

1. Company details

Name of entity:	Elixinol Global Limited
ABN:	34 621 479 794
Reporting period:	For the half-year ended 30 June 2020
Previous period:	For the half-year ended 30 June 2019

2. Results for announcement to the market

The directors present this Appendix 4D on the consolidated entity (referred to as the 'Group') consisting of Elixinol Global Limited (referred to as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2020.

			\$'000
Revenues from ordinary activities (continuing and discontinued)	down	55.0% to	7,850
Revenues from continuing operations	down	54.2% to	7,850
Loss from ordinary activities after tax attributable to the owners of Elixinol Global Limited	up	728.0% to	(81,630)
Loss for the half-year attributable to the owners of Elixinol Global Limited	up	728.0% to	(81,630)
		30 Jun 2020	30 Jun 2019
		Cents	Cents
Basic loss per share		(54.70)	(7.74)
Diluted loss per share		(54.70)	(7.74)

Dividends

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

Comments

The loss for the Group after providing for income tax and non-controlling interest amounted to \$81,630,000 (30 June 2019: \$9,859,000).

Under new Group leadership and with a renewed board, Elixinol aggressively repositioned in H1 FY2020:

- operations have been reshaped to cut cost and improve profitability;
- a completely new global product line up has been launched successfully; and
- an upskilled US leadership team was established.
- substantial cost reduction program completed in June 2020, Elixinol now moves into H2 FY2020 with an annualised cost base approximately 45% lower than FY2019.

Key highlights:

- H1 FY2020 revenue from continuing operations of \$7.9 million down 54% (\$17.1 million in H1 FY2019) as COVID-19 impacts and mixed regulatory environments led to challenging US traditional retail market conditions.
- In line with the strategic decision to reduce bulk and lower margin business, the Group's revenue mix continued to shift towards higher margin Elixinol branded products representing 64% of revenue in H1 FY2020, versus 50% in H1 FY2019.
- Operating expenses, excluding impairment charges, for H1 FY2020 were \$17.2m, down 12% from \$19.6 million in H1 FY2019. With cost reduction initiatives undertaken throughout H1 including further headcount reductions completed in June, the Company moves into H2 FY2020 with an annualised cost base approximately 45% lower than FY2019.
- Adjusted EBITDA from continuing operations was \$14.8 million loss in H1 FY2020, compared to \$11.0 million loss in H1 FY2019. Net loss after tax was \$81.6 million in H1 FY2020, compared to \$9.8 million loss in H1 FY2019. In accordance with Accounting Standards, the Company has recorded non-cash impairment charges of \$60.3 million primarily due to COVID-19 related impacts.
- The Group has \$16.8 million of cash, virtually no debt and usable inventory to support revenue growth for more than 12 months.

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 period ended 30 June 2020 was an Adjusted EBITDA loss of \$14,774,000 (2019: Adjusted EBITDA loss of \$11,044,000). A reconciliation of Adjusted EBITDA from continuing operations to statutory loss is detailed below:

	30 Jun 2020 \$'000	Group 30 Jun 2019 \$'000
(Loss)/profit from continuing operations	(81,599)	(9,837)
Add back: Income tax expense/(benefit)	4,642	(2,174)
Add back: Finance costs	-	55
Deduct: Interest revenue	(71)	(266)
Add back: Depreciation and amortisation	1,961	967
EBITDA from continuing operations	(75,067)	(11,255)
Add back: Impairment of intangibles	30,506	-
Add back: Impairment of other assets	29,787	211
Adjusted EBITDA from continuing operations	<u>(14,774)</u>	<u>(11,044)</u>

The Group's cash flow used in operations for the period ended 30 June 2020 was \$15,212,000 (2019: \$28,907,000 used in operations).

The Group recognised non-cash impairments of intangibles (including goodwill) of \$30,506,000 for the period ended 30 June 2020 relating to the Elixinol Americas CGU. The Group performed its annual impairment test in December 2019, however as a result of trading performance from the reduction in revenues from the COVID-19 pandemic, indicators of impairment existed for Elixinol Americas as at balance sheet date. Key assumptions in preparing the cash flow projections are subject to significant judgement about future economic conditions and the development of the rapid regulatory changes to the industries in which the CGU's operate in and uncertainty of the future impact of COVID-19. As a result, impairment testing was performed in June 2020 and this resulted in an impairment of intangible assets, including a full impairment of goodwill of the Elixinol America CGU.

