Elixinol Wellness Limited

ABN 34 621 479 794

Annual Report - 31 December 2023

Your directors present their report, together with the financial statements for Elixinol Wellness Limited ('Elixinol Wellness', the 'Company') and its controlled entities ('Consolidated Entity' or 'Group') for the financial year ended 31 December 2023 ('FY23').

Directors

The names of the Directors of the Company in office during the financial year and up to the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

David Fenlon	Independent Non-Executive Chair (appointed 30 September 2023) Independent Non-Executive Director (1 January 2023 to 29 September 2023)
Ronald Dufficy	Group Chief Executive Officer Managing Director (appointed 6 April 2023)
Pauline Gately	Non-Executive Director (appointed 17 August 2023)
Helen Wiseman	Independent Non-Executive Chair (resigned 30 September 2023)
Paul Benhaim	Non-Executive Director (resigned 6 April 2023)
Oliver Horn	Non-Executive Director (resigned 6 April 2023)

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 Americas'), Elixinol Wellness (Byron Bay) Pty Ltd trading as Hemp Foods Australia, Mt Elephant, Field Day and The Australian Superfood Co, The Sustainable Nutrition Group Pty Ltd, The Sustainable Nutrition Group (Australia) Pty Ltd (together 'Australia') and Elixinol BV and Elixinol Limited (together 'Elixinol Europe').

The principal activities of the Group are:

Australia (hemp-derived nutrition and skincare products)

Australia operates a vertically integrated business which produces, manufactures, and distributes a range of highly complementary products delivered across four verticals – human nutrition, human wellness, pet wellness and superfood ingredients. Brands include Hemp Foods Australia, Mt Elephant and Field Day, and are sold through grocery, wholesale, and eCommerce channels. Additionally, the Australian Superfood Co. supplies Australian native and superfood ingredients to white label customers as well as food, beverage, and beauty manufacturers. Manufacturing and distribution operations are based in Geelong, Victoria, servicing customers throughout Australia.

Elixinol Americas (hemp-derived cannabidiol (‘CBD’) dietary supplements and topicals)

Established in 2014, Elixinol Americas is based in the United States and specialises in marketing and distributing products made from premium quality, predominantly 'whole plant' full spectrum CBD, which is extracted from US grown industrial hemp.

Rest of World (hemp-derived cannabidiol ('CBD') food and cosmetics)

Rest of World includes Elixinol Europe, based in Utrecht (The Netherlands), and in London (United Kingdom). Elixinol Europe was established in 2018 specialising in the development, sourcing, marketing and distribution of hemp-derived CBD products, including skincare. Rest of the World moved to a licensing business model in 2021 covering Elixinol Europe, Japan and South Africa.

Dividends

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

Review of operations

Operating and financial review

The FY23 loss for the Group after providing for income tax and non-controlling interest amounted to $7,507,000 (31 December 2022: $10,571,000).

The Group revenue from continuing operations for the year ended 31 December 2023 was $8,269,000 (31 December 2022: $7,055,000).

The Group's earnings before interest, tax, depreciation and amortisation ('EBITDA') from continuing operations, including share of associates' net loss and excluding impairments and share-based payments, for the year ended 31 December 2023 was an Adjusted EBITDA loss of $4,626,000 (31 December 2022: Adjusted EBITDA loss of $8,538,000). EBITDA and Adjusted EBITDA are financial measures which are not prescribed by Australian Accounting Standards ('AAS') and represent the statutory result under AAS, adjusted for certain items. The directors consider EBITDA and Adjusted EBITDA to reflect core earnings of the Group.

A reconciliation of Adjusted EBITDA from continuing operations to statutory loss is detailed below:

	Group 2023 $'000	2022 $'000
Loss after income tax	(7,507)	(10,571)
Add back/(deduct):		
Income tax expense/(benefit)	3	2
Finance costs	101	71
Interest income	(213)	(22)
Depreciation and amortisation	597	721
EBITDA	(7,019)	(9,799)
Add back/(deduct):		
Impairment of intangibles	-	234
Impairment of other assets	1,718	786
Share-based payments	675	241
Adjusted EBITDA	(4,626)	(8,538)

Group cash used in operations for the year ended 31 December 2023 was $2,758,000 (31 December 2022: $8,152,000), which included $190,000 of non-recurring transaction costs.

The Group also recognised non-cash impairments of intangibles (including goodwill) of $nil (31 December 2022: $234,000) for the year ended 31 December 2023 related to the Elixinol Americas cash-generating unit ('CGU').

Group non-cash impairment of other assets of $1,718,000 (31 December 2022: $786,000) for the year ended 31 December 2023 relate to the write-down of the Company's non-core asset investment in Altmed Pets LLC. Subsequent to year end, on 21 February 2024, the Company entered into a binding agreement, subject to finance, to sell this investment for approximately $2,300,000, an amount equal to the revised value in the Company's financial statements.

Australia
Australia comprises trading results from Elixinol Wellness (Byron Bay) Pty Ltd trading as Hemp Foods Australia, Mt Elephant, Field Day, and The Australian Superfood Co, The Sustainable Nutrition Group Pty Ltd, and The Sustainable Nutrition Group (Australia) Pty Ltd.

Australia reported revenue for the year ended 31 December 2023 of $5,587,000 (31 December 2022: $3,691,000) and Adjusted EBITDA loss of $1,115,000 (31 December 2022: $704,000 Adjusted EBITDA loss).

In H1 FY23, Hemp Foods Australia recorded strong sales of its Seed Mix range through Coles nationally, the rollout of Hemp Seed Oil across Woolworths stores nationally and promotional activity with Costco. The national Woolworths roll-out of Hemp Foods Australia's product range also coincided with the launch of its rebrand and fresh look for its Hemp Foods Australia brand. Other highlights include the launch of the Group's TGA-approved range of Hemp Gold® Seed Oil capsules in August through health food and specialty stores as well as online channels.

With an expanded brand portfolio, following the acquisition of The Sustainable Nutrition Group Ltd ('TSN') effective 17 August 2023, Australian-based revenue increased to $3,487,000 in H2 FY23, an increase of 66% compared with H1 FY23 revenue of $2,100,000. On a full year basis, Hemp Foods Australia branded Business to Consumer ('B2C') revenue climbed 25% compared with FY22.

During H2 FY23, the Group was notified of successful ranging of its Mt Elephant products with Coles. Coles will range 4 Mt Elephant SKUs from April 2024 augmenting the 10 Mt Elephant SKUs already sold in Woolworths stores nationally.

During H2 FY23, the Company also confirmed online distribution with Chemist Warehouse. From February 2024, Hemp Foods Australia's Plant-Based Omega and its Pain Relief capsules will be available via www.chemistwarehouse.com.au. Additionally, from April 2024, a unique 1kg pack of Hemp Foods Australia's flavoured proteins and a new Plant-Based Collagen product will also be available online.

Americas
The Americas segment comprises the trading results of Elixinol LLC and its investments in Pet Releaf ('Elixinol Americas'). A binding agreement to dispose of the investment in Pet Releaf was entered into on 21 February 2024 and as a result, the investment has been classified as non-current asset, held of sale. There was no impact on the trading results of Elixinol Americas.

Elixinol Americas reported revenue of $2,638,000 in FY23, a 20% decline compared with the prior year (FY22: $3,318,000). Traditional retail channels for Elixinol branded CBD products continue to underperform due to the unclear regulatory status of CBD products in the USA. Revenues from eCommerce were maintained from a cost base which was 42% lower than the previous year. This was achieved by servicing the Company's customer base and through subscription-based ordering, which contributed approximately one-third of eCommerce revenue for the year. The Americas' business has transitioned to a lean eCommerce business and moves into FY24 contributing positively to Group EBITDA.

Share of associates' loss
Share of associates loss during the year ended 31 December 2023 was $nil (31 December 2022: $73,000).

Review of financial position
As at 31 December 2023, Group net assets were $6,462,000, including $708,000 in cash and cash equivalents. The key impact during the period was a loss of $7,437,000.

Business strategies and future prospects
During FY23, the Company repositioned its business to become a house of branded consumer goods in addition to its Business to Business ('B2B') ingredients business and CBD portfolio. Revenue growth and substantial cost reductions culminated in improved cash flow during the financial year. The Company's strategy is to build a global, wellness consumer products company, with a stated vision of creating healthier lives through the power of plant-based products.

Building on the Company's FY22 Strategic Review, its cost base was refined further with a streamlined organisational structure that combines corporate and business unit functions. Importantly, this structure supports the Company's strategy of diversifying towards natural and plant-based wellness products, and reducing reliance on its CBD portfolio.

The Company remains focused on driving cost efficiencies and strengthening its balance sheet to create value for all shareholders.

To this end, the Company's recently announced acquisition of Ananda Food Pty Ltd ('Ananda Food') adds further scale to enhance Group profitability. The acquisition strengthens the Company's leadership position in the Australian hemp market and leverage across the supply chain. Highly complementary product ranges have the ability to accelerate sales through cross-selling, significantly improve unit economics through improved yields, increase asset utilisation and sale of by-products, and create immediate cost synergies.

Vision and mission
The Company's vision and purpose are the cornerstone of its strategy, which is underpinned by the following:

Company Vision:	To create healthier everyday lives through the power of plant-based products.
Purpose:	Changing lives naturally.

Key strategic objectives identified

The Group remains positive about market opportunities for plant-based products, and its ability to leverage its strong brands and reputation for high quality products. The Group's strategic focus is predicated on the following strategic initiatives to support revenue growth, margin improvement and deliver sustainable profit:

- Bring to market new products developed through innovation in functional plant-based foods, while further increasing leadership in hemp led consumer products;
- Merge the Ananda Food business (proposed acquisition announced 12 February 2024) with the Australian product offering to realise synergies and economics of scale, and broaden national retail distribution through Woolworths, Coles, Costco and pharmacy chains;
- Relentless focus on improving capital efficiency - long term focus on improving cash flow, driving margin accretion, and tightly controlling expenditures, optimise and systemise the supply chain, empowering the sales and marketing teams;
- Continue to operate the Elixinol Americas business with a leaner and capital light business model; and,
- Develop an Environmental Social Governance ('ESG') agenda.

Principal risks and uncertainties

Acquisition risk

Completion of the Ananda Food acquisition is conditional on raising sufficient funds under the Rights Issue Offer and the satisfaction of a number of customary conditions.

Integration risk

Assuming the Ananda Food acquisition completes, substantial effort and cost will be required to integrate the two businesses. The anticipated benefits arising from the acquisition could either not be achieved or achievement could be delayed.

Agricultural risk and climate change risk

The Group is exposed to agricultural risk as the business is reliant on agricultural products. As such, the business is subject to the risks inherent in the agriculture industry. These risks include insects, plant diseases, storm, fire, frost, flood, water availability, water salinity, pests, bird damage and force majeure events. These risks may impact the financial performance through increased costs (from low yields or increased prices from low supply) or lack of supply to address customer demands.

Supplier arrangements

The Group has arrangements with a number of key suppliers. To the extent that Group entities cannot secure and retain key suppliers, their respective ability to maintain consistent production levels may be compromised, which in turn may have an adverse impact on the financial performance and position of Elixinol Wellness.

Risk of adverse events, product liability or other safety issues

As with all food or nutraceutical products, there is a risk that the products sold by Elixinol Wellness could cause serious or unexpected side effects, including risk or injury to consumers. Should any of Elixinol Wellness' 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 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 that systems are not scalable or have the ability to leverage the synergies of the different businesses across the Group. This may lead to a financial impact and loss in revenue and profitability.

Key management personnel and employees

The Group relies upon its ability to attract and retain experienced and high performing executives and other employees. The failure to achieve this may impact upon the Group's ability to develop and meet its strategies, and may lead to a loss in revenue and profitability.

