net cash from financing activities		46,444	37,774
Net (decrease)/increase in cash and cash equivalents		(22,554)	24,013
Cash and cash equivalents at the beginning of the financial year		42,922	18,834
Effects of exchange rate changes on cash and cash equivalents		5	75
Cash and cash equivalents at the end of the financial year	10	20,373	42,922

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

Notes to the consolidated financial statements

31 December 2019

Notes to the Consolidated Financial Statements

31 December 2019

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	Level 5
680 George Street	360 Kent Street
Sydney NSW 2000	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 30 March 2020. 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 below for further details.

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

Initial adoption of AASB 16 'Leases'

The Group has adopted AASB 16 from 1 January 2019. The standard replaced AASB 117 'Leases' and for lessees has eliminated the classifications of operating leases and finance leases. Subject to certain exceptions, a 'right-of-use' asset is capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. 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. A liability corresponding to the capitalised lease is also recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition has been 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). For classification within the statement of cash flows, the lease payments are separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard has not substantially changed how a lessor accounts for leases.

Practical expedients applied

In adopting AASB 16, the Group has used the following practical expedients permitted by the standard:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short- term leases;
- excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 January 2019 was as follows:

	1 January 2019 $'000
Operating lease commitments as at 1 January 2019 (AASB 117)	1,326
Short-term leases not recognised as a right-of-use asset (AASB 16)	(117)
	1,209
Discount based on the weighted average incremental borrowing rate of 3.46%	(247)
Extension and termination options reasonably certain to be exercised	1,118
Variable lease payments based on an index or a rate	19
Lease liabilities - recognised as at 1 January 2019	2,099
Right-of-use assets (AASB 16)	2,054
Lease liabilities - current (AASB 16)	(321)
Lease liabilities - non-current (AASB 16)	(1,778)
Increase in opening accumulated losses as at 1 January 2019	(45)

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 112 '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 adopted this interpretation from 1 January 2019 and there was no significant impact on adoption.

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

PARENT ENTITY INFORMATION

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 41.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Elixinol Global Limited as at 31 December 2019 and the results of all subsidiaries for the period then ended.

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

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

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

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

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

OPERATING SEGMENTS

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

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions

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

Foreign operations

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION

The Group recognises revenue as follows:

Revenue from contracts with customers

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

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

Sale of goods - hemp products

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

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

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

Other revenue

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

RESEARCH ACTIVITIES

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

INCOME TAX

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

DISCONTINUED OPERATIONS

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

CURRENT AND NON-CURRENT CLASSIFICATION

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

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

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NON-CURRENT ASSETS OR DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

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

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

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

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

ASSOCIATES

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

JOINT VENTURES

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

INVESTMENTS AND OTHER FINANCIAL ASSETS

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

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

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

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

RIGHT-OF-USE ASSETS (FROM 1 JANUARY 2019)

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

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

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

INTANGIBLE ASSETS

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

Goodwill

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

Website and software

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Patents and trademarks

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

Customer relationships

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

Brand names

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

TRADE AND OTHER PAYABLES

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

CONTRACT LIABILITIES

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

BORROWINGS

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

LEASE LIABILITIES (FROM 1 JANUARY 2019)

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

FINANCE COSTS

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

EMPLOYEE BENEFITS

Short-term employee benefits

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

Defined contribution superannuation expense

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

Share-based payments

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

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

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

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

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

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

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT

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

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

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

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

ISSUED CAPITAL

Ordinary shares are classified as equity.

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

BUSINESS COMBINATIONS

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

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

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

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

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

EARNINGS PER SHARE

Basic earnings per share

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

Diluted earnings per share

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

GOODS AND SERVICES TAX ('GST') AND OTHER SIMILAR TAXES

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

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

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

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

ROUNDING OF AMOUNTS

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

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2019. 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

New Conceptual Framework for Financial Reporting

A revised Conceptual Framework for Financial Reporting has been issued by the AASB and is applicable for annual reporting periods beginning on or after 1 January 2020. This release impacts for-profit private sector entities that have public accountability that are required by legislation to comply with Australian Accounting Standards and other for-profit entities that voluntarily elect to apply the Conceptual Framework. Phase 2 of the framework is yet to be released which will impact for-profit private sector entities. The application of new definition and recognition criteria as well as new guidance on measurement will result in amendments to several accounting standards. The issue of AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, also applicable from 1 January 2020, includes such amendments. Where the Group has relied on the conceptual framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the Group 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.

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.

Provision for impairment of inventories

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

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to note 18.

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 note18.

Income tax

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

Recovery of deferred tax assets

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

NOTE 4 – OPERATING SEGMENTS

Identification of reportable operating segments

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

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

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

Types of products and services

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

Americas	This includes the trading results of Elixinol LLC ('Elixinol') and its investments and joint ventures in the US through the manufacture and distribution of hemp-derived Cannabidiol ('CBD') products.
Europe and UK	This includes the results from trading operations of Elixinol BV and Elixinol Ltd (together 'Elixinol Europe') and through the manufacture and distribution of hemp-derived Cannabidiol ('CBD') products.
Australia	This includes the results from the operations of Nunyara Pharma Pty Ltd ('Nunyara'). This relates to the planning and application for licences in respect of the importation and cultivation of medicinal cannabis in Australia.

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

Two operations were discontinued in the current year. 'Discontinued operations' represents the results from the trading operations of Hemp Foods Australia Pty Ltd ('Hemp Foods Australia') through the manufacture and distribution of hemp-based products shown as an Asset Held for Sale and Elixinol Co Ltd ('Elixinol Japan') through the manufacture and distribution of hemp-derived Cannabidiol ('CBD') products and hemp-based products from 28 May 2019 until 2 December 2019 when the business was disposed. The segment information reported on the next pages does not include any amounts for these discontinued operations, which are described in more detail in note 9.

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 2019, 27% of sales were derived from three major customers (2018: 33% of sales were derived from three major customers).

NOTE 4 – OPERATING SEGMENTS (continued)

Operating segment information - Continuing operations

Group - 2019	Americas $'000	Europe & UK $'000	Australia $'000	Unallocated $'000	Total $'000
Revenue					
Sales to external customers	24,915	2,268	-	-	27,183
Total revenue	24,915	2,268	-	-	27,183
Adjusted EBITDA	(13,593)	(3,551)	(404)	(5,303)	(22,851)
Depreciation and amortisation					(2,451)
Impairment of assets					(48,753)
Interest income					559
Finance costs					(121)
Loss before income tax benefit					(73,617)
Income tax benefit					7,620
Loss after income tax benefit					(65,997)
Assets					
Segment assets	93,188	3,657	2,639	20,141	119,625
Unallocated assets:					
Held-for-sale					1,444
Total assets					121,069
Liabilities					
Segment liabilities	6,072	777	33	1,861	8,743
Unallocated liabilities:					
Held-for-sale					944
Total liabilities					9,687

NOTE 4 – OPERATING SEGMENTS (continued)

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. Therefore, the current and comparative EBITDA are not directly comparable.