The Group recognised non-cash impairments of assets of \$29,787,000 for the period ended 30 June 2020 relating to inventory, fixed asset and equity investments.

The Group's net asset position as at 30 June 2020 stood at \$32.2 million including cash of \$16.8 million.

Refer to ASX market announcement accompanying this Appendix 4D for further commentary.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>22.39</u>	<u>71.00</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
Associates:				
- Elixinol Co. Ltd	-	-	-	(9)
- H&W Holdings LLC	19.88%	19.88%	(132)	156
- Altmed Pets LLC	25.43%	25.43%	(252)	367
Joint venture:				
- Northern Colorado High Plains Producers	50.00%	50.00%	(215)	(49)
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			(599)	465

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements are currently in the process of being reviewed by the auditors and an unqualified conclusion is expected to be issued.

11. Attachments

Details of attachments (if any):

The Preliminary Interim Report of Elixinol Global Limited for the half-year ended 30 June 2020 is attached.

12. Authority for release

Authorised for release by the Board of Directors

31 August 2020



Elixinol Global Limited

ABN 34 621 479 794

Preliminary Interim Report - 30 June 2020

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Elixinol Global Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2020



	Note	30 Jun 2020 \$'000	Group 30 Jun 2019 \$'000
Revenue from continuing operations	4	7,850	17,126
Share of profits/(losses) of associates and joint ventures accounted for using the equity method		(599)	465
Other income	5	97	7
Interest income calculated using the effective interest method		71	266
Expenses			
Raw materials and consumables used and processing expenses		(4,907)	(9,093)
Employee benefits expenses and Directors' fees		(7,748)	(6,679)
Depreciation and amortisation expense		(1,961)	(967)
Impairment of intangibles	11	(30,506)	-
Impairment of other assets		(29,787)	(211)
Professional services expenses		(2,188)	(1,815)
Sales and marketing expenses		(4,076)	(6,822)
Administrative expenses		(2,849)	(3,422)
Distribution costs		(305)	(769)
Other expenses		(49)	(86)
Finance costs		-	(55)
Loss before income tax (expense)/benefit from continuing operations		(76,957)	(12,055)
Income tax (expense)/benefit		(4,642)	2,174
Loss after income tax (expense)/benefit from continuing operations		(81,599)	(9,881)
Profit after income tax expense from discontinued operations	6	-	44
Loss after income tax (expense)/benefit for the half-year		(81,599)	(9,837)
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(6,914)	495
Other comprehensive income/(loss) for the half-year, net of tax		(6,914)	495
Total comprehensive loss for the half-year		<u>(88,513)</u>	<u>(9,342)</u>
Loss for the half-year is attributable to:			
Non-controlling interest		31	22
Owners of Elixinol Global Limited		(81,630)	(9,859)
		<u>(81,599)</u>	<u>(9,837)</u>

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

Elixinol Global Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2020



	Note	30 Jun 2020 \$'000	Group 30 Jun 2019 \$'000
Total comprehensive loss for the half-year is attributable to:			
Continuing operations		31	22
Discontinued operations		-	-
Non-controlling interest		<u>31</u>	<u>22</u>
Continuing operations		(88,544)	(9,408)
Discontinued operations		-	44
Owners of Elixinol Global Limited		<u>(88,544)</u>	<u>(9,364)</u>
		<u>(88,513)</u>	<u>(9,342)</u>
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Elixinol Global Limited			
Basic loss per share	15	(54.70)	(7.78)
Diluted loss per share	15	(54.70)	(7.78)
Earnings per share for profit from discontinued operations attributable to the owners of Elixinol Global Limited			
Basic earnings per share	15	-	0.03
Diluted earnings per share	15	-	0.03
Earnings per share for loss attributable to the owners of Elixinol Global Limited			
Basic loss per share	15	(54.70)	(7.74)
Diluted loss per share	15	(54.70)	(7.74)