Change to laws or regulations

The Group's operations are highly regulated and could be adversely affected by changes in laws, regulations or regulatory policy in the jurisdictions in which it operates. The operations and proposed operations of the Group are subject to a variety of laws, regulations and guidelines related to the retail sale of hemp-derived products. The hemp-derived CBD industry is evolving globally, including in the USA and in Europe and the United Kingdom. It is likely that governments worldwide will continue to explore the benefits, risks and operations of companies involved in the hemp sector. The Group's business, prospects, reputation, performance and financial condition could all be affected by changes to law and regulation, changes to policies, and changes in the supervisory activities and expectations of its regulators across all of the jurisdictions in which it operates. In particular, the regulation of hemp is developing and, as a result, a change in government or increase in political lobbying may result in a change in government policy and an amendment of legislation and/or regulation. For example, there is a risk that the allowable levels of THC in hemp products sold in the US may change. This could potentially result in additional processing costs and impact the overall financial performance of the Group.

There is a further risk that the US Food and Drug Administration ('FDA'), the regulator which regulates ingestible and topical products including CBD products, may seek to change the laws and regulations governing the manufacturing and marketing of CBD products in the US. This could include current 'good manufacturing practice' regulation, nutrition and allergen labelling, and label claim regulations and safety requirements including, as applicable, 'new dietary ingredient' and 'generally recognised as safe' regulations.

In the US, given that many of the applicable laws and regulations are determined at the State level, there is also a risk that the regulatory regime governing the Group's US operations and distribution network becomes further fragmented and difficult to comply with. The introduction of new legislation or amendments to existing legislation by governments, or the respective interpretation of the legal requirements, in any of the legal jurisdictions which governs the operations or contractual obligations of the Group, could impact adversely on the assets, operations, and the financial performance of the Group and the industry in general. Regulatory compliance and the management of regulatory change are an important part of the Group's planning processes.

The Group intends to continue to invest in compliance and the management and implementation of regulatory change and, at the same time, significant management attention and resources will be required to update existing or implement new processes to comply with new regulations (such as obligations to provide certain data and information to regulators) or new interpretations of existing laws or regulations. Failure to appropriately manage and implement regulatory change, including failing to implement effective processes to comply with new regulations, could in the future result in Elixinol Wellness failing to meet a compliance obligation, and this could in turn lead to a financial impact and loss in revenue and profitability.

Loss of key relationships

The hemp-derived CBD industry is undergoing rapid growth and change, which has resulted in increasing consolidation and formation of strategic relationships. It is expected that this consolidation and strategic partnering will continue. Acquisitions or other consolidating transactions could harm the Group in a number of ways. The Group may lose strategic relationships if third parties with whom the Group has arrangements with are acquired by or enter into relationships with a competitor (which could cause the Group to lose access to necessary resources). The Group's current competitors could become stronger, or new competitors could form from consolidations. This could cause the Group to lose access to markets or expend greater resources in order to stay competitive. Separately, the relationship between the Group and third parties may deteriorate organically, which may have an adverse impact on the business of the Group.

Production risk

The ability for Group entities to cultivate and produce products is dependent on a number of key inputs and their related costs. These key inputs include raw materials, electricity, water, other utilities and skilled labour. Any significant interruption or negative change in the availability or cost of these inputs could materially impact the production of the business and subsequently, the operating results of the Group. In particular, given the nature of the raw materials used by each of the Group entities, supply may be limited to a single or limited number of suppliers, with access to these raw materials more competitive than conventional ingredients. As a result, there is an enhanced risk of difficulties in securing the required supplies, or to do so on appropriate terms.

Reputational risk

There is a risk that incidents beyond the control of the Group entities could occur which would have the effect of reducing patient, medical/scientific or regulatory confidence, or preferences for cannabis or medicinal cannabis products generally. This reputational risk could result from incidents involving members of the Group or other non-related industry participants.

Protection of intellectual property

The Group’s success will depend on, in part, its ability to protect its intellectual property, including its trade marks, copyright, trade secrets and know-how. To the extent the Group fails to protect its intellectual property or infringes a third party’s intellectual property, the Group may face increased competition from similar products, have to cease using certain intellectual property or be liable for damages. In the event that this occurs, there is a risk that it has a materially adverse impact on the Group’s operations, financial performance and future prospects.

Competition risk

The industries in which the current Group entities are involved is subject to domestic and international competition. While the entities will undertake all reasonable due diligence in their business decisions and operations, they will have no influence or control over the activities or actions of their competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Group. Some of the Group’s competitors and potential competitors may have significantly more financial resources and marketing experience than EXL which may lead to reduced margins and loss of revenue or loss of market share for the Group. Further, Group revenues in the future may be reduced as the industry consolidates and seeks revenue accretion at the expense of profit margin.

Uncontracted sales

A material proportion of the Group’s revenue is derived from uncontracted customer relationships, with sales made under standard terms and conditions. There is a risk that these customer relationships may not be able to be maintained, or new relationships may not be formed, on terms acceptable to the Group. Additionally, given the uncontracted nature of these relationships, it is not possible to guarantee consistency of sales volumes, price or terms going forward. The Group’s financial performance could be materially and adversely impacted by wholesale customers:

- Materially changing their trading terms;
- Promoting the products of one or more of the Group’s competitors; or
- Refusing to promote or stock the Group’s products or significantly reducing orders for its products.

Contracts and agreements

There are a number of risks associated with the Group’s existing contracts and agreements, including those related to previous supply arrangements and property leases. There is a risk that the Group’s existing contracts may be terminated, lost or impaired, or renewed on less favourable terms. Some of the Group’s contracts can be terminated without cause or on short notice periods (depending on events and circumstances), and although the relevant parties may continue to operate on existing commercial terms, a number of its existing contracts have expired or will shortly expire. A loss of any of the Group’s contracts could have an adverse effect on its business, operating and financial performance. Similarly, there is a risk that the Group may not meet its existing obligations under current contracts and agreements. Should this be the case, the Group may be liable (to varying extents) under indemnity provisions in a number of contract and agreements. Any failure to meet these obligations could adversely impact the financial position of the Group.

Counterparty risks

The Group has entered, and may enter, into several commercial agreements and arrangements (including licences) with third parties that are, or could be, material to the financial performance and prospects of its business. There is a risk that counterparties may not execute such agreements or, in respect of agreements that have been executed or are executed in the future, the counterparty may fail to meet their obligations under those agreements and arrangements. Negative commercial consequences will, or are likely to, result from the non-execution of such an agreement or any non-observance of obligations under such agreements. These consequences may include preventing the relevant Group entity from executing a part, or parts, of its business plan. This in turn may result in an adverse effect on the Group’s proposed activities and operations, financial performance and prospects.

Significant changes in the state of affairs

On 14 February 2023, the Company announced that the dispute between CannaCare Health GmbH ('CannaCare') and the Company’s wholly owned subsidiary, Elixinol BV, had been successfully concluded, with an arbitration award made in the Company’s favour to the tune of approximately 543,000 EUR ($835,000).

On 6 April 2023, as part of the Company’s long-term strategy to reduce corporate costs, Directors Mr Paul Benhaim and Mr Oliver Horn notified the Company of their intention to retire as Non-Executive Directors. Both Mr Benhaim and Mr Horn brought significant experience and expertise to Elixinol Wellness in management roles and as long-standing members of the Board.

On 6 April 2023, additionally, the Board expanded Group CEO Ron Dufficy’s role to include the role of Managing Director. Mr Dufficy’s terms of employment, as announced to the market on 29 July 2022, remain unchanged as a result of his role expansion.

On 19 April 2023, Ms Kim Bradley-Ware of Company Matters resigned as joint Company Secretary of the Company. Ms Sarah Prince from Company Matters was appointed as joint Company Secretary.

On 23 May 2023, Ms Teresa Cleary resigned as Company Secretary of the Company and Ms Josephine Lorenz, the Company's Group Chief Financial Officer, was appointed as joint Company Secretary.

Placement and Underwritten Share Purchase Plan Successfully Completed
On 5 April 2023, Elixinol Wellness announced that it had successfully completed a $1.25m placement ('Placement') with support from new and existing institutional and sophisticated investors, and that it would undertake an underwritten Share Purchase Plan ('SPP') on the same terms to existing shareholders.

Placement shares were offered to sophisticated and institutional investors at the offer price of $0.018 per share, representing a 25% discount to the last price close on 31 March 2023 ($0.024 per share) and a 19.2% discount to the volume weighted average price of shares over the five-day and fifteen-day periods up to the last close on 31 March 2023 ($0.022 per share). A total of 69,444,445 New Shares were issued within the Company's placement capacity under ASX Listing Rules 7.1 and 7.1A.

Participants in the Placement and SPP were entitled to subscribe for one Attaching Option for every New Share issued. Each Attaching Option is exercisable for one share at an exercise price of $0.02 and will expire two years after the date of issue.

On 24 May 2023, Elixinol Wellness announced successful completion of the SPP which was fully underwritten by Canaccord Genuity (Australia) Limited ('Canaccord') to raise $1.0 million. Approval of this underwriting was approved by the Company's shareholders at the Annual General Meeting (AGM) held on 31 May 2023.

Acquisition of The Sustainable Nutrition Group
On 17 August 2023, the scheme of arrangement to acquire 100% of the ordinary shares of The Sustainable Nutrition Group Ltd ('TSN'), that was approved by holders of TSN shares on 2 August 2023 and by the Federal Court of Australia on 7 August 2023 ('Scheme'), was implemented. As a result, on the 17 August 2023, 158,163,595 ordinary shares were issued as consideration to Scheme Participants (other than ineligible shareholders) who held TSN shares at the record date of 10 August 2023, at a value of $0.012.

Also, following implementation of the scheme of arrangement, Ms Pauline Gately was appointed as a Non-Executive Director on 17 August 2023.

The acquisition of TSN increased the Group's scale and ownership of brands across four key verticals: plant-based food and nutrition, hemp-based nutraceuticals (including cannabinoids such as CBD), pet nutritional supplements and skin health. The TSN brands acquired include Australian Primary Hemp, Mt Elephant, Field Day and The Australian Superfood Company.

On 17 August 2023, 9,036,068 ordinary shares were issued as consideration for corporate advisory services provided in relation to the scheme of arrangement of TSN.

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
On 12 February 2024, Elixinol Wellness announced that it entered into a Share Purchase Agreement ('Share Purchase Agreement') with Ecofibre Limited ACN 140 245 263 (ASX: EOF) to purchase Ananda Food Pty Ltd ACN 107 362 863 (a wholly owned subsidiary of Ecofibre).

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

The Company has undertaken a fully underwritten non-renounceable rights issue to raise $3.16 million ('Entitlement Offer') to complete the acquisition of Ananda Food, support additional marketing and for general working capital.

The Entitlement Offer price of 0.5 cents for one (1) new fully paid ordinary share ('New Share') for every one (1) share held, together with one (1) free attaching listed option for every two (2) New Shares subscribed for and issued ('Attaching Options'). Attaching Options are exercisable at 0.75 cents each and will expire 36 months from the date of issue ('New Options'). The Company will apply for the Attaching Options to be quoted on the ASX. Furthermore, sub-underwriter(s) to the Entitlement Offer will receive a one (1) for two (2) sub-underwriter option for each share sub-underwritten ('Sub-underwriter Options'), issued on the same terms as the Attaching Options. Sub-underwriter Options are subject to shareholder approval.

The Entitlement Offer and acquisition are expected to be complete by the end of March 2024.

On 20 February 2024, Elixinol Wellness also announced it had entered into a binding purchase agreement to divest the Group's minority interest in Altmed Pets, LLC. The agreement, which is subject to financing, is expected to realise approximately $2.3 million in cash prior to 30 April 2024 and will be used to accelerate the Group's growth opportunities.

No other matter or circumstance has arisen since 31 December 2023 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 Wellness remains positive on the long term market opportunity for hemp-derived and plant-based food products and its ability to leverage its strong reputation for high quality products. Throughout a prolonged period of regulatory change and uncertainty, Elixinol Wellness has refined its strategy to ensure it operates efficiently and effectively in the current market and regulatory environment as well as anticipating and pursuing longer term opportunities. Elixinol Wellness' strategic focus is now predicated on the following key pillars to support revenue growth and margin improvement:

- Bringing to market an extensive new product pipeline to generate growth at premium margins;
- Entering new plant-based segment (cat litter) with private label supply arrangement in place with Woolworths through the Ananda Food acquisition;
- Seeking new opportunities to increase scale of the US business whilst continuing to maintain a lean cost base;
- Consolidation of the Ananda Food and hemp foods operation and product offering to participate in healthy plant-based food occasions;
- Relentless focus on improving capital efficiency with a long term focus on improving cash flow, driving margin accretion and tightly controlling expenditures;
- Continued investment in building global brands in core markets of Australia and US and maintain brand presence in other select markets; and,
- Supply chain optimisation - seeking new opportunities to shorten supply chain and reduce cost of goods.