Group - 2018	Americas $'000	Europe & UK $'000	Australia $'000	Unallocated $'000	Total $'000
Revenue					
Sales to external customers	32,400	54	-	-	32,454
Total revenue	32,400	54	-	-	32,454
Adjusted EBITDA	4,494	(487)	(397)	(2,603)	1,007
Depreciation and amortisation					(612)
Interest income					441
Profit before income tax expense					836
Income tax expense					(492)
Profit after income tax expense					344
Assets					
Segment assets	91,541	1,014	4,555	57,308	154,418
Total assets					154,418
Liabilities					
Segment liabilities	8,572	203	11	1,897	10,683
Total liabilities					10,683

Geographical information

	Sales to external customers		Geographical non-current assets*	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Americas	24,915	32,400	60,914	78,094
Europe & UK	2,268	54	712	35
Australia	-	-	2,618	4,178
Unallocated			1,161	2,663
	27,183	**32,454**	**65,405**	**84,970**

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

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

NOTE 5 – REVENUE

From continuing operations	Group 2019 $'000	2018 $'000
Sale of goods	27,183	32,454

Disaggregation of revenue

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

Group - 2019	eCommerce $'000	Retail $'000	Bulk $'000	Private label $'000	Total $'000
Geographical regions					
Americas	7,537	6,474	5,446	5,458	24,915
Europe & UK	79	1,977	212	-	2,268
Australia	-	-	-	-	-
	7,616	**8,451**	**5,658**	**5,458**	**27,183**

Group - 2018	eCommerce $'000	Retail $'000	Bulk $'000	Private label $'000	Total $'000
Geographical regions					
Americas	7,140	4,710	8,162	12,388	32,400
Europe & UK	54	-	-	-	54
Australia	-	-	-	-	-
	7,194	**4,710**	**8,162**	**12,388**	**32,454**

Timing of revenue recognition

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

NOTE 6 – OTHER INCOME

	Group 2019 $'000	2018 $'000
Net foreign exchange (loss)/gain	(51)	338
Net gain on disposal of property, plant and equipment	-	4
Gain on step acquisition	-	339
Other	139	(60)
Other income	**88**	**621**

NOTE 7 – EXPENSES

	2019 $'000	Group 2018 $'000
(Loss)/profit before income tax from continuing operations includes the following specific expenses:		
Depreciation		
Leasehold improvements	432	39
Furniture, fittings and equipment	21	7
Motor vehicles	14	9
Computer equipment	237	35
Machinery	441	105
Buildings - right-of-use	798	-
Total depreciation	1,943	195
Amortisation		
Website and software	84	-
Customer relationships	424	417
Total amortisation	508	417
Total depreciation and amortisation	2,451	612
Impairment of assets		
Trade and other receivables	-	20
Inventory	9,476	-
Land	114	-
Furniture, fittings and equipment	518	-
Machinery	372	-
Patents and trademarks	3	-
Total impairment of assets	10,483	20
Finance costs		
Interest and finance charges paid/payable on borrowings	6	-
Interest and finance charges paid/payable on lease liabilities	115	-
Finance costs expensed	121	-
Superannuation expense		
Defined contribution superannuation expense	62	132
Share-based payments expense		
Share-based payments expense	124	831

NOTE 8 – INCOME TAX

		Group
	2019 $'000	2018 $'000
Income tax expense/(benefit)		
Current tax	17	672
Deferred tax - origination and reversal of temporary differences	(7,566)	(280)
Adjustment recognised for prior periods	20	(29)
Aggregate income tax expense/(benefit)	(7,529)	363
Income tax expense/(benefit) is attributable to:		
(Loss)/profit from continuing operations	(7,620)	492
Loss from discontinued operations	91	(129)
Aggregate income tax expense/(benefit)	(7,529)	363
Deferred tax included in income tax expense/(benefit) comprises:		
Increase in deferred tax assets	(4,098)	(225)
Decrease in deferred tax liabilities	(3,468)	(55)
Deferred tax - origination and reversal of temporary differences	(7,566)	(280)
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
(Loss)/profit before income tax benefit/(expense) from continuing operations	(73,617)	836
Loss before income tax benefit/(expense) from discontinued operations	(16,983)	(1,333)
	(90,600)	(497)
Tax at the statutory tax rate of 27.5% (2018: 30%)	(24,915)	(149)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of goodwill	13,057	-
Impairment of assets	365	-
Impact of tax consolidation	-	283
Other non-deductible permanent differences	171	60
Transfer pricing adjustment	(25)	-
Sundry items	-	8
	(11,347)	202
Adjustment recognised for prior periods	20	(29)
Current year tax losses not recognised	1,920	340
Current year temporary differences not recognised	34	-
Prior year temporary differences not recognised now recognised	-	(95)
Difference in overseas tax rates	1,317	(55)
Current year capital loss not recognised	527	-
Income tax expense/(benefit)	(7,529)	363

NOTE 8 – INCOME TAX (continued)

	2019 $'000	Group 2018 $'000
Amounts charged/(credited) directly to equity		
Deferred tax assets	639	(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.

The Australian group has a $11,646,000 (2018: $6,476,000) of gross revenue losses and the remaining group $1,245,000 (2018: $300,000) of gross revenue losses, which have not been brought to account at 31 December 2019.

	2019 $'000	Group 2018 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	4,402	-
Allowance for expected credit losses	240	210
Employee benefits	-	24
Leases	82	-
Other provisions and accruals	95	105
Share-based payments	116	618
Unrealised foreign exchange	23	(92)
Property, plant and equipment	(14)	(141)
Inventories	2,235	-
Customer relationships	(422)	-
Brand names	(2,450)	-
Deferred tax asset	4,307	724
Movements:		
Opening balance	724	83
Credited to profit or loss	4,098	225
Credited/(charged) to equity	(293)	403
Credited/(charged) to discontinued operations	(83)	-
Foreign exchange	(108)	13
Tax rate change	(31)	-
Closing balance	4,307	724

NOTE 8 – INCOME TAX (continued)

		Group
	2019 $'000	**2018 $'000**
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Customer relationships	-	518
Brand names		2,627
Deferred tax liability	-	3,145
Movements:		
Opening balance	(3,145)	3,200
Credited to profit or loss	3,468	(55)
Credited/(charged) to equity	(346)	-
Foreign exchange	15	-
Tax rate change	8	-
Closing balance	-	3,145

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

		Group
	2019 $'000	**2018 $'000**
Income tax refund due		
Income tax refund due	88	-

		Group
	2019 $'000	**2018 $'000**
Provision for income tax		
Provision for income tax	-	98

NOTE 9 – DISCONTINUED OPERATIONS

There are two discontinued operations in the period.

Elixinol Japan was incorporated into the Group from 28 May 2019. On 2 December 2019, the Company sold its 50.50% interest in Elixinol Japan to one of Elixinol Japan's other shareholders, Mr Takeshi Sakurada for $13,500 (¥1,000,000) with a deferred cash payment of $362,715 multiplied by the ratio of the closing price of Elixinol shares on 8 January 2020 divided by $1.09 (less Japanese taxes), which is payable by no later than 31 March 2020.