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

	Note	30 Jun 2020 \$'000	Group 31 Dec 2019 \$'000
Assets			
Current assets			
Cash and cash equivalents		16,769	20,244
Trade and other receivables		1,254	1,536
Inventories	7	8,891	21,314
Income tax refund due		-	88
Other		2,064	6,731
		<u>28,978</u>	<u>49,913</u>
Assets of disposal groups classified as held for sale		-	1,444
Total current assets		<u>28,978</u>	<u>51,357</u>
Non-current assets			
Investments accounted for using the equity method	8	3,294	8,403
Property, plant and equipment	9	4,667	12,685
Right-of-use assets	10	2,903	4,323
Intangibles	11	1,137	39,994
Deferred tax		-	4,307
Total non-current assets		<u>12,001</u>	<u>69,712</u>
Total assets		<u>40,979</u>	<u>121,069</u>
Liabilities			
Current liabilities			
Trade and other payables		3,377	2,992
Contract liabilities		171	157
Lease liabilities		1,165	989
Employee benefits		265	86
Other		1,434	843
		<u>6,412</u>	<u>5,067</u>
Liabilities directly associated with assets classified as held for sale		-	944
Total current liabilities		<u>6,412</u>	<u>6,011</u>
Non-current liabilities			
Borrowings	12	250	-
Lease liabilities		2,132	3,676
Total non-current liabilities		<u>2,382</u>	<u>3,676</u>
Total liabilities		<u>8,794</u>	<u>9,687</u>
Net assets		<u>32,185</u>	<u>111,382</u>
Equity			
Issued capital	13	198,566	188,771
Reserves		1,793	9,186
Accumulated losses		(168,174)	(86,544)
Equity attributable to the owners of Elixinol Global Limited		<u>32,185</u>	<u>111,413</u>
Non-controlling interest		-	(31)
Total equity		<u>32,185</u>	<u>111,382</u>

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

Elixinol Global Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2020



Group	Issued capital \$'000	Foreign currency translation reserve \$'000	Share-based payments reserve \$'000	Other reserve \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 January 2019	139,612	6,323	1,234	137	(3,616)	-	143,690
Profit/(loss) after income tax benefit for the half-year	-	-	-	-	(9,859)	22	(9,837)
Other comprehensive income for the half-year, net of tax	-	495	-	-	-	-	495
Total comprehensive income/(loss) for the half-year	-	495	-	-	(9,859)	22	(9,342)
Acquisition of non-controlling interest	-	-	-	-	-	2,149	2,149
Elimination of Treasury shares	-	-	-	-	-	(1,517)	(1,517)
<i>Transactions with owners in their capacity as owners:</i>							
Contributions of equity, net of transaction costs	47,628	-	-	-	-	-	47,628
Share-based payments	-	-	1,619	-	-	-	1,619
Balance at 30 June 2019	<u>187,240</u>	<u>6,818</u>	<u>2,853</u>	<u>137</u>	<u>(13,475)</u>	<u>654</u>	<u>184,227</u>
Group	Issued capital \$'000	Foreign currency translation reserve \$'000	Share-based payments reserve \$'000	Other reserve \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 January 2020	188,771	8,231	955	-	(86,544)	(31)	111,382
Profit/(loss) after income tax expense for the half-year	-	-	-	-	(81,630)	31	(81,599)
Other comprehensive loss for the half-year, net of tax	-	(6,914)	-	-	-	-	(6,914)
Total comprehensive income/(loss) for the half-year	-	(6,914)	-	-	(81,630)	31	(88,513)
<i>Transactions with owners in their capacity as owners:</i>							
Contributions of equity, net of transaction costs (note 13)	9,795	-	-	-	-	-	9,795
Share-based payments	-	-	(479)	-	-	-	(479)
Balance at 30 June 2020	<u>198,566</u>	<u>1,317</u>	<u>476</u>	<u>-</u>	<u>(168,174)</u>	<u>-</u>	<u>32,185</u>

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

Elixinol Global Limited
Consolidated statement of cash flows
For the half-year ended 30 June 2020