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

Environmental regulation

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

Information on Directors

Name:	**David Fenlon**
Title:	Independent Non-Executive Chair (effective 30 September 2023 Independent Non-Executive Director (March 2022 to 29 September 2023)
Qualifications:	B.Bus
Experience and expertise:	David Fenlon has over 30 years of world-wide experience in the FMCG and consumer sectors. He is currently: Non-Executive Chair of Nutritional Growth Solutions (ASX: NGS) and a Non-Executive Director of Quest for Life Foundation. David was previously CEO of The Platform Alliance Group, and Group CEO and Managing Director of BWX Limited (ASX: BWX). Prior to this, he was Managing Director for Australia and New Zealand at Blackmores Limited (ASX: BKL). David has worked with leading retail brands both in Australia and offshore, with a strong focus on strategic planning and business transformation including in key positions with Tesco throughout Europe and Safeway in the UK. David was a member of the Board of Directors for the Special Olympics from May 2017 until June 2019.
Other current directorships:	Nutritional Growth Solutions (ASX: NGS)
Former directorships (last 3 years):	BWX Ltd (ASX: BWX)
Special responsibilities:	Chair of Remuneration and Nomination Committee and Member of Audit and Risk Committee
Interests in shares:	1,250,000
Interests in options:	1,250,000
Interests in rights:	1,715,753 performance rights

Name:	**Ronald Dufficy**
Title:	Group Chief Executive Officer Managing Director (appointed 6 April 2023)
Qualifications:	BEc, MCom, FCPA, MAICD
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.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	7,920,391
Interests in options:	2,361,112
Interests in rights:	3,171,994 performance rights

Name:	**Pauline Gately**
Title:	Non-Executive Director (appointed 17 August 2023)
Qualifications:	Graduate and Member of the Australian Institute of Company Directors (GAICD), BA Hons Economics and Graduate Diploma in Law and Financial Study: Accounting
Experience and expertise:	After leading the merger process of The Sustainable Nutrition Group Ltd, Pauline was appointed a Non-Executive Director of Elixinol Wellness. She is currently Non-executive Chair of Kalgoorlie Gold Mining Ltd (ASX: KAL) and a Non-Executive Director of Pioneer Credit Ltd (ASX:PNC) Pauline is an experienced director who brings a sharp commercial focus to strategy with demonstrated success in funding, business development, and strategic transformation having led companies through IPO, business recalibration and mergers and acquisitions. Her Board contributions are also underpinned by senior roles in international investment banking across the Asia Pacific region.
Other current directorships:	Kalgoorlie Gold Mining Ltd (ASX:KAL) and Pioneer Credit Ltd (ASX: PNC)
Former directorships (last 3 years):	Ardiden Ltd (ASX: ADV)
Special responsibilities:	Chair of Audit and Risk Committee and Member of Remuneration and Nomination Committee
Interests in shares:	9,930,583
Interests in options:	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.

Executives

Group Chief Financial Officer

Name:	**Josephine Lorenz**
Title:	Group Chief Financial Officer Joint Company Secretary (effective 23 May 2023)
Qualifications:	BCom, Chartered Accountants Australia and New Zealand – Fellow
Experience and expertise:	Josephine has over 20 years' global finance experience, having held senior finance positions in various sectors including the role of Group Financial Controller for Network Ten and Nine Entertainment Co. (ASX: NEC). She was also formerly the Head of Finance at Independent Television News Limited in London and has held various roles at Deloitte in both London and Melbourne, Australia. Josephine joined Elixinol Wellness in November 2017.

Company secretaries

Name:	**Sarah Prince**
Title:	Joint Company Secretary (appointed 19 April 2023)
Qualifications:	BA / LLB, Grad. Dip. Legal Practice, Grad. Dip. Applied Corporate Governance
Experience and expertise:	Sarah is an experienced Company Secretary and has worked with ASX-listed entities in the biotech, technology, managed funds, legal and mining and resources industries. Sarah is a fellow of The Governance Institute of Australia and is admitted as a Solicitor of the Supreme Court of New South Wales.

Josephine Lorenz was appointed Joint Company Secretary on 23 May 2023. Josephine's experience and expertise is detailed in the Executives section above.

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 2023, 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
D Fenlon	19	23	2	2	3	3
R Dufficy	16	16	-	-	-	-
P Gately	4	4	1	1	1	1
P Benhaim	7	7	1	1	-	-
O Horn	7	7	1	1	1	1
H Wiseman	20	20	1	1	2	2

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

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

The remuneration report is set out under the following main headings:
- Key management personnel;
- Principles used to determine the nature and amount of remuneration;
- Linking remuneration and company performance;
- Details of remuneration;
- Service agreements;
- Share-based compensation; and
- Additional disclosures relating to key management personnel.

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

The KMP of the Group consisted of the following directors of Elixinol Wellness Limited:
- David Fenlon - Independent Non-Executive Director (effective 28 March 2022) and Chair (effective 30 September 2023);
- Ronald Dufficy - Group Chief Executive Officer and appointed Managing Director (effective 6 April 2023) and formerly Group Chief Executive Officer (effective 8 April 2022) and formally Global Chief Financial Officer (ended effective 8 April 2022);
- Pauline Gately - Non-Executive Director (effective 17 August 2023);
- Paul Benhaim - Former Non-Executive Director (resigned 6 April 2023);
- Oliver Horn - Former Non-Executive Director (effective 8 April 2022 to 6 April 2023) and former Executive Director and former Global Chief Executive Officer (ended effective 8 April 2022)
- Helen Wiseman - Former Independent Non-Executive Director and Chair (ended effective 30 September 2023)

And the following executive of Elixinol Wellness Limited:
- Josephine Lorenz - Group Chief Financial Officer

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

Principles used to determine the nature and amount of remuneration
An executive reward framework has been developed to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders and conforms to the market best practice and advice from independent external advisors for the delivery of reward.

The Board of Directors ('the Board') has ensured that executive reward satisfies the following key criteria for good reward governance practices:
- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage / alignment of executive compensation; and,
- Transparency.

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

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

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it enhances shareholders' interests by:
- Having economic profit and revenue growth 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 reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The Chair's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The Chair is not present at any discussions relating to the determination of their own remuneration.

The Constitution provides that 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 $500,000 and was approved by shareholders at the Annual General Meeting ('AGM') held on 17 May 2021. Remuneration of directors may be provided as a contribution to a superannuation fund. Additionally, Non-Executive Directors can participate in the Company’s long-term incentive plan.

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

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

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

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

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

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

Its aim is to reward the Executive and management of the Group for achieving a combination of clearly defined Group 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 90% (65% in 2022) to Group financial measures and 10% (35% in 2022) to individual measures for Executive KMPs.

STIP Opportunity (at target) is 25-50% (25%-40% for 2022) of Total Fixed remuneration for Executive KMPs.

Group financial measures are set out below:
- Group Adjusted EBITDA (90% of the STIP);
- Group Adjusted EBITDA 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 Adjusted EDITBA 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 80% achievement (80% for 2022).

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, up to 150% of the target STIP amounts are payable.

The STIP amount on-target will be paid in cash or equity and equity will be issued as performance rights and will vest 75% following the release of the relevant financial statements and 25%, 12 months later and will be subject to relevant local statutory and tax obligations. The Board at its discretion, may elect to grant equity in lieu of payments in cash. Where performance is above the threshold, the STIP will be paid in cash or equity, subject to Board discretion.

If a takeover or change of control event occurs or in the case of death, disability, bona fide redundancy or genuine retirement or another reason (with the exception of resignation or dismissal), the Board at its discretion, may elect to pay whole or pro rata STIP amounts.

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

Long-Term Incentive Plan ('LTIP')
The LTIP is an equity incentive plan used to align the Directors and Executive KMP’s remuneration to the returns generated for the Group’s shareholders. The key features of the LTIP are outlined below.

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

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

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

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

LTIP opportunity (at target)
LTIP opportunity has been determined by informed benchmarking.

Performance period
For the 2022 Share Rights grant made during 2022, the performance period of the grant is three financial years in one tranche following the performance period. The performance period is from 1 January 2022 to 31 December 2024.

Share Rights granted during 2023 were issued in two equal tranches. The performance period for Tranche 1 is 18 months from 1 January 2023 to 30 June 2024 and the performance period for Tranche 2 is 3 years from 1 January 2023 to 31 December 2025.

Vesting dates

Share Rights granted in 2022	Share Rights granted in 2023
Vesting date	Vesting date
28 February 2025	Tranche 1 - 30 August 2024 Tranche 2 - 28 February 2026

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

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

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

Company's TSR over the relevant performance period	Percentage of TSR share rights vesting
Below 0%	0% of the TSR share rights will vest
Greater than 0% but less than 10%	Between 0% and 100% of the TSR share rights will vest
Greater than 10% but less than 20%	Between 100% and 200% of the TSR share rights will vest
Equal to or greater than 20%	200% 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 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
In the event of a Takeover Event or Control Event, all unvested Share Rights will fully vest.

Use of remuneration consultants
During the financial period ended 31 December 2023, the Board did not consult or did not engage remuneration advisors for benchmarking of executive remuneration.

Voting and comments made at the Company's 31 May 2023 AGM
At the 31 May 2023 AGM, 83.41% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Linking remuneration and company performance

Impact of the Group's 2023 performance on remuneration

With an expanded brand portfolio following the acquisition of The Sustainable Nutrition Group Ltd ('TSN') (effective 17 August 2023), Australian-based revenue increased by 51% compared with the prior year. The Americas business continued to face a challenging environment and a lack of regulatory development contributed significantly towards revenue growth targets not being achieved during 2023. However, overall, Group revenue grew 17%, and following a focus on cost reduction and margin improvement, the Group delivered on its EBITDA targets with a 45% improvement in Adjusted EBITDA. The Group also delivered numerous strategic objectives designed to position it for future growth, including the acquisition of The Sustainable Nutrition Group Ltd.

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

	2023 $'000	2022 $'000	2021 $'000	2020 $'000	2019 Restated $'000
Revenue	8,269	7,055	9,338	15,010	30,714
Adjusted EBITDA	(4,626)	(8,538)	(11,496)	(22,930)	(24,632)
Net loss after tax	(7,507)	(10,571)	(17,025)	(104,478)	(83,071)
Basic loss per share (cents per share)	(1.59)	(3.34)	(5.41)	(58.25)	(62.71)
Diluted loss per share (cents per share)	(1.59)	(3.34)	(5.41)	(58.25)	(62.71)
Opening share price	$0.021	$0.072	$0.175	$0.570	$2.500
Closing share price on 31 December	$0.090	$0.021	$0.072	$0.175	$0.570

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

Details of remuneration

Amounts of remuneration

	Short-term benefits		Post-employment benefits		Long-term benefits				
2023	Cash salary and fees $	Cash bonus $	Super-annuation $	Termina-tion benefits $	Long service leave $	Salary sacrifice - Equity settled perform-ance rights $	Deferred STI[c] $	Equity settled perform-ance rights $	Total $
Non-Executive Directors:									
D Fenlon	67,751	-	7,249	-	-	18,750	-	24,525	118,275
P Gately[b]	19,151	-	2,107	-	-	11,373	-	-	32,631
P Benhaim[a]	18,100	-	1,900	-	-	-	-	(15,658)	4,342
O Horn[a]	18,100	-	1,900	-	-	-	-	-	20,000
H Wiseman[a]	68,750	-	-	-	-	11,458	-	(25,754)	54,454
	191,852	-	13,156	-	-	41,581	-	(16,887)	229,702
Executive Directors:									
R Dufficy[d]	266,154	-	26,346	-	-	27,083	142,132	(40,471)	421,244
Other KMP:									
J Lorenz	225,776	-	24,551	-	-	-	79,854	12,130	342,311
	683,782	-	64,053	-	-	68,664	221,986	(45,228)	993,257

(a) Remuneration is from 1 January 2023 to date of cessation as Director or KMP.