Hemp Foods Australia is disclosed as held-for-sale and presented separately in the statement of financial position. In December 2019 the board resolved to dispose of the Group's investment in Hemp Foods Australia Pty Ltd and negotiations with several interested parties have taken place. The disposal is consistent with the Group's long-term policy to focus its activities on the Group's other businesses. Subsequently, post balance sheet date on 31 January 2020, the Group entered into a sale agreement to dispose of Hemp Foods Australia Pty Ltd, subject to regulatory conditions and entering into a distribution agreement with Elixinol LLC. All of these conditions are expected to be settled within 12 months and therefore the subsidiary has been classified as a disposal group held for sale and presented separately in the statement of financial position. The proceeds of disposal are expected to be below the carrying amount of the related net assets and accordingly an impairment loss has been recognised on the classification of these operations as held for sale.

NOTE 9 – DISCONTINUED OPERATIONS (continued)

Financial performance information

	2019 $'000	Group 2018 $'000
Sale of goods	5,116	4,676
Total revenue	5,116	4,676
Other income	46	93
Interest income	8	-
Total other income	54	93
Raw materials and consumables used and processing expenses	(3,568)	(3,121)
Employee benefits expenses and Directors' fees	(1,615)	(1,396)
Depreciation and amortisation expense	(393)	(212)
Impairment of goodwill	(9,209)	-
Impairment of assets	(3,094)	41
Professional services expenses	(406)	(448)
Sales and marketing expenses	(790)	(426)
Administrative expenses	(659)	(418)
Distribution costs	-	(122)
Other expenses	(98)	-
Finance costs	(17)	-
Total expenses	(19,849)	(6,102)
Loss before income tax benefit/(expense)	(14,679)	(1,333)
Income tax benefit/(expense)	(91)	129
Loss after income tax benefit/(expense)	(14,770)	(1,204)
Loss on disposal before income tax	(2,304)	-
Income tax expense	-	-
Loss on disposal after income tax expense	(2,304)	-
Loss after income tax benefit/(expense) from discontinued operations	(17,074)	(1,204)

Cash flow information

	2019 $'000	Group 2018 $'000
Net cash used in operating activities	(1,294)	(1,879)
Net cash from/(used in) investing activities	31	(341)
Net cash from financing activities	1,238	2,107
Net decrease in cash and cash equivalents from discontinued operations	(25)	(113)

NOTE 9 – DISCONTINUED OPERATIONS (continued)

Elixinol Japan

Carrying amounts of assets and liabilities disposed

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

Details of the disposal

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

Hemp Foods Australia

Held for sale assets and liabilities

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

NOTE 9 – DISCONTINUED OPERATIONS (continued)

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

Reconciliations

Reconciliation of assets transferred to held-for-sale against year end values are as follows:

	Transferred to held-for-sale $'000	Impairment charge $'000	Group 2019 $'000
Reconciliation of assets of disposal groups classified as held for sale			
Cash and cash equivalents	129	-	129
Trade and other receivables	364	-	364
Inventories	1,538	(1,111)	427
Other current assets	210	-	210
Property, plant and equipment	456	(329)	127
Right-of-use asset	308	(121)	187
Intangibles	18	(18)	-
Deferred tax asset	83	(83)	-
	3,106	**(1,662)**	**1,444**

NOTE 10 – CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2019 $'000	Group 2018 $'000
Cash on hand	19	30
Cash at bank	8,225	12,892
Cash on deposit	12,000	30,000
	20,244	**42,922**

NOTE 10 – CURRENT ASSETS - CASH AND CASH EQUIVALENTS (continued)

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	20,244	42,922
Cash and cash equivalents - classified as held for sale	129	-
Balance as per statement of cash flows	**20,373**	**42,922**

NOTE 11 – CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2019 $'000	Group 2018 $'000
Trade receivables	2,213	3,823
Less: Allowance for expected credit losses	(1,103)	(878)
	1,110	2,945
Other receivables	365	136
GST recoverable	56	168
Interest receivable	5	117
	1,536	**3,366**

Allowance for expected credit losses

The Group has recognised a loss of $nil (2018: $20,000) in profit or loss in respect of the expected credit losses for the year ended 31 December 2019.

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	
Group	**2019 %**	**2018 %**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**
Not overdue	1%	1%	527	1,886	3	19
1 to 30 days overdue	1%	1%	205	415	2	4
31 to 60 days overdue	2%	1%	27	132	1	1
61 to 90 days overdue	5%	5%	146	60	7	3
Over 90 days overdue	83%	64%	1,308	1,330	1,090	851
			2,213	**3,823**	**1,103**	**878**

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

	2019 $'000	Group 2018 $'000
Opening balance	878	120
Additional provisions recognised	225	758
Closing balance	**1,103**	**878**

NOTE 12 – CURRENT ASSETS - CONTRACT ASSETS

	2019 $'000	Group 2018 $'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	77	-
Additions	-	195
Transfer to trade receivables	(77)	(118)
Closing balance	**-**	**77**

NOTE 13 – CURRENT ASSETS - INVENTORIES

	2019 $'000	Group 2018 $'000
Raw materials - at cost	27,310	2,121
Less: Provision for impairment	(8,724)	(52)
	18,586	2,069
Finished goods - at cost	3,182	4,317
Less: Provision for impairment	(642)	(134)
	2,540	4,183
Stock in transit - at cost	188	724
	21,314	**6,976**

NOTE 14 – CURRENT ASSETS - PREPAYMENTS, DEPOSITS AND OTHER

	Group 2019 $'000	Group 2018 $'000
Prepayments	6,314	3,578
Deferred consideration	207	-
Security deposits	105	36
Other deposits	105	-
	6,731	**3,614**

NOTE 15 – NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Group 2019 $'000	Group 2018 $'000
Investment in associate - Elixinol Co. Ltd*	-	2,650
Investment in associate - H&W Holdings LLC	95	-
Investment in associate - Altmed Pets LLC	8,096	-
Investment in joint venture - Northern Colorado High Plains Producers LLC	212	1,874
	8,403	**4,524**

* Disposed during the year (refer note 9)

Interests in associates

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

Name	Principal place of business/ Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
Elixinol Co. Ltd*	Japan	-	50.50%
H&W Holdings LLC**	United States of America	19.88%	19.88%
Altmed Pets LLC**	United States of America	25.43%	-

* Disposed during the year (refer note 9)

** Holding through Elixinol LLC

NOTE 15 – NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Summarised financial information

	Elixinol Co. Ltd		H&W Holdings LLC		Altmed Pets LLC	
	2019 $'000	2018 $'000	2019 $'000	2018* $'000	2019 $'000	2018 $'000
Summarised statement of financial position						
Current assets	-	2,217	46	-	6,153	-
Non-current assets	-	1,638	500	-	1,714	-
Total assets	-	3,855	546	-	7,867	-
Current liabilities	-	147	2	-	722	-
Non-current liabilities	-	433	-	-	-	-
Total liabilities	-	580	2	-	722	-
Net assets	-	3,275	544	-	7,145	-
Summarised statement of profit or loss and other comprehensive income						
Revenue	-	828	2,593	-	9,569	-
Expenses	-	(959)	(2,124)	-	(9,616)	-
(Loss)/profit before income tax	-	(131)	469	-	(47)	-
Other comprehensive income	-	272	-	-	-	-
Total comprehensive (loss)/income	-	141	469	-	(47)	-
Reconciliation of the Group's carrying amount						
Opening carrying amount	2,650	-	-	-	-	-
Share of (loss)/profit after income tax	(9)	(47)	93	-	(11)	-
Share of other comprehensive income	-	137	-	-	-	-
Treasury shares	-	-	-	-	(679)	-
Gain on step acquisition	-	374	-	-	-	-
Investment made	-	2,157	-	-	8,852	-
Related party eliminations	-	-	-	-	(105)	-
Foreign exchange	-	29	2	-	39	-
Consolidated on 29 May 2019	(2,641)	-	-	-	-	-
Closing carrying amount	**-**	**2,650**	**95**	**-**	**8,096**	**-**

* Investment was fully impaired in prior year.