	Note	30 Jun 2020 \$'000	Group 30 Jun 2019 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		6,972	16,981
Payments to suppliers and employees (inclusive of GST)		(22,382)	(46,141)
Government grants	5	100	-
Other		88	9
Interest received		75	376
Interest and other finance costs paid		(61)	(55)
Income taxes paid		(4)	(77)
		<hr/>	<hr/>
Net cash used in operating activities		(15,212)	(28,907)
Cash flows from investing activities			
Cash acquired on purchase of business		-	1,214
Payments for new equity investment		-	(7,186)
Payments for property, plant and equipment		(98)	(6,797)
Payments for intangibles		(18)	(99)
Proceeds from disposal of business		230	-
Proceeds from disposal of property, plant and equipment		2,566	60
		<hr/>	<hr/>
Net cash from/(used in) investing activities		2,680	(12,808)
Cash flows from financing activities			
Proceeds from issue of shares	13	10,989	50,000
Share issue transaction costs	13	(1,224)	(2,812)
Repayment of lease liabilities		(733)	(282)
		<hr/>	<hr/>
Net cash from financing activities		9,032	46,906
Net increase/(decrease) in cash and cash equivalents		(3,500)	5,191
Cash and cash equivalents at the beginning of the financial half-year		20,373	42,922
Effects of exchange rate changes on cash and cash equivalents		(104)	28
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial half-year		<u>16,769</u>	<u>48,141</u>

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

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Note 1. Significant accounting policies

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

AASB 2020-4 Amendment to Australian Accounting Standards - COVID-19-Related Rent Concessions

The Group has early adopted the amendment to AASB 16 from 1 January 2019. The amendment provides a practical expedient for lessees to account for COVID-19-related rent concessions that: result in lease payments that are substantially the same as, or less than, the consideration for the lease immediately prior to the change; where any reduction in the lease payments affects only payments originally due on or before 30 June 2021; and where there is no substantive change to other terms and conditions of the lease. The practical expedient allows an entity not to assess rent concessions meeting the criteria as a lease modification. As a result, to the extent that lease concessions represent a forgiveness or waiver of lease payments, such concessions are treated as variable lease payments recognised in profit or loss with a corresponding adjustment to the lease liability. To the extent that the lease concession in substance represents a delay in lease repayments such that lease consideration is not changed, the lease liability is not extinguished. Interest continues to accrue for that period. The Group has applied the practical expedient to all rent concessions that meet the abovementioned criteria.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Going concern

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

During the period ended 30 June 2020, the Group incurred a net loss before tax of \$77.0 million (2019: \$12.1 million) and net cash outflow from operating activities of \$15.2 million (2019: \$28.9 million).

The Novel Coronavirus ('COVID-19') was declared a pandemic on 11 March 2020 by the World Health Organisation ('WHO'). During the period ended 30 June 2020 there have been considerable economic impacts in Australia and globally arising from the outbreak of COVID-19 and Government action to reduce the spread of the virus. The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries in 2020 have caused disruption to businesses and economic activity.

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

Note 1. Significant accounting policies (continued)

The cash flow forecast prepared for the assessment of Going Concern, factors in a number of estimates and assumptions in relation to timing of restrictions easing and the impact on customer demand. The financial forecasts in response to COVID-19 have been adjusted for the current impacts and possible future impacts to revenue, particularly including an improvement in eCommerce revenue, expenses and cashflow. However the uncertainty and unpredictability of the evolving COVID-19 situation gives rise to a material uncertainty that may cast significant doubt over the ability of the Group to continue as a going concern.

As at 30 June 2020, the Group has net assets of \$32.2 million including cash of \$16.8 million. The Directors regularly monitor the Company's cash position on an ongoing basis and the Group has demonstrated a successful track record of raising capital and funding when required, included completing a capital raise recently of \$11 million during the pandemic. The current cash flow forecasts support the business as a going concern and the Group has the capacity, if necessary, to defer discretionary expenditure in the current cash flow forecast period to take steps to moderate the cash outflows of the business as needed.

Should the Group be unable to execute the forecast strategy, it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments to the recoverability and classification of assets carrying amounts or the amounts of liabilities that might result should the Group be unable to continue as a going concern and meets its debts as and when they fall due.