(b) Remuneration is from date of appointment to 31 December 2023.

(c) 100% of the current year STI to be settled as Equity-settled Performance Rights with 75% vesting on 31 March 2024 and 25% with a vesting date on 31 March 2025. Ron Dufficy's STI is subject to shareholder approval with a proposed vesting of 75% following shareholding approval and 25% with a vesting date on 31 March 2025.

(d) R Dufficy changed from Key Management Personnel to Executive Director on 6 April 2023. Remuneration reflects whole year remuneration.

2022	Short-term benefits Cash salary and fees $	Cash bonus $	Post-employment benefits Super-annuation $	Termina-tion benefits $	Long service leave $	Salary sacrifice - Equity settled perform-ance rights $	Long-term benefits Deferred STI[c] $	Equity settled perform-ance rights $	Total $
Non-Executive Directors:									
D Fenlon[b]	59,380	-	6,133	-	-	-	-	6,684	72,197
P Benhaim	76,138	-	7,801	-	-	-	-	11,171	95,110
O Horn[a]	54,980	-	5,686	-	-	-	-	-	60,666
H Wiseman	122,046	-	3,873	-	-	-	-	17,513	143,432
	312,544	-	23,493	-	-	-	-	35,368	371,405
Executive Directors:									
O Horn[a]	112,134	-	7,856	65,833	-	-	-	(65,500)	120,323
Other KMP:									
R Dufficy	283,586	37,015	24,430	-	-	-	73,054	(121,598)	296,487
J Lorenz[b]	155,505	23,419	16,082	-	-	-	46,221	6,172	247,399
	439,091	60,434	40,512	-	-	-	119,275	(115,426)	543,886
	863,769	60,434	71,861	65,833	-	-	119,275	(145,558)	1,035,614

(a) O Horn changed from Executive Director to Non-Executive Director on 8 April 2022. Remuneration reflects periods as to which O Horn was in those positions.

(b) Remuneration is from date of appointment to 31 December 2022.

(c) 66,4% of the year STI to be settled as Equity-settled Performance Rights with a vesting date of 31 March 2023.

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

Name	Fixed remuneration 2023	2022	At risk - STI 2023	2022	At risk - LTI 2023	2022
Non-Executive Directors:						
D Fenlon	79%	91%	-	-	21%	9%
P Gately	100%	-	-	-	-	-
P Benhaim	100%	88%	-	-	-	12%
O Horn	100%	100%	-	-	-	-
H Wiseman	100%	88%	-	-	-	12%
Executive Directors:						
R Dufficy	55%	-	-	-	45%	-
O Horn	-	100%	-	-	-	-
Other KMP:						
R Dufficy	-	63%	-	12%	-	25%
J Lorenz	73%	70%	-	9%	27%	21%

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable 2023	2022	Cash bonus forfeited 2023	2022
Executive Directors:				
R Dufficy	-	-	100%	-
Other KMP:				
R Dufficy	-	28%	-	72%
J Lorenz	-	28%	100%	72%

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

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

Details of these agreements effective from 1 January 2023 are as follows:

	Fixed Remuneration $ (a)	Target STI $	Notice Period by Executive months	Notice Period by Company months	Restraint Period months
Ron Dufficy (b)	325,000	162,500	6	6	12
Josephine Lorenz (b)	260,850	91,298	3	3	3

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

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

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

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

Share-based compensation

Issue of shares
Details of shares issued to directors and other KMP as part of compensation during the year ended 31 December 2023 are set out below:

Name	Date	Shares	Issue price	$
J Lorenz	27 April 2023	2,201,006	$0.020	44,020
R Dufficy	31 May 2023	3,478,785	$0.018	62,618
D Fenlon	31 August 2023	625,000	$0.015	9,375
H Wiseman	31 August 2023	763,889	$0.015	11,458
R Dufficy	31 August 2023	902,778	$0.015	13,512
R Dufficy	3 October 2023	1,300,000	$0.015	19,500
J Lorenz	3 October 2023	940,000	$0.020	18,800
D Fenlon	23 November 2023	625,000	$0.015	9,375
R Dufficy	23 November 2023	902,778	$0.015	13,512

Options

The terms and conditions of each grant of options 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 options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
D Fenlon	625,000	31 August 2023	Various	31 August 2025	$0.020	$0.0046
H Wiseman	763,889	31 August 2023	Various	31 August 2025	$0.020	$0.0046
R Dufficy	902,778	31 August 2023	Various	31 August 2025	$0.020	$0.0046
D Fenlon	625,000	23 November 2023	Various	23 November 2025	$0.020	$0.0070
R Dufficy	902,778	23 November 2023	Various	23 November 2025	$0.020	$0.0070

Options granted carry no dividend or voting rights.

Performance rights

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

Name	Number of rights granted	Grant date	Vesting date and exercisable date	Expiry date	Fair value per right at grant date
R Dufficy	1,366,438	21 January 2022	28 February 2025	21 April 2027	$0.1150
J Lorenz	698,625	21 January 2022	28 February 2025	21 April 2027	$0.1150
D Fenlon	465,753	26 May 2022	28 February 2026	21 April 2027	$0.0570
D Fenlon	625,000	31 May 2023	31 March 2024	31 August 2028	$0.0150
D Fenlon	625,000	31 May 2023	30 June 2024	31 August 2028	$0.0150
R Dufficy	902,778	31 May 2023	31 March 2024	31 August 2028	$0.0150
R Dufficy	902,778	31 May 2023	30 June 2024	31 August 2028	$0.0150
J Lorenz	7,608,125	30 September 2023	31 March 2024	30 December 2028	$0.0090
J Lorenz	2,536,042	30 September 2023	31 March 2025	30 December 2028	$0.0090
J Lorenz	3,622,917	30 September 2023	30 August 2024	30 December 2028	$0.0070
J Lorenz	3,622,916	30 September 2023	28 February 2026	30 December 2028	$0.0110

Performance rights granted carry no dividend or voting rights.

Other than outlined above, there were no other performance rights or options over ordinary shares granted to or vested in Directors and other KMP as part of compensation during the year ended 31 December 2023.

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

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other[b]	Balance at the end of the year
Ordinary shares					
D Fenlon	-	1,250,000	-	-	1,250,000
P Gately[c]	-	-	13,280,164	(3,349,581)	9,930,583
P Benhaim[a]	29,209,217	-	-	(29,209,217)	-
O Horn	1,203,971	-	-	(1,203,971)	-
H Wiseman	280,132	763,889	-	(1,044,021)	-
R Dufficy	780,494	6,584,341	555,556	-	7,920,391
J Lorenz	99,670	3,141,006	-	-	3,240,676
	31,573,484	11,739,236	13,835,720	(34,806,790)	22,341,650

(a) Held indirectly due to Paul Benhaim's interest with the holder of the shares, Raw With Life Pty Ltd. Included as disposals are 313,791 shares which were transferred to Equities First Holdings LLC (Equities First) under a margin loan facility (Loan Facility) are included as disposals. The term of the Loan Facility is three years. Under the terms of the Loan Facility, Mr Benhaim transferred the Secured Shares to Equities First and procures registration of the Secured Shares in the name of Equities First by way of transfer to an account nominated by Equities First. Equities First may, during the term of the loan, deal with the Secured Shares. Shares provided as security must be returned to Mr Benhaim on repayment of the loan, in accordance with the terms of the Loan Facility.

(b) Disposal includes shares held on date ceased being a Director.

(c) Addition of ordinary shares includes held on becoming Director on 17 August 2023.

Option holding

The number of options 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	Exercised	Expired/ forfeited/ other[a]	Balance at the end of the year
Options over ordinary shares					
D Fenlon	-	1,250,000	-	-	1,250,000
H Wiseman[b]	-	1,319,445	-	(1,319,445)	-
R Dufficy[b]	-	2,361,112	-	-	2,361,112
	-	4,930,557	-	(1,319,445)	3,611,112

(a) Expired/forfeited/other includes options held on date ceased being a Director.

(b) Granted includes 555,556 options each that H Wiseman and R Dufficy purchased in participation of the SSP in May 2023 as part of the capital raise.

Performance rights holding

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

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
D Fenlon	465,753	2,500,000	(1,250,000)	-	1,715,753
P Gately	-	-	-	-	-
P Benhaim [(b)]	652,566	-	-	(652,566)	-
O Horn	-	-	-	-	-
H Wiseman [(a)]	1,043,424	3,055,556	(763,889)	(3,335,091)	-
R Dufficy	1,914,515	8,389,897	(6,584,341)	(548,077)	3,171,994
J Lorenz [(c)]	978,843	20,531,006	(3,141,006)	(280,218)	18,088,625
	5,055,101	34,476,459	(11,739,236)	(4,815,952)	22,976,372

(a) On 7 July 2021 the Company granted two tranches to Helen Wiseman performance rights over ordinary shares with their issue subject to shareholder approval at the next shareholder meeting. 280,879 performance rights were granted with a vesting date of 28 February 2025.Shareholder approval was obtained at the Company's annual general meeting in May 2022 and as such the options have not included in the table above as granted in the current year.

(b) On 7 July 2021 the Company granted two tranches to Paul Benhaim performance rights over ordinary shares with their issue subject to shareholder approval at the next shareholder meeting. 186,813 performance rights were granted with a vesting date of 28 February 2025.Shareholder approval was obtained at the Company's annual general meeting on XX May 2022 and as such the options have been included in the table above as granted in the current year.

(c) Performance rights granted includes performance rights held on becoming KMP on 8 April 2022.

Loans to key management personnel and their related parties

There are no loans to key management personnel and their related parties.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Elixinol Wellness Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
7 June 2023	7 June 2025	$0.020	131,000,001
31 August 2023	31 August 2025	$0.020	2,291,667
23 November 2023	23 November 2025	$0.020	1,527,778
			134,819,446

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

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

Grant date	Expiry date	Number under rights
27 May 2022	27 August 2027	465,753
31 May 2023	31 August 2028	3,055,556
3 October 2023	31 August 2028	60,590,177
		64,111,486

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

Shares issued on the exercise of options
There were no ordinary shares of Elixinol Wellness Limited issued on the exercise of options during the year ended 31 December 2023 and up to the date of this report.

Shares issued on the exercise of performance rights
The following ordinary shares of Elixinol Wellness Limited were issued during the year ended 31 December 2023 and up to the date of this report on the exercise of performance rights granted:

Date performance rights granted	Exercise price	Number of shares issued
21 April 2023	$0.020	9,247,011
21 April 2023	$0.015	3,478,785
31 May 2023	$0.020	3,561,137
31 May 2023	$0.015	1,300,000
		17,586,933

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 27 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 27 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 (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

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

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

Rounding of amounts

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

Auditor's independence declaration

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

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Dave Fenlon

____

David Fenlon
Independent Non-Executive Director and Chair

12 March 2024

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

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

As lead auditor of Elixinol Wellness Limited for the year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

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

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

Leah Russell

Director

BDO Audit Pty Ltd

Sydney

12 March 2024

	Note	2023 $'000	Group 2022 $'000
Revenue	5	8,269	7,055
Other income	6	564	502
Interest income calculated using the effective interest method		213	22
Expenses			
Raw materials and consumables used and processing expenses		(4,849)	(3,817)
Employee benefits expenses and Directors' fees		(3,952)	(5,542)
Share-based payments		(675)	(241)
Depreciation and amortisation expense	7	(597)	(721)
Impairment of intangibles	7	-	(234)
Impairment of other assets	7	(1,718)	(786)
Professional services expenses		(1,271)	(2,150)
Sales and marketing expenses		(1,056)	(1,480)
Administrative expenses		(1,540)	(2,292)
Distribution costs		(762)	(814)
Other expenses		(29)	-
Finance costs	7	(101)	(71)
Loss before income tax expense		(7,504)	(10,569)
Income tax expense	8	(3)	(2)
Loss after income tax expense for the year attributable to the owners of Elixinol Wellness Limited		(7,507)	(10,571)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		70	411
Other comprehensive income for the year, net of tax		70	411
Total comprehensive loss for the year attributable to the owners of Elixinol Wellness Limited		(7,437)	(10,160)
		Cents	**Cents**
Basic loss per share	37	(1.59)	(3.34)
Diluted loss per share	37	(1.59)	(3.34)