NOTE 15 – NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Interests in joint ventures

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

Name	Principal place of business/ Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
Northern Colorado High Plains Producers LLC	United States of America	50.00%	50.00%
Summarised financial information			

	Northern Colorado High Plains Producers LLC 2019 $'000	Northern Colorado High Plains Producers LLC 2018 $'000
Summarised statement of financial position		
Cash and cash equivalents	59	-
Current assets	856	2,088
Non-current assets	71	1,692
Total assets	986	3,780
Other current liabilities	563	32
Total liabilities	563	32
Net assets	423	3,748
Summarised statement of profit or loss and other comprehensive income		
Revenue	627	-
Impairment of assets	(1,810)	-
Expenses	(2,142)	(1,302)
Loss before income tax	(3,325)	(1,302)
Other comprehensive income	-	-
Total comprehensive loss	(3,325)	(1,302)
Reconciliation of the Group's carrying amount		
Opening carrying amount	1,874	-
Investment made	-	2,427
Share of loss after income tax	(1,690)	(651)
Foreign exchange	28	98
Closing carrying amount	**212**	**1,874**

NOTE 16 – NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

		Group
	2019 $'000	2018 $'000
Land - at cost	3,139	411
Less: Impairment	(114)	-
	3,025	56
Leasehold improvements - at cost	3,524	253
Less: Accumulated depreciation	(262)	(72)
	3,262	181
Furniture, fittings and equipment - at cost	654	72
Less: Accumulated depreciation	(26)	(16)
Less: Impairment	(518)	-
	110	56
Motor vehicles - at cost	69	61
Less: Accumulated depreciation	(23)	(9)
	46	52
Computer equipment - at cost	741	249
Less: Accumulated depreciation	(257)	(36)
	484	213
Machinery - at cost	6,690	5,346
Less: Accumulated depreciation	(566)	(293)
Less: Impairment	(366)	-
	5,758	5,053
	12,685	**5,966**

NOTE 16 – NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliations

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

Group	Land $'000	Leasehold improve-ments $'000	Furniture, fittings and equip-ment $'000	Motor vehicles $'000	Computer equip-ment $'000	Machinery $'000	Total $'000
Balance at 1 January 2018	-	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
Additions	2,725	3,610	630	7	503	2,400	9,875
Classified as held for sale	-	(55)	(25)	-	-	(376)	(456)
Disposals	-	(37)	-	-	-	(423)	(460)
Exchange differences	3	9	2	1	2	49	66
Impairment of assets	(114)	-	(518)	-	-	(372)	(1,004)
Transfers in/(out)	-	-	(3)	-	3	-	-
Depreciation expense	-	(446)	(32)	(14)	(237)	(573)	(1,302)
Balance at 31 December 2019	**3,025**	**3,262**	**110**	**46**	**484**	**5,758**	**12,685**

Depreciation expenses includes continuing and non-continuing operations.

Impairment testing

Refer to note 18 for details of impairment testing.

NOTE 17 – NON-CURRENT ASSETS - RIGHT-OF-USE ASSETS

	2019 $'000	Group 2018 $'000
Land and buildings - right-of-use	5,069	-
Less: Accumulated depreciation	(746)	-
	4,323	**-**

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

Reconciliations

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

Group	Land and buildings $'000
Balance at 1 January 2018	-
Balance at 31 December 2018	-
Addition on adoption of AASB 16 on 1 January 2019	2,054
Additions	3,728
Classified as held for sale	(308)
Disposals	(155)
Exchange differences	27
Depreciation expense	(1,023)
Balance at 31 December 2019	**4,323**

NOTE 18 – NON-CURRENT ASSETS - INTANGIBLES

	2019 $'000	Group 2018 $'000
Goodwill - at cost	75,705	74,623
Less: Impairment	(47,479)	-
	28,226	74,623
Website and software - at cost	1,118	174
Less: Accumulated amortisation	(84)	-
Less: Impairment	(41)	-
	993	174
Patents and trademarks - at cost	92	21
Less: Impairment	(2)	-
	90	21
Customer relationships - at cost	2,458	2,138
Less: Accumulated amortisation	(863)	(440)
Less: Impairment	(32)	-
	1,563	1,698
Brand names - at cost	10,668	9,733
Less: Impairment	(1,546)	-
	9,122	9,733
	39,994	**86,249**

NOTE 18 – NON-CURRENT ASSETS - INTANGIBLES (continued)

Reconciliations

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

	Goodwill	Website and software	Patents and trademarks	Customer relation-ships	Brand names	Total
Group	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 January 2018	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
Additions	-	933	90	190	-	1,213
Classified as held for sale	-	-	(18)	-	-	(18)
Disposals	-	(41)	(1)	-	-	(42)
Exchange differences	1,082	11	-	142	935	2,170
Impairment of assets	(47,479)	-	(2)	(32)	(1,546)	(49,059)
Amortisation expense	-	(84)	-	(435)	-	(519)
Balance at 31 December 2019	**28,226**	**993**	**90**	**1,563**	**9,122**	**39,994**

Impairment testing of goodwill

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

	2019 $'000	Group 2018 $'000
Elixinol LLC	28,226	61,236
Hemp Foods Australia Pty Ltd	-	9,209
Nunyara Pharma Pty Ltd	-	4,178
	28,226	**74,623**

Determination of recoverable amount

The recoverable amount of the CGUs are determined based on value in use model using discounted cash flow projections based on financial forecasts covering a five-year period with a terminal growth rate applied thereafter. The Group performed its annual impairment test in December 2019.

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 has been an impairment for Elixinol, Hemp Foods Australia and Nunyara as at 31 December 2019. In determining the impairment required at 31 December 2019, Management also took into consideration that the market capitalisation of the Group was below the book value of its equity, however this was not the determining factor and at any particular point in time, the market capitalisation does not necessary determine the value of the CGU's.

Sensitivity analysis was performed and is detailed below.

NOTE 18 – NON-CURRENT ASSETS - INTANGIBLES (continued)

Key assumptions

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 growth in the short to medium term based on market growth expectations;
- expenditure is assumed to stabilise in sales and marketing, decrease in working capital as inventory levels are reduced following the significant investment in 2019 and by operational efficiencies reducing cash burn;
- limited planned and committed capital expenditure to support production capabilities which include the building of a new facility that increased capacity to support expected growth is required following the investments made in 2019;
- terminal growth rate of 2.0% after 5 years; and
- the pre-tax discount rate applied to cash flow projections was 19.6% which represents management's best estimate of the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt; and equity capital provided.