Note 2. 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 are consistent with those of the latest Annual Report with the addition of the ones stated below.

COVID-19 pandemic

Judgement has been exercised in considering all the possible financial effects and impacts that the COVID-19 pandemic has had, or may have, on the Group based on known information and how this impacts the measurement, presentation and disclosure in the Group half year report. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the COVID-19 pandemic and forward-looking information that is available. The allowance for expected credit losses is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Note 3. 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.

Note 3. Operating segments (continued)

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 Hemp Foods Australia Pty Ltd ('HFA') and Nunyara Pharma Pty Ltd ('Nunyara').

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

Intersegment transactions

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

Intersegment receivables, payables and loans

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

Major customers

During the half-year ended 30 June 2020, 10% of sales were derived from three major customers (30 June 2019: 26% of sales were derived from three major customers).

Operating segment information - Continuing operations

Group - 30 Jun 2020	Americas \$'000	Europe & UK \$'000	Australia \$'000	Unallocated \$'000	Total \$'000
Revenue					
Sales to external customers	4,778	1,023	2,049	-	7,850
Total revenue	4,778	1,023	2,049	-	7,850
Adjusted EBITDA	(9,540)	(2,840)	(405)	(1,989)	(14,774)
Depreciation and amortisation					(1,961)
Impairment of intangibles					(30,506)
Impairment of other assets					(29,787)
Interest revenue					71
Loss before income tax expense					(76,957)
Income tax expense					(4,642)
Loss after income tax expense					(81,599)
Assets					
Segment assets	18,493	4,006	1,454	17,026	40,979
Total assets					40,979
Liabilities					
Segment liabilities	4,169	1,522	925	2,178	8,794
Total liabilities					8,794

Note 3. Operating segments (continued)

Group - 30 Jun 2019	Americas \$'000	Europe & UK \$'000	Australia \$'000	Unallocated \$'000	Total \$'000
Revenue					
Sales to external customers	14,511	995	1,620	-	17,126
Total revenue	<u>14,511</u>	<u>995</u>	<u>1,620</u>	<u>-</u>	<u>17,126</u>
Adjusted EBITDA	<u>(5,756)</u>	<u>(1,365)</u>	<u>(1,016)</u>	<u>(2,907)</u>	(11,044)
Depreciation and amortisation					(967)
Impairment of other assets					(211)
Interest revenue					266
Finance costs					(55)
Loss before income tax benefit					(12,011)
Income tax benefit					2,174
Loss after income tax benefit					<u>(9,837)</u>
Group - 31 Dec 2019					
Assets					
Segment assets	93,188	3,657	2,639	20,141	119,625
<i>Unallocated assets:</i>					
Held-for-sale					1,444
Total assets					<u>121,069</u>
Liabilities					
Segment liabilities	6,072	777	33	1,861	8,743
<i>Unallocated liabilities:</i>					
Held-for-sale					944
Total liabilities					<u>9,687</u>

Geographical information

	Sales to external customers		Geographical non-current assets	
	30 Jun 2020 \$'000	30 Jun 2019 \$'000	30 Jun 2020 \$'000	31 Dec 2019 \$'000
Americas	4,778	14,511	10,151	60,914
Europe & UK	1,023	995	601	712
Australia	2,049	1,620	176	2,618
Unallocated	-	-	1,073	1,161
	<u>7,850</u>	<u>17,126</u>	<u>12,001</u>	<u>65,405</u>

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

Note 4. Revenue

	30 Jun 2020 \$'000	Group 30 Jun 2019 \$'000
From continuing operations		
Sale of goods	<u>7,850</u>	<u>17,126</u>

Note 4. Revenue (continued)

Disaggregation of revenue

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

	eCommerce \$'000	Retail \$'000	Bulk \$'000	Private label \$'000	Total \$'000
Group - 30 Jun 2020					
<i>Geographical regions</i>					
Americas	2,055	2,017	531	176	4,779
Europe & UK	118	764	142	-	1,024
Australia	138	1,427	482	-	2,047
	<u>2,311</u>	<u>4,208</u>	<u>1,155</u>	<u>176</u>	<u>7,850</u>
Group - 30 Jun 2019					
<i>Geographical regions</i>					
Americas	3,664	3,882	4,273	2,692	14,511
Europe & UK	31	964	-	-	995
Australia	131	1,090	399	-	1,620
	<u>3,826</u>	<u>5,936</u>	<u>4,672</u>	<u>2,692</u>	<u>17,126</u>