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

	Note	2023 $'000	Group 2022 $'000
Assets			
Current assets			
Cash and cash equivalents	9	708	2,864
Trade and other receivables	10	1,706	3,974
Inventories	11	3,664	1,740
Income tax refund due	8	13	59
Prepayments, deposits and other	12	558	675
		6,649	9,312
Non-current assets classified as held for sale	13	1,526	-
Total current assets		8,175	9,312
Non-current assets			
Trade and other receivables	10	-	83
Investments accounted for using the equity method	14	-	2,826
Property, plant and equipment	15	903	375
Right-of-use assets	16	282	737
Intangibles	17	2,297	152
Prepayments, deposits and other	12	54	-
Total non-current assets		3,536	4,173
Total assets		11,711	13,485
Liabilities			
Current liabilities			
Trade and other payables	18	2,128	1,379
Contract liabilities	19	522	22
Borrowings	20	525	320
Lease liabilities	21	545	697
Income tax	8	-	(2)
Employee benefits		289	216
Accrued expenses		979	808
Total current liabilities		4,988	3,440
Non-current liabilities			
Borrowings	20	178	250
Lease liabilities	21	14	637
Employee benefits		69	-
Total non-current liabilities		261	887
Total liabilities		5,249	4,327
Net assets		6,462	9,158
Equity			
Issued capital	22	222,573	218,122
Reserves	23	10,042	9,682
Accumulated losses		(226,153)	(218,646)
Total equity		6,462	9,158

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

Group	Issued capital $'000	Foreign currency translation reserve $'000	Share-based payments reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 January 2022	218,058	8,675	419	(208,075)	19,077
Loss after income tax expense for the year	-	-	-	(10,571)	(10,571)
Other comprehensive income for the year, net of tax	-	411	-	-	411
Total comprehensive income/(loss) for the year	-	411	-	(10,571)	(10,160)
Share-based payments (note 38)	64	-	177	-	241
Balance at 31 December 2022	218,122	9,086	596	(218,646)	9,158

Group	Issued capital $'000	Foreign currency translation reserve $'000	Share-based payments reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 January 2023	218,122	9,086	596	(218,646)	9,158
Loss after income tax expense for the year	-	-	-	(7,507)	(7,507)
Other comprehensive income for the year, net of tax	-	70	-	-	70
Total comprehensive income/(loss) for the year	-	70	-	(7,507)	(7,437)
Share-based payments (note 38)	385	-	290	-	675
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 22)	4,066	-	-	-	4,066
Balance at 31 December 2023	222,573	9,156	886	(226,153)	6,462

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

Elixinol Wellness Limited
Consolidated statement of cash flows
For the year ended 31 December 2023

	Note	2023 $'000	Group 2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		7,949	6,999
Payments to suppliers and employees (inclusive of GST)		(12,232)	(15,989)
Government grants	6	1,451	364
Interest received		108	22
Interest and other finance costs paid		(81)	(71)
Income taxes refunded		47	523
Net cash used in operating activities	36	(2,758)	(8,152)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	33	192	-
Payments for property, plant and equipment		(12)	(5)
Payments for intangibles		(5)	(7)
Payments for loans in other entities	10	(1,251)	(1,148)
Proceeds from disposal of property, plant and equipment		32	291
Net cash used in investing activities		(1,044)	(869)
Cash flows from financing activities			
Proceeds from issue of shares		2,250	-
Share issue transaction costs		(199)	-
Proceeds from borrowings		300	-
Repayment of lease liabilities		(738)	(757)
Net cash from/(used in) financing activities		1,613	(757)
Net decrease in cash and cash equivalents		(2,189)	(9,778)
Cash and cash equivalents at the beginning of the financial year		2,864	12,649
Effects of exchange rate changes on cash and cash equivalents		33	(7)
Cash and cash equivalents at the end of the financial year	9	708	2,864

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

Note 1. General information

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

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

Level 12
680 George Street
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 12 March 2024. The Directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

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

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

AASB 2020-1 was issued in March 2020 and is applicable to annual periods beginning on or after 1 January 2023, as extended by AASB 2020-6. Early adoption is permitted. AASB 2022-6 was issued in December 2022 and is applicable to annual periods beginning on or after 1 January 2023. Early adoption is permitted where AASB 2020-1 is also early adopted.

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

Going concern

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

During the year ended 31 December 2023, the Group incurred a net loss before tax of $7,507,000 (31 December 2022: $10,571,000). During the year, net cash outflows from operating activities were $2,758,000 (31 December 2022: $8,152,000).

Note 2. Material accounting policy information (continued)

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

- As a result of the acquisition of The Sustainable Nutrition Group ('TSN') the size and scale of the Australia operations has increased and economies of scale are to be realised through the combined group.
- Directors continue to monitor costs, and minimise where possible. The net loss before tax has been significantly reduced in FY23 from that recorded in FY22 and the net cash outflow from operating activities reduced to $669,000 in Q4 FY23 as expenditure was reduced and the scale of the business operations was reset, particularly in America and the synergies from TSN beginning to be realised.
- At year end had net current assets of $3,187,000 including cash of $708,000, along with access to unused debt facilities. On 20 December 2023, a Trade Debtor Finance facility of up to $1,500,000 and $300,000 for Trade finance was established with Scottish Pacific Business Finance Pty Ltd ('ScotPac'), the largest non-bank business lender in Australia. As at 31 December 2023, $300,000 was drawn down against this facility and the total amount available to drawdown was $797,000 providing an additional $497,000 of unused finance facilities.
- The Directors regularly monitor the Group's cash position on an ongoing basis and continues to explore debt funding and capital markets to support the going concern and working capital requirements associated with its revenue base. There is a history of successful capital raising.
- Subsequent to year end, on 12 February 2024, Elixinol Wellness announced that it entered into a Share Purchase Agreement with Ecofibre Limited to purchase Ananda Food Pty Ltd (a wholly owned subsidiary of Ecofibre) for initial consideration of $2.0 million and up to a further $1.0 million earn-out payable approximately 12 months later (subject to conditions). The Company has undertaken a fully underwritten non-renounceable rights issue to raise $3.16 million ('Entitlement Offer') will be used to complete the acquisition of Ananda Food Pty Ltd and for general working capital.
- On 20 February 2024, Elixinol Wellness also announced it had entered into a binding purchase agreement to divest the Group's minority interest in Altmed Pets, LLC. The agreement, which is subject to financing, is expected to realise approximately $2.3 million in cash prior to 30 April 2024 and will be used to accelerate the Group's growth opportunities, noting this is part of the net current asset position.

However, there is a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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.

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Elixinol Wellness Limited as at 31 December 2023 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.

Note 2. Material accounting policy information (continued)

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

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

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

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

Foreign currency translation

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

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

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

Revenue recognition
The Group recognises revenue as follows:

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

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

Note 2. Material accounting policy information (continued)

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

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

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

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

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

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future

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

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

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

Note 2. Material accounting policy information (continued)

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

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

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

Current and non-current classification

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

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

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

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

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 - 45 days.

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

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

Inventories

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

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

Note 2. Material accounting policy information (continued)

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

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

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

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

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

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

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

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%
Motor vehicles	17%
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.

Note 2. Material accounting policy information (continued)

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

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

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

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.

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

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

Trademarks
Significant costs associated with 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. Trademarks are tested annually for impairment.

Other intangible assets
Costs in relation to other intangible assets are capitalised as an asset. These costs are not subsequently amortised.

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

Note 2. Material accounting policy information (continued)

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

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

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

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

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

Employee benefits

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

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

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

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

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

Note 2. Material accounting policy information (continued)

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.

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.

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.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Elixinol Wellness 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 additional ordinary shares that would have been outstanding assuming conversion of all 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.

Note 2. Material accounting policy information (continued)

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 2023. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 2023-1 Amendments to Australian Accounting Standards - Supplier Finance Arrangements
AASB 2023-1 was issued in June 2023 and is applicable for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted.

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

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.

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 and historical collection rates.

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.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

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 assessing the value of the asset at fair value less costs of disposal and using value-in-use models which incorporate a number of key estimates and assumptions. Refer to note 17.

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

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

Note 4. Operating segments

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

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

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

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

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

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

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

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

Note 4. Operating segments (continued)

Major customers

During the year ended 31 December 2023, 24% of sales were derived from three major customers (31 December 2022: 22% of sales were derived from three major customers).

Operating segment information - Continuing operations

Group - 2023	Australia $'000	Americas $'000	Rest of World $'000	Unallocated $'000	Total $'000
Revenue					
Sales to external customers	5,587	2,638	-	-	8,225
Licence revenue	-	-	44	-	44
Total revenue	5,587	2,638	44	-	8,269
Adjusted EBITDA	(1,115)	(1,365)	172	(2,318)	(4,626)
Depreciation and amortisation					(597)
Impairment of intangibles*					-
Impairment of assets*					(1,718)
Interest income					213
Finance costs					(101)
Share-based payments					(675)
Loss before income tax expense					(7,504)
Income tax expense					(3)
Loss after income tax expense					(7,507)
Assets					
Segment assets	8,376	2,561	16	758	11,711
Total assets					11,711
Liabilities					
Segment liabilities	3,203	867	67	1,112	5,249
Total liabilities					5,249

* Refer to note 7 for details of CGU allocation of impairment

Note 4. Operating segments (continued)

Group - 2022	Australia $'000	Americas $'000	Rest of World $'000	Unallocated $'000	Total $'000
Revenue					
Sales to external customers	3,691	3,318	-	-	7,009
Licence revenue	-	-	46	-	46
Total revenue	3,691	3,318	46	-	7,055
Adjusted EBITDA	(704)	(3,568)	(135)	(4,131)	(8,538)
Depreciation and amortisation					(721)
Impairment of intangibles*					(234)
Impairment of assets*					(786)
Interest income					22
Finance costs					(71)
Share-based payments					(241)
Loss before income tax expense					(10,569)
Income tax expense					(2)
Loss after income tax expense					(10,571)
Assets					
Segment assets	2,832	6,578	618	3,457	13,485
Total assets					13,485
Liabilities					
Segment liabilities	1,388	1,343	101	1,495	4,327
Total liabilities					4,327

* Refer to note 7 for details of CGU allocation of impairment

Geographical information

	Sales to external customers		**Geographical non-current assets**	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**
Australia	5,587	3,691	3,139	544
Americas	2,638	3,318	247	3,404
Rest of World	44	46	-	-
Unallocated	-	-	149	224
	8,269	7,055	3,535	4,172

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

Note 5. Revenue

	Group	
	2023 $'000	**2022 $'000**
Sale of goods	8,225	7,009
Licence revenue	44	46
Revenue	8,269	7,055

Note 5. Revenue (continued)

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

Group - 2023	eCommerce $'000	Retail $'000	Other * $'000	Total $'000
Geographical regions				
Australia	562	4,165	860	5,587
Americas	2,038	544	56	2,638
Rest of World	-	-	44	44
	2,600	4,709	960	8,269
Timing of revenue recognition				
Goods transferred at a point in time	2,600	4,709	916	8,225
Services transferred over time	-	-	44	44
	2,600	4,709	960	8,269

* Other includes bulk and private label

Group - 2022	eCommerce $'000	Retail $'000	Other * $'000	Total $'000
Geographical regions				
Australia	427	2,726	538	3,691
Americas	2,314	852	152	3,318
Rest of World	-	-	46	46
	2,741	3,578	736	7,055
Timing of revenue recognition				
Goods transferred at a point in time	2,741	3,578	690	7,009
Services transferred over time	-	-	46	46
	2,741	3,578	736	7,055

* Other includes bulk and private label.

Note 6. Other income

		Group
	2023 $'000	**2022 $'000**
Net foreign exchange loss	(6)	(41)
Net (loss)/gain on disposal of property, plant and equipment	(2)	30
Government grants	47	55
Sub-lease income and other	525	458
	564	502

Government grants
During the year, the Group received a Business Growth Grant from the Australian Government amounting to $21,000 (31 December 2022: $15,000) which was in relation to marketing and export of goods. This grant has been recognised as government grants in the financial statements and recorded as other income. The grant is taxable.