Sensitivity

Elixinol LLC

The estimated recoverable amounts of the Elixinol were below the carrying amounts of intangible and tangible assets of the CGU, therefore an impairment charge of $34,092,000 was recognised. In addition, any reasonable adverse change in key assumptions may to lead to a further 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 an additional impairment of $5,813,000;
- decrease in forecast EBITDA of 10% will, if occurring in isolation, result in an additional impairment of $7,542,000; and
- decline in terminal growth rate of 1.0% will, if occurring in isolation, result in an additional impairment of $3,224,000.

Hemp Foods Australia Pty Ltd

The intangible assets of Hemp Foods Australia were fully impaired following the Board decision to dispose of the Group's investment in Hemp Foods Australia. The disposal is consistent with the Group's long-term policy to focus its activities on the Group's other businesses. Subsequently, post balance sheet date on 31 January 2020, the Group entered into a sale agreement to dispose of Hemp Foods Australia Pty Ltd for a recoverable amount of $500,000. An impairment charge of $10,789,000 relating to Intangible Assets including Goodwill, brand names and trademarks was recognised.

Nunyara Pharma Pty Ltd

The goodwill of Nunyara was fully impaired following the decision to not pursue its application for a medical cannabis cultivation licence in Australia. This is consistent with the Group's long-term policy to focus its activities on the Group's other businesses. An impairment charge of $4,178,000 relating to Goodwill was recognised.

For the purpose of impairment testing, intangible assets with indefinite lives, including goodwill, brand names 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.

NOTE 19 – CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2019 $'000	Group 2018 $'000
Trade payables	1,787	3,598
Payable to joint venture - Northern Colorado High Plains Producers LLC	-	991
GST and sales tax payable	504	13
Credit cards	51	288
Other payables	650	975
	2,992	**5,865**

Refer to note 28 for further information on financial instruments.

NOTE 20 – CURRENT LIABILITIES - CONTRACT LIABILITIES

	2019 $'000	Group 2018 $'000
Contract liabilities	157	720
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	720	201
Payments received in advance	157	5,215
Transfer to revenue - included in the opening balance	-	(4,801)
Transfer to revenue - performance obligations satisfied in current years	(720)	(83)
Foreign exchange adjustments	-	188
Closing balance	**157**	**720**

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 $157,000 as at 31 December 2019 ($720,000 as at 31 December 2018) and is expected to be recognised as revenue in future periods as follows:

	2019 $'000	Group 2018 $'000
Within 6 months	157	717
6 to 12 months	-	3
	157	**720**

NOTE 21 – CURRENT LIABILITIES - LEASE LIABILITIES

	2019 $'000	Group 2018 $'000
Lease liability	989	-

Refer to note 28 for further information on financial instruments.

NOTE 22 – NON-CURRENT LIABILITIES - BORROWINGS

	2019 $'000	Group 2018 $'000
Related party loan from Raw With Life	-	250

Refer to note 28 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. 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 expected to be repaid so has been fully provided for.

NOTE 23 – NON-CURRENT LIABILITIES - LEASE LIABILITIES

	2019 $'000	Group 2018 $'000
Lease liability	3,641	-
Lease make good provision	35	90
	3,676	**90**

Refer to note 28 for further information on financial instruments.

NOTE 24 – EQUITY - ISSUED CAPITAL

	2019 Shares	2018 Shares	2019 $'000	Group 2018 $'000
Ordinary shares - fully paid	137,761,002	124,550,162	188,771	139,612

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 January 2018	102,928,540		101,800
Issue of shares	4 October 2018	21,621,622	$1.85	40,000
Share issue transaction costs		-	$0.00	(2,188)
Balance	31 December 2018	124,550,162		139,612
Issue of shares as part consideration for acquisition of Altmed Pets LLC	24 April 2019	523,437	$5.09	2,666
Treasury shares on acquisition of Altmed Pets LLC	24 April 2019	(133,110)	$5.09	(678)
Issue of shares	23 May 2019	12,820,513	$3.90	50,000
Share issue transaction costs		-	$0.00	(2,829)
Balance	**31 December 2019**	**137,761,002**		**188,771**

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.

NOTE 24 – EQUITY - ISSUED CAPITAL (continued)

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

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

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 2018 Annual Report.

NOTE 25 – EQUITY - RESERVES

		Group
	2019 $'000	2018 $'000
Foreign currency translation reserve	8,231	6,323
Share-based payments reserve	955	1,234
Other reserves	-	137
	9,186	**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.

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 26 – EQUITY - NON-CONTROLLING INTEREST

	2019 $'000	Group 2018 $'000
Accumulated losses	(31)	-
	(31)	**-**

NOTE 27 – EQUITY - DIVIDENDS

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

NOTE 28 – 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.

Market risk

Foreign currency risk

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

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

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

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

Group	Assets 2019 $'000	Assets 2018 $'000	Liabilities 2019 $'000	Liabilities 2018 $'000
US dollars	-	105	-	6
Euros	-	-	-	155
Pound Sterling	103	-	83	-
	103	**105**	**83**	**161**

The Group had net assets denominated in foreign currencies of $20,000 (assets of $103,000 less liabilities of $83,000) as at 31 December 2019 (2018: net liabilities of $56,000 (assets of $105,000 less liabilities of $161,000)). 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.

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

NOTE 28 – FINANCIAL INSTRUMENTS (continued)

	AUD strengthened			AUD weakened		
Group - 2019	% 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%	-	-
Euros	5%	-	-	5%	-	-
Pounds Sterling	5%	(1)	(1)	5%	1	1
		(1)	**(1)**		**1**	**1**

	AUD strengthened			AUD weakened		
Group - 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)
Pounds Sterling	-	-	-	-	-	-
		3	**3**		**(3)**	**(3)**

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last year and the spot rate at the reporting date. A positive number indicates an increase in profit, a negative number indicates a decrease in profit. The actual foreign exchange loss for the year ended 31 December 2019 was $51,000 (2018: gain of $338,000).

Price risk
The Group is not exposed to any significant price risk.

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

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

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

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.

NOTE 28 – FINANCIAL INSTRUMENTS (continued)

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.

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Group - 2019	**%**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives						
Non-interest bearing						
Trade payables	-	1,787	-	-	-	1,787
Other payables	-	701	-	-	-	701
Interest-bearing - variable						
Lease liability (Note 23)	3.45%	989	1,049	2,231	361	4,630
Total non-derivatives		**3,477**	**1,049**	**2,231**	**361**	**7,118**

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Group - 2018	**%**	**$'000**	**$'000**	**$'000**	**$'000**	**$'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**

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

NOTE 29 – 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 30 – 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, and its network firms:

	2019 $	Group 2018 $
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	350,100	236,000
Other services - Deloitte Touche Tohmatsu		
Taxation compliance services	43,000	42,926
	393,100	278,926
Other services - network firms		
Other advisory services	15,000	-

NOTE 31 – CONTINGENT LIABILITIES

On 4 December 2019, the Group became aware of a class-action suit having been filed against the Group's subsidiary Elixinol LLC in the United States District Court for the Northern District of California. The suit alleges, amongst other allegations, that the Group products are mislabelled as dietary supplements or illegally contain CBD and that this may constitute misleading conduct. This class-action suit is part of an industry-wide approach by the same class of plaintiffs. Identical and/or similar claims by the same class of plaintiffs have been served on multiple CBD companies. The Group believes that its products are accurately labelled and that the claims are without merit. The Group is defending itself against any such suits and has filed a motion to dismiss. The information usually required by AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' is not disclosed on the grounds that it can be expected to seriously prejudice the outcome of the litigation. The directors are of the opinion that the claim can be successfully defended by the Company.