Timing of revenue recognition

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

Note 5. Other income

	30 Jun 2020 \$'000	Group 30 Jun 2019 \$'000
Net foreign exchange loss	(113)	(2)
Government grants (COVID-19)	100	-
Other	110	9
Other income	<u>97</u>	<u>7</u>

Government grants (COVID-19)

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

Note 6. Discontinued operations

Hemp Foods Australia

At 30 December 2019, the Board had resolved to dispose of the Group's investment in Hemp Foods Australia Pty Ltd and negotiations with several interested parties had taken place. On 31 January 2020, the Group entered into a sale agreement to dispose of Hemp Foods Australia and as a result at 31 December 2019 disclosed Hemp Foods Australia as held-for-sale and presented separately in the statement of financial position. On 25 May 2020, the Company announced that the share purchase agreement ('SPA') for the sale was terminated by the buyer due to non-satisfaction of a condition precedent in the SPA, citing COVID-19 impacts.

Subsequently, the Company evaluated the opportunities of Hemp Foods Australia and decided to continue the operations as part of the Group. As a result, the subsidiary has been reclassified as held for sale and included in the continuing operations in the half year results.

Elixinol Japan

Elixinol Japan was incorporated into the Group from 29 May 2019. On 2 December 2019, the Company sold its 50.50% interest in Elixinol Japan to one of Elixinol Japan's other shareholders, Mr Takeshi Sakurada for \$13,500 (¥1,000,000) with a deferred cash payment of \$230,000, which was paid during the current financial half-year.

The results for Elixinol Japan are shown as a discontinued operation for the comparative period to 30 June 2019, in line with the disclosure in the 31 December 2019 Annual Report.

Financial performance information

	30 Jun 2020 \$'000	Group 30 Jun 2019 \$'000
Sale of goods	-	329
Other income	-	20
Raw materials and consumables used and processing expenses	-	(100)
Employee benefits expenses and Directors' fees	-	(65)
Depreciation and amortisation expense	-	(32)
Professional services expenses	-	(13)
Sales and marketing expenses	-	(22)
Administrative expenses	-	(59)
Other expenses	-	(14)
Total expenses	-	(305)
Profit before income tax expense	-	44
Income tax expense	-	-
Profit after income tax expense from discontinued operations	-	44

Note 7. Current assets - inventories

	30 Jun 2020	Group 31 Dec 2019
	\$'000	\$'000
Raw materials - at cost	23,941	27,310
Less: Provision for impairment	<u>(19,663)</u>	<u>(8,724)</u>
	4,278	18,586
Work in progress - at cost	2,515	-
Less: Provision for impairment	<u>(1,309)</u>	<u>-</u>
	1,206	-
Finished goods - at cost	6,053	3,182
Less: Provision for impairment	<u>(2,718)</u>	<u>(642)</u>
	3,335	2,540
Stock in transit - at cost	<u>72</u>	<u>188</u>
	<u>8,891</u>	<u>21,314</u>

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Net realisable values have been reviewed taking into account estimated future demand of finished goods, expiration dates on inventory and current market prices.

Since the COVID-19 was declared a pandemic by the World Health Organisation in March 2020, the Company has observed a significant reduction in consumer demand particularly in bricks and mortar retail distribution channels. This reduction in demand has resulted in the Company reassessing how much on hand inventory is estimated to be consumed in the production and sale of Elixinol branded products prior to inventory approaching its shelf life. To the extent that inventory is considered excess to its core strategy, the Company has then considered the net realisable value of excess inventory with reference to the current commodities market for hemp biomass, extracts and distillates. Lower overall consumer demand for hemp commodities in conjunction with oversupply in the market has led to a significant decrease in net realisable values and an impairment of \$15.5 million which has been recognised in the financial statements.