Note 6. Other income (continued)

During the year, the Group received Service NSW flood recovery grant of $nil (31 December 2022: $8,000) which was in relation to damages to flood affected areas of Northern NSW. This grant has been recognised as government grants in the financial statements and recorded as other income. The grant is taxable.

During the year, the Group received the Export Market Development Grant ('EMDG') of $25,000 (31 December 2022: $25,000). Grant total over 3 years is $73,800 which was in relation to promotional activities for eligible products in foreign countries. This grant has been recognised as government grants in the financial statements and recorded as other income. The grant is taxable.

During the year, the Group received Wage Subsidies $nil (31 December 2022: $7,000) which was in relation to hiring eligible job-seekers. This grant has been recognised as government grants in the financial statements and recorded as other income. The grant is taxable.

Note 7. Expenses

		Group
	2023 $'000	2022 $'000
Loss before income tax includes the following specific expenses:		
Cost of sales		
Cost of sales	4,849	3,817
Depreciation and amortisation		
Property, plant and equipment (note 15)	123	177
Right-of-use assets (note 16)	474	453
Intangibles (note 17)	-	91
Total depreciation and amortisation	597	721
Impairment of intangibles		
Website and software	-	234
Total impairment of intangibles*	-	234
Impairment of other assets		
Inventory	154	253
Leasehold improvements	54	-
Machinery	-	530
Land and buildings - right-of-use	184	3
Investments accounted for using the equity method	1,326	-
Total impairment of other assets*	1,718	786
Finance costs		
Interest and finance charges paid/payable on lease liabilities	33	52
Interest and finance charges paid/payable on Premium Funding	16	19
Interest and finance charges paid/payable on Trade Facility	22	-
Interest and finance charges paid/payable on TSN Loan	30	-
Finance costs expensed	101	71
Superannuation expense		
Defined contribution superannuation expense	220	219

Note 7. Expenses (continued)

* *Impairment allocation to CGUs*

	2023 $'000	Group 2022 $'000
Impairment of intangibles is allocated to the following CGUs:		
Americas	-	234
Impairment of qother assets is allocated to the following CGUs:		
Australia	119	9
Americas	1,599	777
	1,718	786

Note 8. Income tax

	2023 $'000	Group 2022 $'000
Income tax expense		
Current tax	3	2
Aggregate income tax expense	3	2
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(7,504)	(10,569)
Tax at the statutory tax rate of 25%	(1,876)	(2,642)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other non-deductible permanent differences	-	11
	(1,876)	(2,631)
Current year tax losses not recognised	1,092	4,558
Current year temporary differences not recognised	632	(2,028)
Difference in overseas tax rates	155	103
Income tax expense	3	2

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 Group has a $25,130,000 (31 December 2022: $24,077,000) of tax effected revenue losses which have not been brought to account at 31 December 2023.

	2023 $'000	Group 2022 $'000
Income tax refund due		
Income tax refund due	13	59

Note 8. Income tax (continued)

		Group
	2023	**2022**
	$'000	**$'000**
Provision for income tax		
Provision for income tax	-	(2)

Note 9. Cash and cash equivalents

		Group
	2023	**2022**
	$'000	**$'000**
Current assets		
Cash at bank	585	2,746
Cash on deposit	123	118
	708	2,864

Note 10. Trade and other receivables

		Group
	2023	**2022**
	$'000	**$'000**
Current assets		
Trade receivables	1,644	759
Less: Allowance for expected credit losses	(168)	(140)
	1,476	619
Other receivables	-	564
Loan to The Sustainable Nutrition Group	-	1,148
GST recoverable	148	128
Employee tax credits receivable	-	1,416
Receivable from sub-lease	82	99
	1,706	3,974
Non-current assets		
Receivable from sub-lease	-	83

Allowance for expected credit losses
The Group has recognised a net loss of $15,000 (31 December 2022: net profit of $261,000) in profit or loss in respect of the expected credit losses for the year ended 31 December 2023.

Note 10. Trade and other receivables (continued)

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

Group	Expected credit loss rate 2023 %	Expected credit loss rate 2022 %	Carrying amount 2023 $'000	Carrying amount 2022 $'000	Allowance for expected credit losses 2023 $'000	Allowance for expected credit losses 2022 $'000
Not overdue	1%	1%	697	417	7	2
1 to 30 days overdue	1%	1%	202	173	2	1
31 to 60 days overdue	6%	6%	26	14	2	1
61 to 90 days overdue	8%	8%	32	5	3	-
Over 90 days overdue	95%	91%	687	150	154	136
			1,644	759	168	140

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

	Group 2023 $'000	Group 2022 $'000
Opening balance	140	468
Additional provisions recognised	10	64
Additions through business combinations	18	-
Receivables written off during the year as uncollectable	-	(67)
Unused amounts reversed	-	(325)
Closing balance	168	140

Note 11. Inventories

	Group 2023 $'000	Group 2022 $'000
Current assets		
Raw materials - at cost	1,718	87
Less: Provision for impairment	(243)	-
	1,475	87
Work in progress - at cost	513	621
Less: Provision for impairment	-	(172)
	513	449
Finished goods - at cost	1,771	1,016
Less: Provision for impairment	(357)	(30)
	1,414	986
Stock in transit - at cost	262	218
	3,664	1,740

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.

Note 12. Prepayments, deposits and other

	2023 $'000	Group 2022 $'000
Current assets		
Prepayments	266	509
Security deposits	161	166
Other deposits	131	-
	558	675
Non-current assets		
Security deposits	8	-
Other deposits	46	-
	54	-

Note 13. Non-current assets classified as held for sale

	2023 $'000	Group 2022 $'000
Current assets		
Investment in associate - Altmed Pets LLC	1,526	-

On 20 February 2024, Elixinol Wellness also announced it had entered into a binding purchase agreement to divest the Group's minority interest in Altmed Pets, LLC. The agreement, which is subject to financing, is expected to realise approximately $2.2 million in cash prior to 30 April 2024, based on 31 December 2023 exchange rate, and will be used to accelerate the Group's growth opportunities. The Investment held for sale has an historical credit adjustment for Treasury shares held by Altmed Pets LLC in Elixinol Wellness of $678,000. This will be reversed against issued capital when the investment is disposed and is non-cash and will have no impact on the statement of financial position.

Note 14. Investments accounted for using the equity method

	2023 $'000	Group 2022 $'000
Non-current assets		
Investment in associate - Altmed Pets LLC	-	2,826

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 2023 %	Ownership interest 2022 %
Altmed Pets LLC*	United States of America	25.43%	25.43%

* Holding through Elixinol LLC

Note 14. Investments accounted for using the equity method (continued)

Summarised financial information

	Altmed Pets LLC 2023 $'000	Altmed Pets LLC 2022 $'000
Summarised statement of financial position		
Current assets	3,043	2,388
Non-current assets	487	767
Total assets	3,530	3,155
Current liabilities	1,709	2,133
Non-current liabilities	92	290
Total liabilities	1,801	2,423
Net assets	1,729	732
Summarised statement of profit or loss and other comprehensive income		
Revenue	12,938	14,896
Expenses	(11,807)	(15,182)
Profit/(loss) before income tax	1,131	(286)
Other comprehensive income	-	-
Total comprehensive income/(loss)	1,131	(286)
Reconciliation of the Group's carrying amount		
Opening carrying amount	2,826	2,617
Share of profit/(loss) after income tax	288	(73)
Impairment of investment	(1,614)	-
Reversal of impairment of investment	-	73
Foreign exchange	26	209
Classified as held for sale (note 13)	(1,526)	-
Closing carrying amount	-	2,826

Note 15. Property, plant and equipment

	Group 2023 $'000	2022 $'000
Non-current assets		
Leasehold improvements - at cost	363	279
Less: Accumulated depreciation	(195)	(127)
Less: Impairment	(124)	(124)
	44	28
Furniture, fittings and equipment - at cost	185	134
Less: Accumulated depreciation	(148)	(119)
	37	15
Motor vehicles - at cost	38	-
Less: Accumulated depreciation	(21)	-
	17	-
Computer equipment - at cost	670	707
Less: Accumulated depreciation	(655)	(693)
	15	14
Machinery - at cost	2,447	1,929
Less: Accumulated depreciation	(883)	(848)
Less: Impairment	(774)	(763)
	790	318
	903	375

Reconciliations

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

Group	Leasehold improve-ments $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Computer equipment $'000	Machinery $'000	Total $'000
Balance at 1 January 2022	57	36	15	54	1,146	1,308
Additions	-	7	-	3	4	14
Disposals	(3)	(3)	(5)	-	(49)	(60)
Exchange differences	-	-	-	1	52	53
Impairment of assets	-	-	-	-	(763)	(763)
Depreciation expense	(26)	(25)	(10)	(44)	(72)	(177)
Balance at 31 December 2022	28	15	-	14	318	375
Additions	54	51	-	1	-	106
Additions through business combinations (note 33)	-	-	38	-	690	728
Disposals	-	-	-	-	(172)	(172)
Exchange differences	-	-	-	-	-	-
Impairment of assets	-	-	-	-	(11)	(11)
Depreciation expense	(38)	(29)	(21)	-	(35)	(123)
Balance at 31 December 2023	44	37	17	15	790	903

Note 16. Right-of-use assets

	Group 2023 $'000	Group 2022 $'000
Non-current assets		
Land and buildings - right-of-use	3,049	3,351
Less: Accumulated depreciation	(2,063)	(1,910)
Less: Impairment	(704)	(704)
	282	737

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

Reconciliations

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

Group	Land and buildings - right-of-use $'000
Balance at 1 January 2022	1,173
Modification of lease assumptions	(12)
Exchange differences	32
Impairment of assets	(3)
Depreciation expense	(453)
Balance at 31 December 2022	737
Additions through business combinations (note 33)	82
Modification of lease assumptions	43
Disposals	(115)
Exchange differences	9
Depreciation expense	(474)
Balance at 31 December 2023	282

For other AASB 16 and lease related disclosures refer to the following:
- Refer to note 7 for interest on lease liabilities and other lease payments;
- Refer to note 21 for lease liabilities at 31 December 2023;
- Refer to note 25 for maturity analysis of lease liabilities; and
- Refer to the consolidated statement of cash flows for repayment of lease liabilities.

Note 17. Intangibles

	2023 $'000	Group 2022 $'000
Non-current assets		
Website and software - at cost	-	1,049
Less: Accumulated amortisation	-	(808)
Less: Impairment	-	(241)
	-	-
Trademarks - at cost	155	152
Other intangible assets - at cost	2,142	-
	2,297	152

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

Group	Website and software $'000	Trademarks $'000	Other intangible assets $'000	Total $'000
Balance at 1 January 2022	316	147	-	463
Additions	-	5	-	5
Exchange differences	9	-	-	9
Impairment of assets	(234)	-	-	(234)
Amortisation expense	(91)	-	-	(91)
Balance at 31 December 2022	-	152	-	152
Additions	-	3	5	8
Additions through business combinations (note 33)	-	-	2,137	2,137
Balance at 31 December 2023	-	155	2,142	2,297

Note 18. Trade and other payables

	2023 $'000	Group 2022 $'000
Current liabilities		
Trade payables	1,760	1,076
GST and sales tax payable	15	28
Credit cards	73	53
Other payables	280	222
	2,128	1,379

Refer to note 25 for further information on financial instruments.

Note 19. Contract liabilities

		Group
	2023	**2022**
	$'000	**$'000**
Current liabilities		
Contract liabilities	522	22

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	22	94
Payments received or invoiced in advance	521	22
Transfer to revenue - performance obligations satisfied in previous periods	(21)	(94)
Closing balance	522	22

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 $522,000 as at 31 December 2023 ($22,000 as at 31 December 2022) and is expected to be recognised as revenue in future periods as follows:

		Group
	2023	**2022**
	$'000	**$'000**
Within 6 months	335	22
6 to 12 months	187	-
	522	22

Note 20. Borrowings

		Group
	2023	**2022**
	$'000	**$'000**
Current liabilities		
Loans - Raw With Life	48	-
Insurance premium funding	155	320
Trade financing	322	-
	525	320
Non-current liabilities		
Loans - Raw With Life	178	250

Refer to note 25 for further information on financial instruments.