NOTE 32 – COMMITMENTS

	2019 $'000	Group 2018 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment - build costs	-	3,387
Inventory purchases under contract	3,679	-
	3,679	**3,387**

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

AASB 16 was adopted using the modified retrospective approach and as such comparatives have not been restated. Therefore, the current commitments are included within assets and liabilities on the statement of financial position not in this section of the notes.

NOTE 33 – 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:

	2019 $	Group 2018 $
Short-term employee benefits	1,556,725	1,352,616
Post-employment benefits	92,427	88,013
Termination benefits	168,750	-
Share-based payments	130,011	713,507
	1,947,913	**2,154,136**

NOTE 34 – RELATED PARTY TRANSACTIONS

Parent entity

Elixinol Global Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 36.

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 33 and the remuneration report included in the directors' report.

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

Cash flow transactions with related parties

The following transactions occurred with related parties:

	2019 $	Group 2018 $
Sale of goods and services:		
Sale of goods to associates	5,244,889	189,449
Sale of goods to joint venture	16,166	-
Payment for goods and services:		
Purchase of goods from associates	1,942,954	942,498

NOTE 34 – RELATED PARTY TRANSACTIONS (continued)

Receivable from and payable to related parties

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

	2019 $	Group 2018 $
Current receivables:		
Receivables from associates (net of provision)	331,885	110,501
Current payables:		
Payables to associates	96,577	991,214
Payable to directors, Paul Benhaim	-	4,148

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:

	2019 $	Group 2018 $
Non-current borrowings:		
Loan from Raw With Life, an entity controlled by Paul Benhaim, to Hemp Foods Australia Pty Ltd *	-	250,000

* Prior to its acquisition by Elixinol Global Limited, Hemp Foods Australia entered into a Shareholder Loan Deed with Raw With Life, an entity controlled by 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 35 – BUSINESS COMBINATIONS

2019

Elixinol Co. Ltd ('Elixinol Japan')

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

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

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

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

As a result of the sale, the Company is no longer a subsidiary of Elixinol.

NOTE 35 – BUSINESS COMBINATIONS (continued)

Details of the acquisition are as follows:

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

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

2018

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

NOTE 36 – INTERESTS IN SUBSIDIARIES

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

		Ownership interest	
Name	Principal place of business/ Country of incorporation	2019 %	2018 %
Elixinol LLC	United States of America	100.00%	100.00%
EXL International Holdings LLC	United States of America	100.00%	100.00%
Nunyara Pharma Pty Ltd*	Australia	100.00%	100.00%
Hemp Foods Australia Pty Ltd**	Australia	100.00%	100.00%
Elixinol Investments Pty Ltd	Australia	100.00%	100.00%
Elixinol BV	Netherlands	100.00%	100.00%
Elixinol Ltd	United Kingdom	100.00%	100.00%
Infusion Strategies LLC	United States of America	60.00%	-

* previously known as Elixinol Pty Ltd
** held-for-sale as at 31 December 2019

NOTE 37 – 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 Pharma 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'.

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

Statement of profit or loss and other comprehensive income

	2019 $'000	2018 $'000
Revenue	28,066	37,077
Share of profits/(losses) of associates and joint ventures accounted for using the equity method	(1,616)	(651)
Other income	23	484
Interest income	564	441
Raw materials and consumables used and processing expenses	(12,709)	(17,130)
Employee benefits expenses and Directors' fees	(12,706)	(6,882)
Depreciation and amortisation expense	(2,750)	(822)
Impairment of goodwill	(46,470)	-
Impairment of assets	(13,576)	21
Professional services expenses	(4,384)	(1,757)
Sales and marketing expenses	(10,658)	(6,346)
Administrative expenses	(8,566)	(3,601)
Distribution costs	(1,307)	(1,025)
Other expenses	(90)	-
Finance costs	(133)	-
Loss before income tax benefit/(expense)	(86,312)	(191)
Income tax benefit/(expense)	7,474	(298)
Loss after income tax benefit/(expense)	(78,838)	(489)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive loss for the year	**(78,838)**	**(489)**

Equity - accumulated losses

	2019 $'000	2018 $'000
Accumulated losses at the beginning of the financial year	(3,200)	(2,711)
Loss after income tax benefit/(expense)	(78,838)	(489)
Accumulated losses at the end of the financial year	(82,038)	(3,200)

NOTE 37 – DEED OF CROSS GUARANTEE (continued)

Statement of financial position

	2019 $'000	2018 $'000
Current assets		
Cash and cash equivalents	20,083	42,604
Trade and other receivables	929	3,310
Contract assets	–	77
Inventories	19,209	6,862
Income tax refund due	90	-
Prepayments, deposits and other	6,112	3,123
Assets of disposal groups classified as held for sale	1,444	-
	47,867	55,976
Non-current assets		
Receivables	6,871	3,639
Investments accounted for using the equity method	8,402	1,874
Property, plant and equipment	12,636	5,932
Right-of-use assets	4,019	-
Intangibles	39,902	86,249
Deferred tax	4,664	724
	76,474	98,418
Total assets	124,341	154,394
Current liabilities		
Trade and other payables	2,697	5,663
Contract liabilities	157	720
Lease liabilities	854	-
Income tax	–	98
Employee benefits	86	147
Accrued expenses	619	366
Liabilities directly associated with assets classified as held for sale	944	-
	5,357	6,994
Non-current liabilities		
Borrowings	–	250
Lease liabilities	3,473	-
Deferred tax	–	3,081
Employee benefits	–	90
Lease make good provision	35	-
	3,508	3,421
Total liabilities	8,865	10,415
Net assets	115,476	143,979
Equity		
Issued capital	188,771	139,612
Reserves	8,743	7,567
Accumulated losses	(82,038)	(3,200)
Total equity	**115,476**	**143,979**

NOTE 38 – CASH FLOW INFORMATION

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

	2019 $'000	Group 2018 $'000
Loss after income tax benefit/(expense) for the year	(83,071)	(860)
Adjustments for:		
Depreciation and amortisation	2,844	824
Impairment of non-current assets	13,656	-
Impairment of goodwill	47,479	-
Net loss/(gain) on disposal of property, plant and equipment	90	(4)
Share of loss/(profit) - associates	(81)	47
Share of loss - joint ventures	1,705	651
Share-based payments	124	831
Gain on step acquisition	-	(374)
Allowance for credit losses	141	-
Deferred tax through equity	(639)	(406)
Unpaid joint venture investment	-	(991)
Loss from discontinued operations	2,305	-
Others	111	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	1,532	(2,155)
Decrease/(increase) in contract assets	77	(77)
Increase in inventories	(25,354)	(4,506)
Increase in deferred tax assets	(3,666)	(641)
Increase in prepayments, deposits and other	(3,328)	(2,795)
Increase/(decrease) in trade and other payables	(1,773)	5,287
Increase/(decrease) in contract liabilities	(563)	519
Decrease in provision for income tax	(186)	(108)
Decrease in deferred tax liabilities	(3,145)	(55)
Increase in other provisions	51	87
Increase/(decrease) in accrued expenses	625	(526)
Net cash used in operating activities	(51,066)	(5,252)