Note 8. Non-current assets - investments accounted for using the equity method

	30 Jun 2020	Group 31 Dec 2019
	\$'000	\$'000
Investment in associate - H&W Holdings LLC	-	95
Investment in associate - Altmed Pets LLC	3,294	8,096
Investment in joint venture - Northern Colorado High Plains Producers LLC	<u>-</u>	<u>212</u>
	<u>3,294</u>	<u>8,403</u>

Note 9. Non-current assets - property, plant and equipment

	30 Jun 2020 \$'000	Group 31 Dec 2019 \$'000
Land - at cost	424	3,139
Less: Impairment	-	(114)
	<u>424</u>	<u>3,025</u>
Leasehold improvements - at cost	3,649	3,524
Less: Accumulated depreciation	(519)	(262)
Less: Impairment	(2,869)	-
	<u>261</u>	<u>3,262</u>
Furniture, fittings and equipment - at cost	189	654
Less: Accumulated depreciation	(85)	(26)
Less: Impairment	-	(518)
	<u>104</u>	<u>110</u>
Motor vehicles - at cost	70	69
Less: Accumulated depreciation	(30)	(23)
	<u>40</u>	<u>46</u>
Computer equipment - at cost	794	741
Less: Accumulated depreciation	(432)	(257)
	<u>362</u>	<u>484</u>
Machinery - at cost	7,189	6,690
Less: Accumulated depreciation	(963)	(566)
Less: Impairment	(2,750)	(366)
	<u>3,476</u>	<u>5,758</u>
	<u><u>4,667</u></u>	<u><u>12,685</u></u>

Reconciliations

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

Group	Land \$'000	Leasehold improve- ments \$'000	Furniture, fittings and equipment \$'000	Motor vehicles \$'000	Computer equipment \$'000	Machinery \$'000	Total \$'000
Balance at 1 January 2020	3,025	3,262	110	46	484	5,758	12,685
Additions	-	-	1	-	37	46	84
Disposals	(2,611)	-	(8)	-	-	(1)	(2,620)
De-classified as held for sale	-	13	25	-	-	88	126
Exchange differences	10	66	4	1	17	138	236
Impairment of assets	-	(2,813)	-	-	-	(2,077)	(4,890)
Depreciation expense	-	(267)	(28)	(7)	(176)	(476)	(954)
Balance at 30 June 2020	<u>424</u>	<u>261</u>	<u>104</u>	<u>40</u>	<u>362</u>	<u>3,476</u>	<u>4,667</u>

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

Note 10. Non-current assets - right-of-use assets

	30 Jun 2020	Group 31 Dec 2019
	\$'000	\$'000
Land and buildings - right-of-use	5,031	5,069
Less: Accumulated depreciation	<u>(2,128)</u>	<u>(746)</u>
	<u><u>2,903</u></u>	<u><u>4,323</u></u>

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 financial half-year are set out below:

Group	Land and buildings - right- of-use \$'000
Balance at 1 January 2020	4,323
Disposals	(25)
De-classified as held for sale	187
Revaluation	(1,053)
Exchange differences	95
Depreciation expense	<u>(624)</u>
Balance at 30 June 2020	<u><u>2,903</u></u>

Note 11. Non-current assets - intangibles

	30 Jun 2020 \$'000	Group 31 Dec 2019 \$'000
Goodwill - at cost	47,479	75,705
Less: Impairment	(47,479)	(47,479)
	<u>-</u>	<u>28,226</u>
Website and software - at cost	1,146	1,118
Less: Accumulated amortisation	(233)	(84)
Less: Impairment	(41)	(41)
	<u>872</u>	<u>993</u>
Patents and trademarks - at cost	110	92
Less: Impairment	(2)	(2)
	<u>108</u>	<u>90</u>
Customer relationships - at cost	2,310	2,458
Less: Accumulated amortisation	(1,096)	(863)
Less: Impairment	(1,057)	(32)
	<u>157</u>	<u>1,563</u>
Brand names - at cost	10,667	10,668
Less: Impairment	(10,667)	(1,546)
	<u>-</u>	<u>9,122</u>
	<u>1,137</u>	<u>39,994</u>