Loans - Raw With Life
Prior to its acquisition by Elixinol Wellness 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. The Group assessed the fair value of the loan at the reporting date and the amount is not materially different from its carrying value. The loan is being repaid at $4,000 per month, subject to certain conditions.

Note 20. Borrowings (continued)

Trade financing
Debt facility of up to $1,500,000 established with Scottish Pacific Business Finance Pty Ltd ('ScotPac'), the largest non-bank business lender in Australia, to fuel long-term business growth. In addition, an additional $300,000 for trade finance facility is available. The facilities, provide early access to trade debtors and extend payment terms for inventory purchases. At 31 December, $797,000 was available and $300,000 was drawdown. Balance included $22,000 of one-off establishment charges at 31 December 2023.

Note 21. Lease liabilities

	Group 2023 $'000	Group 2022 $'000
Current liabilities		
Lease liability	545	697
Non-current liabilities		
Lease liability	-	568
Lease make good provision	14	69
	14	637

Refer to note 25 for further information on financial instruments.

Note 22. Issued capital

	2023 Shares	2022 Shares	Group 2023 $'000	Group 2022 $'000
Ordinary shares - fully paid	632,738,503	316,132,461	222,573	218,122

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 January 2022	315,778,066		218,058
Issue of shares on exercise of performance rights	28 February 2022	354,395	$0.000	64
Balance	31 December 2022	316,132,461		218,122
Issue of shares - Placement	14 April 2023	69,444,445	$0.018	1,250
Issue of shares - Vested performance rights	27 April 2023	9,247,011	$0.020	185
Issue of shares - Share Purchase Plan offer	26 May 2023	38,055,603	$0.018	685
Issue of shares - Vested performance rights	31 May 2023	3,478,785	$0.015	52
Issue of shares - Underwritten	7 June 2023	17,499,953	$0.018	315
Issue of shares - Underwriting fee to Canaccord	7 June 2023	3,000,000	$0.018	54
Issue of shares - Acquisition of The Sustainable Nutrition Group	17 August 2023	158,163,595	$0.012	1,898
Issue of shares - In lieu of cash consideration for corporate advisory	17 August 2023	9,036,068	$0.013	117
Issue of shares - Director fee rights - Q3	31 August 2023	2,291,667	$0.015	34
Issue of shares - Vested performance rights	3 October 2023	3,561,137	$0.020	71
Issue of shares - Vested performance rights	3 October 2023	1,300,000	$0.015	20
Issue of shares - Director fee rights - Q4	23 November 2023	1,527,778	$0.015	23
Share issue transaction costs				(253)
Balance	31 December 2023	632,738,503		222,573

Note 22. Issued capital (continued)

Balance of issued capital reflects Treasury shares on acquisition of Altmed Pet LLC on 24 April 2019 of 133,110 shares. Treasure shares are ordinary shares of the parent entity held by subsidiaries and /or associates

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.

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 capital risk management policy remains unchanged from the 31 December 2022 Annual Report.

Note 23. Reserves

		Group
	2023 $'000	2022 $'000
Foreign currency translation reserve	9,156	9,086
Share-based payments reserve	886	596
	10,042	9,682

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

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

Note 24. Dividends

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

Note 25. 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 and evaluates financial risks within the Group's operating units. Finance provides 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:

	Assets		Liabilities	
Group	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
US dollars	146	-	1	217
Euros	-	-	-	1
	146	-	1	218

The Group had net liabilities denominated in foreign currencies of $145,000 (assets of $146,000 less liabilities of $1,000) as at 31 December 2023 (31 December 2022: net liabilities of $218,000 (assets of $nil less liabilities of $218,000)). Based on this exposure, had the Australian dollar weakened or strengthened against these foreign currencies with all other variables held constant, the Group's profit before tax for the period would have been as follows.

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

	AUD strengthened			AUD weakened		
Group - 2023	**% 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%	7	7	5%	7	7
Euros	5%	-	-	5%	-	-
		7	7		7	7

Note 25. Financial instruments (continued)

	AUD strengthened			AUD weakened		
Group - 2022	**% 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%	11	11	5%	(11)	(11)
Euros	5%	-	-	5%	-	-
		11	11		(11)	(11)

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 2023 was $41,000 (31 December 2022: gain of $84,000).

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

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

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

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

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

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

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

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

Note 25. 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.

Group - 2023	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	1,760	-	-	-	1,760
Other payables	-	280	-	-	-	280
Loans	-	48	178	-	-	226
Interest-bearing - variable						
Lease liability	3.26%	545	14	-	-	559
Trade financing	10.74%	322	-	-	-	322
Interest-bearing - fixed rate						
Credit cards*	21.72%	73	-	-	-	73
Insurance premium funding	5.19%	155	-	-	-	155
Total non-derivatives		3,183	192	-	-	3,375

* Credit card balances are paid in full each month in accordance with their interest-free period and no interest has been charged during the year.

Group - 2022	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	1,076	-	-	-	1,076
Other payables	-	273	-	-	-	273
Loans	-	-	-	250	-	250
Interest-bearing - variable						
Lease liability	3.26%	697	568	-	-	1,265
Interest-bearing - fixed rate						
Credit cards*	18.94%	53	-	-	-	53
Insurance premium funding	8.30%	320	-	-	-	320
Total non-derivatives		2,419	568	250	-	3,237

* Credit card balances are paid in full each month in accordance with their interest-free period and no interest has been charged during the year.

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

Note 26. 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 27. Remuneration of auditors

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

	Group 2023 $	2022 $
Audit services - BDO Audit Pty Ltd		
Audit or review of the financial statements	221,500	255,219
Other services - BDO Audit Pty Ltd		
Taxation compliance services	23,261	39,495
Other advisory services	6,560	145,578
	29,821	185,073
	251,321	440,292
Other services - network firms		
Taxation services	84,108	78,811

Note 28. Contingent liabilities

The Group had no contingent liabilities as at 31 December 2023 and 31 December 2022.

Note 29. Commitments

	Group 2023 $'000	2022 $'000
Inventory purchase commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Inventory purchases under contract	1,009	1,081

Note 30. Key management personnel disclosures

Compensation

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

	Group 2023 $	2022 $
Short-term employee benefits	683,782	924,203
Post-employment benefits	64,053	137,694
Share-based payments	245,422	(26,283)
	993,257	1,035,614

Note 31. Related party transactions

Parent entity
Elixinol Wellness Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 34.

Associates and other investee
Interests in associates are set out in note 14.

Key management personnel
Disclosures relating to key management personnel are set out in note 30 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.

Receivable from and payable to related parties
All transactions were made on normal commercial terms and conditions and at market rates.

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

	Group 2023 $	Group 2022 $
Non-current borrowings:		
Loan from Raw With Life, an entity controlled by Paul Benhaim*, to Hemp Foods Australia Pty Ltd	-	250,000

* Paul Benhaim is no longer a director as at 31 December 2023. As such, the loan is no longer classified as a related party.

Loan transactions were made on negotiated terms and conditions.

Note 32. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2023 $'000	Parent 2022 $'000
Loss after income tax	(7,436)	(10,161)
Total comprehensive loss	(7,436)	(10,161)

Note 32. Parent entity information (continued)

Statement of financial position

	Parent 2023 $'000	2022 $'000
Total current assets	650	2,634
Total assets	7,577	10,657
Total current liabilities	1,099	1,286
Total liabilities	1,114	1,499
Equity		
Issued capital	223,251	218,800
Share-based payments reserve	886	596
Accumulated losses	(217,674)	(210,238)
Total equity	6,463	9,158

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
Except for the deed of cross guarantee, as detailed in note 35, the parent entity had no other guarantees in relation to the debts of its subsidiaries as at 31 December 2023 and 31 December 2022.

Contingent liabilities
The parent entity had no contingent liabilities as at 31 December 2023 and 31 December 2022.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 31 December 2023 and 31 December 2022.

Material accounting policy information
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 33. Business combinations

The Sustainable Nutrition Group Ltd
On 17 August 2023, Elixinol Wellness Limited acquired 100% of the ordinary shares of The Sustainable Nutrition Group Ltd ('TSN') for the total consideration transferred of $1,898,000. The acquisition increases size and scale for both Elixinol Wellness and TSN and will see the Group expand to own and operate brands across four key verticals: plant-based food and nutrition, hemp-based nutraceuticals (including cannabinoids such as CBD), pet nutritional supplements and skin health. TSN brands include Australian Primary Hemp, Mt Elephant, Field Day and The Australian Superfood Company. The acquired business contributed revenues of $10,000 and loss after tax of $272,000 to the Group for the period from 17 August 2023 to 31 December 2023. If the acquisition occurred on 1 January 2023, the full year contributions would have been revenues of $3,640,000 and profit after tax of $1,297,000. The values identified in relation to the acquisition of The Sustainable Nutrition Group are provisional as at 31 December 2023 as the Group has not yet finalised the valuation report.

Note 33. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	191
Trade and other receivables	201
Inventories (provisional)	2,514
Property, plant and equipment	728
Right-of-use assets	82
Other intangible assets (provisional)	2,137
Security deposits	940
Trade and other payables	(1,244)
Employee benefits	(117)
Loan to Elixinol Wellness Limited	(2,571)
Commercial loans	(880)
Lease liability	(83)
Net assets acquired	1,898
Goodwill	-
Acquisition-date fair value of the total consideration transferred	1,898
Representing:	
Cash paid or payable to vendor	-
Elixinol Wellness Limited shares issued to vendor	1,898
	1,898
Acquisition costs expensed to profit or loss	-
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	1,898
Less: cash and cash equivalents	(192)
Less: shares issued by Company as part of consideration	(1,898)
Net cash received	(192)

Note 34. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 2023 %	Ownership interest 2022 %
Elixinol LLC	United States of America	100%	100%
EXL International Holdings LLC	United States of America	100%	100%
Elixinol Wellness (Corporate Services) Pty Ltd	Australia	100%	100%
Elixinol Wellness (Byron Bay) Pty Ltd	Australia	100%	100%
Elixinol BV	Netherlands	100%	100%
Elixinol Ltd	United Kingdom	100%	100%
The Sustainable Nutrition Group Pty Ltd	Australia	100%	-
The Sustainable Nutrition Group (Australia) Pty Ltd	Australia	100%	-
Alchemia Oncology Pty Ltd	Australia	100%	-

Note 35. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Elixinol Wellness Limited
Elixinol Wellness (Corporate Services) Pty Ltd
Elixinol Wellness (Byron Bay) Pty Ltd
Elixinol LLC
EXL International Holdings LLC
Elixinol BV
Elixinol Ltd
The Sustainable Nutrition Group Pty Ltd
The Sustainable Nutrition Group (Australia) Pty Ltd
Alchemia Oncology Pty Ltd

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 Wellness Limited, they also represent the 'Extended Closed Group'.