NOTE 38 – CASH FLOW INFORMATION (continued)

Changes in liabilities arising from financing activities

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

Group	Loan with Raw With Life $'000	Lease liabilities $'000	Total $'000
Balance at 1 January 2018	250	38	288
Net cash used in financing activities	-	(38)	(38)
Balance at 31 December 2018	250	-	250
Changes through discontinued operations (note 9)	(250)	-	(250)
Balance at 31 December 2019	**-**	**-**	**-**

NOTE 39 – EARNINGS PER SHARE

	2019 $'000	Group 2018 $'000
Earnings per share for (loss)/profit from continuing operations		
(Loss)/profit after income tax attributable to the owners of Elixinol Global Limited	(65,997)	344

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	132,239,632	108,200,662
Weighted average number of ordinary shares used in calculating diluted earnings per share	132,239,632	108,200,662

	Cents	Cents
Basic (loss)/earnings per share	(49.91)	0.32
Diluted (loss)/earnings per share	(49.91)	0.32

	2019 $'000	Group 2018 $'000
Earnings per share for loss from discontinued operations		
Loss after income tax attributable to the owners of Elixinol Global Limited	(17,074)	(1,204)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	132,239,632	108,200,662
Weighted average number of ordinary shares used in calculating diluted earnings per share	132,239,632	108,200,662

NOTE 39 – EARNINGS PER SHARE (continued)

	Cents	Cents
Basic loss per share	(12.91)	(1.11)
Diluted loss per share	(12.91)	(1.11)

	2019 $'000	Group 2018 $'000
Earnings per share for loss		
Loss after income tax	(83,071)	(860)
Non-controlling interest	143	-
Loss after income tax attributable to the owners of Elixinol Global Limited	(82,928)	(860)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	132,239,632	108,200,662
Weighted average number of ordinary shares used in calculating diluted earnings per share	132,239,632	108,200,662

	Cents	Cents
Basic loss per share	(62.71)	(0.79)
Diluted loss per share	(62.71)	(0.79)

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 40 – SHARE-BASED PAYMENTS

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

During the prior 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.

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

Performance rights are awarded based on the fixed amount to which the individual is entitled. Upon satisfaction of vesting and employment conditions, each performance right will, at the Company's election, convert to a share on a one-for-one basis or entitle the participant to receive in cash to the value of a share at the Board's discretion in lieu of an allocation of shares.

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:

2019

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

2018

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
03/04/2018	03/07/2023	-	522,000	-	-	522,000
15/05/2018	15/08/2023	-	4,075,000	-	-	4,075,000
01/11/2018	01/02/2024	-	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 4.1 years (2018: 4.2 years).

NOTE 40 – SHARE-BASED PAYMENTS (continued)

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

Grant date	Expiry date	Share price at grant date	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
23/05/2019	23/08/2024	$5.13	62.70%	-	1.06%	$2.21
21/09/2019	21/12/2024	$2.14	62.60%	-	0.69%	$1.30

NOTE 41 – PARENT ENTITY INFORMATION

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

Statement of profit or loss and other comprehensive income

	2019 $'000	Parent 2018 $'000
Loss after income tax	(87,465)	(2,185)
Total comprehensive loss	**(87,465)**	**(2,185)**

Statement of financial position

	2019 $'000	Parent 2018 $'000
Total current assets	19,358	40,196
Total assets	100,210	136,649
Total current liabilities	1,266	563
Total liabilities	2,126	1,063
Equity		
Issued capital	189,450	139,611
Share-based payments reserve	955	831
Accumulated losses	(92,321)	(4,856)
Total equity	**98,084**	**135,586**

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 37, the parent entity had no other guarantees in relation to the debts of its subsidiaries as at 31 December 2019 and 31 December 2018.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2019 and 31 December 2018.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2019 and 31 December 2018.

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 42 – EVENTS AFTER THE REPORTING PERIOD

Sale of Hemp Foods Australia Pty Ltd

On 31 January 2020, the Group entered into a sale agreement to dispose of Hemp Foods Australia Pty Ltd, subject to, amongst other standard conditions, obtaining third party consents and entry into a licence agreement between the Group and the acquirer. All of these conditions are expected to be settled by 30 June 2020 and therefore the subsidiary has been classified as a disposal group held for sale and presented separately in the statement of financial position.

Nunyara Pharma Pty Ltd

On 3 February 2020, the Group announced its intention not to pursue its application for a medical cannabis cultivation licence in Australia and dispose of the land held by Nunyara Pharma Pty Ltd.

Novel Coronavirus (COVID-19)

The Novel Coronavirus (COVID-19) has been declared a pandemic in March 2020 by the World Health Organisation (WHO). Subsequent to the end of the FY2019 financial year there have been considerable economic impacts in Australia and globally arising from the outbreak of COVID-19 and Government action to reduce the spread of the virus. The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries in early 2020 have caused disruption to businesses and economic activity. The Group considers this to be a non-adjusting post balance sheet event.

COVID-19 has had an impact on the operations of the Group as core operations are located in USA, Australia and Europe. At present the Group continues to operate effectively but the level of on site personnel has been restricted to just those core to the production and shipping processes since mid March 2020 in an effort to contain the spread of the epidemic.

Even though the Group are still operating, this is not at our planned or expected capacity levels due to the reduced number of personnel on site. At present the Group's ability to ship and receive goods has not been impacted, but this could change as government requirements evolve.

In addition, as the operations of substantially all of the Group's customers, suppliers and associates are located primarily in USA, Europe and Australia, the outbreak of COVID-19 is expected to have a negative impact on these entities. This may in turn negatively affect the recoverability of Group's investments, as well as financial assets and debtors which are subject to impairment or expected credit loss assessments as appropriate.

Whilst the Group's primary sales channels remain open (supermarkets, pharmacies and eCommerce) as at the date these financial statements were issued, the potential for increased levels of unemployment and a reduction in discretionary spending levels may effect the expected revenue of the Group. This could lead to the recoverability of the Group's inventories also being negatively affected.

The Group has no external debt and as at the balance sheet date had in excess of $20m of cash available to the Group. The Group's fixed cost base is relatively low, being primarily limited to rent, annual expenses (such as insurance, software licences) and utilities costs. Due to the nature of the operations and their location the Group has the ability to easily and without significant financial penalty, flex the workforce levels to reflect the required output and revenue of the Group, were COVID-19 and the related restrictions to remain for an extended period of time.

As the situation remains fluid (due to continuing changes in government policy and evolving business and customer reactions thereto) as at the date these financial statements are authorised for issue, the directors of the Company considered that the financial effects of COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated.

However, the directors do not consider the impact to likely compromise the ability of the entity to continue operating for the foreseeable future. No economic impacts resulting from COVID-19 have been included in the financial results for the year ended 31 December 2019.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' Declaration

31 December 2019

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 2019 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 37 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

Stratos Karousos
Chief Executive Officer and Executive Director

30 March 2020

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 2019, 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 2019 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.