Reconciliations

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

Group	Goodwill \$'000	Website \$'000	Patents and trademarks \$'000	Customer relationships \$'000	Brand names \$'000	Total \$'000
Balance at 1 January 2020	28,226	993	90	1,563	9,122	39,994
Additions	-	-	18	-	-	18
De-classified as held for sale	-	-	-	-	-	-
Exchange differences	(6,932)	28	-	(148)	(935)	(7,987)
Impairment of assets	(21,294)	-	-	(1,025)	(8,187)	(30,506)
Amortisation expense	-	(149)	-	(233)	-	(382)
Balance at 30 June 2020	<u>-</u>	<u>872</u>	<u>108</u>	<u>157</u>	<u>-</u>	<u>1,137</u>

Note 12. Non-current liabilities - borrowings

	30 Jun 2020 \$'000	Group 31 Dec 2019 \$'000
Related party loan from Raw With Life	250	-

Prior to its acquisition by Elixinol Global Limited, Hemp Foods Australia entered into a Shareholder Loan Deed with Raw With Life, an entity controlled by Mr Paul Benhaim, whereby Raw With Life agreed to lend \$250,000 to Hemp Foods Australia. The loan is made on an unsecured basis, with no interest currently payable. Hemp Foods Australia undertakes to repay the loan subject to achievement of predefined performance milestones. This is a related party agreement, as Raw With Life holds (as at the date of this report) approximately 28.3% of the shares in Elixinol Global Limited. The Group assessed the fair value of the loan at the reporting date and the amount is not materially different from its fair value.

At 30 December 2020, the related party loan was impaired to nil as part of a condition connected to the potential Hemp Foods Australia sale. Following the termination of the sale, as at 30 June 2020 the loan has been re-instated.

Note 13. Equity - issued capital

	30 Jun 2020 Shares	31 Dec 2019 Shares	30 Jun 2020 \$'000	Group 31 Dec 2019 \$'000
Ordinary shares - fully paid	192,703,954	137,761,002	198,566	188,771

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 January 2020	137,761,002		188,771
Institutional Entitlement Offer	14 May 2020	26,712,850	\$0.20	5,343
Retail Entitlement Offer	2 June 2020	28,230,102	\$0.20	5,646
Share issue transaction costs				(1,194)
Balance	30 June 2020	192,703,954		198,566

Ordinary shares

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

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

Share buy-back

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

Treasury shares

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

Note 14. Commitments

	30 Jun 2020 \$'000	Group 31 Dec 2019 \$'000
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Inventory purchases under contract	334	3,679

Note 15. Earnings per share

	30 Jun 2020 \$'000	Group 30 Jun 2019 \$'000
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax	(81,599)	(9,881)
Non-controlling interest	(31)	(22)
Loss after income tax attributable to the owners of Elixinol Global Limited	(81,630)	(9,903)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	149,241,274	127,323,773
Weighted average number of ordinary shares used in calculating diluted earnings per share	149,241,274	127,323,773
	Cents	Cents
Basic loss per share	(54.70)	(7.78)
Diluted loss per share	(54.70)	(7.78)
	30 Jun 2020 \$'000	Group 30 Jun 2019 \$'000
<i>Earnings per share for profit from discontinued operations</i>		
Profit after income tax attributable to the owners of Elixinol Global Limited	-	44
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	149,241,274	127,323,773
Weighted average number of ordinary shares used in calculating diluted earnings per share	149,241,274	127,323,773
	Cents	Cents
Basic earnings per share	-	0.03
Diluted earnings per share	-	0.03

Note 15. Earnings per share (continued)

	30 Jun 2020	Group 30 Jun 2019
	\$'000	\$'000
<i>Earnings per share for loss</i>		
Loss after income tax	(81,599)	(9,837)
Non-controlling interest	<u>(31)</u>	<u>(22)</u>
Loss after income tax attributable to the owners of Elixinol Global Limited	<u>(81,630)</u>	<u>(9,859)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>149,241,274</u>	<u>127,323,773</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>149,241,274</u>	<u>127,323,773</u>
	Cents	Cents
Basic loss per share	(54.70)	(7.74)
Diluted loss per share	(54.70)	(7.74)