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

Note 36. Cash flow information

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

		Group
	2023 $'000	2022 $'000
Loss after income tax expense for the year	(7,507)	(10,571)
Adjustments for:		
Depreciation and amortisation	597	721
Impairment of non-current assets	1,414	533
Impairment of right-of-use assets	184	-
Impairment of intangibles	-	234
Impairment of inventory	120	253
Net loss on disposal of property, plant and equipment	2	61
Share-based payments	675	241
Doubtful debts	-	64
Non-operating interest	(178)	-
Others	(33)	132
Change in operating assets and liabilities:		
Decrease in trade and other receivables	1,321	144
Decrease in inventories	470	227
Decrease in income tax refund due	46	482
Decrease/(increase) in prepayments, deposits and other	63	552
Decrease in trade and other payables	(493)	(831)
Increase/(decrease) in contract liabilities	530	(72)
Increase/(decrease) in other provisions	25	(13)
Increase/(decrease) in accrued expenses	171	(201)
Decrease in premium funding	(165)	(108)
Net cash used in operating activities	(2,758)	(8,152)

Note 36. Cash flow information (continued)

Changes in liabilities arising from financing activities

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

Group	Loan with Raw With Life $'000	Trade financing $'000	Lease liabilities $'000	Total $'000
Balance at 1 January 2022	250	-	2,037	2,287
Net cash used in financing activities	-	-	(757)	(757)
Exchange differences	-	-	(15)	(15)
Balance at 31 December 2022	250	-	1,265	1,515
Net cash from/(used in) financing activities	-	300	(738)	(438)
Exchange differences	-	-	18	18
Other changes	(24)	22	-	(2)
Balance at 31 December 2023	226	322	545	1,093

Note 37. Earnings per share

	Group 2023 $'000	2022 $'000
Loss after income tax attributable to the owners of Elixinol Wellness Limited	(7,507)	(10,571)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	473,417,780	316,076,146
Weighted average number of ordinary shares used in calculating diluted earnings per share	473,417,780	316,076,146
	Cents	**Cents**
Basic loss per share	(1.59)	(3.34)
Diluted loss per share	(1.59)	(3.34)

Performance rights (note 38) have not been included in the calculation diluted earnings per share as their inclusion would be anti-dilutive to the Group as at 31 December 2023 and 31 December 2022.

Note 38. Share-based payments

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

During the current year 95,903,647 performance rights were issued for $nil consideration and the share-based payment debit in profit or loss was $675,000, that included $181,000 credit for forfeitures and $856,000 debit for current period expense. The equity movement was a credit of $675,000 that included $385,000 credit for performance rights exercised as issued capital, and $290,000 movement in the share-based payment reserve.

During the prior year 13,767,195 performance rights were issued for $nil consideration and the share-based payment debit in profit or loss was $128,000, that included $212,000 credit for forfeitures and $340,000 debit for prior period expense. The equity movement was a credit of $126,000 that included $64,000 credit for performance rights exercised as issued capital, and $331,000 movement in the share-based payment reserve.

Note 38. Share-based payments (continued)

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.

For the 2022 Share Rights grant made during 2022, the performance period of the grant is three financial years in one tranche following the performance period. The performance period is from 1 January 2022 to 31 December 2024.

Share Rights granted during 2023 were issued in two equal tranches. The performance period for Tranche 1 is 18 months from 1 January 2023 to 30 June 2024 and the performance period for Tranche 2 is 3 years from 1 January 2023 to 31 December 2025.

The vesting dates are as follows:

Share Rights granted in 2022	Share Rights granted in 2023
Vesting date	Vesting date
28 February 2025	Tranche 1 - 30 August 2024 Tranche 2 - 28 February 2026

Grant dates and details
Set out below are summaries of options granted:

2023

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
07/06/2023	07/06/2025	$0.020	-	131,000,001	-	-	131,000,001
17/08/2023	22/10/2023	$0.232	-	374,915	-	(374,915)	-
31/08/2023	31/08/2025	$0.020	-	2,291,667	-	-	2,291,667
23/11/2023	23/11/2025	$0.020	-	1,527,778	-	-	1,527,778
			-	135,194,361	-	(374,915)	134,819,446

The weighted average share price during the financial year was $0.015.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.67 years.

Set out below are summaries of performance rights granted:

2023

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/07/2020	30/10/2025	62,271	-	-	-	62,271
07/07/2021	07/10/2026	2,210,204	-	-	(662,828)	1,547,376
27/05/2022	27/08/2027	7,756,755	-	-	(2,914,450)	4,842,305
21/01/2022	21/04/2027	467,692	-	-	(186,813)	280,879
27/05/2022	27/08/2027	1,631,780	-	-	(465,753)	1,166,027
21/04/2023	22/07/2028	-	9,247,011	(9,247,011)	-	-
21/04/2023	22/07/2028	-	5,582,545	(3,561,137)	(2,021,408)	-
31/05/2023	31/08/2028	-	4,778,785	(4,778,785)	-	-
31/05/2023	31/08/2028	-	9,166,668	-	-	9,166,668
03/10/2023	31/08/2028	-	67,128,638	-	-	67,128,638
		12,128,702	95,903,647	(17,586,933)	(6,251,252)	84,194,164

Note 38. Share-based payments (continued)

2022

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	30,112	-	-	(30,112)	-
15/05/2018	15/08/2023	225,000	-	-	(225,000)	-
21/09/2019	21/12/2024	9,598	-	-	(9,598)	-
30/07/2020	30/10/2025	910,654	-	-	(848,383)	62,271
07/07/2021	07/10/2026	354,395	-	(354,395)	-	-
07/07/2021	07/10/2026	3,124,981	-	-	(914,777)	2,210,204
21/01/2022	21/04/2027	-	11,523,034	-	(3,766,279)	7,756,755
26/05/2022	26/08/2027	-	144,689	-	(144,689)	-
26/05/2022	26/08/2027	-	467,692	-	-	467,692
26/05/2022	26/08/2027	-	1,631,780	-	-	1,631,780
		4,654,740	13,767,195	(354,395)	(5,938,838)	12,128,702

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 3.04 years (31 December 2022: 2.39 years).

Valuation model inputs
For the options 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	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
07/06/2023	07/06/2025	$0.014	$0.020	105.80%	-	3.57%	$0.0097
17/08/2023	22/10/2023	$0.012	$0.232	-	-	-	$0.0000
31/08/2023	31/08/2025	$0.010	$0.020	-	-	-	$0.0000
23/11/2023	23/11/2025	$0.014	$0.020	-	-	-	$0.0000

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
21/04/2023	22/07/2028	$0.019	-	-	-	$0.0200
21/04/2023	22/07/2028	$0.019	-	-	-	$0.0200
31/05/2023	31/08/2028	$0.015	-	-	-	$0.0150
31/05/2023	31/08/2028	$0.015	-	-	-	$0.0150
03/10/2023	31/08/2028	$0.007	-	-	-	$0.0000

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

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

Note 39. Events after the reporting period

On 12 February 2024, Elixinol Wellness announced that it entered into a Share Purchase Agreement ('Share Purchase Agreement') with Ecofibre Limited ACN 140 245 263 (ASX: EOF) to purchase Ananda Food Pty Ltd ACN 107 362 863 (a wholly owned subsidiary of Ecofibre).

Note 39. Events after the reporting period (continued)

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

The Company has undertaken a fully underwritten non-renounceable rights issue to raise $3.16 million ('Entitlement Offer') to complete the acquisition of Ananda Food, support additional marketing and for general working capital.

The Entitlement Offer price of 0.5 cents for one (1) new fully paid ordinary share ('New Share') for every one (1) share held, together with one (1) free attaching listed option for every two (2) New Shares subscribed for and issued ('Attaching Options'). Attaching Options are exercisable at 0.75 cents each and will expire 36 months from the date of issue ('New Options'). The Company will apply for the Attaching Options to be quoted on the ASX. Furthermore, sub-underwriter(s) to the Entitlement Offer will receive a one (1) for two (2) sub-underwriter option for each share sub-underwritten ('Sub-underwriter Options'), issued on the same terms as the Attaching Options. Sub-underwriter Options are subject to shareholder approval.

The Entitlement Offer and acquisition are expected to be complete by the end of March 2024.

On 20 February 2024, Elixinol Wellness also announced it had entered into a binding purchase agreement to divest the Group's minority interest in Altmed Pets, LLC. The agreement, which is subject to financing, is expected to realise approximately $2.3 million in cash prior to 30 April 2024 and will be used to accelerate the Group's growth opportunities.

No other matter or circumstance has arisen since 31 December 2023 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.

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 2023 and of its performance for the financial year ended on that date;

- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

- At the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 35 to the financial statements.

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

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

On behalf of the Directors

Dave Fenlon

____
David Fenlon
Independent Non-Executive Director and Chair

12 March 2024

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Elixinol Wellness Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Elixinol Wellness Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy 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 2023 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Accounting for the acquisition of The Sustainable Nutrition Group

Key audit matter	How the matter was addressed in our audit
As disclosed in note 33 in the financial statements, on 17 August 2023, the Group completed the acquisition of The Sustainable Nutrition Group. Given the significance of the transaction and the complexities associated with accounting for the acquisition in accordance with AASB 3 *Business Combinations*, the acquisition accounting is a significant area of focus for the audit.	Our procedures included but were not limited to: • Reviewing the purchase agreements in relation to the acquisition; • Reviewing the accounting treatment for the acquisition; • Performing testing on the fair value of the net assets acquired on acquisition date; • Assessing the fair value of consideration paid; • Confirming the date of acquisition; • Confirming that the acquisition was a business acquisition in accordance with AASB 3 *Business Combinations*; and • Ensuring that the provisional accounting was allowable.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2023, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included the directors' report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Elixinol Wellness Limited, for the year ended 31 December 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

BDO

L Russell

Leah Russell
Director

Sydney 12 March 2024

The shareholder information set out below was applicable as at 7 March 2024.

Distribution of equitable securities

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

		Ordinary shares
	Number of holders	% of total shares issued
1 to 1,000	3,015	0.20
1,001 to 5,000	2,318	1.01
5,001 to 10,000	1,024	1.28
10,001 to 100,000	2,239	11.79
100,001 and over	776	85.72
	9,372	100.00
Holding less than a marketable parcel	8,273	10.06

Equity security holders

Twenty largest quoted equity security holders

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

		Ordinary shares
	Number held	% of total shares issued
CG NOMINEES (AUSTRALIA) PTY LTD	31,074,072	4.91
UBS NOMINEES PTY LTD	20,945,417	3.31
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,698,448	2.95
CITICORP NOMINEES PTY LIMITED	18,181,816	2.87
ROSEDALE SUPER PTY LTD (ROSEDALE SUPER FUND A/C)	16,871,048	2.67
RAW WITH LIFE PTY LTD (BENHAIM TRADING A/C)	16,692,881	2.64
JAMES ROBERT HOOD PTY LTD (BLUESTONE A/C)	11,387,115	1.80
MR STUART RESECK & MRS NICOLE DEANNE RESECK (RESECK SUPER FUND A/C)	11,000,000	1.74
MS PAULINE THERESE GATELY	9,930,583	1.57
INTERDALE PTY LTD (MAPLE SUPER A/C)	7,035,496	1.11
MR KIERAN JOHN O'BRIEN	6,021,500	0.95
MR ASHLEY HARDWICK	5,402,778	0.85
JASFORCE PTY LTD	5,049,873	0.80
MR RONALD MICHAEL DUFFICY	4,814,835	0.76
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	4,539,590	0.72
COTTON ON INNOVATION FUND PTY LTD	4,472,461	0.71
D & G HEALTH LLC	4,119,229	0.65
KANEDEN ENTERPRISES PTY LTD (ROSEBURGH FAMILY SUPER A/C)	4,000,000	0.63
MR NICKY ALFRED KLEYN	4,000,000	0.63
COTTON ON INNOVATION FUND PTY LTD	3,928,750	0.62
	208,165,892	32.89

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	134,819,446	170
Performance rights issued	64,111,486	19

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

Substantial holders
There are no substantial holders in the Company.

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.

Directors	David Fenlon - Independent Non-Executive Director and Chair Ron Dufficy - Group Chief Executive Officer and Managing Director Pauline Gately - Non-Executive Director
Group Chief Executive Officer	Ron Dufficy
Group Chief Financial Officer	Josephine Lorenz
Company secretaries	Josephine Lorenz Sarah Prince
Registered office	Level 12 680 George Street Sydney NSW 2000 Tel: (02) 9161 4275 (within Australia) Tel: +61 (0) 2 9161 4275 (outside Australia)
Mailing address	PO Box 20547 World Square NSW 2002
Share register	Automic Pty Ltd Level 5 126 Phillip Street Sydney NSW 2000 Tel: 1300 288 664 (within Australia) Tel: +61 (0) 2 9698 5414 (outside Australia)
Auditor	BDO Audit Pty Ltd Level 11 1 Margaret Street Sydney NSW 2000
Stock exchange listing	Elixinol Wellness Limited shares are listed on the Australian Securities Exchange (ASX code: EXL)
Website	www.elixinolwellness.com
X (formerly known as Twitter)	EXLWellness
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 (4th 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://www.elixinolwellness.com/site/About-Us/corporate-governance