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
 	
As at 31 December 2019, after an impairment charge of A$34 million, A$28 million of goodwill and A$11 million of other intangible assets are attributable to Elixinol LLC, the USA subsidiary and EXU CGU as disclosed in Note 18.
 	
The determination of the net present value of future cashflows involves the exercise of significant judgement. For the EXU CGU, significant judgement was required in determining the assumptions to be used in the value in use discounted cash flow model including the discount rate, inflation rate, growth rate and forecast sales growth.
 	
In relation to EXU CGU's management has specifically identified that a reasonably possible change in key assumptions used in the value in use impairment model could result in an increase in the impairment charge to goodwill.
	In conjunction with our valuation specialists, our procedures included, but were not limited to:
	• Evaluating the discounted cash flow model developed by management to assess the recoverable value of the EXU CGU. This included assessing the following key assumptions:
	  ○ discount rate – through comparison to an independently calculated discount rate;
	  ○ inflation rate - through comparison to external data; and
	  ○ forecast volumes and pricing of products with reference to historical performance and external data.
	• Testing on a sample basis, the mathematical accuracy of the value in use model;
	• Understanding and evaluating management's process, including the design and implementation of controls in place, in respect of the preparation and review of forecasts;
	• Comparison of the forecast EBITDA 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 and expected sales growth; 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
Accuracy and occurrence of revenue recognised by Elixinol USA For the year ended 31 December 2019, A$24.9m of the Group's revenue was generated by Elixinol LLC, the USA subsidiary. The accuracy and occurrence of amounts recorded as revenue in Elixinol USA represents a heightened risk as the processes and systems in place during the first nine months of the financial year were heavily reliant on systems operated with manual processes and controls over capturing and recording of transactions.	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 to the financial statements; • Understanding and evaluating management's processes, including understanding the design and implementation of controls in respect of revenue recognition; • Evaluating management's reconciliation of the detailed sales invoice listing to reports obtained from merchant processors for the first nine months of the financial year; • Testing on a sample basis, revenue transactions back to invoice, sales orders, shipping documents and cash (as applicable for each sample); • Obtaining independent third party confirmations of the revenue generated by Elixinol LLC from a sample of major customers; and • Assessing the appropriateness of disclosures in the Notes to the financial statements.

Valuation of inventory
 	
At the year ended 31 December 2019, A$21.3 of the Group's inventory resided in Elixinol LLC, the USA subsidiary.
 	
The valuation of amounts recorded as inventory in Elixinol USA represents a significant risk due to quantum and age of some of the inventory on hand. The ability to sell inventory in advance of inventory becoming obsolete has been assessed by management and resulted in a provision of A$9.4 being recorded against the inventory.
 	
The determination of the appropriate carrying value of inventory requires the use of significant judgement. For Elixinol LLC significant judgement was required in determining the quantum of sales expected of specific products, the expected average sales price and the useful life of products.
	Our procedures included, but were not limited to:
	
	• Obtaining an understanding of Elixinol's inventory on hand at 31 December and assessing the Group accounting policies set out in Note 2 to the financial statements;
	• Understanding and evaluating management's process, including understanding the design and implementation of controls in respect of the preparation and review of the inventory provision;
	• Testing on a sample basis, evidence to support the recoverable value of products back to source documents (such as a recent sales invoice, price lists or independent market prices);
	• Assessing the completeness of the inventory provision through consideration of:
	    o The rationale for any inventory lines not provided for;
	    o Assessing the expected use for potentially excess raw materials;
	    o The impact of the planned rebranding on existing finished goods inventory; and
	    o Ensuring assumptions are consistent with other audit procedures performed.
	• Comparison of the forecast sales levels used in the provisioning calculation to the Board approved FY20 forecast; and
	• Assessing the appropriateness of disclosures in the Notes to the financial statements.

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 2019 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.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the 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.

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- 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.

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 25 to 32 of the Directors' Report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Elixinol Global Limited, for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.

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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

Helen James-Hamilton
Partner
Chartered Accountants
Sydney, 30 March 2020

Shareholder Information

31 December 2019

The shareholder information set out below was applicable as at 20 March 2020.

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 4,903	4,903	2,267,813
1,001 to 5,000	2,990	7,558,793
5,001 to 10,000	756	5,866,726
10,001 to 100,000	780	21,064,529
100,001 and over	52	101,136,251
Total:	**9,481**	**137,894,112**

Holding less than a marketable parcel	6,572	4,994,206

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	39.61
D & G HEALTH LLC	12,526,243	9.08
CITICORP NOMINEES PTY LIMITED	7,703,244	5.59
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	4,653,904	3.37
ROBOTEXPERT UG\C	3,301,342	2.39
BNP PARIBAS NOMS PTY LTD (DRP)	1,868,638	1.36
BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAILCLIENT DRP)	1,682,212	1.22
UBS NOMINEES PTY LTD	1,289,260	0.93
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,189,198	0.86
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,041,899	0.76
CS THIRD NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 13 A/C)	979,529	0.71
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	876,707	0.64
SEAVIEW GROUP (QLD) PTY LTD (SEAVIEW A/C)	787,739	0.57
MR ARTHUR PENDRAGON JAFFE	731,808	0.53
MR ERIC CHI KEUNG WONG	681,126	0.49
MR GREGORY JOHN STONE + MRS JENNIFER RUTH STONE (OCEAN STONE SUPER FUND A/C)	500,000	0.36
MR ROBERT KEITH BLANDEN + MS JOAN SYBIL BLANDEN (RK & JS BLANDEN S/F A/C)	390,250	0.28
MR PETER GREGORY BRAZEL	340,000	0.25
ALTMED PETS LLC	321,240	0.23
MR KESHAB CHAPAGAIN	299,490	0.22
Total:	**95,786,837**	**69.45**

Unquoted equity securities

	Number on issue	Number of holders
Performance rights issued	2,635,185	65

Shareholder Information

31 December 2019

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	39.61
D & G HEALTH LLC	12,526,243	9.08
CITICORP NOMINEES PTY LIMITED	7,703,244	5.59

VOTING RIGHTS

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

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

There are no other classes of equity securities.

RESTRICTED SECURITIES

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

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Corporate Directory

Directors	Andrew Duff - Non-Executive Chairman Stratos Karousos - Chief Executive Officer and Executive Director Paul Benhaim - Executive Director Greg Ellery - Non-Executive Director
Company Secretary	Teresa Cleary
Chief Financial Officer	Ron Dufficy
Registered office	Level 12 680 George Street Sydney NSW 2000 Tel: 02 4044 4585
Principal place of business	Level 5 360 Kent Street 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 are traded on the American Over-The-Counter ('OTC') marketplace (OTC code: ELLXF).
Website	www.elixinolglobal.com
Business objectives	Elixinol Global Limited has used cash and cash equivalents held at the time of listing, in a way consistent with its stated business objectives.
Corporate Governance Statement	The Company's directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (3rd Edition) ('Recommendations') to the extent appropriate to the size and nature of the Group's operations.
	The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the financial year, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations.
	The Company's Corporate Governance Statement and policies, which is approved at the same time as the Annual Report, can be found on its website: https://elixinolglobal.com/investor/investor-1/

ELIXINOL GLOBAL LIMITED